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## **Autonomy and Managerial Innovation in Italian Regions after Constitutional Reform**

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### **Abstract:**

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Italian regions (“Regione”) were formally established with the Constitution after the Second World War, however became substantially active only in the Seventies. The twenty regions are classified into two types; autonomous regions with special statute and ordinary ones. The autonomous regions are five, which distinguishes themselves from other parts of the country in, territorial, historical, geopolitical, ethnical, and thus linguistic characteristics. They are, in fact, two main islands in Mediterranean Sea (Sicily and Sardinia) and three border regions (Trentino-Alto Adige/Südtirol, Aosta Valley, and Friuli-Venezia Giulia). The latter are 15, which also characterises themselves for their historical backgrounds from the middle age.

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ince 1999 the Italian administrative institutions have changed with reference to the order and the functions of the regions, in a perspective which is commonly defined as federalist, although Italy is a unitary country. Stronger autonomy and empowerment of regions have been realized for the autonomous regions with special statute as well as for those with ordinary ones, through a new model of governance and by strengthening of statutory, legislative and financial autonomy.

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hat comes out from the constitutional reforms of 1999 and 2001 is a new institutional setting that has unhinged the traditional centralistic Italian state. According to the criterion of “equality in the institutional order”, they focused on the role of the regions, which currently represent the joint-point of both local policy making and coordination of decentralised administrative functions. In the perspective of New Public Management and as an essential component of the “institutional decentralisation”, the principle of subsidiarity has strongly influenced the redesign of the administrative functions and their reallocation from the central to the various levels of local governments in Italy.

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his change has undoubtedly exercised a strong influence on modalities by which the regional administrations have been redesigning their organizational orders and introduced modernization in formulating strategies and elaborating plans and programs. This has been introducing a new managerial culture and has been upgrading information and accounting systems and managerial instruments.

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he research stretches to evidence some innovative cases in the panorama of the Italian regions, especially those of the autonomous regions with special statute, and focuses on the advantages and the issues encountered. These cases show innovations in programming,

budgeting, reporting of administrative institutions as well as management control system related to territorial development.

**Keywords:** decentralisation, autonomy, management innovation, Italian Regions, constitutional reform

### 1. “What is Decentralisation?”

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Political and financial decentralisation is often discussed, without defining what we meant by “decentralisation”. What is “decentralization”? If we should start the whole discussion from the very starting point, we certainly have to begin with the definition of “decentralisation” and to distinguish it from other similar terms. In fact, as the terms used to indicate somehow the similar concept, we have “devolution”, “delegation”, and “de-concentration”, besides “decentralisation”. Initially the term “decentralization” meant the opposite to the “centralisation”.

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The term “devolution” is mainly used to indicate the political power shift from the centre (State level) to periphery (local level). It is more often used in political context rather than economical, financial, and/or administrative context. Decentralisation in political context includes, guaranteeing political representation at local levels, local elections, citizen participation, and accountability among others. In fact, “devolution” does not necessarily include decentralisation of decision-making and public finance responsibility from centre to local governments. For example, gradual transfer of central governmental tasks and functions to local governments is accompanying “decentralisation” in Italy, while radical “devolution” of power with the idea of creating secessionist parliament has been exclusively discussed by Northern League as a political bargaining towards the coalition partners. In reality, use of the term “devolution” by Northern League to define its own political movement is somehow paradoxical because it originally does not include financial decentralisation.

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Meanwhile, “delegation” is a term utilized in more concrete context and deals with administrative function and/or competence. However, we should also notice that the “delegation” of national function to local entity might be possible without real “devolution” of power and/or “decentralization”. In fact, in Japan, until recently, there were series of “delegated functions” in local governments, which were literally “delegated” by national government without any devolution of power and/or decentralization. The former “delegated functions” were guaranteed through national treasury disbursements and thus controlled directly and exclusively by the national government. “Delegation” could also mean the

delegation of, decision-making on financial policy, responsibility on public finance, and financial resource from central to local governments. The term “delegation” indicates the transfer of decision-making power not only from central to local governments, but also from public to private sector. The latter in particular, is classified as “privatisation”. Finally the term “de-concentration” indicates the multiplication of decision-making power.

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and what is really “decentralization”, then? When we discuss about “decentralization”, we know that it is something to do with power, structure, institution, function, process, service delivery, and participation. We often do not even distinguish these elements; however these elements are included in the concept of “decentralization”. The scientific definition points out that the “decentralisation” consists of political decentralisation and financial decentralisation.

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urthermore, we have to be aware what kind of “decentralization” we are talking about. Is it “decentralization” for legislator? Or for public service or civil service? Is it for business? Or for citizen? Decentralization changes second to the actor who is dealing the matter and the actor who will be beneficial from the change.

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e also have to take into consideration, if we are thinking the concept of “decentralization” inside the framework of unified state or if we are considering the possibility of federal state. In case the discussed “decentralization” would lead us to a federal government, we are crossing the border of technical “decentralization” within the given framework of unified state, and thinking about the political, legislative, and financial “devolution” at the same time. Probably in Japanese context, not so many people are discussing about “decentralization” in the second sense. Major discussion is about the “decentralization” within the given framework of unified state.

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nother curiosity is that when we discuss about the introduction of “decentralization”, just a few people mention about the problems of decentralization. Usually the articulation of the benefit of “decentralization” is: it will rationalize the expenses in local governments, it will bring citizen closer to the government and thus activate participation, it will respond and act more quickly to the needs of the citizen, and it will improve public service, and so on. However, do we really expect only benefits from “decentralization”? Does “decentralization” have no negative aspects?

of course “decentralization” has negative impacts on various aspects. First of all, there is a “cost” of decentralization. Changing the power, structure, institution, function, process, service delivery, and participation costs a lot. More precisely, decentralization generates more decision making units, that is to say, more decision making time, and the loss would be calculated as new cost. The possible interference among these different decision makers could cause corruption. There is a possibility of integration difficulty, which might develop into divisionism view. Decentralization might cause differences among various units and thus widen negative differences. Decentralization might produce different standards for business practices and administrative processes in different places, causing problems for private business exercise and citizen. The transaction cost might be a new weight in the decentralized states. However, we did not discuss about these negative impacts which might be accompanying decentralization. Why?

It might be interesting to see, for example, the reaction of Japanese business federation towards the argument of “federal state”. When this federalist-oriented idea was first discussed in the Eighties, it was strongly against to the concept, however nowadays, it is promoting the decentralization. It is probably because the main concern of major business in Japan has changed. It focused first on administrative cost, and now on service delivery and consumer orientation. And it is understandable, that from the point of view of the consumer and service delivery, decentralization is much more beneficial to the private business. Of course the real reform in Italy to create more independent sub-national unit (*Regione*) could be an interesting example of the attempt to introduce a moderate federal system.

In conclusion, I would like to point out the remaining issues: definition of “decentralization”; classification of “devolution”, “delegation”, and “decentralization”; articulation of decentralization through power, structure, institution, function, service delivery, and participation; articulation of decentralization through actor (legislator, public service, business, citizen); and evaluation of the impact of decentralization, especially its negative impact.

## 2. Italian Local Administration System

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## 1. *Municipalities*

The *Municipalities* are the most ancient and the strongest institution in Italian public law. Tracing back their origins to the Middle Ages – if we do not count the Government and Parliament, centuries before the very concept of a unitary Italian State – they have always been, to some extent, the foremost institutions of local government and local autonomy.

After the administrative reforms of 1977 (d.P.R. n. 616/77), 1990 (l. n. 142/90), 1993 (l.n. 81/93) and 1998 (l. n. 59/97, d.lgs. n. 112/98), *Municipalities* are the only public bodies that can really challenge the State for the title of general governing authority – i.e. of authority empowered to bear and govern the whole range of interests of the resident population, on a full rainbow scope. As a matter of fact, *Municipalities* actually focus the bulk of their resources on a shorter list of issues: their own administration, mostly (over 23.695 billions Lit. on a total of about 81.748), followed by territory management (17.379 billions), social services (10.438 billions), provision of spaces, buildings and resources to primary schools (8.681) and local roads and transport services (8.372: data referring to current expenses, according to ISTAT, *Finanza locale: entrate e spese dei bilanci consuntivi (Comuni, province e regioni)-anno 2000, 2005*). Public services such as city transports, waste disposal, water supply and almost the whole range of social assistance services are mostly run by *Municipalities* or by *Municipalities*-directed bodies, sometimes in form of joint-stock companies. This is in line with an ancient tradition, dating to the beginning of the XX century, which saw the *Municipalities* – before any other public body – taking directly on themselves

the management of economically relevant services (social housing; water, electricity and gas; urban and provincial transport etc.).

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ctually, going one step beyond the mere statutory texts, it must be recognized that the undifferentiated and homogeneous discipline of *Municipalities*, with their governing and bureaucratic organs and their powers, hides great differences among corporations that bear the same name. Among the 8.101 Italian *Municipalities*, 4.614 have a population of 3.000 or less inhabitants and only 143 go beyond 50.000 (ISTAT, *Popolazione e movimento demografico dei Municipalities-anno 2004*, 2006). One has to remind that the real administrative capacity and efficiency of those that we call “pulverized *Municipalities*” (*Comuni-polvere*) is obviously as limited as their size, and is often impaired as well by the natural handicap of having their population thinly distributed in mountainous, rural, isolated or insular territories.

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or smaller *Municipalities*, the weaving of intergovernmental networks – be it in the shape of agreements on single issues or full-fledged stable public or private legal bodies – is the only way not to miserably fail in the accomplishment of their administrative tasks. So poignant is this problem, that in the 2001 reform of the Italian Constitution regarding all the matter of regional and local entities, the principle of subsidiarity in the distribution of administrative bodies is closely followed and integrated by the principles of differentiation and adequacy, which recall at the highest level the opportunity to promote and also, when necessary, impose cooperation (the “loyal cooperation”, as it is named by the Constitutional Court) among the *Municipalities*, and beyond them the Provinces and the Regions in their relationship each other and with the State.

## 2. *Provinces*

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s for the *Provinces*, these bodies took their present-day form only recently in the contemporary age, alongside the Napoleonic model, being *both* a district of decentralization of State administration *and* a corporate body with additional, own powers, strictly controlled by a resident Prefect appointed by the central Government who was advised by a board of members (an Administrative *Giunta*) which were – partially (1888-1928) or in its entirety (post 1928) – appointed by the national Government as well.

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substantial degree of political autonomy, i.e. the choice by free election of the members of the

Provincial Council, was reinstated only in 1946, after the fall of the Fascist Regime: and the 1948 Constitution - reinforced on this point by the New Title V, reviewed in 2001 - has put also the Provinces as well under its protection, giving them political autonomy, thereby imposing a clear cut between local State offices, directed by the Prefect (who is, *inter alia*, the main local responsible for police and public order), and the Provinces, now a full-fledged autonomous body, ruled by representatives elected by the people and able to express their own policies.

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evertheless, the Provinces are constrained between the legislative supremacy of Regions (and obviously the State) and the historical and - one could say - natural administrative powers and functions of the *Municipalities* – whose total expense are, as an average, three times those of the Provinces – and can therefore be undoubtedly recognized as the weakest link in the chain of local government in Italy, enjoying the scantest powers and the most feeble popular support.

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fter the reforms of the late 90s, Provinces have many regulatory and planning functions and a few properly administrative powers. In 2005, the main expenses of the Provinces concerned their own administration and management functions (almost one third of current expenses and more than a quarter of investments: values not far from those of *Municipalities*, but in a context of less heterogeneous and pulverized institutions), followed at some distance by expenses in the following fields as follows:

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. supply of spaces, buildings and resources to high schools of several types;

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. land planning and territory management (but not at the urban or town scale);

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. environment, use of water and waste disposal administration;

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. transports and provincial roads;

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. economic development such as territorial marketing.

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ctually – being the administrative tasks concerning high school utterly bound by legislative

provisions and the chronic lack of resources for the very basic needs of schools – only in the last four fields are the Provinces actually able to express some extent of policy autonomy.

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It is no wonder, therefore, that a persistent scepticism surrounds these corporations and that the recurring proposals for the institutions of new Provinces are mostly regarded as lacking any real public interest ground, apart from the mere local ones.

### 3. *Regions*

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The relatively newest bodies in terms of judicial definition as local governments – and those that should theoretically be the least involved in day by day administrative tasks – are the Regions. Though proposal for the institution of such bodies had been put forth since the XIX Century by very varied viewpoints, such as the catholic-theocratic (Gioberti) and the lay-republicans (Cattaneo), it was not until the democratic Constitution of 1948 that the Regions took form. Actually, the Regions of our days differ greatly from those imagined and they provided for in the Fundamental Law that had to wait almost a quarter of a century to be implemented, during the year's '70ies..

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They were initially conceived as mainly legislative and programming bodies, that ought to have almost no administrative powers and a not numerous personnel, but the Regions of today devote most of their resources to the administration of the health care systems – that was split from a single national network in the sum of 21 regional services through the reforms of the years '80, and many other administrative tasks.

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The history of Italian regionalism is actually not linear at all: while the five Regions – all of them “border” Regions – with special autonomic powers were created soon after the Constitution (with the exception of Sicily, whose special autonomy statute was provisionally granted in 1946 even before the beginnings of the Constituent Assembly, to quiet and possible quell local and violent turbulence, and Friuli-Venezia Giulia, that had to wait 1963 to see the issue of the international status of the city of Trieste settled), the other so called “ordinary” Regions became effective only during the 70s, and not before a long and troublesome starting period, which ended only in 1977, with the a constitutionally acceptable transfer of administrative powers from the central and unitary State to them. Meanwhile, the enthusiasm for what had been designed as a tool for a more effective democracy and a renewal of the

entire Republic and the public spirit had waned and only few Regions have given a satisfactory proof of real governmental skills (cfr. Putner, 1993).

### 3. Function of local governments

Local government functions are all defined in various national law and orders. Here are some of the significant legislative backgrounds and their definition of competences.

Art. 113 d. lgs. n. 267/2000 reproduces the provision of art. 22 of the first general law regarding local government – l. n. 142/1990 – which provided for some different juridical forms to supply public utilities: among them, the special firm and the joint-stock company with prevailing public capital.

The budget law for 2002 – l. n. 448/2001 – seriously changed such rules, by introducing the principle of separation between the management of infrastructure networks and the management of utilities supplying.

According to l. n. 448/2001, these utilities were to be classified in services of general economic interest and services of general interest. This distinction was the base for a different system of supplying the utility:

1) the distribution of services of general economic interest had to be regulated by competition, i.e. by public tenders for choosing the services supplier; as regards the joint-stock companies, private shareholders had to be chosen through public tenders as well;

2) the management of services of general interest could be assigned directly to institutions, special (i.e.: public) firms, joint-stock companies where local government had a sharing.

The most important feature was the provision of the commercial company pattern as the only one suitable for the supply of services with economic relevance.

In 2003 (law by decree n. 269) another distinction, deriving from the European law, was accepted: the rule introduced the definition of services of economic relevance and services without economic relevance, but it did not specify which utilities belonged to the first

typology or to the other. An administrative regulation is still expected to provide such determination. The two regional laws which were approved in Lombardy specify precisely which services must be recognised under the definition of “economic interest”.

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he new rules do not change the principle of separation between the managing of plants and networks and the supply of the services. Three ways of managing the utilities are introduced, all based on the pattern of the company: the joint-stock company, the joint-stock company with mixed (public and private) capital, the joint-stock company with totally public capital.

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n the case of joint-stock company the assignment is based on public tenders.

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n the case of joint-stock company with mixed (public and private) capital, the public tenders are due to determine the choice of the private partner, but not necessarily the assignment of the service.

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n the last case a direct assignment takes place – it’s the so called *in house system* – and the rule provides for the choice of companies which are completely controlled by the local government institutions

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relevant decision of the Italian Constitutional Court was adopted in 2004 with reference to local public utilities. Sent. n. 272 assigned the subject exclusively to national legislation, but only with regard to the services with economic relevance, since the Italian Constitution entrusts the “safeguard of completion” to the State. The regional competence is implied in the case of services without economic relevance, because they cannot be supplied under the rule of free competition.

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he Government presented a bill, d.d.L., S. n. 772 in 2006, in order to be delegated to reform the organization of local public utilities. Art. 2 provides for:

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) the assignment of services with economic relevance only through public tenders in order to choose the supplier, even though the plants can be kept under public property;

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) the assignment to joint-stock companies with totally public capital through the *in house system* only exceptionally;

) the direct assignment to joint-stock companies with mixed capital – where the private partner is chosen with public tenders – only exceptionally;

) if the local government must it does not apply the rule of tender and chooses the direct assignment system, it must declare and state the public interest grounds for such a decision.

n terms of regional laws, there are certainly big varieties of laws according to the situations which characterize each Region. Here are just some cases.

efore the last evolutions of national law, the Regions produced special statutes regarding single utilities (i.e. water and waste management).

n these last years, the second generation of regional laws – an extremely limited number, indeed – is characterized by a regulatory model which considers in a unitary way the general category of local public utilities. Lombardy and Abruzzo have already adopted rules which enact and develop national law, whereas Tuscany regional assembly is about to do so as well.

ombardy law n. 26/2003, regards waste management, energy and water. It defines the services «of general economic interest» and it does not include local public transport, which is governed by a specific law. Law n. 26/2003 was recently revised by law n. 18/06, which confers to local governments the powers to govern local utilities with economic relevance.

he law of Regione Abruzzo n. 23/04 regulates waste management, water and local transport.

s many functions have transferred to Regions, accordingly, there rises strong need for managerial initiatives and skills. In fact, Regions starts to make plans, implement and evaluate them by their own initiatives and there are needs for the adequate personnel as well as instrument to manage the new situation. Some Regions are taking this opportunity as a chance and showing interesting progresses. There are, however, also those Regions that cannot keep up with the pace of recent transition.

ext, the paper will focus on those successful cases which show significant managerial initiatives.

#### **4. Governance and regional accountability**

##### ***4-1. A brief historical background***

The institution of the Regions recalls the Republic Constitution (1948), nevertheless the concrete accomplishment of the constitutional imperative began in the '70s, with the Law n. 108/1968, "Norms for the election of the regional councils of the Statute Ordinary Regions" and the Law n. 281/1970, "Financial rules for the realization of the Statute Ordinary Regions". The institution of the Regions has required the endowment of necessary resources from the central government and the creation of decentralized operational structures since these new entities were hinged in a system, until then, regulated by State and local authorities (municipalities and provinces)

Consequently the first phase of the regions' life is strongly marked by a type of political and administrative management subordinated to the central government's decisions and limited by the historical incidence of the municipalities.

Until '90s that regions' condition of natural arrangement has been the usual status with gradual exercises of delegation from the State in some sectors. Then the first requests of a greater autonomy have risen with the federalist trend. This perspective, with other changes, has re-launched the interest for the regional dimension as territorial and political space able to represent the more appropriate administrative level to which to decentralize powers and functions. See the regional healthcare systems absorbing, actually, the 70-80% of the regional budget (Martone 2002).

Actually the region is a territorial community of citizens; it has the right to autonomy which is executed in the range given in accordance with the needs of the region. The region is a corporation under public law; in legal relations it acts on its own behalf and bears responsibility arising from these relations.

The new phase that characterizes the Regions in an innovative way gives the power to practice their legislative prerogatives in a position of autonomy and a reduced control from the central level. A new autonomy has been able to confer a stronger and independent role to the regional governments with the rise of promoters and interpreters of the regional politics for promoting interventions thought for the local community. The objectives have been to decentralize governmental strategies for adapting them to the neighbourhoods' needs.

It is evident that the role of this entity has grown and it needs a clear and co-shared mission able to delineate the areas typically of the Region competences. The debate on the

formalities of adhesion to the projects of the regional autonomy is actually vivacious, and from this point of view, different approaches to the federalist project can be distinguished.

The introduction of a federal system cannot neglect the context in which it has to be inserted and above all it cannot ignore the level of development of the single Region. That's a reason for which the federalism may come true with strong levels of differentiation among the different Regions, allowing the adhesion on the base of its own ability to manage the change and from the degree of organizational development of the Italian less advantaged regions.

#### **4-2. Regional governance**

The Region is a territorial governance entity at an important intermediary level. This allows this institution to execute a role of extreme relief for the socio-economic development according to the delegation and the decentralization of powers and functions from the State. The actual change see the Italian system pass from the devolution to the federalism (see § 2) so the regions may pay attention to their own citizens, within the limits of the proper competences for implementing their politics in tune with those ones from the State and the European Union.

Furthermore, a new conceptual idea of government gives a new impulse to realize, also through the systems of planning and control, territorial governance in a federalist perspective. The phenomenon is getting increasing importance in order to program and delivery public goods/services and it is especially referable to the progressive appeal to the transfer of powers from the State to the Regions.

The actual situation, in which the regions are becoming the true policy makers in subjects having an elevated socio-economic impact, engraves notably on the planning ways, resources allocation, security, coordination, by committing the regional councils in the approval of laws and tributes more and more "regionalized".

Such tendency allows us to align the Italian experience to those of other countries, by favouring a typical New Public Management logics and politics (Bianchi 2004). Briefly, four elements have been contributing, to a large extent, to the changes in progress:

- the role of European Union and its attractive force;
- the institutional decentralization;
- the constitutional reform in 2001;
- a main autonomy in determining taxes amount.

The actual status requires regions to face a certain number of interventions corresponding to different typologies of services through which, directly or indirectly they are

able to answer to expectations of the economic subject or "customer" (citizens, municipalities, firms, non-profit organizations) interpreting the formulation of their own mission with a careful and continuous analysis of the external environment.

The resources and the tools whose regions have been endowed for reaching their objectives are part of consider the management of appropriate economic combinations that typically create processes by homogeneous elementary activity. So they find their source of financing in the State or in the European union by obtaining funds through specific money transfers or put into effect the assets disinvestments, for the acquisition of the financial resources they need.(Bianchi, 2004).

The autonomy of the regions is not only stretched out more and more toward the exercise of a power in normative terms, but also able to increase the fiscal burden and to access to the UE funds. This should allow increasing the level of efficiency and effectiveness of their own administrative apparatus, by conducting them toward the elaboration and implementation of projects. This is to consolidate their legitimating in the socioeconomic context. Whatever source of financing become is useful for the investments, principally aiming to:

- delivery in directed way the services to the families, firms, non-profit organizations;
- delivery in directed way the services in favour of local authorities;
- transfer resources and the financial means, to advantage provinces, municipalities and healthcare firms.

With reference to the socioeconomic context, the region durability is valued just in exhaustive way if we consider the region ability to produce services, able to coordinate the activity of the local authorities and the other public institutions in its territory. Success of regional administration in the long run depends on its relation with the above-mentioned actors, who play a critical role for at political level. Not always there is an absolute alignment between regional affairs and local authority expectations, so their relation may degenerate into a conflict.

In the toolset of link among regional and national politics, a great attention has to be paid to the role of planning actions, able to involve a multiplicity of actors, both public and private by promoting institutional decisions and moving financial resources coming from central government, regions and local authorities. In particular such interventions may be individualized, as follows:

- actions of negotiated programs, among public actors in general sense or between a public organization and the public or private parts;

- the institutional agreements of program, among central administration, regional or autonomous provinces where the aforesaid actors decide to collaborate;
- the agreements of programs, tools of operative agreement: the actions have to be implemented with specification of: times, ways, responsible, financial coverage, procedures, responsible for outputs monitoring and verification.

Typically region performs its activity at three different levels: strategic, tactic and operative (Marcon, 1990).

The first level is constituted by activities concerning the elaboration of public policy and the individualization of means and objectives, coherent with political goals to guarantee the delivery of services to the collectivity. In such sense the strategic dialogue among government and management has to be coherent and able to feed a process of a continuous learning to delineate the so-called strategies of function. The second level concerns the elaboration of service's strategies oriented to control the managerial processes allowing the production of goods and the delivery of services to the collectivity. At the third level it needs factors that reflect him on the organization of the managerial trials notice. When considering regions it has to pay attention to a multifaceted administration characterized by two fundamental categories:

- inside organizational factors;
- external factors institutional having ampler course.

The first category is concerning the organization's internal factors and in details it may be enunciated as follows:

- the simultaneous presence of a precise distinction and, sometimes, overlapping between the politic sphere the managerial one;
- the numerousness and heterogeneity of organizational positions;
- the numerousness of hierarchical levels;
- the remarkable outsourcing.

The first factor is concerning the separation between political role and the managerial one, since, even if managed by law, the actual overlapping (it should be distinction/integration) of the two roles is a characteristic for a concrete formulation and implementation of the sustainable strategy in the long run.

From the organizational and managerial point of view, a functionality of both the assignments and the programs has to be highlighted in the pursuit of effectiveness, efficiency and economy, according to a broad flexibility characterizing the connection of the offices' activities and the guarantee of impartiality and transparency in the public administration.

The second factor, relative to the internal organization and its complexity, considers the numerous activity and the different areas managed by the regions. So the heterogeneity of subjects is confirmed by a comparison in many competences' attribution identifying the numerous councillorships, each assigned to a particular sub-area, and the other organizational units. The heterogeneity of the different aspects concerns:

- the difference of the competences, economic, juridical, technical, business;
- the continuous or occasional character, typical of the demand from stakeholders and the activation of the processes for delivering services;
- the standardization level of services, relative to the counselling for enterprises and to the services delivered on specific demand, representing a sort of pre-defined a services to catalogue, equal to those ones referable to the public works managed by a contract;
- the position of the client-consumer of the delivered services, with reference to a single citizen, to the enterprises and non-profit organizations and, in the particular to Local Authorities where the region delivers the most meaningful component of public services.

The client is also inside the same administration so many services are delivered from a department to other regional departments; in other cases, the client may belong to other areas situated in the same department, or in other operational units of the same area that is delivering.

The third factor remarkable drift from the preceding analysis and it refers to the numerous organizational levels within a same department. The difficulties are mainly two. On one hand, there's a fragmentation of the organizational positions on different hierarchical levels, on the other, a meaningful horizontal articulation of the instrumental processes for delivering specific services. So, it's usual to observe these processes along numerous operational units of a same hierarchical level, belonging to the same department. The need of coordination springing from this situation depends from the administrative procedure and the organizational formalities through which it occurs, since they are both disciplined by norms and internal rules.

The fourth factor of complexity, relative to the externalization of certain regional activities, refers to the set of public services delivered to final users within the regional territory. They are services usually delivered from the local authorities or from other public firms, at a decentralized level. In these cases the Region has to make the activities available in a meaningful measure, by building those conditions of context that allow local authorities and firms to perform a productive action in the regional territory.

The above-mentioned second category, giving rise to other sources of complexity in the administrative activity of the Region, is composed by so-called institutional factors with wider range, also related to other typologies of public firm in which the following elements are individualized (Bianchi, 2004):

- interdependence of the responsibilities among internal units, with public and private external subjects,;
- ambiguity of the citizen's role;
- formalization of the activities;
- prevalence of objectives/results expressible through non-financial indicators;
- difficulty of influencing directly the results, frequently referable to a wider context;
- absence of a transfer price;
- presence of meaningful delays between deliberation and implementation of policy and impossibility to measure its results;
- discontinuity of political-strategic directions, due to the legislation temporariness
- interdependence between institutional (political) rhythms and management ones;
- products heterogeneity

#### **4-3. *Accountability***

The accountability theme as a consequence of the strong role of the regions emphasizes their acquired responsibilities towards citizens and other principal stakeholder. Now regions move themselves in a mandatory logic to create "value" for the community of reference, to measure and to make recognizable that "value" and to discharge accountability to citizens (Guarini 2004). From that point of view, the matrixes of the regional accountability are manifold, referable to different segments of what the region represent at institutional, political, economic and social level. Point of reference are: 1) electoral mechanisms (accountability from the democratic); 2) function of production (accountability from the carrying out of the productive and delivering process); 3) internal and inter-institutions relationships (accountability from the coordination functions).

The redesign of responsibilities is part of the prerogatives of political organs' governance in comparison with the functions of strategic path and it gives vigour to the necessity to develop new tools of control for achieving results. In such sense Italian public administration's reforms are to be considered since they give a response to the need of restyling the programming and control systems.

The regional accountability's analysis, therefore, is strongly conditioned by the of regional action perspectives. On one hand it is necessary to evidence the characteristic tools with which the region exercises forms of internal control, more and more advanced, for monitoring managerial processes and performance, through planning and control systems. On the other side, the development of mechanisms of external reporting with which these institutions appears, dialogues and communicates with the stakeholder, by involving them in a sort of participative action on political choices and results.

There are in fact an increasing number of regions that has been introducing forms of social reporting to discharge accountability. The change drivers are as well as the change requirements are coming from management and from regional stakeholders for a best legitimacy of their new political role. "The role of the institutional environment in the construction of legitimacy, the dialectical nature of accountability relationships, and the communicative structures through which accountability occurs and legitimacy is constructed" are recognized as the key-variables for modernizing the public institutions. This draw up a new exploring road for the future in which a "polycentric regulatory system" seems be destined to replace the actual model of public governance (Black, 2008). Many of these characteristics are also the characteristics of the NPM. (Hood, 1991, 2001) but this is a new way of interpreting the critical variables at different level in the State organization.

##### **5. The re-definition of the planning tools**

The new performing context in which the regional administrations make decisions, plans and operate has required a new upgraded vision mostly focused on strategies to implement and on the operational mechanisms for a better control, for the best governance. This has involved the introduction of planning and control systems compatible with the system of governance by maintaining a top-down approach and convincing the organization on the necessity to spread the culture of the strategic control according to the operational systems and the decisional levels' development.

Two essential lines of development are arising, that traditional similar to the PPBS approach, enriched of documents able to strengthen the effect of the regional policy and able to translate that policy in the budget process; the other, risen by new internal needs, emphasizing the implementation of a planning and control system able to move the management toward a flexible operational logics and more aligned in the resources allocation process and in that one of the performance measurement.

The Act n. 76/2000 introduced a scheme similar to that of the previous but it has strengthened the model, by dictating a discipline aiming to the rationalization and the revision of the previous scheme. It is based on the followings principles:

- separation of the responsibilities between politicians and bureaucracy ;
- simplification of the procedures and guarantees for a better transparency in the administrative action;
- emphasis on control of the results.

The new discipline, recalling the classical scheme of the regional planning, provide for the Regional Plan of development (RPD), having general contents and a strategic meaning at socioeconomic level, sector plans with a different nature and the budgets system, multi-year and annual.

The true element of innovation is represented by the Document of economic and financial planning (DEFP) that annually has the function to give start to the regional budget process. Also it gives emphasis to the so-called Sector Plans that may be economic, social and territorial. These last have to define the specific objectives and the tools for the activities implementation, with the indicating the priorities. That choice has to be conjugated with the re-definition of the level of regional autonomy in the individuation of financial sources and in their allocation.

The DEFP has the role to affect an analysis of the state of realization of the RPD and the sector programs, to readjust, when it is necessary, the objectives of the RPD to the multi-year budget, to define the specific objectives to maintain a limit for having recourse to the financial market and to fix a programmatic level of taxes. The DEFP is an act for addressing the activity of the regional government, of the regional institutions and regional agencies in the following year.

It has to be distinguished in *budget based "on actual legislation"*, essentially based on an unchanged normative framework, and *programmatic budget* providing for the revenues and expenses, consequent to the budget process. This last, therefore, is coherent with the consequential strategic choices from the RPD, yearly fine-tuned on the basis of contingent events. The annual budget maintains unchanged its function. With the reform the roles of political and managerial person, have been emphasized, a cause of the change of the elementary unit, basis budget unit (BBU) that makes functional to the management use and to the implementation of special control systems. The BBU, as in the case of the government budget, is the accounting unit that assembles in it the legislative effort to set a borderline between political activity and management. The UPB has, in fact, the function to give

synthesis to the annual budget and to assure a more elevated level of aggregation. A special document attached to the budget proposal exposes the division of the UPBs in chapters, in order to improve the administration and bookkeeping, as well the attribution of the managerial responsibility to the managers.

This scheme involves the individualization of two separate documents. The first is a political budget (with the articulation by the UPBs) approved by the regional council, and representing the contents of the budget in a key of political choices. The second is a "technical" or "administrative" budget (where the basis articulation corresponds to the chapter) that, in enclosure to the political budget, allows the representation in details, for a better management accounting (not yet accrual). This may be considered a sort of "budgetizing" the annual budget. The general scheme is in figure 1

Close to these traditional schemes, it has aroused the necessity to use new, supplier planning and management control systems, with reference to those regional administrations in which more elaborate tools have been introduced. What is happening in certain regions of Italy, in order to respect the principles of vertical and horizontal subsidiarity, it is the overcoming of the classical schemes of the financial planning toward forms of integration between this one and the new tools of strategic planning.

## **6. Case Studies**

### **6-1. Method**

The following case-studies have been compiled through a series of interviews to chief executives and responsible for planning and control systems in two regional administrations. Furthermore documents furnished or retrieved through the websites have been used (i.e. PRD, DEFP, Regional Budget, Methodologies for budget, Social reporting). It deals with an analysis of the coherence that has been given to the architecture of the planning and control systems to understand and to show, where possible, how the greatest autonomy and the increasing number of the region functions, in the federalist perspective, "are walked" by the adoption of a new logical vision and a better coherence of the used tools. This is to demonstrate the affirmation of the new role that regions have respect of central government and local authorities.

The choice was on central-north regions that notoriously demonstrate a good level of advancement in the diffusion of a managerial culture, by pursuing institutional change and innovation.

## **6-2. *Tuscany***

In the 2006 the regional organization of Tuscany – an ordinary statute region -had 2583 employees. The organizational chart of the Tuscan regional government is currently articulated in 8 Departments as follows: Presidency, Internal Revenue and Budget, Organization and Informative System, Economic Development, Environment and Territory, Healthcare and Social Policy, Education Policy, Cultural Heritage, Regional Lawyers. In turn the General Directions are divided by Areas of Coordination and among these, within the President Department, there is the Planning and Control Area, including the Strategic and Management Control Sector.

The management control system as a performance tool is in the regional administration since 1994 as -the responsible affirms and is deduced by documents -a prerogative of the regional governance has always been “arrange a general cognitive framework on the results of the administrative action and on the implementation processes of the regional policy”. The ways by which this structure has been created, are explained with the predisposition of an informative system aiming to support the internal control system. Compared to other types of control in the Tuscan regional administration, management control may be thought as a set of actions of monitoring on the government results in comparison to the objectives fixed by the general and sectorial planning tools.

The region has organized its system through the individualization of a central staff denominated “Planning and control Area” supporting the functions of techno-structure. It functions as a unit for defining rules, procedures, necessary tools to the area coordination, through two principal actions:

- opting for the individualization of some staffs decentralized related to the Departments with the relative functions of link and integration;
- designing the elaboration and management’s processes of plans and programs in the Departments.

In total around 150 structures of managerial level are counted as they represent the centres of responsibility.

The functional aspects concerning the regional planning are to support some specific management tools, being periodically updated. To this purpose they consider the Regional Program of development (RPD), usually during all the legislature period.

Sectorial Plans and programs, with multi-years frequency are as follows:

- the Document of economic and financial (DEFP) planning, annually updated;
- the Multi-years budget and the annual budget.

With reference to the control, the specific tools are some documents explicating events as follows:

- the financial control of the expense processes and the budget equilibrium;
- the monitoring of plans and programs at sectorial level;
- the general strategic monitoring of the planning tools of, first of all to the RPD and the DEFP.

In this context there is an information system structure reference corresponding to the c.d. financial accounting (not yet accrual). On one hand The Strategic and management control sector has the function of monitoring and appraising the regional policy on sectors linked to the strategic planning and of political-administrative programs; on the other, it has the function of management control. The office operates through the information coming from the planning and control system at strategic level to translate their guidelines in the operational system supporting all the departments. With reference to the tools for measuring the internal performance, the organization uses an operational budget and periodic report. The budget operations occur annually between July and October, contextually to the phases of political and financial decisions and to the budget law. The typical organizational aspects characterizing the budget formulation are the following:

- guidelines for budget elaboration with budget constraints
- descriptive proposals by department;
- the consolidation and balancing of the proposal;
- budget approval by the regional committee.

Sequentially the results of the management control system impact on manager evaluation with a indicators grid in which measures are fixed for budget objectives

### **6-3. Veneto**

In the 2006 the regional organization of Veneto – an ordinary statute region – employed 2995 employees. As any regional political structure also the regional government organization of Veneto depends on two important bodies, the regional committee (executive)

and the regional council (legislative), both with two secretariats. The structure of regional committee includes a general secretary office for planning and is articulated in ten regional departments corresponding to ten macro-areas. These are individualized by a homogeneous criterion (similarities of activities and functions within a same organizational unit), with the secretary office and the president's cabinet. The organizational chart contains 43 executive areas and many project units, complex units, peripheral units and offices.

Coherently with the reform of financial and accounting regional system, since 2001 the region has innovated the accounting and budget system by introducing the planning and control management scheme, by two important normative acts. The new planning system is, in fact, based on the followings documents supporting the annual and multi-years activities: the Regional Program of Development (RPD);

- the sector plans;
- the Document of Economic and Financial Planning (DPEF);
- the Plan for authorizing the investments expenses;
- the multi-year budgets and the annual budget.

In the architecture of planning system a new element is the Plan for authorizing the investments expenses (about two year's duration) that operates in a mid-period logic. It deals just with the actions having a structural finality or with all those expenses that don't have recurrent and repetitive character. In such sense the document is strongly linked to the anticipated expenses of investment in the multi-year budget.

Then a particular relevance has been given to the functions of the annual budget in its double version, managerial and political, through the Budget Basis Unit (BBU). This dichotomy, as in any regional budget system as in the State budget, gives a certain flexibility in two different moments of annual budget, the approval phase and the operative phase. In the last one, the BBU are declined in minor units whose amount is put into the hands of managers.

With regard to this detail the relationship among DEFP, annual Budget and operational Budget is particularly meaningful. On the basis of the DEFP's contents, yearly managers provide any information for operational budget processing and consequently the objectives are assigned for their annual evaluation (see Tuscany).

Such a new scheme creates a link between the old system and the new one, in fact, in the budget process there is a huge effort for giving start to the management control dynamics. Once approved, the political budget shifts in the managerial budget with the consequent attribution of money and responsibility from the regional committee, to managers

in every responsibility centre. Such attribution of necessary resources to the attainment of the objectives individualized for the operations, the programs and the projects financed within the budget means a specific assignment of managerial responsibility and results.

In this respect, the budget responsibility is assigned to the regional executives chiefs responsible for the departments and to the managers responsible for the organizational structures with a plan of responsibility centres articulated in a single budget level of and, therefore, with a sure advantage on timing and complexity of the processes.

The Budget Office manages the budgeting by a bottom-up process. The proposals arising from the operational units, on the basis of regional committee guidelines, are used for preparing the annual budget. In this way the operational budget process is easier since the annual budget process is contextually activated, by guaranteeing a sort of automatism that allows a congruent conjugation of two processes.

Usually by July, the regional committee provides the "budget guidelines" to the structures and by September the structures have to make their own proposals available to the Budget Unit and to communicate eventual proposals for legislative changes. There is an operational negotiation, with which the Budget Unit proposes to each Direction, as a responsibility centre, an amount of resources for projects in progress. Every manager may autonomously ask for a new amount of resources with a specific motivation i.e. for new objectives. A process innovation that testifies the innovation is the budget web with the sharing of a computer database in which accounting information are made available on revenues and expenses, and through which every centre gives a motivation for its proposals. Once started, the budget is monitored, in general terms, through the denominated relationship "Window", or by means of the specific reports, having their focus on the projects and target measurement, about timing and costs.

## **6. Conclusion**

These two cases of Italian Regions are clear evidences of what we initially hypothesised. In fact, we asked ourselves: 1) if there is a link between stronger autonomy of the region and the managerial innovations? 2) what are the most important variables of the regional programs in this new perspective?; 3) what are the main difficulties during implementation of the new managerial tools?.

Regarding the first point, we probably had to show also some cases with meliorate results from less independent regions. As the Tuscany as well as the Veneto Region enjoys strong autonomy, they were chosen as innovative cases and it might not quite clear in the

written part this rather evident link. However the process of choosing the adequate cases among examples made us to convince again this factor. The stronger the independence of a region becomes, more innovative examples of its managerial experiences came up.

Here the stronger autonomy does not necessary refers to autonomous regions with special statutes. Among them, Trentino-Alto Adige/Südtirol, and Friuli-Venezia Giulia are considered innovative in terms of management and especially the latter enjoys excellent reputation. However the southern islands regions conserves, for example, many old characteristics and thus issues to be resolved in terms of its organizational management.

Tuscany is one of the regions which have reputation of independence. This means not only political, but also financial as well as institutional. In the first chapter we mentioned the variations of “decentralisation”, distinguishing the difference among political, financial and administrative decentralisation. We think that this is an important feature. As Tuscany is not only politically autonomous (e.g. long lasting central-left government besides changes in the central administration), it has firm administrative independence as well as financial autonomy.

Finally, when it comes to the instruments to guarantee accountability, this is rather clear from the cases. The cases show various instruments on this regard have been shaping the managerial process of these regions and guaranteeing the result. Moreover, these constitute the backbone of innovation in both cases. Without controlling, evaluating, and reporting, new managerial instruments cannot enjoy a freehand appraisal. In fact, the more innovate the managerial style becomes, the more instruments to guarantee accountability of that process are introduced.

Last but not least, the Veneto case shows that innovation in terms of technology can support the innovation of managerial process. There are many other evidences among foreign cases (Kudo 2008), however it has not been stressed in Italian context though.

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