

**MED 4 Fourth Euro-Mediterranean Dialogue on Public Management  
ENA, Rabat, Morocco, 13-14 October 2011**

**What governance for regional cultural policy?  
: an Italian case study**

**Prof.Dr.Hiroko Kudo  
Professor  
Faculty of Law, Chuo University  
742-1, Higashi-nakano, Hachioji, Tokyo, 192-0393, JAPAN  
Tel: +81 426 74 3194, Fax: +81 426 74 3133  
E-mail: [hirokod@tamacc.chuo-u.ac.jp](mailto:hirokod@tamacc.chuo-u.ac.jp)**

## **Abstract**

The paper analyses inter-governmental relationship between region (sub-national government) and municipality in exercising public policy, especially culture-related policies. Since culture-related policies are multi-disciplinary and involves not only various level of governments, but also various departments and institutions, the network analysis of these actors is essential to understand the governance of cultural policy. Thus the paper analyses the relationship among actors, including those of private sectors in implementing cultural policy. The analysis is realized in three phases: 1) legislation (policy level), 2) institution (function and competence level), and 3) implementation (action, monitoring, control, and evaluation).

The paper focuses on a case study in an Italian Region, especially its cultural policy and cultural heritage management. In relation to this, the paper also refers to its tourism policy and management and its environmental policy and management.

### *Research methodology and empirical techniques used:*

The research includes, 1) collection of related legislations, policy documents, related data and materials, 2) questioners and semi-structured interview to public managers of related fields (culture promotion, cultural heritage management, tourism, and environment), and 3) policy simulation and analysis.

The third phase is elaborated as follows: 1) analysis of the institutional system (i.e.: outlining main key-players); 2) outlining key-performance indicators in the system, and the factors impacting on them. To what extent the Planning & Control System can support interaction and collaboration between the system's key-actors? Is it possible to foster "joined-up-government" mechanisms both at institutional and inter-institutional level to improve the system's performance?; 3) analyzing past performance indicators reference behavior modes: is it possible to envisage any recurring patterns of behavior in the relevant system's key performance indicators? What main (tangible and intangible) strategic resources have been affecting the observed results?; 4) developing conceptual system dynamic models and preliminary simulation models to be used in group model building sessions with a selected group of key actors in the relevant system; 5) building simulation models to support policy making at various levels in the relevant system; and 6) using simulation models through facilitated strategic planning and policy-making sessions with key-actors.

## **Introduction**

Why Italian decentralization policy and its experiences of administrative and fiscal decentralization interest a Japanese researcher? It is because the two countries have various similarities: unitary state with widely stretched territory; historically fragmented structure, modernization through centralization, and recent efforts of decentralization in order to realize efficiency and effectiveness in public management.

While Italy started its decentralization movement in the Nineties, Japan started also a similar policy during the same decade. The social, economic, and political structure of the both society have many things in common. The most significant difference between decentralization policies of the two countries is the Constitutional reform in Italy, which changed radically the relationship between the State and the Regions. In Japan, many policies implemented on this regard have never required modification of Constitution, also because of its rigid characteristics.

Japan has been discussing about the possibility to introduce a kind of federal structure, or a regional decentralization. Thus the Italian experiences could be an interesting case and guide for the forthcoming Japanese reform. Since the Japanese reform has been concentrated its focus on efficiency and effectiveness of administrative action, it might be a great support to have some similar cases analyzed.

Since 1999 the Italian administrative institutions have changed with reference to the order and the functions of the Regions (“Regione”), 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 (Kudo, 2005).

What 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 decentralized administrative functions. In the perspective of New Public Management and as an essential component of the “institutional decentralization”, 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.

This change has undoubtedly exercised a strong influence on modalities by which the Regional governments 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. In general, this has led the Regions to exit from the spiral of rituality in the elaboration of plans and programs and to create organizations capable to face the complexity deriving from the new status, even though, as usual, there are big diversities among cases. The research stretches to evidence some innovative cases in the panorama of the Italian Regions, and focuses on the advantages and the issues encountered. These cases show innovations in programming, budgeting, service delivery, and reporting of administrative institutions (Kudo and Russo, 2008). This paper describes the case Sicily Special Autonomous Region, focusing its culture policy, as the importance of adequate culture policy has been recognized more and more among public institutions, especially at local levels.

Why then focus on service? Partly because of the above mentioned changes in institutional setting as well as realities, but also because of the theoretical interest. The role of intangible assets as drivers of corporate performances became critical in management studies over the last few years (Brondoni 2004; Beretta 2005). The underlying idea is that intangible assets underpin the ability of any given organization to meet the expectations of its primary stakeholders (Rumelt 1987; Itami 1987; Barney 1991; Hall 1992; Peterlaf 1993). These assets can be very different: whereas some of them, such as trademarks and patents, can be considered in all respect as part of the assets of corporation, others, such as intellectual capital, credibility vis-à-vis commercial partners, reputation in the eyes of customers and the like are non-proprietary in nature. Inasmuch as they contribute to sustainable competitive advantage, they influence in a critical way corporate performances.

In the last few years the debate among public management scholars has centered to a significant extent on the concept of “public governance” (Rhodes 1997, 2000; Kettl 2000), which helps understand what role belongs to public sector organizations when they maintain upon themselves the political responsibility to meet needs, but pass on to other organizations, along different patterns, the responsibility to ensure service delivery (“public function” vs. “public service” according to the taxonomy suggested by Borgonovi 1973). The fact that the concept of “public governance” is taken straight from political science studies implied that the debate, in Italy as well as elsewhere, has taken primarily a “macro” focus, i.e., centered on the analysis of system-level dynamics, and consequently on governance network (Kickert *et al.* 1997; Bevir 2002; Klijn & Skelcher 2007), and rarely balanced this emphasis with a “micro” focus, paying attention to the patterns how the discharge of their new responsibilities translates into

the management practices of today's governmental organizations.

## **1. Italian Local Administration System**

The research focuses on Italian regions (*Regioni*) as cases and hypothesis that their juridical as well as administrative and financial settings. Italian regions were formally established with the 1948 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.

Since 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 (Kudo, 2005).

Regarding the vertical-horizontal distribution of government powers, the relevant authorities are: the central State (*Stato*), Regions (*Regioni*), Provinces (*Province*) and Municipalities (*Comuni*, which are close and familiar to local populations).

### ***1-1. 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, 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.).

Actually, 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, 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, as is often impaired as well by the natural handicap of having their population thinly distributed in mountainous, rural, isolated or insular territories.

For 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.

## ***1-2. Provinces***

As 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.

A 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.

Nevertheless, 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.

After 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:

1. supply of spaces, buildings and resources to high schools of several types;
2. land planning and territory management (but not at the urban or town scale);
3. environment, use of water and waste disposal administration;
4. transports and provincial roads;
5. economic development such as territorial marketing.

Actually – 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.

It is no wonder, therefore, that a persistent skepticism 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.

### ***1-3. Regions***

The relatively new 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..

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.

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.

## **2. 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 of 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 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 (d.l. n. 269/2003) 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”.

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

A 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.

The 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:

- 1) 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;
- 2) the assignment to joint-stock companies with totally public capital through the *in house system* only exceptionally;
- 3) the direct assignment to joint-stock companies with mixed capital – where the private partner is chosen with public tenders – only exceptionally;
- 4) 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.

In terms of regional laws, there are certainly big varieties of laws according to the situations which characterize each Region. Here are just some cases. Before the last evolutions of national law, the Regions produced special statutes regarding single utilities (i.e. water and waste management).

In 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.

For example, Lombardy 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. This was recently revised by law n. 18/2006, which confers to local governments the powers to govern local utilities with economic relevance. The law of Abruzzo Region n. 23/2004 regulates waste management, water and local transport.

### **3. Italian Legislation on Relationship between Region and Municipality**

The discipline on relationship between the Regions and local governments (municipalities and provinces) is not a recent matter. Presidential Decree n. 616/77 disciplined participation of the Regions to the national and regional planning process (Art. 11).

Law n. 59/97 provided the context for inter-institutional collaboration between Regions and local governments (Art. 4, on the functions delegated by the State to the Regions and local governments, and on the principle of cooperation between the State, the Regions and local governments). It attributed to the Regions new competences by establishing: 1) New criteria for allocating competences: the law established the functions belonging to the State competence and transferred to the Regions; 2) the identification of municipalities as first holders of administrative functions. The subsidiary principle was introduced to distribute competence between different institutional levels. Administrative functions were assigned to municipalities, provinces and mountain communities. Planning functions were attributed to the Regions.

Art. 9 of Law n. 59/97 delegated the Italian Government to issue decree to discipline role of the Conference for the State and the Regions, and that for the State-Cities and local governments. Following principles were remarked: 1) Strengthening power and functions of these Conferences through its participation to all decision processes, at Regional, inter-Regional, and intra-Regional level. At least an advisory and mandatory role was prescribed in all cases; 2) Simplifying the procedures between the State and the Regions through Conferences. Legislative Decree n. 112/98 enforced the previous principles.

Legislative Decree n. 267/2000 restated what previously Presidential Decree n. 616/77 had disciplined on participation of local governments to planning process of the Regions. It defined Regional system of local governments. Art. 4 of the Decree states that the Regions fulfill administrative functions through municipalities and provinces. It also states that the Regions must provide tools and procedures to foster relationship and collaboration, and consensus building processes between them and respective local governments. Art. 5 states that the Regions define general goals in socio-economic and territorial planning process. Upon such goals, the Regions allocate available funds to local government investment plans. Art. 24 defines that the Regions, in agreement with interested local governments, may define a number of fields for coordination and collaboration between local governments on issues like: territorial planning, infrastructural and service networks, transportation plans, environmental, hydro-geological protection, water, garbage collection, trade organization, and cultural policies.

Another important law, regarding the devolution process on many functions delegated by the State to the Regions, is the Constitutional Law n. 3/2001. The Law (Art. 34) defines legislative functions attributed to the Regions, i.e.: health care system, school system, and local police.

### **3-1. Fiscal Decentralization Reform**

Law n. 3/2001 changed Art. 119 of the Italian Constitution. The article defines that the Municipalities, the Provinces, the Metropolitan Cities, and the Regions have financial autonomy. They have autonomous resources; they set their own taxes in coordination with national fiscal system. A fund, which allocates funds towards poor areas, is also established. Local governments can recur to loans only to finance investments. All other expenses must be funded through revenues from their own autonomous resources and taxes.

Fiscal decentralization reform is still in progress. Each year the national law defines rules according to which municipal governments participate to taxes collected by the Regions (Law n. 296/06, Art. 1; Law n. 1/08, Art. 6; Law n. 191/09, Art. 2; Law n. 42/10, Art. 1).

### **3-2. From dual to cooperative Regionalism**

Recent legislations on relationship between the State and the Regions have proposed new model of relationship. The model is based on collaboration principle (so called *cooperative Regionalism*, as opposed to dual vision of the system), i.e. on the assumption that activities thought in terms of exclusive competence of one governmental level are now bounded.

Cooperative Regionalism assertion (i.e. *federalism*) generated network of relationships between different levels of government and is characterized by variety of actors and procedures involved. In particular, in relation to different government levels, it is possible to identify subjects playing *dominant role*. This role depends on the type of relationship existing between the State and the Regions. The same role can be envisaged about relationships between the Region and local governments. If *supremacy position* of one actor is identified (e.g. the State towards the other institutions, or the Region towards municipalities and provinces) we face *coordination relation*. If *equalitarian position* of one actor is identified, then we have *cooperation relation*. The latter is representative of joined competence exercise (e.g. owed both by the State and other territorial units for the same matters) and leading to co-responsibility for performed activities.

Since all institutional levels of the territory may be involved, the State may coordinate the Regions and local governments, and the Regions may do the same towards local governments.

Coordination policies aim to pursue the whole system functionality. This may imply the

need to make the local government system compatible with the system unity, and to avoid the territorial community inertia and the system paralysis. On this regard, the Italian system comprises the following tools: 1) *Substitutive intervention in case of inertia*. The State intervention may concern matters, which are among State functions delegated to the Regions. The Government can nominate an *ad acta* commissioner. The Region intervention may happen when municipal administrations are too late to act, or omit to perform compulsory acts according to law. In these cases, according to Law n. 127/97 (Art. 16) an *ad acta* commissioner can be nominated by the Regional ombudsman. 2) *The need to preserve continuity of the system functionality*. This may happen in case of dissolution of the Regional Council. 3) *The need to preserve the system unity*. According to Art. 8 of Law n.59/97, acts of orientation and coordination of the Regional governmental functions are adopted by the State through previous agreement with the Permanent Conference “State-Regions”, or with all involved Region. However, the third paragraph of the same article also states that, in case of urgency, the Government may skip the above-mentioned procedure. In any case, it has to submit measure to the exam of the Permanent Conference “State-Regions” and must reconsider the measures for which negative advice is given. 4) *The need to protect the act legitimacy function*. For example, if the State considers that the Region adopts law without competences for it, then the State can raise the issue of constitutional legitimacy towards the Constitutional Court, within 60 days from its publication of law (Art. 127 Italian Constitution).

### **3-3. Cooperation policies: Institutional Cooperation**

#### **A. The “State-Regions” Conference**

Prime Minister Decree dated October 12, 1983 and Legislative Decree n. 281/97 systematically ruled the power of the Conference. This is an institution having general competences (not a sectorial one). The competences cover the followings:

1. Advisory role on government acts with Regional interests;
2. Nomination of people responsible of bodies carrying out activities or services exploitable for the exercise of concurrent competence between the national Government, the Regions and the autonomous Provinces;
3. Codetermination over the content of the State direction and coordination acts;
4. Information by assuring exchange of data and information between the national Government and the Regions;
5. Definition of criteria for distribution of financial resources for the Regions and the Provinces;

6. Resolution for issues pointed out by the law.

The Permanent Conference is a tool to support processes of mediation over the choices (dealing with the Regional competences) made by the Executive; it aims to help the participation of the Regions in defining the political direction of the national Government.

*B. The Conference “State-Cities-Local governments”*

Based on Legislative Decree n. 281/97 (Art.9), the Conference coordinates relationships between the State and local governments, to study, inform and exchange opinions concerning problems related to the general political direction, and that may influence the functions of municipalities and the Provinces. The Conference is the place for discussion and analysis of problems concerning local government organizations and functions, and of legislative initiatives. It also has the duty to promote initiatives to improve public service efficiency and agreements and/or plans related to public service contracts.

The Conference “State-Cities-Local governments” is headed by the Prime Minister and is composed of:

1. Various Ministers (Internal Affairs, Regional Affairs, Economics and Finance, Public Works, and Health);
2. the Presidents of the associations representing the municipalities, the Provinces and the mountain communities;
3. 14 mayors and 6 Provincial Presidents.

*C. The Unified Conference (“State- Regions-Cities-Local governments”)*

According to Legislative Decree n. 281/97 (Art.9), this Conference adopts dispositions, makes agreements, provides advice, chooses representatives referred to the matters of its competences and duties of joint interests for the Regions, the Provinces, the municipalities, and the mountain communities. Within the Unified Conference, besides the approval of the national Government, the resolutions are adopted with consensus of the two groups’ members belonging to the Conference “State-Regions” and the Conference “State-Cities-Local governments”. The approval is expressed with unanimously vote of the two groups’ members.

*D. The “Region-Local government” Conference by the Regional law*

According to Law n. 59/97, (Art. 4) the Regions may assign all functions to the municipalities, for matters listed in Art. 117 of the Italian Constitution, and requiring unified exercise at the Regional level, by listening to the representatives of the municipalities. It is possible to detect some common and characteristic elements among these institutions.

First, only members of the Regional and the municipal governments can be part of these conferences. Second, their competence is general and not sectorial (usually it provides advice about plans concerning reorganization of functions of local governments and performs controls and recognition of law enforcement referred to local interests). Third, they perform coordination and connect functions between the Region and the local governments, especially through proposals, advisories and study duties included for issues of local interests.

#### *E. The Conference of Services*

Unlike the previous institutions, it is a temporary organization and used for specific purposes (Law n. 241/90, Art 14). It is a table where the local governments can sit and reach two different types of conclusions: 1) they may get information from organizations; 2) they may reach formal agreement through unanimous vote of various subjects, which will be transferred to the decision-making institutions.

As referred to the process streamlining and speeding functions, the conference of services is a tool to collect agreements, shared opinions, and permissions from various governments. The use of this conference can be very productive as a mechanism to reach an agreement and to tackle complex and slow administrative procedures, as well as to obtain approval from other local governments, without waiting for various sub-processes.

### **3-4. Cooperation policies: Functional Cooperation**

The remaining issue is the core of so-called *negotiated planning*, which was ruled by Law n. 662/96. *Negotiated planning* can be defined as an inter-institutional strategy aimed to encourage and harmonize economic and social policies undertaken by various public and private actors in the territory. This planning is needed on the assumption that market forces alone cannot achieve economically and socially-balanced territorial development. To foster development, the public program must: (a) identify the strategic priorities of each territory, (b) select the interventions to implement them, and (c) provide the necessary financial resources and timetables to realize them.

*Negotiated planning* consists of the following instruments: (a) institutional<sup>1</sup> and

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<sup>1</sup> In the framework of the decentralisation of government functions, an *institutional agreement* allows the Italian State and Regions to collaborate and commit themselves on a multi-year programme of initiatives. With this instrument Regions can direct national resources for public investment towards their priority projects. Thus the institutional agreement is a document that serves as a framework for the programme of public investments, through which Regions and the central government identify the economic priorities of each territory. Such instrument designates the actions to be co-ordinated by the State, Regions or autonomous Provinces in order to avoid wasting resources and fragmenting interventions.

program<sup>2</sup> agreements; (b) territorial pacts<sup>3</sup>; (c) area contracts<sup>4</sup>, and (d) program contracts<sup>5</sup>. Each tool has specific rules and goals, but they are all considered as part of organic system aimed at coordinating public territorial intervention of institutionally decentralized system.

In all cases, negotiation is considered key to coordinate the problems of various ‘actors’ that have role to play in a given territorial area. As institutional system moves towards decentralizing competencies, the success or feasibility of many initiatives depends on commitments taken by each ‘actor’, collaboration among public institutions and involvement of private institutions. Therefore, in many interventions, public administration acts like one party of the contract rather than the decision maker. In other words, negotiated planning implies that a public institution takes the role of the *facilitator* of learning and decision-making process involving various institutions. This process is often complex, also because of the diversity of goals and objectives of various actors. Managing this diversity and achieving a common shared view of the system, based on which each actor will undertake a set of policies that are coherent with others, is an important role that public institutions (e.g. the Regions, the Provinces and municipalities) are called to play.

#### 4. Case of Sicily Region

The Permanent Conference “Region-Local Autonomies” was instituted in Sicily through the Regional Law n. 6/97.

The Law n. 2/2002 (art. 100) stated that the Conference intervenes through its own

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<sup>2</sup> A *programme agreement* is a consensual document through which the State, Regions, local corporate bodies and other public subjects commit themselves to implement an institutional agreement. It defines the mechanisms for co-operation among public administrations, in the process of policy planning and implementation.

<sup>3</sup> A *territorial pact* is an agreement between public and private actors working locally to implement a programme of economically integrated interventions. It aims to promote local development at sub-Regional level and to encourage local institutions and private subjects to work together. Territorial pacts foster territorial development through a bottom-up approach, by means of infrastructure investments combined with incentives for companies that undertake integrated projects in the fields of industry, agro-industry, services and tourism.

<sup>4</sup> *Area contracts* aim to promote partnerships for local development. They differ from *territorial pacts* by taking a top-down approach (i.e. the central public administration plays a major role). They are implemented in limited areas with serious economic emergencies selected by the central government within depressed areas.

<sup>5</sup> *Programme contracts* allow the central administration to secure the implementation of large-scale industrial development projects in lagging areas promoting private investments. They provide an agreement between the central administration (i.e. the Ministry of the Economy) and private actors, implying financial incentives and infrastructure intervention. Large firms and consortia of SMEs (and representatives of industrial districts) can use this instrument. The initiatives were designed specifically for high technology sectors or sectors of growing demand, but recently also the agricultural and tourism sectors have been addressed by programme contracts.

decisions on general issues having relevance on a municipal, provincial or metropolitan level. The President of the Region nominates the Conference members. The Conference chair is the President of the Region or a delegated person by him or her. Other components are:

- The Regional Councilor at “Local Autonomies” (Assessorato alle Autonomie Locali), who is also usually chairs the conference meetings, as a praxis;
- The Regional Councilor at “Finance” (Assessorato all’Economia);
- The President of the Association of Sicilian Municipalities (ANCI Sicilia)
- The President of the Association of Sicilian Provinces (URPS)
- 9 Mayors and 3 Presidents of Provinces, which are respectively nominated by ANCI and URPS;
- a representative of the Sicilian Association of Local Autonomies (Lega delle Autonomie);
- a representative of the Sicilian Association of Administrators of Communities and Local Autonomies (ASACEL);
- a representative of the Sicilian Association of Local Autonomies Administrators (ASAEL);
- any regional councilor whose competence is relevant to the subject on which the Conference has to discuss.

However, the discipline for the organization and functioning of the Conference was approved only later, i.e. through the Presidential Decree dated 8 March 2004.

Such decree has prescribed that the Director of the Regional Department of “Local Autonomies” must participate to each meeting of the Conference. Though this is not stated by the decree, the role of this manager is to support the councilor at “Local Autonomies” in the handling of every kind of documentation necessary to the good functioning of the meetings. In particular, the role of the director of Local Autonomies department is to prepare such documents (e.g. proposals of public tenders for the allocation of funds), to support the politician in the communication to the board members, and to implement the decisions taken.

Specific deliberations taken by the Conference are about the:

- Local autonomies system rules and laws, the management, fulfillment, and delivery of public services;
- Coordination of local policies in the regional territory (through information, advice and linkage between the Region and local autonomies);
- Undertaking and finalization of agreements between the Region and local autonomies.

The Conference also gives advice on the Regional Finance Act proposal, on the financial planning documents, and on the guidelines on fiscal federalism. The Conference is held at least once a month. It is regularly called by the President of the Region or (as a praxis) by the Regional Councilor at “Local Autonomies”. It can also be called on request of one of the Associations of local autonomies. The rules on the functioning of the Conference have been later disciplined and partially changed by the Presidential Decree dated 11 February, 2005.

The purpose of such decree is to rule the cases of lack of components participating at the Conference. The risk for this is that important political decisions are postponed due to political gaming and boycott actions. A more organic discipline, which only marginally changes the previous one, was adopted through the Presidential Decree dated October 30, 2008.

#### ***4-1. Local Autonomies Funding Policies in the Sicily Region***

Given the above institutional context, a significant issue related the regional policies for local autonomies is funding.

Concerning this, the Law n. 2/2002 (art. 76) prescribes the rule of getting advice from the Conference Region-Local Autonomies, in order to distribute funds to Municipalities. The Law n. 15/2004 (art. 18) prescribes that funds must be transferred to Municipalities in 4 slots, with a three months period, at the end of each 3-month time. Furthermore the Law n. 1/2008 (Finance Act for the year 2008), at the art. 6 refers to the national Law (Law n. 296/06).

It gives specifically criteria for the participation of Municipalities to the fiscal revenues collected by regions on national persons taxes. In particular (art. 7) it mentions that – starting from the year 2010 – the allocation of such collections to Municipalities is defined through a Decree of the Regional Councilor at “Local Autonomies”, in agreement with the regional councilor at Finance. It also needs to get advice from the Conference “Region-Local Autonomies”.

Also the Law n. 6/09 (art. 11) defines the rules for allocating resources to Municipal administrations. In particular, it authorizes the director of the department of Finance to distribute (if enabled by the Regional Councilor at “Finance”) to Municipalities cash anticipations of the sums to be transferred (collected taxes). Such anticipations cannot be higher than 30% of the Local Autonomies Fund. The same allocation process is followed by further Regional laws, like the Law n. 11/2010 (financial act), art. 4.

#### ***4-2. Local Autonomies Fund: allocation criteria***

Each year the available local autonomies fund is allocated by the councilor at “Local Autonomies”, based on the following criteria:

- 5% allocated by law (e.g., to cover the needs of Municipalities in condition of financial disease, to cover expenses caused by natural events, to reimburse collections from Tax on Value Added);
- a second pool of financial resources (in the last year about the triple of the above 5%) is again defined by law to finance specific projects. Among the most important allocations are: a) funding to smaller islands to contribute to garbage transportation; b) funding to the historic centre of Ibla – Ragusa, to restore and recover buildings; c) hospitalization of patients under psychiatric care; d) custody of under aged criminals; e) integrated management of garbage collection; f) requalification of unemployed people; f) funding to the Municipality of Palermo for various emergency reasons.
- a third pool (a bit less than 10% of the Fund) is deducted as a result of decisions of the “Region-Local Autonomies” Conference. Among the most important allocations of funds are: a) reimbursement to smaller Municipalities (i.e. those having less than 10,000 inhabitants) of costs related to nursery schools; b) reimbursement to Municipalities for expenses of transportation of intermediate school students from a centre to another; c) improvement of Municipal police services; d) administrative expenses for the functioning of the Technical Secretary of the Conference “Region-Local Autonomies”; e) as an incentive to good performing Municipalities (about 2% of the fund), based on financial indicators;
- the remaining sum (about the 17% of the Fund) is allocated by law to those Municipalities having major disadvantage and to smaller Municipalities (i.e. with less than 10,000 inhabitants);
- therefore, after this allocation, the remaining sum that the Regional Councilor at “Local Autonomies” can allocate to the remaining Municipalities (possibly based on strategic projects, and call for tenders) is about the 50% of the available Fund.

#### ***4-3. Critical Remarks***

The previous analysis shows how the allocation of funds from the Sicilian Region to Municipal administration and related policies aimed to support local development are dampened by a number of significant weaknesses. Among them:

1. The reduction of the Fund for Local Autonomies over time, due to the sharp

decrease of transfers from the State. To this phenomenon, it should be added the uncertainty about the actual structure and functioning of the future system of funding, based on the principle of federalism;

2. An excessive use of the Fund to finance ineffective Municipalities or those which have highest unemployment levels in their areas;
3. An excessive exploitation of the Fund through the tool of Law, rather than through synergic policies coordinated by the Regional Councillorship at “Local Autonomies”. This means that a significant share of the fund is allocated based on a Parliamentarian debate (often based on ‘abuse of welfare’ principles), rather than on a pure public policy analysis and implementation principle;
4. There is also a big problem caused by the sluggish debate process in the “Region-Local autonomies” Conference. It takes several months to the Conference to formulate an opinion (advice) for the allocation of the Fund. A crucial issue is related to the capability of the department of Local Autonomies (Management) to support the Councilor with a proper and prompt proposal about the allocation of such funds (this implies the pre analysis and development of alternative allocations through calls for tenders), within 15 days from the approval of the Regional Budget for the current year. It is also crucial the political ability of the councilor to lead the discussion with other Conference members and push them to skip political inertia. It is also crucial the prompt issue (by the Department of Local Autonomies) of financial transfers to Municipalities every 3 months, and (in case of delays in the conclusion of the debate in the Conference) of prompt anticipations of funds to Municipalities (equal to the 80% of the funds distributed in the previous year).

So, here it is crucial to foster a deep collaboration and coordination between the political and managerial level, inside the councillorship for Local autonomies.

5. It is also crucial to encourage a change in the political agenda at Regional Institutional level. This implies a lower use of single laws or (more often) a single regional financial law embodying so many and heterogeneous allocations of funds to satisfy short-term requests from political parties. A more coordinated approach would also require a higher level of collaboration between the Region and Municipalities. It is important to define sustainable policies to fix crisis and maybe establish growth. This also requires a deep change of culture.
6. Another important issue can be related to the highly fragmented distribution of roles between several regional councillorships that have different impact on the policies affecting Municipal and other local autonomies. It is sufficient to

observe, on this regard, that the regional fund for local autonomies is only a (though important) component of the budget allocated and managed by different Regional Councillorships to support Municipal activities. For instance, huge European Union funds (e.g. those associated to Regional Operating Program) are managed by the regional councillorship for Infrastructures. Such funds are used to sustain various Municipal policies in the improvement of the urban infrastructures and equipment (roads, squares, sidewalks, schools, etc.). Other European funds (but also regional funds) are managed by several other councillorships (e.g. Cultural Heritage, Production Activities, Energy, Health Care).

Therefore, the Sicilian Region lacks of a “Regional Policy” aimed at coordinating different Regional Councillorships in their own transfer activities towards Municipalities. A higher level of interaction, possibly on a Presidential level (based on a proper Strategic Planning process) could significantly contribute to create a higher level of synergy in and without the Region, and awareness on the impact of public policies.

## **5. Research of the Case**

Based on the above pre-analysis, this research aims to highlight the “state-of-the-art” of the Sicilian system related to regional policies aimed to support Municipalities to foster a sustainable development of their geographical territories.

Crucial issues that will be analyzed are related to different levels:

- an *inter-institutional level*, i.e. relationships between the Region and different Municipalities in the development of policies and allocation of funds. This implies a need of higher coordination between different political actors in different institutions;
- an *institutional level*, i.e. the relationships between different councillorships in the Sicilian Region, with the goal of detecting potential areas of higher synergy around specific industries (e.g. tourism & cultural heritage). Such areas could embrace the collaboration (on a Presidential level) of different branches (i.e. councillorships) of the institution. This could support a better development and evaluation of policies. This implies a need of higher coordination between different political actors in a same institution;
- a *sectorial level* inside an institution, i.e. the relationships between the political and managerial function in a councillorship. This is also very crucial, since it can support on a side a prompter and better supported political design and

action; on another side, it could also support a better and more effective implementation of public policies. This would imply also a higher capability to assess the outcomes of implemented public policies.

Main results generated by this research are focused on the previous three issues. A field research will develop more insights to better design public policy and implementation in the Sicilian Region to support local autonomies.

### ***5-1. Research Design***

The research program will be developed in two distinct phases:

Phase 1: Understanding the system structure and behaviour.

Phase 2: Outlining instruments to design policies to improve system structure and behaviour.

Phase 1 will consist of the following sub-phases:

1.a: Analysis of the institutional system (i.e.: outlining main key-players, investigating how their behaviour, policy levers, resource provision and allocation, decision making-processes, goals, interdependency issues, etc. are ruled by the law). This analysis will be done both at National and Regional level.

1.b: Outlining key-performance indicators in the system, and the factors impacting on them. To what extent the Planning & Control (P&C) System can support a sooner interaction and collaboration between the system's key-actors? Is it possible to foster "joined-up-government" mechanisms in designing P&C systems both at institutional and inter-institutional level to improve the system's performance?

1.c: Analyzing past performance indicators reference behaviour modes: is it possible to envisage any recurring patterns of behaviour in the relevant system's key performance indicators? Are there any delays and non-linearity affecting them? What main (tangible and intangible) strategic resources have been affecting the observed results? How decision makers' mental models and goals have been affecting the wider system's performance? This analysis will both require interviewing a number of key-actors in the relevant system (as identified in the sub-phase 1-a) and the collection of field data.

Phase 2 will consist of the following sub-phases:

2.a: Developing conceptual system dynamic models and preliminary simulation models to be used in group model building sessions with a selected group of key actors in the relevant system.

2.b: Building simulation models to support policy making at various levels in the

relevant system

2.c: Using simulation models through facilitated strategic planning and policy-making sessions with key-actors. The use of simulation models will be aimed to support collaborative strategies through that could improve the system's key-performance indicators. Short and long term effects of alternative policy setting will be explored, in order to investigate on phenomena such myopic policy making, or unbalanced allocation of resources, "tragedy of the commons" (Senge, 1990), and the like. Such phenomena underlying poor performance are very difficult to detect without a system dynamics research approach.

The perspective of such research, and more specifically of the simulation models will be oriented to outline alternative policies to adopt in order to affect 3 main inter-related macro-components determining the actual performance of the public sector, i.e. (adapted from Borgonovi, 1996, p. 105):

- a) the organization system\_(how each institution designs and implements processes to deliver administrative products to its own "clients", what is the underlying logic and what operational criteria are adopted to attribute roles and responsibilities in the organization, what systems are used to foster accountability, how performance is assessed, how resources are allocated, etc.).
- b) the institutional system (how the behaviour of main key-actors in the organization system is disciplined by the rules, and primarily by law) .
- c) the political system (how the interplay between different decision makers takes place in the wider socio-economic system, also by the light of the dominant cultural and mental models, affecting the system's behaviour).

## **Remarks**

Since the empirical research, which has been conducted on site by my Sicilian colleagues is in delay; the paper cannot offer concrete results based on data and interviews. For this stage, the author concentrated on literature review and the methodology of the research.

In the future study, the empirical research on culture policy would be included and enable comparison with other Regions.

The author thanks her Sicilian colleagues, especially Prof.Carminé Bianchi of Palermo University.

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