

# THE ITALIAN SPENDING REVIEW

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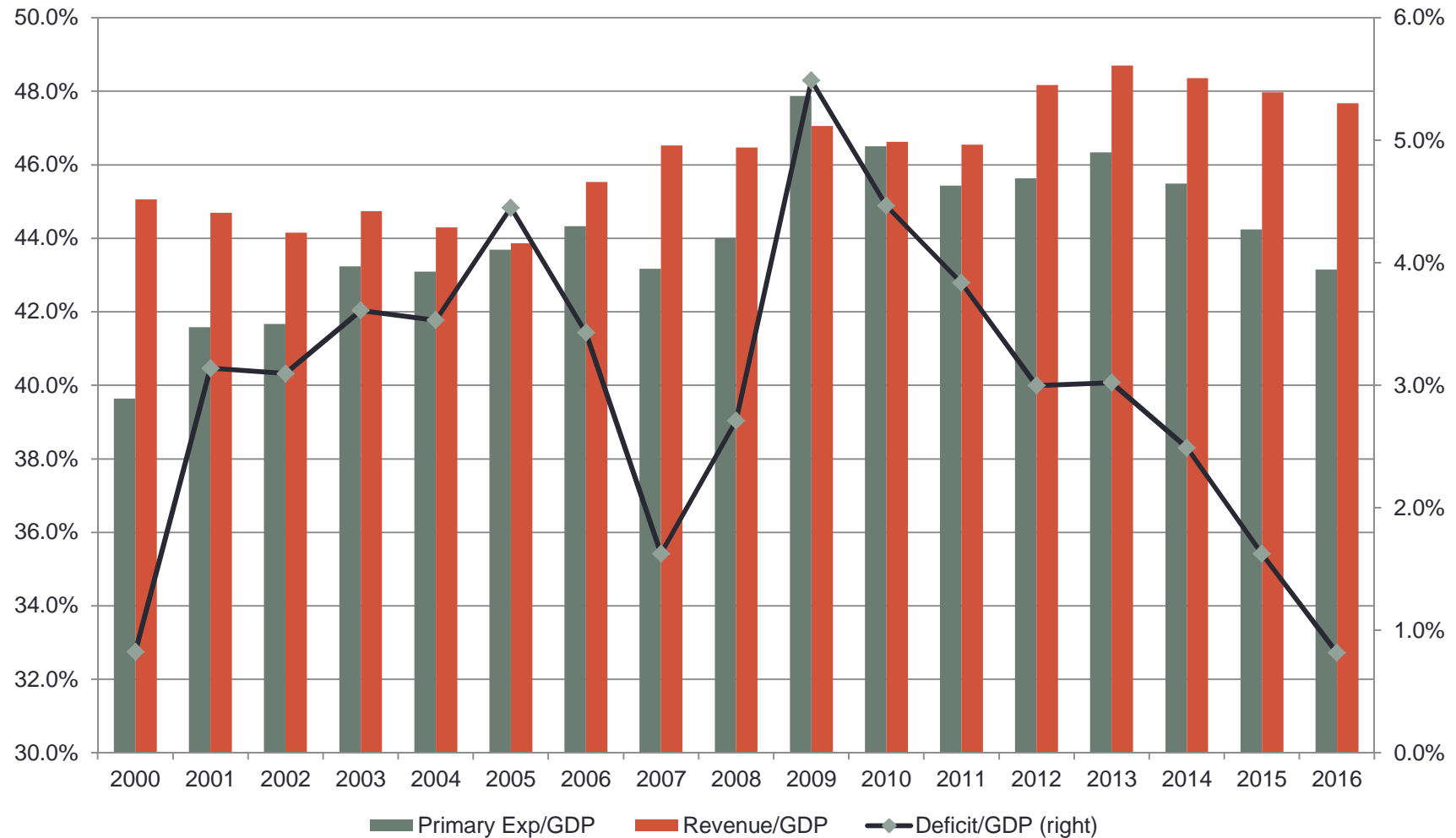
CHIARA GORETTI

*Eight meeting of the  
Network of public finance economists in public administration  
Bruxelles, 11 February 2014*

# OUTLINE

- ***Figures and facts of the Italian public expenditure***
- ***The Institutional framework for the Spending Review (SR)***
- ***The programme and the methodology***
  - ***Short-term***
  - ***Medium-term***
- ***Challenges***

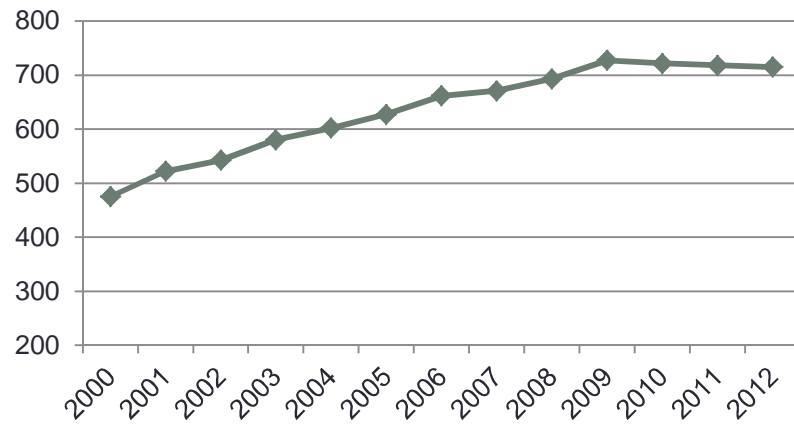
# Deficit, primary expenditure, revenues



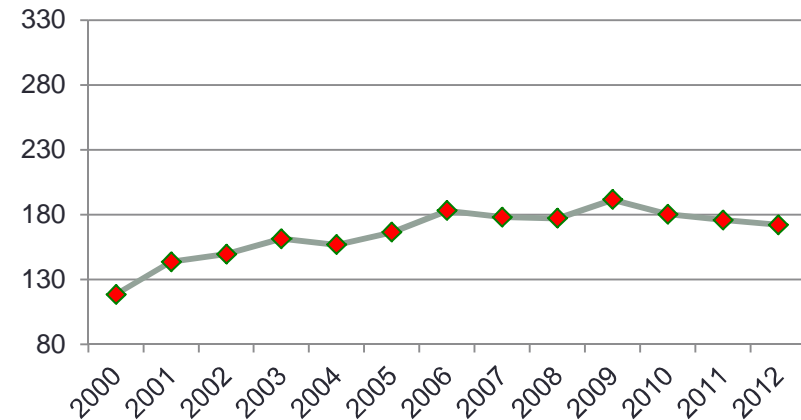
# Primary Expenditure by Subsector

(billion euro)

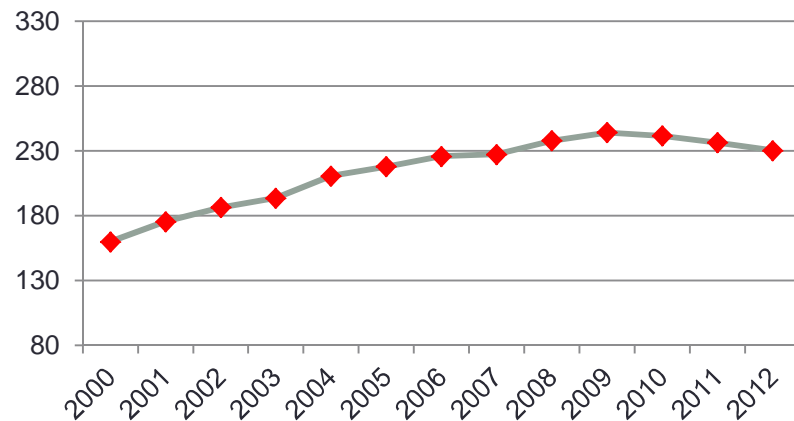
### General Gvt.



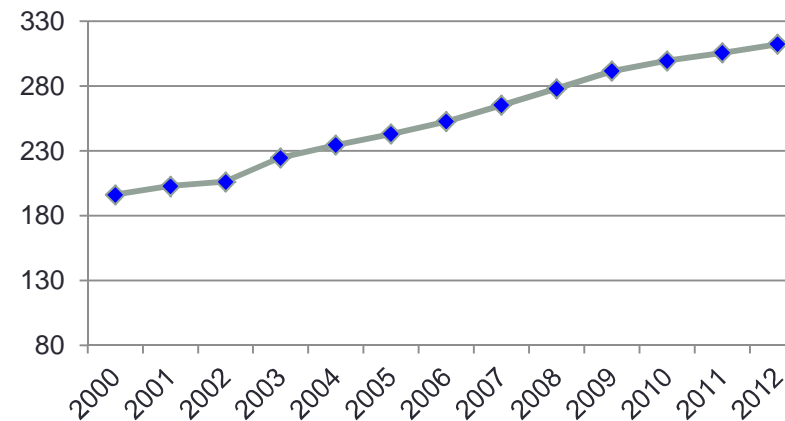
### Central Gvt.



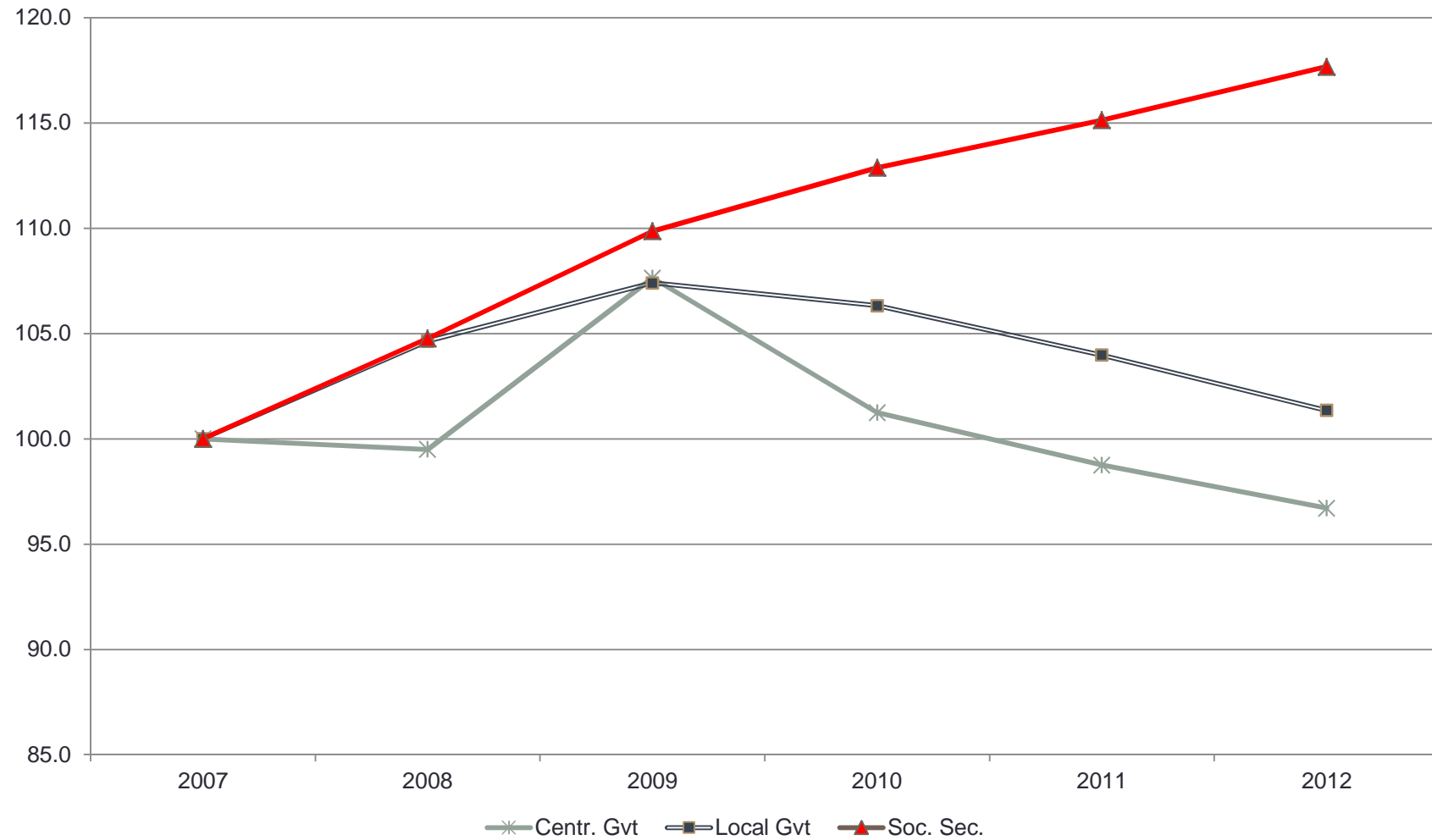
### Local Aut.



### Social Sec. Funds



# Primary expenditure 2007=100



# Local Gvt, primary expenditure

billion euro

	2007	2008	2009	2010	2011	2012
<b>Local Gvts</b>	<b>227.364</b>	<b>237.933</b>	<b>244.212</b>	<b>241.740</b>	<b>236.398</b>	<b>230.434</b>
Regions	34.853	35.673	38.244	35.390	33.807	32.097
Provinces	11.655	11.914	11.976	11.604	10.905	10.333
Municipalities	60.886	62.009	63.700	62.455	61.214	58.752
Health Authorities	101.389	108.280	110.349	112.478	111.270	110.357
Others	18.581	20.057	19.943	19.813	19.202	18.895

## Central Gvt.- Primary expenditure by COFOG function

Billion euro

	2007	2008	2009	2010	2011
General Public Services	30.598	31.557	32.717	32.539	33.734
Defence	21.876	23.093	25.471	23.945	25.315
Public Order and Safety	26.374	26.012	27.860	28.620	28.893
Economic Affair	32.298	30.166	35.753	28.576	27.364
Environment Protection	1.978	2.490	2.333	2.249	2.433
Housing and Community Amenities	1.119	1.452	1.606	1.999	1.837
Health	1.331	1.486	1.648	1.516	1.443
Recreation, Culture and Religion	5.385	5.300	5.553	4.969	899
Education	51.944	50.158	51.396	50.465	48.599
Social Protection	5.237	5.537	7.402	5.353	5.652
<b>TOTAL EXP.</b>	178.140	177.251	191.739	180.231	176.169

# The Institutional Framework

- **Ministerial Committee for the Spending Review**

*Prime Minister, Economy and Finance, Domestic Affairs; Public Administration; Relations with Parliament*

- **Appointment of a Commissioner (3 years)**

*to make proposals on re-organisation, reduction and consolidation of general govt expenditure, including State Owned Enterprises*

*Carlo Cottarelli appointed on 4 October 2013, started to work on 23 October*

- **Resources**

*the Commissioner makes use of human resources of the Ministry of the Economy and the Guardia di finanza*

- **Work programme**

*the Commissioner presents his work programme to the Ministerial Committee (discussed and approved on November 24)*



# The Work Programme

## ***Based on some principles:***

- *Top-down process, with clear targets in terms of savings;*
- *Two-stage approach (short- and medium-term) and strict timetable;*
- *Full responsibility of administrations in charge of sector policies;*

*Inspired by the comparative analysis  
(Canadian experience)*

# Targets and Timetable

The Commissioner has proposed and the Ministerial Committee has agreed:

- 2% GDP savings by 2016: about 32 billion, to be used to reduce taxation on labour (much higher than EU competitor); or to reduce deficit if needed to get the fiscal targets;
- First set of proposals by the end of February 2014, to be included in the budgetary plan for 2015;
- Savings also in 2014;
- Second step: from 2015, programme budgeting and performance indicators;

# The Methodology

- CORE GROUP: 16 units, seconded for the period of the review;
- 25 working groups: 17 vertical (each ministry/regions/provinces/municipalities)+8 horizontal (Procurement/Real Estate/Public Employees/Standard Costs/State Owned Enterprises/etc.)
- Each group is lead by the sectoral ministry; participate also: Mef-RGS, members of the core group, external experts;
- Clear mandate and precise deadlines;
- Commissioner can reject groups' conclusions and make alternative proposals;

# The mandate

## Answer to some questions:

- Does the program or activity continue to serve a public interest?
- If the program or activity continues, how could its efficiency be improved?
- Which programs duplicate activities performed by other public administrations?
- Given the current budget constraints, what programs or activities should be abandoned?

*Inspired by the Canadian SR*

## Vertical working group on Infrastructures and Transports

- Harbour masters, Port authorities;
- Dept of Motorvehicles-ACI;
- Transfers to companies (truck drivers);
- Local Public Transports;
- Supervised entities (National railways; Agency for roads; etc.);
- ...

## Other elements

- Inspections: ...a sort of guerrilla
- Transparency: publication of databases, information sets, etc.;
- Benchmarking: ranking of good/bad departments or municipalities or regions in various policies, publicly available
- Public opinion: suggestions from the public (dedicated site)

Regular information to:

- Parliament
- Social partners

# Challenges...

- **Bravery:** *...do things that were considered taboo in the past...;*
- **Pragmatism:** *...avoid the temptation to rewrite everything from scratch...;*
- **Optimism:** *... combat a sense of mistrust in the possibility of changing the country...;*
- **And obviously: political commitment**

***Thank you for your attention!***