



MINISTERO DELL'ECONOMIA E DELLE FINANZE

REPORT ON EXPENDITURE

of Central Government Administrations

(Drafted in accordance with article 41 of Law N°196 of 31 December 2009)

SUMMARY

2012



MINISTRY OF ECONOMY AND FINANCE
STATE GENERAL ACCOUNTING DEPARTMENT

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The Report on expenditure of central Government Administrations (Ministries) is the first document drafted in compliance with Law 196 of 2009 reforming accounts and public finance; in particular, article 41 provides that the composition and evolution of expenditure are examined and the levels of administrations efficiency are investigated. The topics dealt with in the Report are incorporated in the process of analysis and evaluation of expenditure foreseen by Financial Law 2007¹, and reinforced by the provisions issued in the following years.

Financial Law 2008² assigned to the Ministry of Economy and Finance the task of permanently carrying out these activities – thus bringing this process into the administration responsible for budget. In 2009, the State General Accounting Department (RGS) started up a plan of analysis and evaluation of central Government Administrations expenditure coordinated by the Department's Studies Division, which led to the preparation of a first Report whose presentation took place in September of the same year. A series of standards and provisions subsequent to Law 196 of 2009 majorly defined some aspects of the *spending review*, indicating also new guide-lines on expenditure rationalisation³. In particular, 2011 and 2012 provisions envisage the definition of costs and spending plans of central Government Administrations and their local branch offices, measures of expenditure rationalisation for purchasing goods and services, measures for reducing the organisational staff endowment, and other measures of reduction in ministries' spending⁴.

This process necessarily require the active involvement of administrations as the managers of the processes determining the expenditure, responsible for policy implementation, and as the holders of the information needed by the analysis, with particular reference to the definition of spending requirements. In this regard, article 39 of Law 196 of 2009 identified Expenditure Analysis and Evaluation Units (NAVS)⁵ as the institutional bases for collaboration between the Ministry of Economy and Finance and each single central State Administration (Ministry).

The 2012 Report on Expenditure of central Government Administrations includes four sections.

¹ Law 296 of 27 December 2006, art. 1, paragraph 480.

² Law 244 of 24 December 2007, art. 3, paragraph 67.

³ We provide as follows: from article 9, paragraph 1, of Law Decree 98 of 2011 (converted with amendment by Law 111 of 2011); from article 01, paragraph 1, of Law Decree 138 of 2011 (converted with amendment by Law 148 of 2011); from the elements for spending review indicated by the Ministry of Relations with the Parliament; from the appointment of the extraordinary Commissioner for expenditure rationalisation for purchasing goods and services, up to the most recent provisions incorporated in the additional articles of Law Decree 52 of 2012 (converted with amendment by Law 94 of 2012) and existing in Law Decree 95 of 2012, currently for the Parliament's attention.

⁴ For the purpose of coordinating the Government's action and the policies aiming at the analysis and re-organisation of public spending, article 1 of Law Decree 52 of 2012 establishes an inter-ministerial Commission chaired by the President of the Council of Ministers and including the Minister delegated for government plan, the Minister for the Public Administration and Simplification and the Minister of Economy and Finance, or the Deputy Minister delegated by him, and by the Undersecretary to the Council Presidency carrying out tasks as the Secretary of the Council of Ministers.

⁵ The composition and methods for NAVS functioning were defined under Decree of the Minister of Economy and Finance of 22 March 2010; NAVS were established at the end of the first semester of 2011 and their duties subsequently specified by Legislative Decree 123 of 2011.

The **first**, in the scope of a broader **analysis of public spending as a whole**, studies in depth the composition and evolution of State expenditure (paragraph 2 of art. 41).

The **second** focuses on some of the **key sectors of expenditure** (paragraph 3, letter a) of article 41). On one hand, it analyses some of its components, which can be directly traced to the State production of public services (employees and intermediate consumption) by taking into consideration also off-balance debts; on the other hand, it concentrates on the policies supporting the business sector ((grants, subsidies and incentives for enterprises). Also in this case, the evolution and composition of expenditure are examined and the critical aspects of each sector are identified.

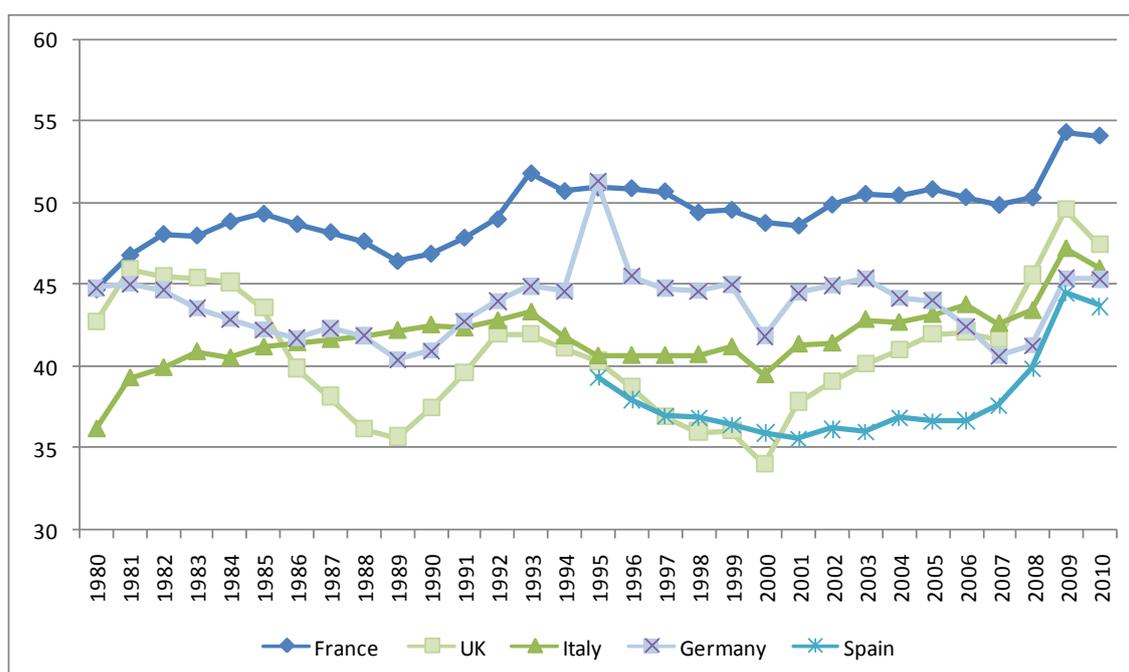
The **third** section of the Report is dedicated to some specific in-depth analyses within **local branch offices of central Government Administrations**. A comprehensive evaluation was carried out and relative efficiency analyses had been performed whereas the available data allowed it; some experimental calculations of standard requirements linked to supply of services by some administrations have been submitted, thus implementing initial evaluation in line with provisions set in article 9, paragraph 1, of Law Decree 98 of 2011 and of article 01, paragraph 4, of Law Decree 138 of 2011.

The **fourth** and concluding section of the Report, in compliance with the provisions set in paragraph 3, letters b) and c) of article 41 of Law 196 of 2009, is composed by a chapter of methodological introduction and an Addendum, in which **proposals of result and context indicators**, according to State budget **Missions and Programmes**, are incorporated and can be used to evaluate the attainment of the central State administrations' goals.

The evolution and composition of public spending has been studied/analyzed with the aim of incorporating the State budget component in the broader scope of General government

Over the first decade of 2000's, the ratio between Italian primary public spending and GDP showed a slower growth compared to those of the other principal European countries, except for Germany (Figure 1). By observing a longer time period, fifteen years, it can be deduced how the increase on spending for social protection and general services has been compensated by the reduction in spending for the so-called "other activities" - given by all those for economic affairs, housing and community amenities, recreation, culture and religion -, and to a lesser extent by the reduction concerning health and education, as well as pure public goods, like defence, public order and safety, and also environment protection (Table 1).

Figure 1. General government primary expenditure. Years 1980-2010*. Percentage of GDP



* As regards Spain, the data available refer to 1995.

Source: RGS Elaborations based on Ameco data

Table 1. General government expenditure by function. Various years. Percentage of GDP.

Expenditure function	Italy			Germany			Spain			France			United Kingdom		
	1995	average 2005-2009	2010	1995	average 2005-2009	2010									
General services	14.1	8.6	8.3	6.7	6.0	6.1	7.4	4.8	5.2	8.1	7.0	6.9	5.8	4.4	5.3
Defence	1.2	1.4	1.4	1.3	1.0	1.1	1.4	1.0	1.1	2.5	1.8	2.1	3.1	2.5	2.7
Public order and security	2.0	1.9	1.9	1.6	1.6	1.6	2.0	1.9	2.1	1.3	1.6	1.7	2.1	2.6	2.6
Economic affairs	4.4	4.2	3.8	11.1	3.5	4.8	5.7	5.1	5.2	3.9	3.3	3.4	3.3	3.6	3.1
Environmental protection	0.7	0.9	0.8	1.0	0.6	0.7	0.8	0.9	0.9	0.6	1.0	1.0	0.5	0.9	1.0
Housing and territory's set-up	0.9	0.7	0.7	0.8	0.9	0.7	1.1	1.0	1.2	1.5	1.9	1.9	1.0	1.2	1.3
Healthcare	5.3	7.1	7.6	6.3	6.8	7.2	5.3	6.0	6.5	7.3	7.8	8.0	5.5	7.4	8.2
Recreational, cultural, worship activities	0.8	0.9	0.8	0.8	0.8	0.8	1.4	1.6	1.6	1.1	1.4	1.5	0.9	1.1	1.1
Education	4.7	4.6	4.5	4.4	4.1	4.3	4.6	4.5	4.9	6.6	5.7	6.0	4.6	6.4	7.0
Social protection	18.3	18.6	20.4	20.8	20.3	20.6	14.7	13.9	16.9	21.5	22.3	24.2	17.2	16.1	17.9
TOTAL	52.5	48.9	50.4	54.8	45.6	47.9	44.4	40.8	45.6	54.4	53.8	56.6	44.0	46.3	50.3

Source: RGS Elaborations based on EUROSTAT data

Over the period 2001-2011, for which a more homogeneous comparison among general government subsectors is possible, a change in the distribution of primary expenditure was observed. The share related to central government decreased, while that related to social security institutions increased, with a relatively stable weight of local government. Yet, within this last subsector, the relative weight of Regions and Municipalities decreased while that of local health bodies increased (Table 2). In terms of growth cumulated over the decade, the

increase in central government expenditure has substantially resulted to be equalling that of the Regions and Municipalities (a little over 20 per cent), whilst the expansion of primary outlays of local healthcare bodies (around 49 per cent) and social security institutions (about 50 per cent) appeared to be well more consistent. The increase accrued by Provinces' expenditure was in an intermediate position (around 40 per cent).

Table 2. Primary expenditure consolidated by general government subsector. Various years. Percentage of GDP, share over total expenditure and index numbers 2001=100 (on nominal values).

Subsector and division	2001			2005			2010			2011		
	% GDP	% share	index number 2001=100	% GDP	% share	index number 2001=100	% GDP	% share	index number 2001=100	% GDP	% share	index number 2001=100
Central administrations	11.5	27.5	100.0	11.6	26.5	115.8	11.7	25.2	126.9	11.2	24.5	123.0
- of which State	10.1	24.3	100.0	10.7	24.4	121.0	10.8	23.1	131.9	10.2	22.4	127.6
Local administrations	14.0	33.6	100.0	15.2	34.7	124.2	15.6	33.4	138.0	15.1	33.1	135.7
- of which Regions	2.3	5.5	100.0	2.4	5.6	122.4	2.3	4.9	124.2	2.2	4.8	120.6
- of which Provinces	0.6	1.5	100.0	0.8	1.8	137.3	0.7	1.6	144.1	0.7	1.6	139.9
- of which Municipalities	4.0	9.6	100.0	4.1	9.4	117.3	4.0	8.7	125.1	3.9	8.5	122.5
- of which local healthcare authorities	6.0	14.4	100.0	6.7	15.3	127.8	7.3	15.6	150.3	7.1	15.5	149.3
Social security authorities	16.2	38.9	100.0	16.9	38.7	119.8	19.3	41.4	147.7	19.3	42.4	150.6
Public administrations	41.6	100.0	100.0	43.7	100.0	120.2	46.6	100.0	138.7	45.6	100.0	138.0

Source: RGS Elaborations based on ISTAT data

Table 3. Final statement of accounts – State Budget: assessed revenue and commitment expenditure. Years 2003-2011. Million Euros.

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Tax revenue	367,408	380,062	377,854	429,363	444,168	446,165	439,017	441,614	452,731
Extra-tax revenue	34,150	35,715	44,105	48,759	49,382	49,400	66,150	61,791	65,698
Sale and amortisation of assets and collection of debts	17,949	10,992	10,075	1,921	6,121	2,182	2,630	1,921	3,313
FINAL INCOME	419,507	426,769	432,034	480,043	499,671	497,746	507,796	505,325	521,742
Current expenses	391,593	400,561	420,449	428,139	437,189	472,685	481,578	474,662	472,320
of which interests	71,304	60,964	70,671	70,800	68,202	79,867	73,239	69,523	73,748
Capital expenses	60,035	47,364	46,794	38,954	53,157	63,052	58,913	52,282	48,502
FINAL EXPENDITURE	451,629	447,925	467,243	467,094	490,346	535,737	540,492	526,944	520,822
<i>Differential results</i>									
Public savings	9,964	15,217	1,509	49,983	56,361	22,880	23,588	28,742	46,109
Net balance to finance	-32,122	-21,155	-35,210	12,949	9,325	-37,990	-32,695	-21,619	921

Source: RGS Elaborations based on the final statements of accounts

Table 4. Final statement of accounts – State Budget: total receipts and total payments. Years 2003-2011. Million Euros.

ITEMS	2003	2004	2005	2006	2007	2008	2009	2010	2011
Tax revenue	353,522	370,679	365,199	398,826	417,843	422,639	414,010	408,952	415,649
Extra-tax revenue	22,564	25,863	28,473	27,557	26,442	30,569	39,583	33,335	33,770
Reimbursement of credits	17,943	10,992	10,073	1,906	6,110	2,155	2,609	1,855	3,238
FINAL INCOME	394,029	407,534	403,745	428,289	450,395	455,363	456,202	444,142	452,657
Current expenses	394,109	397,144	410,086	421,831	430,276	463,065	469,577	452,441	471,545
of which interests	71,449	60,921	70,253	70,350	68,846	79,996	73,179	69,490	73,594
Capital expenses	61,912	43,976	42,495	37,971	45,685	60,957	53,670	51,547	47,830
FINAL EXPENDITURE	456,021	441,120	452,581	459,802	475,961	524,021	523,247	503,988	519,375
<i>Differential results</i>									
Public savings	-18,023	-602	-16,414	4,552	14,009	-9,857	-15,984	-10,154	-22,126
Net balance to finance	-61,992	-33,586	-48,836	-31,513	-25,566	-68,658	-67,045	-59,846	-66,718

Source: RGS Elaborations based on the final statements of accounts

In this context and considering public accounting data, the State budget final expenditure, after increasing by almost 20 per cent between 2003 and 2009, registered a reduction of approximately 3.6 percentage points in terms of commitments over the period 2010-2011 (Table 3). The corresponding variations evaluated in terms of payments resulted quite similar (Table 4). In this case, the increase between 2003 and 2009 amounted to around 14 per cent, while the reduction observed over the last two-year period was more contained (-1 per cent).

Examining the budget expenditure items, between 2003 and 2011, transfers to general governments other than central administrations have seen a gradual and considerable increase. Most resources mainly concerned the transfers addressed to social security institutions and healthcare sector bodies. On the contrary, the share of direct spending items decreased. With reference to the distribution of expenditure by purpose, represented through the Missions, compared to 2008 we observed a budget polarization in some specific spheres, thus confirming what had already resulted by analyzing public finance data with the increased weight of local governments, of interest expenditure and of social security expenditure. In particular, three Missions (*Financial relations with territorial autonomous bodies*, *Public debt* and *Social security policies*) represent on the whole more than 50% of the expenditure. Further 30 per cent is absorbed by the Missions *School education*, *Italy in Europe and in the world*, *Economic-financial and budget policies* and *Social rights, social policies and family*.

Between 2008 and 2011, the most evident reductions in spending composition affected the Missions concerning economic affairs (in particular, *Market regulations*, *Energy and diversification of energy sources* and *Tourism*), the Funds to be distributed, and the transfers to local governments. The evolution mirrored partly the trend dynamics of various expense items, partly the corrections made with the public finance interventions provided, mainly over recent years, for the key purpose of ensuring the observance of the commitments taken at European level. Although these interventions allowed to limit the evolution of expenditure, in particular over the last two-year period, they were often set out under emergency and operated, in general, during the financial management by means of miscellaneous measures intended to affect the most compressible spending aggregates within the lengths of time necessary for the prompt correction of public finance balances (Table 5).

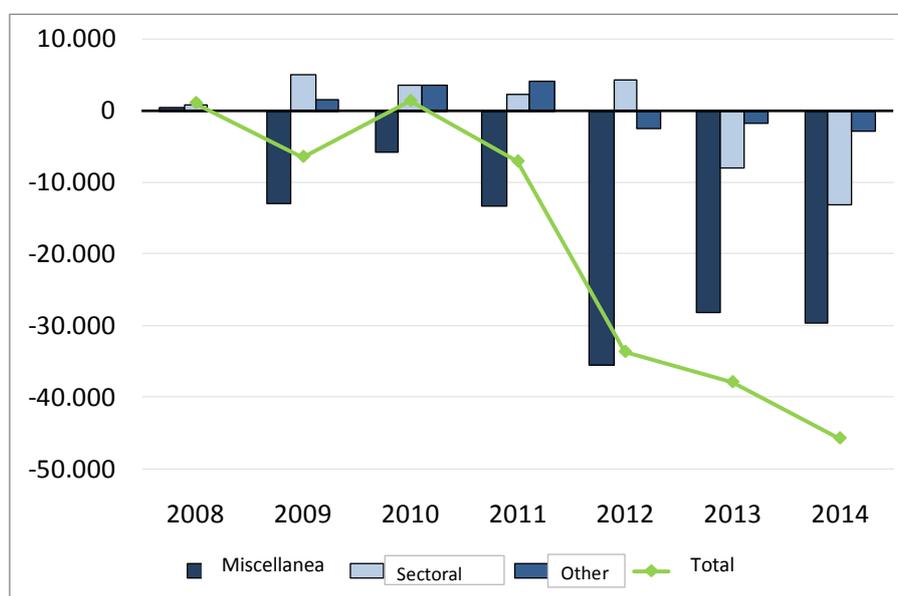
Since 2008, fiscal consolidation measures mainly operated through the containment of so-called “attackable” budget resources and, in terms of public employment, through freeze on staff turnover and/or limitation of wage adjustments, apart from the exclusion of some specific sectors considered to be worthy of particular protection. Thus, the administrations and State Budget Missions with a higher share of expenditure easily susceptible of retrenchment turned out to be mostly penalised while some types of expenditure more protected from a juridical point of view— in general ensured by the existence of subjective rights or particular legislative constraints – have majorly been preserved from the reduction in allocations. On the contrary - and as expected - in the case of fiscal expansion measures, interventions targeting specific sectors have prevailed, given that objectives, policies and sectors to which new or more substantial financial resources were to be allocated, were clearer and more easily identified (Figure 2).

Table 5. Estimate of expenditure correction of key measures on State budget since 2008. Million Euros.

	2008	2009	2010	2011	2012	2013	2014
Decree Law 112/2008	1,163.3	-9,557.5	-9,354.2	-17,841.3	-15,430.9	-13,140.6	-10,850.3
Decree Law 185/2008	0.0	3,043.4	847.4	762.6	775.1	787.7	800.2
Financial Law 2009	0.0	-919.1	-329.1	4,750.8	-1,805.0	-1,811.6	-1,818.2
Decree Law 5/2009	0.0	1,088.1	-19.5	-200.0	-166.0	-132.0	-98.0
Financial L. 2010	0.0	0.0	9,275.6	8,396.6	5,509.1	727.7	533.0
Decree Law 78/2010	0.0	0.0	1,123.4	-8,273.1	-13,485.4	-14,405.7	-14,027.4
Stability financial Law 2011	0.0	0.0	10.4	4,241.1	3,661.2	10,089.7	1,088.7
Decree Law 98/2011 and Decree Law 138/2011	0.0	0.0	0.0	1,106.3	-6,322.6	-11,253.0	-14,715.3
Stability financial Law 2012	0.0	0.0	0.0	67.6	1,062.4	1,440.1	7,620.1
Decree Law 201/2011	0.0	0.0	0.0	0.0	-4,515.6	-3,834.8	-4,872.9
Decree Law 95/2012	0.0	0.0	0.0	0.0	-2,871.5	-5,284.2	-8,324.2
TOTAL	1,163.3	-6,345.1	1,554.0	-6,989.4	-33,589.2	-36,816.9	-44,664.2

Source: RGS Elaborations based on "Summary statement of financial impacts" data, various measures.

Figure 2. Key measures on State budget expenditure since 2008 by type of intervention (estimate of the impacts in terms of public accounting). Million Euros.



Note: The measures provided by each manoeuvre have been divided into: a) miscellanea, including all interventions providing reduction or increase in expenditure, in an undifferentiated or transversal manner (e.g. the linear reduction in "attackable" expenses provided under Decree Law 112/2008); b) sectoral, incorporating the interventions concerning specific areas of public expenditure, according to which specific sectors and policies can be identified in a univocal manner (e.g. correction measures on healthcare or social security, local public transport, universities, etc.); c) other interventions, defined like those, for which it is not possible to identify, in a univocal manner, the attribution to one of the previous categories, or those concerning expenditure compensation for revenue measures (which are the majority).

Source: RGS Elaborations based on "Summary statement of financial impacts" data, various measures.

The first sector of expenditure examined in detail by the Report is related to **public employment**. The experience in control of expenditure in this sector highlights the lack of a single and consistent political guide-line, as far as both the limitation on recruitment and economic treatments are concerned.

From 1980 to present, the general government expenditure for compensation of employees had a significant increase. Over this period, the expenditure resulting from ISTAT data is increased nearly by eight times, shifting from 21,822 million Euros in 1980 to 172,085

million Euros in 2010. According to the most recent ISTAT data, after twelve years of uninterrupted growth, in 2011 the expenditure saw a 1.2 per cent reduction.

Public employment and per capita compensation of employees have increased: the first increased by 13 per cent over the period of reference, and the second nearly seven times, paying off also the variations occurred in the component of social contributions (Figure 3). Above all local governments and less central government and social security institutions contribute to the increase in spending. The weight of various subsectors mirrors the different growth of per capita wages and salaries, occupational dynamics and incidence of social contributions.

Figure 3. Public employment and general government compensation of employees. Years 2003-2011. Absolute values and million Euros.

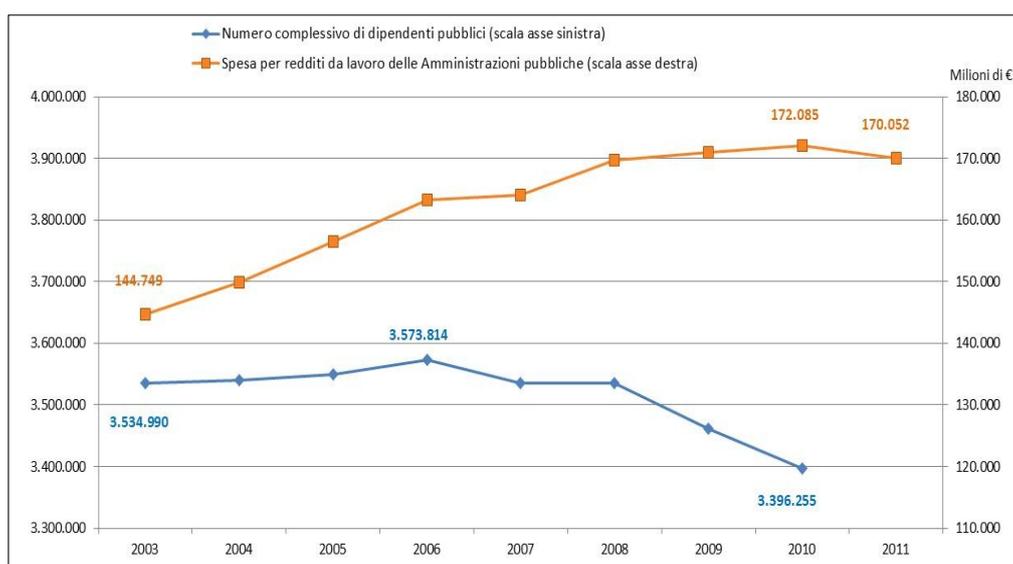


Table 6. Annual average growth rates (%) over the period 1980-2010 of compensation of employees, wages and salaries, social contributions, per capita compensations and per capita wages and salaries by general government subsector.

Average annual growth rate 1980-2010	Compensation of employees	Salaries and wages	Social contributions	Full time equivalent	Compensations per capita	Salaries per capita
Central government	6.9	6.5	8	0.3	6.6	6.2
Local government	7.6	7.5	7.8	0.6	6.9	6.8
Social security funds	4.7	4.2	5.7	-2	6.8	6.3

Source: RGS Elaborations based on ISTAT data.

Expenditure trends develop across four different phases, which correspond to the different stages of the consolidation of public finance (Figure 5). The first phase, from 1980

and 1991, is marked by a strong expenditure increase, growing at an average annual rate of 14.2 per cent, exceeding the annual average increase of nominal GDP by 1.3 percentage points. The increase in expenditure is driven by the growth of both public employment and per capita wages and salaries, which augment more than inflation and the corresponding values of the private sector. In accordance with some scholars' studies, the substantial increase in compensation of public employees over this period is connected to the outcome of rounds of contracts while public employment, even registering a strong growth compared to following trends, would increase slower in (compared to the trends in the sixties and the seventies) following both the emergence of the issue of public deficit and the initial privatisations of some state-controlled enterprises. The second phase, from 1992 to 1997, is characterised by moderate growth: the general government expenditure for the compensation of public employees increases by an average of 4.2 per cent per year, over 1 percentage point lower than the annual average increase of the nominal GDP. The increase in expenditure reflects the significant rise of social contributions⁶. On the other hand, the decrease in employment and the moderate change of per capita wages and salaries, which rise less than in the private sector and than the inflation rate, contribute to curbing growth. These years were marked by the impact of 1992 financial crisis and by the recovery efforts to pursue Italy's entrance in the European Monetary Union⁷. Due to public finance constraints, a general freeze of salary raises was implemented over a three-year period. This precedes the application of the new contractual model defined by the "*Protocollo sulla politica dei redditi e dell'occupazione, sugli assetti contrattuali, sulle politiche del lavoro e sul sostegno al sistema produttivo*" (*Protocol on compensation and employment policies, on contracts, on labour policies and on the support to the production system*) of July 1993⁸. The first government sector contract agreement according to the 1993 Protocol dates 16 May 1995 and concerns the national collective labour agreement for the 1994-97 period for the central government sector personnel. The third phase from 1998 to 2006 is marked by a recovery of spending, which returns to grow more than nominal GDP. Public employment starts augmenting again, and the salary dynamics per capita exceeds once more that of the private sector and inflation. Economic growth is compromised by the output stagnation enduring throughout the first half of 2000's, while the expenditure for public employees accelerates due to the substantial additional resources acknowledged to specific staff categories since Financial Law 2001⁹. The fourth phase refers to the period 2007-2010 and is marked by a prominent expenditure containment, associated to the rapid depletion of economic fundamentals, as a consequence of the economic-financial crisis triggered since the second half of 2007. The average annual expenditure growth rate is 1.6 per cent, a historically low value but, nevertheless, higher than the average rate of increase of nominal GDP (equal to zero in the same period). Public employment decreases drastically: between 2007 and 2010, it registers a decrease of approximately 125,000 units, reaching nearly the same level as in 1996. The per capita salary dynamics is placed over the inflation rate, and results to be essentially in line with that of the private sector. ISTAT 2011 data related to general government expenditure for compensation of employees confirm and provide further evidence of the significant expenditure containment in progress for five years, thus registering a contraction of 1.2 per cent for the first time after 12 years of uninterrupted growth. It is to be noticed that over the period analysed the impact of the relevant

⁶ See note 11 for a concise outline of the key amendments on social contributions.

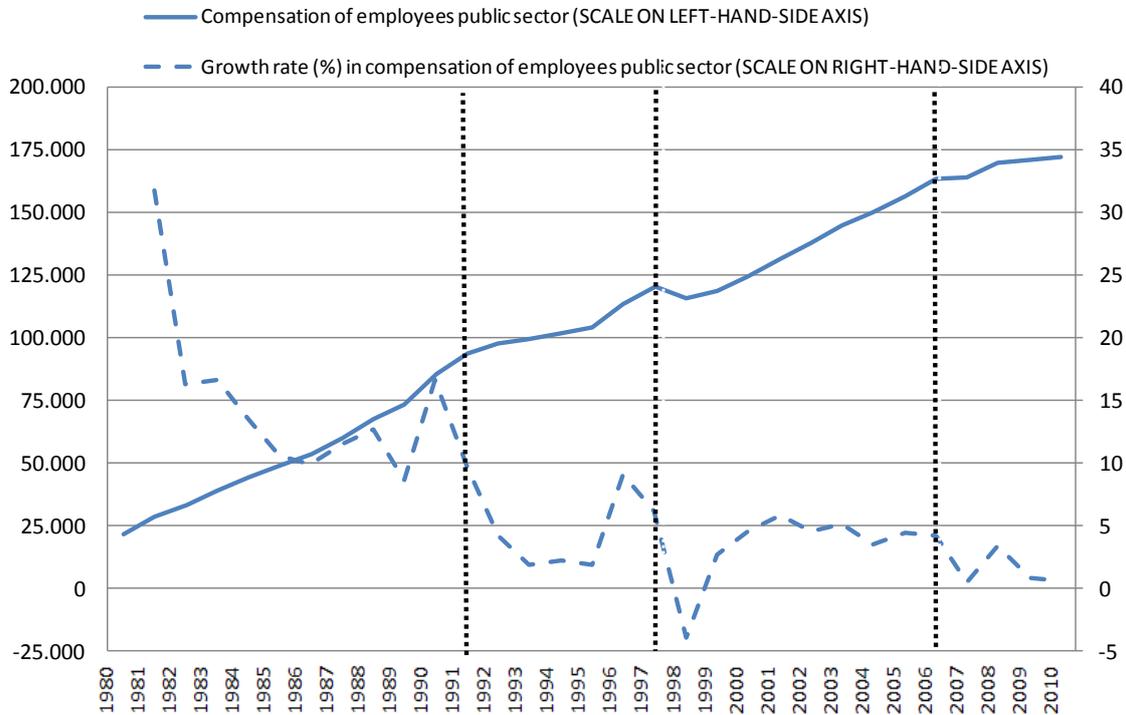
⁷ Compare Balassone *et al.* (2008).

⁸ The Protocol of July 1993 will represent a baseline framework for salary policies in the private and public sectors until 2009, when the contract model will be experimentally reformed.

⁹ Compare Crescenzi A. (2007) and State Audit Court (2004).

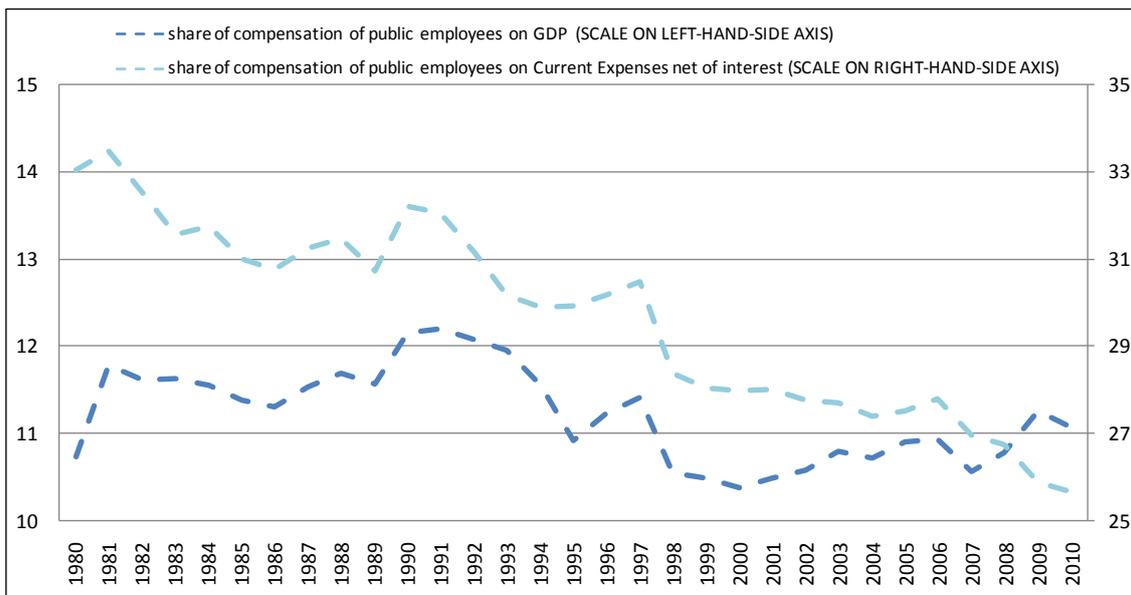
expenditure containment measures for public employment provided by decree law 78/2010 and decree law 98/2011 are not yet fully deployed.

Figure 4. General government expenditure for compensation of employees, period 1980-2010: absolute values (in million Euros) and growth rate (in %)



Source: RGS Elaborations based on ISTAT data.

Figure 5. Percentage share of the general government expenditure for compensation of employees on GDP and on current expenditures net of interest, period 1980-2010

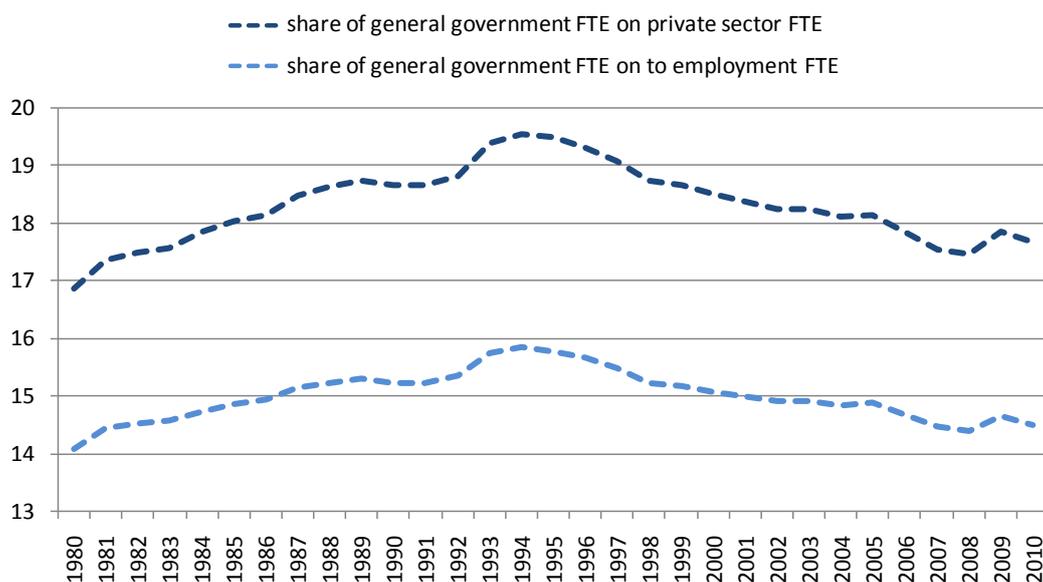


Source: RGS Elaborations based on ISTAT data.

The share of general government expenditure for compensation of employees on GDP and on total primary current expenditure are two important indicators useful to assess expenditure sustainability. The first ratio expresses what proportion of the total production of goods and services delivered by the country is absorbed by public employees' compensation. The second ratio provides useful indications to identify the most appropriate fields of intervention for the purpose of current expenditure containment. These two indicators have different trends. If, on one hand, compared to the total current expenses net of interest, compensation of employees shows a constant downward slope, on the other, as a percentage of GDP it alternates phases of increase and reduction. In particular, following the decline occurred during the Nineties, since 2000 a new upswing of the indicator was registered. In addition to salary increases, still relevant until 2006, this trend, with specific reference to 2007 onwards, is to be put, above all, in relation to the unsatisfying growth performance of nominal GDP (Figure 5).

The ratio between public sector and private sector employment shows almost constant growth until 1995, when the maximum value of 19.5 per cent is reached. On the contrary, from 1995 the trend set was decreasing, until it reached a minimum in 2008 (17.5 per cent), to subsequently reveal a partial upturn in 2009 and 2010 due to the occupational drop in the private sector following the economic and financial crisis. The same trend is observed by comparing public employment to the total.

Figure 6. Share of general government employment compared to the private sector and to total employment, period 1980-2010 (full-time equivalent units - FTE).



Source: RGS Elaborations based on ISTAT data.

As regards the evolution of per capita wages and salaries, several factors point out the key role of integrative bargaining resources when determining the misalignment of public sector salaries with the trends in economic indicators and in the private sector (Table 7 and 8).

Table 7. General pay raises and additional resources

percentage values	Two-year period 1994-95	Two-year period 1996-97	Two-year period 1998-99	Two-year period 2000-01	Two-year period 2002-03	Two-year period 2004-05	Two-year period 2006-07	Two-year period 2008-09	Three-year period 2010-12	Average Value excluding three-year period 2010-2012
Salary increases of general nature	6.0	8.1	4.1	3.6	5.6	5.0	4.9	3.2	0.6	5.1
Salary increases by additional resources	0.0	0.0	1.7	2.4	1.3	0.4	0.2	0.3	0.0	0.7
of which: additional resources, State only - excluding resource professionalisation and re-allocation economies for the education sector (a)	n.d.	n.d.	n.d.	1.5	1.0	0.2	0.1	0.3	0.0	0.5
of which: for re-allocating economies for the education sector (b)	n.d.	n.d.	n.d.	1.0	0.3	0.2	0.2	0.0	0.0	0.3
Increases by professionalisation for the Military	-	-	-	0.2	0.1	0.4	0.0	0.4	-0.1	0.2
Total increases	6.0	8.1	5.8	6.2	7.0	5.8	5.1	3.9	0.6	5.4
Actual inflation (d)	9.3	6.0	3.7	5.2	5.2	4.1	3.9	4.1	5.8	5.2

Source: Elaborations based on RGS, Court of Auditors, Aran and ISTAT data.

Note: Differences in totals are due to rounding.

- (a) Includes only additional resources envisaged for the State sector under financial laws, which have been attributed to the various economic two-year periods, assuming that the resources allocated were utilised over the years of reference. The resources deriving from economies re-attributed to the Education sector and for professionalising the Military are not included) as the outcome of proper verifications, and the resources.
- (b) Economies of staff reduction certified and re-assigned to the staff under CCNL. We do not keep into account the amounts affecting the year 2010 because they are not managed under CCNL.
- (c) For reasons of approximations, all resources aimed at professionalism have been considered as they are devoted to integrate uniform salaries.
- (d) NIC index with tobacco products. The value for the two-year period has been calculated by summing inflation rates related to single years. As regards 2012 we have considered the programmed inflation rate.

Table 8. General pay raises and economic indicators

	Two-year period 1994-95	Two-year period 1996-97	Two-year period 1998-99	Two-year period 2000-01	Two-year period 2002-03	Two-year period 2004-05	Two-year period 2006-07	Two-year period 2008-09	Three-year period 2010-12	Average Value excluding three-year period 2010-2012
Salary increases of general nature of which:	6.0	8.1	4.1	3.6	5.6	5.0	4.9	3.2	0,6 (d)	5.1
By programmed inflation	6.0	6.5	3.3	2.9	3.1	3.3	3.7	3.2	-	4.0
By integrative contracting and productivity improvements	0.0	0.0	0.8	0.4	0.6	0.5	0.5	0.0	0.0	0.3
By recovery of inflation differential in previous two-year period	0.0	1.6	0.0	0,32 (a)	1,92 (b)	1.2	0.7	0.0	0.0	0.6
Actual inflation (c)	9.3	6.0	3.7	5.2	5.2	4.1	3.9	4.1	5.8	5.2

Source: Elaborations based on RGS and ISTAT data

Note:

- a) As the anticipation of the inflation differential recovery in the two-year period 2000-01
- b) Of which 0.5 per cent as the anticipation of the inflation differential recovery in the two-year period 2002-03
- c) NIC index with tobacco products. The value for the two-year period has been calculated by summing the inflation rates related to single years. As regards 2012 we have considered the programmed inflation rate
- d) Increase of holiday entitlement allowances calculated with reference to programmed inflation

Finally, with reference to the expenditure trends in single ministries, the data suggest that a sort of exchange between the reduction of personnel and growth of per capita wages and salaries may have occurred; this has curbed – at least partially – the process of expenditure control (Tables 9 and 10).

Table 9. Personnel employed by Ministry, years 2003 and 2010: absolute values

	2003	2010	2003 excluding employed in education of the Ministry Edu., Univ and Research	2010 excluding employed in education of the Ministry Edu., Univ and Research
MINISTRY OF ECONOMY AND FINANCE	84,697	77,085	84,697	77,085
MINISTRY OF ECONOMIC DEVELOPMENT	3,811	3,327	3,811	3,327
MINISTRY OF LABOUR AND SOCIAL POLICIES	8,227	7,904	8,227	7,904
MINISTRY OF JUSTICE	106,051	96,480	106,051	96,480
MINISTRY OF FOREIGN AFFAIRS	8,170	7,289	8,170	7,289
MINISTRY EDUCATION, UNIVERSITY AND RESEARCH	1,132,693	1,053,798	17,346	14,569
MINISTRY OF THE INTERIOR	163,211	160,132	163,211	160,132
MINISTRY OF ENVIRONMENT AND TERRITORY	657	605	657	605
MINISTRY OF INFRASTRUCTURE AND TRANSPORT	18,601	19,826	18,601	19,826
MINISTRY OF DEFENCE	326,446	323,267	326,446	323,267
MINISTRY OF AGR. AND FOREST POLICIES	9,984	11,214	9,984	11,214
MINISTRY OF CULTURAL HERITAGE AND ACT.	24,428	20,339	24,428	20,339
MINISTRY OF HEALTH	2,496	2,159	2,496	2,159
Total	1,889,472	1,783,425	774,125	744,196
% variation 2003-2010		-5.6%		-3.9%

Source: Elaborations based on RGS Annual Account of Personnel data.

Note: the details of employed persons as regards the Ministry of Education, University and Research in the first two columns include those employed in education, while they are excluded in the last two columns.

The personnel reported include staff members with an open-ended, fixed-term, internship and work contract, as well as the other staff members from Police Forces and Armed Forces (volunteers and cadets).

Table 10. Expenditure for compensation of employees by Ministry. Years 2003 and 2010. Absolute values and percentage variations.

	2003	2010	variation % 2003-2010
Ministry of Economy and Finance	3,269,539,427	3,841,524,011	17.5
Ministry of Economic Development	141,253,742	165,827,956	17.4
Ministry of Labour and Social Policies	291,073,827	343,204,650	17.9
Ministry of Justice	4,297,410,542	5,106,013,625	18.8
Ministry of Foreign Affairs	810,570,453	769,765,701	-5.0
Ministry of Education, University and Research	37,194,446,289	41,093,577,807	10.5
Ministry of the Interior	6,218,422,860	7,408,775,512	19.1
Ministry of the Environment, Protection of Territory and Sea	31,439,485	30,579,349	-2.7
Ministry of Infrastructure and Transport	667,844,910	824,672,365	23.5
Ministry of Defence	11,033,204,823	14,683,363,128	33.1
Ministry of Agricultural, Food and Forest Policies	393,873,184	504,634,606	28.1
Ministry of Cultural Heritage and Activities	780,826,566	731,386,328	-6.3
Ministry of Health	116,673,785	126,928,814	8.8
Total	65,246,579,893	75,630,253,852	15.9

Source: Elaborations based on RGS Annual Account of Personnel data.

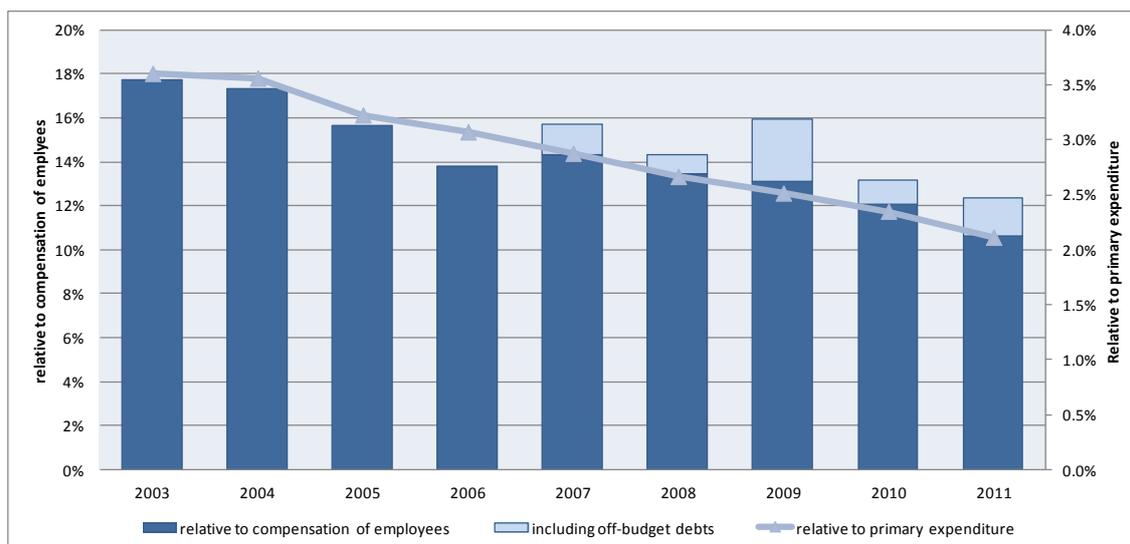
In addition to realising that a reduction in public employment cannot leave out of consideration specific limitation measures in the most relevant, by size, and most sensitive (by social impact) sectors of bargaining, a more careful evaluation about the actual need to increase the number of higher-grade civil servants and to manage career advancements of

non-lower-grade staff is necessary. Recent Decree Law 95/2012 acted further towards the reduction in staff endowments.

The **expenditure for general government intermediate consumption** was examined with particular attention to the Central government component. Indicators relating intermediate consumption to other significant expenditure items, such as the compensation of employees and primary expenditure were analysed.

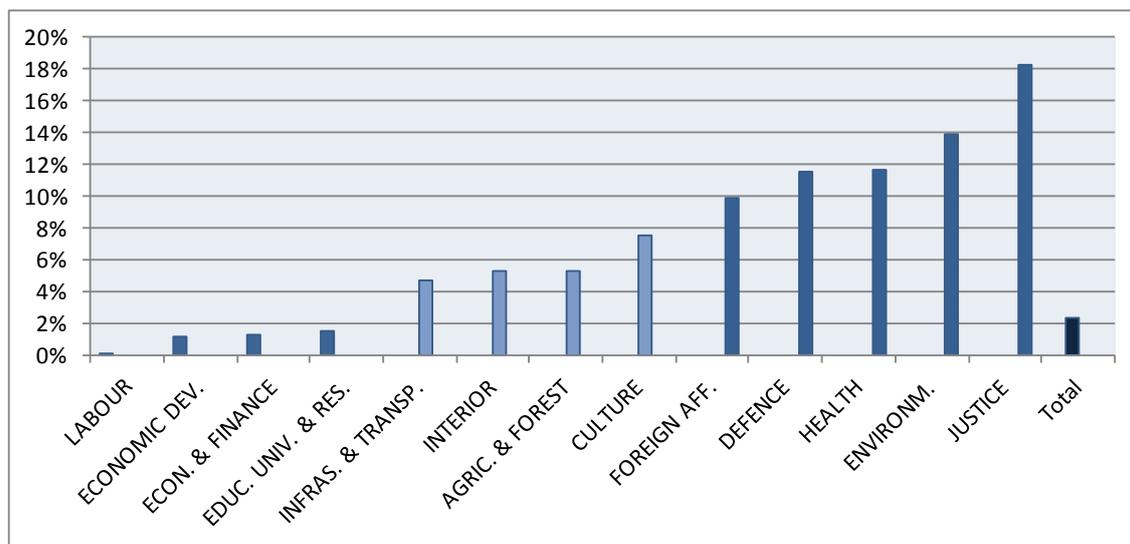
The expenditure for intermediate consumption experienced a generalised drop within the Ministries over the 2003 to 2011 period, both in terms of absolute values and as relative to other expenditure items. It went from 18 per cent in 2003 to 12 per cent in 2011, with a reduction of approximately 6 percentage points; however, it must be noted that the measures adopted with Decree Law 112/2008 and Decree Law 78/2010 and the acknowledgment of off-budget debts¹⁰, produced expenditure “rebound” effects in 2009 and in 2011 the clear impact of expenditure containment measures partially determined again expenditure rebound effects, including the generation of off-budget debts (Figure 7).

Figure 7. Intermediate consumption in relation to compensation of employees and primary expenses – Years 2003-2011 – Budget commitments.



Source: RGS, State Budget

¹⁰ The share of expenditure due to the commitments deriving from previous debts is indicated in the Figure by light coloured areas.

Figure 8. Intermediate consumption by Ministry relative to primary expenditure – Year 2010 – Budget commitments

Source: RGS, State Budget

The percentage ratio between the expenditure for intermediate consumption and primary expenditure for 2010 is represented in Figure 8 where Ministries have been given an ascending order and are aggregated under three different groups, on the basis of the ratio's value: below 2 per cent, between 4 per cent and 8 per cent, over 8 per cent. The first group comprises the Ministry of Labour and Social Policies, characterised by expenses mainly concerning the current transfers to social security institutions, the Ministry of Economic Development and the Ministry of Economy and Finance, where the most relevant expenses are current and capital transfers to other levels of government and the rest of the economy, the Ministry of Education, University and Research, where the most relevant expense is represented by education staff. In the second grouping it is possible to detect how the relatively limited weight of intermediate consumption depends on the relevance of expenditure for compensation of employees – for the Ministry of the Interior and Ministry of Cultural Heritage and Activities – as well as on capital expenditure – for the Ministry of Infrastructure and Transport and the Ministry of Agricultural and Forest Policies. The greater value of the indicator in the third group of administrations is explained not only by the greater value of intermediate consumption, but also by the fact that the baseline primary expenditure is mainly constituted by the administrations' direct expenditure, of which intermediate consumption are a relevant share when compared to other components of expenditure such as those due to investments and transfers both at different administration levels and at the level of the rest of the economic system.

As regards the State budget, ratios per employee were considered, and thanks to a detailed analysis of the Ministries' expenditure, intermediate consumption were split between an ordinary running component (containing similar expense items for all the administrations) and other expenses typical for each ministry in relation to their specific institutional activities. The comparison related to expenditure for the compensation of employees provide a relatively similar picture for all administrations.

A further analysis connected to the intermediate consumption concerned the link between the programme for public procurement and its outcome in terms of actual expenditure, categories of goods and services involved and the ratio between intermediate

consumption bought by means of the Programme for procurement rationalization and the total expenditure for intermediate consumption.

Table 11. Intermediate consumption by Ministry: percentage incidence of purchases through PRA-BS initiatives upon the total corresponding budget payments

Ministries	Incidence % PRA-BS
MINISTRY OF ECONOMY AND FINANCE	21.4
MINISTRY OF ECONOMIC DEVELOPMENT	42.4
MINISTRY OF LABOUR AND SOCIAL POLICIES	30.3
MINISTRY OF JUSTICE	27.7
MINISTRY OF FOREIGN AFFAIRS	9.2
MINISTRY EDUCATION UNIVERSITY AND RESEARCH	0.9
MINISTRY OF THE INTERIOR	8.8
MINISTRY OF THE ENVIRONMENT AND TERRITORY	8.1
MINISTRY OF INFRASTRUCTURE AND TRANSPORT	21.2
MINISTRY OF DEFENCE	16.6
MINISTRY OF AGR. FOOD AND FOREST POLICIES	10.4
MINISTRY OF CULTURAL HERITAGE AND ACT.	21.9
MINISTRY OF HEALTH	2.8
Total Ministries	15.9

Source: Information system of PRA-BS and State budget

Since its establishment by Financial Law for the year 2000 (Law 488 of 23 December 1999), the regulatory framework of the Programme for procurement rationalization (PRA-BS) has undergone several amendments and implementations, which have varied, often in a significant manner, its strategic mission and operational methods, as well as its interaction procedures with the general government sector. The regulatory evolution concerning the Programme, of which the key steps are reported, confirms the central role of article 26 of the aforementioned Financial Law, which – when starting the Programme and the comprehensive public procurement optimisation and rationalisation system – assigned to the Ministry of Economy and Finance the task of drawing up Framework Agreements for goods and services procurement through the fulfilment of public evidence procedures and, according to Ministerial Decree 24 February 2000, by availing of Consip, a public stock company owned by Italy's Ministry of the Economy and Finance. The same article 26 of Financial Law 2000 establishes that general governments may resort to Framework Agreements or, alternatively, make use of those price-quality benchmarks as the maximum limits for the purchase of comparable goods and services, as referred to by them. The promotion, coordination and monitoring of the implementation activities of the Programme for procurement rationalization into the general government have been assigned to the Ministry of Economy and Finance.

The Programme provides the general government administrations – also by means of the Portal www.acquistinretepa.it – with advanced purchase models for reducing expenditure and optimising the procurement processes, in the first place through traditional and consolidated tools e.g. the “Sistema delle Convenzioni”, the Agreement System (which entails scale economies with significantly better purchase conditions), and the Electronic Market for the general government, a complementary tool to be utilised for on-line purchases under the threshold established for the EU.

The analysis of 2010 data on the Programme for procurement rationalisation (PRA-BS) highlighted how the utilisation by the Ministries of the tools provided by the programme was relatively limited. The share of expenditure for intermediate consumption managed through

these tools equalled 15.9 per cent compared to product categories dealt with by the programme (Table 11); when referred to the entire expenditure for central government administrations intermediate consumption, this proportion equals 5 per cent. These shares suggest the possibility of a more extensive utilisation of this system, as provided for by various provisions among which, finally, the aforementioned Decree Law 95/2012.

As already mentioned, also following the so-called linear cuts on intermediate consumption expenditure, over the last years central government administrations accrued a not negligible amount of off-budget debts. At the end of 2009, certified off-budget debts equalled approximately 2.1 billion, and despite the establishment of an appropriate fund to pay them off, at the end of 2010 1.5 billion more resulted, and one year later an additional amount of about 1 billion. These are debts that - when they are generated - have no accounting evidence in the State budget, are of no relevance in the statistics of public debt and are not taken into consideration in financial planning (Table 12). In some administrations, the debt stock still relevantly affects the annual endowment of resources for goods and services purchases, up to over a fourth of the available allocation in the case of the Ministry of the Interior, despite the strong reduction between 2010 and 2011 (Figure 10).

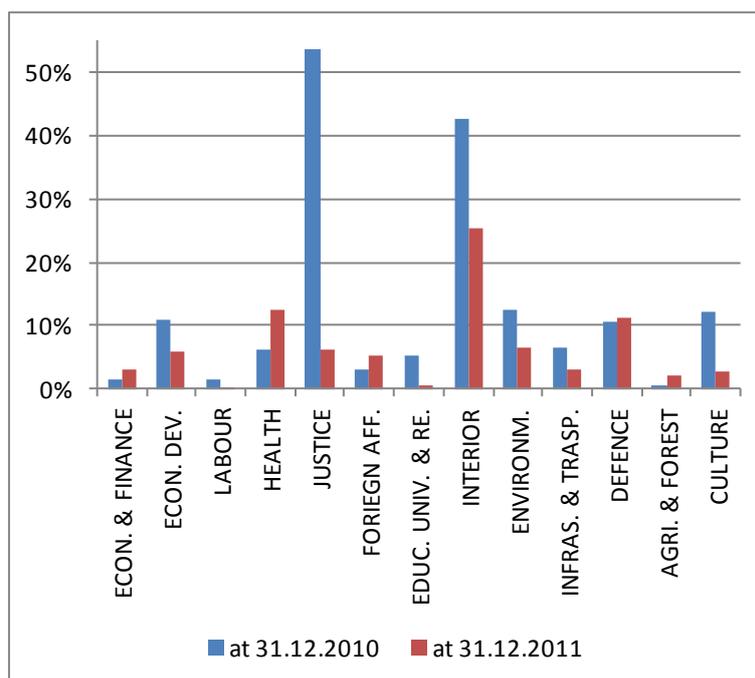
Table 12. Off-budget debts of central government administrations (in million Euros)

Ministries	Certified debts at 31.12.2009					Certified debts at 31.12.2010			Certified debts at 31.12.2011		
	Min. Decree 102146/2009 and Min. Decree 21945/2009					Min. Decree 108861/2011					
	2007 and previous years	2008	total	commitments	economies	2009 and previous years	2010	total	before 2011	2011	total
ECONOMY AND FINANCE	180.1	35.8	215.9	147.7	69.3	14.7	33.5	48.2	3.7	90.8	94.6
ECONOMIC DEVELOP.	14.4	9.0	23.4	20.7	-	4.2	4.2	8.3	-	5.3	5.3
LABOUR and Health of which MLPS of which HEALTH	4.9	5.6	10.5	6.5	2.2	5.6	7.2	12.8	-	21.1	21.1
						1.1	-	1.1	-	0.1	0.1
						4.5	7.2	11.6	-	21.0	21.0
JUSTICE	256.1	384.7	640.8	579.7	61.1	246.5	322.1	568.6	112.5	7.2	119.7
FOREIGN AFFAIRS	2.7	3.1	5.8	3.8	2.0	1.5	5.2	6.7	-	11.3	11.3
EDUC., UNIV. & RESEARCH	28.7	11.9	40.6	37.6	3.0	41.5	3.8	45.2	-	6.8	6.8
INTERIOR	524.5	267.1	791.6	782.8	8.0	215.8	327.6	543.4	-	476.8	476.8
ENVIRONMENT	1.5	-	1.5	1.5	0.0	17.5	0.6	18.1	-	8.3	8.3
INFRASTR. & TRANSPORT	21.2	14.3	35.5	14.3	-	11.9	15.2	27.1	5.0	7.1	12.1
DEFENCE	216.7	128.7	345.4	345.4	-	29.7	224.9	254.5	1.1	234.6	235.7
AGRICULTURE & FOREST	3.1	0.7	3.9	3.6	-	0.2	0.4	0.6	0.01	1.6	1.6
CULTURE	6.8	5.7	12.6	12.6	-	6.0	8.3	14.3	-	4.3	4.3
Total	1,260.7	866.7	2,127.4	1,956.1	145.6	595.0	952.8	1,547.9	122.4	875.1	997.5

Source: Ministerial decrees for certifying debts and Elaborations based on the State budget

The most persistent off-budget debts are those related to the ordinary running costs of the central and territorial offices (for over 50 per cent), and in particular they concern current expenses such as fees, bills, rents, postal charges and maintenance costs related to general premises and properties, often deriving from multi-year contracts (Table 13). About 90 per cent of the debt certified in 2011 weighs on the same budget items related to invoices and contracts not paid in the previous year.

Figure 9. Incidence of off-budget debts on intermediate consumption (%)



Source: Ministerial decree on certifying debts and elaborations based on the State budget.

Table 13. Off-budget debts comprehensively surveyed by administration and type (in million Euros)

	at 31.12.2010			at 31.12.2011		
	Certified	total debts towards third parties	towards treasury	Certified	total debts towards third parties	towards treasury
Medical examinations and treatments	0.39	0.50	-	0.00	0.21	-
Ordinary running costs	772.86	906.47	4.26	682.83	708.63	0.08
<i>of which Accessories for offices, canteens, alimentary goods and equipments</i>	<i>0.00</i>	<i>121.85</i>	<i>-</i>	<i>11.66</i>	<i>15.14</i>	<i>-</i>
<i>of which Stationery, postal charges and similar</i>	<i>93.34</i>	<i>95.11</i>	<i>3.13</i>	<i>52.78</i>	<i>55.40</i>	<i>-</i>
<i>of which fees and bills</i>	<i>497.92</i>	<i>500.05</i>	<i>1.08</i>	<i>369.28</i>	<i>380.62</i>	<i>0.08</i>
<i>of which Rents</i>	<i>121.92</i>	<i>122.19</i>	<i>-</i>	<i>195.86</i>	<i>199.64</i>	<i>-</i>
<i>of which Maintenance, reparation premises and properties</i>	<i>27.85</i>	<i>34.87</i>	<i>-</i>	<i>37.64</i>	<i>39.02</i>	<i>-</i>
<i>of which Indivisible expenses</i>	<i>31.84</i>	<i>32.40</i>	<i>0.06</i>	<i>15.60</i>	<i>18.82</i>	<i>-</i>
Committees, boards, councils and other expenses related to the personnel	0.29	49.55	-	37.23	44.58	0.01
Indemnities and compensations	-	-	2.00	-	280.00	21.42
Litigations, arbitrages, compensations, appeals and legal cases	-	207.48	82.50	-	1.45	13.39
Missions and travelling allowances, including mission indemnities	28.48	29.23	-	20.01	28.52	0.00
Hiring, leasing and running of transport means, including fuel	13.43	17.93	-	31.22	31.23	-
Write-offs	-	0.05	-	-	1.15	-
Networks, technical equipments and ICT material, including maintenance	23.74	70.49	-	7.14	124.65	-
Expenses for justice and interceptions	384.00	414.00	-	29.00	48.00	-
TARSU and other urban waste taxes	73.67	82.84	5.70	21.46	26.76	-
Other	250.99	646.61	117.89	168.60	742.81	14.64
Total	1,547.85	2,425.16	212.35	997.48	2,038.00	49.54

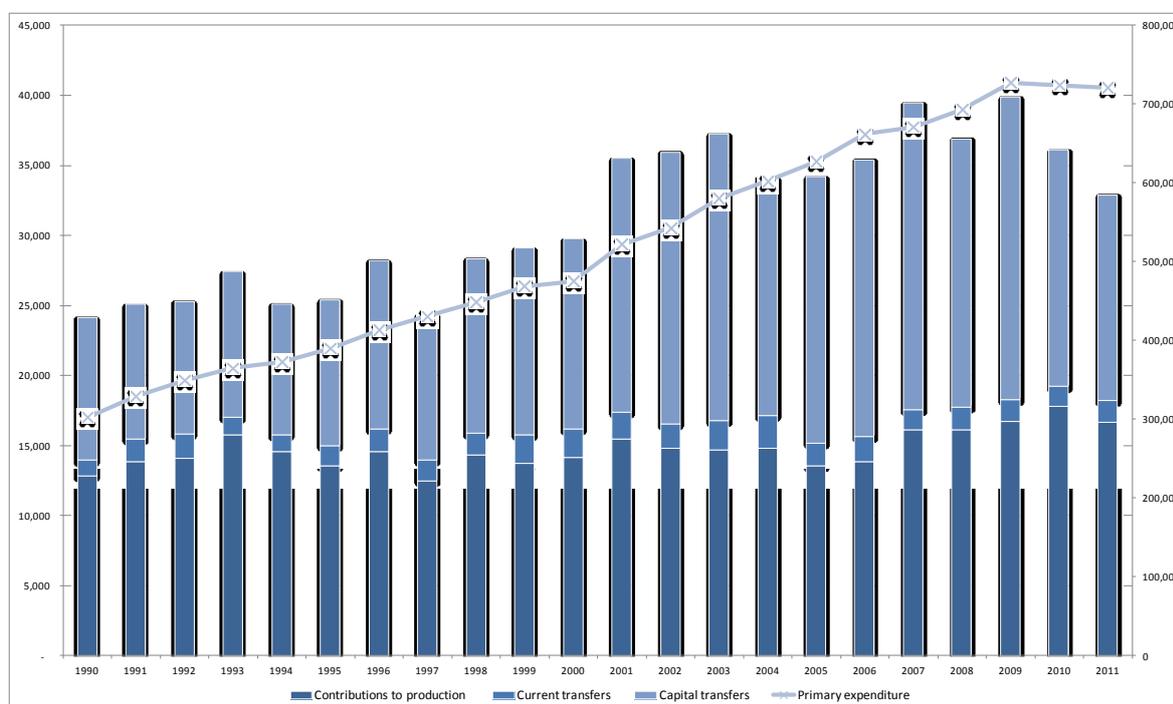
Source: Ministerial decree on certifying debts and surveys of the administrations provided by RGS memorandums N°38 of 2010 and N°6 of 2011.

Although the phenomenon shrunk in the last three-year period, it appears to be structural and the utilisation of certification and financial coverage – with a fund whose size is announced even before the fulfilment of certification procedures – may generate expectations of future bailing-out. It is necessary for central government administrations to implement all measures aiming at more careful financial planning, both by using the potential budget flexibility for really unavoidable expenses and by a greater responsibility in the formulation of forecasts as regards those types of expenses which more than others present off-budget debts, so as to limit the generation of new debt.

The **expenditure for transfers and incentives to private enterprises** was analysed by means of the main information sources available: Eurostat data, General government accounts (ISTAT), Treasury accounts and the State budget.

The total amount of transfers to private enterprises for 2011, deductible from the general government consolidated account, equals 32.9 billion Euros, of which 15 billion to be charged upon the central government (in a very large measure addressed to transport and mining, manufacturing and building activities) and 17.2 billion provided by local governments (where the resources addressed goods and passenger transportation activities prevail) (Figure 10). The residual amount is to be attributed to other entities of central government. These are financial resources directed to enterprises for different functions, ranging from the supply of services ruled by specific contracts, mainly for transport, support to education, specific public works and supplies.

Figure 10. Transfers to private enterprises and primary expenditure 1990-2011 – million Euros.



Source: Istat, National Accounts.

The analysis of the central government action in delivering resources to enterprises cannot yet be limited only to budget expenses. In fact, there are forms of intervention whose management is dealt with through significantly amounting Treasury flows and are only partially passing through the budget (like the case of EU funds) or as regards which budget data scarcely represent the actual effects for economic operators (such as tax credits).

A specific in-depth analysis assessed the financial resources provided to private enterprises in the form of incentives, namely those transferred by the State budget without any form of counter-part. The incentives provided by the European Union through Structural Funds and the incentives directly provided by the Regions, local governments or other entities have been excluded from this analysis, as well as incentives to enterprises that supply services on behalf of the public operator – e.g. Trenitalia S.p.A. and Poste S.p.A. - through service and/or programme contracts. Over the 2007-2011 period the total amount provided by so-defined incentives equalled 42.6 billion Euros. Only in 2011, 5.3 billion were provided in direct

form, and 1.5 billion paid in indirect manner through tax, contribution and social security credits (Table 14).

Table 14. Types of incentives – Years 2007-2011 – Million Euros

	2007	2008	2009	2010	2011
1. Incentives to private enterprises	4,756.32	5,049.20	6,803.89	6,464.25	5,335.95
2. Tax incentives	1,043.26	1,363.24	1,538.14	3,615.99	1,187.15
3. Contribution and social security incentives					
3.1. lower-bound estimate	1,250.26	2,217.23	1,340.36	355.62	282.69
3.2. upper-bound estimate	2,176.70	2,715.42	1,936.46	1,072.27	3,066.21

Source: Elaborations based on State budget data

At sectorial level (Table 15 and 16), industry received, in absolute value, the highest amount of incentives, followed by services and agriculture. From a more disaggregated analysis it emerged that over the period 2007-2011 aeronautics was the most boosted sphere in absolute value, followed by the naval and automobile sectors.

Table 15. Total incentives to private enterprises by economic sector. Years 2007-2011. Million Euros.

	2007		2008		2009		2010		2011	
	Mln (€)	%	Mln (€)	%	Mln (€)	%	Mln (€)	%	Mln (€)	%
Agriculture	332.67	4.72%	469.89	5.45%	448.73	4.63%	442.90	4.24%	302.75	4.45%
Industry	4,264.91	60.50%	5,970.03	69.18%	6,337.47	65.45%	6,696.84	64.17%	4,335.97	63.71%
Services	2,150.53	30.50%	1,839.01	21.31%	2,194.99	22.67%	2,361.43	22.63%	1,736.14	25.51%
Other (not referrable to a specific sector)	301.74	4.28%	350.74	4.06%	701.19	7.24%	934.70	8.96%	430.93	6.33%
Total	7,049.85	100.00%	8,629.66	100.00%	9,682.39	100.00%	10,435.87	100.00%	6,805.79	100.00%

Source: Elaborations based on State Budget data

Table 16. Total incentives by sector. Period 2007-2011. Million Euros.

	2007-2011	
	Mln (€)	%
Aeronautics	7,816.63	18.3%
Naval	2,955.52	6.9%
Automobile	2,733.28	6.4%
Education and training	2,731.86	6.4%
Transport	2,236.32	5.2%
Manufacturing	2,120.89	5.0%
Agriculture, agro-industrial policies and fishing	2,100.38	4.9%
Publishing	1,955.09	4.6%
Research and Development	1,843.20	4.3%
Building	1,557.62	3.7%
Show business	1,154.44	2.7%
Telecommunications	867.97	2.0%
Car transport	787.04	1.8%
University and research	504.91	1.2%
Railways	260.10	0.6%
Handicraft	149.58	0.4%
Trade and tourism	133.81	0.3%
Public infrastructure and logistics	102.97	0.2%
Defence	7.32	0.0%
Pharmaceutical	6.48	0.0%
Mining	6.33	0.0%
Textile, clothing and shoe	0.05	0.0%
Other (not referable to a specific sector)	11,250.83	26.4%
Total	42,603.56	100.0%

Source: Elaborations based on State Budget data

At regulatory level, despite recent Decree Law 83/2012 titled “Urgent measures on the re-organisation of growth and sustainable development incentives” abolished of about forty articles and/or laws, a particularly high number of laws aimed at providing incentives persists (Table 17). The analysis contained in this Report assessed 89 laws, of which 66 regulating incentives in direct form, while the remaining 23 deal with tax , contribution and social security credits.

Table 17. Main incentive laws. Quantification of the resources related to year 2011. Million Euros.

	Incentives to private enterprises		Tax credits		Contribution and social security incentives		Total	
	Mln (€)	%	Mln (€)	%	Mln (€)	%	Mln (€)	%
Financial Law n. 244 / 2007	1,233.99	23.1%					1,233.99	18.1%
Financial Law n. 296 / 2006	424.42	8.0%					424.42	6.2%
Decree Law n. 5 / 2009	283.65	5.3%					283.65	4.2%
Financial Law n. 296 / 2006			408.29	34.4%			408.29	6.0%
Decree Law n. 457 / 1997			222.52	18.7%			222.52	3.3%
Decree Law n. 5 / 2009			150.00	12.6%			150.00	2.2%
Legislative D. n. 146 / 1997					77.00	43.5%	77.00	1.1%
Law n. 30 / 1998					50.12	28.3%	50.12	0.7%
Decree Law n. 207 / 2008					49.74	28.1%	49.74	0.7%
Main laws	1,942.06	36.4%	780.80	65.8%	176.86	62.6%	2,899.72	42.6%
Total	5,335.95	100.0%	1,187.15	100.0%	282.69	100.0%	6,805.79	100.0%

Source: Elaborations based on State Budget data

The contributions of the third part of the Report concern **territorial offices of the central government administrations**. Due to the different availability of information and given some specific rationalisation measures already undertaken by single Ministries, as in the case of Justice and Defence, the survey has been referred only to some of the Ministries and with different levels of detail to the analysis.

Information from cost accounting highlights the relevance of the territorial organisation of the Ministries. In terms of own costs, central government territorial branch offices – including schools – absorb about 80 billion a year, that is over 90 per cent of State's total running costs.

At single Ministry level, with the exclusion of the Ministry of Education – to whom half the costs of territorial structures (schools) is attributed, and for whom nearly the whole cost is related to its peripheral structure –, the Ministries with the greatest costs for branch offices, are the Ministry for Defence (44 per cent of the total cost, net of the contribution of the Ministry of Education, of which 98 per cent is ascribable to local operational structures of the Armed Forces), the Ministry of the Interior (19 per cent of total costs net of the Ministry for Education, of which 73 per cent is ascribable to Public Security local offices), the Ministry of Justice (17 per cent of total costs net of the Ministry of Education, of which 80 per cent concerns the Courts of Appeal and the Regional Superintendences) and the Ministry of Economy and Finance (10 per cent of total costs net of the Ministry of Education, of which 87 per cent is ascribable to the Guardia di Finanza, the Revenue Guard Corps).

The most relevant cost items are related to personnel, absorbing over 85 per cent of the total cost of central government territorial offices (Table 18). The greatest contribution to this expense comes from the Ministry of Education (54 per cent), from the Ministry of Defence (20 per cent), from the Ministry of the Interior (10 per cent) and from the Ministry of Justice (7 per cent).

Table 18. Costs by item of the first level of the chart of accounts and Ministry. Year 2011. Percent share.

Administration	Purchase of services and utilisation of third parties' goods	Other costs	Amortisations	Consumption goods	Extraordinary and legal charges	Staff	Total
MINISTRY OF FOREIGN AFFAIRS	13.3%	1.8%	1.1%	1.0%	0.0%	82.8%	100.0%
MINISTRY OF LABOUR AND SOCIAL POLICIES	10.3%	0.4%	0.1%	0.4%	0.0%	88.8%	100.0%
MINISTRY OF DEFENCE	8.3%	0.3%	4.6%	13.6%	0.0%	73.3%	100.0%
MINISTRY OF JUSTICE	21.8%	2.9%	1.4%	2.0%	0.1%	71.7%	100.0%
MINISTRY OF HEALTH	6.0%	0.5%	1.7%	1.0%	0.0%	90.7%	100.0%
MINISTRY OF INFRASTRUCTURE AND TRANSPORT	15.1%	0.5%	1.0%	2.8%	0.0%	80.6%	100.0%
MINISTRY OF AGRICULTURAL, FOOD AND FOREST POLICIES	6.8%	0.3%	2.2%	1.4%	0.0%	89.3%	100.0%
MINISTRY OF ECONOMY AND FINANCE	7.3%	1.9%	2.3%	1.2%	0.1%	87.2%	100.0%
MINISTRY OF THE INTERIOR	7.9%	0.5%	1.8%	1.8%	0.5%	87.5%	100.0%
MINISTRY OF EDUCATION, UNIVERSITY AND RESEARCH	1.5%	0.1%	0.0%	0.2%	0.0%	98.1%	100.0%
MINISTRY OF ECONOMIC DEVELOPMENT	6.7%	1.3%	0.4%	0.6%	0.0%	91.0%	100.0%
MINISTRY OF CULTURAL HERITAGE AND ACTIVITIES	12.9%	0.6%	1.7%	0.7%	0.4%	83.6%	100.0%
Total	6.2%	0.5%	1.6%	3.8%	0.1%	87.7%	100.0%

Source: RGS Elaborations based on the State's financial statement data for 2011

All chapters related to central government territorial offices present the general organisation framework of the structures throughout the territory, aimed at identifying potentially significant divergences among them. Descriptive analyses are preliminary to those concerning efficiency, which enable the identification of *benchmarks* and thus to analyse

deviations among single structures and related *benchmarks*. These surveys review the activities carried out by the territorial structures and the services provided within a production process outlook where the resources available (input) are transformed into activities, services and/or interventions (output).

In the literature, the most diffused efficiency assessments are carried out by *Data Envelopment Analysis* (DEA), a non-parametric technique which does not require the specification and estimate of a production or cost function. This technique enables to assess an efficiency frontier and to benchmark the degree inefficiency on the basis of to the distance of each office from the very frontier.

The most frequent models in the Report are *input-oriented*, in consideration of the fact that administrations primarily keep under their control the available financial and human resources, rather than the size and outcome of the activities carried out, which depend also on the external demand, the general context and its characteristics.

When possible, standard expenditure requirements were estimated through expenditure (rather than production) function regressions. This has enabled to identify medium requirements on the basis of the more or less extended information available, to be considered as benchmarks for those units that supply services bearing different levels of expenditure. The analysis of deviations in percentage terms between estimated values and really observed expenditure values for each structure provides a concise and comparable representation of divergences. Thus, it is possible to identify structures that have received less resources than their so-defined standard requirement and structures that, vice-versa, present expenses exceeding their estimated standard requirement. Table 19 shows a synthesis of the types of analyses conducted and results obtained.

The results derive from the application of statistical-econometric methods based on a number of assumptions and theoretical models. They draw important conclusions but have to face many operational issues to be put into practice. They may build an effective guiding instrument for the administrations' organisational choices.

The surplus of resources emerging from the analyses – quantified according to either efficient units on the production frontier and an estimated standard requirement – deriving from a not optimal employment of the production factors and corrected through operations of procedure and structure rationalisation, may be object of re-allocation within the same administrations.

Below a summary of the analysis of the central government branch offices contained in the Report.

Table 19. Types of analyses conducted on territorial branches of central government administrations. Reference year 2011.

Central administration	Structures / Departments	Cost share on local authority	Analysis method	Data source	Key results
INTERIOR	National Fire Corps	20%	OLS and DEA CRS (I.O.)	Input: Administration data Output: Administration Context: Istat Expenditure: Financial Budget and Administration	- Estimate of potential expenditure reduction: 65.4 Mln (4%) - 162.7 Mln (10%). In the extreme hypothesis of complete efficiency recovery for all commands: 17%
	Prefectures	7%	OLS, DEA CRS and VRS (I.O.)	Input: CONTECO Context: Istat and Administration Expenditure: CONTECO	- 61% of Prefectures results undersized. High scale inefficiencies for provinces with less than 500 thousand inhabitants. - Higher efficiency in the average in the north of Italy. - Estimate of potential expenditure reduction: 56 Mln (10%) - 93 Mln (16%). In the hypothesis of unification: excess resources estimated for 180.5 Mln (31%).
ECONOMY AND FINANCE	State Territorial Accounting Departments	7%	OLS	Input: Administration Output: Administration Expenditure: CONTECO	- Estimate of potential expenditure reduction: 5 Mln (6,9%) - 21 Mln (7,7%).
	Tax Committee Secretariats	5%	OLS	Input: Administration Output: Administration Expenditure: CONTECO	- Estimate of potential expenditure reduction: 5.5 Mln (3,2%).
ECONOMIC DEVELOPMENT	Territorial Communication Inspectorates	89%	DEA VRS (I.O., O.O.)	Input: Administration Output: Administration Expenditure: Administration	- Estimate of potential expenditure reduction: 2.5 Mln (7%) - 5.5 Mln (15,4%) - Possible estimate increase in productivity (in terms of technical controls), without rise on costs, equalling 202% and increased income equalling 2.7 times.
LABOUR	Regional Divisions and Territorial Divisions of Labour	100%	DEA VRS (I.O.)	Input: Administration Output: Administration Contexto: ISTAT Expenditure: Administration	- No particular tendency per geographic area exists, but higher efficiency scorings in the north and the centre of Italy are mainly associated to the smallest structures, while in the south of Italy to medium and large structures. - Possible reductions in inspecting staff are estimated to be around 1.6% and a reduction of expenses for missions around 8% .
JUSTICE	Penitentiary Institutes	37%	OLS	Input: Administration Output: Administration Expenditure: Financial Budget (SICCOGE)	- Estimate of potential expenditure reduction: 15.4 Mln (12,9%).
FOREIGN AFFAIRS	Diplomatic-consular offices	85%	OLS	Input: Administration Output: Administration Context: Administration Expenditure: Administration (S.I.B.I.)	- Estimate of potential expenditure reduction: 7.1 Mln (15,8%) for consular offices.
EDUCATION, UNIV. & RESEARCH	Schools	99%	DEA VRS (O.O.), OLS	Input: Administration Output: Administration (INVALSI) Context: ISTAT Expenditure: SICO and MIUR	- We identify the presence of scale economies in the production function. - Comprehensive institutes do not internalize scale economies and present in the average lower efficiency in terms of students' learning. - In the south of Italy, in average, higher inefficiency than the levels of students' learning. - About 4.1% of schools exceed by 20% the ceiling of resources represented by the standard requirement estimated, whilst 0.6% of schools utilises a financial endowment 20% lower than their benchmark.
INFRASTR. & TRANSPORT	Harbour Offices	63%	DEA VRS (I.O., O.O.)	Input: Administration Output: Administration Expenditure: Administration	- Estimate of potential expenditure reduction (descriptive): 20.5 Mln for operational activities and 17.7 Mln for activities of administrative character (8% in total). Estimate of potential expenditure reduction (DEA): 33 Mln. - Possible sensitive increases in productivity (from 40 to over 100%) , at equal costs, both in operational and administrative activities.
AGRICULTURE & FOREST	ICQRF	9%	DEA VRS (I.O., O.O.)	Input: Administration Output: Administration Expenditure: Administration	- Estimate of potential expenditure reduction: for inspecting activities 5 Mln - 5.4 Mln, 2.1 Mln for sanctionary activities, and around 1 Mln (11%) for workers. - Possible sensitive increases in productivity at equal costs (e.g. the number of controls, of controlled operators and of controlled products may increase by 22%, 32% and 68%).
CULTURE	State Archives	22%	OLS	Input: Administration Output: Administration Expenditure: Administration	- In the south of Italy and the islands we observe, in average, in relation to staff units, lower output (paper material, attendance, searches carried out and consulted texts) following higher management expenditure by piece of paper material, and higher proportion of archives-regulating staff compared to the total staff. - Estimate of potential expenditure reduction: 2.8 Mln (12.9%)
	Archive-regulating Superintendencies		descriptive	Input: Administration Output: Administration Expenditure: Administration	- In the south of Italy and the islands, in average and in relation to staff units, there is lower output (inspection visits, requests for consultations and participants in the courses held) following average higher expenditure by inspection visit.
	State public library	12%	OLS	Input: Administration Output: Administration Expenditure: Administration	- In the south of Italy we observe, in average, in relation to staff units, lower output (loans to private bodies, consulted and printed works) following average higher expenditure by printed work, and higher proportion of librarians compared to the total staff. - Estimate of potential expenditure reduction: 5.2 Mln (19.2%)

The National Fire Corps

The expenditure analysis on the National Fire Corps is the result of the collaboration between administrations within a work group started up before the established of Expenditure Evaluation Units according to article 39 of Law 196/2009. It was made possible thanks to a specific survey carried out for the 100 provincial Fire Corps commands. The current situation of the National Fire Corps is complex, being characterised by a very extended territorial organisational structure and a considerable diversification of provincial commands, endowed with specific units and particular operational means. Furthermore, these are operating structures that provide safety services, for which output measurement must take into account how efficiently safety of the areas is ensured. The efficiency analysis and the econometric estimate conducted indicate - for all structures belonging to the National Fire Corps - a resource *surplus* in an initial approximation quantified according to a *range* which varies from a minimum of 4 per cent of the current cost totally incurred by all commands, to a maximum of 10 per cent (17 per cent in the most extreme forms of hypothesis).

Obviously, this quantification underlies very diversified situations, where there are commands delivering services and intervening on the territory by employing, in an efficient manner, the available resources, generally incurring costs (in per capita terms and in relation to the interventions carried out) that are considerably lower than in other commands, by utilising less resources in relative terms (staff, means, offices) and by recurring more often to voluntary staff.

As far as the quantification of potential savings is concerned, the theoretical quantifications must be translated into practice by taking into account the context in which the service is delivered, including a number of constraints, like the request for services deriving from the general public, the obligation of reaching out to the citizen, the comprehensive risk level of the territory. In fact, the services carried out by the National Fire Corps are mainly exogenous variables for the production units, in as much as they are determined by requests of the general public, which must be entirely fulfilled, so as to observe determined effectiveness criteria.

Prefectures

In addition to previous studies, further elements in support of the possible rationalisation and streamlining of the expenditure incurred by these structures are provided, on the basis of econometric and efficiency analyses that employ data from cost accounting for 102 prefectures for reference year 2010.

The per capita cost on a national basis, namely related to the population residing throughout the territory, equals 13.27 Euros, and varies between a minimum of 4.63 Euros and a maximum of 40.89 Euros. To confirm previous studies on prefectures, on average, in the north of Italy the cost per capita is considerably lower than in other geographical areas (10.93 Euros in the north, 14.04 in the centre, 15.66 in the islands, and 15.81 in the south). Inverse correlation between per capita cost and the size of the provincial area served (in terms of population) is confirmed, suggesting scale economies in the cost function due to the presence of fixed costs.

Efficiency analyses conducted upon single prefectures indicate that: (i) most prefectures (62 per cent of the total) are undersized and would gain efficiency if their size is increased; (ii) undersized prefectures are mainly located in the least dense populated provinces; (iii) for these prefectures scale inefficiencies are much more considerable than those occurring in

oversized prefectures; (iv) scale inefficiencies due to size are considerable especially for provinces with less than 500,000 inhabitants; (v) higher efficiency scorings are associated to prefectures in Northern Italy as compared to others.

Preliminary standard requirement quantifications obtained through different techniques approximately indicate expenditure surpluses are within a range varying from a minimum of 10 per cent of the current cost to a maximum of 16 per cent of the current cost. Savings and resource re-allocation may derive from a more efficient use of production factors or, even more, by merging the smaller and undersized structures, with the aim of eliminating scale inefficiencies.

Territorial Accounts Units and Tax Commissions Secretariats

The presence of the Ministry of Economy and Finance (MEF) is represented throughout the territory by two types of local offices: Territorial Accounts Units and Tax Commissions Secretariats.

The statistical analysis was carried out on the basis of detailed information drawn by the MEF internal control systems for reference year 2011. This same year the Ministry's peripheral network underwent a major rationalisation operation, which led to the suppression of Territorial Treasury Directorates and to the subsequent transfer of their human resources and functions to the Territorial Accounts Units. According to the cost accounting system, this operation led to a cost reduction of about 28.9 per cent between 2010 and 2011.

With regression exercises, an average was estimated and defined as a benchmark, so as to compare the outputs of single structures. If structures bearing greater costs were all set at the benchmark value, savings could be obtained and aimed at more efficient re-allocation of resources within the administration.

According to the statistical approach proposed, the attainable saving, on the basis of 2011 data, would equal 21 million Euros for Territorial Accounts Units with 7 units above the benchmark according to a first model, 5 million Euros with 5 units above the benchmark according to subsequent examinations, and 5.5 million Euros for Tax Commissions Secretariats with 9 units above the benchmark.

Territorial Communications Inspectorates

Services delivered and the main expenditure items of Territorial Communication Inspectorates (the local offices of the Ministry of Economic Development) were analysed with a view improving the efficiency of the various branch offices. Production costs have been put in relation with the amount of services provided, in order to calculate some efficiency and productivity indexes and to estimate the potential reduction of expenditure and possible increases in productivity.

The analysis conducted suggests not negligible margins of rationalisation. If all activities were produced at the unit costs of the most efficient local branches, the about 2.5 million Euros would be necessary, namely about 7 per cent of total costs. According to an input-oriented *Data Envelopment Analysis* the potential expenditure reduction reaches about 5.5 million Euros; this amount, greater than the first efficiency analysis, is partially due to different hypotheses about scale performances.

As far as increases in productivity are concerned, if all branches would operate at the level of the best performing branches, the increase in productivity compared with the activities

actually carried out would be approximately three times as much in the case of technical and supervision activities and around 14 per cent more as regards authorisation.

Labour Territorial Directorates

The local structures of the Ministry of Labour and Social Policies carry out complex and diversified tasks, mainly inspections concerning the application of the standards on health and safety on construction sites, the technical certification on protection of women, minors, working mothers, other protected categories and the certification of the correct application of the provisions of collective labour agreements and of other standard on labour and social security. Furthermore, Labour Territorial Directorates carry out a relevant role in terms of disputes between employees and employers and migration permits for work.

Efficiency of these structures, estimated by means of DEA models and bootstrap techniques on data concerning various combinations of inputs and outputs for 2011, is on average quite high. Rankings, according to the different models analysed, are bent, with a limited number of territorial offices to be considered by large less efficient than the others. There is no particular trend by geographical area, apart from the slight prevalence of the share of more efficient structures in northern and central Italy, with scores greater above the third quartile of the entire distribution. This difference is mostly due to the smaller sized offices in the north of Italy, while in the south, relatively better efficiency scorings are obtained by larger offices.

According to the elaborations carried out and the most complete model in terms of the inputs and outputs considered, the directorates with lower efficiency scorings may achieve results that equal those on the efficiency frontier, with a number of inspecting staff just a bit smaller than that of 2011, and expenditure for missions reduced by approximately 8 per cent.

State prisons

On 31 December 2011 the prison population amounted to approximately sixty-seven thousand prisoners, with a situation that became critical again over the recent years, also due to prison capacity limits compared to the judicial system standards.

Personnel contraction and, accordingly, expenditure compression may derive from the introduction of appropriate technologies (like anti-intrusion, anti-aggression, anti-overtaking devices, video surveillance systems, etc.) which would yet require strong initial investment not allowed by the current available resources.

Another critical issue concerns work carried out by detainees. The regulations envisage that at least 3/5 of prison inmates are given the possibility of exercising a work activity. In 2011, prisoners who were offered a work position, mostly *part-time*, were about 21 per cent of the attendees, thus corresponding only to 1/5 of the population of reference.

The availability of information at the level of single prison allow for some statistical analysis, in order to highlight the divergences of service supply among different structures. In the attempt to identify a typical production function of the service delivered, outputs produced were put into relation the expenditure incurred (excluding the expenditure for the personnel, on which it is more difficult to intervene).

The relation among variables is estimated by a regression function, based on observations of the each penitentiary institute. This function represents the average baseline behaviour, a *benchmark* useful for comparing various units. With reference to the function estimated, and given the level of inmates present and the structure condition, each institute

delivers services by incurring higher or lower levels of expenditure. The regression residuals correspond to the difference between the actual expenditure and the value predicted by the estimated function. Thus, a measure of the distance from the *benchmark* production is available and suggests the “pursuable” aim for a rationalisation process, which can lead to improvements of system’s general efficiency. The analysis on 2011 data highlighted 22 penitentiary institutes with a level of expenditure higher than the *benchmark* for about 15.4 million Euros. If these units may acquire the benchmark production level, the savings obtained could be used to re-allocate resources within the same administration.

Local branch offices of the Ministry of Foreign Affairs

Local branch offices of the Ministry of Foreign Affairs are organised into fourteen sections, which consider the most important aspects of the foreign network, from the whole of local structures to the various entities (embassies, consular offices, permanent representations, special delegations, cultural institutes), from the geographical distribution of branch offices to the services provided by them, from the analysis of revenue and spending to a statistical approach for cost analysis.

The total cost of Italy’s foreign network is 44 per cent of the Ministry of Foreign Affairs’ entire budget. The rationalisation of this network, started in 1990, has led so far to the closure of 78 consular branch offices, over a half of which is geographically located within the European area.

The distribution of the personnel has been examined by taking into consideration the period 2004-2011. Apart from the comprehensive reduction registered in this period, the relevant data shows a decrease in permanent staff units and a parallel (and almost balanced) increase of non-permanent staff, mainly contractual staff employed *in loco* to offset the gradual decrease of the staff sent from Italy.

Finally, the statistical analysis applied to Consular Offices highlights a slight inefficiency of six Consulates out of the ninety-five examined.

Schools

Italian schools are not properly local structures of the central administration, in as much as they exercise autonomy on their budgets. They are characterised by two particularly persistent and relevant trends over recent years: variability of spending per pupil and variability of number of teachers per student (despite the highly centralised system of resource allocation).

As regards financial resources, budget data of Italian schools show how around 30 per cent of them, over the three-year period 2008-2010 and at the end of the financial year, was in a liquidity situation that did not allow them to meet the commitments already taken, and with a relevant share of revenue arrears, largely constituted by credits claimed to the State, accrued over the past years; all issues which do not prove careful financial planning.

On the basis of the data referred to a representative sample of primary and lower secondary schools for the school year 2009/2010 and 2010 financial year, the relative efficiency of structures and their standard resource requirement have been analysed.

Efficiency was analysed taking into consideration factors directly related to the schools’ financial and human resource endowment as an *input*, and the measures of the learning level of students in maths and Italian, as assessed by INVALSI (the National Education Evaluation Institute), as an *output*. In general, the results confirm a strong influence of the local context

on school efficiency; furthermore, they suggest a positive effect of the share of permanent teachers and in some specific cases, of investment spending.

As regards primary schools, a regression model was estimated, where the current spending per student (including personnel costs) is the dependent variable, while explicative variables represent exogenous demand factors affecting the financial requirement of each school. The estimates aimed to quantify a standard requirement in line with the actual demand. The analysis of deviations between the model results and the current spending levels of primary schools in the sample have highlighted how even in the presence of considerable divergences between the estimated standard requirement and the actual spending of the sample, the percentage deviation between the two values is very high (over 40 per cent) for a very limited number of schools which are over-funded, while it is more limited for most schools, which result to be under-funded. Finally, the regional analysis has confirmed greater concentration of schools, in northern Italy and in some regions of central Italy, which present a financial endowment lower than that needed.

Harbour offices

Services delivered and main expenditure items of the Corps of Harbour Offices were analysed. Production costs were related to the amount of services delivered and of corresponding revenue from services, in order to calculate efficiency indexes of various local branch offices. Subsequently, cost efficiency was compared to the productivity per employed person, so as to estimate the margins of expenditure compression and of productivity increase applicable to each branch office for each activity.

If all activities were produced according to the unit costs of the most efficient branch offices, expenditure could be reduced by 20.5 million Euros for operational activities and 17.7 million Euros for administrative activities, namely 8 per cent of current production costs.

Results of an input-oriented *Data Envelopment Analysis* has further suggested expenditure related to rescue operations could be reduced about 33 million Euros. This outcome, higher than those just quoted, is partially due to various hypotheses on scale performances of the production functions of Harbour Head Offices.

Inspectorate for quality protection and fraud repression of agro-industrial products

Services delivered and main expenditure items of the Inspectorate for quality protection and fraud repression of agro-industrial products were analysed again in an economic management perspective and with a view of understanding how allocate production factors in an efficient manner, namely by utilising less resources to produce the same output and/or by obtaining more output with the same amount of resources employed.

If all activities were produced according to the unit costs of the most efficient local branch offices, the potential expenditure reduction would be would be 5 million Euros for inspection activities and a little more than 1 million for laboratories, equalling 16 per cent and 11 per cent of current production costs, respectively.

An input-oriented DEA suggested a compressible 5.4 million Euros expenditure reduction for concerning inspection activities is possible. Furthermore, increase in efficiency may be obtained by improving productivity with the same amount of time worked. In this case, it would be possible to increase considerably the number of controls (+22 per cent), controlled operators (+32 per cent), controlled products (+68 per cent), administrative disputes (+42 per cent), offence notices (+192 per cent) and sequestrations (+108 per cent).

Local structures of the Ministry for Cultural Heritage and Activities

The Ministry for Cultural Heritage and Activities has a capillary and very complex local organisation pattern. Currently, it is not possible to provide, for all types of structures, analytical data to analysing the expenses incurred. Therefore only data publicly available by the Ministry's Office Statistics was used for the purpose of this analysis.

State Archives, Archive Superintendences and State Public Libraries were examined. The analysis at level of single structures has revealed strong variability both a territorial level and in terms of size, also due to the very different kinds of archives in custody.

On the basis of 2010 data, State Archives could save up to 2.8 million Euros, with 10 structures far from reaching the benchmark level; State Public Libraries could save 5.2 million Euros, with 7 structures far from reaching the benchmark. For the Archive Superintendences it was not possible, to identify statistically significant estimates.

The fourth and concluding part of the Report submits **a collection of indicators** included in the Appendix and preceded by a methodological introduction. Law 196/2009 (under article 41 concerning the Report on expenditure of central government departments, paragraph 3, letters b and c) requires that result indicators are proposed for budget programmes and envisages also that the analytical basis for the definition and monitoring of the programmes be delivered. In particular, a first albeit not exhaustive review of the main expenditure sectors and budget programmes has been carried out. The field of observation concerns a large part of the Ministries' programmes (with reference to 2011 State Budget), with the a priori exception of the following Mission: *Constitutional bodies, of constitutional relevance and the Presidency of the Council of Ministries, Institutional and general services of public administrations, Funds to be distributed and Public debt.*

A joint overview of information of various nature has been provided, which helps understand the administration's activities, the field in which it performs, and the phenomena which it intends to influence through its action. In this regard, the data considered are both of statistical nature, from official statistical sources, and of administrative nature, generally from data produced of administrative purposes.

For each Ministry and in relation to the various programmes, three information fiches are included in the Report Appendix. The first fiche includes a more or less detailed description of the *activities* dealt within the spending programme; the second reports *result indicators*, namely measuring the activities realised, for a wide range of phenomena, such as the degree of implementation of the interventions planned, the size of products offered, the quantity and quality of the services delivered, which help evaluate the degree of achievement of the administration's pursued goals; the third fiche includes *context indicators*, which refer to the phenomena on which spending programme policies intend to exercise their influence, and/or which indicate the need for the programme and actual or potential demand.

The review of indicators does neither aim nor may be utilised to evaluate spending effectiveness for reasons that are well-known and broadly shared by the scientific community, e.g. time discrepancy between the delivery of resources and its effects, the overlapping of interventions and management responsibilities, and the need, in the case of evaluation, of a casual attribution of effects to actions. Yet, the indicators may enable to understand, in a concise and effective manner, the object of spending programmes funding and are, in many cases, useful for representing the production process underlying programmes management, as well as for quantifying their resource requirements.

THE REPORT ON EXPENDITURE
OF CENTRAL GOVERNMENT DEPARTMENTS
is available on-line at the internet address listed below:

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