

# Modernising the Public Administration A Study on Italy

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**MODERNISING THE PUBLIC ADMINISTRATION:**

**A STUDY ON ITALY**

***DRAFT***



“Individuals respond to a decline in the quality of an organization by choosing from three possible actions – exit, voice, and loyalty. Exit and voice can only be understood in relation to loyalty, an attachment that keeps one from leaving an organization going in the “wrong direction...The customer who, dissatisfied with the product of one firm, shifts to that of another, uses the market to defend his welfare... and he also sets in motion market forces which may induce recovery on the part of the firm that has declined...In all its respects voice is just the opposite of exit...Voice is political action par excellence.”

Hirschman, 1970



## **FOREWORD**

This study on public administration reforms in Italy describes what has been achieved in the last two years by the Italian government within the framework of the Public Administration Reform (the "Brunetta Reform"). It examines, in particular, the policy tools adopted in light of reform objectives, national context, and international good practice. This study is therefore intended as preparatory work for a more thorough comprehensive review of Italian public administration reforms to assess their implementation, and ultimately, their impact.

The OECD Public Governance Reviews help countries assess their public governance arrangements from an international comparative perspective in terms of their ability to deliver on government objectives for the whole-of-government, and their preparedness to meet current and future challenges. This study was prepared at the request of the Italian Minister for Public Administration and Innovation also with a view to conduct in the future a comprehensive OECD Public Governance Review.

Following the launching of this study on 28 October 2010 in Rome at the Seminar "A Reform for Growth and Innovation, Modernisation and Productivity in the Public Administration", the paper will be presented to OECD Ministers responsible for Public Administration during the Public Governance Committee Meeting at the Ministerial level to be held in Venice on 15-16 November 2010.

Under the leadership of Martin Forst and Edwin Lau, the study was written by Barbara-Chiara Ubaldi with contributions from Jordan Holt on the chapter on the potential macroeconomic dividends of public sector reforms. Julie Harris and Carine Tyler edited the study. The OECD gratefully acknowledges the excellent co-operation of the Italian administration in the preparation of the report.



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## EXECUTIVE SUMMARY

### **Principles and main characteristics of the reform**

The general strategy and guidelines to reform the Italian public administration (*i.e.* the public administration reform scheme referred to as the “Industrial Plan”) were issued by the Italian Ministry for Public Administration and Innovation on 28 May 2008. This strategy, enacted into law on 4 March 2009 (Law 15/2009), provides a comprehensive reform design for the Italian public administration (the “Brunetta Reform”). On 27 October 2009, the government approved Legislative Decree 150 (the Reform Decree), implementing the Brunetta Reform in the field of regulation of public employment and efficiency and transparency of the public administration. In line with the guidelines set out in the industrial plan, the overarching purpose of the reform is to foster the nation’s economic growth and social advancement.

The Italian public administration reform aims to ensure the highest level of the state’s accountability towards its citizens, in both its political and administrative functions. Additionally, it aims to foster more rapid economic growth by boosting the efficiency and productivity of the public sector, which accounts for about 20% of Italy’s payroll expenditure, and whose interdependence with the private sector has an important impact on the overall dynamism of the economy. The immediate objective of the reform is to improve the efficiency and effectiveness of public sector work by raising the quality of public services and by increasing both labour and total factor productivity in all sectors of the public administration.

The reform’s emphasis on public sector efficiency and effectiveness highlights a view of the public administration as a productive sector and a provider of essential services. Public administrative efficiency and effectiveness are considered preconditions for a strong, cleaner and fairer economy, especially when budget constraints combine with growing demand for public goods and services; *i.e.* citizens are asking for more and better services. The reform

highlights the need to improve the quality of public services, through a new management approach oriented towards a continuous improvement of the performance, the adoption of standards and benchmarking, and the measurement of customer satisfaction.

In the view of the Italian reformers, monitoring the efficiency and effectiveness of the public administration is closely linked to the accountability of political action. Hence, the Italian reform rests on a notion of public sector performance that is broadened to include the ability of the public administration to embody such fundamental values as transparency, integrity, equity and participation in order to increase the government's overall accountability.

The reform considers transparency and integrity essential parts of any system of monitoring, evaluation and reward granting. This is why, according to the Italian reformers, what is needed is not just extending the concept of performance beyond the definition of efficiency and effectiveness, to include the overall values of good governance. It also requires bringing citizens into the process of evaluation and indicating preferences that support more responsive allocation of public resources.

On 17 December 2009, Legislative Decree 198/2009, further implementing Law 15/2009, was approved. It establishes that, in case of inefficient services, citizens and companies may file a collective action suit against the relevant public administrations and public service providers. This prospective constitutes the basis for developing and extending the notion of accountability at the administrative and political levels.

Attaining reform goals requires a system of evaluation, incentives and rewards based on results. This promotes the idea of competitive selection of the best individuals and organisational units, rewarding them in monetary and non-monetary terms on the basis of innovative capability and excellence in performance.

The reform approach has been inspired by the exit/voice paradigm. On one side, new opportunities and rights are given to citizens/customers (voice) together with new market-type mechanisms (exit) conceived as a set of possibilities to access the same service in various ways or from various service providers connected directly or indirectly to the public sector. On the other side, the feedback component of the paradigm commits the “enablers” to be safe guardians of loyalty through top-down performance management and capacity development.

The reform introduces into the Italian public administration the principle of “executive accountability”. As the executive’s job evaluation depends on the results of his/her unit, the Italian reform defines new boundaries for public managers’ responsibilities. Now seen as “public employers”, managers play a central role in human resource management, defining the tasks to be carried out and the targets to be reached; and this role requires greater responsibility. Accountability is linked to the administrator’s power to evaluate subordinates according to indicators of efficiency and effectiveness ratified by an independent agency. Executives are essentially subject to the same principles of evaluation and reward, again driven by competition.

As stated above, the reform is also designed to enhance the ability of the Italian economy to get in step with the current world economic upturn and, in particular, with the changing composition of the global demand and supply, which was already under way before the global economic crisis.

In view of the above, the key questions that Italian public sector reformers have tried to answer are: What does increasing the productivity of the public administration mean? What does the pursuit of an increase in productivity entail in this context? What are the channels through which an increase in public sector productivity is transmitted to the economy as a whole?

The reform is therefore based on macroeconomic principles, supported by empirical analysis, that public administration reform can generate macroeconomic benefits through four main levers to promote: i) reducing deficits and debts, ii) increasing government productivity, iii) reducing time and monetary costs to citizens and businesses for doing business with government, and iv) improving governance that can lead to better outcomes in all policy sectors. There are synergies between the levers, and each may not work in isolation.

The objectives and practical design of the current set of Italian administrative reforms launched in 2008 reflect the historical, political and social role of the public administration and its own internal culture. These reforms have taken into account the history as well as the established norms and practices in Italy, which restrict the range of policy choices at the disposal of reformers. The bureaucratic tradition of the Italian public administration, which is centred much more on the control of inputs than on the evaluation of outputs, has made it quite difficult during the past 30 years to enact reforms based on the theories focusing on citizens as taxpayers and customers and on the various indicators of performance that have thus far been used to introduce management mechanisms directed at efficiency. As a result of the re-thinking of the traditional approach, the new reform strategies have

focused on what is achievable, and, above all, on attaining real cultural change rather than aiming for an ideal model.

### **The reform's initiatives**

At the beginning of the current reform period in 2008, there was increasing recognition that the reform of the public administration was more necessary and urgent than ever, in particular in the midst of the global economic crisis, in which the role of the state and politics regained importance and centrality. Despite the results achieved through previous reform efforts, the legalistic approach had remained intact and the expected improvement in public sector competitiveness and productivity did not seem to have materialised as expected. Previous reforms had not substantially changed some signs of a malfunctioning public sector, *i.e.* high absenteeism and very low customer satisfaction and citizen trust.

The Italian public administration in 2008 was characterised by managers who had progressively neglected their responsibilities in the collective bargaining process, depriving themselves of the necessary flexibility in a fast-moving context. They were strapped with an evaluation process aimed at performance differentiation, which had been used in most cases to distribute incentives regardless of merit among managers. And between 2000 and 2008, the rate of growth of civil servant wages had far exceeded that of the private sector, despite declining public labour productivity.

In response to this situation, three pillars of the reform scheme included i) modernisation of the public administration, ii) innovation and digitalisation within the public administration and throughout the country, and iii) development of a relationship between the public administration, citizens and businesses.

An organic design was created to introduce into the public administration instruments to increase efficiency and productivity and to tackle issues such as evaluation of performance and a real pursuit of efficiency. The new performance framework defined by the Reform Decree favours a managerial approach within the public administration. In order to safeguard the new framework, managers' prerogatives are reinforced by limits imposed on collective bargaining, but they also face sanctions in case of failure to implement the new framework.

As a response to the observed weak effects of collective bargaining in terms of productivity, a set of rules defining the consequences of evaluation have been adopted to safeguard the principle of selection and merit recognition. Additionally, the enhanced digitisation of the public administration is seen as

a driving force for improving efficiency and productivity, in order to achieve a reduction in transaction costs, to foster process and product innovation and to engage and involve citizens and businesses in assessing public sector performance and in formulating solutions.

The programme was inspired by international practices and guidelines. The Italian initiatives described in this study, are conceived with the OECD Innovation Strategy as a model. Italian reform has also anticipated the strategic approach embedded in the vision set by the Europe 2020 Strategy, launched by the European Commission in March 2010 to help Europe emerge from the crisis and prepare the European Union economy for the next decade.

The challenges faced by Italy today to improve the functioning of its public administration are shared by most other OECD countries. Therefore, as international experiences have served as inspiration for the Italian reformers, the Italian initiatives, particularly the more innovative ones, can provide good examples to some OECD countries, and create a benchmark for those that have sought to address common problems.

### **The way ahead**

In a context where the current economic recovery presented challenges and pressures for the government to deliver results and preserve performance while dealing with changing priorities, the Italian public administration reform programme focused on producing results quickly. A number of innovative and well-researched initiatives were implemented within the comprehensive framework of the reform, and it appears that the monitoring exercises are providing the Italian government with indicators, data and feedback showing that decisions are producing positive results.

The initiatives are starting to bear fruit. Nevertheless, constant and sustained effort is required to further establish them, to implement reforms more widely across the public administration, to take actions that address issues and problems brought to the light by the execution of the different initiatives and to ensure that lasting and sustainable change is achieved in terms of the culture and motivation of the public administration.

To ensure the long-term sustainability of the achievements and to maximise the various initiatives' benefits, it is critical now for the government to build on the results achieved thus far. It is essential to act on the feedback and implement concrete and targeted follow-up actions that address the concerns expressed by users. It is also important to create solid partnerships within the various levels of government to secure the collective commitment



to, and the buy-in of, the various initiatives and a sense of ownership of actions and results.

In fact, as implementation continues in Italy, it will be important to ensure a whole-of-government approach that fosters co-ordination and collaboration across levels of government. Responding to citizen feedback and requests, as promised, will imply bearing the cost of implementing necessary changes. Therefore, to deliver on promises without increasing costs to the public sector, it will be crucial to create an environment conducive to the sharing of resources and to the creation of economies of scale that will avoid adding new and excessive costs. This will facilitate interventions aligned with the Italian model of public reform which will be “neutral on the budget”.

Moreover, the increased digitisation of the public administration requires a general effort to reorganise and understand the new opportunities presented by emerging technologies. Otherwise, there is a risk of simply adopting technologies while reproducing the same procedures and services. In a word, it requires a desire for innovation within the administrative bodies that focuses on the final results of actions. This represents a point of convergence between administrative reform and the programme of innovation based on increased digitisation. The reform makes executives and functionaries accountable for the results they obtain through competitive rewards. The efforts to increase digitisation can help build momentum in the right direction, particularly if administrators themselves see it as the necessary means for improving service production, not only in quantitative, but especially in qualitative terms. Comparative evaluation of services provided, when combined with checks for “customer satisfaction”, could be the trigger that makes increased digitisation and technological innovation desirable and effective.

Finally, ensuring that the society is ready and enabled to take full advantage of the new opportunities brought about by the increased digitisation will decrease the risk of wasting efforts and creating new forms of digital exclusion. Reaping the benefits of the public administration reform will require appropriate actions to foster a cultural change both in the public administration and in the greater society. It requires promoting and communicating new opportunities for citizens, businesses and public servants, in order to ensure the dissemination of the reform’s benefits and the expected up-take of digital services.

Understanding what has been done requires better comprehension of the various dimensions of the overall design of the reform and of the complex convergence of actions and instruments at different levels. Some quick wins

in areas such as reducing absenteeism and measuring citizen satisfaction have demonstrated the determination of the government to change its way of working. The communication of innovation and of reform efforts and the incorporation of citizen feedback will help change the orientation of the public service. Other changes, such as the development of quality and performance indicators, may take more time before they have an impact on citizens' perceptions of the public service. These reforms are vital, however, for the development of a managerial spirit in the Italian public service and for strengthening its capacity to be focused on citizens and performance.

This study, which is intended to describe what has been done in the last two years within the framework of the reform, shows the synergy between the targeted goals and the policy tools adopted to achieve them. Additionally, in order to assess the implementation of the reforms and their impact, which can be appraised only in the medium term, a deeper assessment would enable understanding whether the reforms are actually influencing the behaviour of public servants, as expected. A more thorough analytical exercise would highlight successes and how to maximise the positive impact of the reform on the Italian economy and on the productivity of the Italian public sector.



## CHAPTER 1. REFORMING THE ITALIAN PUBLIC ADMINISTRATION

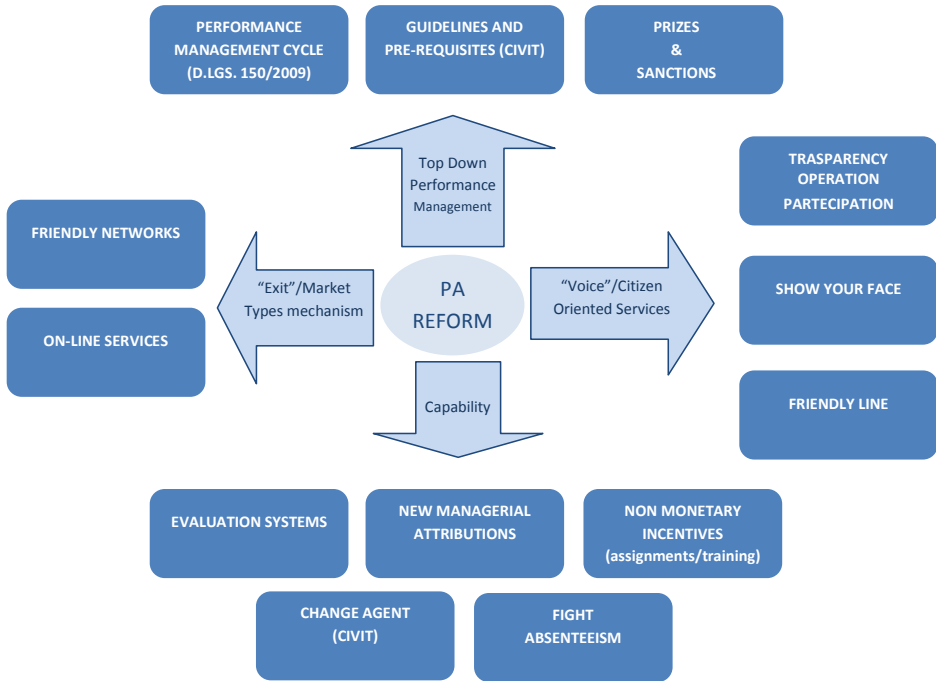
### 1.1. Background of the reform

Previous reforms (mainly in 1993 and 1998) established a framework of managing civil servants based on collective bargaining and a control system aimed at enhancing both productivity of public servants and the performance evaluation process of managers, as in reform programmes developed in other countries. In 2008, the re-organisation of the budget process in terms of goals and programmes was aimed both at simplifying and at enhancing the control of the overall performance management process. Despite previous efforts and results achieved, which varied considerably across the government bodies involved in the reform, the overall picture in 2008 could be summed up as follows: managers had progressively abandoned their managerial responsibilities in the collective bargaining process, depriving themselves of the necessary flexibility in a fast-moving context; and the evaluation process, aimed at the differentiation of performance, had been used in most cases to distribute incentives equally among managers. The managerial controls set up by Legislative Decree 286/1999 were never implemented, leaving the legal and administrative approach intact; and the expected gains in public sector competitiveness and productivity never materialised. Moreover, the previous reforms did not change three signs of a malfunctioning public sector: high absenteeism, increasing expenditures and very low customer satisfaction and citizen trust.

The industrial plan for the reform of the public administration presented by the Minister for Public Administration and Innovation and adopted by the government in 2008, highlights several leverage points in order to “make the system work”. A distinctive feature of this plan is that it acknowledges that the changes must be part of the culture. The industrial plan has a clear message: the public sector has a vital role to play in the country’s competitiveness, and civil servants can make it work. This approach is consistent with the literature, which recognises the importance of cultural aspects in leading change and of symbols (Christensen and Lægheid, 2003). The objectives of the reform are thus clearly set out by law: to enhance the quality of services to citizens through performance management and citizen/users-centred approaches, and to enhance civil servants’ capability to satisfy given demand. Such an approach is complemented by the development of initiatives enabling citizens to choose the modality of the interaction, making them owners of the service.

When applied to the current reform of the public administration in Italy, such model can be designed as represented in Figure 1.1.

**Figure 1.1. Exit voice model applied to the “Brunetta Reform” in Italy**



Source: Italian Ministry for Public Administration and Innovation.

By taking a closer look at the reform approach, we can see that this model is composed of, on the one hand, the exit/voice paradigm, represented by the citizen/user approach and market-type mechanisms, and on the other hand the “enablers” (top-down performance management and capability development).

The “exit” option needs to be contextualised within the Italian public administration reform. Going beyond market-type mechanisms, this option has to be relocated at a micro-level (*i.e.* the individual) and conceived as a series of possibilities offered to the user to access the same service in various ways (*e.g.* physically or on line) or from various service providers connected directly or indirectly to the public sector (see, as an example, the Friendly Networks initiatives described in Chapter 5).

While the exit/voice approach grants new rights and new opportunities to citizens, the enablers are mainly inward-looking as they re-shape the overall organisational framework of the administration. Such enablers can be related, in a theoretical framework developed upon the work of Hirschman, to the safeguard of loyalty, by fostering trust through transparency and improving capabilities through better performance management.

## **1.2. The Brunetta Reform**

On 27 October 2009, the government approved Legislative Decree 150/2009 (the Reform Decree), implementing Law 15 of 4 March 2009 on a comprehensive reform of the public administration encompassing a revision of all aspects related to the civil service, with a view to improving labour productivity as well as efficiency and transparency. The decree entered into force on 15 November of the same year and concerns the organisations and bodies of the public sector, which involves 3.6 million civil servants.

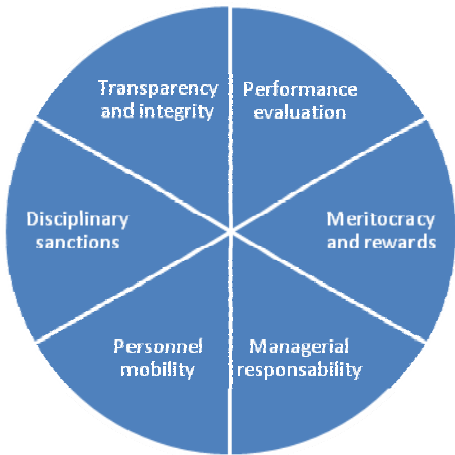
The primary purpose of the Reform Decree is to ensure that the government, in its political and administrative organisation, answers to the citizens. The second purpose of the reform is to foster more rapid economic growth by boosting the efficiency and productivity of a sector that accounts for approximately 20% of Italy's employment payroll and whose interdependence with the private sector is a factor in the overall dynamism of the national economy. In its aim to increase the efficiency of the public administration, Italian legislators intended to address not only the general services of the bureaucracy but also such key sectors as healthcare and education, which affect the growth of human capital; civil justice, which is essential to the proper working of markets; and the criminal justice system and internal and external security, as law and order are crucial to the direct welfare of the citizens and to economic and financial activities.

The immediate objectives of the reform are to improve the organisation of work, progressively increasing the quality of government services according to the citizens' perspective of their needs, and boosting both labour and total factor productivity in all sectors of the public administration. The means for attaining these goals is the recognition of the merits and shortcomings of executives in the public sector and of all government employees. The assumptions underpinning this approach draw from the expectancy theory (Vroom, 1964; Bonner and Sprinkle, 2002), which states that individuals are motivated to increase their performance by monetary incentives. Thus, providing incentives to civil servants can help increase the overall

performance of public organisations. In other words, what is needed is a system of incentives and evaluation of performance, which in the public sector takes the place of the market mechanisms that determine resource allocation and spur productivity gains in the private sector, according to a perspective that was well developed by the literature (Ferlie, 1992). At the same time, the reform is designed to enhance the ability of the Italian economy to get in line with the global economic recovery, and in particular with the changing composition of demand and supply. This was already under way before the financial and economic crisis, and has accelerated as a result of it.

According to this framework, the reform aims to foster more transparency, faster and more reliable responses, less absenteeism, less queuing, more courtesy, better quality of services, and more efficient offices serving citizens and enterprises. Its principles and instruments are shown in Figure 1.2.

**Figure 1.2. Principles and tools of Italian reform**



*Source:* Italian Ministry for Public Administration and Innovation.

The reform strategy rests on three pillars: i) modernisation of the public administration, ii) innovation and digitalisation within the public administration and the country more broadly, and iii) the relationship between the public administration and citizens and businesses. The main activities initiated thus far to achieve the specific goals within each pillar are described in Chapters 2 to 4 of this study.

### **1.3. Governance of the reform**

The reform framework put in place by the Minister for Public Administration and Innovation is based on a stringent timeframe, especially for public entities at the central level of government. The implementation requires a thorough co-ordination among key players<sup>1</sup> of the reform in order to align strategy and resources in different organisations. The Minister has defined two main instruments to support this effort, namely the Reform Delivery Unit, a co-ordination unit with representatives of all key players, and a web portal on the reform. The aim is for all public entities to be in the best possible condition for the first round of the Performance Management Cycle, *i.e.* as of 2011, as defined in the Legislative Decree 150/2009. The ability of the Public Administration Department to support the various entities within public administrations in the reinforcement of a significant scope of reforms is a key success factor.

In the first phase (November 2009 – February 2010) the Reform Delivery Unit (RDU) work focused on co-ordinating the annual plans of the various key players, aligning processes and strategic priorities. The second phase (March 2010) emphasised co-ordinating the support given by the Civil Service Department to legal issues related to the reform, and sharing information on feedback coming from pioneer administrations. The RDU has also provided administrations with a first guide to understanding the scope and the implications of the reform. This guide will be progressively updated with examples and further support for administrations. The RDU is a place where key players co-ordinate their participation in external events in order to promote the reform; it is also responsible for the web portal on the reform ([www.riformabrunetta.it](http://www.riformabrunetta.it)).

With the establishment of CIVIT, the National Commission for Evaluation, Transparency and Integrity Commission (see Box 1.1) and the alignment of strategic planning in all the bodies involved, the RDU has recently refocused its tasks on legal issues (*e.g.* gathering information and preparing replies to legal questions related to the Reform Decree, such as interpretation and guidelines) and on the broad implementation monitoring (*e.g.* updating pilot experiments and adopting secondary legal instruments laid out in the Reform Decree) and on ensuring a steady input for the reform website.

Within the RDU, the various deadlines contained in the Reform Decree are monitored in order to keep the Minister informed and to update the schedule tables published on the website.



The Minister's aim with the portal is to give public servants and citizens complete and transparent information on the reform process in line with the transparency and disclosure of information that are drivers of the reform. This is a first implementation of the new transparency framework established in Legislative Decree 150/2009. The portal is divided in three areas:

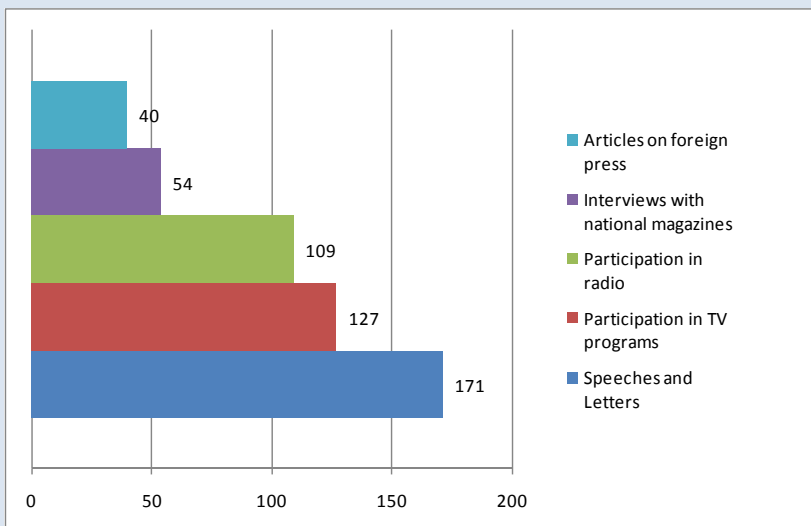
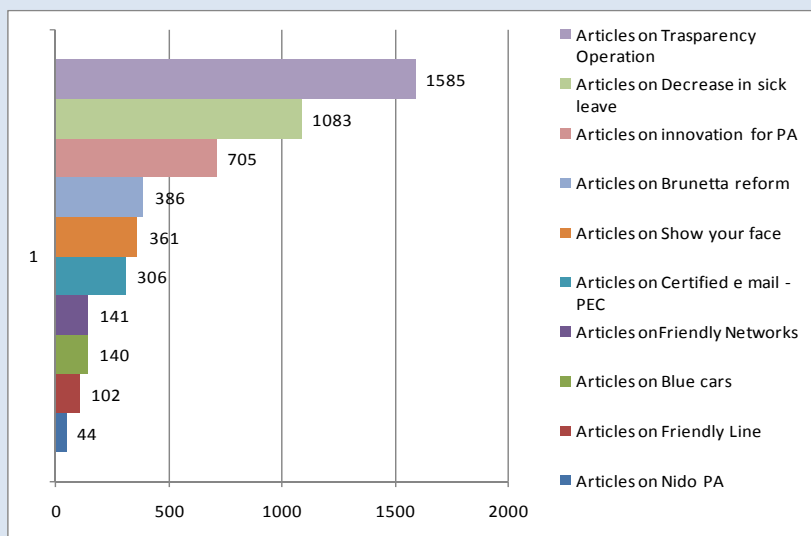
- A Knowledge Section that contains informative material and a documentation centre;
- A Monitoring Section containing updates on the various steps of the reform's implementation;
- A Participation Section containing all the pilot schemes, forums, communities and first examples of the reform's implementation.

The portal links all other activities related to the reform, in particular, initiatives on customer satisfaction, transparency, equal opportunity and front-line support.

These redefined tasks imply a looser organisation in the RDU, since all actors do not need to be involved in all matters.

### Box 1.1. Communicating the reform

People play a significant role in shaping and bringing about the cultural changes driving reform. The communication campaign involves all the actions taken by the Minister for Public Administration and Innovation. Furthermore, communication is seen as a powerful implementation policy tool. Specific communication campaigns provide citizens with all the necessary information on what to expect and demand from the public administration, which empowers them. The following charts highlight the active role played by the media in bringing together all social actors in the implementation of the reform, from 8 May 2008 to 8 May 2010.



Source: Italian Ministry for Public Administration and Innovation.

#### 1.4. New developments of the reform: the Charter of Duties of the Public Administration

A new legislative initiative concerns the introduction of the Charter of Duties of the Public Administration (carta dei doveri della Pubblica Amministrazione). Based on the principles stated in both the Italian Constitution and in EU legislation, such as transparency, simplification, accessibility and timeliness, the charter provides a systematic legal framework for the duties of the public administration based on the rights of citizens and businesses. The charter clearly sets out what public administrations must and must not do in carrying out their activities and delivering public services. The charter is thus expected to provide a guide for public administration activities and, at the same time, a benchmark for their assessment. In the framework of the new charter, citizen and business rights will be assured by legal means, including strengthening public manager accountability<sup>2</sup>.

#### NOTES

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1. The Delivery Unit is composed of representatives of the Minister's Cabinet, the Technical Secretariat and the Legislative Office, the Public Administration Department (Collective Bargaining, Training and Regulatory Affairs), the Department for Digitalization of Public Administration and Technology Innovation (DDI), the National School of Government (SSPA), the Training Centre (FORMEZ), the National Agency for Digitalisation (DIGIT-PA) and the National Agency for collective bargaining (ARAN). External key players are also involved on a bi-lateral and co-operative basis: the Commission for Evaluation, Transparency and Integrity, the Association of Municipalities (ANCI), the Association of Provinces (UPI), the Local School of Government (SSPAL) and specific schools of other ministries (Economics and Finance, Foreign Affairs, Defence).
  2. The enabling act aims to accomplish this through several instruments: i) by placing the parameter of effectiveness in the delegation criteria to provide guidance for the work of the delegated legislator either by explicitly referring to the concept of "effectiveness" in the text or by making effectiveness the implicit normative goal that the executive decree will have to embed (e.g.. by introducing detailed and precise regulations or through the provision of operational plans and progressive objectives, or by providing for compensation or establishing the obligation to use ICTs); ii) through the principle that non-fulfilment of obligations related to the catalogue of obligations embodied in the charter is a relevant factor in assessing managerial responsibility and discipline; iii) through its organic and systematic guidelines, it defines the activities of the offices of the administration and provides regulatory parameters, and establishes a complete and easily recognizable framework of reference for the benefit of all citizens; iv) by foreseeing the assignment of a delegation of authority to the government, since the adoption of the charter, through the establishment of a special code or text, to collect and coordinate, by removing any contradictory regulations in the current general rules concerning administrative activities, procedures, powers and duties of government and their employees.

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## CHAPTER 2. PUBLIC SECTOR MODERNISATION AND RENEWAL

The modernisation of the public sector has been a reform objective for the majority of OECD countries, generally along six main axes: open government, enhancing public sector performance, modernising accountability and control, reallocating and restructuring, using market-type mechanisms to provide government services, and organising and motivating public servants (OECD, 2005b). In line with these international trends, the first pillar of the Italian reform, “Modernisation of the Public Administration”, builds on the following principles: meritocracy and rewards, performance evaluation, collective bargaining, managerial responsibility and disciplinary sanctions, transparency and integrity.

In the view of Italian reformers, monitoring the efficiency and effectiveness of the public administration is tightly linked to the accountability of political action. Hence, the Italian reform rests on a notion of public sector performance that is broadened to include the ability of the public administration to embody such fundamental values as transparency, integrity, equity and participation, in order to increase the government's overall accountability (Brunetta, 2009).

Specifically, the areas of this part of the reform are:

- Merit: a reinforced selection mechanism for economic and career incentives, with a view to rewarding the most worthy and skilled employees, encouraging commitment and deterring cases of malpractice.
- Assessment: a performance assessment system that helps public administrations reorganise their activities according to targets and to an overall enhancement requirement. “Customer satisfaction”, transparency and merit-rewarding are milestones of such a system.
- Collective bargaining: provisions will be aligned with those regulating the private sector. More specifically, supplementary bargaining and, as a consequence, additional remuneration will be conditional on the attainment of planned results and management savings.

- **Management:** increased importance will be given to managers, who are now entrusted with concrete tools and who will be subject to, *inter alia*, economic sanctions in case of failure to comply with their obligations. A new set of procedures governing access to top-echelon managerial positions has also been introduced.
- **Discipline:** disciplinary proceedings have been simplified and a catalogue of particularly severe infractions leading to dismissal has been put in place.
- **Integrity:** a structured programme of measures has been created to prevent bribery and other distortions of administrative actions, through a National Anti-corruption Strategy involving all public administrations.

Moreover, the Legislative Decree 198/2009 was approved in order to further implement Law 15/2009. This establishes that, in case of inefficient services, citizens and companies may take collective action against the relevant public administrations and public service providers to obtain an adequate provision of services (see below).

To carry out such aspects of the reforms, public administrations have been provided with a set of support measures, alongside an awareness-raising campaign on the use of information systems dedicated to management control. Box 2.1 describes merit recognition, and the following sections describe the specific policy tools and initiatives adopted to achieve the goals targeted within the framework of the first pillar of the reform, in line with the principles above.

**Box 2.1. Thresholds for merit recognition set up in Legislative Decree 150/2009 (the Reform Decree)**

Article 19 of the Reform Decree defines the thresholds for merit recognition following the implementation of the new evaluation framework.

The resources for merit recognition shall be divided along the following lines:

Within each administration, civil servants shall be divided into three groups according to their performance: 50% of the resources shall be given to the 25% who perform best; this includes an excellence bonus for the top 5%; 50% of the resources shall be given to the second group of civil servants, which comprises 50% of workers; the last group (25%) will not be granted any financial recognition based on merit.

The Reform Decree allows some flexibility in this scheme, to be implemented through collective bargaining. The Civil Service Department shall act as a whistleblower in order to ensure that the agreed mechanism reflects the principle of selectivity.

The scheme is complemented with non-monetary incentives, such as special assignments and training opportunities for career development.

This legal provision concerning merit recognition can be compared to similar schemes adopted in other countries, in particular in the Portuguese SIADAP Law (Lei nº 66-B/2007).

**2.1. Transparency and accountability: for greater trust in the public administration**

The Industrial Plan (May 2008) identifies transparency and customer satisfaction as two key elements of the reform. The literature has underlined the key role of transparency in better governance (Heald, 2006). The Reform Decree integrates the new transparency paradigm defined in previous non-legal and legal initiatives. The aim of transparency is to ensure total access to all aspects of public organisation in order to ensure a widespread form of citizen control. This approach also concerns organising data in order to make information not just accessible, but also comprehensible (Roberts, 2006). Openness and transparency have been seen as tools to enhance democracy (Vishwanath and Kaufmann, 2003) and participation (Stodolsky, 2002). This participatory approach has been used during the decision-making process leading to the adoption of the decree. An online public consultation has been carried out with stakeholders (managers, professors, trade unions and research organisations).



The classical approach to transparency, as defined in Italian administrative law (Law 241/90) aims to protect individual rights by granting access to administrative acts under specific conditions. This type of approach to transparency can be considered as a retrospective process.

With the new framework that has emerged from the Italian public sector reform, the range and scope of transparency is now extended to increase the overall level of transparency within the public administration. Four areas are affected.

### ***Corruption prevention***

The link between transparency and anti-corruption is highlighted in the Reform Decree, mainly through the adoption of transparency plans to ensure total accessibility of data (event and process transparency) and to foster a culture of integrity and legality. As of 2011, each administration has to draw a Multi-annual Transparency Plan to guarantee total public online access to administration performance planning and results, individual rewards schemes and all other aspects of the administration's operations. The plan will also list administrative activities in order to support citizen participation.

### ***Performance assessment and accountability***

The National Commission for Evaluation, Transparency and Integrity will provide technical support for the Transparency Plan and be the whistleblower. It will also gather data related to Transparency Plans, and Performance Plans and Reports, on a Transparency Portal that will promote open government. Sanctions have been established for managers in cases of non-compliance or implementation failures.

### ***Collective control***

Building on the positive results obtained early in the reform process, the Reform Decree sets a new standard in public administration transparency and a global framework for transparency, aimed at fostering a citizen-centred form of control. This form of control is reinforced by the rights granted in Legislative Decree 198/2009.

### ***Citizen participation***

The dimensions of organisational performance defined in the Reform Decree (Article 8) include the quality and quantity of citizen and stakeholder participation through two main channels: stakeholder engagement and customer satisfaction measurements. The overall performance of the organisation shall thus take into account their level of performance in such

fields. Through the establishment of compulsory transparency days, administrations are required to share process transparency data (Performance Plans and Reports) enabling citizens to participate in shaping policy. Box 2.2 examines one aspect of transparency.

#### **Box 2.2. A case for transparency and long-term efficiency: Chauffeur-driven cars**

A survey on the stock of cars used by public administration entities was carried out for the first time on 15 May 2010 and concluded on 5 September 2010. The first regulatory actions to monitor and reduce the car fleet of state administrations go back to the early 1990s, with Law 421/1991. Then through the Prodi Directive of 27 February 1998 and the Frattini Directive of 30 October 2001, an attempt was made to regulate the use of cars and monitor the cost and number of vehicles. Notwithstanding these measures, the general feeling was that the phenomenon was not under control. As a consequence, the Ministry for Public Administration and Innovation recently launched an assessment of the number of cars used and the associated expenditure. All public administrative bodies were asked to fill out an online questionnaire. The survey covered 9 227 central and local government units. The goal is to quantify the actual number of chauffeur-driven cars (*auto blu*), satisfying a need felt by the citizens for transparency. The survey results constitute the basis on which to plan future management of this service/resource. According to data collected thus far and processed by FormezPA, public administration fleets comprise approximately 86 000 cars (excluding those with special plates and/or dedicated to security and surveillance purposes). This amounts to a comprehensive expenditure of about EUR 4 billion per year, of which EUR 1 billion is allocated for security and personal protection. Currently, the monitoring phase has reached more than 54% of respondents. Data collection covers 71% of public administrations (except municipalities with fewer than 30 000 inhabitants), which represents 78% of civil servants and 65% of all cars registered by the Public Motor Vehicles Register. The survey has had an immediate impact, in that quite a number of national and local administrative bodies have indicated their intention to optimise the costs associated with their fleet of cars. Furthermore, an online register will enable constant monitoring of the fleet. This is just one measure in a broader ten-point plan designed to rationalise the use of cars in the public sector.

## **2.2. Instruments in support of transparency**

### ***Transparency Operation***

The so called “Transparency Operation”, launched by the Public Administration Department in May 2008, is a first step towards more transparent administration and is meant to thwart inefficiency and to reward merit. It represents one of the interventions on which the upgrading of the public administration is based and aims to guarantee citizens and enterprises a more efficient public administration, better quality of services, valorisation

and recognition of public servants' experiences and skills, and strengthening of citizens' trust in public institutions. The Transparency Operation initiative is in line with international instruments emphasizing transparent and open decision-making processes supporting public scrutiny, such as the OECD Principles for Improving Ethical Conduct within the Public Service (*i.e.* Principle 6).

Under the Transparency Operation, the government has provided total disclosure on data and figures concerning the public administration to ensure visibility and provide citizens with control and protection tools, making them more aware of the mechanisms underlying the functioning of public administration and its costs. Disclosed data include information on proceedings, tenders, evaluations, absences, remuneration for consortia and companies in which the State has a share, assignments for consultants and external freelancers<sup>1</sup>. Information is available on remunerated assignments to civil servants, secondments, salaries, curricula vitae, e-mail addresses and contacts of managers and secretaries at municipal and provincial level, as well as public administration success stories. Information on all leave granted by public administrations to civil servants to participate in trade union activities<sup>2</sup> (secondments, "leaves of absence" and time off work) or elected public office activities also must be published on line.

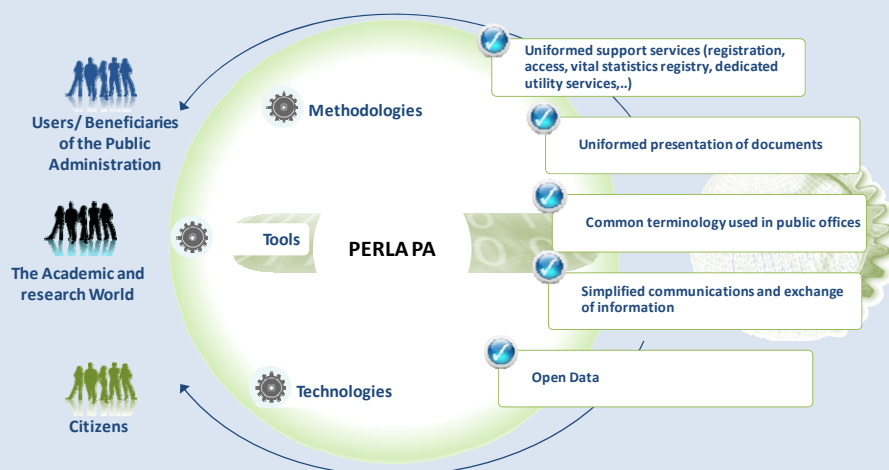
To comply, every administration has to adopt a three-year programme for performance transparency and integrity, and provide a specific web page on the programme. The programme must, in fact, be made public in order to implement all organisational and procedural changes related to the new requirements. Moreover, administrations are required to disclose the annual performance plans and reports containing the strategic and operational objectives, as well as the results achieved and the outcomes of the performance appraisal of staff. Both Transparency Plans and Performance Plans should be discussed with stakeholders in dedicated "transparency days" organised annually by each administration.

Initially, the initiative involved the Ministry for Public Administration and Innovation, which published managers' data and appointment-related information. It is now compulsory for all public entities to submit the information listed above to the Public Administration Department or to publish it on line. A positive result of the Transparency Operation has been the change in the information exchange between the entire public administration and the Public Administration Department. This required a restructuring of the communication process (previously managed differently for the various administrative requirements and procedures), which has led to the improvement of such communication. In line with these objectives, in July 2010 the Ministry for Public Administration and Innovation, after online

public consultation, published guidelines for websites of public administrations in order to reach comprehensive and agreed principles to improve the quality of online information and public services.

### Box 2.3. PERLA PA Programme

Within the framework of the Transparency Operation, the Public Administration Department has created a model inspired by the principles of open data governance. In 2010 the Minister for Public Administration and Innovation launched the PERLA PA Programme to collect, monitor and publish relevant information on public employment. The programme involves about 15 000 public administration entities. PERLA PA, which will be available in early 2011, is an integrated system that manages all compliance levels that fall within the direct responsibility of the Public Administration Department



With PERLA PA, integrated management and sharing of information within different public administration agencies, and an open data system available to the outside, are possible. PERLA PA is also intended to support and facilitate political administrative decision making at the central government level. It consists of a set of advanced analysis tools (data warehouse, business intelligence and "what-if" analysis) to facilitate more efficient, effective and timely decisions, based on objective data and accurate forecasts. PERLA PA will bring efficiency to administrative processes, functional and technological scalability, and sharing of services and information (organised, structured and centralised) among public entities by unifying features common to multiple databases and by introducing a single existing application infrastructure.

Feedback from the users of the systems focuses on the request to increase the usability of the application (e.g. create a single access point for all communications, present the functionalities clearly and concisely, and avoid asking multiple times for the same information provided in relation to

different activities). It will be interesting to see how the various public entities, within the various levels of government, will address the main internal issues and problems, which will be brought to light by this initiative.

### ***Transparency to prevent corruption***

The Italian anti-corruption strategy focuses on prevention of corruption within public administration through transparency, monitoring and risk assessment. Since 2008, the solution adopted has been oriented towards a model that combines preventive, policy development and co-ordination powers (e.g. research and analysis, training and advisory functions on risk of corruption, and other functions without law enforcement powers). In this respect, the Prime Minister Decree of 2 October 2008 transferred functions and powers of the Italian High Commissioner against Corruption to the Department for Public Administration (DPA) of the Presidency of the Council of Ministers. The Anticorruption and Transparency Service (SAeT) currently identifies and analyses the risk and existence of corruption and other illegal behaviour in the Italian public administration, to uncover the roots of the problem and to suggest possible strategies to prevent such occurrences.

Furthermore, by Law 116 of 3 August 2009, Italy ratified the UN Convention against Corruption (UNCAC), also designating the DPA as the National Anticorruption Authority. Finally, an Anti-Corruption draft bill (AS 2156) is currently before Parliament. It represents a renewed commitment to fighting corruption by bringing Italy in line with the provisions of UNCAC. The bill contains, *inter alia*, measures such as the National Anti-Corruption Plan, the Observatory on Corruptive Phenomena and other important measures on transparency, simplification and reduction of corruption with a focus on public procurement.

In line with the key areas set out by UNCAC and with the guidelines of the reform of public administration, further actions have been undertaken by the Ministry for Public Administration and Innovation that focus on transparency, among them: the development of a model for mapping the risk of corruption, the availability via the web of all information about the main national and international activities in the fight against corruption, and the analysis of daily newspapers.

In line with the OECD Principles for Enhancing Integrity in Public Procurement (OECD, 2008), other measures taken by the Italian government focus on so-called green procurement, transparency in public utilities and analysis of financial and economic crime. Reports on the results achieved in the fight against corruption are presented to the Italian Parliament yearly with an updated map of corruption (a summary is presented in Tables 2.1 and 2.2).

**Table 2.1. Crimes against the public administration (total) in Italy**

*(Crimes committed and persons reported (by gender), 2004 – 2009)*

	2004		2005		2006		2007		2008		2009	
<b>CASES FILED WITH THE POLICE FORCI</b>	3.403		3.552		5.499		3.368		3.317		2.946	
	F	M	F	M	F	M	F	M	F	M	F	M
<b>PERSONS DENOUNCED</b>	2.774	9.708	2.914	10.611	5.634	14.342	3.516	10.844	2.918	10.486	3.378	8.710
	<b>12.482</b>		<b>13.525</b>		<b>19.976</b>		<b>14.360</b>		<b>13.404</b>		<b>12.088</b>	

**Table 2.2. Crimes committed against the public administration (most serious crimes) in Italy**

*(Crimes committed, 2004-09)*

	2004	2005	2006	2007	2008	2009
<b>CORRUPTION</b> <i>(art. 318, 319, 320 penal code)</i>	158	126	112	128	140	130
<b>CONCUSSION</b> <i>(art. 317 pc)</i>	138	115	80	130	135	132
<b>EMBEZZLEMENT</b> <i>(art. 314 pc)</i>	273	279	243	270	272	312
<b>ABUSE OF OFFICE</b> <i>(art. 323 pc)</i>	1016	1051	935	1097	1.134	1012
<b>FRAUD</b> <i>( art.640 bis pc)</i>	824	893	2.725	778	737	668
<b>MISAPPROPRIATION OF PUBLIC FUNDS</b> <i>(art. 316 ter pc)</i>	462	598	858	393	334	205

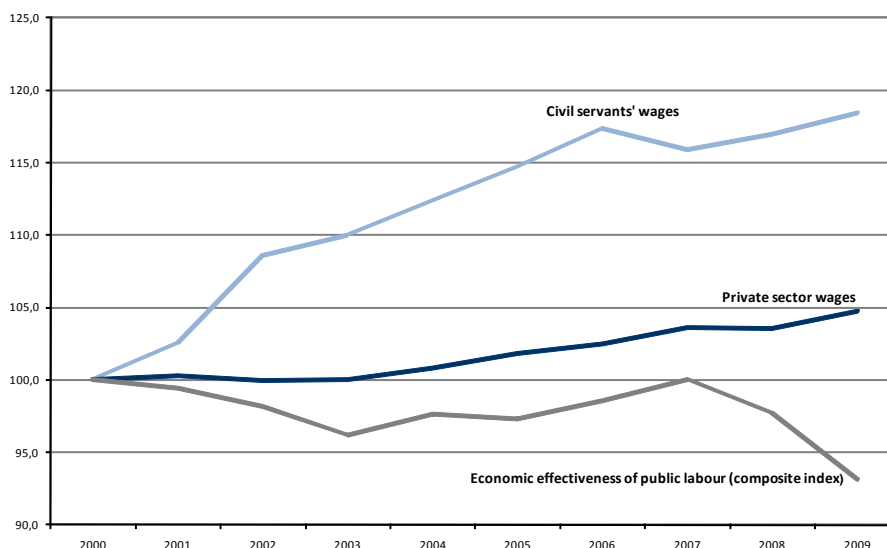
Sources: SDI (System of Investigation. General Directorate of Criminal Police –Criminal Analysis Service- Ministry of Interior).

## 2.3. A more professional and responsive civil service

### *Collective bargaining*

From 2000 onward the growth of civil servant wages has far exceeded that of the private sector: while the 2000-2009 average yearly growth rate of real unit wages has been 1.9% for public sector employees, that of private sector wage earners has been 0.5% (Figure 2.1). The public employees' advantage in wage growth has taken place in a period in which the economic effectiveness of public labour (as measured by a composite index of GDP, per capita disposable income and labour productivity per unit of labour in the public sector) was decreasing at a yearly rate of -0.8%.

**Figure 2.1. Growth of real wages for civil servants and for private sector wage earners in Italy, 2000-2009**



*Notes:* indices, 2000=100; values deflated by HICP; for the construction of the composite index see Golino, Minicucci and Tronti (2008).

*Sources:* Istat and Public Administration Department.

The main reason for the public sector wage advantage is that, according to the bargaining model in place from 1993 to 2009 (the so-called Protocol 93), local bargaining was constrained by the economic results of the firms, but the public sector could not be subject to such a limit, due to the difficulties in both measuring and rewarding the progress made by public administration employees at the local level. A further reason for weak control of the growth of civil servant wages has been that public sector collective bargaining has long been suffering significant delays.

Typically, new agreements were signed even after the expiration of their period of effectiveness (two years). Conscious of these problems and willing to provide new solutions, since 2008 the government has moved in new directions.

By 2009 the government has closed all open wage agreements for 2006-2007 and 2008-2009, through the implementation of the protocol signed by five civil servants trade unions, Cisl, Uil, Confsal, Ugl and Usae (but not Cgil), on 30 October 2008<sup>3</sup>.

In order to establish a closer link between wage increases and budget performance of administrations, the government introduced Law 133/2008. As of 1 January 2009, the additional local bargaining funds, applicable to the whole civil service, have been cut by EUR 190 million. However, the law also provided for the creation of a new fund, partially earmarked for additional local bargaining, with an initial allocation up to EUR 160 million. In addition, the fund would have been financed through savings from the reduction in the number of consultancies and contracts awarded to civil servants.

The Law also provided for a one-year suspension, in 2009, of all “complementary wage items” for some categories of civil servants (approximately 330 000 employees, or 9% of total public sector employment), as they were based on specific legislative provisions rather than on collective agreements. The cut amounted to approximately EUR 510 million. After the 2009 suspension, starting from 2010, a great part of these funds are to be allocated to the fund for additional bargaining, so as to reward the civil service through collective bargaining based on merits and actual achievements, instead of *ad hoc* laws benefiting specific groups of public employees.

In order to enact structural reform of the collective bargaining system for both the public sector and the rest of the economy, and to launch a new system for public sector employees, the government signed with all Italian employers’ organisations and all trade unions (except Cgil) the 22 January 2009 “Framework Agreement on the Reform of Bargaining Arrangements”, updating the collective bargaining model of Protocol 93. The new model implements a three-year (instead of the previous two-year) national basic wage agreement and ensures effective incentives for a timely renewal of agreements. It is aimed at assuring a stricter link of wages to local and personal performance results, while reinforcing the role of additional local wages with respect to the national basic wage<sup>4</sup>. The new agreement contains special provisions for civil servants. On 30 April 2009, the Government signed with all public employee trade unions, again with the exception of Cgil, a



further “specific agreement” for implementing the general framework agreement in the public sector<sup>5</sup>.

Under local bargaining, additional wage items will be calculated with reference to the achievements in implementing programmes agreed between the parties, whose objective is to increase productivity, quality, effectiveness, innovation and/or organisational efficiency, and any other elements improving the administration’s performance, in terms of customer satisfaction and savings due to better management. To ensure a more coherent accountability of management with regard to the performance of every administration and every functional/management inner structure, the “specific agreement” of 30 April 2009 foresees the establishment of a central body entrusted with the task of directing, co-ordinating and supervising the exercise of independent assessment functions to ensure transparency of the systems, as well as comparability and visibility of the management performance indices. This provision has been implemented through the creation of the National Performance Assessment System and the new regulations on transparency and disclosure.

In fact, parts of the comprehensive law that reforms public service (Legislative Decree 150 of 27 October 2009) strengthen the role and powers of public administration managers as “public employers”, and enhance the role of performance assessment, performance disclosure and customer service as guidance for collective bargaining.

In a nutshell, the reform identifies some functional equivalents of competition to make public managers more accountable, achieve more responsible collective agreements and spur public sector employees to engage into continuous improvement of productive processes and services. The functional equivalents that give “voice” to the relevant stakeholders or improve the “loyalty” of civil servants to their mission are i) information disclosure to the general public, ii) customer satisfaction, iii) performance evaluation, and iv) individual rewards and meritocracy.

National as well as local collective wage agreements depend on a performance assessment of administrations, managers and personnel. To this end, a totally new National Performance Assessment System was created. It includes a central National Commission for Evaluation, Transparency and Integrity and local Independent Evaluation Bodies in every administration. The National Commission has the task of disseminating and validating assessment methods and performance standards, while local Independent Evaluation Bodies endorse the individual personnel evaluations made by managers, produce the performance assessment of internal structures and

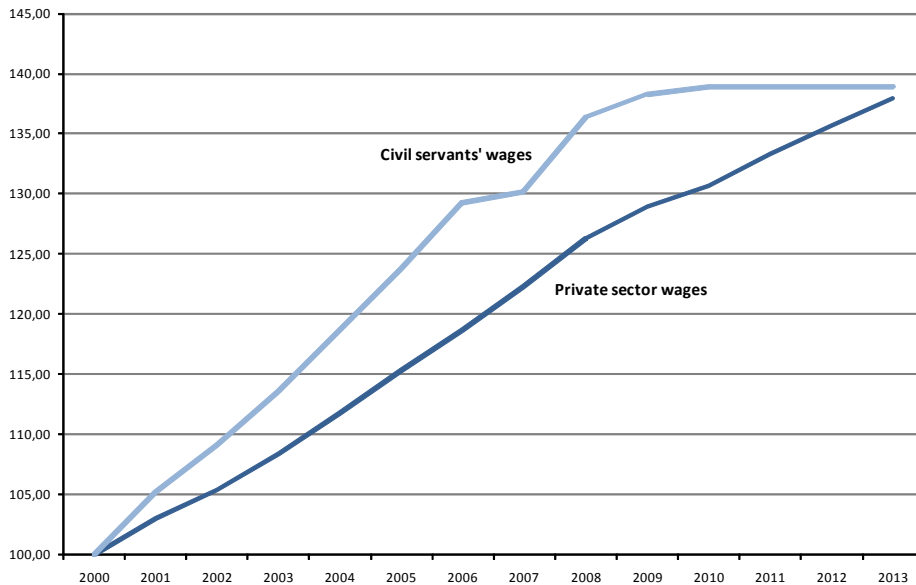
propose the assessment of top managers' performance to the administrative-political leadership of the administration.

The allocation for each administration's local wage bargaining is determined by taking into consideration tangible results and actual management savings. By 31 May of each year, the National Commission for Evaluation, Transparency and Integrity will provide ARAN (the Italian public collective bargaining Agent) with a performance ranking of every central administration. This ranking serves to give these administrations at least three levels of merit. The national collective agreements will define the procedure for allocating resources to decentralised bargaining between the various levels of merit, according to a principle of rewarding and recognizing the results achieved. This new equilibrium between the process of centralisation and decentralisation of human resources management is consistent with the international trend: "most OECD countries have moved towards some degree of decentralisation of HRM responsibilities from central HRM bodies to line departments" (OECD 2004b, p. 13).

In 2010, the international economic crisis and domestic public finance problems exerted significant impact on public contracts, forcing the government to launch a corrective manoeuvre that limits considerably the availability of resources for the remuneration of civil servants. Decree-Law 78 of 31 May 2010 stipulates, among the measures to curb spending: i) the suspension without recovery of contractual procedures for the years 2010-2012, ii) blocking until 2013 an increase over 2010 individual remuneration for all public sector employees, iii) a reduction in managers' pay by 5% for the range of pay between 90 000 and 150 000 euros per year and by 10% for higher amounts, and iv) the tightening of restrictions already in force for the employment in government departments, agencies, public bodies and public research institutes.

ARAN has estimated the financial impact of these measures at around EUR 9.5 billion between 2010 and 2012. Of this amount, approximately EUR 7.5 billion are related to the one block of bargaining for the contract period 2010-2012 (ARAN, 2010). Assuming per capita wages in the private sector grow over the four years 2010-2013 with the HICP index net of the price of imported energy product forecast (according to the 22 January 2009 "Framework Agreement on the Reform of Bargaining Arrangements" of 1.3% in 2010, 2% in 2011, 1.8% in 2012 and 1.7% in 2013), while civil servants remain locked in to the 2010 wages, after 13 years in which the public-private wage gap has gradually expanded, in 2013 there would be a substantial realignment of the two sectors' level of growth with respect to the base year (Figure 2.2).

**Figure 2.2. The growth of nominal wages for Italian civil servants and for private sector wage earners – 2000-2013 (indices, 2000=100)**



Sources: Istat and Public Administration Department.

As a consequence of the budget law, the reform of civil servants' collective bargaining will be fully implemented no sooner than 2013, when the national wage agreements for the 2013-2015 will be negotiated under the new rules .

### ***Improving civil service performance***

Government plays a larger role in the societies and economies of OECD countries than half a century ago. Many countries have realised that traditional modes of statutory management of civil servants are no longer sufficient, and have introduced performance oriented elements. The Italian public sector reform recognises the importance of ensuring high levels of public sector performance, and foresees measures that are in line with reform programmes of many other OECD countries. One of the most debated aspects of Legislative Decree 150/2009 is the degree of precision of the performance management cycle, in particular, the definition of objectives and the dimensions of performance to be taken into account in the evaluation process. As stated in the literature, a performance-oriented civil service requires the alignment on the same orientation of all managing systems, not just HR management (Reichard, 2002). While a generic top-down approach already existed at both central and local levels of governments, there was no specific requirement on how administrations should define their objectives. The main consequence of that lack of precision has been highlighted in a

recent study (Ragioneria Generale dello Stato, 2009) released by the State General Accounting Department which indicates a very weak focus on outcomes, limited use of multiple indicators and indicators focused primarily on the actual completion of a task (financial and physical). With a clear definition of how to define objectives and indicators, the Reform Decree aims at tackling the root cause of managerial problems. Without defining clear and measurable objectives (following the SMART methodology), the effectiveness of all subsequent measurement and evaluation processes will necessarily be undermined. The second issue tackled by the Reform Decree is the dimension of the administrative activity to be evaluated. In this aspect, Article 8 defines a framework that goes beyond efficiency and effectiveness, and that includes the following areas:

- Capability (in terms of project and programme realisation);
- Customer satisfaction and citizen participation;
- Modernisation (including both IT and managerial practices).

In establishing the new system of assessment and evaluation, both of individual performance and of the organisation of the structure, the intent of legislation clearly appears to be a stimulus towards a result-oriented organisation, while recognising the need to put the emphasis on the continuous improvement of the organisation. The new National Commission for Evaluation, Transparency and Integrity was established with the purpose of defining and disseminating performance-based quantitative and qualitative methodologies, as well as of monitoring their implementation.

Performance reports are intended to enable internal auditing and customer satisfaction. The Reform Decree foresees sanctions for managers who do not fulfil their management responsibilities (*e.g.* setting objectives, conducting evaluations) within the performance management cycle.

The implementation of such reform has been prepared by a number of initiatives aimed at building the administrative capacity for performance measurement and assessment, as well as for customer satisfaction management, in Italian public administrations. In particular, programmes to enhance the use of the Common Assessment Framework, the European model for organisational performance self-assessment, and an initiative to improve performance (*Premiamo I Risultati*) are worth mentioning.

In order to implement meritocracy, a new reinforced selection mechanism for economic and career incentives was introduced, with a view to rewarding the most worthy and skilled employees, encouraging commitment and deterring

malpractice. The system envisages, among others things: an annual award for innovation; a wage increase based on merit; and access to high-level training, professional growth and higher-level assignments. The selective distribution of incentives through certified assessment systems to reward individual and office performance foresees merit-based brackets for the allocation of incentives: not more than 25% of civil servants get half of the available incentives; 50% receive the remaining half of incentives; the other 25% of civil servants get no incentives. Not more than 5% of the civil servants who are in the highest bracket can obtain an additional annual bonus for excellence.

#### *Evaluation framework for all civil servants*

The extension of the evaluation to all civil servants (as opposed to only managers, as in previous years) is enshrined by Law 15 of 2009. It has been developed further in the Reform Decree regarding the areas of individual evaluation. The approach chosen is a mix of results and competences, whose relative weight will be defined at the organisational level.

The striking feature of the individual evaluation system is that it gives flexibility to administrations with regard to the level of individual objectives for civil servants, taking into account two issues:

- The difficulty to fix individual “output” objectives in a complex organisation.
- The risk of reinforcing the individual efficiency in respect of the overall goal of the administration, thus failing to take into account previous failures, both in the private sector and in third country public service reform experiences, with regard to the discrepancies between individual productivity (almost always confirmed) and overall results (not always attained). It is worth repeating that in the definition of key competences and objectives subject to evaluation, the responsibility lies with the direct superior and is not an object of collective bargaining.

#### **Box 2.4. Performance assessment and continuous improvement**

##### **CAF activities**

The Common Assessment Framework (CAF) is a total quality management tool inspired by the Excellence Model of the European Foundation for Quality Management (EFQM) and is the result of co-operation among the EU ministries responsible for public administration. It is based on the assumption that excellent results in organisational performance, as well as in satisfaction of citizens/customers, people and society, are achieved through leadership driving strategy and planning, people, partnerships and resources and processes. It looks at the organisation from different angles, a holistic approach to organisation performance analysis. The use of CAF in the Italian public administrations has been pursued since 2001 in a number of ways: regional seminars and labs; a CAF Assessor Training Programme for public employees, and customisation of the model to adapt to different sectors such as justice, education and now universities. More than 300 Italian administrations from different sectors have made use of the CAF model so far. The “CAF external feedback” procedure is also being implemented to evaluate the capacity of administrations using the CAF model to manage the whole process, from self-assessment to the development and implementation of a performance improvement plan. This procedure has been set up at the European level (approved in December 2009 by the EU network of Directors General of Civil Service). Among the Member States, Italy is one of the most actively involved in supporting the use of the model in cooperation with the European Institute of Public Administration (EIPA) and EFQM.

##### **The *Premiamo i Risultati* initiative**

This initiative, launched at the end of 2008, aims to stimulate and reward at the national level the capacity of public administrations to plan and implement performance improvements, in line with reform objectives (Legislative Decree 150/2009). This initiative has recorded both a high level of participation by public administrations and generally good quality of plans submitted. There have been 725 applications, 478 improvement plans admitted to the “execution step” and 295 plans successfully completed and awarded for performance improvement in the following areas: quality of the services provided and level of customer satisfaction and HR management, relationship with external stakeholders and decrease of the operational costs. The participating public administrations have also experienced an increase in personnel motivation, a higher focus on management efficiency and an opportunity for dialogue with other administrations. Further, more than 40% of the awarded administrations stated that they have taken advantage of this initiative to give employees merit pay, and 80% of them reported they have improved their planning for 2010.

In this perspective, another important element of the reform decree is the link between global and individual performance, as noted above (Reichard,

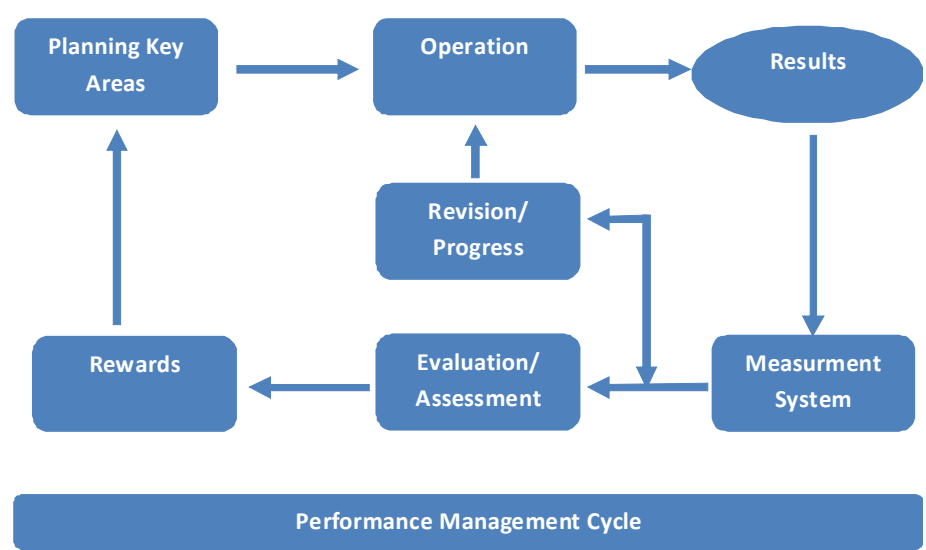
2002). The performance of the individual is assessed through the prism of his/her contribution to overall objectives (for managers) and to the unit's objectives (for other civil servants).

The aim of initiatives in disciplinary sanctions is to optimise the level of efficiency in public offices and to fight low productivity and absenteeism in the public sector. Disciplinary proceedings have been simplified and a catalogue of particularly severe infractions leading to dismissal have been put in place, such as false declarations or false medical certificates, unjustified refusal to be transferred, persistent poor performance and aggressive or offensive conduct.

The evaluation framework is part of a wider set of norms (Title II, Articles 3-15 of Legislative Decree 150/2009) that defines a performance management cycle for all administrations.

The Reform Decree establishes a performance management cycle that is based on a solid theoretical background, as shown in Figure 2.3. Table 2.3 gives an overview of literature models as related to the Reform Decree.

**Figure 2.3. The performance management cycle in Italy**



**Table 2.3. Comparison between literature models and Legislative Decree 150/2009**

ELEMENTS	MODELS FLAMHOLTZ/ANTHONY- YOUNG	DECREE 150/2009
OBJECTIVE CHARACTERISTICS	SMART	Article 5
EVALUATION DIMENSIONS	Individual and organisations	Article 8 and 9
OPERATIONAL CONTROL	Revision and progress	Article 7
PLANNING INSTRUMENTS	Action Plan	Article 10

#### *The structure of performance evaluation governance*

In order to ensure a smooth introduction of new management practices within the public administration, the Reform Decree sets up two new actors in the public administration panorama. The first one (Independent Performance Evaluation Units - OIV) is to be appointed within administrations and has the task to ensure the correct implementation of the performance management cycle. These bodies overcome the logic set up by the previous reform (namely through Legislative Decree 286/99), and should focus their attention on the better use of management instruments in the administration.

Following best practices concerning the role of internal auditors in other countries' public sectors, the strategic approach of OIV should focus on assisting managers operate within the new performance framework. The second actor is the National Commission for Evaluation Transparency and Integrity, an independent body whose task is to establish guidelines, oversee their implementation and ensure transparency in the performance management cycle. The Commission has been designed to support administration at the technical level, while ensuring standards for comparison on a national scale.



### **Box 2.5. National Commission for Evaluation, Transparency and Integrity (CIVIT)**

The Reform Decree establishes a new central institution in charge of defining and disseminating performance-based quantitative and qualitative methodologies, as well as of monitoring their implementation.

CIVIT has the following tasks:

- Outcome and customer focus: CIVIT helps administrations in defining outcome-based and customer-focused performance planning.
- Performance: CIVIT helps define an effective performance-based management cycle.
- Standardisation: taking into account the division of competences between central, regional and local administrations, CIVIT interacts with all administrations to help ensure a comparable delivery of public services.
- Transparency: CIVIT defines a scheme for transparency requirements and centralises data on performance in a “Transparency Portal”.
- Assurance: CIVIT defines the criteria for appointing the Independent Performance Evaluation Units (OIV) within each administration and oversees the respect of the criteria in the appointment process.

*Guidelines and Criteria adopted by CIVIT to prepare the entry into force of the performance management cycle (January 2011):* Criteria for the members of the OIV and Opinions on the OIV appointments (April 2010) ; Guidelines on quality (baseline for the effectiveness of the Class Action Decree) (June 2010); Guidelines on the measurement, monitoring and evaluation systems (July and September 2010); Guidelines on the Transparency and Integrity multi-annual plans (September 2010); Guidelines on the setting up of Performance Plans and Reports (September 2010). CIVIT has the task of defining the professional qualifications for OIV members and of centralising performance results in a Transparency Portal. The design (objectives, tasks, professional composition) of the Commission takes stock of recent experiences in other countries, such as Spain, Portugal, the United Kingdom and Canada. On a comparative perspective, public sector reforms elsewhere have seen the emergence of similar bodies that play, in the respective institutional frameworks, a role of “change agent” through the dissemination of guidelines, reports and identification of best practices.

### *Strengthening managerial responsibilities*

The Reform Decree defines new boundaries for public manager responsibilities. Now seen as “public employers”, managers play a central role in human resources management, defining the tasks to be carried out and the targets to be reached, and this role requires greater responsibility. Managers are, in fact, responsible for any non-compliance with the procedures related to the evaluation process and distribution of incentives. Managers can be subject to, *inter alia*, economic sanctions in case of failure to comply with their obligations, especially with regard to human resources. High-ranking officers can be held accountable for any ineffective productivity clearly attributable to their lack of proper oversight. They must oversee their staff if they are to evaluate and reward them. Mobility procedures must also be in line with objectives and transparent criteria, and final decisions rest with the manager.

The measures introduced by the Reform Decree are expected to help managers tackle underperformance more effectively and to reorganise the service to optimise productivity. Among the various tasks of a manager, monitoring the rate of absenteeism within his staff is of great importance.

Already in the 1990s, absenteeism was a subject of much debate. In order to discourage this negative behaviour, and in particular what is referred to as “micro-absenteeism”, a rule was introduced in the National Collective Labour Contracts from different sectors of the public sector. It provided that, for illnesses lasting less than a fortnight, the curtailment of the allowance/compensation in proportion to the days of absence would be applied. Where, however, the absence extended beyond 14 days, the full payment of the allowance from the first day of illness was established<sup>6</sup>.

Upon studying the absenteeism figures, it was noted that this approach created the unintended incentive of prolonging of sick leave beyond the fourteenth day (Dongiovanni and Pisani, 2010).

Aware of the critical issues related to absenteeism - low quality of service, low productivity and scarce citizen trust - the Italian government has acted decisively on this issue, envisaging a number of regulatory initiatives<sup>7</sup> aimed at deterring the recurrence of periods of fake sick leave. In particular, the periods during which competent healthcare professionals may visit the public servant at home have been increased<sup>8</sup>, medical certification requirements have been strengthened and a new rule for the calculation of the curtailment of all the allowances and/or benefits and indemnities (*i.e.* the full curtailment of any allowance for the first ten days of absence without possibility of recovery if the absence is prolonged for more than ten days<sup>9</sup>) has been set.

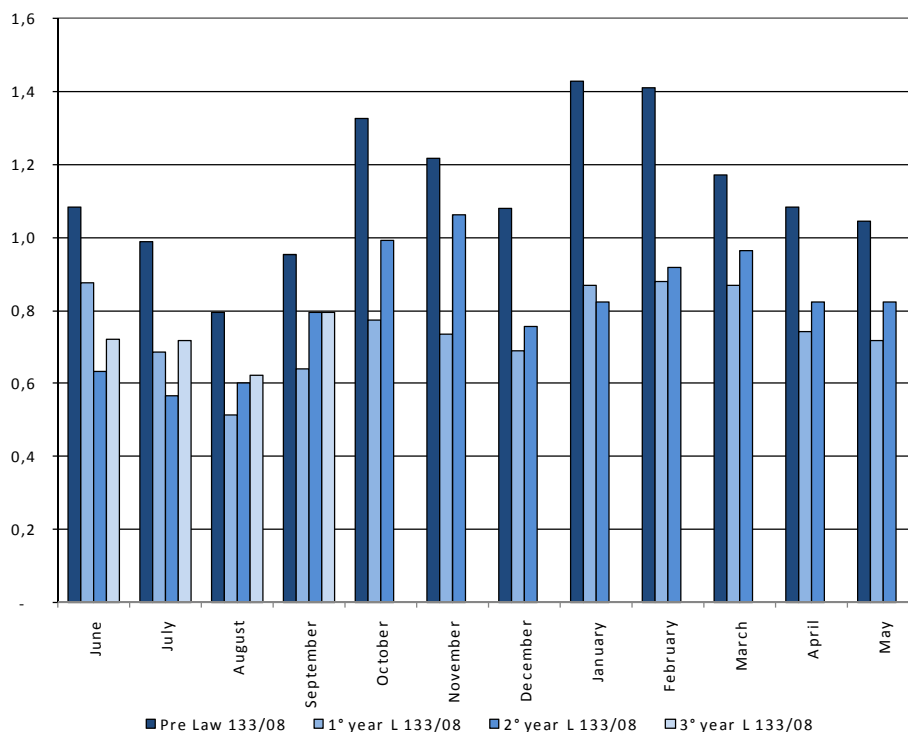
Legislative Decree 150/2009 further addresses the difficulties in the proper management of absenteeism by tackling a number related issues. It is now compulsory to provide a certificate from the public health facility of the doctor's social security network if the employee is absent for more than ten days. The responsibility to define the presence brackets now falls under the Ministry for Public Administration and Innovation. The Decree also ensures that the public servant becomes accountable for false declarations of presence or false medical certification and, in line with the overall strategy of reinforcing managerial responsibilities, managers are now accountable for any incorrect application of the rules regarding absenteeism.

The outcome of the new provisions has been monitored through a monthly statistical survey, and evidence so far on the effects of Law 133/2008 on absenteeism and on the repercussions following the changes in the law itself has provided conclusions. Monitoring the impact of the new legal framework on absenteeism, particularly on illness-related absences, started in July 2008, right after the approval of Decree Law 112/2008. It is based on information provided by the various administrations that completed the questionnaire published by the Public Administration Department on its website<sup>10</sup>. After a pilot phase, data collection became more sophisticated and a database has been developed which is now accessible to all registered public entities on the website of the Ministry for Public Administration and Innovation<sup>11</sup>.

Moreover, a committee was created in January 2008 to gather additional information to further integrate the monitoring data. This has allowed more in-depth analysis of the different aspects of the issue, both in the public and private sector, while assessing the impact of the changes brought about by the reform<sup>12</sup>.

Evidence collected so far concludes that the reform has been effective in reducing the absence rates within the public sector (D'Amuri, 2010; Del Boca and Parisi, 2010; Dongiovanni and Pisani, 2010; Fioravanti, Mattioni and Mundo, 2010). In particular, there was a drop of about 38% in the rate of sickness absences in the first year of implementing the new rule. This has produced a positive effect on the dynamic of paid sick leave, which accounts for over 10% of all absences. Figure 2.4 demonstrates how absences have stabilized at levels significantly lower than customary before the law became effective.

**Figure 2.4. The impact of Law 133/2008 in Italy**



*Notes:* Sickness absences per capita in the public sector: compare pre-post Law 133/08. Estimate related to the public administration as a whole, with the exception of school, university, public security and fire-fighters divisions. Pre-Law 133/08: June 2007-May 2008; first year of enforcement of the law: June 2008-May 2009; second year of enforcement of the law: June 2009-May 2010; third year of enforcement of the law: June 2010.

*Source:* Public Administration Department.

The law had a considerable impact on the reduction of sick-related absences. Following the evidence of decline, there seems to be a clear absenteeism path of public employees after July 2008, when Law 133/2008 had been enforced, and after August 2009, when the law had been amended.

A more detailed analysis of the periods of full adoption of the reform shows that the greatest contribution to the decrease in sick leave resulted from the reduction of absences for longer than 16 days. This segment of absences can be expected to have been particularly affected by the tightening of the rules on the submission of certification.

#### **Box 2.6. Rewarding merit and promoting a better working environment**

##### **Not Only Idlers (*Non solo Fannulloni*)**

The so-called “Not Only Idlers” (*Non solo Fannulloni*) initiative aims to collect success stories in public administrations and make them widely accessible to both the government and the public to increase citizens’ trust in public administration. Between September and December 2008, 831 cases of “good administration” were published on a dedicated website.

##### **Public Administration nurseries**

The NIDO PA project seeks to increase the supply of childcare services by new nurseries in central and local public administrations. Currently, childcare structures in Italy cover the needs of only 10% of children from birth to the age of two. However, through the savings resulting from an increase in the minimum retirement age of female public workers (from 60 to 65 years) as set by Law no.102/2009, new childcare structures within public administration “firms” will be financed both at a central and local level. The idea is to modernise the public administration working environment, making it easier for female public workers to reconcile family and working responsibilities, which supports the female participation rate. The project, which also involves the Ministry of Equal Opportunity and the Family Department, implemented a pilot phase where the initial financial resources (EUR 25 million) were allocated (nine new nurseries were set up) and a survey was carried out to identify the existing childcare structures in the public administration including number, characteristics, availability and potential for growth. Data indicate that only 4% of those administrations that participated in the online survey have a nursery. However, 10% are planning or considering the construction of new nurseries. The survey is considered the basis for implementing a ten-year plan scheduled for 2011 to build new childcare structures and finance new services in public administrations.

The second most significant impact is observed in the absences of short duration (fewer than five days). This evidence, linked to their abnormal growth recorded in the second half of 2009, when the law had been amended, leads to the conclusion that this segment is mainly affected by the rule relating to presence brackets (rules that require workers to remain at home). Finally, a significant contribution comes from the 15-to-16 day

segment and, as mentioned, this is due to the changes introduced for calculating the curtailment of the allowance.

In conclusion, the reform seems to have produced the desired results in the public sector to reduce the level of absenteeism, due to the higher cost of opportunistic behaviour, *i.e.* a reduction of earnings to the base salary - no bonus or allowances - for the first ten days and an increased risk of being caught by stricter doctor's inspection and certification policy. These are positive results. Increasing the presence of civil servants in public offices is a key target, as it results in fewer queues and more employees on the job.

## **2.4. Recruitment, training and the development of human resources**

### ***Recruitment***

The general rule for recruitment in public administration is contained in Article 97 of the Italian Constitution, which states that civil servants enter the public administration through open public competition, except for in specific cases defined by law.

The Reform Decree sets a new framework for appointments and recruitment of managers and senior managers of the public sector aimed at recognising merit and management competence:

- Appointments for senior managers will be made through open competition based on curriculum and exams for 50% of vacant posts available each year.
- Those who succeed will have to complete a six-month training period abroad (in EU Member State administrations or international organisations).
- Private contracts with external agents for vacant posts with specific requirements will be no longer than three years and the appointment will follow an open competition.
- In order to ensure a high level of transparency and equal opportunity for civil servants, job descriptions for vacant posts will be posted on the administration website.
- The appointment to management positions will take into account the following criteria: i) technical and management skills, ii) previous results

obtained and assessments received, and iii) previous experience in management positions, inside or outside the public administration.

**Box 2.7. “The best wins” model and the competition for public sector jobs**

The best wins model has been launched by the Minister for Public Administration and Innovation in order to guarantee the highest quality and efficiency in public competitions. The Minister has entrusted FormezItalia, the institute for training and education for public administration linked with Formez PA, to organise the competitions for public jobs and training courses for competition winners, which coincide with the initial trial period guaranteeing an additional economic benefit for the Administration.

Regions, provinces and municipalities will be able to delegate to an inter-ministerial commission the management of the entire procedure, from the preparation of the job competition announcement to the final list of winners. In this context a competition was developed by FormezItalia for the Naples Municipality in which there were 67 700 participants for 534 jobs.

The first phase was carried out within two months of the publication of the job competition announcement and the entire online procedure of 112 000 applications was managed with the highest transparency. The winners will participate in a course to prepare qualified civil servants for a new, modern and efficient public administration. The availability of online access to competition documents has reduced legal action by 90%.

***Training***

Training and skills development are essential to the implementation of the reform process. The Industrial Plan for Public Administration has reorganised the two training bodies under the umbrella of the Minister, the Italian National School of Public Administration and Formez (see Box 2.7). Law 69/2009 provided the general framework for the reorganisation, implemented via legislative decrees (178/2009 and 6/2010), under the surveillance of the Office for Training in the Public Administration Department.

As already mentioned, the Reform Delivery Unit played an important role in aligning the training strategies of several key players involved in the provision of training support. The strategy developed for training support entails various aspects of the reform and interacts with other reforms carried out by the Italian government.

### **Box 2.8. Training governance**

There are three key players involved in providing training under the responsibility of the Minister for Public Administration and Innovation:

- The Office for Training in Public Administration in the Civil Service Department has a coordinating role and oversees the global evaluation of training provided to civil servants. Moreover, it coordinates the training programmes within the EU Structural Funds.
- The Italian National School of Public Administration (SSPA) provides post-graduate education mainly for central government civil servants. Training courses provided by the SSPA cover the civil servants' entire career cycle: preparatory courses for the competitive entrance examination, courses for the successful candidates, ongoing education and training, career development courses and refresher courses. The SSPA also invests in international partnerships to support the newly established obligation for managers to spend a training period abroad.
- Formez, the in-house firm of the Civil Service Department, provides training and technical assistance to the entire Italian public administration.

The training support strategy focuses on the following areas:

- Public administration reform and public management, including support to the implementation of norms that are compulsory and the development of crucial skills to implement the performance management cycle;
- Transparency and integrity in light of the reform, in particular, the preparation of multiannual transparency plans and the promotion of a culture of integrity;
- Procurement and acquisitions, to support the public administration's effort to provide users with "exit" options and to guarantee an efficient and transparent use of public money;
- Innovation and e-government, to support the development and requalification of staff in the face of major innovation, as well as enhance the use of information and communication technologies (ICT) in public services;
- Budget and public finance reform, to develop the evidence-based analysis and evaluation of public spending and support the necessary synergy between budgeting and performance management;



- Fiscal federalism, to support local authorities in creating synergy between public administration reform and the new competences delegated through the administrative fiscal and federalist reform.

As of the end of August 2010, many training projects in support of the reform were already implemented or planned by both the School of Public Administration and Formez. The total sum invested in such projects, funded by national as well as European funds, amounts to almost EUR 12.8 million (Table 2.4). About EUR 3.2 million has already been spent on projects aligned with the Industrial Plan, and programmed since 2008, while the remaining EUR 9.6 million refers to activities to be performed in 2012. Other conference, publication, networking and research projects aimed at supporting the reform have been developed, in the amount of EUR 0.9 million.

**Table 2.4. Training projects implemented or programmed by the National School of Public Administration and Formez**

*(As of 31 August 2010, central and local government)*

SUBJECTS				RECIPIENTS		FINANCIAL RESOURCES (EURO)		
The Reform in general and other aspects	Performance measurement and assessment	Disclosure and transparency	Customer satisfaction	Managers	Official and staff	Already spent	Programmed	Total
x	x				x	750.000,00	2.750.000,00	3.500.000,00
x	x	x		x	x		2.300.000,00	2.300.000,00
x	x	x	x	x		29.000,00	1.168.850,00	1.197.850,00
x	x			x	x	285.000,00	215.000,00	500.000,00
x	x				x	80.000,00	109.690,00	189.689,00
x				x	x	50.000,00		50.000,00
	x			x		1.997.820,00	675.000,00	2.672.820,00
	x		x	x	x		2.300.000,00	2.300.000,00
		x		x			61.410,00	61.410,00
<b>TOTAL (euro)</b>						<b>3.191.820,00</b>	<b>9.579.950,00</b>	<b>12.771.770,00</b>

Source: Public Administration Department.

Further to the first phase of the reform implementation, which gave managers, officials and staff a clear appraisal of the reform process and its implication for the managerial role and human resources management, the main focus is now performance measurement and assessment, including the organisation of the performance cycle and individual performance assessment. There are also a number of important projects aimed at training managers and officials in how to comply with disclosure and transparency regulations, as well as with customer satisfaction provisions.

Lessons from the training strategy formulation will be extended on a collaborative basis to other public bodies involved in training at the national, regional and local level. The collaborative approach to training evaluation in public administration is another area of cooperation between the key players. In a view to create efficiency and enhance the overall quality of training, this cooperation aims at creating a quality label for public and private bodies involved in the training provided to civil servants.

### ***Cross-border knowledge sharing: international e-learning programme***

The Distance Learning for Innovative Public Sector (DL4iPS) programme is an international initiative aimed at providing high-quality e-learning courses for public sector managers to increase their knowledge and skills in the field of public sector innovation. This initiative is expected to facilitate and accelerate the process of homogenisation in the field of regulation and administrative action in the Euro-Mediterranean region, a process that is considered one of the key drivers to boost economic, business and social development in the area.

DL4iPS is a distance learning programme aimed at gathering on a single platform the best e-learning courses already available in partner countries and most useful to support the process of public sector modernisation. Content will be based on the best available administrative practices in order to ensure not only the development of individual managers' skills, but also to improve the organisational context in which managers operate and the results of their administrative action.

The DL4iPS programme is based on a reinforced co-operative approach and is currently supported by nine Middle East and North Africa (MENA) Countries, the OECD and Italy. The involvement of local partners, international organisations and universities from the very beginning has a strategic value in that it ensures better knowledge of local needs and priorities and offers a more comprehensive participation to all the stakeholders, promoting co-ownership of the initiative.

## NOTES

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1. Two articles included in Law 133/2008 (articles 46 and 61) seek to reduce the number of consultancies and the extent of external collaboration. Data for 2008, available in a Report to the Parliament, reveal the awarding of contracts to 220 000 consultants and freelancers whose remunerations accounted for an overall EUR 1.1 billion. Moreover, the Department for Civil Service regularly forwards to the National Audit Office a list of all administrations that breach the obligation to disclose and publish consultant and freelancer remunerations. Contravening administrations are forbidden to appoint consultants for the following year.
  2. The decision of the government to publish this information stems from data for 2008, available in a Report to the Parliament, that show that the overall cost estimates related to periods of absence for trade union activities accounted for EUR 148 891 450, corresponding to more than 1 million working days lost. The time off work and leaves of absence for elected public officials adds up to 739 667 working days, corresponding to absence from service of 2 027 employees a year, with a cost equal to EUR 62 837 000 (based on an average salary of EUR 31 000 a year). A Decree signed by Minister for Public Administration and Innovation on 23 February 23 2009 enforces a 15% cut of all leave for union activities for the year 2009.
  3. This package has implied a growth of basic wages, including wage arrears for the 2006-2007 period, by 4.1% in 2008 and 3.0% in 2009. Due to savings in locally bargained wage items and cuts in employment turnover, the growth of total labour cost for public employees slowed to 3.6% in 2008 and 1.0% in 2009.
  4. The previous bargaining model provided for two two-year wage agreements within a single four-year regulatory agreement. Further to lengthening the wage agreements, the reference to the target inflation rate for national collective agreements is abandoned in favour of a simple forecasting of the harmonised index of consumer prices (HICP), net of imported energy products.
  5. The reference to the target inflation rate for national collective agreements is abandoned in favour of a simple forecasting of the HICP, net of imported energy products.
  6. In practice, those who were absent for fewer than 15 days would see the allowance deducted for the entire period (around EUR 15per day) but beyond that threshold, would not only receive the agency allowance for each day of absence beyond the 14 days, but would also obtain the payment of the allowance which had been deducted for the first 14 days.
  7. Decree Law 112/2008 converted into Law 133/08; Decree Law 78/2009 converted into Law 102/2009, Legislative Decree 150/2009 and Ministerial Decree 206/2009.
  8. Until then the time slots were 10:00-12:00 and 17:00-19:00 and have been modified to 8:00-13:00 and 14:00-20:00. From July 2009 to January 2010 the time slots had been reduced, before being extended again (9:00-13:00 and 15:00-18:00) from February 2010 on.
  9. Decree Law 112/2008, Article 71, paragraph 1.
  10. After the first experimental phase.

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11. Initially, 27 public entities from the entire public sector, from the national as well as the sub-national levels, filled in the questionnaire published by the Public Administration Department on the website [www.innovazionepa.it](http://www.innovazionepa.it); the number went up to 70 a few months later. Since August 2008 data collection has become more structured, both on the methodological and procedural levels, thanks to the co-operation of ISTAT.
  12. The Committee comprises research department managers of the government fiscal agency (AE), the National Institute of Social Security and Pensions (INPS), ISTAT and Bank of Italy, epidemiologists from the University of Turin and economists from the University of Brescia.

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### CHAPTER 3. INNOVATION AND DIGITALISATION TO ENSURE QUALITY SERVICES FOR CITIZENS AND BUSINESSES

The second pillar of public administration reform is “innovation and digitalisation within the public administration and the country”. It is based on the awareness of the central role played by innovation in order to tackle a number of unprecedented challenges, to meet the new needs of the society and to promote competitiveness and growth.

The first component of this process is driven by the use of innovation within the public administration. Specifically, the Italian policy on digitalisation encompasses three different but interrelated aspects: i) ICT adoption inside each public entity, ii) interoperability within the public sector, and iii) enhanced online public services and administrative burden reduction for firms and citizens. The general aim is to deploy ICT to create both an easier, faster and less costly way to access public services and a bidirectional channel of interaction between the provider (public administration) and the consumers (citizens and firms), while boosting widespread innovation. This is aimed at not only increasing the efficiency and effectiveness in public service delivery, but also at a more comprehensive objective of enhancing transparency and accountability.

Numerous studies examine ICT adoption to achieve the goals of modernizing the public sector. E-Government policy formulation has different dimensions and refers to the organisational strategies, policies and processes employed by an organisation in its efforts to acquire and diffuse appropriate ICT to support its objectives (OECD, 2005a). ICT has been implemented by public agencies since the early diffusion of computer technology to automate repetitive activities as well as to assist in complex tasks in certain organisational areas. Throughout the years, ICT diffusion and its pervasiveness have facilitated the evolution of technologies in evolving organisational needs and managerial tools, and today e-government policies aim to use ICT to support any level and type of activities of a public agency (OECD, 2004a). In particular, (Swiss, 2003) discusses the relation of IT to results-based management, which encourages planning and target setting to make the organisation more proactive, maintaining the availability of feedback about organisation performance. Nowadays, the reform aims to complete the process of eliminating paper in the flow of public documents (“dematerialisation”), together with a more strategic and sophisticated use of



ICT to support the reengineering of internal processes and the adoption of the performance management cycle.

The adoption of ICT in public administrations and complementary organisational policies are also essential to develop needs-based online services and elimination of red tape, thus reducing administrative burden for firms and citizens. However, in order to allow citizens and firms to access online public services from a single point of contact with a single identification protocol, it is necessary to ensure the full interoperability within public administrations at different levels (central and local), with the cooperation of private networks, whenever needed.

The promotion of innovation is the other component of the second pillar of the reform. The innovation policy of the Ministry for Public Administration and Innovation is based on the promotion of a viable environment, in which firms can create, develop and profit from new technologies. As countries seek to improve productivity performance and ensure sustained growth, they will need to boost their capacity to innovate. Moreover, innovation is regarded as essential if countries and firms are to recover from the economic downturn and thrive in today's highly competitive and connected global economy. It is indeed a powerful engine for development and for addressing social and global challenges such as climate change, health and poverty (OECD, 2010c).

However, innovation rarely occurs in isolation; it is a highly interactive process of collaboration across a growing and diverse network of stakeholders, institutions and users. Hence, experts in the area advocate an approach that takes into account the interplay of different policy domains and brings them together through supportive mechanisms for governance at the local, regional, national and international levels.

To properly design an innovation strategy, policy making must move beyond the supply-side policies focused on R&D and specific technologies to a more systemic approach that takes account of the many factors and actors that influence innovation performance, including demand-side policies. The policy objective should not be innovation as such, but its application to make life better for individuals and society at large. This is not an easy task, especially as the scope of innovation policies broadens (OECD, 2010c). Hence, innovation requires its own "policy space" aimed at coordinating intervention of the numerous relations characterizing this system as a whole. To achieve greater efficacy in the national system for innovation, policies have to focus principally on achieving a strong interaction among all those brought into play in this field. A fundamental aspect of intervention must be to guarantee links and an open dialogue among all the actors (enterprises, R&D and public administration) to fully integrate the respective innovation strategies.

Public administration can truly drive this process, providing qualitative and quantitative responses that can meet demand for innovative policies emerging in the market.

The public administration thus assumes an important role to propel a virtuous cycle by: regulating the markets, from policies for public procurement to those on intellectual property and governance of the Internet (for example, see Box 3.1); producing public assets and infrastructure services; providing incentives to promote innovation and research activities in enterprise and in the sciences beyond the standard forms of aid and funding for enterprises; providing public education system services; and promoting high-quality human resources and an innovative mindset (the “culture of innovation”).

### **Box 3.1. The Azuni Code for Internet governance**

Internet governance is drawing the attention of policy makers around the world. In Italy, in order to ensure the necessary technical support to the Ministerial Committee on Information Society, an expert Working Group was established in November 2009 comprising representatives from the research, university and business communities, as well as representatives from interested public administrations.

In this context, as a first result of the initiative of the Ministry for Public Administration and Innovation, the operation “Azuni Code” was launched in August 2010 to promote, using a bottom-up approach, the collection and organisation of the main rules and practices of the Internet. The Italian initiative follows the main practices of OECD countries with regard to Internet governance which, considering its history, technical nature and speed of development, must involve a multitude of stakeholders, an international dimension and a new and innovative approach. Domenico Azuni, a Sardinian jurist after whom the code is named, examined laws, practices, habits, regulations and decisions related to sea navigation in Europe in the early 1800s. Governance of the Internet must also find existing and widespread principles and practices, integrate fragmented interpretations and coordinate unsystematic lines of action. It is additionally relevant to reach a widely shared position starting from a few key points: promoting a mindful and responsible use of technology; ensuring reliability and credibility of information sources; and encouraging an open, dependable, ubiquitous and accessible Internet. The goal is to allow the Internet to exploit its growth potential and to guarantee, all over the world, the full respect of the fundamental rights of the individual.

The preliminary document, “The Azuni Code Beta Version”, prepared with the contributions of the members of the Working Group, gives “voice” to the users of the Internet by eliciting comments, points of view and proposals from all those interested in contributing to the debate on governance ([www.azunicode.it](http://www.azunicode.it)).

### **3.1. The e-Gov 2012 Plan**

The theoretical framework for innovation and digitalisation is implemented in the e-Gov 2012 Plan, which focuses on the enhancement of online services, interoperability, co-operation and communication instruments such as web 2.0, public administration quality and customer satisfaction. The plan, originally stemming from a July 2005 directive issued by the Department for Innovation and Technologies, is in line with the Lisbon Strategy (now Europe 2020). A crucial instrument to mobilise the necessary organisational and financial resources is ensured by over 143 “institutional co-operation memorandums” with central administrations, regions, local authorities and private subjects and associations. The plan contains 27 objectives divided into 4 different areas of intervention (14 sector-focused objectives, 4 territorial objectives, 6 systemic objectives and 3 international objectives) to be implemented by 80 projects and followed by other special initiatives such as Expo Shanghai 2010 (see Table 3.1).

In particular, the digitalisation of information on education, health and justice deserves immediate attention. The improvement of transparency and efficiency in the public administration, the development of the Public Connectivity System (SPC) and innovation to enhance the citizen-public administration relationship are defined as broader priorities of the plan.

**Table 3.1. Italy's e-Gov 2012 Plan**

SECTORIAL OBJECTIVES	TERRITORIAL OBJECTIVES
Objective 1: School Objective 2: University Objective 3: Justice Objective 4: Health Objective 5: Businesses Objective 6: Security and Civil liberties Objective 7: Foreign Affairs  Objective 8: Environment Objective 9: Tourism Objective 10: Cultural Heritage Objective 11: Youth, Equal opportunities and Social affairs  Objective 12: Mobility  Objective 13: Infrastructure Objective 14: Agriculture	Objective 15: Registry Office Objective 16: Territorial Data Objective 17: Services Charter Objective 18: Broadband services
INTERNATIONAL OBJECTIVES	SYSTEM OBJECTIVES
Objective 25: e-governance for development  Objective 26: Internet Governance Objective 27: OECD and EU cooperation	Objective 19: Transparency and efficiency of the PA Objective 20: Dematerialization Objective 21: Public connectivity system  Objective 22: Citizen-PA Relationship Objective 23: Innovation Know-how Transfer Objective 24: Computer and Network Security
	SPECIAL PROJECTS
	Expo Shanghai 2010 Arsenale – Integrated environmental System Arsenale – Centre for the Restoration of Contemporary Art Multimedia virtual Guide

## ***The key sectors***

### ***Primary-secondary school and university***

The e-government plan seeks to innovate the educational and teaching architecture of Italian schools, to facilitate communication between schools and families, to ensure the access to digital content and to deliver innovative services and tools for the digitalisation of the Italian university system.

In particular, an ever-growing importance has been given to the use of electronic teaching tools. Interesting examples of initiatives in this area, developed in collaboration with the Ministry of Education, Universities and Research, are the digital blackboard, electronic reports, class e-register and

digital books, as well as innovative strategies of communication (e.g. the “Scuolamia” portal <http://scuolamia.pubblica.istruzione.it> and “Innovascuola” portal <http://www.innovascuola.gov.it>). As for the university system, two projects are currently being implemented in the framework of the so-called “ICT4University” programme ([www.ict4university.gov.it](http://www.ict4university.gov.it)): “Wi-Fi Services and Networks” and “Digital University”. Their objectives are, respectively, to boost Wi-Fi coverage up to 80% (it is less than 40% at present) and to introduce digital technologies to record examinations so that each student profile can be managed through an electronic personal file and the Certified e-mail System.

### *Justice*

The main object of the plan in this sector is to implement the digitalisation of proceedings to promote a simplification of exchange of documents and access to procedural documents for citizens and lawyers (e.g. electronic notifications of communications and procedural documents, online certificates of criminal records, electronic transmission of crime reports).

Currently, within the justice area, paper documents are still in use despite the fact that automation technology dates back to the 1980s. As for certain specific sectors, such as penitentiary administration and record of convictions, a high level of digitalisation has been reached, even though it is still limited with regard to external communication. According to the e-government programme, a telematic proceeding will be put in place - both for criminal and civil law - in the following areas: administration, accounting and ordinary justice. This plan is being implemented in some pilot projects involving relevant courts, such as the Venice Court of National and International Arbitration, the Committee on IT Innovation, Rome Court, and the Committee on Justice, Milan). Moreover, the telematic conversations and online exchange of documents in electronic format, with legal validity, have been introduced using proper and secure inter-operability standards among lawyers, judges and judiciary offices. The e-Gov Plan sets 2012 as the target year for the reorganisation and digitisation of the judiciary offices, as well as for the dematerialisation process of the proceedings and the online access to the main services. Initiatives to improve the efficiency of the ICT structure in support of the judicial sector are carried out in close cooperation with the Ministry of Justice.

### *Health*

Digital innovation within the health system is seen as a fundamental step in improving the cost and quality of services, and customer satisfaction, while keeping expenses under control. Among the projects in the health area that

are well under way, two pertain to the digitalisation of the doctor-patient relationship, such as online prescriptions and medical certificate, while another concerns the electronic healthcare record (e.g. e-health records, digital prescriptions and medical certificates). Finally, the medical booking system will be digitalised at an inter-regional level to deal with the waiting time problem. Since April 2010, medical certificates are digitalized thus providing important support in monitoring absenteeism. What is particularly noteworthy is the close collaboration among the various entities involved, the Ministry for Public Administration and Innovation, Ministry of Health, Ministry of Economy and Finance, regional offices and healthcare agencies, and INPS.

### **Box 3.2. Smart Inclusion**

Smart Inclusion is Italy's first distance learning, entertainment and clinical data management project for hospitalised children. It aims to create multimedia and Internet networks connecting children's hospitals with children's schools and homes to allow them to stay in contact with their classmates and families. The Smart Inclusion project has two key applications: distance learning and family communication. The system has also two practical applications: entertainment and hospital data. The Smart Care touch screen with zero-impact electromagnetic transmission technology can be easily installed in hospitals, schools and homes without cable requirements. Smart Inclusion fully leverages the potential of ICT to enhance the lives of people who are prevented from enjoying a full and independent social life. Thanks to the co-operation agreement between the Ministry for Public Administration and Innovation and the National Research Council (CNR), and also to the contribution of private sponsors, the Smart Inclusion technology is being installed and operated in a growing number of hospitals. A medium-term goal is to extend the initiative to a increasing number of hospitals throughout the country.

See: <http://www.cooperationlab.it>

The e-Gov 2012 Plan is being monitored on a regular basis and the implementation is published on the web (see chart below) as well as in quarterly activity reports. This monitoring activity complements the institutional reporting assessment tools provided for by the current legislation (see Table 3.2).

**Table 3.2. The e-Gov 2010 Plan implementation**

**PRIMARY-SECONDARY SCHOOL AND UNIVERSITY**

PROJECT	%	DESCRIPTION
Online schools – Internet in classroom	60	About 4 000 schools (equal to 40%) have been connected through SPC, a programme to promote the use of local networks to allow schools to access broadband Internet.
Digital didactics	100	As of now, more than 18 000 digital whiteboards, with an additional 8 000 in the coming months, have been made available to schools, and over 500 000 students and 70 000 teachers will benefit from these new resources. As of October 2009, the InnovaScuola platform is available for every school, and offers more than 1 200 free digital educational aids, as well as services and new social networking tools for teachers and students. An average of 65 000 pages are visited each week, with more than 50 000 downloads ( <a href="http://www.innovascuola.gov.it">www.innovascuola.gov.it</a> ).
Online school-family services	100	The portal <a href="http://www.scuolamia.istruzione.it">www.scuolamia.istruzione.it</a> allows registered schools to provide quality digital services to families (for example, to notify absences, deliver report cards, keep parents constantly up to date on the progress of their children). As of today, about 3 000 schools at national level have registered for this new portal ( <a href="http://www.scuolamia.pubblica.istruzione.it">www.scuolamia.pubblica.istruzione.it</a> ).
National school registry office	30	The executive plan of the project has been completed, and the pilot project has been adopted by 33 provinces, led by Venice.
Online services and Wi-Fi networks	70	Activated: 34 projects “Campus digitali” 20 projects “Wi-Fi SUD” 47 projects “AFAM”

Digital university	40	Activated: 27 projects with the universities among which: 4 pilot projects - University of Rome Tor Vergata, La Sapienza and Roma 3 and University of L'Aquila 23 selected with public notification
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### ***JUSTICE***

PROJECT	%	DESCRIPTION
Telematic notifications	60	Civil trials carried out at the Court of Milan (around 25 000 communications per month from all the Civil Disputes chancelleries to 6 400 lawyers), and currently in the start-up phase for the Courts of Venice and Rome. Furthermore, the telematic deposit with legal validity for proceedings and court orders is currently operating in 17 Italian cities.
Telematic issue of judiciary certificates	40	Developed in a restricted number of courts, currently only lawyers can benefit from direct access to the data of court records and to telematic delivery of judiciary certificates. The project is going to be extended in the next months to all territories and to citizens and businesses.
Public access on line to judgments and to the data of the proceedings	40	Until now lawyers have had public access to data of legal prosecution and to proceedings and judgments in all offices where the telematic process is implemented, in compliance with the Digital Administration Code.
Rationalisation, evolution and security of ICT infrastructure	60	Development of a computer system and the telecommunication network for the justice sector.



Payments on line	40	Pilot project by the Courts of Genoa and Naples for the electronic payment of the merged contribution.
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### HEALTH

PROJECT	%	DESCRIPTION
Digitisation of the prescription cycle – sick leave certificates	90	The central system for the transmission of sick leave certificates from the doctor to the National Social Security Service (INPS) for public and private workers has been on line since April 2010. The accreditation process of the doctors to access the service has been largely completed.
Digitisation of the prescription cycle – medical prescriptions	20	The document that specifies the standard for “digital prescriptions” has been approved. The central system for the transmission of prescription data has been on line since January 2010. Law 122 of July 2010 (which converted Law Decree 78 of May 2010) gives legal value to prescription data sent on line.
Electronic Sanitary File (FSE)	40	<p>With the introduction of the Electronic Sanitary File (ESF), citizens are progressively freed from the burden of having to autonomously manage their clinical history. The file has all the information in electronic format available for primary uses – emergency and assistance – as well as for secondary uses such as administrative, government and expense monitoring purposes.</p> <p>To promote the implementation of FSE: the [Electronic Health Platform has established guidelines for a national infrastructure of FSE which integrates general solutions; the Ministry of the Public Administration and Innovation, the Ministry of Health and Italian regions have established guidelines to define the contents and information structure of FSE; the Privacy Authority has established the guidelines to manage FSE in regard to citizen privacy; every region is developing FSE solutions according to EPSOS, a European e-health project.</p>

Centralised reservation office (CUP)	80	The pilot project is almost complete in five regions. The initiative provides for the issuance of technical rules and software components for the development of CUP online networks, in the framework of the guidelines of the Ministry of Health.
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Innovation of the local healthcare offices (digitalisation of citizen services and administrative processes, smart inclusion)	40	<p>In order to contribute to the efficiency of the healthcare offices, and increase the digital innovation rate in internal organisational processes and services to citizens, the LITIS model (<i>Livelli di innovazione tecnologica in Sanità</i>, contained in law decree with Federsanità-ANCI) which delivers guidelines for managers, was completed in February 2010. Up to now are in phase of definition interventions to support innovation projects of healthcare offices based on LITIS model.</p> <p>Smart Inclusion, the project that allows teledidactics for hospitalized children (see Box 3.2), has been completed in Bambino Gesù Paediatric Hospital of Rome, Meyer Hospital of Florence, Paediatric Oncology and Haematology Department of Padua and Gaslini Hospital of Genoa. It is also being planned in the following structures: Regina Margherita (Turin); San Matteo Hospital (Pavia).</p>
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### ***Certified e-mail (Posta Elettronica Certificata)***

The government assigns great importance to the process of digitalisation for certified electronic mail systems (PEC, the Italian acronym of *Posta Elettronica Certificata*) for the public administration, citizens and business. Certified e-mail is an e-mail address that ensures the sender of the actual delivery of the message to the designated address and provides the same legal value as a letter sent by registered mail (*raccomandata*). The aim is also to allow for the elimination of the paperwork needed in certain public administration procedures and the exchange of documents within the public administration.

Thanks to the certified e-mail system, the interaction between citizens, public administrations, professionals and businesses is simplified because any user, from any computer, can safely, comfortably and in a non-costly and exclusive way communicate with the public administration, businesses and professionals. This allows for the transmission of letters and documents in all cases where communication with legal value is required, from any computer.

The PEC allows for the following: the electronic management from the user's computer of communications and documents that are now certified and traceable and therefore enjoy full legal validity; a "read return receipt" that will confirm not only the delivery but also the actual "reading" of the e-mail from the addressee; a reduction in terms of time to complete a transaction that previously required a person to physically visit the post office; improvement in terms of time needed for transactions; cost cuts for the citizens, end-users and the public administration; more accessible and user-friendly services; and simplified working processes.

Since November 2008, it has been compulsory for all new businesses to create a certified e-mail account, while existing companies will have until November 2011 to do so; and since November 2009 all professionals have been obliged to activate a certified e-mail account and public agencies must publish their certified e-mail addresses on their websites. All bonuses to managers will be frozen in case of non-compliance. As a pilot phase, since September 2009 two public agencies (the Italian Automobile Club and the National Social Security Institute) have given free certified e-mail accounts to their clients.

In April 2010, the Ministry for Public Administration and Innovation announced the availability of the service *Posta Elettronica Certificata al Cittadino*, free of charge, which provides citizens with certified mailboxes to communicate with the public administration (see [www.postacertificata.gov.it](http://www.postacertificata.gov.it)). The service enables citizens to exchange messages with the administration in a legally compliant way. This simplifies procedures, enhances efficiency and increases the tools available to give voice to the citizen opinions.

Recent data (from September 2010), collected by the Department for Digitalization of Public Administration and Technology Innovation, confirm that the PEC development process is well under way. To date, more than 11 500 public administrations have activated at least one certified e-mail account, 420 000 certified e-mail accounts have been requested by citizens, over 1,2 million professionals and 500 000 businesses have complied with the obligation to activate the certified e-mail account. Because these numbers are expected to grow, the positive reaction of the Italian society to adopting this new system should be used as a platform to accelerate the process of digitisation of the public sector's operations, which will increase the number of fully digitised procedures and e-government services delivered. This will maximise the usefulness of the PEC.

### ***CAD reform***

In order to set up the legal framework capable of speeding up and supporting the innovation processes within the public administration offices, the reform of the Digital Administration Code (CAD is the Italian acronym) is under way. The CAD is applied at both the central and local level. Its aims include: sanctioning improper behaviour while rewarding virtuous practices, simplifying relationships with citizens and companies; enforcing and checking the digitalisation process of the administration and supporting this process through the savings obtained from the reorganisation of structures and services; and increasing data, systems and infrastructure security, making PEC compulsory within the public administrations that require return receipts.

Moreover, the CAD provides legal rules regarding electronic documents and copies, regulates the area of electronic signatures and provides guidelines concerning operational continuity, disaster recovery and use of software programmes in the public administration. Finally, the reform establishes the rules guaranteeing transparency and supporting the elimination of paperwork.

### ***Other initiatives***

In line with the objectives of the e-Gov 2012 Plan, other initiatives have been implemented. Among these it is worth mentioning the introduction of the “Electronic Passport and Identity Card”, enabling police headquarters and consulates to issue the Electronic Passport<sup>1</sup>. Moreover, in relation to territorial data, the plan foresees the establishment of a “unitary municipal registry coupled with a real estate cadastral system” to deploy, through single points of contact, the National Land Registry Information System for cadastral updates throughout the country. Finally, the initiative embedded in the plan “Set Up a Business in One Day” aims to provide a single online point of contact for businesses to comply with the necessary requirements (e.g. registrations, modifications and authorisations).

### **Box 3.3. The EasyLife project – Vivi facile**

The EasyLife Project,- launched in the spring of 2010, provides an advanced communication channel with the public administration through a single integrated communications system point of access to several digital services via mobile phone or web. The initiative takes advantage of the Public Connectivity System (PCS) based on technical rules and tools for the integration and inter-operability among the public administration's back offices and a single model to manage the citizen identification process. As for GSM mobile phones, a USSD technology has been developed to offer interactive and real-time services free of charge (*e.g.* information on culture, education, public health and taxation systems).

Currently, services concerning the Vehicle Licensing Office (ACI - the Italian Automobile Association) and the school system are available on line. The former includes information on expiration dates and queries related to driver licenses and vehicles. The latter includes information on student attendance, request for certification, how to schedule an appointment with teachers and how to receive report cards via e-mail. EasyLife services will gradually be extended to other areas in line with a planned course of action (in particular, to the public healthcare, welfare, labour mobility, justice and taxation systems).

During the pilot phase, users will have the opportunity to express their satisfaction in order to make any adjustments or fine tune as they deem necessary. In order to reduce the digital divide, EasyLife services are made available to those citizens who are "not yet digitalized" through a linkage with a "Friendly Line" service. By bringing together these various communication channels (web, e-mail and certified mail) and unifying the identification and registration processes, once fully developed, with all services readily available to the public, the EasyLife platform will make an important contribution to innovating the way citizens and firms communicate with the public administration and make use of the services offered, thus realizing the concept at the heart of both e-Gov 2012 Plan and i.2012Plan (see section 3.2 below).

See: <http://www.vivifacile.gov.it/>

It is also worth mentioning the "Italian Public Administration eMarketplace" (MEPA) website. In 2009 the MEPA website was one of 52 finalists awarded projects from 17 European countries (see <http://www.acquistinretepa.it>). MEPA is an e-procurement solution in which any Italian public administration entity can buy goods and services according to the EU procurement rules. The project has been selected for its contribution to increasing the efficiency and effectiveness of public services through the use of information technologies (Directorate General for the Information Society and Media, European Commission European Good Practices-European eGovernment Awards Winners 2009)<sup>2</sup>.

### **3.2. Initiatives to promote innovation**

Innovation and digitalisation policy also encompasses a strategy to disseminate and encourage innovation, enhance public-private cross-fertilisation, remove obstacles to technological transfer and increase technological scouting. This innovation strategy is embedded in the i2012 Plan, which comprises the i-economy Plan and i-society Plan.

The i-economy Plan, which targets firms, aims to create an enabling environment in support of investments in innovation.

The second component of the i2012 strategy, citizen-focused i-society, addresses the challenge of the digital divide and the dissemination of ICT knowledge and usage. The priority areas of intervention are efficiency, ICT, media and digital content, info-mobility, design and the biomedical field.

The projects described below are the main initiatives of the i2012 Plan: the National Award for Innovation, Italy of Innovators, Innovation Forum, Smart Town and Smart Services Cooperation Lab.

#### ***National Award for Innovation***

The National Award for Innovation (*Premio Nazionale per l'Innovazione*) rewards innovation best practices in industry and services, design, public administration, universities and the tertiary sector to support the best innovation capacities and enhance their value on a national level, furthering the cause and culture of innovation. The award was launched in 2009 and is given each year<sup>3</sup> in the Presidential Palace on the National Day for Innovation, also instituted in 2009.

#### ***Italy of Innovators***

The Italy of Innovators initiative (*Italia degli Innovatori*), a project of the Italian Agency for Technological Innovation<sup>4</sup>, highlights Italian innovation capability. Good practices and proposals from companies, universities, public administration and citizens were selected from a large pool of proposals. Of these, 250 are exhibited at the International Stage of the 2010 Expo in Shanghai. The initiative was conceived with a bottom-up approach, as the concept of the exhibit was based on presentations of technological innovations submitted by the innovators through a public call for proposals. The committee charged with evaluating the proposals of the innovations based the evaluation on the following criteria:

- Correspondence to the inspiring themes of the Expo and of the Italian participation;

- Originality, in relation to the international context;
- Development stage of the innovation;
- Economic and social application perspectives.

This initiative offers the opportunity to highlight a number of goods and services invented and deployed in Italy. This increased knowledge could be disseminated widely throughout the country to support the replication of the initiatives and to inspire new ones.

The government is also promoting training, new professional profiles and talents, while boosting participatory democracy and ITC literacy, promoting open source software and the reuse of ITC facilities.

### ***Innovation Forum***

The Innovation Forum project, sponsored by the Ministry for Public Administration and Innovation, was launched in October 2009 and was developed during four working sessions where the principal actors met and shared ideas as to how to promote new governance for innovation. These meetings took place in Padua, Genoa, Naples and Cagliari.

Included among the various local actors called on to interact with the national political bodies are districts known for their innovative, highly developed research institutes working closely with local entrepreneurs, health care agencies and administrations excelling in forward-looking and efficient management.

These local actors, the best available in the country, brought to the sessions their projects promoting innovation and offering new technological solutions. This was an opportunity for the participating public bodies to share and discuss methodologies, projects and results achieved.

### ***Smart Town***

Smart Town is a response of the Italian government to the increasing demand for cities to become “Digital Cities” through the adoption of innovative models. These models will provide citizens with useful and innovative services, such as direct communication with the public administration through interactive devices, wireless Internet access in public areas and video-surveillance systems.

The Smart Town initiative, developed in cooperation with the National Research Council (CNR) and major Italian technology providers, aims to

combine a more rational use of municipalities' economic and territorial resources with the enhancement of services for citizens ([www.cooperationlab.it](http://www.cooperationlab.it)). This initiative also seeks to be a functional instrument for the fulfilment of the environmental targets defined by the Kyoto Protocol in terms of greenhouse gas (GHG) emissions.

Thanks to the Smart Town technology, the public lighting system of a city can be transformed into a high bandwidth network. Therefore, value added services can be provided with greater installation saving costs and higher management levels, such as a remotely controlled public lighting system and the flexible video surveillance and digital communication systems that simplify the communication between the citizen and the public administration.

The Smart Town initiative was launched in May 2009 at the Forum PA, the main public administration fair in Italy. Since then, more than 50 municipalities (mainly medium and small towns) have adopted the Smart Town model. During 2010 the model has also been presented at several European Commission round tables with the aim of extending the Smart Town initiative throughout Europe by the end of 2011, involving at least three large representative cities and international technological partnerships.

### ***Smart Services Cooperation Lab***

In order to enhance and strengthen the relationship between the public administration and businesses, the Ministry for Public Administration and Innovation has established, through a partnership with the CNR (National Research Centre), the Smart Services Cooperation Lab. The aim is to create an excellence centre, supported by the biggest ICT players in the country, which will be able to develop new and innovative solutions to be transferred to the local public administrations, following a process of: expertise and best practice scouting, service prototypes creation, staff training and know-how sharing. The Lab aims to evolve into a technology aggregation network open to national and international research centres, thus increasing their productivity and visibility. The government will encourage information sharing about the project by means of several initiatives, including publishing case studies in the press and on official web-sites and organizing public events, such as fairs or expositions, with demonstrations of the services.

The Smart Services Cooperation Lab was launched on 21 December 2009. It has a single centre, located in Bologna, which has been operating throughout 2010 involving around 15 researchers, in partnership with the main Italian Telco Operator. By the end of 2011, the objective is to extend the network to at least three other centres around the country, which will represent points



of excellence on specific smart services technology and applications ([www.cooperationlab.it](http://www.cooperationlab.it)).

## NOTES

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1. From 2009, they also have the ID holder's fingerprints in line with the new EU directives, which will serve as the standard of reference to issue electronic ID cards.
  2. See <http://www.epractice.eu/en/awards>.
  3. In June 2009 the Italian President awarded 26 prizes and in June 2010 the number increased to 28.
  4. The Italian Agency for Technological Innovation, founded in 2006, is the institutional body that promotes and disseminates innovation nationwide.

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#### CHAPTER 4. SIMPLIFICATION, VOICE AND CUSTOMER CARE: IMPROVING THE RELATIONSHIP BETWEEN PA, CITIZENS AND BUSINESSES

The aim of the third pillar, the relationship between public administration, citizens and business, is to design a new digital administration – a PA 2.0 – capable of helping its "clients" by involving them in decision-making processes. Such a concept of democratic participation originates from the will to place citizens "at the heart" of the reform process. Some scholars and many practitioners argue that the introduction of technological innovations has effects on local government to support participation and collaboration processes between parties involved in the implementation of a common ICT project or the solution of common problems.

Many public management experts also recognise that the adoption of ICT helps to stimulate public engagement in democratic participation and to enhance confidence and trust in public agencies (La Porte, Demchack and De Jong, 2002).

Several studies focus on impacts in terms of improved satisfaction, quality of information and services provided. The introduction of new channels for delivering services (websites, call centres, etc.), in fact can help improve government response to citizens' needs (Norris, 2005). The impact at this level and dimension can be measured by reducing the number of complaints from the users and from the increase in satisfaction regarding services received (Northrop *et al.*, 1994; Hertzum, 1995). The impact on citizens can also be evaluated in terms of *accessibility and transparency* resulting from the introduction of ICT as a new way and channel to access public information (Scheepers, 1994; Hertzum, 1995; Hepworth, 1992).

A set of to-be-adopted legislative initiatives, alongside a series of existing and fully functioning projects, aim to improve the dialogue between the public administration on the one hand, and the citizens and business on the other, to streamline their relationship. Such projects can also help to overcome – on a regular basis – administrative malpractice and red tape for the benefit of the most disadvantaged social groups, *e.g.* the less able and their families.

As in many other OECD countries, regulatory reforms in Italy play an important role in the package of microeconomic reforms put in place in response to the recent economic crisis. The Strategic National Framework

contributes to improving the multi-level framework for regulatory reform and to speed up the reform process; and a push to modernise public administration by the Minister for Public Administration and Innovation is tackling needed reforms (OECD, 2007). In particular, the Ministry programme aims to:

- Measure and reduce administrative burdens, both for firms and citizens, arising from areas under the aegis of the central level of government;
- Extend the same criteria and methods to local levels (regional and local bodies) of government; and
- Implement specific measures to simplify life for small and medium-size enterprise.

In order to get a clear idea of the priorities and possible solutions available, stakeholders are directly involved in the process.

#### **4.1. Cutting red tape**

##### ***Measuring and reducing the administrative burdens on enterprises and citizens***

Excessive administrative burdens stemming from bureaucratic methods are one of the first reasons for the competitive disadvantage of Italy within the European context and in the entire OECD area. The European Commission has estimated that the administrative costs burdening Italian enterprises amount to 4.6% of GDP. The Italian government, therefore, views cutting red tape to reduce administrative costs as a key factor to free up resources and boost business productivity and competitiveness, without increasing public spending.

The Decree Law 112/2008, in line with EU-level policies, established a multi-year administrative burden measurement and reduction programme (*taglia-oneri*) that foresees a number of measures aimed at cost-cutting, structural simplification and administrative process streamlining to reduce costs and burdens by 25%. The programme is expected to be completed by 2012.

The measurement and reduction programme is structured on an annual basis and each yearly measurement plan is based on the information supplied by business associations and responsible administrations. The *taglia-oneri* mechanism is based on the multi-year planning of activities and on the forecast reduction plans for the sector. The goal is to empower individual administrations to achieve the target reduction of 25% by defining regulatory, organisational and technological measures.

In Italy, administrative simplification was applied taking into account peculiarities such as the Italian regulatory scenario (*e.g.* the presence of several government levels with regulatory powers); the structural characteristics of the production system, with a strong presence of small and medium enterprises (4 446 137 units, 88.6% with fewer than 5 employees<sup>1</sup>); and the role of intermediaries and employer organisations.

The Italian government based the mechanism on a method that was determined in line with international best practices, which focuses on processes and procedures:

- It begins by reconsidering the activity carried out by administrations with regards to the costs of compliance with bureaucracy and the burdens borne by enterprises.
- It identifies, accordingly, the most expensive procedures and outdated, repetitive or excessive bureaucratic burdens to cut or to reduce.
- It involves all the stakeholders at all stages of the measurement and reduction process.
- It allows verification of the effects of the simplification measures adopted.

The measures envisaged by the programme include the launching of measurement activities based on the standard cost model<sup>2</sup>, focusing on high-impact costs of burdens at national level in view of the aim to reduce, by 2012, the burdens on SMEs<sup>3</sup> using the same methodology adopted by the European Commission. Co-ordination of measurement activities is carried out by the Public Administration Department (Office for Administrative Simplification) with the technical assistance of ISTAT and the Unit for Simplification and Better Regulation (Minister for Normative Simplification).

In the sectors considered thus far (privacy, environment, fire prevention, landscape and cultural goods, labour, welfare and public procurement), measurements led to an overall estimated aggregate annual burden of state legislation of approximately EUR 18.8 billion (see Table 4.1). Furthermore, measurement activities have been launched in areas such as working environment and disability.

**Table 4.1. Annual aggregated total cost per sector per business in Italy**

*(in thousands of euros)*

SECTOR	ANNUAL AGGREGATED COST
PRIVACY	2 190 431
ENVIRONMENT	3 409 405
FIRE PREVENTION	1 409 515
LANDSCAPE	621 400
LABOUR	6 910 644
WELFARE	3 029 542
PUBLIC PROCUREMENT*	1 213 918
<b>TOTAL</b>	<b>18 784 855</b>

Note: No data about businesses with fewer than five employees are available for measurement in the public procurement sector.

Source: Presidenza del Consiglio dei Ministri - Public Administration Department

On the basis of the measurement results, each administration has to prepare (in accordance with the guidelines set by Decree Law 112/2008 issued by the Minister for Public Administration and Innovation) a “burdens reduction plan”. The plans define the organisational, technological and regulatory interventions necessary to achieve the 25% reduction in administrative burdens, the estimated savings associated with them and the monitoring system to be used to give periodical accounts of the results. By setting targets and deadlines and drawing a clear framework of accountability, the plans aim to introduce, within the policies of simplification, a results-based logic according to which the success of interventions is proportional to the effective reduction of costs and bureaucratic inconvenience for citizens and businesses, and not just to the number of rules adopted or withdrawn. Three plans have been completed to achieve reductions in areas relating to fire prevention, labour and welfare, and landscape. To date, the programme has achieved a cut of EUR 5.5 billion, equivalent to 29% of estimated administrative burdens (see Table 4.2).

**Table 4.2. Burden reduction plans and savings per sector for SMEs in Italy**

(in euros)

SECTOR	ESTIMATED COSTS	REDUCTION PLAN	SAVINGS
LABOUR AND WELFARE	10 billion	<u>completed</u> all interventions have been implemented	4.8 billion 48 %
FIRE PREVENTION	1.4 billion	<u>completed</u> monitoring	526 million 37 %
LANDSCAPE	621 million	<u>completed</u> monitoring	166 million 27%
PRIVACY	2.2 billion	In progress	-
ENVIRONMENT	3.4 billion	In progress	-
PUBLIC PROCUREMENT	1.2 billion	In progress	-
<b>TOTAL</b>	<b>18.8 billion</b>		<b>5.5 billion</b>

Source: Presidenza del Consiglio dei Ministri - Public Administration Department.

Public consultation and stakeholder participation in all phases of the process (e.g. identification of critical procedural issues, formulation of hypotheses intervention, preparation of the plans including savings estimation and business planning), together with the publication on the public entities' websites of the progresses made and results achieved, are seen as key factors for successful measurements and reductions. As described in the literature, some public management expenditure research describes transparency as a tool to enhance government effectiveness as perceived by their stakeholders (West 2004, 2005). Putnam (2000) and Orren (1997) argue that public satisfaction with government is a function of both expectation and perception of governmental performance. As a consequence, the more an organisation is transparent, the better its stakeholders can monitor its performance (Reichard, 1998). In addition, some authors (for example, Stodolsky, 2002) also state that an organisation with transparent decision-making processes can vastly increase citizen participation and, eventually, democracy.



For instance, for each regulated area, the specific information areas to be measured are selected with the involvement of stakeholders, giving priority to those with greatest impact on business. Hence, the stakeholders' active involvement is intended to contribute to the selection of the most burdensome procedures. It is also meant to improve the simplification process with qualitative information on perceptions about the regulatory system and with intervention hypotheses arising from direct business experience. Monitoring of the results and evaluation of the manager responsible for achieving the goals in the ministerial plans represent an additional example of the active participation of stakeholders. Monitoring is also carried out through the establishment of appropriate "tables" created by involved administrations and employer organisations.

The Italian government started testing a measurement of administrative burden on citizens calculated in terms of time and cost. The measurement was made by taking into account the costs incurred to comply with legal obligations and the costs related to the exercise of a right (e.g. the request for a grant). Measurements focus on procedures, for the issuance of benefits associated with the condition of disability: economic provisions, reductions in access to employment and educational assistance. It is a test case aimed at calibrating the methodology for measuring the burdens on citizens with quantitative and qualitative methods of investigation, and it is a sector that can be easily applied to a specific life event. The most important innovation is the involvement of associations in the activities of burden measurement.

The Public Administration Department has completed an evaluation of different aspects of the red tape burden on citizens in relation to information disclosure requirements, taking into account specific elements relevant to the national context (e.g. the analysis of waiting time for the completion of the procedures).

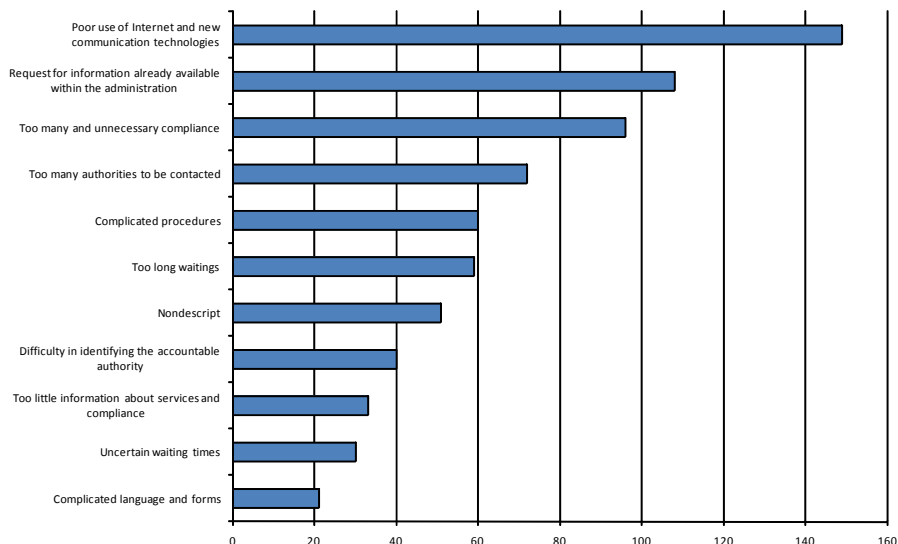
The ongoing discussion is focusing on whether to introduce measurement instruments for *ex ante* regulatory intervention to reduce the stock of existing liabilities, with ways to monitor the flow of new obligations. Furthermore, the intention is to reduce the burden at sub-national levels of government (regions and local authorities), and in 2009 the Public Administration Department started a project to extend the method to regions.

There are several good regional examples of initiatives undertaken to support regulatory reform, and the Piedmont Region is one of them as described by the OECD in "Successful Practices and Policies to Promote Regulatory Reform and Entrepreneurship at the Sub-national Level" (García Villarreal, 2010)<sup>4</sup>.

### ***Simplification and online consultation (Burocrazia: diamoci un taglio!)***

In November 2009 the Italian Minister for Public Administration and Innovation launched *Burocrazia: diamoci un taglio!*, an online consultation designed to involve citizens, businesses and their associations in the administrative simplification process. This initiative is a new way within the Italian context to simplify bureaucracy: it aims to collect comments and proposals directly from users through an online questionnaire. By listening to those who directly interact with public administration, the Minister for Public Administration and Innovation wishes to adopt measures that can better respond to users' needs. The Italian government introduced this bottom-up approach to administrative simplification according to the OECD Guiding Principles for Regulatory Quality and Performance (Principle 3) and international best practices such as the Belgian "Kafka Point", the French "Ensemble Simplifications" and the British "Better regulation: make life as simple as possible". *Burocrazia: diamoci un taglio!* follows the first few trials conducted by the department to adopt feasible simplification measures for reforming public administration (e.g. the online consultation launched in March 2009 that lasted 20 days and involved a group of 3 000 experts and professionals, among them academics, researchers, managers, employers and consumers in the implementing framework of the public administration reform). Unlike the previous trials, *Burocrazia: diamoci un taglio!* is permanently accessible to all potentially involved parties. The initiative received about 300 comments within the first 8 months of its launch. Comments are screened by the Office for Administrative Simplification in the Public Administration Department and are used as a basis for new simplification measures. Feedback is ensured through the regular publication of reports concerning the main results and case studies, for which citizens can follow the process of resolution. The results of the initiative show that citizens are using this opportunity to actively participate in the reform process of public administration; comments yielded a comprehensive and articulated demand for simplification in Italy.

**Figure 4.1. Online consultation results: Administrative simplification issues in Italy**



Source: Presidenza del Consiglio dei Ministri – Public Administration Department.

As shown in the Figure 4.1, the two most serious problems concerning the Italian public administration are the poor use of ICT and the request for already available information by authorities. Both problems deal with the need of citizens and businesses to speed up and increase the effectiveness of the digitisation processes: the limited use of ICTs and the limited integration and interoperability among public agencies are seen as critical efforts to reduce bureaucracy.

The Italian government has already adopted a strategy to tackle these matters, the e-Gov 2012 Plan previously mentioned in this study. The Plan proposes a set of choices in line with the Lisbon Strategy (now Europe 2020); it is consistent with the need to recover from the economic crisis, and aims to reduce the widening gap between Italy and the most developed EU countries in the e-government sector (European Commission, 2010).

- 17% of Italian families uses e-Gov services;
- The EU average is 30%, reaches 40% in the major European countries and is 60% in Northern European countries.

In order of importance, the third administrative simplification issue concerns the excess of compliance imposed by authorities; the fourth is related to the large number of authorities that users must contact to obtain a certificate or

an authorisation. In users' opinions, the procedures' complexity is considered a problem as well, followed by the inconvenience of long waiting times.

Generally, the requests for simplification are related to the users' need for speeding up and increasing the effectiveness of the digitisation processes; increasing the de-bureaucratisation of citizens' daily life and more common practices; reducing the administrative burdens on businesses; and simplifying the relationship between the administrations and the more vulnerable citizens.

Many simplification initiatives that Parliament is currently discussing have been inspired by comments and proposals collected through *Burocrazia: diamoci un taglio!*, such as: the introduction of e-payments for all public services; the obligation that public organisations' management databases ensure electronic access through agreements with other public entities to eliminate redundant and duplicative certificate requests; the obligatory use of electronic certified mail for communication within the public administration; the online provision of information and forms needed for all procedures; and the complete digitisation of the relationship between business and public administration.

Many other user proposals have found a response in the adoption of the Charter of Duties of the Public Administration (currently being considered by Parliament) and in other simplification measures described in the next section.

### ***Initiatives to speed up administrative simplification***

Faced with the crisis, the Minister for Public Administration and Innovation has speeded up simplification measures, many of the suggestions and proposals collected through *Burocrazia: diamoci un taglio!*

Notably, the bill on simplification and the Charter of Duties of the Public Administration introduce many simplification measures, such as: obtaining building licenses on line, creating enterprise digital dossiers, mandatory communications through certified e-mail, the simplification of corporate book keeping, and the extension of the measurement and reduction of administrative burdens to citizens, regions and local authorities and independent authorities.

Meanwhile, the anti-corruption bill provides significant measures to reduce the burdens stemming from the filing of documentation in order to submit a tender for public procurement. The newly adopted rules regarding the one-stop shop for businesses (*Sportello Unico per le Attività Produttive* – SUAP) provide for the entire digitisation of licence procedures for business activity.

Finally, simplification and liberalisation measures aimed at changing the relationship between businesses and public administration and at cutting administrative burdens were established by the Law 122/2010 approved in July 2010.

*Certified notice of commencement of business (Segnalazione certificata di inizio attività – SCIA)*

A certified notice of business establishment, in lieu of the numerous licences that have been required to date, will be sufficient to start an activity. A simple communication with attached self-certifications and attestations of qualified technicians will be sufficient proof of the qualifications required by the law. The public administration, when verifying the absence of the requirements, can ban within 30 days the continuation of the activity or ask the business to comply with regulations. Thereafter, the public administration can intervene only in case of danger of serious and irreparable damage to the artistic and cultural heritage, the environment, health, public security or national defence.

*Targeted simplification of compliance for small and medium enterprises*

An important innovation in the Italian context is the introduction of the principle of proportionality in administrative compliance requirements, in line with the Small Business Act adopted at the European level. Until now in Italy it was not required for small and medium enterprises (currently more than 4 500 000 units, of which 4 300 000 have fewer than 9 employees) to have a proportion between administrative compliance requirements and their dimension, their field of activity or the actual need for public interests' safeguard.

The law provides for the adoption, within a year, of simplification regulations for small and medium enterprises according to the following criteria:

- Proportionality in relation to the companies' dimension, their field of activity and the need for public interest safeguard;
- Elimination or reduction of unnecessary or non-proportionate procedures;
- Digitisation;
- Extension of self-certification and attestations of qualified technicians and agencies for the enterprises;
- Co-ordination of controls.

## **4.2. New legal instruments to empower citizens**

### ***Class action: a new procedure to redress citizens for inefficient service provision***

Among the different tools aimed at improving public services through citizen participation is Legislative Decree 198/2009, which establishes that, in case of inefficient provision of services, citizens and companies may take collective action against the relevant public administrations and public service providers. When successful, collective action suits allow citizens and businesses to ensure that public services are provided in compliance with quality standards regardless of the public or private nature of the entity that delivers the public service. In view of implementing this legislative decree, the National Commission for Evaluation, Transparency and Integrity has recently issued Guidelines for the Definition of Quality Standards of Public Services No. 88/2010, [www.civit.it](http://www.civit.it)). The guidelines identify the “actual quality” of public services as the key definition to start with, in order to determine the relevant quality dimensions and properties, the indicators and the methodology for the identification of service standards. The guidelines’ theoretical and empirical background for the identification of dimensions and indicators has significantly benefitted from the Quality Barometer of Public Services, a pilot initiative promoted by the Department of Public Administration for developing and comparing quality indicators for public services.

## **4.3. Initiatives to improve customer care and citizen engagement**

### ***Friendly Networks (Reti Amiche)***

The Friendly Networks project (*Reti Amiche*) is a network of delivery channels in the private sector that gives citizens easier access to public services. This is one of the more innovative projects of the Ministry for Public Administration and Innovation. It aims to develop more pervasive and efficient interactions between citizens and the public administration through the collaboration of private networks with public administration services. This initiative is expected to further facilitate relations between citizens and the public administration to minimise delays in the provision of services and eliminate queues, with the final aim to relieve public offices of user congestion and allow more time and resources for new services.

The aim is to involve existing service providers, such as post offices, tobacco shops, banks, pharmacies, police stations, train stations and distribution centres (malls), to simplify service access, diminish service delivery time, ensure friendly service and reduce the digital divide.

The virtuous circle will increase customer attraction to private networks (tobacco shops, malls, railway ticketing web services, ATMs), which will supply access to public services and information.

Traditionally, public administration services have been delivered under monopolistic conditions: the civil servant was not only accountable, but also exclusively enabled to perform the task. Technology has increased the number of interactions between customers and private companies or public offices, and has also increased the security levels of networks and the capacity to protect privacy, detecting and sanctioning illegitimate access to relevant information.

This means that today it is possible, and tomorrow it will be easy, to link public service delivery to private networks, multiplying the channels for direct interaction between citizens and public administration. Thus, inefficiency, lack of commitment and inadequate attention to customer satisfaction, which often characterise the monopolistic delivery of the service by the public administration, can be overcome by the existence of an alternative option to the classical public office queue, supplied by private delivery channels in shops, through web services and via ATMs. Friendly Networks compel public administrations to give customers attention typical of private commercial businesses, reducing the degree of monopolistic concentration of public service delivery.

The kind of collaboration promoted by Friendly Networks isn't exclusive or limited in the access to other players: for this reason the project reduces delivery costs of distribution channels of public services (point 3 of the Malmö Declaration)<sup>5</sup>. At the same time, the effectiveness of collaboration between private companies and public administration realises a "user-driven" design of the front-office interface for e-government services (points 9-10).

The increase in the number of access points will facilitate the usability of public services. The most innovative characteristic of Friendly Networks is the inter-operability between public administration web services and private networks. The aim of the Malmö Declaration is to put the individual, with his needs and demands, at the centre of e-government services. The delivery of personalized transactions, with the support of the one-stop-shop model, enhances the accessibility of the services by citizens. Agreements have been put in place to multiply points of access to services (actually 60 000 and 100 000 points of access to services by the end of 2010).

Friendly Networks has developed a diffused network for communication of public interest initiatives regarding cultural promotion, education and information.

"Reti Amiche on the Job" is a further initiative which supplies employees of private companies access to public services directly from the workplace. The strategy of the Ministry for Public Administration and Innovation is to widen and deepen the initiative Friendly Networks, which has no costs for the State and guarantees long-run savings.

In relation to the conceptual model of the reform developed in Chapter 1, Friendly Networks offers citizens a concrete opportunity of non-public suppliers of public services.

### ***Friendly Line (Linea Amica)***

A fully operative initiative run by the Public Administration Department is Friendly Line (*Linea Amica*), which offers three services to citizens: access to all the information regarding public administration; guidance and a call-back service if a specific problem cannot be solved immediately; and collection of complaints about poor service provision. Furthermore, it enables users to evaluate the service received on line, by phone and by e-mail.

Calls are forwarded to the toll-free number of the appropriate administration, or users can be guided through the portal. As for already existing projects, the Friendly Line initiative, which includes almost 1 000 contact structures (*Uffici per le relazioni con il Pubblico*, URP) accounting for over 1.5 million contacts every week, is expected to be further developed. Services offered by the portal will be enhanced and URP operators will continue to be trained (around 1 000 were trained in 2009 and over 900 have signed up for training in 2010).

Furthermore, the scope of the initiative was extended to provide services to people affected by the earthquake in the Abruzzo Region, in co-operation with the regional administration and the Italian Civil Protection. The aim is to support the rehabilitation of the damaged areas. The positive impact of the action in the damaged areas was widely recognised, and the Japanese Tobacco Foundation provided Formez with EUR 1 million to support these activities:

- About 420 000 contacts registered by the contact centre, 120 000 of them related with *Linea Amica Abruzzo*;
- About 190 000 instances handled, with a success rate of over 98%;
- 76% of instances sorted out by the front office operators;
- An average waiting time of 40 seconds to be answered by phone;



- 2 840 FAQs (and answers) collected and more than 1 800 issued on the website;
- More than 620 000 website visits and 1 525 000 visited pages;
- A customer satisfaction rating over 90%.

#### **Box 4.1. Easy Italia for tourists in Italy and Immigration Friendly Line**

Easy Italia – No Worry Holidays is the new phone service offering multilingual information and services to Italian and foreign tourists, operated by Formez PA for the Ministry of Tourism. Every day, including Sundays and public holidays, from 9:00 to 22:00, people visiting the country can call for help and emergency services (poor services or tourist services not complying with a contract, requests for medical assistance, police services, etc.) and can have direct connection to information networks in the different areas, travel advice, special consultation regarding travellers' rights, up-to-date information on museums, exhibitions and tourist attractions, and special assistance for disabled visitors. In short, the service provides everything a tourist may need to make his holiday easier and safer. The English, French, Spanish, German, Chinese, Russian and Italian helplines enables the user to overcome linguistic and cultural problems quickly and easily.

Immigration Friendly Line (*Linea Amica Immigrazione*) is another new, free multilingual phone information service for Italians and foreign nationals on the topic of immigration, operated by Formez PA for the Minister for Public Administration and Innovation. It provides assistance regarding domestic matters, residence permits and citizenship, and helps resolve practical problems. The Immigration Friendly Line offers immediate and efficient answers for different needs; where necessary it will contact the public administration on behalf of Italians and foreign nationals. The service is available from Monday to Friday from 9:00 to 18:00. The operators answer in English, French, Spanish and Italian.

#### ***Show Your Face (Mettiamoci la faccia)***

The Show Your Face initiative was launched by the Italian Ministry for Public Administration and Innovation at the end of March 2009 as part of the overall reform strategy in which the citizens' "voice" option is seen as key for improving the quality of public services.

The initiative focuses on customer satisfaction, which is seen as central to improving the quality and effectiveness of public sector operations and to making the relationship between the public administration and citizens more

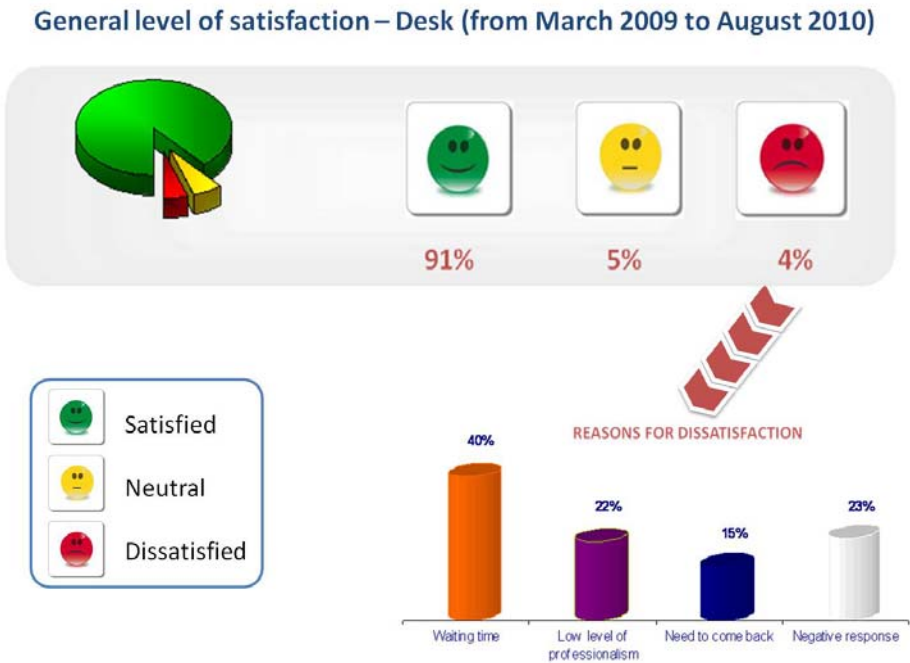
transparent and participatory. Citizens can assert their central role in the relationship with the public administration, contribute to the identification of weak points of administrative processes, identify priorities for service delivery improvement and assess the overall performance of the public administration (Fountain, 2001).

The advantage of this model is that it is user friendly, simple to implement and customise and easily adaptable to different channels (face-to-face, web and telephone). Moreover, the model enables citizens to assess services in real time, at any time; and it can be easily integrated with other tools to better identify reasons for dissatisfaction. The model delivers consistent data, enabling benchmarking and trend analysis, and detects reasons for dissatisfaction which could be useful to improve services. Brief monthly reports on user satisfaction on one or more services are produced.

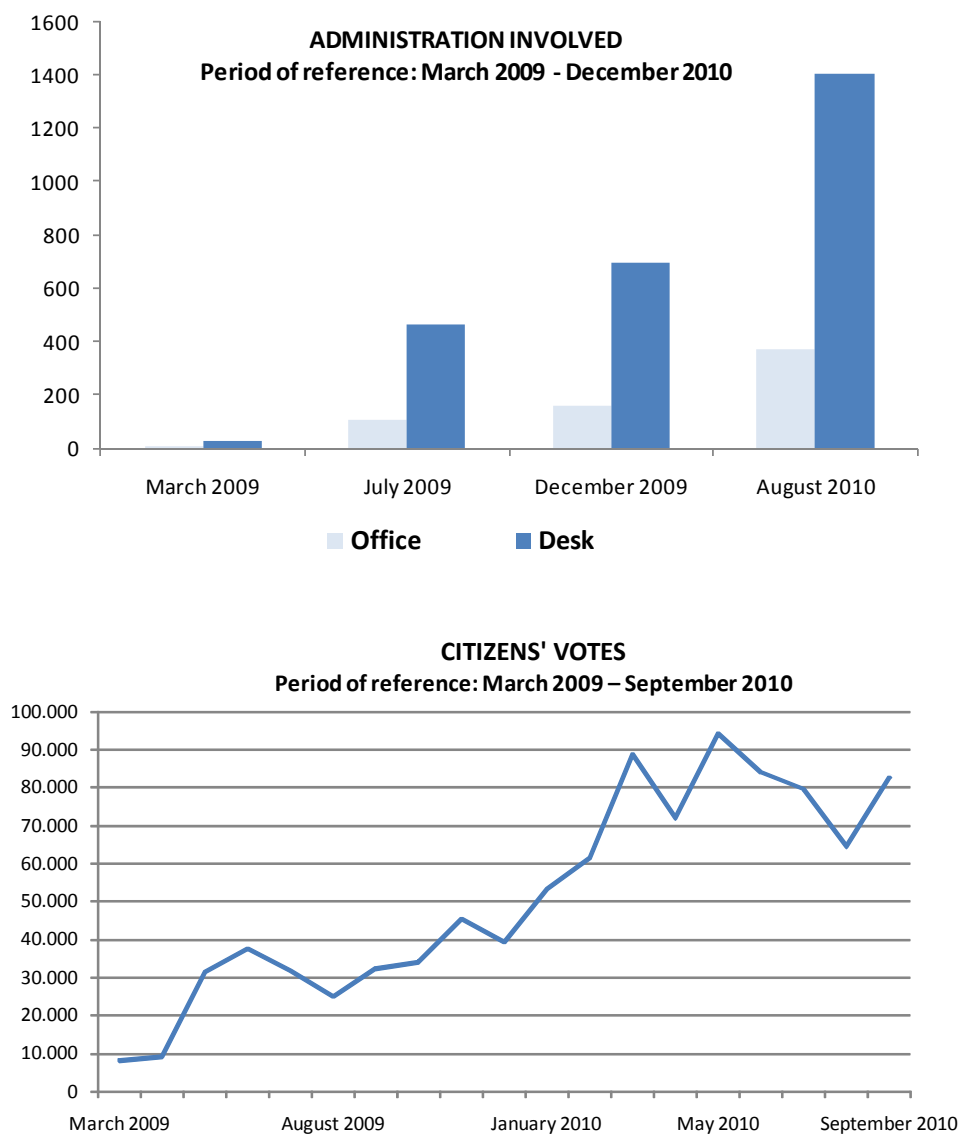
Citizens “cast their vote” on the service provided by means of an emoticon (indicating customer satisfaction): if the citizen is dissatisfied, a second mask appears asking the person to indicate the reason for disappointment with the quality of the service (see Figure 4.2.).

The role of the Ministry is to promote the initiative in order to boost public entities’ involvement (*e.g.* through seminars, conventions or establishment of a web address for the initiative, [www.mettiamocilafaccia.it](http://www.mettiamocilafaccia.it)), to support them in applying the model (*e.g.* providing guidelines and checklists for the pilot phase, personalized assistance) and to enhance its benefits in terms of public services improvement, citizen participation and employee motivation. A review of the first 12-month pilot phase conducted by the Ministry indicated that 43% of the administrations involved carried out improvements of services “within a month” of voting results; and almost 30% of them adopted the opinion of users as an indicator for rewarding the staff involved in the service delivery. Furthermore, Show Your Face encourages citizen participation in improving services: the number of monthly votes is growing constantly (the decrease over the summer period is physiologically linked to reduced flow of people in public offices during this period of the year); and more than half of the administrations declare that the opinion of customers has changed positively, as a result of improvement initiatives undertaken (see Figure 4.3).

Figure 4.2. Casting a vote on the Show Your Face initiative in Italy



**Figure 4.3. Participation in the Show Your Face initiative in Italy**



Source: Presidenza del Consiglio dei Ministri – Public Administration Department.

#### **Box 4.2. The Quality Barometer of public services**

The Quality Barometer is a composite index designed to represent the level of “actual quality” of public services, which refers to the positive effects produced by specific organisational settings of the service delivery process, and is considered a basic feature of public service effectiveness. The aim of the Quality Barometer initiative is to collect, harmonise and disseminate indicators on the actual quality of public services delivered by the government or by private sector entities providing public services at the national level.

The pilot phase of the Quality Barometer initiative started in the second half of 2009 and resulted in the testing of the actual quality measurement model in eight different organisations. It was completed in the first half of 2010. Partners of this project are the Italian Automobile Association (ACI), the Italian Revenue Agency, the Regulatory Authority for Electricity and Gas, the National Social Security Institute for civil servants, the State Railways, the Italian Post and the Union of Chambers of Commerce. During the Quality Barometer’s pilot phase both public administration services, such as social security, and services from mixed delivery systems, such as the postal and railway service, were analysed. The initiative has a twofold purpose:

- The design of a shared system of actual quality indicators of public services allowing the comparison of service quality levels over time and among administrations;
- The promotion of exemplary initiatives providing quality services.

The composite index was designed and developed in co-operation with the administrations involved, which provided the data on the core dimensions of actual quality. The selected dimensions are: accessibility (physical and multi-channel), timeliness, transparency and effectiveness (completeness, compliance, reliability). Thus, in the pilot version, the Quality Barometer contains indicators on final services, addressed to consumers (examples of indicators are: number of counters per every 10 000 inhabitants; number of requests presented via web/Internet; waiting time at the counter; number of claims accepted).

The Quality Barometer allows the comparison of results of the level of service quality provided by each administration; it also promotes the dissemination of a quality culture within the public administration and the adoption of systematic performance measurement procedures. Finally, the Quality Barometer gathers, stores and analyses data; compares systematically and transparently quality levels achieved in service delivery; and programmes the adoption of improvement policies. The context of the economic recovery presents challenges to governments to deliver quality services and show performance while dealing with changing priorities. Tools such as the Quality Barometer can help the Italian government in this endeavour.

### ***Engaging citizens: the Civic Evaluation***

The pilot initiative “Civic Evaluation” was launched in 2008 by the Department of Public Administration and Innovation in partnership with the civic national association *Cittadinanzattiva*. The general aim of this project, which is quite innovative within the context of the Italian public administration, is to promote wide collaboration between public administrations and citizens (users) in assessing public services. The citizen involvement starts from the very beginning, as the “point of view of the user” is taken as a “standpoint” to answer the following questions: What is the user’s perspective on how the services should be provided? Which are the most significant dimensions and indicators of a service?

The Civic Evaluation initiative goes beyond customer satisfaction, as it focuses on the actual quality of the delivered services. The initiative should not be regarded as a completely structured assessment, aimed at evaluating the quality of public services or as a sort of inspection. It is more a shared evaluation performed by citizens, in partnership with administrations and civic associations, in which the co-ordination and mediation role of the civic association is seen as strategic.

In the 2008 phase, the project focused on school services and front office services (*e.g.* general information, tax payment, demographic services) and it involved a selected number of municipalities and schools. The second phase of the project started in the second half of 2009 and focuses on the urban quality concept and aims at assessing, with the same collaborative methodology and approach, some important quality dimensions of Italian cities and neighbourhoods (*e.g.* road maintenance, street lighting, urban waste, state of public buildings)<sup>6</sup>.

The dimensions and the indicators applied within the spatial monitoring performed by local citizens have been chosen following a participative approach which has involved experts, referents of administrations, referents of associations and citizens. The selected dimensions refer to the following: security, access and reliability, information, weak social actors, sociability, transport and traffic, cleanliness, waste management and maintenance.

The civic evaluation initiative addresses problems (*e.g.* streets cleanliness) that affect people’s daily lives. Preliminary feedback on the civic evaluation of urban quality, which was presented during a final project seminar in July 2010, seems to show that this initiative allows for the collection of data that support improvement actions; moreover, it strengthens the partnership between citizens and administrations, fosters networking and social

communication and facilitates the public's understanding of the problems faced daily by administrations. The initiative will be further promoted to make it largely available as a civic and participative tool for improving administration services and performance.

The initiative represents a good example in the direction of fostering open government. The initial positive feedback could constitute a basis to build on to increase its value and impact, for instance, by extending the participation of additional municipalities from different parts of the country.

### *Social networks*

Social networks are becoming ever more present in people's lives. They provide a range of opportunity to develop entertainment and information interests. Public services have yet to grasp fully this new channel of interaction with citizens. For example, they could provide the exact location where to pay bills or the nearest post office or museum, as well as sharing user quality ratings of such public services and facilities. This could expand access to, and sharing of, information with various parties, whether private or public, via a new channel of communication that adds to those already existing, widening citizen's options to voice their opinions. A working relationship has been established between social networks and the Ministry for Public Administration and Innovation.

## NOTES

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1. Two different techniques have been used: expert assessment for businesses with fewer than five employees, *i.e.* focus groups with businesses, associations, professionals; and direct surveys by phone or in person, for businesses with between 5 and 249 employees.
  2. With a view of the 25% reduction goal of the burdens resulting from community legislation, the Commission has adopted a specific measurement method, the EU Standard Cost Model (SCM).
  3. The assessed yearly cost for SMEs operating in the privacy, environment, fire prevention, landscape, cultural heritage, employment and social security sectors amounts to EUR 16.2 billion.
  4. The Piedmont Regional Government has provided very strong political endorsement of a friendly and efficient administrative machine and supports objectives such as regulatory reform and administrative simplification.<sup>4</sup> For instance, Piedmont has an observatory dedicated to administrative reforms, the Administrative Reform Observatory ([http://www.regione.piemonte.it/os\\_riforma/index.htm](http://www.regione.piemonte.it/os_riforma/index.htm)), which is the main governance

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instrument used by the region to involve a broad range of different stakeholders in different levels of political decisions. (OECD (2010), "Successful Practices and Policies to Promote Regulatory Reform and Entrepreneurship at the Sub-national Level", OECD Working Papers on Public Governance, No. 18, OECD, Paris.

5. The Malmö Declaration is the joint Declaration of the European e-Government Ministries that met in the Swedish city in December 2009 to set up a common strategy in the e-Government sector for the years 2011-2015.
6. The project, founded under the European Social Fund (Pon-Governance 2007-2013), involves the following municipalities: Lamezia Terme, Reggio Calabria, Vibo Valentia, Sorrento, Pagani, Salerno, Bari, Lecce, Putignano, San Severo, Mazara del Vallo, Salaparuta, Siracusa, Porto Empedocle and local groups of the civic association Cittadinanzattiva.



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## CHAPTER 5. POTENTIAL MACROECONOMIC DIVIDENDS OF PUBLIC ADMINISTRATION REFORM

### 5.1. Public administration reform and macroeconomic benefits

Macroeconomic theory, supported by empirical analysis, holds that investments in physical and human capital are the main drivers of economic growth. In addition, research and development activity, a sound macroeconomic environment (characterised by low inflation, non-excessive deficits and moderate government spending), trade openness and well-developed financial markets contribute to raising living standards in OECD countries.

Public administration reform can generate macroeconomic benefits through four main levers that influence these drivers of growth: i) reductions in deficits and debts, ii) increases in government productivity, iii) reductions in time and monetary costs to citizens and businesses for doing business with government, and iv) improvements in governance that can lead to better outcomes in all policy sectors. There are synergies between the levers and each might not work in isolation.

***Lever 1: Public administration reforms that lead to efficiency gains can reduce public spending and promote fiscal consolidation, improving growth***

Governments play a role in generating long-term growth through regulations, policies and expenditures on education, health, transportation and communication infrastructure, and research and development – activities that influence the quality and quantity of physical and human capital. Overall, the size of the public sector is often a political, historical and cultural reflection on what should be the role of government in society and the economy. Reducing public expenditure relative to GDP is not an absolute value, but depends on other variables such as current GDP growth, public infrastructure needs, the level of research and development in a country, and public demand, among others. For example, OECD countries such as Mexico, Turkey and Korea have had rapidly growing public expenditure in the past few years as they play catch-up in terms of GDP per capita. In addition, the size of public expenditure can have different short-, medium- and long-run effects on growth, as witnessed during the recent economic crisis, when

many countries sharply increased public expenditures to stave off depression cycles.

Under certain circumstances, however, large amounts of government spending based on debt financing – particularly spending in areas outside the aforementioned sectors – could have harmful macroeconomic effects. First, government deficits that finance consumption or finance transfers could crowd out private investment, thus decreasing growth. Second, the taxes necessary to finance government spending could distort private sector incentives, resulting in the inefficient allocation of resources and thus lower levels of growth or output.

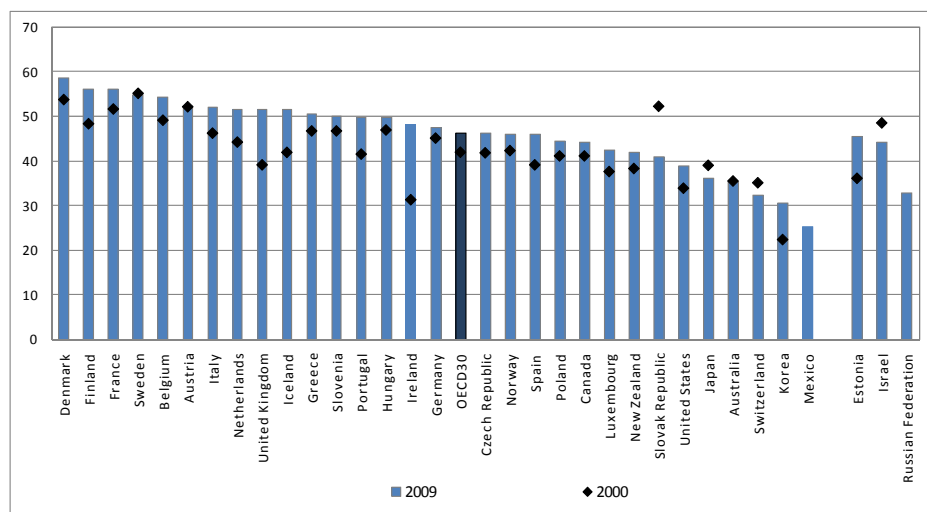
A 2001 study of 21 OECD countries found that taxes and government expenditures affect growth both directly and indirectly through investment. An increase of about one percentage point in the tax pressure could be associated with a direct reduction of about 0.3% in output per capita<sup>1</sup>. In addition, although the link between public expenditures and potential output is prone to uncertainty and there is no empirical evidence on what the “optimal” size of public expenditure is<sup>2</sup>, this same study found that in the 1990s, the rise in the size of government relative to GDP contributed to a slowdown of growth in most countries. This result was further confirmed by empirical work conducted by Afonso *et al.* (2005) on 23 OECD countries. Countries with smaller public sectors relative to GDP reported “better” economic performance, although those with larger public sectors showed more equal income distribution.

Public administration reforms that focus on enhancing efficiency (and tackle the underlying causes of growth) can generate cost savings, which reduces deficits and potentially taxes, improving a country’s fiscal position and thus leading to macroeconomic benefits. In addition, a sustainable fiscal balance will help foster investment and GDP growth by reducing uncertainty for households and the private sector. For example, prior to the fiscal crisis, Portugal estimated that fiscal consolidation measures undertaken as part of the Stability and Growth Programme 2005-2009 would save 4.9 percentage points of GDP between 2006 and 2011 with about 3.5 percentage points attributable to expenditure reduction – the majority of which (2.6 percentage points) is attributable to reforms that restructure public administration (OECD, 2008a).

Italian general government expenditures were just over 50% of GDP in 2009, slightly above the OECD average of 46%. They have exceeded revenues over the past 15 years, although the gap diminished due to government actions taken in the late 1990s and continuing through the 2000s. Decreases in public expenditures could lower the need for future tax increases to pay for deficits

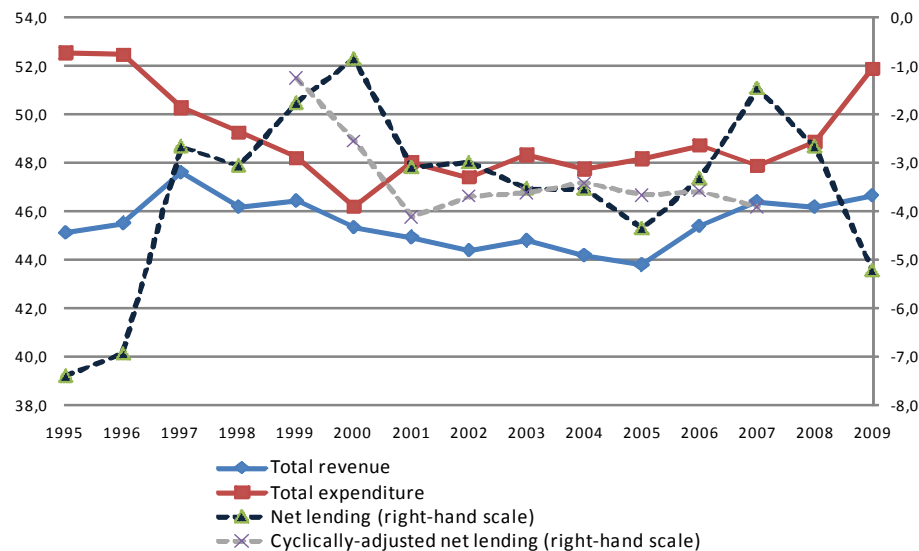
and debts, and could ease the burden of additional interest payments, which have hovered around 5% of GDP for the past 5 to 7 years (see Figures 5.1, 5.2 and 5.3).

**Figure 5.1. General government expenditures as a share of GDP, 2000 and 2009**



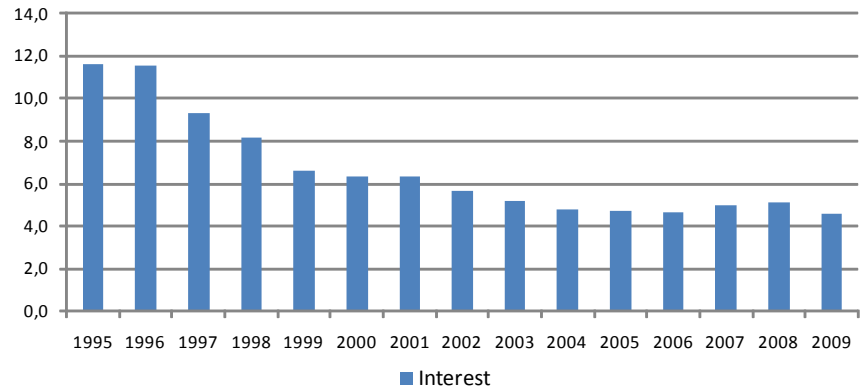
*Notes:* Data for Australia, Korea, Mexico, New Zealand, Switzerland, the United States and Israel are from 2008; data for Japan are from 2007; and data for the Russian Federation are from 2006.

**Figure 5.2. General government expenditures, revenues, net lending, and cyclically adjusted net lending as a percentage of GDP, 1995-09**



Source: OECD National Accounts.

**Figure 5.3. General government interest expenditures as a share of GDP, 1995-2009**



Source: OECD National Accounts.

***Lever 2: Public administration reforms that lead to productivity gains can contribute to raising the productivity of the economy at large***

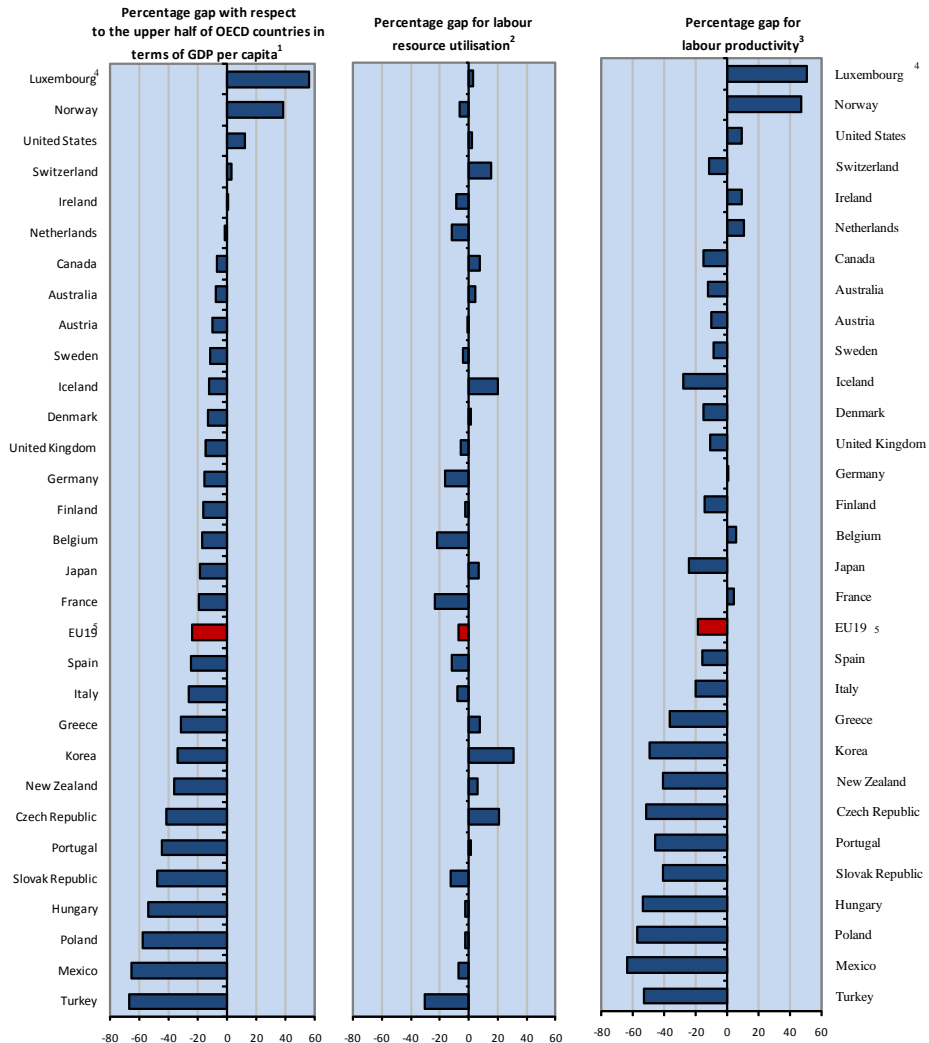
The OECD *Going for Growth* project investigates how total factor productivity and labour participation affect output. Based on individual country analyses, the project identifies five priorities for each member country government aimed at improving long-term growth by reforming policies that impede labour productivity and labour utilisation. The 2010 version of this study notes that Italy's productivity performance has remained poor, and the income gap relative to the upper half of OECD countries has widened (Figure 5.4). In addition to the direct benefits of improved productivity in the economy, if productivity improvement in the public sector is brought about by a change in production technology (e.g. better use of ICT to digitalise processes), this could have positive knock-on effects in private sector output. The technological change could lead to an increase in demand for certain inputs (or intermediate goods) purchased by government from the private sector, increasing private sector output.

Better measurement is needed to fully understand and track opportunities for productivity gains in public administration. Unfortunately, measuring government productivity is difficult due to a lack of data on the quality, price and quantity of outputs— data that are necessary to estimate productivity. Much of government production happens outside of a market, meaning that no price data exist for outputs. In addition, government outputs are often intangible, such as diplomacy or negotiations, making measurement difficult. As a result, government productivity is often assumed to be one as outputs are set equal to inputs.

Despite difficulties in measuring productivity, given that labour represents over 50% of the costs of public production in Italy (Figure 5.5), improvements in general government labour productivity could have substantial effects on government output and the larger macroeconomy. In terms of the inputs used in the Italian public production process in 2009, compensation of employees (labour) accounts for just over 50% of total production costs, with capital accounting for about 9% and goods outsourced or purchased from the private sector accounting for the remaining 40%. Italy relies slightly more on labour than other OECD countries and less on outsourcing or goods purchased from the private sector. A productivity improvement brought about by a change in production technology (as described above) could be depicted in Figure 5.5 by a switch to more goods and services purchased by general government.



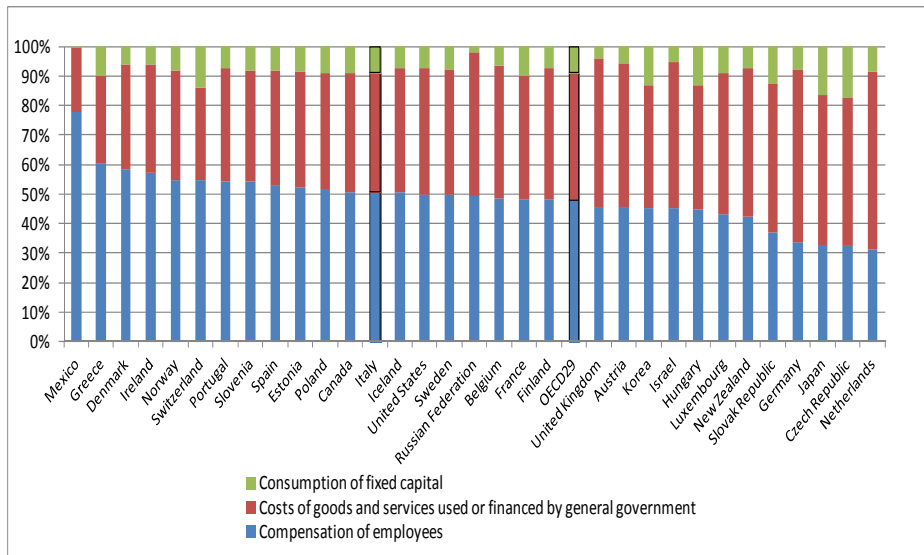
**Figure 5.4. The sources of real income differences, 2008**



1. Relative to the simple average of the highest 15 OECD countries in terms of GDP per capita, based on 2008 purchasing power parities (PPPs). The sum of the percentage gap in labour resource utilisation and labour productivity do not add up exactly to the GDP per capita gap since the decomposition is multiplicative. 2. Labour resource utilisation is measured as total number of hours worked per capita. 3. Labour productivity is measured as GDP per hour worked. 4. In the case of Luxembourg, the population is augmented by the number of cross-border workers in order to take into account their contribution to GDP. 5. The EU19 is an aggregate covering countries that are members of both the European Union and the OECD. These are the EU15 countries plus the Czech Republic, Hungary, Poland and the Slovak Republic.

Source: OECD, National Accounts Database; OECD, Economic Outlook 86 Database and OECD (2009), OECD Employment Outlook.

**Figure 5.5. Structure of production costs, 2009**



*Notes:* Costs of goods and services used or financed by general government represent intermediate consumption (procurement of intermediate products required for government production, such as accounting or IT services) and social transfers in kind, via market producers (a proxy for goods and services delivered by private actors directly to citizens using government funds) within the National Accounts.

Data missing for Australia, Chile and Turkey; OECD29 does not include Estonia, Israel and Russian Federation; Korea, Mexico, New Zealand, Switzerland, United States and Israel: 2008; Japan: 2007; Russian Federation: 2006.

*Source:* OECD National Accounts.

***Lever 3: Public administration reforms that reduce costs and red tape for citizens and the private sector – often through improvements in service quality – can also have positive macroeconomic benefits***

Public administration reforms that cut the time and monetary costs to citizens and businesses for dealing with the government, such as e-government and the use of ICT, can generate economic activity by freeing up productive resources in households and the private sector. For example, households can use monetary savings to purchase more private sector goods, or use time savings to increase their labour supply, both of which have positive macroeconomic benefits. The reduction in these costs can be interpreted as an increase in productivity.

Improvements in service quality can reduce the costs incurred by citizens and businesses, and may have further macroeconomic benefits if these services are used as inputs in private sector production. In addition, reducing the

administrative burden of regulations can decrease costs. Government regulation is necessary to correct market failures, ensure a level playing field and achieve goals such as public safety and equity. However, it is also important that complying with the regulations or obtaining needed goods and services from government does not place undue burden on households and businesses. In particular, regulatory costs and risks can affect the performance of businesses by increasing production costs, the cost of capital, the value of assets and opportunities to open businesses in new areas. In addition to the monetary and time costs of complying with regulations, there are efficiency costs incurred when businesses decide not to seize market opportunities due to regulatory barriers. To the extent that businesses pass on the savings incurred through reducing red tape to households and other businesses, there could be follow-on demand effects in the economy.

***Lever 4: Improving the quality of public administration (governance) can have positive macroeconomic benefits***

There is general consensus among growth economists and development experts that “good governance” matters for economic growth, particularly based on evidence from developing countries. First, institutions affect growth by affecting the incentives to accumulate, innovate and accommodate change. For example, the business environment is affected not only by the structure of regulations and competition enforcement, but also by the efficiency with which the public administration designs, implements and enforces regulations. In the 2009 review of Regulatory Reform in Italy, the OECD noted that capacity issues within national administrations often result in differences between formally recorded measures and their actual implementation, leading to inefficiencies. Second, improved trust in government achieved through greater transparency, integrity, participation and accountability can lower transaction costs for households and businesses and improve compliance. In particular, reforms that decrease corruption can both decrease the costs of citizens and businesses in dealing with the government and improve trust in government. Finally, the quality of public administration affects its ability to devise, adopt and implement structural reforms in policy sectors (such as education and health), which can have positive effects on growth. OECD work has found that governance can be improved by building capacity for strategic planning and decision making (e.g. using evidence-based policy making) and aligning governance structures and actors (e.g. ensuring policy coherence, co-ordination and cooperation across government ministries and levels).

Most empirical studies have operationalised the quality of institutions and governance in terms of the rule of law, lack of corruption and bureaucratic efficiency (approximated by a composite indicator). OECD countries,

however, are increasingly viewing governance as a sort of political and social entrepreneurship where the state and public administration promote networking and partnership with civil society and other private interest groups.

Using the narrower conceptualisation of governance, Kauffman (2010) has found that on average there is about a 300% development dividend for good governance: a country that substantially improves the effectiveness of its government, rule of law and/or corruption control can expect a tripling of its per capita income in the long run. Chile, for example, tripled its per capita income over a couple of decades (Kauffman, 2010). Likewise, empirical results for Portugal indicate that better rule of law, lower corruption, lower risk of expropriation and of contract repudiation, and better citizen access to justice all foster growth (Tavares, 2004).

## **5.2. Targeting each lever through public administration reform**

The set of Italian public administration reforms trigger the four various levers targeted at increasing macroeconomic growth (see Table 5.1).

These reforms are similar to those pursued in other countries with the goals of enhancing macroeconomic growth. In its 2005 review of opportunities for economic growth in OECD countries, the OECD identified 11 countries (including Italy) as being in need of improving public sector efficiency. Nine out of these 11 countries have taken some action in this area since 2005 and the policy priority was dropped as a result in four cases (Germany, Luxembourg, Portugal and Turkey).

**Table 5.1. Potential macroeconomic impact of Italian public administration reforms**

REFORMS	LEVER 1: DECREASE DEFICITS AND DEBTS	LEVER 2: INCREASE GOVERNMENT PRODUCTIVITY	LEVER 3: REDUCE COSTS FOR CITIZENS AND BUSINESSES	LEVER 4: IMPROVE GOVERNANCE
Transparency and integrity				0
Performance evaluation	0	0	0	0
Meritocracy and rewards		0		
Managerial responsibility		0	0	
Disciplinary sanctions	0	0		
Collective bargaining	0			
E-government (innovation and digitalisation)	0	0	0	0
Certified e-mail	0		0	0
Friendly Networks			0	0
Friendly Line			0	0
Show Your Face			0	0
Smart Inclusion			0	0

These countries and others have implemented several common types of reforms aimed at improving public sector efficiency:

- Results-based management, including performance measurement arrangements to increase accountability and performance budgeting;
- Reorganising government, either through devolution/decentralisation, increasing the scale of operations within a level of government or policy sector, or delegation to agencies;

- Improving intra-governmental co-ordination mechanisms;
- HRM and employment arrangements, such as reducing the size of the workforce, adjusting the composition of the workforce, changing collective bargaining arrangements, introducing policies and incentives to attract high-calibre staff, and implementing performance assessments and performance-related pay;
- E-Government;
- Introducing competition/outsourcing, and/or privatising parts of government operations.

### **5.3. Achieving the expected macroeconomic goals of the reform**

Economic theory, supported by some empirical evidence, demonstrates linkages between public administration reform and growth, and the Italian reforms specifically target these linkages. Similar to other OECD countries, the extent to which the potential macroeconomic benefits will be realised in Italy is difficult to determine. First, it is difficult to estimate the potential effectiveness of the Italian reforms based on the experience of other countries due to a general lack of evidence on the efficacy of public administration reforms at improving performance. Second, the magnitude of the potential macroeconomic benefits expected as a dividend of the reform is unknown<sup>3</sup> and depends on the extent to which Italian public administration reforms affect productivity and efficiency in government policy sectors and in the private sector. Third, the effectiveness of the Italian reforms will depend on their sustained implementation, which is currently under way. Empirical evidence on the effectiveness of specific public administration reforms at achieving efficiency and productivity gains is scarce.

Little evidence currently exists about which public administration reforms really work at improving public sector performance, in particular, which reforms bring about efficiency and productivity gains. This makes it difficult to estimate the extent to which the Italian reforms will lead to macroeconomic benefits. This scarcity of evidence is due to a lack of resources within governments to conduct evaluations; a lack of pre-reform measures of performance that can serve as a baseline against which to measure progress; complexities in measuring efficiency in the public sector; and problems with isolating the effects of specific institutional reforms on efficiency from other external influences (Curristine *et al.*, 2007). Of the common public administration or management reforms implemented by OECD countries over the past decades, empirical evidence points to three institutional factors that may improve public sector performance (van Dooren *et al.*, 2007):

- Decentralisation of political power and spending responsibility to sub-national governments;
- Human resource management practices that improve employee satisfaction and morale;
- An increase in the scale of operations (particularly in the education and health sectors).

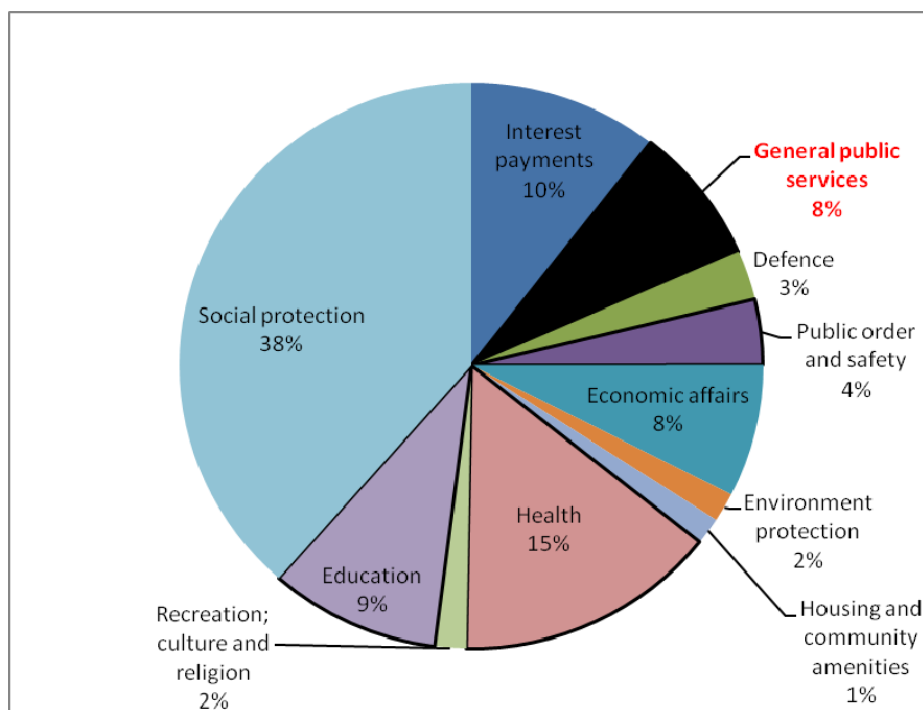
Of these three institutional factors, the Italian public administration reform package specifically targets improving employee satisfaction and morale through various reforms to human resource management practices. In addition, a number of measures have been adopted in Italy to introduce “fiscal federalism” at the central and local levels of government. These measures were adopted outside of the Brunetta Reform framework, and were therefore not described by this study. They should, however, be considered together with the initiatives embedded in the public administration reform as an example of the Italian government’s effort to improve public sector performance.

***Substantial efficiency gains needed to affect general government expenditures***

The magnitude of the potential economic effects expected as a dividend of the Italian reforms depends on the size of the knock-on effects in the private sector and the extent to which public administration reform affects productivity and efficiency in policy sectors. The Italian reforms primarily, but not exclusively, target public administration (general public services), which accounts for about 8% of total spending in government. If efficiency and productivity gains were limited only to this area, the gains might have to be large to generate positive macroeconomic benefits that occur from savings in expenditures. However, the “reform package” (above all, the new organisation and management of labour) applies to all functions and procedures of general government activities, and it is not limited to the “general public services” area. The reform package concerns, in fact, a wide range of activities performed by the public sector (practically the whole spectrum), and may produce deep spill-over effects on the productivity of branches as important as “education”, “health”, “public order” and so on. Moreover, as discussed in section 5.1 above, the reforms may have demand-and-supply effects in the household and private sector, which may generate positive benefits outside of the benefits achieved by reducing government expenditures and improving government productivity. As previously noted, the reforms may also have impacts in the sectors of health, education and public order and safety. As seen in Figure 5.6, the “general public services”

function, together with these three functions, account for about 36% of total general government expenditures. This share rises to about 70% if we consider total expenditures net of payments for interest on public debt and social protection. Finally, to the extent that these reforms contribute to decreasing debt levels, they may also affect expenditures on interest.

**Figure 5.6. General government expenditures in Italy by function, 2008**



*Note:* Interest payments as a share of total expenditures are normally included in the general public services category but have been separated out in this figure.

*Source:* OECD National Accounts and Eurostat.

### ***The need for full implementation for Italian reforms to succeed***

Based on its in-depth reviews of member countries, the OECD has increasingly seen that the effectiveness of reforms depends in part on the government's ability to implement concrete and targeted reforms based on a whole-of-government perspective. Sharing such an approach across the public administration is essential, both to ensure that reforms are sustained (fully implemented) and to anticipate and mitigate unintended consequences that occur during implementation. As implementation continues in Italy, it will be important to take a whole-of-government approach.



For example, the Italian set of reforms aims to redefine the incentive system in place within the public administration to orient employees towards achieving the overall objectives of transparency, integrity, efficiency and accountability. Such cultural change can take time to become embedded within the values of ministries and their staff. In addition, uneven application of management reforms across the public administration could result in little incentive to contain costs and demands. Sustaining reforms will require a whole-of-government effort that relies on collective commitment and support across government, particularly in co-ordinating and collaborating on reform efforts, and in successfully communicating a strategic vision to all stakeholders involved.

In addition, a whole-of-government perspective can help to ensure that reforms don't work at cross-purposes or lead to unintended consequences that result in negative macroeconomic consequences. This has been the case in prior reform episodes in other OECD countries. For example, New Zealand's tight output specification and accountability reduced unit costs for many services, but had perverse systemic effects on investment in future organisational capacity and attention to the outcomes of policies (Matheson *et al.*, 2003). Thus, it is important to take a whole-of-government approach when assessing both the capacity of governments to administer reforms and the overall results achieved by the reform.

## NOTES

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1. This is supported by recent OECD analysis, which finds that a permanent cut in the overall tax burden ratio by one percentage point might raise GDP per capita levels by 0.2% in the long run, although there is wide uncertainty around this estimate (see Johansson *et al.*, 2008).
  2. For example, cuts in public spending on education, R&D, transport and communication infrastructure, or health could damage long-run living standards, unless such cuts are accompanied by sizeable productivity gains in efficiency.
  3. Some preliminary results are provided by Felli *et al.* (2010). This study evaluates the effect on the per-capita GDP of a given increase in the efficiency of the Italian public sector. According to the simulations reported in the study, a 10% increase in the efficiency of the public sector determines a 0.25% increase in the "equilibrium" rate of growth of GDP. It remains, in any case, that the increase in public administration efficiency is assumed but not tested, and only the macroeconomic impact of this hypothesized (exogenous) change is estimated.

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## ANNEX A



Launched in June 2008 it foresees the publication on-line of data regarding:

- The appointment of external consultants and counselors;
- The payments for assigned tasks to public officials;
- The disclosure of total or partial public participation in consortiums and companies;
- The detachments, the leave of absence, union permits, also for elected officials;
- Managers (curriculum vitae, wage and institutional contact details) and presence and absence ratios of personal aggregated by each managers department.

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It Promotes customer satisfaction through the use of a simple emotional interface (emoticons) in order to gather in real time and on a continuous basis the evaluation of the citizen/client on the service received with a synthetic description of the perceptions of the end users.



An email that provides the same legal value of a letter sent by recorded delivery and receipt thus reducing costs and increasing the overall time efficiency of citizens and the PA.



The Friendly Network initiative drastically increases the number of access points to the PA through a public-private cooperation between the PA and commercial networks that are in daily contact with millions of citizens/clients.



The Friendly Hotline number 803.001 is a free S.O.S. service for information of every kind regarding the PA. It is a problem solving solution for complex procedures and a one-stop-shop to access the right information for all the PA service centers.



The *i2012 Innovation Strategies* is the Program that promotes innovation in the country by focusing on three key objectives: PA, People and Businesses. The *e-Gov 2012* is the e-government plan for the implementation of online services, improving accessibility and transparency of the public administration with a view to bringing it closer to citizens and businesses. *iSociety* aims at thwarting the threat of ICT exclusion for parts of society while focusing on e-inclusion for all.



The Smart Inclusion project aims at providing a technological platform that can offer distance learning services as well as family communication and entertainment options for young patients with long term hospitalization. A technological bridge that allows them to participate in class and be at home through this hospital bedside e-inclusion application.



This web based Knowledge management System aims at simplifying work and the cooperation between public offices by gathering on an easily accessible, single web source all the professionalism and knowhow developed within the PA.



The initiative supports the creation and management of kindergartens within PA the workplace vicinities of public offices thus conciliating the need for a better balance between family and work.



The citizen that has suffered the useless complications of bureaucracy can tell his side of the story and constructively propose his ideas for the improvement and/or simplification of the processes involved.



The Anti-corruption and Transparency Service (SAeT) responds to an internationally identified need to create a specialized technical body capable of promoting the fight against corruption, with particular emphasis on its prevention within the public administration.



The initiative was launched on the occasion of the Shanghai World Expo 2010 with the objective of identifying and promoting the National technological excellencies, thus preserving a thriving tradition of our country.



