Organisation for Economic Co-operation and Development

ECO/WKP(2021)41

Unclassified **English - Or. English**

26 November 2021

ECONOMICS DEPARTMENT

STRENGTHENING ITALY'S PUBLIC SECTOR EFFECTIVENESS

ECONOMICS DEPARTMENT WORKING PAPERS No. 1690

By Tim Bulman

OECD Working Papers should not be reported as representing the official views of the OECD or of its member countries. The opinions expressed and arguments employed are those of the author(s).

Authorised for publication by Isabell Koske, Deputy Director, Country Studies Branch, Economics Department.

All Economics Department Working Papers are available at www.oecd.org/eco/workingpapers.

JT03486345

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

OECD Working Papers should not be reported as representing the official views of the OECD or of its member countries. The opinions expressed and arguments employed are those of the author(s).

Working Papers describe preliminary results or research in progress by the author(s) and are published to stimulate discussion on a broad range of issues on which the OECD works.

Comments on Working Papers are welcomed, and may be sent to the Economics Department, OECD, 2 rue André-Pascal, 75775 Paris Cedex 16, France, or by e-mail to PubRights@oecd.org.

All Economics Department Working Papers are available at www.oecd.org/eco/workingpapers.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

© OECD (2021)
You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for commercial use and translation rights should be submitted to PubRights@oecd.org.

Abstract/Résumé

Strengthening Italy's public sector effectiveness

Raising the effectiveness of Italy's public sector is more urgent than ever. It will be key to revive investment and productivity and improve access to quality public services for the most vulnerable. The quality of public goods and services is variable, weakening Italy's resilience to shocks like the COVID-19 crisis and the ability to secure a more sustained and inclusive recovery. Excessive regulations and their onerous enforcement add to businesses' operating costs. Trust in public institutions and public service delivery is one of the lowest across OECD countries. In the coming years Italy will have a unique opportunity to improve the effectiveness of its public sector, through the Recovery and Resilience Plan, the renewal of the public sector workforce, and the potential of technological innovations. This paper proposes options to strengthen public sector effectiveness by looking at *what* interventions the public sector makes in the economy, *how* the public sector mobilises its workforce, procures goods and services, and leverages the benefits of digitalisation, and *who* acts across levels of government and between the public and private sector. It concludes that recruiting and developing the necessary skills in the workforce, monitoring performance, as well as encouraging coordination will be key to better budget allocations, regulatory environment, and delivering quality public goods and services.

This Working Paper relates to the 2019 OECD Economic Survey of Italy (http://www.oecd.org/economy/italy-economic-snapshot/)

JEL codes: D73, H11, H41, H5, H61, H72, H77, H83, O22

Keywords: Economy, Education, Public governance, Regulatory reform, Regional, rural & urban development

*****

Renforcer l'efficacité du secteur public italien

Renforcer l'efficacité du secteur public italien est plus urgent que jamais. Il sera essentiel de relancer l'investissement et la productivité, et d'améliorer l'accès des plus vulnérables à des services publics de qualité. La qualité des biens et services publics est hétérogène, ce qui réduit la résilience de l'Italie face aux chocs comme la crise du COVID-19, ainsi que sa capacité à assurer une reprise plus durable et inclusive. L'excès de réglementations, dont la mise en application est par ailleurs onéreuse, accroît les coûts d'exploitation des entreprises. La confiance dans les institutions publiques et la prestation de services publics est l'une des plus faibles des pays de l'OCDE. Au cours des prochaines années, l'Italie aura une occasion unique d'améliorer l'efficacité de son secteur public au travers du Plan de relance et de résilience, du renouvellement des effectifs du secteur public et du potentiel d'innovations technologiques. Le présent chapitre propose des pistes de renforcement de l'efficacité du secteur public en examinant la nature des interventions du secteur public dans l'économie, la manière dont le service public mobilise ses effectifs, fournit biens et services, et exploite les atouts de la numérisation, et les acteurs intervenant à travers les différents échelons administratifs ainsi qu'entre le secteur public et le secteur privé. Il ressort de cette analyse que l'acquisition et le développement des compétences nécessaires par les effectifs, le suivi des performances et la promotion des efforts de coordination seront essentiels pour améliorer les crédits budgétaires et l'environnement réglementaire, et pour assurer une offre de biens et services publics de qualité.

Ce Document de travail se rapporte à l'Étude économique de l'OCDE de l'Italie 2019 http://www.oecd.org/fr/economie/italie-en-un-coup-d-oeil/

JEL classification : D73, H11, H41, H5, H61, H72, H77, H83, O22

Mots Clés : Économie, Éducation, Gouvernance publique, Réforme de la réglementation, Développements régional, rural et urbain

Table of contents

Figures

Boxes

Strengthening Italy's public sector effectiveness

By Tim BULMAN[1]

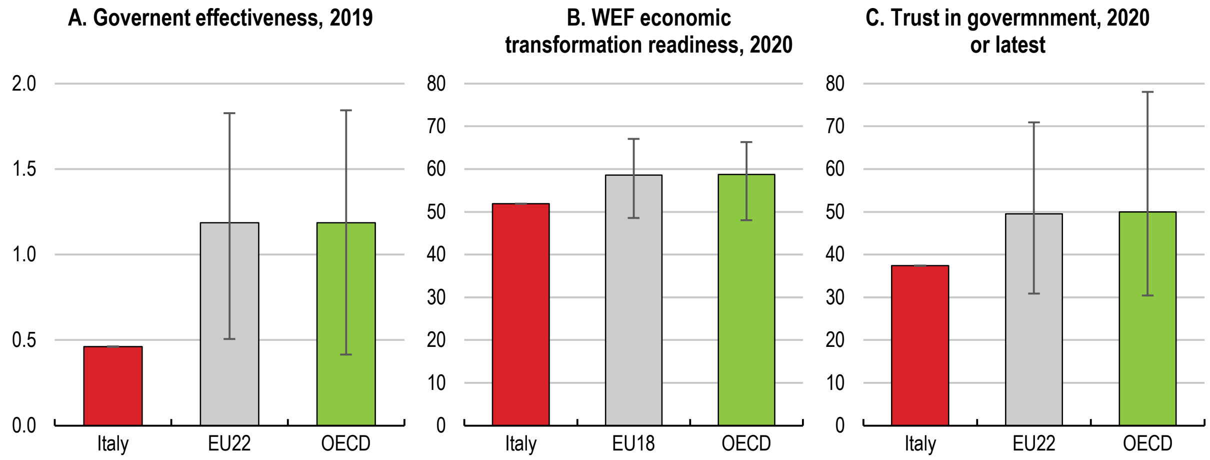
A more effective public sector is essential to address Italy's challenges

The COVID-19 crisis has added urgency to the long-recognised need for Italy to raise the effectiveness of its public sector. The quality of many public services that will be especially important for the post-COVID recovery, such as education and training, is low. Many issues are long-standing, such as the burden on businesses from regulations and their enforcement. Uneven administrative capacity across different regions holds back recent measures to improve resilience and inclusiveness, such as the rollout of a national guaranteed minimum income tied to job search, reskilling and social support. Public servants report that bureaucratic processes have been a rising constraint to taking decisions and actions. Investors and households perceive public institutions' integrity and effectiveness to be among the weakest across OECD countries, and households report lower satisfaction than in other OECD countries in many public services including education, security and crime prevention, and environmental protection (Figure 1) (Murtin et al., 2018[1]).

Italy has an unusual opportunity in the coming years to address these challenges. After the constraints of Italy's narrow fiscal path of the past decade, he Resilience and Recovery Plan provides policy space to invest in a more effective public sector. Italy's public servants are ageing and the numbers retiring will accelerate over coming years, amplifying skills gaps and adding urgency to transferring their experience to a new generation of public servants. Digital and other technological innovations, and the country's growing Internet connectivity, can revolutionise the public sector's accessibility, responsiveness and functioning. By seizing these opportunities, Italy can make its public administration more conducive of broader and more resilient growth.

[1] Tim Bulman is Senior Economist in the OECD Economics Department. This work also benefits from work prepared with Ruggero Doino and with Florentin Blanc. The author would like to thank Isabelle Joumard for guidance through the preparation of this paper, Laurence Boone, Alvaro Pereira, Isabell Koske, Patrick Lenain, Sebastian Turban Sean Dougherty, Ruggero Doino, Florentin Blanc, Andrea Garnero, Peter Gal, Matthieu Cahen, Mauro Pisu, Andrea Garnero, Oliver Denk, Anne Lauringson, Willem Adema, Daniel Gerson, Felipe González-Zapata, Monica Brezzi, Nikolai Malyshev, Charles Baubion, Axel Mathot, Andrew Blazey, Alfrún Tryggvadottir, Indre Bambalaite, Klas Klaas, Flavia Giannini, and Barbara Ubaldi, comments and suggestions. The paper has also benefited from comments by members of the OECD Economic and Development Review Committee, of the Government of Italy and of the Bank of Italy. The author is grateful to Béatrice Guerard for statistical assistance, and Heloise Wickramanayake for editorial assistance.

Figure 1. Perceptions of the public sector's effectiveness lag behind other OECD countries



Note: Whiskers indicate the first and last deciles of OECD and of EU22 countries. OECD and EU22 bars show the unweighted average of countries that are members of the OECD and of both the European Union and the OECD respectively. Panel A: This governance indicator captures perceptions of the quality of public services, of the civil service and the degree of its independence from political pressures, and of policy formulation and implementation, and the credibility of the government's commitment to such policies; Panel B: This indicator is a simple average of indicators for governance, long-term vision and service delivery of public institutions; infrastructure to accelerate energy transition and access ICT; progressive and corporate taxation; education and skills investment for future jobs; labour regulation and social protection for the evolving labour force; care for the elderly, children and health; financing of long-term investments; competition policy; 'markets of tomorrow' including for public-private collaboration; research and innovation; incentives for firms for diversity, equity and inclusion; Colombia, Costa Rica, Iceland, Latvia, Lithuania, Luxembourg, Norway and Slovenia are not covered; Panel C: Trust in government refers to the share of survey respondents who report having confidence in the national government.

Sources: World Bank (2020), Worldwide Governance Indicators (database); World Economic Forum (2021), The Global Competitiveness Report 2020; OECD (2021), How's Life: Well-being (database). Murtin et al (2018[1]) present further information and analysis regarding trust in government indicators.

StatLink https://stat.link/iczeds

Italy has undertaken extensive reforms over several decades to improve the public sector's effectiveness. Measures in the National Recovery and Resilience Plan (NRRP, summarised in Box 1 and in the 2020 Simplification Decree are the latest of a long series of far-reaching measures intended to streamline processes, hasten administrative action and improve public service delivery. Past reforms have changed structures and modernised rules and regulations, and improved how they are prepared and approved. Reforms have sought to improve the budget process and fiscal sustainability, to raise the cost effectiveness and quality of spending, and to bring service providers closer to users while ensuring more consistent quality across Italy. Some reform efforts have implemented innovative approaches and placed Italy ahead of many other OECD countries – the needs-based funding allocations to subnational governments and the development of the central procurement agency, Consip, are examples. Recent progress in digitalising parts of the public administration have created an architecture that is particularly well adapted to the varied capacities across Italy's multi-layered government.

However, in some domains, improvements in practices and outcomes have often fallen short of the ambitions of past reform efforts. Deep administrative reforms take multiple years to be legislated and for this legislation to be fully implemented. During this time, specific measures often need adjustment based on experiences and feedback. In Italy, reforms that initially had broad, bipartisan support became politically contentious, allowing entrenched interests to block reforms and leading to reversals following changes in government. Meanwhile budgetary resources initially available to support Italy's reforms became scarcer as the economic cycle and fiscal objectives evolved (Bassanini, 2010[2]; Boeri and Rizzo, 2020[3]; Cavatorto and La Spina, 2020[4]; OECD, 2010[5]; OECD, 2019[6]; OECD, 2013[7]; OECD, 2015[8]). As a result, the budget process still does not promote funding for the most growth-enhancing spending areas. Burdensome processes and the incentives faced by public officials slow administrative action. Narrow recruitment strategies, slow staff renewal and limited training have amplified skill gaps. Much of the reforms intended to improve procurement quality have been reversed. Varied capacity and overlapping responsibilities continue to limit the effectiveness of Italy's multiple layers of government. Box 2 presents some attributes of OECD countries' successful public sector reform programmes.

This paper identifies priorities for Italy to improve the effectiveness of its public administration, by focusing on the key issues related to three central questions: *what* is the scope of the public sector intervention in the economy, either directly through budget allocation or through regulations; *how* the public service delivers, through its workforce, procurement processes and digitalisation; and *who* across Italy's multi-layered government and between public and private enterprises delivers these goods and services. It applies these crosscutting questions to the delivery of active labour market programmes, early childhood education and care, and public investment by local authorities, as these services are symptomatic of many of Italy's public sector challenges, and they will contribute considerably to Italy achieving a sustained recovery and the implementation of the government's National Recovery and Resilience Plan. Across these three questions, common priorities are recruiting and developing the necessary skills, monitoring performance, and encouraging coordination.

Box 1. The Resilience and Recovery Plan's focus on strengthening public sector effectiveness

Italy's National Recovery and Resilience Plan (NRRP) lays out how it will use the Next Generation EU facility and the accompanying structural reforms over the period 2021-26 to resume sustainable and lasting economic growth. Central to this strategy is modernisation of the public administration, and in this area the NRRP extends or builds on many of the measures to ease or accelerate administrative processes provided by the July 2020 'Simplification Decree'. Many of the details of the NRRP's measures will be developed as implementing laws are drafted.

Strengthening the public sector's human resources and raising its dynamism is one priority. The NRRP finances the hiring of thousands of new public officials to fill capacity gaps across the public administration, especially in municipalities and the South. Reforms to how candidates are selected are intended to better attract applicants with exceptional skills or diverse career trajectories, rather than knowledge of administrative law. A competency framework will take a stronger role in guiding the public administration's recruitment, mobility and training priorities.

Another priority is to simplify laws and regulations. Reforms to public administrative law and regulation, public procurement, and competition are the focus of the NRRP, while improving the effectiveness of regulations at preventing fraud or corruption. Revising norms and procedures across all levels of government, expanding the 'silence is consent' rule, and improving interoperability and access to data across administrations are intended to simplify, hasten and rationalise public administrative processes, especially as they apply to the implementation of the other elements of the NRRP. Introducing benchmarking, outcome performance monitoring, and incentives are intended to accelerate processes, for example by identifying where performance lags. Changed accounting and public financial management systems are intended to improve tracking disbursements.

The NRRP seeks to advance the public administration's modernisation by accelerating its digitalisation. On the technical side, the NRRP focuses on developing the 'cloud' and strengthening cybersecurity. It will allow administrations to choose to integrate into the public national cloud infrastructure ('National Strategic Pole') or to use commercial cloud services. It strengthens the 'once only' principle which will require improved interoperability, alongside strengthening the digital identity, and expanding services provided to citizens. It streamlines processes for procuring technology. Accompanying these technical developments, the NRRP prioritises building public officials' competencies to use the potential of digital technologies.

Source: (Presidency of the Council of Ministers, 2021[9])

Box 2. Some strategies for successful public sector reforms in OECD countries

OECD countries have undertaken waves of public sector reforms over recent decades, towards improving the quality of the goods and services delivered by the public sector while restraining its costs. The focus of OECD countries' reforms have evolved through these waves. From approximately the late 1980s through to the 2000s, English-speaking countries including Australia, New Zealand and the United Kingdom pioneered reforms to instil market-type competition within the public sector, towards building a focus on performance and efficiency. Implementation challenges and ongoing demand for higher quality public services have more recently led some of these reforms to be reversed, with a new focus on building the public sector's internal capacity to deliver, and to assess performance against a broader range of objectives. Reforms in other OECD countries have often followed these trends, adjusting for national institutional, budgetary and service delivery challenges.

Italy's waves of major public sector reforms since the 1990s have broadly followed this pattern. Ambitious reforms in Italy have also encountered considerable implementation challenges, with changes on the ground falling short of reformers' aspirations in some key areas, including many of those highlighted in this paper. The policy reform programme laid out in the National Recovery and Resilience Plan (NRRP), building on many of the measures in the 2020 Simplification Decree and the multi-year Simplification Agenda, represent a renewed focus on raising the public sector's contribution to Italy's sustained growth and well-being.

Some lessons from OECD countries' experiences of reforms that can contribute to Italy's latest reform agenda include:

- Strong leadership: Successful reform programmes have strong political and managerial leadership. This leadership includes the management within the public service, who are key for implementation. Technical experts are central to advise this political and managerial leadership, however reform programmes led by technical experts have been less successful.
- Building innovation, testing and adaptation into the reform programme. Reform involves innovation, which invariably needs adjustment. Successful reform programmes include measures to test new approaches in some parts of the public sector before being rolled out more broadly. Countries with multi-layered government such as Italy may test some policy reforms in some representative regions, before undergoing the cost and disruption of rolling out these measures nationally.
- Invest in capacity to implement reforms: Successful public sector reform programmes have proactively trained managers to implement change. This disseminates understanding of the goals of reforms. Repeated training sessions allow managers to share experiences and strategies, and provide feedback on the reforms. For example, Finland found that repeated training sessions helped renew managers' motivation to pursue ongoing reforms, while providing feedback to adjust the reform programmes.
- Reforms are a long-term undertaking. Building broad, community-wide consensus around reform priorities can sustain complex, multi-stage reforms through changes in senior personnel or the political cycle. Independent agencies that develop the reform agenda and communicate its benefits, such as the productivity boards discussed in the 2021 *Economic Survey of Italy* (OECD, 2021[10]), can help build and sustain this consensus.

Source: (Huerta Melchor, 2008[11]) (Shaw and Richet, 2012[12]) (Cavatorto and La Spina, 2020[4]); (Halligan, 2013[13])

Revisiting what interventions the public sector makes in the economy

Fundamental to the Italian public sector's effectiveness are its choices about what goods and services it funds and what it regulates. Current choices are often a legacy of past decisions, due for example to the incremental budget process and to the stock of past regulations, rather than reflecting the areas that are now the highest priorities for public action or where the public sector is most effective. Moving from these legacy can be challenging, but is an essential part of broader reforms to improve the public sector's effectiveness.

Reforming budget processes to reallocate funding to support growth

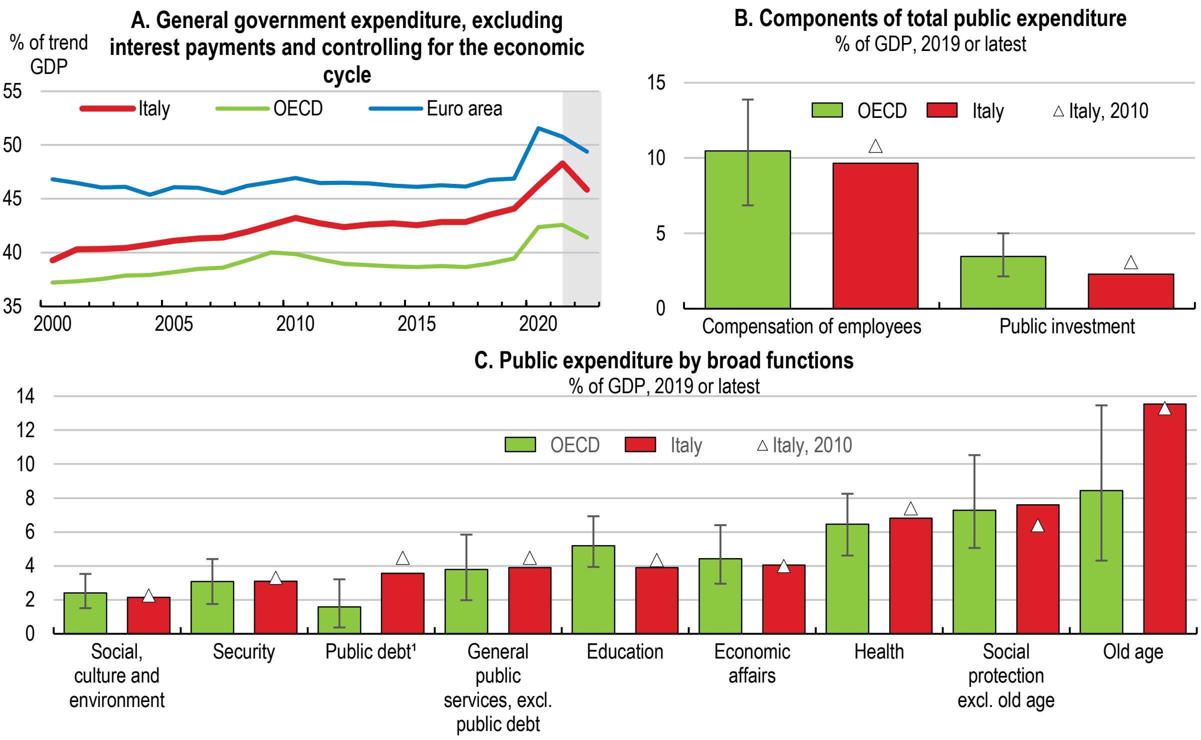
Italy's growth-enhancing spending is low, despite rising spending overall

Italy's public spending is high and has trended higher over many years (Figure 2, Panel A). At 48.6% of GDP in 2019, public spending was the seventh highest of OECD countries, having risen from the twelfth highest in 2000. High and rising old age spending is the main driver (Figure 2, Panel C). High old age spending primarily reflects Italy's relatively generous public pension system and relatively large number of retirees relative to active workers. It contrasts with many other OECD countries' contributory private or occupational pensions which do not appear as public expenditure. Italy spends near the OECD average on non-pension social transfers. High debt spending reflects Italy's large stock of public debt. Spending on discretionary public goods and services, especially those that contribute most directly to productivity and employment, is less than in most OECD countries and has fallen (Figure 2, Panels B and C). Spending on education, public investment, and research and development is the third lowest across OECD countries, at 7.2% of GDP in 2019, and 0.6% of GDP lower than in 2013.

Italy's public spending achieves a mixed performance across economic and well-being outcomes after accounting for the level of spending relative to other OECD countries (Figure 2, Panel C, and Figure 3) (Lorenzani and Reitano, 2015[14]). Poverty rates are high among families and children, as high overall social spending is largely directed to the public pension system's relatively generous transfers to elderly households, and other areas of social spending are less effective. Education outcomes, as indicated by international tests of teenagers or of adults' skills such as PIAAC and PISA, are below the OECD average, in part reflecting relatively modest education spending. Infrastructure quality on some benchmarks lags other OECD countries, consistent with the relatively low public investment especially since the global financial crisis. In contrast, health outcomes, after accounting for differences in diet and living conditions, are well ahead of the OECD average while spending is only slightly above the average. Overall, this picture suggests supporting stronger and more inclusive growth requires reallocating some spending alongside improving the effectiveness of existing spending.

Reallocating public spending can free resources that have limited impact and boost resources for priorities. Italy's budget process, summarised in Box 3 could better reallocate spending by clearly establishing and communicating ministries' expenditure ceilings early in the budget cycle, and by developing specialised capacity within ministries to coordinate, assess and prioritise spending plans. Better integrating performance indicators and regular spending reviews into the budget process would improve how the public sector allocates its scarce resources. Other OECD countries are finding these to be fruitful especially when are coordinated at the centre of government and have strong line ministry involvement (Box 4).

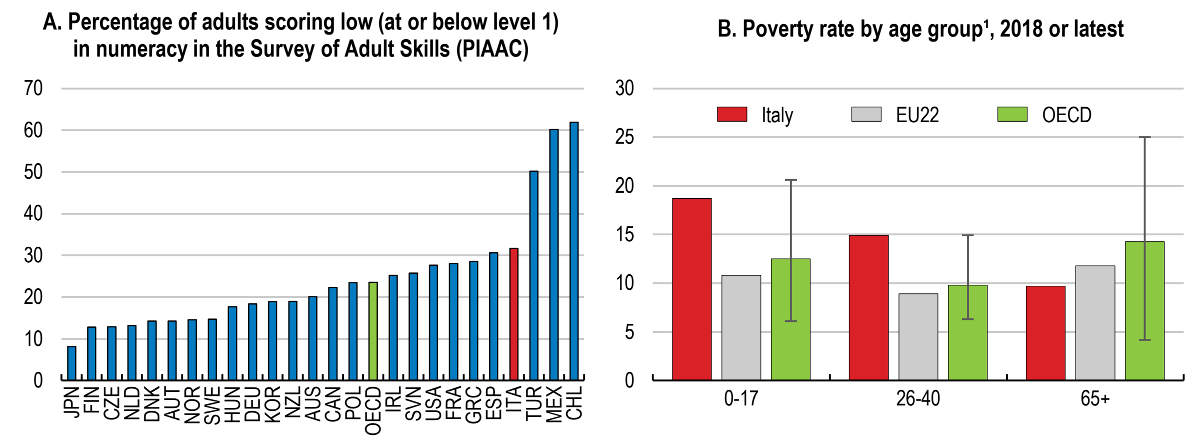
Figure 2. Italy's pension and debt servicing costs are higher than in most other OECD countries, while growth-enhancing spending is lower



1. Public debt expenditure includes interest payments and outlays for underwriting and floating government loans.
Note: Panels B and C: The figure shows public expenditure by broad function. The OECD averages are not weighted and do not include Canada, Mexico, New Zealand and Turkey, while the whiskers show the range between the first and last (unweighted) decile of the OECD countries.
Source: OECD (2021), OECD Economic Outlook (database); OECD (2021), National Accounts Statistics (database).

StatLink https://stat.link/b6z9j2

Figure 3. Outcomes from Italy's public spending lag behind in some areas, such as building skills and reducing poverty rates among children and families



Note: Whiskers indicate range of OECD countries between the first and the last decile.
1. At 50 % of median equivalised income after taxes and transfers.
Source: OECD (2019), Skills Matter Additional results from the survey of Adult skills, Annex A; OECD (2021) Income Distribution Database (IDD).

StatLink https://stat.link/9gp0xo

Box 3. Italy’s central government budget process

The central government’s annual budget process starts by the Ministry of Economy and Finance (MEF) defining the aggregate expenditure ceiling. Ministries then submit updates to their baseline expenditures for existing programmes and requests for additional funding to MEF, although they do this without referring to the overall expenditure ceiling or to ministry-level ceilings. Ministries often do not consolidate and prioritise the requests from their different agencies. These generally include limited information on performance outcomes. The MEF then hears presentations from line ministry delegations defending their requests. Following revised projections of total resources, the Prime Minister and the Minister of Economy and Finance agree on budget allocations, including changes in ministries’ programmes or savings targets, and these decisions are communicated bilaterally to ministries. In the budget presented to parliament, savings may be presented as across-the-board targets, but ministries may nominate specific programmes to cut.

Source: (Blöndal, von Trapp and Hammer, 2016[15])

Using performance indicators well to improve spending decisions

Budget processes in Italy can make more use of performance information (Figure 4), by better focusing existing indicators and integrating performance more deeply into the budget process. This would bring Italy’s budget process into line with practices other OECD countries have found effective (Box 4and Box). Reforms in the late 1990s and in 2009 sought to streamline the budget structure and information presented to parliament, while introducing output and outcome indicators. These are notionally linked to the National Reform Programme and the well-being framework, which is recognised as good practice (OECD, 2015[16]); (OECD, 2019[17]). However, the voluminous information has not been well organised or comparable over time or across entities. Many indicators report administrative activities rather than the goods or services delivered or their benefits. They have had little influence in budget allocation or other management decisions (Blöndal, von Trapp and Hammer, 2016[15]). Meanwhile, since 2016 Italy has developed gender budgeting and required budget documents to report on well-being objectives and indicators, including environmental sustainability, economic equality, health and education. These are presented in parallel to the budget, rather than integrated into the budget process. Properly integrating these indicators into budget decision-making has been a challenge for other countries as it is in Italy (Box 5).

Consistently integrating succinct and pertinent performance information into the budget process would improve the decisions around line ministries’ spending proposals and budget allocations, and would support the spending reviews discussed below (Bonomi Savignon, Costumato and Marchese, 2019[18]). The OECD’s *2015 Recommendation on Budgetary Governance* presents good practices for line ministries to redevelop their performance indicators. Amidst the tight timeframes and political pressures of preparing and approving budgets, performance indicators are most likely to influence decisions if they are highly pertinent, well-understood and trusted. Effective performance indicated are limited in number, are relevant to each policy programme or area, are clear and easily understood, and allow for tracking of results against targets and benchmarks. Linking performance indicators to the National Resilience and Recovery Plan would help in realising the Plan’s objectives.

Box 4. Budgeting for performance: countries' experience in informing budget decisions with performance indicators

For decades countries across the OECD have sought to shift their budget process from a focus on line-item inputs to one that uses performance information in allocating resources across different public goods and services. Performance budgeting entails the systematic use of performance information to inform budget decisions. It emerged to help shift budget decisions towards the outcomes achieved by public goods and services and away from incremental adjustments to allocations to ever-growing numbers of budget line items.

At its core, performance budgeting informs or even drives the allocation of resources. In addition, it can support performance evaluation and management and spending reviews, and contribute to citizens' engagement in the budget. It can adapt to other objectives, such as gender, well-being or environment. Countries' performance budgeting systems are constantly evolving, in part reflecting the difficulty of developing a system that satisfies all users and needs. OECD analysis identifies four types of performance budgeting:

1. Presentational Performance Budgeting: This shows outputs, outcomes and performance indicators separately from the main budget document. This contributes to transparency about the government's policy priorities and is easy to implement. Separating performance information from budget allocations limits the influence of performance on spending. Italy's performance budgeting is in this group.
2. Performance-Informed Budgeting: This more ambitious approach includes performance metrics within the budget document, and structures the budget on the basis of programmes. It is appropriate for governments that want to achieve more ambitious re-prioritisation of expenditure linked to performance and to devolve more budget control to programme managers. It is the approach adopted by a plurality of OECD countries, including Austria, France, Japan, the Netherlands, New Zealand and Sweden.
3. Managerial Performance Budgeting: The focus is on managerial impacts and changes in organisational behaviour, achieved through combined use of budget and related performance information. Canada, Finland, Mexico and the United Kingdom are among the smaller number of OECD countries with this approach.
4. Direct Performance Budgeting: This provides a direct link between results and resources, often via a contract, with budget consequences for over- or under-achieving objectives. While no OECD country uses direct performance budgeting as a general approach, some OECD countries use this approach for funding specific aspects of a limited range of public services, such as in health or education.

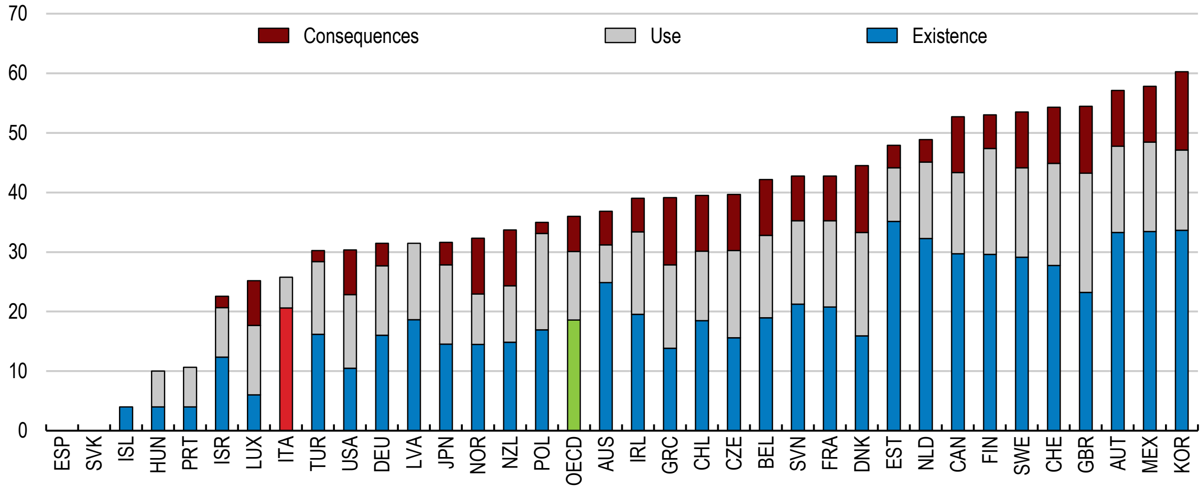
Source: (Keller, 2018[19]); (OECD, 2015[16]); (OECD, 2019[17]); (Schick, 2014[20]). (Cavatorto and La Spina, 2020[4])

Integrating useful performance indicators into the budget process would be a step towards developing a broader performance culture across the public sector. Ensuring that there are sufficient resources for assessing performance, that information is accurate, timely and accessible, and that public servants have the relevant skills and tools to use performance information would support this. Senior political support is essential throughout this process. The budget's 'mission' structure, introduced in the 2009 reforms, can frame these performance indicators and develop the link with the national development objectives. Istat can be a valuable support for ministries in developing such succulent sets of indicators, given Istat's innovative approaches to measuring hard-to-quantify outputs and outcomes (OECD, 2019[17]). Limiting the number of indicators is essential if they are to be useable, as the United Kingdom's or the European

Commission's experience with developing and then streamlining hundreds of performance indicators demonstrate (Noman, 2008[21]; Downes, Moretti and Nicol, 2017[22]).

Figure 4. Italy has developed a large number of performance indicators, but they have little influence on what public goods and services the budget funds

OECD Performance budgeting index, 2016



Note: The 2016 Performance budgeting index is a composite index built up using information on 10 variables. These variables cover the 'existence' in terms of availability and type of performance information developed, 'use' of the information for monitoring and reporting on results, and the 'consequences' in terms of whether and how performance information is used in the conduct of budget negotiations. The OECD average is an unweighted average of available OECD countries. Spain and Slovakia are assessed to be 0.
Source: 2016 OECD Performance Budgeting Survey.

StatLink https://stat.link/pni0md

Developing and using performance indicators will require developing capacity in line ministries. Currently line ministries do not have many of the budget preparation and analysis capacities typically found in line ministries in other OECD countries. Instead, in Italy, the Ministry of Economy and Finance's (MEF) budget office, the Ragioneria Generale della Stato, has an office in each line ministry that provides functions such as consolidating and transmitting each ministry's budget requests in the annual budget cycle to the MEF (Box 3). Developing budget preparation and performance analysis capacity in dedicated units in each line ministry would strengthen each ministry's ability to analyse its spending relative to performance and policy goals, and to prioritise and evaluate the ministry's different proposals and activities (Blöndal, von Trapp and Hammer, 2016[15]). Each ministry can use its spending and performance analysis, drawing on its performance indicators, to help prioritise its agencies' budget submissions. Once the capacity and processes are in place, performance indicators can be integrated into the internal budget preparation process, and to strengthen the quality of the ministry's bilateral budget discussions with the MEF. Performance indicators have become integral to discussions between central finance agencies and line ministries in the United Kingdom, New Zealand or Canada. These countries have found that rewarding agencies and ministries that use performance indicators effectively during the budget negotiation process through resource allocation decisions encourages greater use of performance indicators (OECD, 2018[23]). Alongside central government bodies, developing robust and useable performance information and analysis capacity also benefits subnational governments' budgeting and resource allocation.

Box 5. Integrating well-being into budget decision-making: the example of New Zealand

OECD countries have been integrating well-being indicators into their regular budget processes in recent years, with a varying range of indicators and approaches. Along with Italy's 2015 Budget Law reforms, legislation introduced in recent years in France, Scotland, Wales, require the government to report on well-being indicators as part of their decision making, while Canada plans to develop such mechanisms. However often this information is generally yet to substantially influence resource allocation.

New Zealand is among the OECD countries to have furthest integrated well-being indicators into its budget process. The Treasury (Finance Ministry) uses available well-being evidence to set budget priorities, encourage collaboration across ministries and assesses proposals for the use of additional budget resources (around 4% of total core public spending). Recent amendments to the Public Finance Act require the annual budget to report progress against well-being objectives.

Developing accountability mechanisms can help ensure that legislative requirements to report on well-being are backed by real change in civil service and Parliamentary practices, the development of robust evidence, and of the capacity of public officials to apply the indicators. New Zealand and Wales have developed the role of dedicated commissioners to pursue the integration of these indicators into government decision making processes.

Source: (OECD, 2019[24])

Spending reviews to reallocate spending

Spending reviews complement the development of performance indicators in helping governments reallocate substantial shares of spending and improving public spending effectiveness. Spending reviews have helped Italy break from the regular budgeting process with its incremental reallocations of spending (Schick, 2014[20]). Italy's central government has conducted multiple spending reviews since the global financial crisis, and, in 2018, it made them a regular exercise. These reviews have helped the government achieve savings goals, but have not been able to protect allocation to spending that best supports growth and inclusiveness (OECD, 2017[25]). The National Plan for Recovery and Resilience provides for strengthened spending reviews.

Italy's spending reviews have followed a mix of models. Some were led by external experts, or from the Prime Minister's office, and their focus for finding savings has varied between different sectors and levels of government. Central agencies, usually the Ministry of Economy and Finance, have coordinated Italy's spending reviews. Italy could adopt the approach of other OECD countries in establishing dedicated units in the central finance agencies that support and collaborate with agencies in conducting the reviews, or in developing a specialised, high capacity independent agency such as a fiscal council or productivity board may to conduct spending reviews (discussed the OECD Economic Survey of Italy (2021[10])). In conjunction with this central coordination, most OECD countries are now aiming to develop line ministries' capacity and collaboration in spending reviews, finding this improves the quality of analysis, the targeting of spending adjustments, and ministries' willingness to implement reviews' conclusions (Noman, 2008[21]). If Italy were to establish dedicated budget units in line ministries, these would become central for such work.

Spending reviews contribute most to improving spending quality when they are framed by a medium-term perspective on fiscal and policy objectives. Pursuing a strong medium-term expenditure framework, as recommended in the last *Economic Survey* of Italy (OECD, 2019[6]), would allow a more systematic approach to resource reallocation that accounts for priorities and results that only emerge over several years. A medium-term expenditure framework, setting out expenditure priorities and hard budget constraints against which sector plans can be developed and refined over, for example, a three-year horizon, would complement the policy goals laid out in the National Recovery and Resilience Plan. Pursuing a medium-term perspective in the overall budget framework would help future spending reviews to target savings and reallocations and help Italy avoid the sort of across-the-board cuts and weakening in the public administration that followed the spending reviews of the early 2010s (European Commission, 2020[26]).

Subnational governments have had limited ongoing roles in Italy's spending reviews, as is the case in other OECD countries, despite their large share of public spending and despite being the focus of some past spending reviews. Fragmented data and limited analytical tools and capacity, especially in lagging regions, restrict subnational governments' ability to participate in spending reviews. They may benefit from the support of a central agency. Spain's Independent Authority for Fiscal Responsibility is an example of a central a government institution that is increasingly providing such support (Box 6). It first developed datasets and analytical tools, and built mechanisms to coordinate and engage across multiple layers of government. These provide foundations to make more influential recommendations about regional governments' spending allocations and spending quality.

Box 6. Supporting subnational governments' spending analysis: the example of Spain's Independent Authority for Fiscal Responsibility, AIReF

Spain, similarly to Italy, is a decentralised country with multiple layers of governments involved in allocating and executing public spending. Like Italy, practices of evaluating spending effectiveness are relatively recent, and regions especially have limited resources to evaluate public policies. In 2013, Spain established the Independent Authority for Fiscal Responsibility, AIReF, to monitor and evaluate public spending.

The breadth of AIReF's mandate regarding subnational governments' spending is unique among OECD countries' independent fiscal institutions. AIReF is responsible for monitoring subnational governments' full fiscal policy cycle and almost all of its reports include a subnational dimension. It has built a role as a 'broker' in national-subnational government fiscal coordination bodies. In addition, subnational governments may request AIReF study particular topics, such as on restructuring a region's public sector, or challenges in infrastructure investment. Stakeholders report that AIReF has helped subnational governments better comply with fiscal rules and improved budget execution, and that its benchmarking of regions and municipalities is well-received.

As between half and three-quarters of AIReF's monitoring and analysis activities relate to subnational finances, it has required considerably more technically skilled staff than other countries' independent fiscal institutions that only analyse central government fiscal policy. To fill this role, AIReF has put more resources into building datasets and models for regional and, increasingly, local government finances. Alongside building technical capacity and datasets, it has found that building strong coordination systems to be essential. Engaging and gathering information from different levels of government has often involved repeated multilateral meetings. Such coordination mechanisms have helped AIReF convince unreceptive bodies to engage in spending reviews.

Regional governments' implementation of AIReF's recommendations has been patchy, and it may be too early to identify an overall impact on subnational governments' spending quality. A review suggested that requiring governments to explain why they do not comply with selected recommendations would improve compliance. The review suggested that presenting analysis more accessibly and non-technically may improve engagement and take-up.

Source: (Bova, Ercoli and Bosch, 2020[27]); (Von Trapp et al., 2017[28]); (OECD, 2021[29])

Making the regulatory system more efficient, more effective, and less burdensome

Italy's stock of regulations and their enforcement weigh on private and public sector activity

Designing effectively the government's regulatory interventions in the economy is an essential government function. Well-designed regulations can improve wellbeing, protect against vested interests, raise competiveness and productivity, and limit harm to the environment or health. Well-designed regulations balance risks with compliance burdens. Countries with lower regulatory burdens and greater confidence in regulators tended to show greater resilience to the social and economic impacts of the COVID-19 (Blanc, Kauffman and Amaral, 2020[30]).

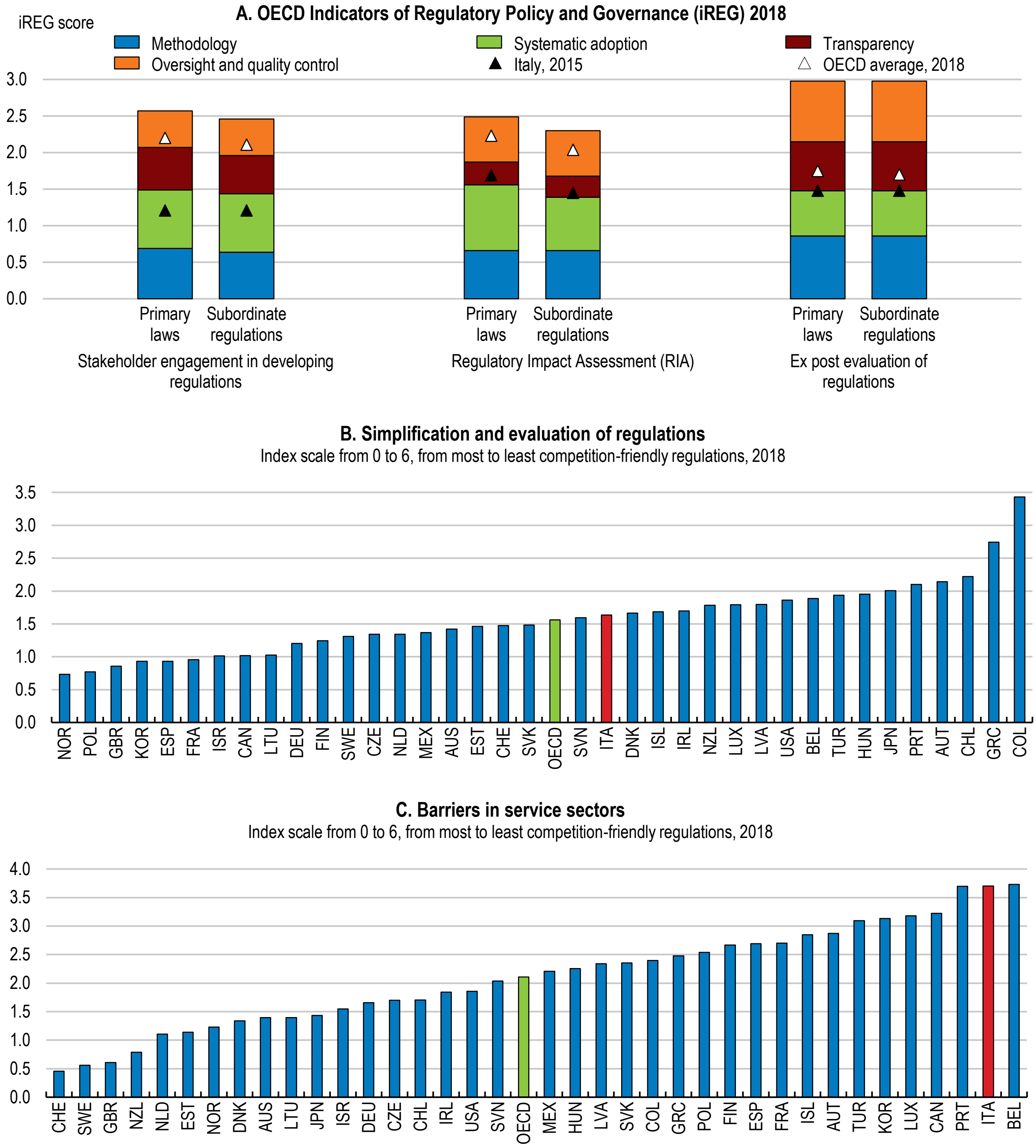
Italy's regulation of firms and individuals can impose heavy burdens on some sectors and activities (OECD, 2021[10]). Italy regulates particularly heavily the establishment and operations of small and medium enterprises (SMEs), services and especially professional services, retailers, and the collaborative economy (Figure 5 , Panel C). Complex processes, fragmented responsibilities and bottlenecks in approvals amplify regulatory burdens. In 2019, administrative processes were estimated to take small and medium-sized enterprises 550 hours per year, costing 4% of SMEs' annual turnover and 2% of large enterprises' turnover in 2019 (The European House - Ambrosetti, 2019[31]), and cross-country assessments suggest many regulatory processes are relatively long in Italy. The administrative burden of complying with regulations tends to be greater in lagging regions, dragging firms' productivity (Deloitte, 2021[32]; Fadic, Garda and Pisu, 2019[33]). Yet these burdens do not bring better outcomes, with many aspects of working or environmental conditions poorer in Italy than in many other OECD countries with lower regulatory burdens.

Regulatory measures to combat corruption risks have been particularly challenging. They can create a vicious circle. Complex or more stringent regulations and aggressive enforcement intended to discourage nefarious activities may contribute to corruption by reducing transparency and creating scope for discretionary enforcement, while adding costs to firms and weakening confidence. More complex regulation slows the justice system, by leading to more cases that run for longer (OECD, 2013[34]). Raising the justice system's responsiveness is another priority for improving Italy's business environment, (OECD, 2021[10]).

In Italy, while regulation laid out by legislation generally follows good practices, the implementing rules, processes, procedures, and the approaches of enforcement agencies can lead to far inferior outcomes. A poor quality regulatory system can impinge on the public sector's ability to act effectively and swiftly. Multiple and complex processes, requiring approvals from different officials spread across different agencies, stymies action and implementation. When actions need to be taken urgently, Italy relaxes regulations, although this is usually temporary. Special commissioners responsible for priority or emergency projects -- such as the Milan Expo or the reconstruction of the Genoa bridge -- have the power to circumvent some regulatory requirements. However these arrangements for high-profile projects does not address weaknesses in the regular investment projects. The Simplification Decree, introduced during the COVID-19 emergency, relaxes some regulatory processes towards accelerating the crisis response and recovery measures by the public and private sectors. For example, it temporarily accelerated approval requirements for health products. Italy's National Resilience and Recovery Plan includes cuts to regulatory requirements, for example for testing innovative pilot innovations and digitalisation projects under the "Sperimentazione Italia" programme.

Overlapping regulatory responsibilities and intrusive inspections add to compliance costs for private actors. Italy's decentralisation since the late 1990s has shifted some regulatory implementation functions to subnational governments. The heaviest inspection burden has applied to the small and retail service firms (Blanc, 2012[35]). For example, a retail food services business may have to comply with fiscal inspections by two central government agencies, occupational health and safety regulations overseen by several national and subnational agencies, and public health and food safety regulations enforced by both national and subnational agencies. Box 7 presents examples of how other OECD countries have reduced the burden of inspections.

Figure 5. Italy has substantially improved how it designs regulations, but still regulates some sectors heavily



Note: A higher iREG score indicates that the country has implemented more of the regulatory practices advocated in the OECD Recommendation on Regulatory Policy and Governance. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (88% of all primary laws in Italy).

Source: OECD (2018), OECD Regulatory Policy Outlook 2018, Indicators of Regulatory Policy and Governance (iREG), http://oe.cd/ireg; OECD (2020), OECD Product Market Regulation (database).

StatLink https://stat.link/zbexdo

Box 7. Reforming regulatory agencies' practices to support compliance in France, Lithuania and the United Kingdom

A number of OECD countries have reformed how enforcement agencies implement regulations, towards lightening the burden for both operators and the public administration.

In the **United Kingdom**, local authorities carry out most inspection and enforcement activities, at times in addition to or in parallel with national agencies. This can lead to different interpretation and enforcement of regulations in different parts of the country, increasing compliance complexity and costs. To address this, the United Kingdom created the Primary Authority scheme in 2008, administered by what is now called the Office for Product Safety and Standards. It enables businesses to form a statutory partnership with one particular local authority. This authority then advises other local authorities' regulators that supervise other branches of the same business on carrying out inspections or addressing non-compliance. Agreements can cover broad or specific areas of environmental, health, fire safety, licensing and trading standards legislation, and the scheme has progressively been extended to cover new areas of regulation and to businesses. Since 2015, even small businesses operating in only one locality can benefit from the scheme through their business association, further lifting use of the scheme.

Lithuania substantially reformed its regulatory inspection arrangements following the global financial crisis and as it aligned its domestic regulations with EU rules and practices. Under the slogan 'from punishment to advice', its reforms include several innovations:

- Regulatory agencies signed a joint declaration that they would use sanctions only as a last resort measure when performing inspections on businesses that are less than one year old. This was to allow new businesses time to get acquainted with relevant regulations and compliance processes, and to better balance the need to protect public interests and adopting a collaborative approach to their relationships with businesses. Over three-quarters of firms receive advice from inspectors during their first year of operation.
- Regulatory agencies invested in providing advice to businesses. Agencies established hotlines to answer questions, and published the answers to frequently asked questions online. Hotlines receive almost 1million calls per year.
- Agencies developed regulatory checklists for businesses suffering most from information asymmetry or uncertainty, such as SMEs, small food operators, catering, or repair shops.

Recent reforms in **France** allow economic operators to ask the customs administration to check that they are in compliance. The operator makes the request to their regional customs directorate via an online form. After each check, the customs officials provide written conclusions and confirm whether the activities comply with requirements. These conclusions are binding for other services in the case of later control, except for issues related to public health, safety of people and property, or environmental protection.

Source: (World Bank, n.d.[36]); (Blanc, Ottimofiore and Knutov, 2019[37])

Reviewing and cutting the stock of regulations and processes would improve their effectiveness

Italy has substantially improved how it designs regulations, and the National Recovery and Resilience Plan includes further measures to review and streamline new and existing regulations (Figure 5). Italy's recent reforms have improved how stakeholders are engaged in the design of regulation. They have improved the quality of the regulatory impact assessments by developing criteria for assessments, including of economic, social and environmental effects, by creating an independent unit to conduct the reviews, and by allowing low-impact proposals to pass a simplified regulatory impact assessment.

The improvements to drafting new regulations are welcome. However, it is the regulations and compliance measures already in place that most affect firms and individuals. Italy is estimated to have 160 000 laws in force, compared with 7 000 in France and 5 500 in Germany (The European House - Ambrosetti, 2019[31]). These were often introduced in different technological and regulatory contexts. Systematically and regularly reviewing this stock can ensure that regulations remain "cost effective and consistent and deliver the intended policy objectives", as recommended by the 2012 *Recommendations on Regulatory Policy and Governance* (OECD, 2012[38]; OECD, 2018[39]).

A major stocktake exercise of existing regulations, prioritising sectors with the greatest regulatory burdens and that are key for Italy's post-COVID-19 recovery, could make inroads. A comprehensive exercise would cover all layers of the regulatory system, from the high-level legislation through to the implementing regulations and to the compliance procedures of different agencies. Italy's recent review of registration processes for food businesses demonstrated the benefits of such exercises. In Australia, a decade-long stocktaking review by the independent Productivity Commission of 1 600 legislative items led to most being revised or removed (OECD/KDI, 2017[40]). Updating Italy's 2012 survey of regulatory inspections could provide evidence on regulatory processes to inform such stocktaking reviews, and applying toolkits such as the OECD's *Best Practice Principles for Regulatory Enforcement and Inspections* could provide a diagnostic for recommendations (OECD, 2018[41]; 2014[42]). To give the stocktaking review more impetus, Italy could follow countries such as the United Kingdom in requiring that at least one existing regulation is repealed for each new regulation introduced.

Developing specialised capacity to review regulations before and after they are implemented may improve the quality and speed of reviews. Currently, the Department of Legal and Legislative Affairs (DAGL) of the Presidency of the Council of Ministers reviews assessments of planned regulations, with support of external experts at the Impact Assessment Independent Unit (IAIU). Offices in the Senate, Chamber of Deputies and the Council of State are also involved in evaluating assessments. The Administrative Simplification Office and its National Delivery Unit in the Department of Public Administration lead much of the government's programme to reduce bureaucratic constraints (Ministro per la Pubblica Amministrazione, 2020[43]). However, some key users find that these reviews can be more bureaucratic than substantive exercises (Ufficio Valutazione Impatto, 2018[44]).

The Productivity Board discussed in the OECD Economic Survey of Italy (2021[10]) could take a leading role in preparing and coordinating assessments of both planned and existing regulations, as such bodies do in a number of OECD countries, such as Australia and New Zealand (OECD, 2020[45]). These reviews are effective when they consider the whole 'regulatory delivery' framework, going beyond the formal regulations to include regulators' mandates and legal framework, and structures and resources (OECD, 2014[42]). Such a body would apply reviews of existing and planned regulations more consistently across subjects, with a systematic approach to consulting with enforcement bodies and those that are affected by the regulations across different layers of government, as well as technical and economic experts (OECD, 2019[46]). This body could establish indicators of regulations' performance and effects on all users, including competitiveness (OECD, 2019[47]; Davidson, Kauffmann and de Liedekerke, 2021[48]; OECD, 2012[49]).

Regulatory reviews are also an opportunity to make regulations more accessible through clearer language and better drafting. The government's simplification agenda includes these ambitions. Box 8 describes how other OECD countries have developed 'plain language'. Regulatory reviews are also an opportunity to reframe regulations in terms of outcomes rather than as prescribing required actions, and to shift interpretation and enforcement to a proportionate, risk-based approach (OECD, 2018[41]). This shift in framing regulations would further the 2020 Simplification Decree and National Recovery and Resilience Plan measures to remove the threat to public servants of judicial proceedings and criminal penalties for some actions, which can encourage defensive rather than proactive decision making (Blanc, 2020[50]).

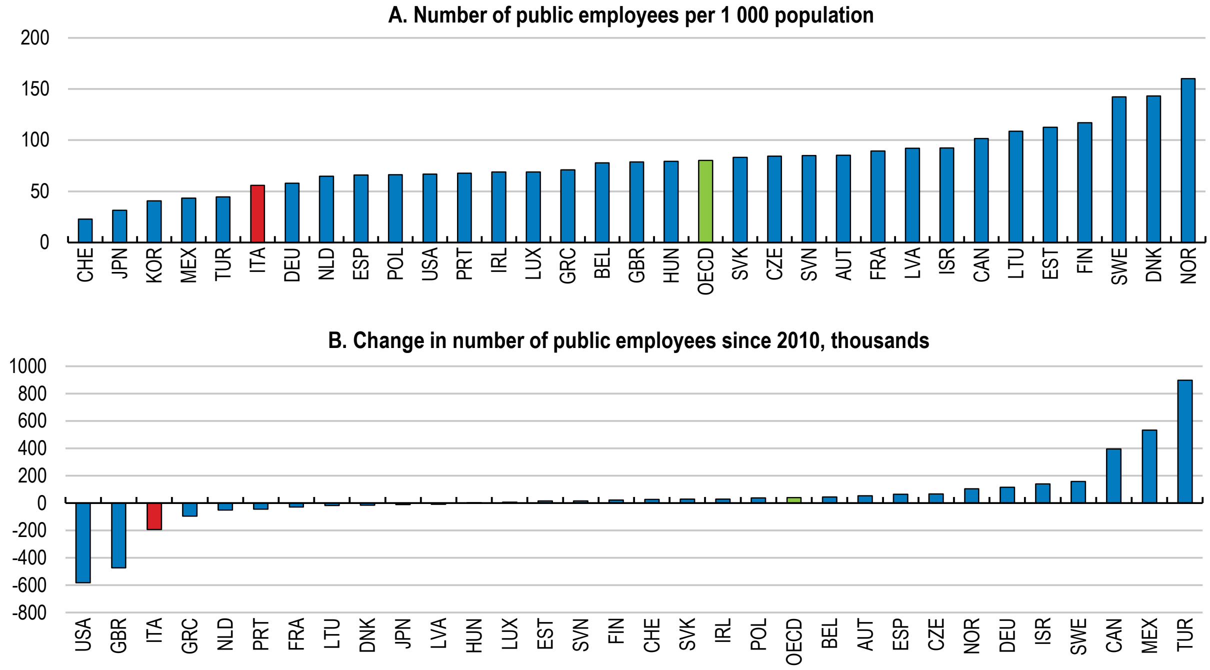
Improving how the public sector delivers

An agile public service empowered to deliver

Italy's public administration is relatively small, ageing fast and lacks many needed skills. Waves of reforms to public sector management since the 1990s have strengthened the public sector workforce focus on delivering public goods and services, rather than being perceived primarily as a source of jobs and income (Cavatorto and La Spina, 2020[4]). Hiring restrictions over the 2010s intended to limit public spending, especially among subnational governments, cut the number of public servants to among the lowest across OECD countries relative to the population, and the public sector wage bill has fallen below the OECD average (Figure 6 Figure 2 Panel B). These measures brought a more consistent distribution of public servants across regions, although the headcount fell by most in some of the regions where public service delivery is weakest (Rizzica, 2020[51]).

Figure 6. Italy's public sector workforce has been reduced to among the smaller across the OECD

2020 or most recent year available



Note: Public employees are at the general government level, as recorded in the national accounts. The OECD data is the unweighted average of the OECD countries shown in the chart. ILOSTAT data are used for Finland, Japan, Korea, Mexico and Turkey.
Source: OECD Economic Outlook database; and ILO, ILOSTAT (database), Public employment by sectors and sub-sectors of national accounts.

StatLink https://stat.link/2rfytp

Box 8. 'Plain language' for clearer communication and better regulation: experience from Italy, Portugal and Sweden

Italy has long recognised the importance of the state communicating clearly with citizens. Legislation and directives in the early 2000s laid out requirements to simplify writing, and simplification of administrative language features in the government's 2020-2023 simplification agenda. Public servants can find guidance in manuals and a 7 000 word plain language dictionary. Some regions (including Tuscany, Piedmont and Lombardy) have explicitly prioritised improving their communications with their citizens. Yet, Italian legal drafting and official communications is often hard to understand for the non-specialist. Long sentences and paragraphs, complex constructions, and frequent references to texts not reported in the main text can make official communications inaccessible or ineffective.

Many OECD countries have taken concerted steps over recent decades to shift their administrative communications to 'plain language'. Linguistic research has found readers read texts faster and with fewer errors when they are guided by informative headings, through text broken into short sections and sentences, written positively in the active tense. Plain language expands access to official communications, and can spare citizens from employing lawyers or other expert interpreters. In Portugal, a plainer communication push in the late 2000s led to considerable savings for the Telecoms company by reducing interactions, a halving in complaints to the highway body, and for political parties to include plain language in their policy platforms. The 'plain language' movement has had a large effect on Anglo-Saxon countries' legal drafting and administrative communications. In countries sharing Italy's legal traditions, Sweden's plain language efforts since the 1980s have become a model.

Like Italy, Sweden introduced a legislative requirement for plain writing, and provided public officials with supporting materials. In addition, Sweden's Division for Legal and Linguistic Draft Revision revises all draft acts, ordinances, bills, and committee terms of reference. Lawyers pair with linguists to review the text, and provide the original drafters with comments and allow time for discussions and revisions. The Division also supports reform of existing legislation and regulations. It provides regular training and workshops, and maintains a website to support officials for other communications.

Sweden found that changing perceptions of what constituted correct drafting was essential. Clear, consistent support from senior political and official leaders for the plain language efforts have given the effort legitimacy and have permitted drafters to change their long-held models. A group to campaign for plain language, with a contact in almost every government body, built demand and acceptance of plain language by disseminating information, tracking and reporting on the readability of official communications, and awarding prizes to good examples. This, like a high-profile campaign in Portugal for plain language, contribute to changing legislators' and other users' expectations of official drafting. Involving the users of the legal texts and administrative communications in the plain language reviews can improve the quality of the language. Finally, the Swedish reformers emphasise that they needed to be remain tenacious into the long-term.

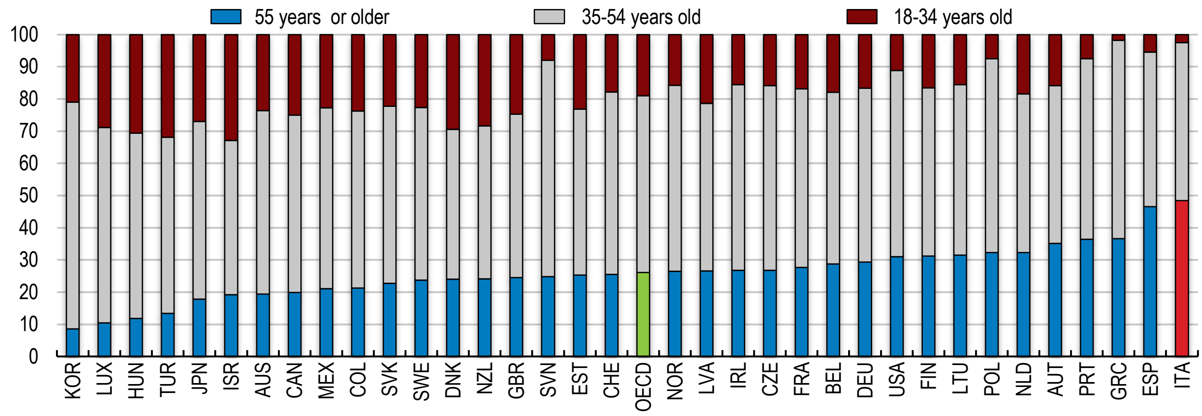
Italy can strengthen its 2020-2023 plain language goals by employing linguists and other plain language experts to support the drafters in the Department of Legal and Legislative Affairs (DAGL) of the Presidency of the Council of Ministers. This could include an office to encourage and support subnational governments in changing their approach to communication, building the sort of network developed in Sweden.

Sources: (Ministry of Justice, Sweden, 2006[52]; Ehrenberg-Sundi, n.d.[53]; Alsina Naudi, 2018[54]; European Commission, 2019[55]; Ministro per la Pubblica Amministrazione, 2020[43])

Italy's public servants are the oldest across the OECD, and the number eligible to retire will accelerate in the coming years (Figure 7. Some of this loss of human capital and organisational knowledge can be transferred to a new generation if the recruits are in place before the retirees leave. The retirements of older staff, whose seniority entitles them to higher pay rates, may also free some budgetary space to hire fresh skills that attract a wage premium. Too few of the current public servants have the skills that the public service now needs. In Italy, the share of public servants with tertiary degrees is lower than in most other OECD countries, even after accounting for the lower share of the overall workforce with tertiary education. Together, these issues weaken public service delivery and are key constraints to delivering public goods and services, such as in areas requiring engineering, information technology and data analysis skills central to the National Recovery and Resilience Plan (Boeri and Rizzo, 2020[3]). For example, across municipal governments, less educated and older public workforces are associated with less efficient delivery of administrative services and early childhood education care, and with slower public investment spending (Bulman and Doino, Forthcoming[56]).

Figure 7. Italy's ageing public workforce will soon bring a loss of experience and an opportunity for renewal

Distribution of people employed in the central government by age group, 2020



Source: OECD (2020) Survey on the Composition of the workforce in Central/federal Governments.

StatLink https://stat.link/yfg4hs

Lifting barriers to public servants acting with confidence

Public servants' legal obligations and the spectre of prosecution and even criminal penalties for decisions made can create incentives to avoid actions or decisions. Even in public organisations with limited threat of judicial sanctions, internal incentives can encourage defensive decision-making (Artinger, Artinger and Gigerenzer, 2018[57]). In Italy, measures introduced to control the risk of corruption expose public officials to the risk of judicial processes with serious penalties, and the number of judicial proceedings against public officials has increased significantly since the early 2000s. While pursuing integrity, these discourage public servants from taking action or from seeking positions of responsibility. For example, public servants in administrations recently subject to judicial investigations are less likely to behave proactively (ForumPA, 2017[58]). Public servants are more likely to use simpler, 'lowest cost' procurement processes that do not account for the quality of competing bids (discussed below) when they perceive a higher threat of prosecution for abuse of office (Battini and Decarolis, 2019[59]).

The 2020 Simplification Decree takes steps to address this 'defensive bureaucracy' problem. The Decree temporarily relaxes public servants' personal liability before the Court of Auditors, and the National

Resilience and Recovery Plan extends some of these measures to the end of 2023. The Decree also permanently provides a more detailed description of the misconduct that would be criminally liable for 'abuse of office' by public servants, providing greater liability for cases of intentional non-action. This reform only applies temporarily to a narrow range of administrative procedures. Even if the scope of this reform is narrow, these reforms are important steps, as they change deeply-rooted concepts of fault and public servants' potential liability. The effects of this shift merit being monitored. If they do not substantially damage integrity, these measures could be expanded to other domains or be made permanent.

Rather than the threat of legal sanctions, developing a strong set of values and ethical standards can help encourage effective practices, reduce the frequency that decisions are defensive, and can help integrate new public servants and motivate existing staff. Such standards can strengthen human resource management, such as by providing the framework for performance assessments. The OECD (2019[60]) *Recommendations on Public Service Leadership and Capability* suggest such standards relate to accountability, impartiality, the rule of law, integrity, transparency, equality and inclusiveness. Developing employees' voice, and providing a constructive approach to failure, are associated with more proactive decision making (Artinger, Artinger and Gigerenzer, 2018[57]). Allowing good performance to improve promotion prospects would also improve incentives to act proactively, and provide some balance to the threat of dismissal for bad performance that currently operates in Italy (OECD, 2019[61]).

Strong, impartial leadership drives public sector effectiveness (OECD, 2016[62]; Gerson, 2020[63]). While public servants are constitutionally protected from political interference, political influence on appointments, dismissals and other career developments extends into more of the senior layers of Italy's public administration than in many other OECD countries (Matheson et al., 2007[64]; Boeri and Rizzo, 2020[3]). This risks weakening the quality of advice or slowing execution, and can lead to senior positions being awarded for reasons other than technical and managerial capacity. For example almost two-thirds of public servants report they are often blocked in their work by decision makers not taking decisions (ForumPA, 2017[58]). Experience across OECD countries suggests that limiting political involvement to the most senior staff, and a hybrid appointment process where the political decision-maker selects candidates from a shortlist focused on technical and managerial skills and prepared by an independent body, may better balance political responsiveness with skills. Introducing performance agreements, which include measurable and realistic outcome or output indicators, and supported by 360ºreviews, can support accountability for results and develop professionalism and leadership.

Rewarding performance, boosting skills and supporting mobility

Competitive pay rates can help attract skills and can motivate public servants. In Italy, the overall pay structure is flatter than in the private sector. Gaps in pay relative to the private sector can be significant for mid-level highly skilled positions, while those with the lowest levels of education are paid better than in the private sector (Figure 8, Panels A and B) (Depalo, Giordano and Papapetrou, 2015[65]; World Bank, 2020[66]). For the top echelon of public servants, reforms in the 2000s raised pay levels to among the highest levels across OECD countries and comparable to their private sector counterparts (Figure 8, Panel C) (OECD, 2017[25]).

Italy's public sector compensation scheme has fewer job categories than in many other countries, for example between different administrative, managerial and different professional jobs groups. While a streamlined pay system supports mobility and transparency across the public sector, which are to be encouraged in Italy, it limits pay flexibility and can widen gaps with private sector pay. Pay scales are national, even if living costs vary markedly between regions, and this increases competition for positions in the South. The public sector pay premium for low-skilled workers can create 'golden handcuffs', where workers become blocked in positions, lacking qualifications to advance or the financial incentives to shift to potentially more fulfilling jobs elsewhere, and demotivated (OECD, 2016[62]). In contrast, developing additional job categories for medium-high level skilled staff can better reward performance and help attract and retain more skilled, innovative and productive workers, without having to promote these professionals to managerial positions (Rexed et al., 2007[67]; OECD, 2012[68]). Having depoliticised public sector pay negotiations, the public sector negotiation agency (ARAN) could now work with social partners to reform the pay structure, as part of broader public sector reforms including developing a stronger performance culture. Providing room to decentralise the pay process, at least to the level of individual administration as in the Netherlands, would allow increased differentiation and for operational managers to adapt their pay systems to business needs, although this needs to be balanced with ensuring that differences in pay rates do not impede public sector mobility. Some Scandinavian countries have developed delegated public sector pay-setting, and Italy can draw on elements of their approaches (Box 9).

Limited access to training or to mobility across the public sector reduces public servants' ability to develop their careers and the public administration's ability to adjust its human resources to evolving needs. Over the 2010s, spending on training almost halved to EUR 48 per year per public servant (Presidency of the Council of Ministers, 2021[9]). Almost 30% of public employees in Italy report not having access to supporting material such as instructions and guides, procedure manuals, or fact sheets, compared with a European average below 10% (European Commission, 2016[69]). Italy is among a minority of OECD countries that does not have learning plans in each organisation within the central public administration or in requiring public servants to follow individual learning plans that layout training and skill development. Some public agencies have lauched training initiatives, although their resources and ambition are generally limited. The National Resilience and Recovery Plan (NRRP) envisages making access to training a right for public servants, and focusing training more on prioritised competencies, such as using new technologies and digitalisation, discussed below. Remote learning via digital platforms can boost training access, as the COVID-19 experience demonstrated. Alongside strengthening formal training, encouraging informal exchanges can help transfer knowledge between long-standing staff and new recruits, and for colleagues to learn how to best exploit new digital tools. Communities of practice or 'show and tell' sessions can help develop habits of informal sharing and collaboration (OECD, 2021[70]).

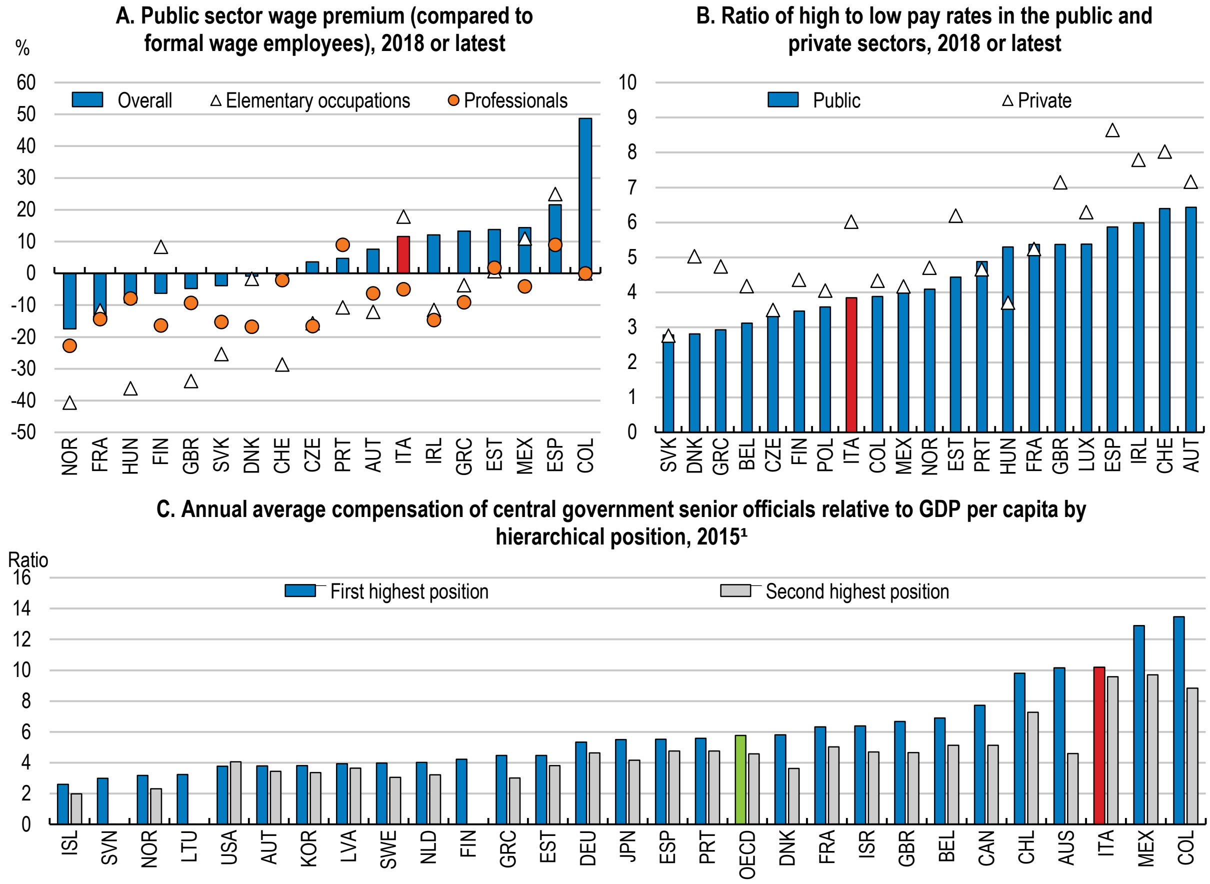
Promoting mobility across Italy's public sector, and between the public and private workforces, can also improve skill-matching and career development. It can help implement the surge of investment and reform projects envisaged by the NRRP. Measures to promote mobility within the public sector can include developing public sector-wide vacancy advertising, removing rules that impede movements between agencies or levels of governments, and sharing performance appraisals (Gerson, 2020[63]; OECD, 2019[60]). Private sector workers may be more likely to apply for public positions if the long (two-year) and strict 'cooling-off periods' are lightened and focused more on specific cases where integrity risks are significant.

Box 9. Boosting pay flexibility through decentralised pay setting

Denmark and Finland have among the most decentralised public sector pay-setting across OECD countries. In these countries, decentralised pay-setting is part of a consensus pay-setting model. A central collective agreement covering all central government employees is negotiated with social partners, and is then implemented through secondary negotiations at the agency or other sub-central level. Clauses in the central agreement frame the parameters for adjustments at these lower levels, ensuring coherence across the public sector. Policy makers can choose to make these clauses highly prescriptive or to be very general to offer greater discretion to these lower-level authorities.

Source: (Rexed et al., 2007[67])

Figure 8. Public service pay rates are compressed, with low skill and the top echelon of public servants earning relatively high wages



1. Japan: data are provided in terms of entry and maximum level of total compensation, the arithmetic mean has been taken in this chart.
Source: World Bank (2020), Bureaucracy Indicators Dashboard; OECD (2017), Government at a Glance 2017.

StatLink https://stat.link/pcgmxn

Agile and reactive hiring to rejuvenate the workforce, transmit experience and fill skill gaps

The rapidly ageing public workforce and the significant skill gaps make expanding and strengthening the public sector's recruitment urgent. Past public sector reforms made few changes to recruitment, as they were partly motivated to reduce costs by cutting staff numbers (Bassanini, 2010[2]). To rejuvenate the public workforce, government agencies are now embarking on hiring campaigns, targeting needed skills such as in digital technologies. The National Recovery and Resilience Plan provides for the recruitment of thousands of public servants to fill skill gaps across different public functions and layers of government, including subnational governments where staffing capacity has become particularly thin. For example, central government ministries have launched a campaign to recruit 2 800 officials for local authorities in the South, and created a technical assistance programme that will provide 1000 technical experts to help subnational governments address bottlenecks to project execution. Having recruits in place before current staff retire would be a valuable investment for passing skills and experience to the new generation.

In Italy, like many OECD countries, recruitment suffers from high volumes of applications, lengthy procedures, numerous assessment steps and tight regulations. Nearly all employees of the government have public servant status and are employed on permanent contracts. They started their career by preparing and passing the common public service entry competition, regardless of their technical speciality.

This competition focuses on administrative processes and laws, and is overseen by voluntary commissioners rather than full-time recruitment specialists. Agencies select candidates who have cleared the competition, although this may be years after a candidate passes the competition. An important exception to this process relates to senior public servants, who can also be hired through a direct competition rather than the general public service exam.

More flexible recruitment processes and dedicated programmes to attract young talent, such as graduate programmes, could better recruit youth and attract more diverse candidates into the public sector (OECD, 2020[71]). A number of OECD countries, including both Anglo-Saxon countries and countries with public service traditions closer to Italy's, have shifted from entrance exams to more entrepreneurial recruitment strategies. Such strategies appear to be particularly important for attracting 'Generation Y' and 'millennials' (OECD, 2016[62]; Institute of Public Management and Economic Development, 2011[72]). These approaches draw from the proactive 'talent hunting' strategies of large private sector professional services firms. For example, agencies attend career fairs and seek applications from university graduates in relevant fields with strong grades and who have demonstrated 'soft' skills, and invite targeted candidates to social events alongside undertaking a range of assessments.

While a common assessment can still inform recruitment process, a greater part of the selection process could focus on technical and 'soft' skills needed by the recruiting bodies, while taking care to ensure that these assessments do not lead to latent discrimination in candidate choices. Public services have developed various strategies to identify whether candidates have the needed capabilities: Australia and Switzerland use cards for recruiters that summarise capabilities and associated behavioural indicators needed for certain positions; Belgium has developed tailored tests to identify whether candidates have the needed skills (Op de Beeck and Hondeghem, 2010[73]). Whether the new recruit in practice has the intangible or soft skills to be a successful public servant will often only be confirmed after some time on the job. Integrating the probationary period into the selection process, such as by avoiding automatic confirmation and allowing probation to be extended, accompanied by mentoring support and opportunities to demonstrate skills, could improve the workforce's quality.

To fill temporary skills gaps, such as those that will arise in implementing the NRRP, greater use of limited-term contracts can help lighten the recruitment process and add flexibility, if managed carefully. Reforms in the 1990s allowed public servants to also be hired on temporary contracts, and this approach is used by some highly technical, independent agencies, such as the Digital Transformation Team, and when there are urgent needs to boost staffing, such as the expansion of public employment services (discussed below). In practice, few public servants have been hired on limited-term contracts, and in some instances short-term contracts have been used to rapidly expand staffing in areas that instead require longer-term investments in recruiting and developing a skilled workforce, such as in the expansion of the public employment services to boost access to the guaranteed minimum income and active labour market policies (discussed in Box 11).

Balancing the flexibility with the insecurity of limited-term contracts – low job security for employees and skill retention risk for employers – has challenged many public organisations. In consultation with social partners, the government could improve this balance by delineating fields that may be filled by limited-term contracts, with a focus on temporary technical needs. Employees on limited-term contracts that have been repeatedly renewed could be given paths into the regular public service. The OECD's (2019[60]) *Recommendations on Public Service Leadership and Capability* provides guidelines to improve the role of temporary contracts.

Workforce planning exercises would help prioritise recruitment by anticipating the public service's skill needs after the coming waves of retirements and given ongoing changes in the nature of work. The workforce planning exercise may identify positions vacated by the retirees that do not need refilling, and reallocate positions to areas suffering shortages. For example, Italy has a far higher ratio of managers to employees than in other countries' public sectors or in its private sector (Boeri and Rizzo, 2020[3]), suggesting that these positions may be allowed to lapse and replaced with senior technical staff. This exercise would require collaboration between agencies, with their specialised knowledge of their subject areas, coordinated by a dedicated central body that can help agencies assess needs relative to their objectives and to arbitrage skill needs across different agencies (Op de Beeck and Hondeghem, 2010[73]).

Strengthening procurement for swifter and higher quality spending

The scale of public procurement means any improvements can significantly raise the effectiveness of spending, help realise broader policy goals and improve citizens' trust in institutions. The COVID-19 crisis highlights the importance of reactive and effective procurement processes. Italy's public sector spent 10.3% of GDP procuring goods and services in 2018, slightly below the average of OECD countries. Achieving the National Recovery and Resilience Plan's boost to public investment equivalent to 13.5% of 2020 GDP will require swift and high quality procurement.

Italy's procurement framework, like many other OECD countries, recognises that effective public procurement can support broader policy objectives, alongside the primary goal of value for money. Italy already has in place a suite of measures to support procurement from the country's many small and medium-sized enterprises, and to enable procurement to support environmental objectives and responsible business conduct (OECD, 2020[74]; OECD, 2016[75]). Italy's central and some regional governments' procurement agencies have dedicated measures in place to encourage innovative bids in contracting, which have been used more intensively during the COVID-19 crisis (OECD, 2020[74]). Encouraging innovation in procurement can boost the quality and cost-effectiveness of existing products used by the public sector (OECD, 2017[76]).

Many aspects of Italy's procurement processes are rated well against OECD benchmarks, reflecting recent years' extensive reforms (OECD, 2019[77]). Yet procurement continues to hamper public service delivery and investment in Italy, and is particularly an impediment to using EU funds and for subnational governments to deliver public investment (discussed below) (OECD, 2021[78]). Italy's average project procurement times are too slow to achieve many of the National Recovery and Resilience Plan's objectives and are longer than in most other OECD countries. For public works, designing and awarding contracts takes on average 11 months for smaller projects and up to 25 months for larger projects. Once contracts are awarded, at least half of public works projects experience delays which averaged at least 50% of the contract length (di Giuseppe, Landi and Lattarulo, 2020[79]). On average, works are completed six years after a project design is assigned (Agenzia per la coesione territoriale, 2018[80]). For urgent, important projects, the government resorts to Special Commissioners to negotiate contracts outside of standard processes, and plans to use such commissioners again for the NRRP (Palumbo Crocco and Crocco, 2020[81]; Presidency of the Council of Ministers, 2021[9]). The European Commission's Single Market Scoreboard has consistently rated Italy's public procurement as 'unsatisfactory', due in part to the relatively high and rising frequency that contracts are awarded to a single bidder, and the high share awarded without a call for bids. Small and medium sized enterprises win a relatively modest share of tenders, despite extensive measures to support their bids. Procurement agencies' patchy competencies, both technical and administrative, is a potential source for irregularities. Enforcement mechanisms are weak in systematically challenging and sanctioning non-compliance (European Commission, 2020[26]).

Far-reaching procurement reforms have been unwound due to slow implementation and capacity constraints

In 2016 and 2017, Italy replaced its legal framework for procurement, introducing many measures generally recognised as effective practices for balancing flexibility and agility with improved integrity. These reforms were welcomed by past OECD Economic Surveys of Italy (2019[6]), and brought Italy into line with the 2014 European Directives on public procurement. A major innovation was to regulate procurement through instructions and guidelines provided in readily adaptable 'soft laws' issued by the anticorruption agency

(ANAC), rather than a single prescriptive regulatory code. To take better account of quality, the reforms promoted awarding contracts to the “most economically advantageous tender”, limiting lowest-price awards to low-value tenders, and empowering contracting authorities to choose their tendering process. These reforms require procurement authorities to have strong technical skills and capacity. To ensure adequate capacity, the reforms required ANAC to qualify contracting authorities based on an assessment of their capacity to design, allocate and verify public contracts, while automatically qualifying larger procurement authorities. This was intended to encourage smaller bodies procuring goods and services to conduct more procurement through these larger, specialised procurement bodies, rather than in-house. To improve evaluations and transparency, the reforms required contracting authorities to separate the design of a project from the contract for executing the project and introduced a performance register of contracting companies.

Heightened delays in procurement and difficulties for procuring bodies to adapt to the new system led the government in 2019 to unwind much of the 2016-17 reforms. Procurement was re-codified, and the requirement to award tenders above a prescribed value to the ‘most economically advantageous’ bid reverted to being an optional alternative to awarding to the lowest cost bidder, rather than the default approach. There were no further measures to encourage smaller bodies to consolidate procurement to higher capacity procurement authorities. With the COVID-19 crisis, and within the National Recovery and Resilience Plan (NRRP), the government instead temporarily simplified and accelerated procurement processes further, especially for the sectors essential to the COVID-19 response, by allowing greater use of direct awards or negotiated procedures for purchases in priority areas. These measures to accelerate procurement risk poorer-quality purchasing, and their effects merit monitoring. Giving greater weight to quality in selecting winning bids would make procurement more competitive and support innovation and other broader policy goals, which would support the NRRP’s objectives and the recommendations of the OECD *Economic Survey of the European Union* (2021[78]).

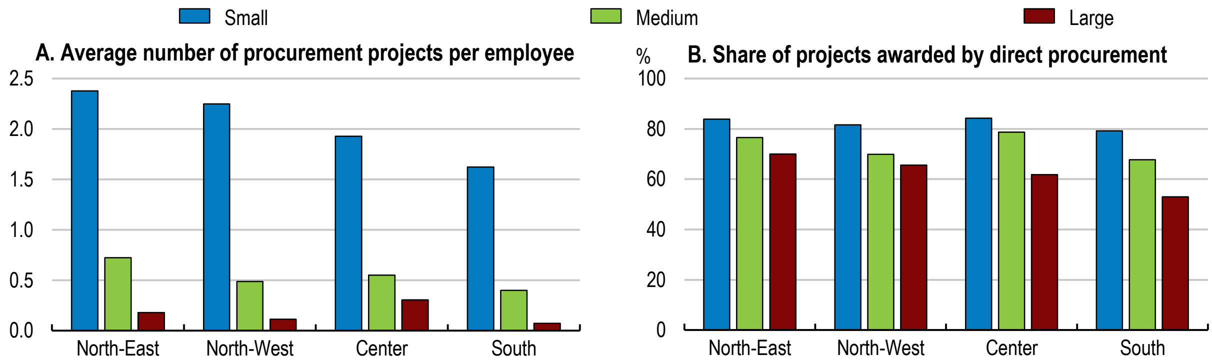
Improving procurement performance requires strengthening staff and organisations

Procurement authorities’ capacity varies widely across Italy. Boosting capacity is well-recognised as essential for improving public procurement effectiveness in Italy, as in most OECD countries (PWC, 2016[82]; di Giuseppe, Landi and Lattarulo, 2020[79]; OECD, 2019[77]). The central government procurement agency, CONSIP, and the regional governments’ specialised procurement agencies perform the bulk of the government’s standard purchasing. These bodies generally have deep, specialised capacity, and have developed innovative approaches. For the projects supported by the National Recovery and Resilience Plan, procurement will be coordinated through a ‘control room’ in the Prime Minister’s office. Beyond these, procurement is spread across 30 000 bodies, and sub-national authorities are responsible for three-quarters of procurement spending. In these agencies, staff handle more procurements, although most are small and more can be awarded directly rather than via an open tender (Box 9. The NRRP seeks to encouraging consolidating procurement into fewer contracting authorities, which would be a welcome step towards consolidating procurement capacity.

Developing procurement agencies’ capacity and effectiveness could start with recognising procurement as a profession (OECD, 2017[83]). Specific job descriptions, including output and results expected from staff, can improve recruitment and ongoing performance appraisal. Professionalising procurement also involves developing a legal framework that protects officials from hierarchical pressure, provides special financial incentives and comfortable salaries, and sets obligations in respect of ethics, prevention of conflicts of interest, years of service, and a mandatory cooling off periods following departure. New Zealand, for example, has developed a twenty-four point programme to professionalise and empower its public procurement workforce (OECD, 2016[84]).

Figure 9. Smaller municipalities have thinner procurement capacity and use direct purchasing more often

Indicators by municipality size and region, 2019



Note: Procurement projects relate to municipalities offices covering road management, urban planning, and environment. 'Small' municipalities' population is below 50 000, 'medium' between 50 000 and 250 000, and large above 250 000.
Source: OpenCivitas and OECD calculations.

StatLink https://stat.link/rja42s

Boosting capacity also requires developing individual staff's skills. Italy's public administration schools provide procurement training, and regional authorities can develop their own training plans. Most staff attend training regularly, and report that it is useful, yet they also report that they lack the key competencies required to fill their function (PWC, 2016[82]). For the many public officials in smaller agencies, Italy could adapt the European Competency framework for public procurement professionals, which covers skills and competencies needed across the whole procurement cycle, covering pre-market, sourcing and contract and supplier management components of the commercial cycle. The framework supports designing job descriptions to recruit and assess the performance of staff. Norway's læringsplattformen.difi.no provides a model of an e-learning platform for procurement for smaller bodies (OECD, 2017[83]). For more targeted training, France's Direction des Achats de l'État, offers a model of training programmes tailored to officials' positions and circumstances (OECD, 2019[77]).

Building organisational capacity is also essential. Italy's 2016 reforms and the NRRP in part aim to consolidate procurement into larger agencies merits being pursued. Yet much procurement activity is likely to remain at small agencies. Simplifying administration can help, such as by integrating procurement and budget accounting codes to help track projects' progress. Italy can draw from Australia's approach to coordinating without centralising information technology procurement between multiple layers of governments and public bodies. Australia's state (the equivalent of Italy's regions) procurement agencies are encouraged but not required to communicate, share experiences, and coordinate especially on complex procurement such as software systems. Where possible, they are encouraged to follow other authorities' project descriptions rather than calling for new, bespoke products. As part of the NRRP's gaols of boosting procurement for digitalisation, Italy could develop a conference of different governments' procurement agencies. Italy's anti-corruption agency ANAC could provide this conference with a secretariat, given its leading role in framing procurement rules following the 2016 reforms.

Finally, a stable framework for procurement is essential if skills and organisations are to remain relevant. Changing the procurement framework substantially and frequently creates uncertainty, slows processes and weaken officials' skills. Once the accompanying regulations and instructions are in place and procurement officials have undertaken adequate training, Italy can re-establish the key innovations of the 2016-17 reforms and benefit from its measures to boost the quality of public spending.

Realising the potential of the digital age for a more effective public sector

OECD countries' experiences demonstrate that digital technologies and data can be pivotal in rethinking how the public sector operates, improving public services' quality and cost effectiveness, widening access and improving citizens' trust in public institutions (OECD/KDI, 2018[85]; Nicoletti et al., 2021[86]; Welby, 2019[87]). Integrating digitalisation into the reform of key public services, such as active labour market policies, can hasten improvements in service delivery and quality (Box 11). Data created through digitalisation can also help prevent fraud and more efficiently enforce regulations, as well as boost tax compliance. Public sector digitalisation contributes to a virtuous circle by encouraging private firms and individuals to digitalise their activities – a priority for Italy discussed (OECD, 2021[10]) – as discussed in Box 10 Italy has long recognised these potential benefits and digitalisation features in the National Recovery and Resilience Plan (NRRO), as it has in multiple public sector reform programmes.

Box 10. How digitalising the public sector can help drive broader digitalisation

Digitalising public services can help drive digitalisation across the broader economy, creating a virtuous cycle by in turn expanding the scope to digitalise more of the public sector. For example, many OECD countries' shift to online completion of tax information and payments is encouraging businesses and households to digitalise more of their operations, especially their financial management. Pre-filling tax forms with publically available data and connecting tax platforms to standard accounting systems reduces the time for taxpayers to complete tax returns, supports compliance and encourages taxpayers to maintain their activities digitally.

Digital identify programmes have been a priority of Italy's government digitalisation programme in recent years. The United Kingdom's GOV.UK Verify allows private sector companies to validate the identities of customers, helping them to more easily conduct business online.

Digitalising public records and developing 'open data' platforms is both expanding access to valuable information and allowing businesses to better design their operations. For example the digitalisation of the Bibliotheque Nationale de France's massive collections has expanded the range of users and increased access to the collections.

The process of digitalising the public sector can provide an incubator for innovative private digital economy start-ups. For example, the BrazilLAB programme is similar to programmes run in several OECD countries. These programmes connect digital entrepreneurs with areas of public service ripe for innovative technological solutions,

Fully realising the benefits of the public sector's digitalisation for the private sector may require additional, targeted support measures. In France, the Ministry of Ecology, Sustainable Development and Energy has digitalised rich information about buildings' energy efficiency attributes, towards supporting building enterprises better design building intervention. This information has mostly been used by larger construction firms, rather than smaller builders, that lack the technical capacity. To help overcome this, the "France Num" project, included in France's Recovery and Resilience Plan, aims to support the digitalisation of 300 000 small and medium sized businesses.

Successful digitalisation programmes are part of larger public sector modernisation strategies, as the OECD (2014[88]) *Recommendations on Digital Government Strategies* recognise. Digitalisation programmes go beyond technical investments in digital technologies to reforming how public sectors operate while fostering coherence and integration across public service delivery areas. To be effective, public administration digitalisation programmes need to be accompanied by expanding access to fast internet and by building digital skills within the public sector and across the society, as the NRRP prioritises.

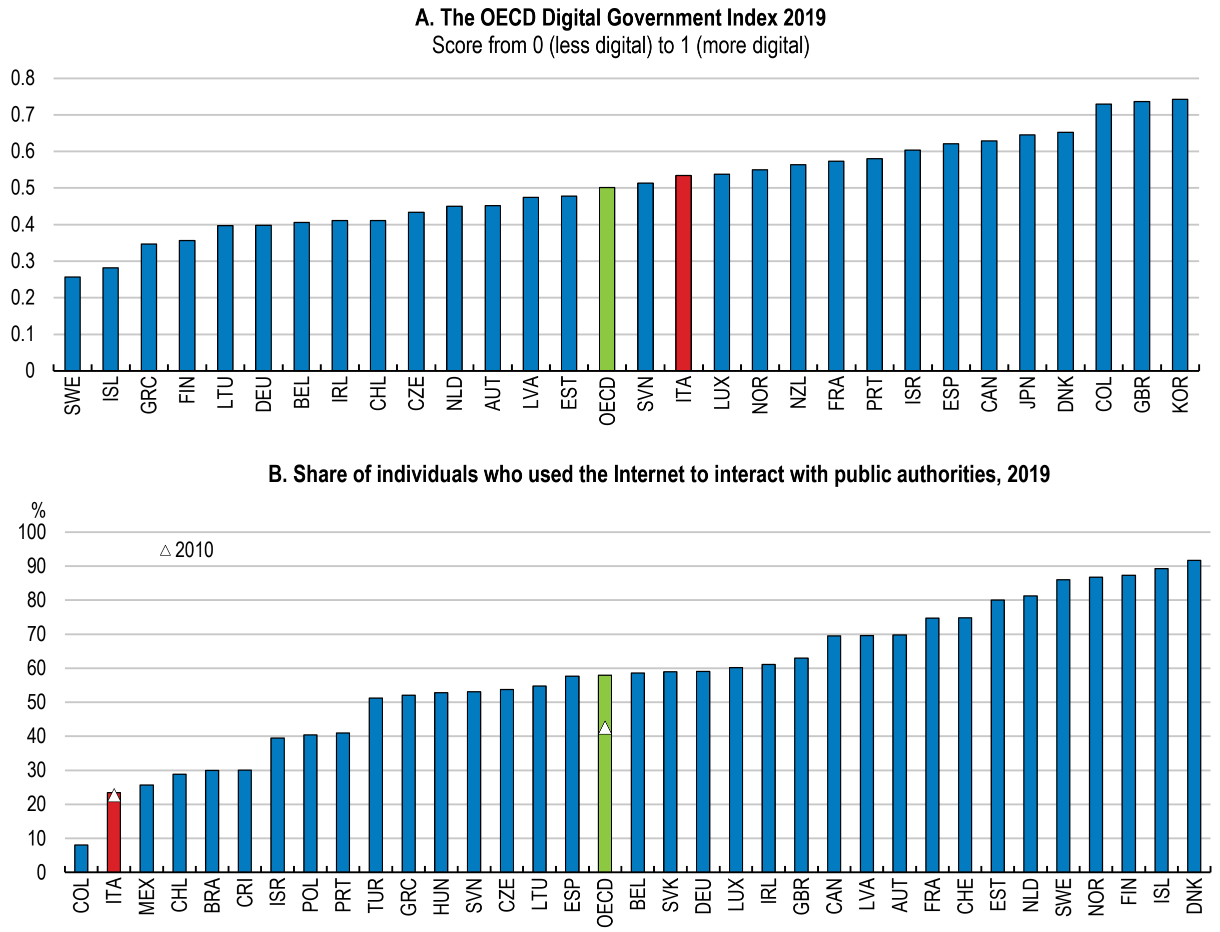
The COVID-19 crisis has accelerated Italy's rapid progress in digitalising public services, especially at the central level. Overnight, many administrative tasks could only be performed online and public servants switched to teleworking. Open data initiatives promoted innovative research and development and fostered trust in public services by improving transparency and accountability (OPSI, 2020[89]). Italy outperforms the OECD average on the Digital Governance Index, in particular in developing the governance and frameworks that become foundations for digital government, such as the digital identity system. Artificial Intelligence and blockchains are demonstrating their usefulness in specialised areas such as public procurement or certifying tertiary qualifications. Despite the public sector's progress, users' demand for digitalised public services lags behind and has progressed less than other OECD countries (Figure 10 Panel B). This partly reflects Italy's broader issues with digital take-up, such as slow broadband and home computer take-up (OECD, 2021[10]). It also reflects that many digital public services are intended for businesses. The new IO.it app, designed to allow citizens to access public services via a smartphone and a feature of the NRRP's strategy, is likely to broaden digitalisation.

Italy's rapid progress has in large part been spearheaded by the 'Digital Transformation Team'. Since 2016, it has developed the public sector's digital ecosystem and applied it to public services, such as population registry and digital identity, and payments to the public sector (discussed in the 2019 *OECD Economic Survey of Italy* (2019[6])) (Figure 10, Panel A). Institutional reforms have since entrenched the team's place in the Prime Minister's office with a remit to support all public administrations, as recommended by the 2019 *Survey*. Over the coming years, the government has programmed EUR 9.75 billion (0.6% of 2020 GDP) for digital government and emerging technology programmes and capacity development the via the Simplification and Digitalisation Decree, the 2020-2023 Simplification Agenda and the *2025 Italia* agenda, and the NRRP will provide an additional EUR 11.15 billion. The Digital Government Index, reflecting the situation prior to the COVID-19 crisis, suggests that Italy's next priorities should be to strengthen the role of government as a platform, by equipping and empowering public sector organisations for digitalisation, as well as to develop the digital tools and services that can enable private innovators to contribute to digital government projects. The NRRP's measures for public sector digitalisation will provide funding and support in these directions.

The new Ministry of Technological Innovation and Digitalisation is well placed to bolster digital transformation across Italy's diverse public administrations and levels of government. Some administrations are leading innovators while others lag for want of capacity or prioritisation. Analysis of Italy's municipalities finds that those that invest more in digitalisation have more efficient delivery of administrative services and spend more of their EU-funded investment projects (Figure 11, Panel A). Conversely, limited digitalisation has held back Italy's public employment services effectiveness (OECD, 2019[90]) (discussed in Box 12). An effective approach would be to pursue the strategy of not requiring agencies to adopt a uniform system, but developing a common platform to coordinate and enable digitalisation across the public sector, by building shared platforms, guidelines and standards to homogenise digitalisation processes, and shared digital and data architecture to which different administrations can easily connect their systems or adapt to their needs. The NRRP's strategy of developing a public administration 'cloud', while allowing administrations to use their other solutions, seems consistent with this flexible approach. As a central agency, the Ministry may help break down barriers to coordination, such as data hoarding, and help agencies develop the business cases for digital governance projects.

Attracting digital talent and developing up-to-date skills across the public administration is essential to hastening its use of digital and other technologies (OECD, 2021[70]). Public administrations in Italy, like many OECD countries, lack sufficient skills for developing, implementing and maintaining digital technologies, and for using and realising the potential of digital tools. For example, effectively using the data generated through digitalisation requires processing, analytical and interpretation skills many public servants lack. While many private firms in Italy also suffer shortages of these skills, the public sector's hiring freezes and weak skill planning strategies have accentuated its skill gaps. As workers with these skills are scarce, receive a salary premium and tend to have dynamic careers, the public sector needs more agile recruitment and career management to attract and retain these workers, as discussed above. Meanwhile few public servants have opportunities to build relevant skills – for example, only 9.5% of municipal governments' personnel participated in ICT training in 2018, mostly on specific applications and IT security (Istat, 2020[91]). The NRRP includes a programme to recruit, train and otherwise strengthen the public sector's digital skills. Expanding this to also develop public servants' skills in using the benefits of digitalisation, such as data analysis, would help digitalisation lead to a deeper transformation of the public sector. The public service's internal training supply and quality could be bolstered by developing options from both Formez (the in-house training body) and private providers, along with clearer information about the training's quality and relevance.

Figure 10. Italy has made significant progress in transforming public services through digital technologies and data, but take-up lags

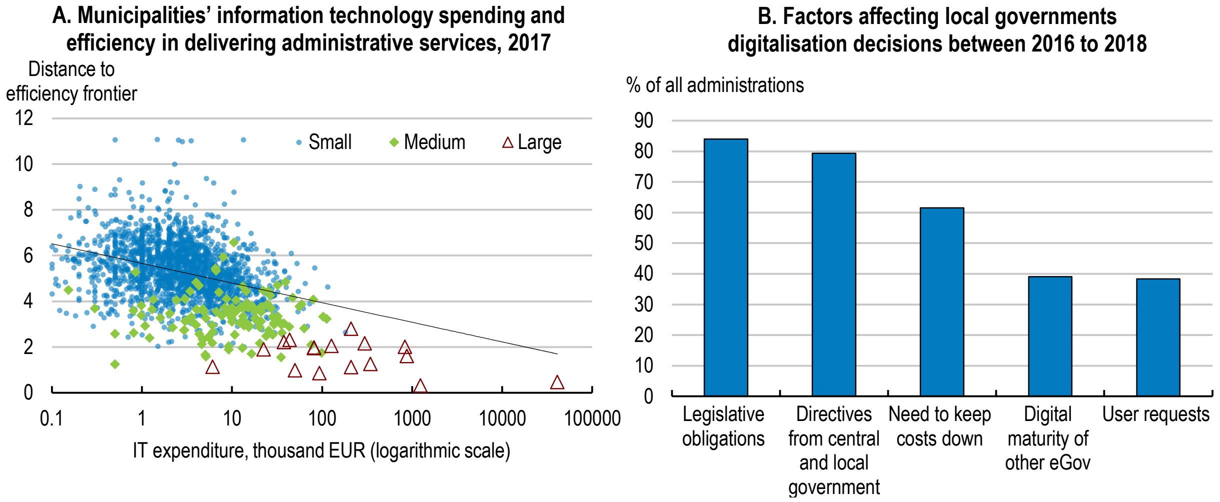


Note: The OECD Digital Government Index aims to measure the digital transformation of the public sector at the central government level, understood as the transition from e-government to digital government, across six dimensions.
Source: OECD Survey on Digital Government 1.0. https://www.oecd.org/gov/digital-government-index-4de9f5bb-en.htm

StatLink https://stat.link/cfr04m

An effective regulatory framework helps the public sector to become 'digital by design' rather than 'digital by default', and can support users' take-up. Regulation can drive digitalisation, especially where capacity is scarce or incentives to change are weak. Indeed, compulsion has been the main driver of digitalisation for many of Italy's subnational governments (Figure 11, Panel B). Regulation can also support demand for digitalised public services, for example by assuring users that their personal data are protected while being strategically used to improve services, integrity and transparency (OECD, 2019[92]). Rapid changes in emerging technologies mean prescriptive regulations, such as of technical standards, are quickly outdated and can hinder digitalisation. Parts of the Digital Administration Code risk this fate. Effective regulation should be framed in terms of minimum outcomes to be achieved, while encouraging users to innovate in how they achieve these outcomes (Ubaldi et al., 2019[93]; Attrey, Lesher and Lomax, 2020[94]).

Figure 11. Local authorities that digitalise are more effective, but most only digitalise when compelled



Note: Panel A: Municipalities closer to the efficiency frontier (defined as services delivered relative to expenditure, controlling for the municipality's attributes) are closer to the most efficient municipality. Administrative services relate to municipalities' technical, urban planning, housing and land registry offices. IT expenditure include spending on computer and hardware, software, database and licenses. The relationship controls for municipalities' attributes, including size. 'Small' municipalities' population is below 50 000, 'medium' between 50 000 and 250 000, and large above 250 000. Panel B: Share of local administrations reporting that a factor "fairly" or "very" affected their digitalisation decisions between 2016 and 2018, as percentage of all administrations.
Source: OpenCivitas; Istat and OECD calculations; ISTAT (2020), Local public administrations and ICT: 2018.

StatLink https://stat.link/59brn8

Box 11. Strengthening staffing and digitalisation to deliver more effective active labour market policies

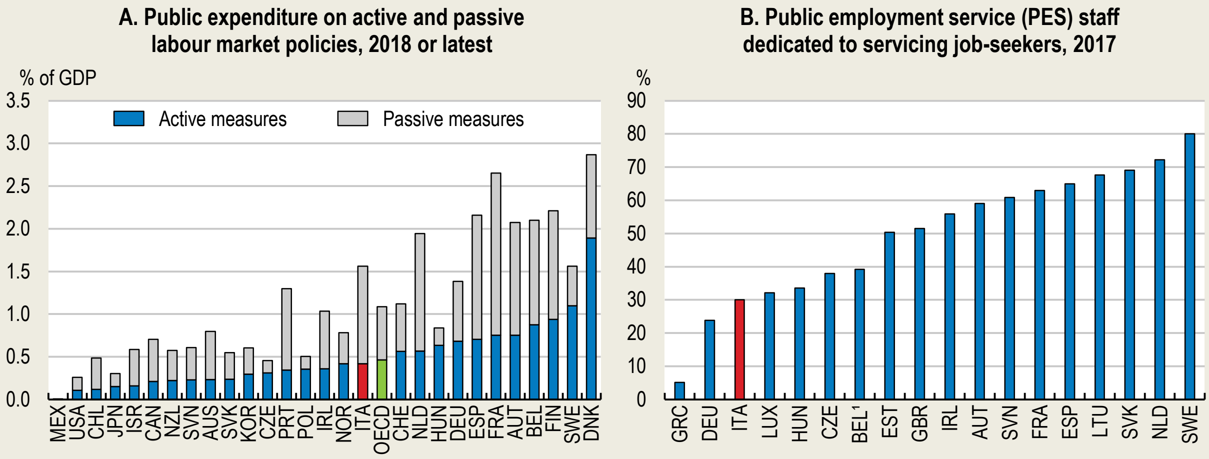
Italy's government over recent years have been making welcome investments to develop accessible, modern and effective active labour market policies (ALMPs), and Italy's National Recovery and Resilience Plan furthers these efforts. While some regions offer innovative and high quality ALMPs, their access and effectiveness is limited in many of the areas with the greatest labour market needs (OECD, 2019[6]). Effective ALMPs can help address the weaknesses in participation and skills in the labour market, especially in lagging regions and among youth and women (Card, Kluve and Weber, 2017[95]). They can improve the workforce's resilience to crises by promoting reskilling and access to emerging work opportunities (OECD, 2018[96]). In many countries, public employment services deliver social protection, and Italy has made the public employment services and associated job search, social support and adult education central to the national rollout of the guaranteed minimum income scheme.

Raising the effectiveness of Italy's ALMPs will require addressing many of the challenges to broader public sector effectiveness discussed in this paper. While overall spending on ALMPs is near the average of OECD countries, reallocating funds to the highest-performance policies can improve outcomes (OECD, 2018[96]). Italy's overall spending on labour market policies is tilted towards passive measures such as unemployment benefits and related welfare measures (Figure 12 Panel A). While hiring and wage subsidies can encourage employers to hire and provide work experience to groups who otherwise would not find work, targeting can be poor. Evaluations across OECD countries find that active measures, such as job placement or training and skilling programmes, are more cost-effective at moving more workers into better-quality jobs in the longer-term. Italy's active labour market spending per unemployed is low, and it could regularly review and reallocate its mix of labour market spending.

Italy has recruited 3 000 fixed-term employment service 'navigators' for regional public employment services, to reversing low and declining staffing. These recruits' contracts will expire at the end of 2021 and will be followed by a new recruitment round. Caseloads are higher across Italy's public employment services and a lower share of workers service jobseekers than in other OECD countries (Figure 12 Panel B). Most public employment service staff had been in their positions for extended periods and lacked the training or skills for modern employment services, especially in high unemployment regions (OECD, 2019[90]). The current strategy of hiring contract staff may help to swiftly harmonise staffing across offices. However, targeted hiring and training of skilled staff, and offering these staff career prospects and incentives linked to performance, would help develop a more effective, professional workforce.

Strengthening and pooling IT services, such as online registration and support, effective database management and communication tools, and exploiting artificial intelligence, could greatly expand ALMP capacity and quality and allow more staff to shift from administration to supporting jobseekers. A new national IT system developed in 2017 was abandoned due to technical difficulties. Instead, the ANPAL could develop IT systems with a flexible architecture that support, for example, the diverse public and private bodies in developing and connecting their databases and information and management systems, mirroring the approach of the Digital Transformation Team described above.

Figure 12. Italy has room to shift resources to active labour market policies with a greater focus on serving jobseekers



Note: Passive labour market policies include income support, such as unemployment compensation programmes and programmes for early retirement. Active labour market spending includes all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. This includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled.
1. Data for Belgium is the unweighted average of the Actiris, FOREM and VDAB PES.
Source: OECD (2021), Labour Market Program Statistics, Employment (database); EC (2017), Assessment Report on PES Capacity 2017, http://doi.org/10.2767/880082.

StatLink https://stat.link/5mwaji

Better leveraging who across the government delivers public services and investments

The contribution of multi-layered government to public sector effectiveness

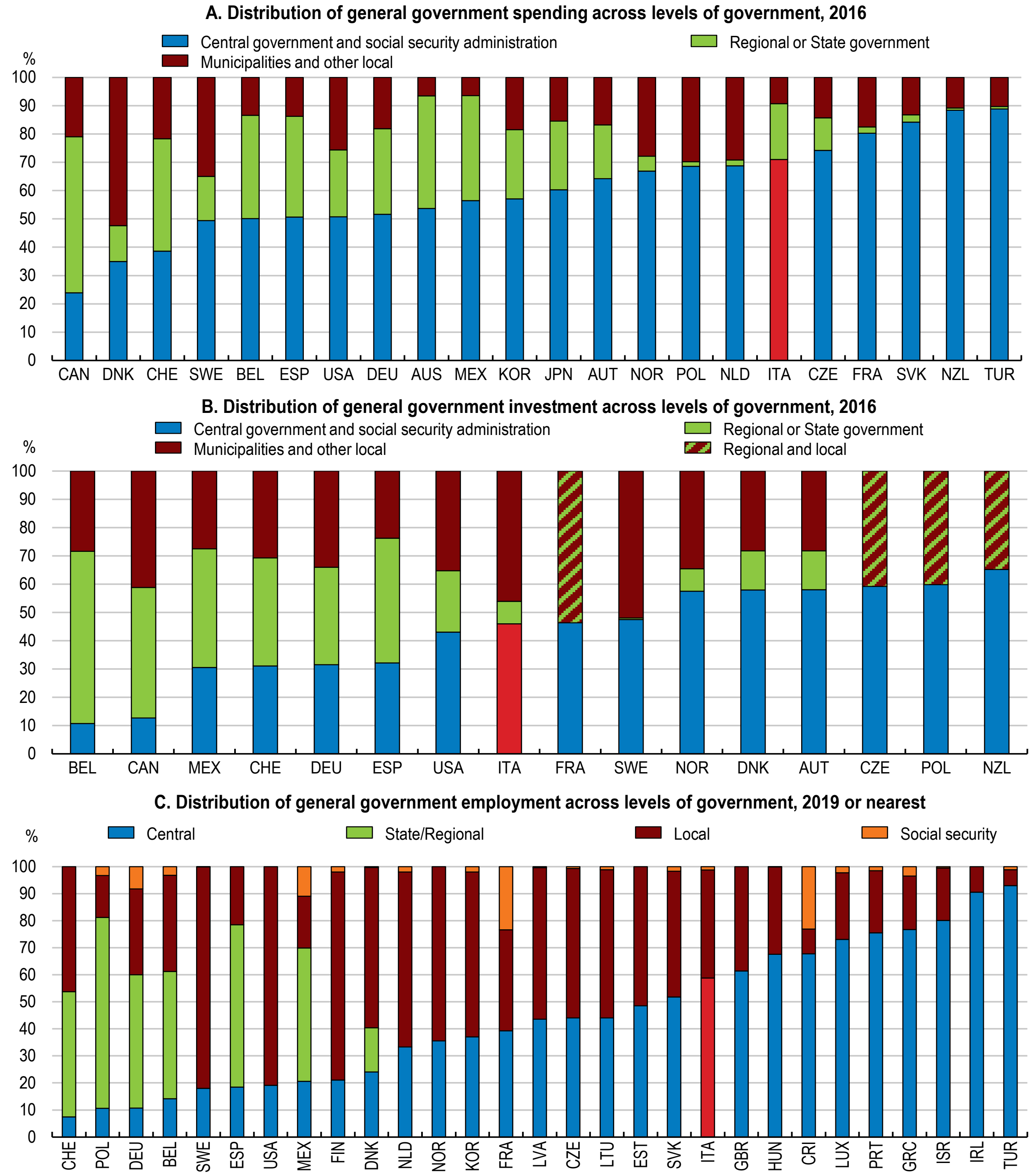
Italy has become a moderately decentralised country over the past 25 years (Figure 13). Across its multi-layered government, it has progressively shifted administrative and fiscal responsibilities, moving mostly from its central and provincial governments to its regional governments (OECD/KIPF, 2016[97]). Effective decentralisation requires balancing governments' proximity to users and taxpayers, its scale to operate efficiently, and the variation in service quality that can be accepted across a country. Empowering subnational governments while making them accountable for the public goods and services they deliver can boost the public sector's effectiveness. Some of Italy's regions have used their rising autonomy to innovate and provide among the highest quality public goods and services in the OECD, but overall decentralisation has contributed less than hoped to improving service delivery, and has allowed Italy's long-standing regional disparities to widen, as described in the 2019 OECD *Economic Survey of Italy* (2019[6]).

In Italy, overlapping responsibilities for determining standards and delivering public goods and services, and varying capacity between different administrations, weaken the benefits of its multi-layered government and often impede the public sector's effectiveness. This has dragged service delivery in priority areas, such as in active labour market policies or in providing quality early childhood education and care (Box 12 and Government is spread between the central government, 20 regions including five with special autonomy status, 110 provinces and 7 900 municipalities. Municipalities remain responsible for delivering many public goods and services, including most public investment spending, but most are small – 92% of Italy's 7 900 municipalities have fewer than 15 000 inhabitants (Figure 15). The relatively new metropolitan authorities have shown their effectiveness in some domains, but have not received some of the functional responsibilities or, in some cases, do not cover all of the territory relevant to the effective metropolitan area, limiting their contribution to improving public good and service delivery (OECD, 2019[6]). Proposals to streamline responsibilities and layers of government failed with the rejection of the 2016 constitutional referendum, and left provincial governments in place, despite their few remaining responsibilities. Reinvigorating the streamlining of responsibilities and simplifying the structure of government bodies, such as consolidating smaller municipalities in urban areas, could contribute to consolidating public sector capacity and improving service delivery.

Allocating responsibilities across layers of government is a cornerstone of successful decentralisation (OECD, 2019[98]). Italy's 'concurrent competencies' for delivering many services create difficulties in coordinating between different government bodies. The central government sets national service standards, which subnational authorities are responsible for achieving. While this approach is shared by a number of decentralised countries, it creates challenges when organisational or financial capacity varies significantly between subnational governments. In some areas, such as active labour market policies or early childhood education and care (Box 13), delivery is further hampered as responsibility transitions from provinces or municipalities to regional bodies, or as these standards are developed and implemented, especially in lagging regions (Box 12 and (Box 13). While legislative changes and court decisions have reduced some uncertainty, further clarifying the sharing of responsibilities across levels of government will improve effectiveness. Responsibilities merit being regularly reviewed and reallocated as needs and the context evolve.

Building bodies and practices that help different government bodies coordinate and cooperate would better leverage the benefits of multi-layered government, for example by helping find pragmatic work-arounds to imbalances in Italy's formal allocation of responsibilities. Italy's Conferences that bring together the central government with regional and local governments are intended to play this role. These Conferences' scope could be extended across policy areas and their resources for analysis and capacity support boosted so that they can better identify and support adoption of effective practices.

Figure 13. Italy is moderately decentralised, and subnational governments have an important role delivering public investment



Note: Panels A and B use national accounts and national sources that complement the national accounts data, although these not been fully consolidated, to enable identification of the regional government data. Panel C is sourced from ILOSTAT, and follows the national accounts institutional definitions, which may not specify regional governments in non-federal countries.

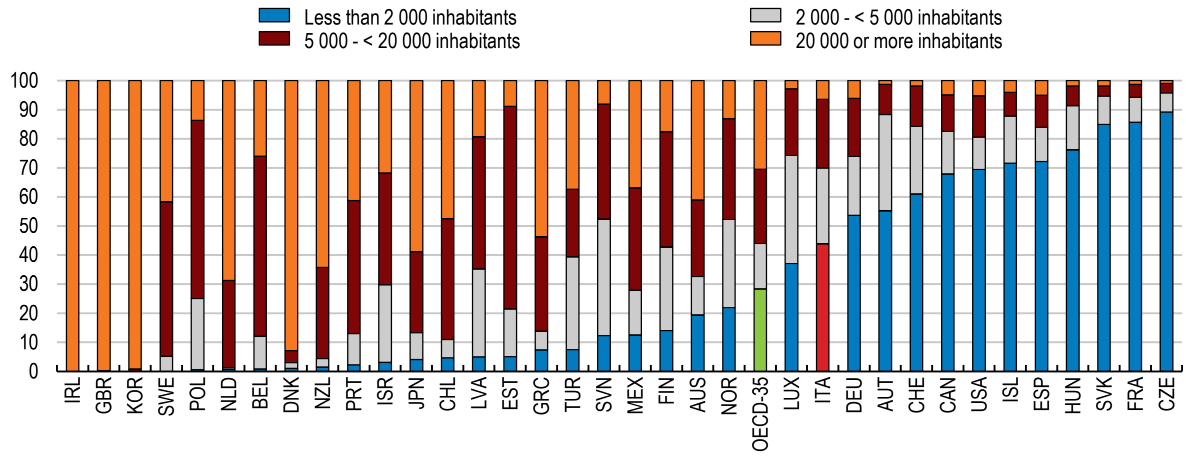
Sources: OECD (2021), Regional Government Finance and Investment (REGOFI, database) (Panels A and B); International Labour Organization (ILO), ILOSTAT (database), Public employment by sectors and sub-sectors of national accounts (Panel C).

StatLink https://stat.link/0nyrc8

Italy has made important progress in reducing the imbalances between revenues and spending responsibilities between its different layers of government. However this has mostly been through the central government cutting its transfers to subnational and especially local governments by over half between 2007 and the late 2010s, leading subnational governments to boost the relative importance of their own revenues. The government has implemented a sophisticated equalisation system that assesses the cost of delivering particular public services, the actual costs incurred, and the needs and capacity of each government body to provide those services, although it only applies to a very small share of expenditure and these measures do not address overall inequalities in revenues (Dougherty and Forman, 2021[99]). Evidence suggests that this system is improving allocations and subnational governments' capacity to deliver goods and services, especially those facing higher needs or more difficult operating environments (Brosio, 2018[100]). Broadening this equalisation system's use, even if this entails using less sophisticated equalisation calculations, would expand these benefits.

Figure 14. Most of Italy's 7900 municipalities are small

Distribution of municipalities by population size, 2016



Source: OECD (2018), Subnational Governments in OECD Countries: Key Data (database).

StatLink https://stat.link/y6zxct

Heightened transparency and accountability drive many of the benefits of multi-layered government. In many areas Italy has rich data on subnational governments' performance, such as the OpenCivitas data generated through the equalisation grant process. Pursuing such data collection and analysis efforts across policy areas and levels of government, and further developing such data and analysis for all regions and provinces with special autonomous status, would support accountability. Better using these data to prepare easily communicable benchmarking reports of different governments' performance would help with citizen engagement, and create stronger incentives for governments to improve performance.

Improving delivery of public investment by subnational governments

Italy's public investment spending fell by 35% in nominal terms from its peak in 2009 to 2014, to 2.3% of GDP, insufficient to maintain even the existing public capital stock. Public investment gradually recovered over the following years, but in 2019 was still 23% lower than a decade earlier. Administrative capacity has been a long-recognised brake on public investment. While public investment budgets were cut, many administrations were not able to implement even the remaining the projects. For example, Italy disbursed less of European Structural, Social and Investment Funds than the average of other EU countries, itself disappointing, especially over the 2014-2020 period (OECD, 2021[10]). Measures implemented to reduce corruption risks and improve integrity made processes more administratively involved, and have been blamed in part for this underspending, even if these measures generally incorporate or exceed international norms and address perceived integrity risks.

Box 12. Better collaboration across different levels of government to deliver active labour market policies

Management of active labour market policies (ALMPs) has followed Italy's broader trends and challenges in delivering services across multiple layers of government. Responsibility has been consolidated from over one hundred provinces into 21 regional bodies. The plan to further consolidate responsibility into the National Agency for Active Labour Market Policies (ANPAL) were scuttled by the failure of the 2016 Constitutional Referendum. ANPAL has since focused on bolstering public employment services by developing national minimum standards, monitoring indicators and by supporting regional agencies. Since 2019 the central government has provided regions with significant funding to strengthen their public employment services. However, coordination across regional ALMPs needs further strengthening. Trust and communications between different institutions are often absent (OECD, 2019[90]). Coordination across different ALMPs (social services, adult and vocational learning) remains limited (European Commission, 2020[26]), as regional authorities believe that regional labour markets differ substantially.

To overcome these challenges, ANPAL can better integrate the staff it absorbed from regional agencies who work on delivering ALMPs on the ground. It can develop evaluations of regional operators, identify and disseminate effective practices across Italy, and provide regional agencies with financial incentives to adopt these. The EU-wide Public Employment Services Network provides a model for such benchmarking, exchanges and continuous learning (Fertig and Ziminiene, 2017[101]). Spain, with a similar fragmentation of ALMPs across regional labour markets as Italy, has successfully adopted this model and fostered cooperation through communications and exchange platforms.

Several regions have developed quasi-markets in public employment services that allow private employment services to complement public providers, presenting a model for significantly expanding access. For example, the "assegno di ricollocazione" job search voucher, introduced in 2017, allows jobseekers to choose either a public or private employment service provider. Design issues limited the scheme's early success, including the limited package of services users could access, the stricter activation conditions for users receiving social transfers, and the parallel operation of regional and national schemes. By learning from these issues, and developing the role of private providers across all regions, Italy can rapidly expand ALMPs' access and quality. Developing cooperation between public and private employment services, along with practical measures such as ensuring different services' databases and systems communicate, would improve the matching between jobseekers and employers. Finland and Spain have demonstrated the benefits of such approaches (ICON-INSTITUT Public Sector, 2018[102]). Central bodies can support public-private collaboration by ensuring that IT infrastructure is in place, and that performance information are collected, analysed and used to encourage performance. Strong, independent supervision and reviews are essential for such a hybrid system to succeed, as demonstrated by Australia's evolving outsourcing of employment services (Education and Employment References Committee, 2018[103]).

Box 13. Measures to improve delivery of early childhood education and care in lagging localities

In Italy, overall enrolment in early childhood education and care (ECEC) among children aged 3 years and older is high, approaching 100%, but there are only enough places for one-quarter of children aged 0 to 2. Differences between regions are large, with places for almost one-half of children in some areas of the North but fewer than one in ten in Campania (Figure 15. Panel A) (Istat, 2019[104]). While the number of places has increased over the past decade, Italy is still well short of its target of places for one-third of children that other OECD countries provide on average or that Italy had aimed to achieve by 2010.

Expanding access to childcare can make inroads into several of Italy's long-term challenges. The National Recovery and Resilience Plan's EUR 3.9 billion boost to childcare funding can expand supply while ensuring consistent minimum quality. Access to affordable and quality care for very young children raises women's likelihood of seeking work, especially in lower income households, which can improve the inclusiveness of Italy's labour market and reduce gender inequalities (Figari and Narazani, 2019[105]; Carta, 2019[106]). Time in childcare improves children's performance through the course of their education and can particularly benefit children from disadvantaged households (OECD, 2017[107]). When affordable facilities are not accessible or not trusted, families often turn to their extended family to care for children. While this may reduce costs, it is often less pedagogical, and relying on this care makes it more difficult for families to relocate to regions with better employment opportunities.

Low enrolment rates reflect scarce places more than high fees for users. Waiting lists are long, even in areas with more places (Carta, 2019[106]; European Commission/EACEA/Eurydice, 2019[108]). The average net costs for households is near the OECD average, and households pay about 20% of the cost of ECEC on average. Households on average pay about EUR 300 per month for a place in a public facility and about double this in a private facility, and municipalities may charge lower income households less for places in public facilities. Since 2012 Italy has supported households' childcare costs, currently through a benefit linked to income or a capped tax credit (Hyee et al., 2020[109]).

Better using staff and adjusting outsourcing to expand the number of quality places

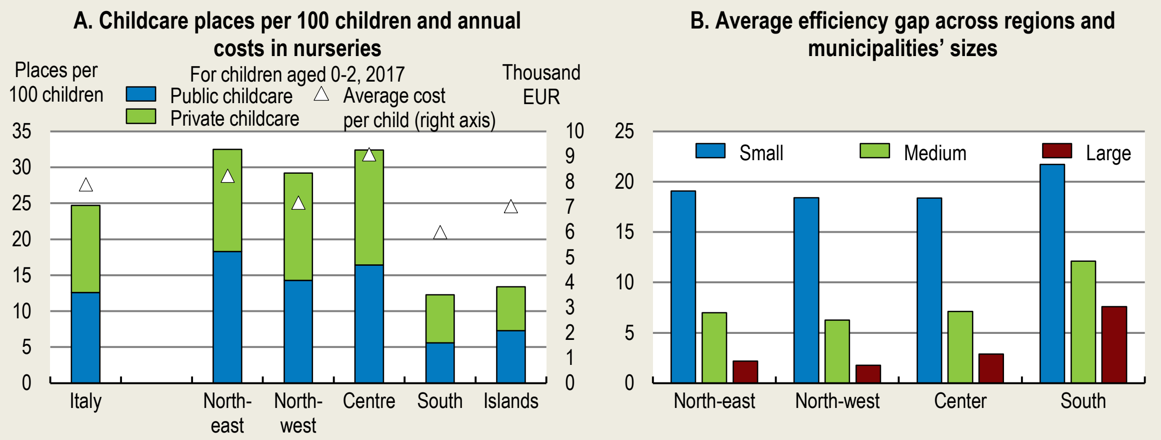
The cost of providing childcare varies widely across Italy, suggesting significant differences in quality and in the effectiveness with which childcare is provided (Bulman and Doino, Forthcoming[56]). Improving the efficiency of lagging regions would increase the number of places available with existing resources. About 80% of places are in traditional nurseries, split approximately equally between municipal and private providers. Focusing on nursery places, OpenCivitas municipality-level data suggests that the most efficient municipalities at providing nursery places are medium-sized towns in the North-West.

Recruiting skilled public nursery staff and enlarging public nursery spaces appear to be more effective at increasing the number of childcare places available than increasing private facilities' staffing and space. Generally towns with more places available provide those places more efficiently in terms of lower costs for staff time, space rental and administration per place. Municipalities that provide childcare more efficiently tend to have younger administrative staff who have more years of education. This underscores the importance of recruiting staff with relevant, up-to-date skills, and is consistent with findings from similar studies in Saxony (Montén and Thater, 2011[110]). Outsourcing to private providers reduces the efficiency of childcare, despite generally lower staff costs at private providers compared with public childcare services. This may reflect more staff and space per child in private nurseries than in public centres, or differences in quality that are not measured.

Coordinating across levels of government to ensure consistent, quality care

Ensuring that childcare places are of adequate quality is essential in encouraging parents to place their children in the facilities. Ensuring ECEC across Italy exceeds a national minimum standard, including for pedagogical content, would help redress regional inequalities in quality and encourage use. Lower quality ECEC can discourage households from using public childcare services, especially for households in higher socio-economic groups. The national Ministry of Education has recently developed educational guidelines and a common national ECEC monitoring framework. It also allocates financing to local authorities and has required since 2020 that ECEC staff have at least a relevant bachelor's degree (Taguma et al., 2017[111]; European Commission/EACEA/Eurydice, 2019[108]). The Ministry of Labour and Social Policies and the Department of Family Policies are responsible for ECEC for children up to age 3, but regional authorities organise and monitor the delivery of the services within their territories. The central government agencies could support regional bodies in the use of a national monitoring framework and tool, and provide targeted support to local administrations that fail to meet these standards. Regularly publishing clear indicators of childcare centres' quality, such as the number of staff and surface area per child and certifying that centres meet national minimum quality standards, would improve transparency and users' choice of centres.

Figure 15. Improving the efficiency of childcare services would help raise access



Note: Panel A: Annual cost per place in a nursery. Panel B: a lower efficiency distance indicate that the municipality is closer to the municipality that provides places at the lowest cost per place. The relationship is estimated using a data envelopment analysis with output-oriented efficiency score and non-increasing returns to scale, and controls for the number of 0 to 2 year olds in the population and input prices. See Bulman and Ruggero (forthcoming), "What helps Italian municipal governments effectively deliver public goods and services? An empirical investigation", Technical Background Paper. 'Small' municipalities' population is below 50 000, 'medium' between 50 000 and 250 000, and large above 250 000.
Source: Istat (2019), Supply of Services for the Early Childhood Education: School Year 2017/2018; OpenCivitas database and OECD calculations.

StatLink https://stat.link/pr8cod

At the central government level, Italy has in place many of the mechanisms for effective public investment, especially in transport infrastructure (OECD, 2017[112]). For example, there are up-to-date guidelines to evaluate public investment based on cost-benefit analyses that account for social and environmental impacts. The arrangements for public-private partnerships have been standardised across all central and sub-national governments. Yet, in practice, the problems that beset public investment projects in most OECD countries are often worse in Italy (OECD, 2019[6]), notably long delays in delivering projects, cost over-runs, and haphazard evaluations before projects start or after they are completed.

Raising Italy's public investment is central the National Recovery and Resilience Plan (NRRP), and will be vital to supporting the transition to a lower carbon economy and to filling gaps in Italy's infrastructure, especially in lagging regions (OECD, 2019[6]). Public investment, ranging from school buildings to the infrastructure for e-government, can contribute to improving public service effectiveness more broadly. The NRRP allocates nearly 11% of 2020 GDP to additional public investment over 2021 to 2026 (OECD, 2021[10]). It provides a detailed medium-term project pipeline that is integrated into broader policy objectives, notably to support a shift to higher productivity, digital, and lower greenhouse gas emission activities. Such an approach is consistent with OECD *Recommendations on Effective Public Investment* (OECD, 2018[113]).

To accelerate disbursement, the 2020 Simplification Decree and measures in the NRRP temporarily relax procurement requirements, streamline execution processes and boost associated administrative capacity. A central office in the Prime Minister's office will oversee execution, and be backed by a technical secretariat. This is intended to rapidly identify and address obstacles to executing NRRP investments. Such dedicated delivery offices at the centre of government have proved effective in achieving major, complex projects in Italy and other OECD countries. Benchmarking projects' contribution to social welfare as projects are completed can inform adjustments to the project pipeline and implementation (Pisu, Hoeller and Joumard, 2012[114]).

Strengthening subnational governments' capacity to implement public investments

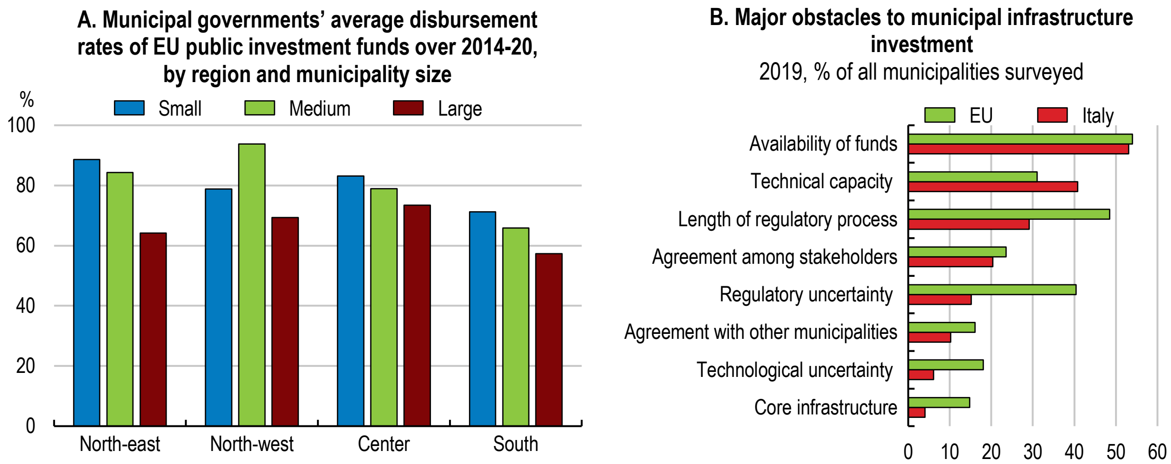
Subnational governments are central to improving overall public investment performance in Italy, as they are in other OECD countries that face challenges in boosting public investment, such as Germany (OECD, 2020[115]). Italy's local governments spend 55% of the national public investment budget (Figure 13, Panel C). Poor execution in larger municipalities explains most of the public investment underspending by local governments. Smaller municipalities were more likely than larger municipalities to disburse all of their EU-funded investment projects at end of the 2014-2020 period (Figure 16). Municipalities' staffing and project selection strategies can improve their disbursement rates. Econometric analysis suggests that municipalities have higher disbursement rates if their employees are younger, if their administrations are smaller (controlling for population size), if they undertake fewer and smaller projects, or if they invest more in information and technology (Bulman and Doino, Forthcoming[56]). This suggests that more judicious selection of projects, and supporting capacity, would improve municipalities' public investment disbursement. The NRRP's focused investment in staff capacity and support for executing projects are steps in the right direction and may merit being extended if effective.

Developing Italy's mechanisms for cooperation across multi-layered governance would help address public investment opportunities and bottlenecks, coordinate across overlapping policy and regulatory competencies, and ensure resources and capacity are in place to undertake the investment projects. Overall municipalities in Italy are more likely to consult with other bodies in designing and implanting public investments than in most other European countries. However, the length of approval processes is a much greater obstacle to investment (European Investment Bank, 2017[116]). Differences across subnational governments in regulation and processes are particularly cited as a factor delaying public investment project approval and execution in Italy (OECD-CoR, 2015[117]). Countries such as Australia find that mixing formal and informal coordination mechanisms to be most effective, as they complement each other in building trust and communications between different actors (Bounds, 2012[118]). New Zealand has developed local government clusters and Switzerland has developed multi-jurisdictional projects to pool capacity, develop specialisation, increase consistency and efficiency, and share knowledge (Allain-Dupré, Hulbert and Vincent, 2017[119]; NZ Productivity Commission, 2013[120]).

One approach in Italy would be to strengthen Italy's Conferences that bring together different levels of governments. These Conferences could identify areas where divergences in regulation and processes impede infrastructure projects, and negotiate agreements to align these regulations and approaches.

Similarly, the efforts introduced in the mid-2010s to pool municipalities' project procurement into larger agencies merit being pursued, as these agencies have the deeper capacity to design and evaluate the greater complexity of public investment projects, and to manage disputes when bidders contest contract decisions, which often delays projects.

Figure 16. Larger municipalities execute a lower share of their public investment projects



Note: 'Small' municipalities' population is below 50 000, 'medium' between 50 000 and 250 000, and large above 250 000.
Source: OpenCivitas database and OECD calculations; European Investment Bank (2020), EIB Investment Survey.

StatLink https://stat.link/7bjfuy

Collaboration and capacity support across different government bodies can contribute to filling gaps in capacity. InvestItalia, a new agency dedicated to supporting different government agencies design, obtain approvals, and implement investment projects is one model that, if it were to be fully developed and prove effective during its initial stages, may merit scaling up alongside the NRRP's boost to subnational governments' staffing. Adjusting the responsibilities and coverage of metropolitan authorities, through agreement with other levels of government in the first instance, could be another that improves capacity in the larger municipal areas, as recommended in the 2019 *Economic Survey of Italy* (OECD, 2019[6]). Implementing agencies can also better mobilise private sector expertise and support for technical aspects of implementing projects. The risk of 'capture' by private contractors can be mitigated if these arrangements are designed carefully and by ensuring that public officials have the skills to effectively supervise the private providers.

Attracting technical and professional staff to local planning roles will require flexibility on recruitment and remuneration to make these positions attractive, as discussed above. The NRRP envisages hiring significant numbers of technical staff to fill capacity gaps in subnational governments. Longer-term, developing a technical position stream would allow public authorities to compete for civil engineers or other high demand professionals. Alongside support for hiring, the central government can help municipal administrations develop their staff's skills by providing centralised courses, following for example the approach of the United Kingdom's Infrastructure and Projects Authority, which cooperates with Oxford Saïd Business School (Global Infrastructure Hub, 2019[121]).

Ensuring public enterprises effectively provide public goods and services

Public enterprises play a significant role across Italy's economy (Figure 17, Panel A). The state held equity in 8 500 enterprises employing 924 000 workers and generating over 7% of total value added in 2018

(Istat, 2020[122]). Most are small enterprises partly or fully owned by municipal or other subnational governments (Figure 18): 84% of public enterprises have fewer than 50 employees, and 43% have average annual turnover below EUR 500 000. Meanwhile, the Ministry of Finance has majority ownership or effective controlling stakes in 20 listed and non-listed industrial companies worth 12% of the Italian public equity market at the end of 2017 and that employ most of the workers at public enterprises. These holdings increased with the equity injections to sustain companies during the COVID-19 crisis (De La Cruz, Medina and Tang, 2019[123]; Ministry of Economy and Finance, 2020[124]; OECD, 2017[125]).

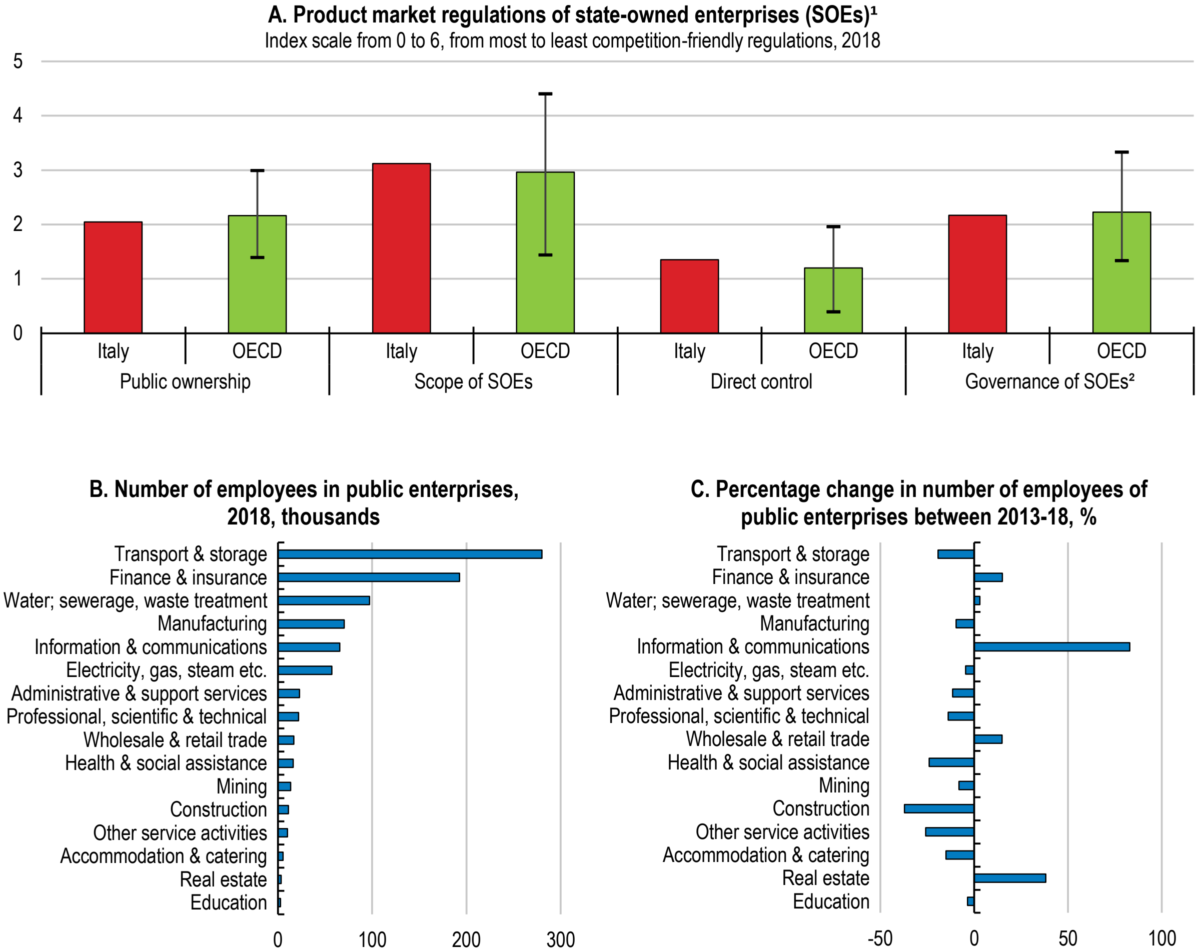
Many public enterprises were originally established by one or several local administrations to provide water, energy, and waste management, and these were the principal activities of about 23% of public enterprises in 2018 (Figure 18). Some subnational authorities developed enterprises so as to provide goods and services, such as information technology services, outside of the spending and employment constraints imposed on the core administrations during the early 2010s, leading these spending and employment rules to be extended to public enterprises. Thirty percent of public enterprises provide administrative, professional and technical, or information and communications services, and are generally owned by multiple subnational administrations (Figure 17Figure , Panel B and Figure 18) (Istat, 2020[122]).

The broad scope, large number and complex ownership and regulation of Italy’s public enterprises weaken their service delivery effectiveness and makes improving their performance challenging. Goods and services provided by public enterprises have recorded faster price rises and lower customer satisfaction than other goods or services or than is found in other OECD European countries (Karantounias and Pinelli, 2016[126]). Local authorities often award contracts directly to public enterprises, and the requirements of the 2016 procurement reforms (discussed above) do not apply to many public enterprises, even when they are partly owned by private investors. Direct procurement is generally associated with less efficient service delivery (Bulman and Doino, Forthcoming[56]). Public enterprises operate under private corporate law, although since the mid-2010s they are subject to the spending and employment constraints that apply to the general public administration. Derogations from private corporate law constrain public enterprises’ governance, for example by regulating their management pay, use of consultancies, how they recruit and manage their workforce and subject them to official audit. In addition, their public ownership can have the effect of limiting their ability to restructure, close activities or dismiss workers. Despite these restrictions on public enterprises’ management, their financial performance overall improved over the 2010s, especially in northern regions (Ministry of Economy and Finance, 2020[124]).

Since 2015 the central government has required public authorities to reduce public enterprise holdings, by closing or divesting those that did not meet criteria for providing public goods or services in a financially sustainable manner. The number of public enterprises declined by 20% between 2012 and 2018. To assess progress the Ministry of Finance and Economy started annual audits of public enterprises. Of the public enterprises that the Ministry of Finance and Economy assessed to not meet the financial and service delivery criteria for being retained, public authorities only intended to dispose of half and wished to retain the remainder. Public authorities were scheduled to dispose of 750 enterprises between 2015 and 2020, out of their holdings of 2 500. They disposed of 392, generating EUR 430 million, while the others were not disposed of due to inflexible sales processes or because authorities did not take the necessary steps to achieve a sale or closure. In 2019 the central government extended the deadline for public authorities to divest until the end of 2021, and suspended the requirement to sell public enterprises that had been profitable even if they do not provide core public goods and services.

The government’s strategy of divesting from public enterprises that fail to provide public goods and services, or that generate significant fiscal risks, is worth pursuing. It will be especially important following the COVID-19 crisis, which may raise the public sector’s equity holdings in enterprises. The government can improve the performance of core public enterprises, while freeing other enterprises from the constraints of public sector ownership and winding-up defunct or shell enterprises. For the enterprises that remain in public ownership, governance could be improved by ensuring public enterprises follow the OECD (2015[127]) *Recommendations on Corporate Governance*. Identifying small public enterprises that are financially viable and that would benefit from consolidation would increase their scale, supporting productivity and management quality.

Figure 17. Public enterprises play a large role in Italy, and their governance can be improved



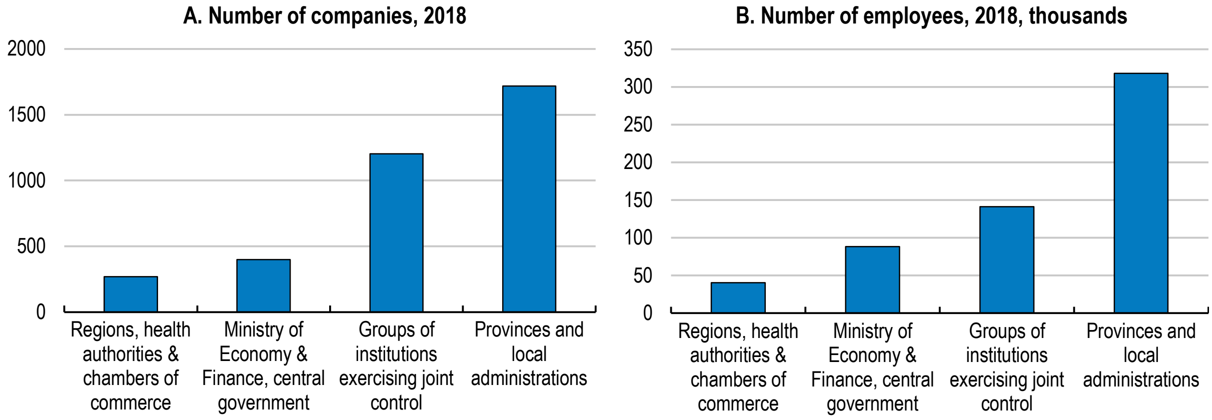
1. Whiskers indicate range of OECD countries between first and last decile.

2. The governance of SOEs measures the extent OECD countries are aligned with key best practices, derived from the OECD 2015 guidelines on corporate governance of SOEs. It does not represent a formal OECD position on each country's implementation of these guidelines. For more information, refer to the PMR webpage.

Source: OECD Product Market Regulation Database; Istat, *Le Partecipate Pubbliche In Italia*, 2015 and 2020 editions.

StatLink https://stat.link/5r0y6m

Figure 18. Most public enterprises are held by local governments and many have few employees



Source: Istat, *Le Partecipate Pubbliche In Italia*, 2020 edition.

StatLink https://stat.link/5x4sej

In conjunction with consolidating small public enterprises, encouraging larger financially viable public enterprises to list on regulated public equity markets can improve their governance, as publically listed enterprises must meet higher governance standards. Nonetheless enterprises that are both listed and publically owned continue to need additional oversight to support integrity and efficient operations (OECD, 2016[128]). Public listing can improve public enterprises' access to finance, allowing them to invest and improve their productivity while reducing fiscal risks for taxpayers (OECD, 2020[129]). Listing public enterprises would also help deepen Italy's financial markets. To achieve this, the Ministry of Economy and Finance and its public enterprise holding unit could better support subnational bodies through a process to improve governance, consolidate and eventually to list or otherwise sell their public enterprises.

Policy recommendations

MAIN POLICY FINDINGS	RECOMMENDATIONS (Key recommendations in bold)
What the public sector does	
Despite relatively high public spending, spending that can best support growth and well-being is low and has been falling. Budget processes do not support reallocations to more effective spending.	**Improve the allocation of resources and the effectiveness of spending through strengthened expenditure reviews and a succinct set of policy performance indicators.** Develop expenditure analysis capacity within line ministries.
Processes for preparing regulations have improved, but the large stock of regulations and their enforcement remain burdensome.	**Undertake stocktake reviews of regulations affecting priority sectors.** Develop the capacity for analysis and consultation to undertake regulatory reviews. Develop indicators of regulatory effectiveness. Improve the quality of regulations while repealing unnecessary regulations. Integrate plain language practices into legislative drafting and other official communications.
How the public sector operates	
A shrinking and ageing workforce and shortages of relevant skills hold back the public sector's ability to deliver. Pay rates are not competitive for higher-skilled professionals, and performance assessment systems are inadequate for performance-linked pay. The spectre of regulatory or judicial sanctions lead public servants to act defensively.	**Rejuvenate the public sector workforce, through more agile recruiting, training and career management, with a particular focus on filling skill needs such as those for the digitalisation of the public sector.** Support mobility across the public sector, and between the public and private sectors, through more transparent vacancy information, recruitment, performance assessment and by recognising and rewarding career mobility. Develop a strong set of values and ethical standards to encourage public servants to act for the broader public benefit, reduce defensive decision-making, and to help integrate new public servants and motivate existing staff. Increase the granularity of pay scales, linked with performance, equivalent private sector pay rates, and local living costs. Monitor the temporary shift in public servants' liability from acts taken to cases of deliberate inaction, with a view to expanding this shift to more areas and making it permanent.
The COVID-19 has added impetus to Italy's progress in public sector digitalisation and use of emerging technologies, which support more effective public services. Yet take-up has lagged.	Continue providing an architecture and platforms that support and coordinate diverse public agencies' digitalisation. Prioritise recruiting and developing existing staff's skills to both implement and use digital tools. Regulate to encourage public authorities to digitalise while ensuring that regulations are flexible, focus on outcomes, and give users greater confidence in digital public services.
Next Generation EU grant funds are significant at 13.5% of 2020 GDP. Historic absorption rate of EU funds has been slow, due to hurdles in designing, approving and implementing programmes. Procurement is slow, competition limited and capacity varies widely. Significant recent procurement reforms have been partly reversed, undermining efforts to award bids on the basis of quality or broader policy goals.	**Consolidate smaller agencies' public procurement activities into higher capacity bodies.** Reinstate major elements of the 2016-17 reforms (widespread use of most economically advantageous basis for contract awards; reasonable thresholds for using negotiated procedures; registry of bidding companies), ensuring that complete implementing instructions and adequate training are in place, and seek to stabilise procurement arrangements. Professionalise the procurement workforce in the core procurement agencies. Expand capacity support, and coordination and communication across other government agencies engaged in procurement, especially to strengthen procurement's contributions to broader policy objectives.
Who provides public goods and services	
Italy's hybrid decentralisation and overlapping policy competencies allows for innovation but can inhibit implementing policies or providing consistent and quality public goods and services.	**Clarify competencies of different levels of government, supported by bodies that identify, disseminate and support effective practices.** Further exploit information on sub-national governments' relative service delivery quality and cost effectiveness to encourage adopting effective practices.
The scope of Italy's many state owned enterprises is wide. Public enterprises often perform poorly at delivering public goods and services. While they have provided government authorities a means around constraints on hiring and spending, they have weakened public sector effectiveness. Subnational authorities have stymied efforts to consolidate and improve their governance, which have been suspended.	After the COVID-19 crisis subsides, resume the process of rationalising defunct public enterprises, and consolidating and selling those that are not financially viable or do not provide core public goods and services. Support subnational governments in improving the governance of public enterprises. As feasible, seek to list state owned companies on public equity markets, to subject them to the highest governance and transparency standards.

References

Agenzia per la coesione territoriale (2018), *Rapporto sui Tempi di Attuazione delle Opere Pubbliche*, http://www.agenziacoesione.gov.it/it/Notizie_e_documenti/Focus/I_tempi_delle_opere_pubbliche/index. (accessed on 2 June 2021). [80]

Allain-Dupré, D., C. Hulbert and M. Vincent (2017), "Subnational Infrastructure Investment in OECD Countries: Trends and Key Governance Levers", *OECD Regional Development Working Papers*, No. 2017/05, OECD Publishing, Paris, https://dx.doi.org/10.1787/e9077df7-en. [119]

Alsina Naudi, A. (2018), "Endeavours towards a plain legal language: The case of Spanish in context", *International Journal of Legal Discourse*, Vol. 3/2, pp. 235-268, http://dx.doi.org/10.1515/ijld-2018-2010. [54]

Artinger, F., S. Artinger and G. Gigerenzer (2018), "C. Y. A.: frequency and causes of defensive decisions in public administration", *Business Research*, Vol. 12/1, pp. 9-25, http://dx.doi.org/10.1007/s40685-018-0074-2. [57]

Attrey, A., C. Lesher and C. Lomax (2020), "The role of regulatory sandboxes in promoting flexiblity and innovation in the digital age", *Going Digital Policy Toolkit Policy Note*, Vol. 2, https://goingdigital.oecd.org/toolkitnotes/the-role-of-sandboxes-in-promoting-flexibility-and-innovation-in-the-digital-age.pdf. [94]

Bassanini, F. (2010), "Twenty years of administrative reform in Italy", *Astrid Rassegna*, Vol. 4, http://www.astrid-online.it/static/upload/protected/Bass/Bassanini_Review_Economic_Conditions_Italy_3_09.pdf (accessed on 4 April 2021). [2]

Battini, S. and F. Decarolis (2019), "L'amministrazione si difende", *Rivista trimestrale di diritto pubblico*, Vol. 1, https://www.irpa.eu/articolo/lamministrazione-si-difende/ (accessed on 23 April 2021). [59]

Blanc, F. (2020), "Regulation, Regulatory Delivery, Trust and Distrust: Avoiding Vicious Circles", in *The crisis of confidence in legislation*, Nomos Verlagsgesellschaft mbH & Co. KG, http://dx.doi.org/10.5771/9783748907244-307. [50]

Blanc, F. (2012), *Inspection Reforms: Why, how and what results*, OECD, https://www.oecd.org/regreform/Inspection%20reforms%20-%20web%20-F.%20Blanc.pdf (accessed on 24 February 2021). [35]

Blanc, F., C. Kauffman and M. Amaral (2020), *Removing administrative barriers, improving regulatory delivery*, http://www.oecd.org/coronavirus/policy-responses/removing-administrative-barriers-improving-regulatory-delivery-6704c8a1/. [30]

Blanc, F., G. Ottimofiore and A. Knutov (2019), "Comparative analysis of the legislative framework regulating inspection and supervision activities in the Russian Federation at the federal and municipal levels vis-à-vis international standards and good practices", *Council of Europe*, Vol. Technical Paper ECCD-PRECOP II-TP-9/2018. [37]

Blöndal, J., L. von Trapp and E. Hammer (2016), "Budgeting in Italy", *OECD Journal on Budgeting*, Vol. 15/3, https://dx.doi.org/10.1787/budget-15-5jm0qg8kq1d2. [15]

Boeri, T. and S. Rizzo (2020), *Riprendiamoci lo Stato. Come l'Italia può ripartire doi*, Feltrinelli. [3]

Bonomi Savignon, A., L. Costumato and B. Marchese (2019), "Performance Budgeting in Context: An Analysis of Italian Central Administrations", *Administrative Sciences*, Vol. 9/4, p. 79, http://dx.doi.org/10.3390/admsci9040079. [18]

Bounds, G. (2012), *Public Investment across Levels of Government: The Case of Victoria, Australia*, OECD, Paris, https://www.oecd.org/cfe/regionaldevelopment/victoria_edited.pdf (accessed on 23 April 2021). [118]

Bova, E., R. Ercoli and X. Bosch (2020), "Spending Reviews: Some Insights from Practitioners", *European Economy Discussion Papers*, No. 135, European Commission, Brussels, http://dx.doi.org/10.2765/616187. [27]

Brosio, G. (2018), "Ambition beyond feasibility? Equalization transfers to regional and local governments in Italy", *Documento de Trabajo*, No. 2018/0, Universita´di Torino, Turin, https://documentos.fedea.net/pubs/dt/2018/dt2018-09.pdf (accessed on 14 April 2021). [100]

Bulman, T. and R. Doino (Forthcoming), "What helps Italian municipal governments effectively deliver public goods and services? An empirical investigation", *Economics Department Working Paper*. [56]

Card, D., J. Kluve and A. Weber (2017), "What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations", *Journal of the European Economic Association*, Vol. 16/3, pp. 894-931, http://dx.doi.org/10.1093/jeea/jvx028. [95]

Carta, F. (2019), "Female labour supply in Italy: the role of parental leave and child care policies", *Questioni di Economia e Finanza*, No. 539, Banca d'Italia, Rome, https://www.bancaditalia.it/pubblicazioni/qef/2019-0539/QEF_539_19.pdf?language_id=1 (accessed on 12 April 2021). [106]

Cavatorto, S. and A. La Spina (2020), *The Politics of Public Administration Reform in Italy*, Springer International Publishing, Cham, http://dx.doi.org/10.1007/978-3-030-32288-5. [4]

Davidson, P., C. Kauffmann and M. de Liedekerke (2021), "How do laws and regulations affect competitiveness: The role for regulatory impact assessment", *OECD Regulatory Policy Working Papers*, No. 15, OECD Publishing, Paris, https://dx.doi.org/10.1787/7c11f5d5-en. [48]

De La Cruz, A., A. Medina and Y. Tang (2019), *Owners of the World's Listed Companies*, OECD, http://www.oecd.org/corporate/Owners-of-the-Worlds-Listed-Companies.htm. [123]

Deloitte (2021), *La semplificazione amministrativa Come migliorare il rapporto tra PA e imprese*, Deloitte, Milan, https://www2.deloitte.com/content/dam/Deloitte/it/Documents/public-sector/LaSemplificazioneAmministrativa_Deloitte.pdf (accessed on 23 April 2021). [32]

Depalo, D., R. Giordano and E. Papapetrou (2015), "Public–private wage differentials in euro-area countries: evidence from quantile decomposition analysis", *Empirical Economics*, Vol. 49/3, pp. 985-1015, http://dx.doi.org/10.1007/s00181-014-0900-0. [65]

di Giuseppe, F., L. Landi and P. Lattarulo (2020), *Il procurement dei lavori pubblici alla luce delle recenti riforme*, Ufficio parlamentare di bilancio, https://en.upbilancio.it/wp-content/uploads/2020/06/Nota-appalti-2_2020.pdf. [79]

Dougherty, S. and K. Forman (2021), “Evaluating fiscal equalisation: Finding the right balance”, *OECD Working Papers on Fiscal Federalism*, No. 36, OECD Publishing, Paris, https://dx.doi.org/10.1787/253da2b8-en. [99]

Downes, R., D. Moretti and S. Nicol (2017), “Budgeting and performance in the European Union: A review by the OECD in the context of EU budget focused on results”, *OECD Journal on Budgeting*, Vol. 17/1, https://dx.doi.org/10.1787/budget-17-5jfnx7fj38r2. [22]

Education and Employment References Committee (2018), *Jobactive: Failing those it is intended to serve*, The Senate, Commonwealth of Australia, https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024217/toc_pdf/Jobactivefailingthoseitisintendedtoserve.pdf;fileType=application%2Fpdf (accessed on 27 February 2020). [103]

Ehrenberg-Sundi, B. (n.d.), *Plain Language in Sweden, the Results After 30 Years*, plainlanguage.gov, https://www.plainlanguage.gov/resources/articles/plain-language-in-sweden/ (accessed on 10 February 2021). [53]

European Commission (2020), *Country Report Italy 2020*, European Commission, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020SC0511&from=EN. [26]

European Commission (2019), *Clear writing for Europe 2019 - conference notes*, https://ec.europa.eu/info/events/CWC2019_en (accessed on 10 February 2021). [55]

European Commission (2016), *Stock-taking of administrative capacity, systems and practices across the EU to ensure the compliance and quality of public procurement involving European Structural and Investment (ESI) Funds*, European Commission, https://op.europa.eu/en/publication-detail/-/publication/d1082259-0202-11e6-b713-01aa75ed71a1. [69]

European Commission/EACEA/Eurydice (2019), *Key Data on Early Childhood Education and Care in Europe 2019 Edition*, European Commission, Luxembourg, http://dx.doi.org/10.2797/966808. [108]

European Investment Bank (2017), *Municipal Infrastructure: EIB Investment Survey*, EIB, https://www.eib.org/attachments/efs/eibis_2017_municipality_en.pdf (accessed on 11 June 2021). [116]

Fadic, M., P. Garda and M. Pisu (2019), “The effect of public sector efficiency on firm-level productivity growth: The Italian case”, *OECD Economics Department Working Papers*, No. 1573, OECD Publishing, Paris, https://dx.doi.org/10.1787/6d20b56d-en. [33]

Fertig, M. and N. Ziminiene (2017), *PES network benchlearning manual*, European Commission, http://dx.doi.org/10.2767/254654. [101]

Figari, F. and E. Narazani (2019), “The joint decision of female labour supply and childcare in Italy under costs and availability constraints”, *Economia Politica*, Vol. 37/2, pp. 411-439, http://dx.doi.org/10.1007/s40888-019-00160-w. [105]

ForumPA (2017), *Burocrazia difensiva. Come ne usciamo? Una ricerca di FPA*, Forumpa, https://www.forumpa.it/riforma-pa/burocrazia-difensiva-come-ne-usciamo-una-ricerca-di-fpa/ (accessed on 22 April 2021). [58]

Gerson, D. (2020), "Leadership for a high performing civil service: Towards senior civil service systems in OECD countries", *OECD Working Papers on Public Governance*, No. 40, OECD Publishing, Paris, https://dx.doi.org/10.1787/ed8235c8-en. [63]

Global Infrastructure Hub (2019), *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*, https://cdn.gihub.org/umbraco/media/2344/gih_project-preparation_full-document_final_art_web.pdf. [121]

Halligan, J. (2013), *Reform of Public Sector Governance in Australia*, Conference, Towards a comprehensive reform of public governance in Portugal, https://www.cfp.pt/uploads/eventos_horario_ficheiros/john_halligan_paper.pdf (accessed on 27 April 2021). [13]

Huerta Melchor, O. (2008), "Managing Change in OECD Governments: An Introductory Framework", *OECD Working Papers on Public Governance*, No. 12, OECD Publishing, Paris, https://dx.doi.org/10.1787/227141782188. [11]

Hyee, R. et al. (2020), *The OECD Tax-Benefit Model for Italy: Description of policy rules for 2020*, OECD, Paris, https://www.oecd.org/els/soc/TaxBEN-Italy-2020.pdf (accessed on 12 April 2021). [109]

ICON-INSTITUT Public Sector (2018), *European Network of Public Employment Services Ad Hoc Module to the 2018 PES Capacity Questionnaire Survey report*, European Commission, Brussels, https://ec.europa.eu/social/BlobServlet?docId=20575&langId=en. [102]

Institute of Public Management and Economic Development (2011), *Generation Y and Public Management: Issues and Implications*, Ministrère de l'ÉEconomie, http://www.economie.gouv.fr/files/pmo_38.pdf. [72]

Istat (2020), *Le Partecipate Pubbliche in Italia: 2018*, Istat, Rome, https://www.istat.it/it/archivio/252150#:~:text=Le%20unit%C3%A0%20economiche%20partecipate%20dal,amministrazione%20pubblica%20regionale%20o%20locale. (accessed on 5 March 2021). [122]

Istat (2020), *Local public administrations and ICT: 2018*, Istat, Rome, https://www.istat.it/it/files//2020/05/LocalPA_and_ICT.pdf (accessed on 22 March 2021). [91]

Istat (2019), *Supply of Services for the Early Childhood Education: School Year 2017/2018*, Istat, Rome, https://www.istat.it/it/files//2020/04/REPORT_asili-nido_EN.pdf (accessed on 8 April 2021). [104]

Karantounias, V. and D. Pinelli (2016), "Local State-Owned Enterprises in Italy: Inefficiencies and Ways Forward", *Economic Brief*, No. 010, http://dx.doi.org/10.2765/266052. [126]

Keller, A. (2018), "2018 OECD Performance Budgeting Survey: Key findings and trends", *Presentation, 14th Annual Meeting of the OECD SBO Performance and Results Network*, https://www.slideshare.net/OECD-GOV/international-trends-in-performance-budgeting-anne-keller-oecd. [19]

Lorenzani, D. and V. Reitano (2015), "Italy's Spending Maze Runner An analysis of the structure and evolution of public expenditure in Italy", *European Economy Discussion Papers*, No. 23, European Commission, Brussels, http://dx.doi.org/10.2765/296530. [14]

Matheson, A. et al. (2007), "Study on the Political Involvement in Senior Staffing and on the Delineation of Responsibilities Between Ministers and Senior Civil Servants", *OECD Working Papers on Public Governance*, No. 6, OECD Publishing, Paris, https://dx.doi.org/10.1787/136274825752. [64]

Ministro per la Pubblica Amministrazione (2020), *Semplificazione per la Ripesa: Agenda 2020-2023*, http://www.italiasemplice.gov.it/media/2635/agenda_semplificazione_2020-2023.pdf (accessed on 1 March 2021). [43]

Ministry of Economy and Finance (2020), *Rapporto sugli esiti della revisione straordinaria delle partecipazioni pubbliche*, Ministry of Economy and Finance, Department of Treasury, http://www.dt.mef.gov.it/export/sites/sitodt/modules/documenti_it/programmi_cartolarizzazione/patrimonio_pa/Rapporto_sugli_esiti_della_Revisione_straordinaria_DEF_maggio_2019.pdf (accessed on 5 March 2021). [124]

Ministry of Justice, Sweden (2006), *Plain Legal Language: Sweden's approach to clearly written laws*, https://www.oecd.org/mena/governance/37788778.pdf (accessed on 10 February 2021). [52]

Montén, A. and C. Thater (2011), "Determinants of Efficiency in Child-Care Provision", *FinanzArchiv*, Vol. 67/4, p. 378, http://dx.doi.org/10.1628/001522111x614178. [110]

Murtin, F. et al. (2018), "Trust and its determinants: Evidence from the Trustlab experiment", *OECD Statistics Working Papers*, No. 2018/2, OECD Publishing, Paris, https://dx.doi.org/10.1787/869ef2ec-en. [1]

Nicoletti, G. et al. (2021), "Spurring growth and closing gaps through digitalisation: policies to LIFT all boats", *Working Party No. 1 on Macroeconomic and Structural Policy Analysis*, Vol. ECO/CPE/WP1(2021)13. [86]

Noman, Z. (2008), "Performance budgeting in the United Kingdom", *OECD Journal on Budgeting*, Vol. 8/1, https://dx.doi.org/10.1787/budget-v8-art4-en. [21]

NZ Productivity Commission (2013), "Primer on local government coordination: online appendix to the inquiry into local government regulatory performance", https://www.productivity.govt.nz/assets/Documents/6aa777749b/Online-appendix-Primer-on-local-government-coordination.pdf. [120]

OECD (2021), *OECD Economic Surveys: European Union 2021*, OECD Publishing, Paris, https://dx.doi.org/10.1787/a77ab220-en. [78]

OECD (2021), *OECD Economic Surveys: Italy 2021*, OECD Publishing, Paris, https://dx.doi.org/10.1787/07d8b9cd-en. [10]

OECD (2021), *OECD Economic Surveys: Spain 2021*, OECD Publishing, Paris, https://dx.doi.org/10.1787/79e92d88-en. [29]

OECD (2021), "The OECD Framework for digital talent and skills in the public sector", *OECD Working Papers on Public Governance*, Organisation for Economic Co-Operation and Development (OECD), http://dx.doi.org/10.1787/4e7c3f58-en. [70]

OECD (2020), *Governance for Youth, Trust and Intergenerational Justice: Fit for All Generations?*, OECD Public Governance Reviews, OECD Publishing, Paris, https://dx.doi.org/10.1787/c3e5cb8a-en. [71]

OECD (2020), *Integrating Responsible Business Conduct in Public Procurement*, OECD Publishing, Paris, https://dx.doi.org/10.1787/02682b01-en. [74]

OECD (2020), *OECD Capital Market Review of Italy 2020: Creating Growth Opportunities for Italian Companies and Savers*, OECD, http://www.oecd.org/corporate/OECD-Capital-Market-Review-Italy.htm. [129]

OECD (2020), *OECD Economic Surveys: Germany 2020*, OECD Publishing, Paris, https://dx.doi.org/10.1787/91973c69-en. [115]

OECD (2020), *Reviewing the Stock of Regulation*, OECD Best Practice Principles for Regulatory Policy, OECD Publishing, Paris, https://dx.doi.org/10.1787/1a8f33bc-en. [45]

OECD (2019), *Better Regulation Practices across the European Union*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264311732-en. [46]

OECD (2019), *Government at a Glance 2019*, OECD Publishing, Paris, https://dx.doi.org/10.1787/8ccf5c38-en. [61]

OECD (2019), *Making Decentralisation Work: A Handbook for Policy-Makers*, OECD Multi-level Governance Studies, OECD Publishing, Paris, https://dx.doi.org/10.1787/g2g9faa7-en. [98]

OECD (2019), *OECD Economic Surveys: Italy 2019*, OECD Publishing, Paris, https://dx.doi.org/10.1787/369ec0f2-en. [6]

OECD (2019), *OECD Economic Surveys: New Zealand 2019*, OECD Publishing, Paris, https://dx.doi.org/10.1787/b0b94dbd-en. [24]

OECD (2019), *OECD Good Practices for Performance Budgeting*, OECD Publishing, Paris, https://dx.doi.org/10.1787/c90b0305-en. [17]

OECD (2019), *Recommendation of the Council on Public Service Leadership and Capability*, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0445. [60]

OECD (2019), *Reforming Public Procurement: Progress in Implementing the 2015 OECD Recommendation*, OECD Public Governance Reviews, OECD Publishing, Paris, https://dx.doi.org/10.1787/1de41738-en. [77]

OECD (2019), *Strengthening Active Labour Market Policies in Italy*, Connecting People with Jobs, OECD Publishing, Paris, https://dx.doi.org/10.1787/160a3c28-en. [90]

OECD (2019), *The Path to Becoming a Data-Driven Public Sector*, OECD Digital Government Studies, OECD Publishing, Paris, https://dx.doi.org/10.1787/059814a7-en. [92]

OECD (2019), *Tools and Ethics for Applied Behavioural Insights: The BASIC Toolkit*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9ea76a8f-en. [47]

OECD (2018), *Developing Robust Project Pipelines for Low-Carbon Infrastructure*, Green Finance and Investment, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264307827-en. [113]

OECD (2018), *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264308817-en. [96]

OECD (2018), *OECD Performance Budgeting Survey*, https://qdd.oecd.org/subject.aspx?Subject=PB_2018. [23]

OECD (2018), *OECD Regulatory Enforcement and Inspections Toolkit*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264303959-en. [41]

OECD (2018), *OECD Regulatory Policy Outlook 2018*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264303072-en. [39]

OECD (2017), *Getting Infrastructure Right: A framework for better governance*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264272453-en. [112]

OECD (2017), *Government at a Glance 2017*, OECD Publishing, Paris, https://dx.doi.org/10.1787/gov_glance-2017-en. [25]

OECD (2017), *Public Procurement for Innovation: Good Practices and Strategies*, OECD Public Governance Reviews, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264265820-en. [76]

OECD (2017), *Public Procurement in Peru: Reinforcing Capacity and Co-ordination*, OECD Public Governance Reviews, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264278905-en. [83]

OECD (2017), *Starting Strong 2017: Key OECD Indicators on Early Childhood Education and Care*, Starting Strong, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264276116-en. [107]

OECD (2017), *The Size and Sectoral Distribution of State-Owned Enterprises*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264280663-en. [125]

OECD (2016), *Broadening the Ownership of State-Owned Enterprises: A Comparison of Governance Practices*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264244603-en. [128]

OECD (2016), *Dataset on Public Procurement*, Organisation for Economic Cooperation and Development, https://qdd.oecd.org/subject.aspx?Subject=GOV_PUBPRO_2016 (accessed on 15 January 2021). [75]

OECD (2016), *Engaging Public Employees for a High-Performing Civil Service*, OECD Public Governance Reviews, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264267190-en. [62]

OECD (2016), *Towards Efficient Public Procurement in Colombia: Making the Difference*, OECD Public Governance Reviews, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264252103-en. [84]

OECD (2015), *OECD Economic Surveys: Italy 2015*, OECD Publishing, Paris, https://dx.doi.org/10.1787/eco_surveys-ita-2015-en. [8]

OECD (2015), *OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264244160-en. [127]

OECD (2015), *Recommendation of the Council on Budgetary Governance*, http://www.oecd.org/gov/budgeting/Recommendation-of-the-Council-on-Budgetary-Governance.pdf (accessed on 15 February 2021). [16]

OECD (2014), *OECD Recommendation on Digital Government Strategies*, OECD, http://www.oecd.org/gov/digital-government/recommendation-on-digital-government-strategies.htm. [88]

OECD (2014), *Regulatory Enforcement and Inspections*, OECD Best Practice Principles for Regulatory Policy, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264208117-en. [42]

OECD (2013), *OECD Economic Surveys: Italy 2013*, OECD Publishing, Paris, https://dx.doi.org/10.1787/eco_surveys-ita-2013-en. [7]

OECD (2013), "What makes civil justice effective?", *Economics Department Policy Notes*, No. 18, OECD, Paris, https://www.oecd.org/economy/growth/Civil%20Justice%20Policy%20Note.pdf (accessed on 14 June 2021). [34]

OECD (2012), *Measuring Regulatory Performance: A Practitioner's Guide to Perception Surveys*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264167179-en. [49]

OECD (2012), *Public Sector Compensation in Times of Austerity*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264177758-en. [68]

OECD (2012), *Recommendation of the Council on Regulatory Policy and Governance*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264209022-en. [38]

OECD (2010), *Modernising the Public Administration A Study on Italy A Study on Italy*, OECD, Paris, https://joinup.ec.europa.eu/sites/default/files/document/2014-12/Modernising%20the%20Public%20Administration%20-%20A%20Study%20on%20Italy.pdf (accessed on 8 April 2021). [5]

OECD/KDI (2018), *Understanding the Drivers of Trust in Government Institutions in Korea*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264308992-en. [85]

OECD/KDI (2017), *Improving Regulatory Governance: Trends, Practices and the Way Forward*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264280366-en. [40]

OECD/KIPF (2016), *Fiscal Federalism 2016: Making Decentralisation Work*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264254053-en. [97]

OECD-CoR (2015), *Results of the OECD-CoR Consultation of Sub-national Governments - Infrastructure planning and investment across levels of government: current challenges and possible solutions*, OECD, Paris, https://portal.cor.europa.eu/europe2020/pub/documents/oecd-cor-jointreport.pdf (accessed on 11 June 2021). [117]

Op de Beeck, S. and A. Hondeghem (2010), *Managing Competencies in Government: State of the Art Practices and Issues at Stake for the Future Public Governance and Territorial Development Directorate Network on Public Employment and Management*, OECD, https://www.oecd.org/gov/pem/paper-managing-competencies-in-government-state-of-the-art-practices-and-issues.pdf (accessed on 6 April 2021). [73]

OPSI (2020), *OPSI COVID-19 Innovative Response Tracker*, https://oecd-opsi.org/response-badge/open-data/. [89]

Palumbo Crocco, C. and D. Crocco (2020), *Smart procurement. Idee per un protocollo anticrisi (Input)*, Rubbettino, http://ISBN 10: 8849864183. [81]

Pisu, M., P. Hoeller and I. Joumard (2012), "Options for Benchmarking Infrastructure Performance", *OECD Economics Department Working Papers*, No. 956, OECD Publishing, Paris, https://dx.doi.org/10.1787/5k9b7bnbxjwl-en. [114]

Presidency of the Council of Ministers (2021), *National Recovery and Resilience Plan: #nextgenerationitallia*, Republic of Italy, Rome, https://www.governo.it/sites/governo.it/files/PNRR_0.pdf (accessed on 31 May 2021). [9]

PWC (2016), *Stock-taking of administrative capacity, systems, and practices across the EU to ensure the compliance and quality of public procurement involving the European Structural and Investment (ESI) funds*, European Commission, https://op.europa.eu/en/publication-detail/-/publication/e9e89d76-e041-11e5-8fea-01aa75ed71a1. [82]

Rexed, K. et al. (2007), "Governance of Decentralised Pay Setting in Selected OECD Countries", *OECD Working Papers on Public Governance*, No. 3, OECD Publishing, Paris, https://dx.doi.org/10.1787/210083427643. [67]

Rizzica, L. (2020), "The Italian public sector workforce: recent evolution in the light of the rules on turnover", *Questioni di Economia e Finanza*, No. 560, Banca d'Italia, Rome, https://www.bancaditalia.it/pubblicazioni/qef/2020-0560/QEF_560_20.pdf?language_id=1 (accessed on 1 June 2021). [51]

Schick, A. (2014), "The metamorphoses of performance budgeting", *OECD Journal on Budgeting*, Vol. 13/2, https://dx.doi.org/10.1787/budget-13-5jz2jw9szgs8. [20]

Shaw, R. and I. Richet (2012), "La nouvelle gestion publique en Australie : passé, présent et futur", *Pouvoirs*, Vol. 141/2, p. 117, http://dx.doi.org/10.3917/pouv.141.0117. [12]

Taguma, M. et al. (2017), *Starting Strong IV: Monitoring quality in early childhood education and care - Italy*, OECD, Paris, https://www.oecd.org/education/school/ECECMN-Italy.pdf (accessed on 13 April 2021). [111]

The European House - Ambrosetti (2019), *La P.A. (Pubblica Amministrazione) da Peso Aggiunto a Potenziale Aiuto alla crescita del Paese*, The European House - Ambrosetti, https://www.ambrosetti.eu/wp-content/uploads/ricerca-PA-2.pdf (accessed on 23 April 2021). [31]

Ubaldi, B. et al. (2019), "State of the art in the use of emerging technologies in the public sector", *OECD Working Papers on Public Governance*, No. 31, OECD Publishing, Paris, https://dx.doi.org/10.1787/932780bc-en. [93]

Ufficio Valutazione Impatto (2018), *The Uncompleted Evaluation of Legislative Acts in Italy: Critical Issues, Prospects and Good Practice*, Senato della Repubblica, Rome, http://www.senato.it/service/PDF/PDFServer/BGT/01082854.pdf (accessed on 6 April 2021). [44]

Von Trapp, L. et al. (2017), *OECD Review of the Independent Authority for Fiscal Responsibility (AIReF)*, OECD, Paris, https://www.oecd.org/gov/budgeting/airef-review-en.pdf (accessed on 8 April 2021). [28]

Welby, B. (2019), “The impact of digital government on citizen well-being”, *OECD Working Papers on Public Governance*, No. 32, OECD Publishing, Paris, https://dx.doi.org/10.1787/24bac82f-en. [87]

World Bank (2020), *Public sector wage premium (compared to all private employees)* | *Data Catalog*, World Bank, Washington, DC, https://datacatalog.worldbank.org/public-sector-wage-premium-compared-all-private-employees (accessed on 19 April 2021). [66]

World Bank (n.d.), *The Future of Business Regulation: Case Study: Promoting compliance – and going beyond*, World Bank Group. [36]