

**Background Report
to the OECD Territorial Review
on the Milan Metropolitan Area**

**PART 3
Metropolitan Governance**

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3.1. INSTITUTIONAL FRAMEWORK

The organisation of the Italian administration and the connection between different levels of government (national, regional, provincial, local) has been sharply modified by the legislative reform of the Title V of the Constitution (Constitutional Law 3/2001).

This reform has changed the administrative system and redefined duties, authorities and ruling powers. The basic principles stated by the new constitutional law are:

- equality between levels of government;
- legislative power;
- subsidiarity (vertical, horizontal);
- financial autonomy.

The new article 114 of the Constitution introduced the basic principle of equality among different levels of government, declaring that “the Republic is composed by the Municipalities, the Provinces, the Metropolitan cities, the Regions and the State”: therefore the involvement of the national government is of the same importance to the other administrative bodies.

The legislative power is assigned to the State and the Regions, but the constitutional reform established that the national government covers only some topics, while the Regions cover all other points of law; the article 117 has therefore modified the balance to Region’s favour. The local bodies (Province, Municipalities) have just statutory power concerning the organization and the execution of their administrative tasks.

The principle of subsidiarity, affirmed by the article 117, ensures independence to a local power base compared to a central power base and distributes responsibilities over various levels of power, thereby initiating that radical decentralisation process of functions and responsibilities to the Regions and to Local Authorities, which goes by the name of administrative federalism.

The constitution law declares also the principle of horizontal subsidiarity, by which “the State, the Regions, the Provinces and Municipalities favour the autonomy of citizens, individuals or associated, to develop activities of general interest, according to the principle of horizontal subsidiarity”. According to this principle, the Region encourages the autonomous initiatives of private parties, involves citizens and their economic and social structures in managing public services, moving from the lowest level, from the players closest to the problem, to define actions and laws, creating conditions and guarantees so that the framework is favourable to them.

Finally, the constitution gives state recognition of the financial autonomy also for local bodies, which could set up and put taxes into effect for self-financing; moreover they share the national tax levy in proportion to their territory and population.

3.1.1. The Lombardy Regional Government

The territory of the Region extends over a total surface area of 23,861 sq. km: Lombardy is the fourth largest region in Italy by extension, after Sicily, Piedmont and Sardinia, with a territory that is 47% flat plains, 40% mountainous and the remaining 13% are hills. The following major towns, are provincial capitals: Bergamo, Brescia, Como, Cremona, Lecco, Lodi, Mantova, Milano, Pavia, Sondrio and Varese. Lombardy is the Italian region that has the highest concentration of people, businesses and wealth: the region represents 15.6% of the overall national population with approximately 9 million inhabitants, with a demographic profile that has 24% of the population under the age of 25 and 17.4% over 65. Lombardy is

one of the most densely populated regions in Italy and the province of Milano has a residential density 5 times higher than the average for Lombardy and 10 times higher than the average for Italy.

The mission of the Region originates from the subsidiarity principle, which the Lombardy Regional Government has committed itself to and which the European Union included among its guiding principles in 1992 – the year in which the principle was introduced in the Treaty of Maastricht (this principle was also included in the Italian Constitution from 2001).

The vertical subsidiarity model is achieved among different levels of government. Its institutional form is represented by federalism, which the Lombardy government proposes to implement through devolution, namely the transfer of jurisdiction and resources from the Central Government to the Region in reference to areas that can be managed more efficiently at a local level, such as health-care, security and education. According to the horizontal subsidiarity model the public sector acknowledges the autonomous initiative of the private party and intervenes when the action undertaken by the company and the market is insufficient. The Lombardy Regional Government entitles private parties to pursue objectives that are beneficial to everyone. It follows that the private citizen is given the freedom to choose among a variety of offers in the field of public services. The following can be mentioned as being among the results already achieved: the law reorganising the health-care and welfare system, which guarantees maximum freedom when choosing health-care facilities and a greater number of alternative; the ‘vouchers’ system (for schooling, welfare services, housing), which helps families to sustain the freedom of choice; the regulations that stimulate creativity for those that want to establish a company and create employment.

The Lombardy Region’s Statute, approved in May 1971 and amended in 1985, is in the process of adapting to the new institutional scenario permitted by the provisions established in constitutional law n. 1/99 (direct election of the President of the Council) and by the incisive reform of the Constitution. In fact, the new distribution of jurisdiction between the Central Government and the Regions limits the exclusive legislative state authority to precisely defined areas, such as foreign policy, defence, monetary issues, electoral legislation, law and order, environment, general regulations regarding education and Social Security, whereas the remaining areas are deferred to the exclusive legislative authority of the Regions, that have financial autonomy as regards revenue and expenditure. Furthermore, the Statute is based on the principle of vertical subsidiarity, which assigns to the Municipalities the role of principle player in relationships with the citizens.

From 1999 the President is elected directly by the citizens. As the head of the Lombardy Regional Government, the President manages and is responsible for the policies implemented by the Council. The President appoints the Councillors (Assessori) and revokes their appointment, if necessary.

The Councillors (Assessori), who maintain responsibility for policies and direction, are supported by recently introduced general-directorates, responsibilities for management and operational implementation. The Regional Council is the assembly body that directly represents the citizens of Lombardy, defines the political-administrative policy of the Region and outlines the implementation procedures, also through legislation. In order to render the organisational model efficient, the Lombardy Regional Government has transferred a number of private sector scenarios to the public administration, such as working by objectives and the use of project management instruments. Strategic planning for projects, based on the innovative bottom-up methodology, has replaced former centralised planning criteria, based on a top-down method, so as to involve the broadest number of social and institutional partners. The objectives of the Lombardy Regional Government’s current legislation are contained in the Regional Growth Programme, which is based on four thematic areas of commitment: institutional, social-economic and cultural growth, services to individuals and territorial.

3.1.2. The Province Government

The Province of Milan governs the largest metropolitan area in Italy, and is situated in the middle of one of the most highly populated regions of Europe. Almost four million people live and work in the district administered by the Province, all within an area of less than 2,000 square kilometres. This number represents 6,5% of the population of Italy and 41,6% of the population of Lombardia region. The Province of Milan is a local government Authority which represents 189 borough councils (including the city of Milan) within the region.

The administrative bodies of the Province are: the Provincial Council, the Provincial Executive Board and the President.

The President (Presidente della Provincia) represents the Province of Milan, convokes and chairs the Executive Board, and supervises the work of the departments and the execution of all acts. The President is elected for a term of office of five years. The current President was elected in the election of June 2004. The Provincial Executive Board (Giunta provinciale), appointed by the President, consists of fifteen Executive Councillors who work together on the administration of the institution. The Committee operates through a system of collective decisions, and puts forward proposals to the Provincial Council.

The Provincial Council (Consiglio provinciale) consists of 45 councillors elected at the same time as the President of the Province, who is also a member of the Provincial Council. The Council is responsible for fundamental acts of policy, administrative control and planning, and for the approval of all relative financial plans. The Council elects its President, who convokes and chairs the works of the Council, and two vice-Presidents. The meetings are usually public. The Council works through Council Committees (The Council Committees are articulations of the Council, built internally using a proportional rule). Membership is decided internally and is based on proportional representation.

Both Council and Council Committee meetings are usually public.

The Secretary-General, who is appointed by the President, holds the most important managerial position in the Province. The Province of Milan Secretary-General, appointed by a Presidential decree, depends from the President. He is the most important manager of the Province of Milan and works with all Institutional Organizations according to the Provincial Statute.

The General Manager of the Province of Milan is also appointed by the President, and is responsible for achieving the Authority's Targets. He also coordinates the activities of the various Department Heads and prepares detailed plan of the Province's objectives.

3.1.3. The City (Milan) government and the Municipalities

In the provincial area there are 189 Municipalities distributed around the City of Milan.

One of the main feature of the territory, which is partly confirmed in the local governance system, is the presence of a big player in the centre of the area which is sprinkled with many other smaller actors. However, in the surrounding area of Milan there are some important Municipalities in terms of population, economic development and institutional power such as Sesto San Giovanni, Cinisello Balsamo, Rho, San Giuliano Milanese, Abbiategrasso.

The organization of local administration is roughly the same within all municipalities, except for some large administrations.

The head of the Municipality is the Mayor (Sindaco). He is elected directly by the citizens residing on the municipal territory and remains in office for a five year term after a campaign where he presents to the

electorate the programme that himself and the Executive Board (Giunta) intend to implement. After his election, he appoints the members which are to join him in the Executive Board.

The Town Council is composed of the Mayor and sixty councillors elected by the citizens and it remains in office for 5 years. It is the main representation body and it determines the basic political course of action to be taken by the municipal administration. The Council has to pass or reject proposals, initiatives and project submitted by the Mayor and the Board, as well as those in the areas of its competence: public works, tariffs for public utilities, land use, budget and closing balance.

The Executive Board (Giunta) consists of the Mayor and the Chief Councillors (15 people) appointed by the Mayor. Each one of the members (Assessore) is competent for a specific sector: Urban Development, Social Services, Environment, Traffic and Mobility, Cultural Affairs and so on. The Chief Councillors remain in office for 5 years: the duration of the Board is therefore linked to the Mayor's office.

The city administration of Milan is further articulated in nine Area Councils; each Area Council is composed of 41 councillors, elected during the poll for the Town Council. The Councils remain in office for 5 years. Area Councils represent advisory, participation, management and executive bodies in civil services.

More in detail, the Area Council has the following duties:

- to promote information and participation within the community;
- to assess the effectiveness of public activities;
- to manage basic services;
- to present proposals to central administration with regard to: public works, parks and gardens, security, public real estate, urban planning.

Figure 3.1.1 - The Province of Milan divided into Municipalities

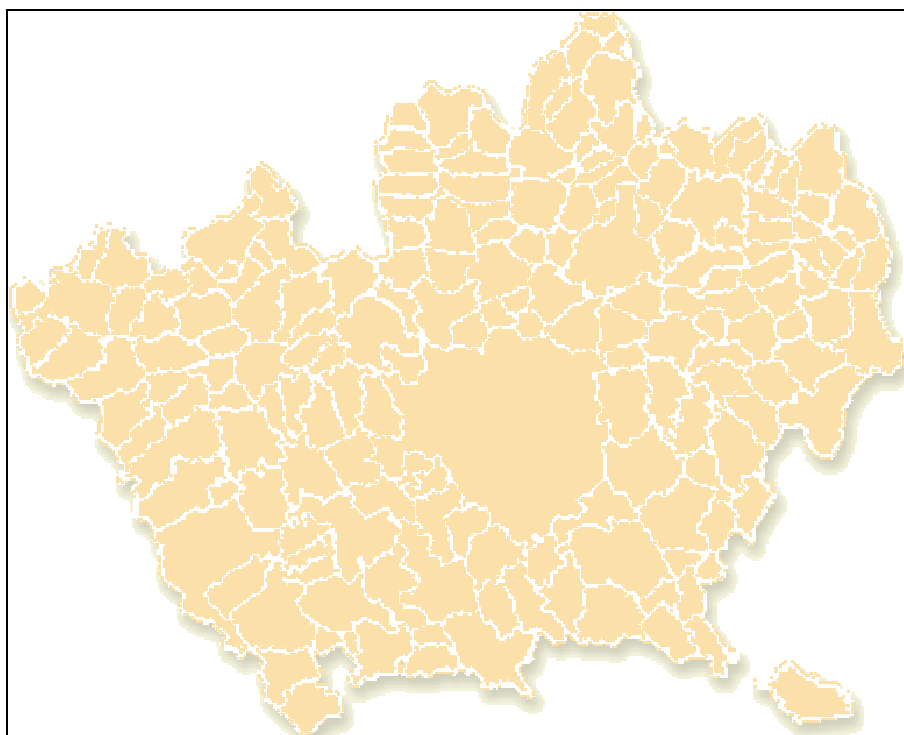


Table 3.1.1 - Metropolitan governance in the province of Milan

	Province of Milan				City of Milan				Area Council			
	Elected		Appointed		Elected		Appointed		Elected		Appointed	
	No.	Term of office	No.	Term of office	No.	Term of office	No.	Term of office	No.	Term of office	No.	Term of office
Executive:	1	5y			1	5y						
Mayor/President			1	5y								
Secretary General	45	5y			60	5y			369	5y		
Council			15	5y			15	5y				
Executive Board			1	5y								
General Manager												
Departments/Bureaus/Divisions ...												
Permanent staff			2510									

3.1.4. Functional bodies (Autonomie funzionali)

The devolution process that has modified the public administration brought a clear acknowledgement of public bodies' authority.

The Law 59/97 introduces the principle of functional autonomy, which is a rule that preserves duties carried out locally and independently by Chambers of Commerce, industry, agriculture and Universities. The Bassanini Law states that functional bodies, along with territorial bodies, could hold particular duties as well as delegated by the central government or the Regions.

The administrative system that was founded basically on the central administration turns into a new system based on the Regions and local bodies, including the functional autonomies.

The Chamber of Commerce, Industry, Craft Trade and Agriculture of Milan is an independent public body that supports and promotes the general interests of Milanese companies. Situated in Milan has also been hived off its offices in all the Milan district, aiming to facilitate the decentralization of its functions and services.

The Chamber of Commerce of Milan:

- helps and encourages the entrepreneurial formation, offers benefits, credit inducements and business financing, innovation and technology transfer, promotion and diffusion of e-commerce, environmental protection, infrastructure development and exploitation of territory resources;
- participates in the economical development of Milanese territory, stimulates the local entrepreneurial competitiveness and its internationalization;
- exercises all the administrative activities, (like registering of the companies, certifications inevitable for the development of certain activities), according to the Italian law, promotes objective and impartial rules in commercial contracts;
- executes different functions commissioned to her by the Lombardy Region and by the State, including various services assigned her by the international agreements.

In addition, the Chamber of Commerce, aiming to support and to encourage the entrepreneurial system and the international market, has established 8 special agencies, that follows the objectives and the strategic guidelines of the Chamber of Commerce.

3.1.5. Distribution of tasks at local level

While in the post-war period, some European countries (UK and the Germany) have reorganized the shape of the local powers, Italy has maintained the traditional framework of sub-national entities until the beginning of the nineties, with the exception of the setting up of the Regions in the seventies. However, in the last few years Italy has undergone a remarkable decentralization process that brought relevant changes to the power of Local Bodies (Enti Locali).

The introduction of the Bassanini laws, in particular the law n. 265 (3 August 1999, *Disposizioni in materia di autonomia e ordinamento degli enti locali*) and the implementation decree n. 267 (18 August 2000, *T.U.E.L.- Testo Unico delle leggi sull'ordinamento degli enti locali*), has radically changed the distribution of tasks at the local levels. The Provinces were mainly executive agencies of the national government serving to implement national policies on the territory; through this law, the central state assigned to the Provinces a significant number of new powers and competencies, coupled with an increased financial and taxing power.

The law on local administrations stipulates that Municipalities and Provinces themselves shall take charge of those matters of general interest that are related to their respective territories and that are not the preserve of some other body.

Moreover, the law gives state recognition of statutory autonomy: each local entity could define in its statute the administrative form, the type of cooperation with other local governments and the forms of citizens' participation to the administrative process.

Provinces and Municipalities don't have any legislative power which it's up to Regions and central government: they carry out only administrative duties.

In January 2000, Lombardy Region approved the regional law n.1 on the reorganization of local administration, in order to implement the central government decree. The law details the duties transferred to provinces, local authorities and mountain communities.

Moreover it introduces new important elements with respect to Bassanini laws:

- the introduction of new instruments for implementing negotiated regional planning: the Development contract and the Economic recovery contract. The first is an agreement between the region, local authorities, business associations, trade unions and private-public bodies, interested in economic development and creation of new employment. The second is an agreement between the same actors aimed at implementing economic recovery projects of large social impacts. This instrument could be useful in areas hit by economic decline or to implement investments projects to absorb unemployment;
- the setting-up of the Regional Conference on Autonomous Bodies, a permanent body in which local administration can participate in regional policy making. Members of the conference include the Mayors of the provincial capitals, presidents of Provinces, other Mayors of the bigger cities and four presidents of Mountain communities. The Conference expresses opinions on important matters such as changes to the regional statute, budget and finance laws, regional policies for economic and development planning;
- the setting-up in each Province of a Local authorities and mountain communities conference to discuss and put forward proposals on all matters transferred to provinces in the field of spatial planning.

The City of Milan, like all municipalities, has to carry out the administrative functions related to local population and territory, especially for people and community services, land use and economic development; some central functions are also assigned to local governments, such as electoral duties and the register of births.

The responsibilities of the Province of Milan are limited both by the Region that plan and lays down general policies, and by the City which directly implements the policies. Nevertheless the institutional

significance of the Province has increased recently: the provincial level has revealed itself to be the optimal territorial level for policies in the field of economic development, education and training, and spatial planning.

The Province has to carry out administrative duties in the these fields:

- town and country planning;
- environmental protection, disaster prevention;
- protection and exploitation of water and energy resources;
- cultural activities and tourism;
- transports and mobility;
- parks and natural reserves;
- waste disposal at the provincial level;
- health and educational services allocated by the Region.

Some planning tasks are also within the scope of the Province:

- to collect the proposals advanced by the Municipalities, aiming at the economic, territorial and environmental planning of the region;
- to concur in the determination of the Regional development plan;
- to work out and adopt the Provincial territorial plan (PTCP, Piano Territoriale di Coordinamento Provinciale) which contains: the designation of the areas with relation to their vocation, the location of the major facilities, road infrastructures and communication lines, the strategic lines to protect land and water resources, the areas for parks and natural reserves.

3.1.6. Influence of the national government on the restructuring of administrative organization of local governments

The changes in local governments, induced by the national government, may be identified by focusing attention on the general change occurring in institutional organisation, in particular, in the relationships between the state and local authorities. Identification of these innovations and changes is not a simple task, insofar as it would require reconstruction of the evolution of both legislative instruments and practices effectively followed by administrations.

In general terms, however, it is possible to identify a number of principal phases in the evolution currently underway that correspond, overall, to the introduction of a number of principal innovations from the legislative point of view¹.

The movement towards decentralisation and towards a progressive reform of local government accelerated progressively at the beginning of the '90s, during a period of deep crisis in the Italian institutional and political systems. Overall, the provisions adopted take the form of an attempt radically to modify the institutional system, reforming the control process and the division of competencies and powers between the state and local authorities, in a search for simplification of administrative action and recovery of efficiency in public administration.

¹ The principal laws that deal with the process of change are Law no. 142, of 8 June 1990, Regulation of local autonomies; Law no. 81, of 25 March 1993, Direct election of the mayor, the president of the province, the local-authority council and the provincial council (now modified by Law no. 120 of 30 April 1999); Law no. 59, of 15 March 1997, Delegation to the government for the conferring of functions and tasks to regions and local authorities; Law no. 127, of 15 May 1997, Urgent measures for the streamlining of administrative activity and of decision-making and control procedures and Legislative Decree no. 112, of 31 May 1998, The conferring of administrative functions and responsibilities by the state to the regions and to local authorities, the so-called Bassanini laws, named after the Minister of the Public Service in the Prodi government, which generally redesigned the division of powers and functions between the state, the regions and local authorities; Law no. 265, of 3 August 1999, Provisions for the autonomy and organisation of local authorities, which, essentially, develops, rationalises and modifies the general lines of Law no. 142, taking into consideration the difficulties in implementation encountered - particularly with regard to the institution of the metropolitan city - and new conditions.

These laws are inspired by these general principles: local authorities autonomy, subsidiarity, responsibility, appropriateness of the public structures to the carrying out of the responsibilities assigned to them, flexibility in inter-institutional relationships, citizen participation in collective choices, and streamlining the bureaucracy. They seem to prefigure, at least in general terms, a redesign of the relationships between the state, local authorities and civil society aimed at a form of organisation completely different with respect to the traditional organisation.

The relevance of these changes, above and beyond the initial indications, must obviously be verified in practice so as to be able to assess if and how they are destined to influence behaviour and the public administration's styles of governing.

However, there is no doubt that some innovations, which seem to recognise and valorise the role of the actors, in behaviour and resources traditionally excluded from decision-making processes, have been introduced, resulting in an overall redefinition of political and administrative action.

In the framework of urban and territorial policies, the new centrality assumed by local authorities in a very wide range of policies regarding the promotion of territorial development, the confirmation and consolidation of a number of regulatory institutes (for example, the *Accordi di programma* - Planning agreements - and the *Conferenza dei servizi* - Conferring of services²) head in this direction. These policies are intended to simplify the work shared by public authorities at various levels and, finally, to define a contractual model for interaction among public and private actors.

Considered together, these elements, along with the role played by the EU in the promotion of complex and integrated policies, the interests of institutions, agencies and public authorities for the mobilisation of private actors' resources and for an expanded involvement of local society, has facilitated, in the last decade, the emergence of a number of changes.

These changes have occurred in the construction of urban and territorial policies and of a number of innovations in instruments for intervention in the city and in the territory.

In general terms, the innovations emerging in the local context may be summarised in by the four following statements:

- the recognition of new forms for the representation of interests, with subsequent positive acceptance of the plurality and diversity of the actors and of the interests involved in urban and territorial policies;
- the opening up of the decision-making arena towards forms of negotiation and joint planning among the various actors, in the form of both public/private partnership and of inter-institutional co-operation (the former intended to activate the resources of the various involved actors; the latter, aimed at co-ordination of and co-operation among the various institutional actors);
- the growing importance assumed by reference to specific local authorities for the implementation of actions in integrated territories, intended to place the city or territory within the context of international competition and, concurrently, to oppose social-exclusion phenomena;
- the generalised adoption of competition procedures in the assigning of financial resources provided by government programs for the best local practices.

² The *Accordo di programma* is an instrument for the co-ordination of the public/private partnership applied during the 80's as an extraordinary measure in order to implement public works for which particularly rapid procedures were necessary and in order to enable the automatic variation of urban-planning instruments in effect. Its extension is provided for by Law 142/90; subsequently, Law 127/97 modified and integrated the various provisions.

The *Conferenza dei servizi* was introduced at the end of the '80s in order to facilitate public-works implementation procedures with a view to the 1990 world football championship. It is an institutionalised procedure for the co-ordinating of public actors at various levels. Both are contractual instruments, the principal difference between them consisting of the fact that with the *accordo di programma*, the contracting administrations assume reciprocal commitments for the future, agreeing on times and implementation procedures; with the *conferenza di servizi*, they only give their consent to a particular intervention.

3.2. DISTRIBUTION OF RESPONSIBILITIES AMONG DIFFERENT LEVELS OF GOVERNMENT

Identify the authority or the authorities in charge of the following subjects and indicate if a coordinating mechanism exists in each of these fields	Country	Region	Province	City (municipality)	Area Council	Others, specify (ex: regional board, public company, private company, public-private company...)	Arrangements for coordination (specify name)
1) PLANNING AND DEVELOPMENT							
Master plan			X	X			
Zoning				X			
Regulation				X			
Permit delivery				X			
2) ECONOMIC DEVELOPMENT							
Planning	X	X	X	X			
Financing	X	X	X	X			
Promotion	X	X	X	X		Development agencies	
Services to enterprises	X	X	X	X		Chamber of Commerce Milan	
Attraction of enterprises	X	X	X	X		Development agencies	
3) ENVIRONMENT							
Environmental policy		X (Piani pluriennali tutela ambientale)					
Financing	X	X					
Wildland and arable land preservation			X				
Water quality	X	X	X	X			
Air quality	X	X	X			A.R.P.A. (Regional Agency for Environmental Protection)	
4) TRANSPORT AND ROAD SYSTEM							
Local road system							
-- Planning			X	X			
-- Financing			X	X			
-- Construction			X	X			
-- Maintenance			X	X			
Regional road system							
-- Planning		X					Accordo di programma quadro sulla grande viabilità
-- Financing	X	X					
-- Construction			X			Anas	

Identify the authority or the authorities in charge of the following subjects and indicate if a coordinating mechanism exists in each of these fields	Country	Region	Province	City (municipality)	Area Council	Others, specify (ex: regional board, public company, private company, public-private company...)	Arrangements for coordination (specify name)
-- Maintenance			X				
Airports							
-- Financing	X	X					
-- Construction						SEA	
-- Maintenance						SEA	
Rail transportation							
-- Financing	X	X				FS, FNM	
-- Operations							
Public transportation (subway and bus)							
-- Planning		X	X Piano provinciale dei trasporti				
-- Financing		X					
-- Construction						ATM, MM	
-- Operations						ATM, MM,...	
5) DRINKING WATER MANAGEMENT							
Planning		X	X (A.T.O. Provincia Milano)	X (A.T.O. Città di Milano)			
Financing							
Treatment			X	X		Metropolitana Milanese S.p.A	
Conveyance			X	X		Metropolitana Milanese S.p.A	
6) WASTE WATER MANAGEMENT							
Planning			X	X			
Financing							
Sewage disposal				X			
Treatment				X			
7) WASTE MANAGEMENT							
Planning		X (Piani di ambito territoriali ottimali)	X Piano Provinciale Smaltimento Rifiuti Solidi Urbani				
Financing							
Solid waste collection				X		Amsa (Azienda Municipale Servizi Ambientali),....	
Waste recycling			X	X		Amsa	

Identify the authority or the authorities in charge of the following subjects and indicate if a coordinating mechanism exists in each of these fields	Country	Region	Province	City (municipality)	Area Council	Others, specify (ex: regional board, public company, private company, public-private company...)	Arrangements for coordination (specify name)
Waste disposal			X	X			
8) PUBLIC SAFETY							
Police	X			X		Local Police	
Firefighters	X						
Ambulance		X					
Crisis management	X	X					
9) HOUSING							
Planning		X (Programma regionale per l'edilizia residenziale pubblica a cadenza triennale)					
Regulation				X		Aler	
Construction of municipal housing		X				Aler	
Financing		X					
Aid to property ownership		X					
10) PARKS AND GREEN SPACES							
Planning	X	X Piano regionale delle aree regionali protette					
Financing		X					
Landscaping			X				
Maintenance			X				
11) LEISURE AND CULTURE							
Planning			X				
Financing			X	X			
Sports centers				X			
Cultural and Community services			X	X			
Libraries	X		X	X			
Cultural centres			X				
Others, specify : IDROPARK (Idroscalo)			X				
Others, specify:							
12) INFRASTRUCTURES RELATED TO EDUCATION							
Planning	X	X	X	X			
Financing	X	X	X	X			

Identify the authority or the authorities in charge of the following subjects and indicate if a coordinating mechanism exists in each of these fields	Country	Region	Province	City (municipality)	Area Council	Others, specify (ex: regional board, public company, private company, public-private company...)	Arrangements for coordination (specify name)
Day-care centres, nurseries				X			
Elementary schools	X			X			
High schools	X		X				
among which professional high schools		X	X				
Universities	X						
13) HEALTH							
Planning		X					
Financing	X						
Hospitals		X					
Clinics, dispensaries		X					
Social security	X		X				

3.3. METROPOLITAN AND LOCAL FINANCE

3.3.1. Evolution of Italian local finance system

The Italian local finance system is experiencing a significant transition period: a strongly centralized system was recently replaced by a new organisational structure, which recognises higher responsibilities to local authorities and is basically founded on a subsidiarity principle, aiming at avoiding local disproportion.

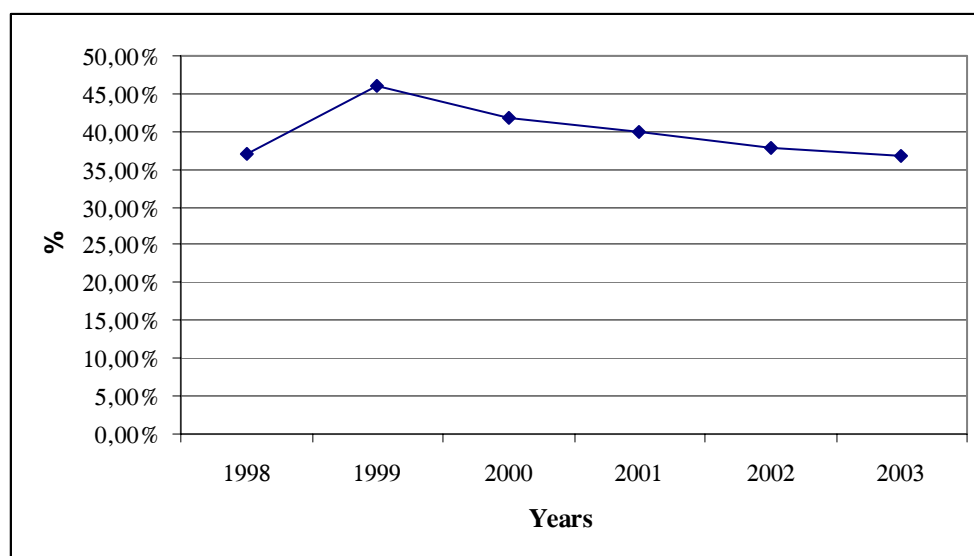
This innovative process followed significant steps, the most important one concerning the constitutional law issued on Oct. 18th 2001, which reformed Title V of Part II of the Italian Constitution. The legislative and administrative competences of the various levels of government have been changed and local authorities granted more autonomy. Principles of financial autonomy of local entities and Regions have now a constitutional dignity.

3.3.1.1 Main legislative steps in local finance reform

Normative source	Main objectives
Law nr. 59/1997 ("Bassanini Law"); Law nr. 127/1997 ("Bassanini bis Law"); Legislative Decree 112/1998	Decentralization of several functions to Regions and Municipalities; bureaucratic simplification
Law nr. 133/1999 (art. 10) enacted under delegated power about fiscal federalism; Legislative Decree 57/2000	Discipline of financial relationship between general Government and Regions. Introduction of an equalisation fund.
Constitutional Law 18 th Oct. 2001, nr. 3, reforming Title V of Part II of the Italian Constitution	Introduction of principles of financial autonomy of local entities and Regions

At the beginning of 1990, public transfers were about 97% of regional revenues (most of them strictly linked to healthcare expense). During those years it became clear that Italian local authorities had to become more responsible of their revenues and expenses and new budget constraints had to be introduced.

Graph 3.3.1 – Total transfers as a % of local revenues



Source: Bank of Italy.

The most significant steps concerning this process are:

- 1993: introduction of ICI, a municipal tax on real estate property;
- 1998: introduction of IRAP, a regional tax on enterprises', public and private entities' net production;
- 2001: introduction of a tax sharing principle concerning VAT and gasoline. A new equalizing system among Regions was introduced.

3.3.2. Decentralization in Italy

Local authority levels in Italy are divided into:

- Regions, among which some have a special statute with a higher autonomy level;
- Provinces;
- Municipalities.

Some functions are *exclusive competence* of local authorities. Regions are charged to health service system organisation and planning. Provinces have a hardly definite role, mainly concerning education and environmental conservation. Municipalities are charged to individual services, such as healthcare, pre-school or local public property custody.

General government has *exclusive legislative power* on some specific topics:

- international policy and international relationship with EU;
- immigration;
- public defense, national army and State security;
- currency, savings, and financial markets;
- social security except for local administrative police;
- civil and criminal code; administrative law;
- state authorities and electoral law;
- definition of minimum standard in civil and social rights protection;
- education general principles;
- welfare;
- environmental protection and cultural property safeguard.

Some other functions *concern both General Government and Regions*: while State is charged to define general principles, local authorities are entitled to a more specific discipline and detailed rules. These topics are:

- foreign trade;
- industrial safety;
- education;
- scientific and technological research and innovation support;
- healthcare;
- civil defense;
- territory administration;
- national transport network;
- energy production and distribution;
- complementary social security;
- cultural and environmental property care;
- regional credit entities.

So, Italian State has *exclusive competence* on some macro items, such as defense, justice, safety and social security; while a responsibility sharing with local authorities concerns other items such as welfare and

other economic functions.

Since 2001 constitutional law reforming, **Italian Regions** gained a taxation autonomy, being entitled to levy taxes, provided that a “complete harmony with Constitutional principles and a coordination within general government and tax policy are guaranteed”.

Through a direct initiative, every Region can widen its autonomy regarding:

- all items with a shared competence;
- three items where general government has an exclusive competence: justice of the peace, education general principles, environmental protection, cultural property safeguard.

Through own legislation, each Region can gain exclusive competence concerning: healthcare, school organisation, regional school programmes, local police.

Table 3.3.1 - The most important sources of direct revenues for Italian Regions

Own revenues	
Own taxes	IRAP
	Automobile tax
Minor taxes	Regional tax on scholarship right
	Urban solid waste managing tax
	Regional grants tax
	Airplane noise emission tax
Non own revenues	
Shared taxes	Regional IRPEF surtax ⁽¹⁾ (0,9% ± 0,5%)
Transfers	
	Shared VAT ⁽²⁾
	Shared fuel tax

(1) IRPEF is the national personal income tax.

(2) Shared VAT is yearly defined, assuming the global budget outturn.

According to the Italian Constitutional Article nr. 119, a new “equalisation fund with no destination constraints is created in order to sustain local territories having a lower per capita contribution capacity”.

Among transfers, Shared VAT is the most significant one. The allocation rule is the following one:

$$\begin{aligned}
 \text{Per capita transfer} &= \text{Per capita national VAT revenues} \\
 &+ 90\% \times \text{lower per capita contribution capacity} \\
 &+ \text{higher healthcare requirements index} \\
 &+ 70\% \times \text{cost differences}
 \end{aligned}$$

According to a gradual introduction since 2001, the incidence of the equalising contribution is getting higher each year and will not reach a definitive amount until 2013.

Table 3.3.2 - The most important sources of direct revenues for Italian Municipalities

Own revenues	
Own taxes	ICI
Minor taxes	Urban solid waste managing tax
	Public areas occupancy tax
	Advertising tax
Non own revenues	
Shared taxes	Municipal IRPEF surtax ⁽¹⁾ (max. 0,5%)
Public Transfers within 2013	
	Ordinary fund, based on standard requirements indicators

Equalising fund:
80% depending on contribution capacity
20% depending on tax rates

(1) Optional.

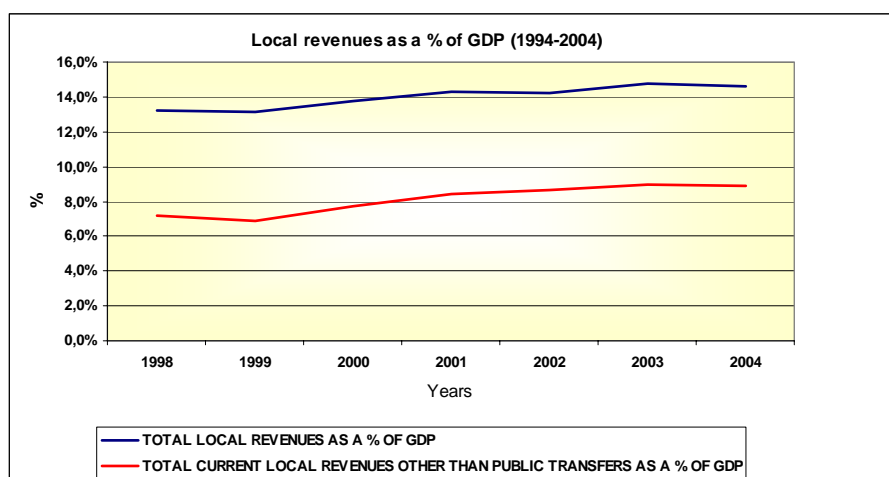
At a municipal level, tax policy is mainly dependent on real estate property tax and ICI represents the most significant source of direct revenue. Each Municipality fixes the local tax rate with a minimum of 4‰ and a maximum of 7‰ of property cadastral value.

3.3.2.1 Local Government Revenues and Expenditures in Italy

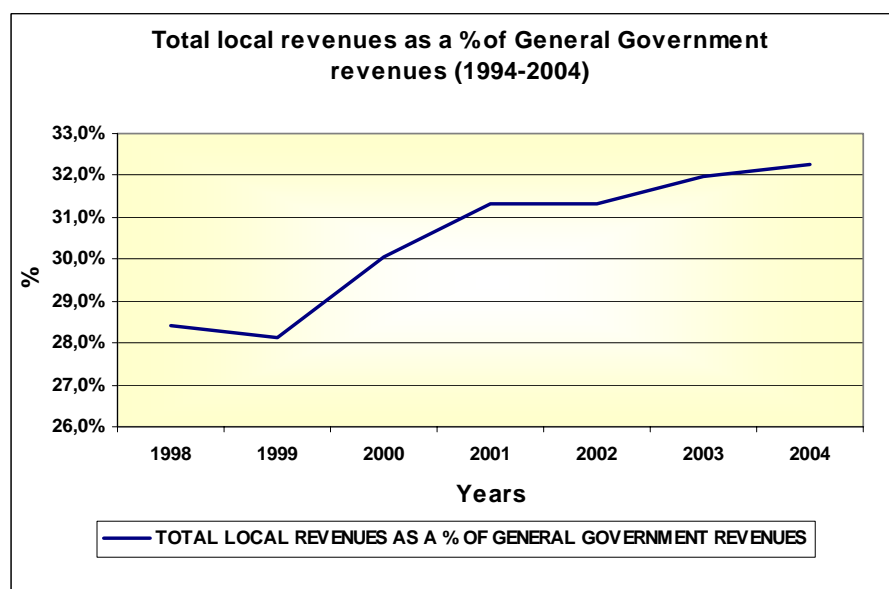
Table 3.3.3 - Local Government Revenues in Italy

€ millions	1998	1999	2000	2001	2002	2003	2004
Personal income taxes	13.924	15.331	18.405	20.671	24.102	26.133	27.042
Regional revenues				18.569	21.603	23.119	23.891
personal income (IRPEF) surtax				4.430	4.975	6.166	6.741
automobile tax				3.227	3.086	3.347	n.a.
Municipal revenues				2.102	2.499	3.014	3.151
personal income (IRPEF) urtax				715	1.096	1.571	1.615
real estate tax (ICI)				953	970	1.076	n.a.
Other taxes	47.648	44.377	53.432	55.707	57.371	60.084	60.486
Regional revenues				40.288	40.403	42.192	41.651
IRAP				31.287	32.072	32.764	32.343
fuel tax				2.171	1.596	2.911	2.727
corporate automobile tax				791	682	656	n.a.
methane surtax				651	659	374	n.a.
urban solid waste managing tax				303	304	222	n.a.
County revenues				3.169	3.552	3.746	3.882
auto liability insurance tax				1.517	1.854	2.155	n.a.
registration tax				1.057	1.079	1.257	n.a.
Municipal revenues				12.250	13.416	14.146	14.953
real estate property tax (ICI)				8.744	9.245	9.873	n.a.
advertising tax				396	403	365	n.a.
Consolidated current transfers	52.382	55.185	55.981	55.121	54.205	54.230	59.837
Regions:				42.817	42.921	42.630	47.068
shared VAT				19.800	28.370	30.328	34.492
Counties				2.750	2.718	2.698	2.752
Municipalities				16.628	16.024	16.368	n.a.
Other current revenues	15.695	16.611	18.355	14.446	15.201	16.844	19.175
Regions				3.369	3.074	3.996	4.971
Counties				1.316	1.382	1.765	1.902
Municipalities				9.761	10.745	11.083	12.302
Revenues from social security and other local institutions				11.807	12.700	13.317	13.331
Total current local revenues	129.649	131.504	146.173	157.752	163.579	170.608	179.871
Total current local revenues other than public transfers	77.267	76.319	90.192	102.631	109.374	116.378	120.034
Capital revenues	12.102	13.822	14.350	16.656	15.386	21.526	17.761
Capital tax		58	52	48	68	1.898	1.026
Capital transfers		11.567	10.994	14.750	13.638	16.605	13.985
Other revenues		2.197	3.304	1.858	1.680	3.023	2.750
Total local revenues	141.751	145.326	160.523	174.408	178.965	192.134	197.632

Source: Bank of Italy –Annual Report 1999-2005.

Graph 3.3.2 – Local revenues as a % of GDP (1994-2004)

Source: Bank of Italy.

Graph 3.3.3 – Total local revenues as a % of general government revenues (1994-2004)

Source: Bank of Italy.

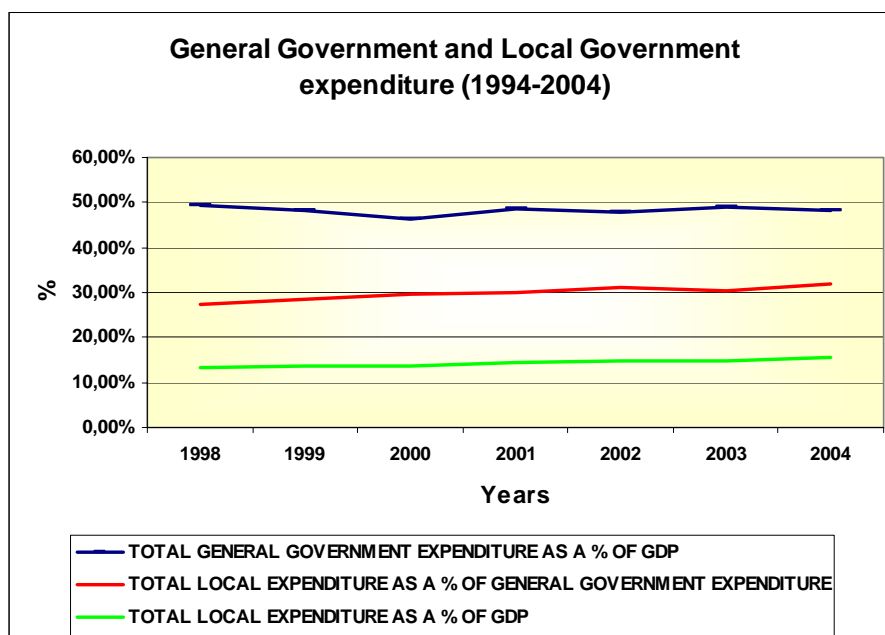
Table 3.3.4 - Local Government Expenditures in Italy

€ millions	1998	1999	2000	2001	2002	2003	2004
Compensation of employees	46.864	48.795	51.051	54.636	56.844	58.291	64.118
Intermediate consumption	34.875	36.563	39.065	42.493	44.660	45.982	48.486
Social assistance benefits in kind (market purchases)	21.993	23.356	27.230	30.930	32.791	33.505	35.888
Transfers to local security and social institutions	352	308	360	401	340	184	235
Social assistance benefits in cash	1.278	1.421	1.575	1.794	1.936	2.033	2.133
Subsidies to firms	5.570	5.376	5.973	7.618	7.948	8.111	8.182
Interest payments	4.548	4.164	4.102	4.557	4.522	4.448	4.297
Other	3.030	3.486	2.995	3.265	4.673	6.798	7.820
Total current expenditure	118.510	123.469	132.351	145.694	153.714	159.352	171.159
Gross investment	18.191	19.392	20.551	22.990	24.548	25.925	28.578
Investment grants	6.758	7.287	7.561	7.542	8.337	8.492	9.080

Other	861	1.623	704	1.343	506	402	540
Total capital account expenditure	25.810	28.302	28.816	31.875	33.391	34.819	38.198
Total local expenditure	144.320	151.771	161.167	177.569	187.105	194.171	209.357
Deficit on current account (surplus)	-11.139	-8.035	-13.822	-12.058	-9.865	-11.256	-8.712
Net borrowing	2.568	6.445	644	3.161	8.140	2.037	11.725

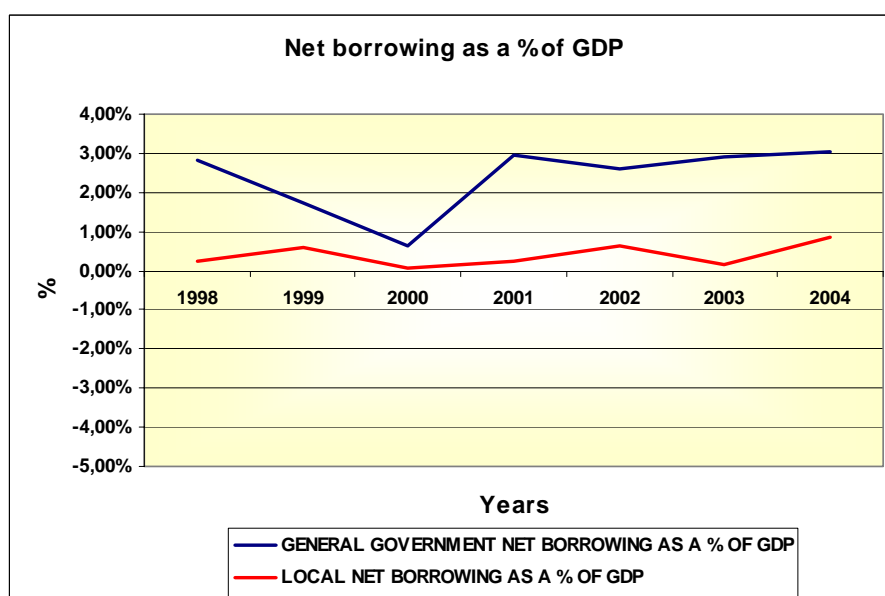
Source: Bank of Italy –Annual Report 1999-2004.

Graph 3.3.4 – General government and local government expenditure (1994-2004)



Source: Bank of Italy.

Graph 3.3.5 – Net borrowing as a % of GDP



Source: Bank of Italy.

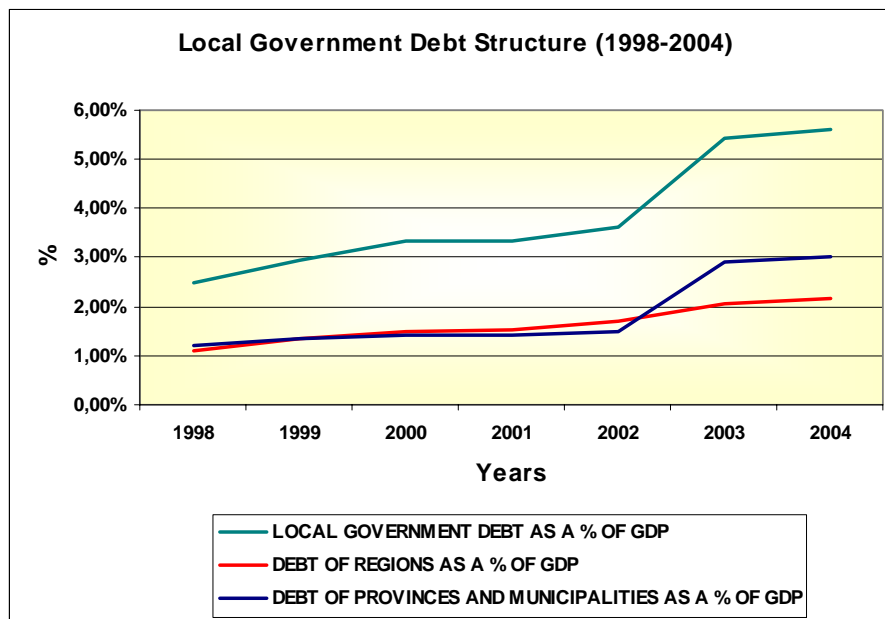
Table 3.3.5 - Local Government debt by instrument and subsector

€ millions	1998	1999	2000	2001	2002	2003	2004
Securities	2.079	4.364	6.981	8.833	13.474	16.637	21.279
Issued in Italy	1.044	1.556	1.965	2.463	3.096	3.834	6.052
Issued abroad	1.034	2.808	5.016	6.370	10.378	12.803	15.227
MFI loans (1)	24.509	28.223	31.828	31.728	31.906	31.149	31.822
resident MFIs	23.610	27.188	30.822	30.716	30.764	29.773	30.439
non resident MFIs	899	1.035	1.006	1.012	1.142	1.376	1.383
Other (2)		118	118	118	268	22.689	22.550
Local government debt	26.588	32.705	38.927	40.679	45.648	70.475	75.651
Debt of the Regions	11.818	14.766	17.575	18.565	21.536	26.799	29.134
Securities	1.006	2.562	4.761	6.071	9.832	11.611	13.494
Issued in Italy	106	97	85	100	316	444	828
Issued abroad	900	2.465	4.676	5.971	9.516	11.167	12.666
MFI loans (1)	10.812	12.204	12.814	12.494	11.704	13.273	13.725
resident MFIs	9.919	11.204	11.908	11.687	10.991	12.475	12.943
non resident MFIs	893	1.000	906	807	713	798	782
Debt of Provinces and Municipalities	12.891	14.796	16.768	17.196	18.627	38.039	40.897
Securities	1.072	1.803	2.221	2.762	3.642	5.025	7.785
Issued in Italy	938	1.460	1.881	2.363	2.780	3.390	5.224
Issued abroad	134	343	340	399	862	1.635	2.561
Loans from Cassa Depositi e Prestiti SpA (3) and MFI loans (1)	11.819	12.993	14.547	14.434	14.985	32.483	32.581
resident MFIs	11.813	12.958	14.447	14.229	14.556	31.905	31.980
non resident MFIs	6	35	100	205	429	578	601
Debt of other entities	1.878	3.143	4.585	4.918	5.486	5.635	5.619

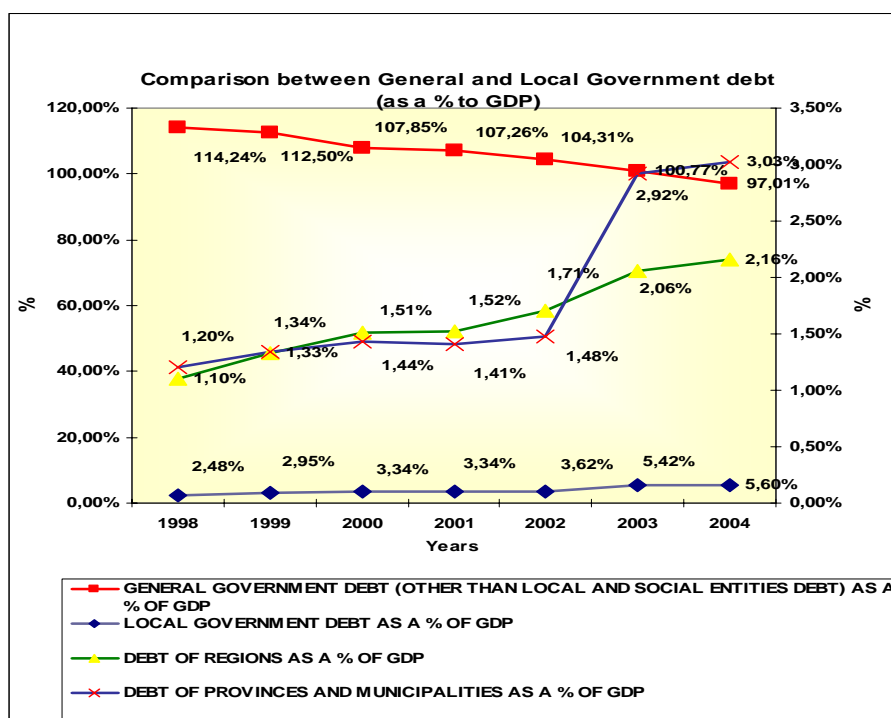
(1) Monetary and Financial Institutions.

(2) Securitisation and Loans From Cassa Depositi e Prestiti SpA (On 12 dec. 2003 Cassa Depositi e Prestiti became a limited company and is no longer included in general government but among non-bank financial intermediaries).

Source: Bank of Italy – Annual Report 1999-2004.

Graph 3.3.6 – Local government debt structure (1998-2004)

Source: Bank of Italy.

Graph 3.3.7 – Comparison between general and local government debt (as a % to GDP)

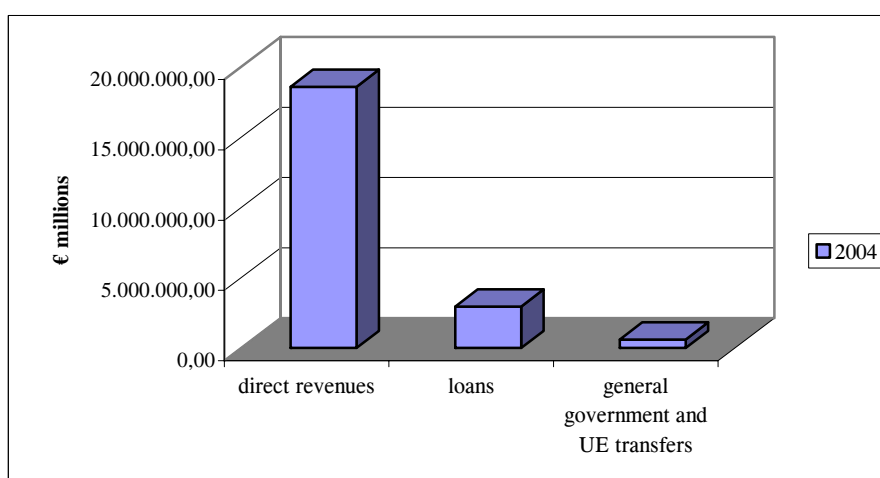
Source: Bank of Italy.

3.3.3. The Lombardy Regional Balance Sheet

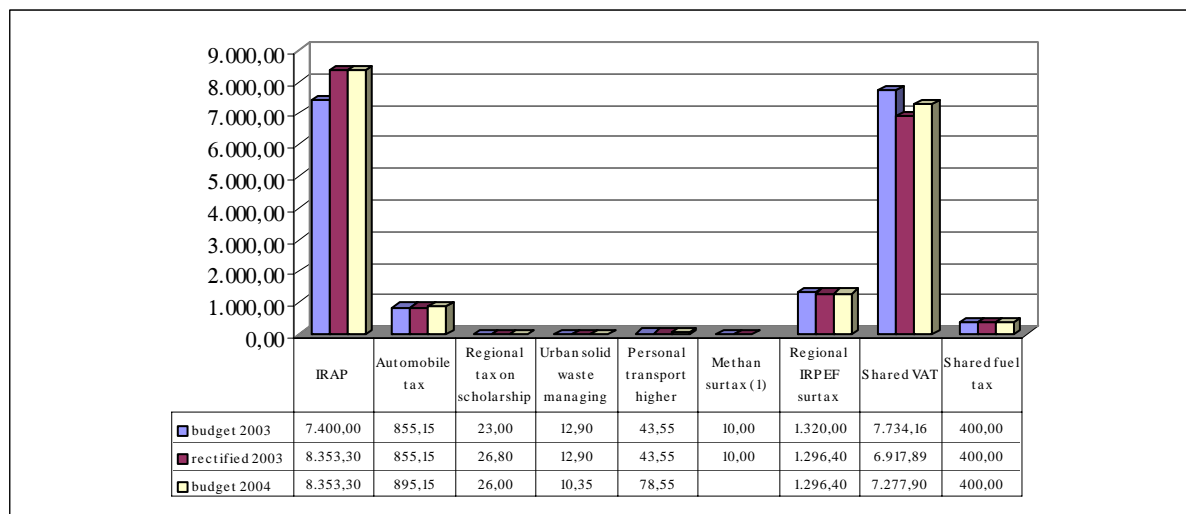
3.3.3.1 Regional revenues structure

The Lombardy Regional 2004 budget estimates € 22.128.823.197 revenues, structured as follows:

- 2.7% General Government and UE transfers;
- 12.3% loans;
- 84% own revenues and shared taxes.

Graph 3.3.8 – Lombardy 2004 balance sheet: revenues structure

Source: Lombardy Region.

Graph 3.3.9 – Lombardy revenues structure

(1) Suppressed since 2004.

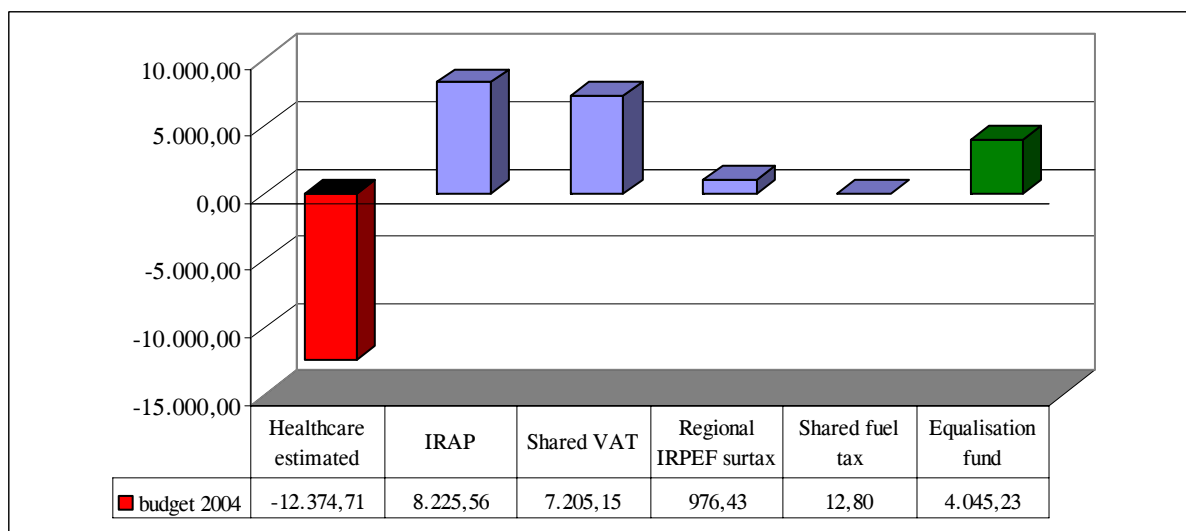
Source: Lombardy Region.

The decentralisation process through “Bassanini” laws has its effects on regional revenues structure: in fact shared fuel tax and automobile tax have a higher incidence on Lombardy regional revenues.

3.3.3.2 Expenses structure

Among Regional expenses voices, healthcare represents the most significant one. The 2004 estimated healthcare basic expense is 12.374.71 € millions, while the global current healthcare expense budget is 16.701,5 € millions, which represents nearly 75% of regional revenues.

The total amount of 2004 Lombardy revenues is estimated in 16.419,94 € millions, 12.374,71 of which are destined to healthcare basic expense coverage, while the remaining 4.045,22 € millions are directed to the National Equalisation Fund.

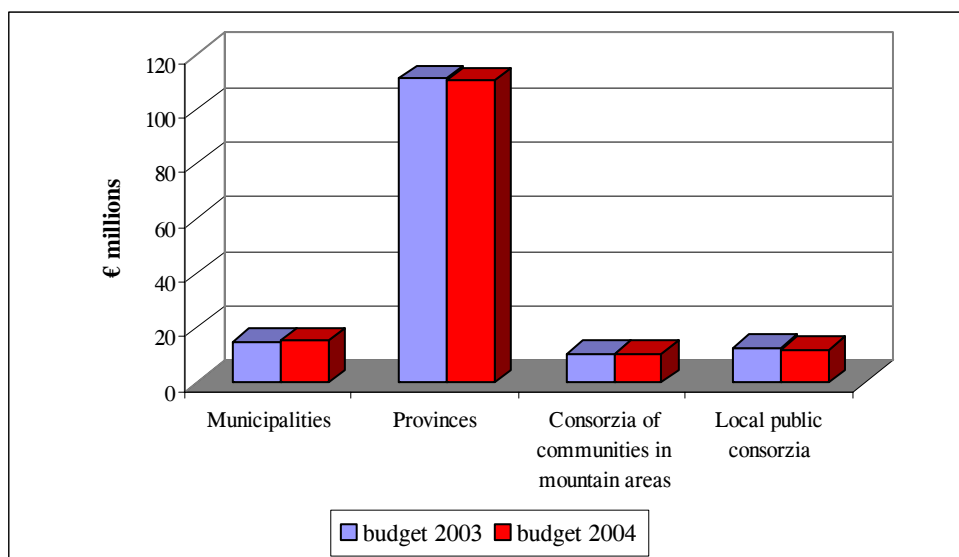
Graph 3.3.10 – Local revenues destined to 2004 healthcare expenses coverage

Source: Lombardy Region.

3.3.3.3 Transfers to Lombardy Provinces and Municipalities

Current public transfers to Lombardy municipalities, provinces and other decentralised communities were steadily around 150 € millions during 2003-2004. Provinces absorb the 75% of these resources.

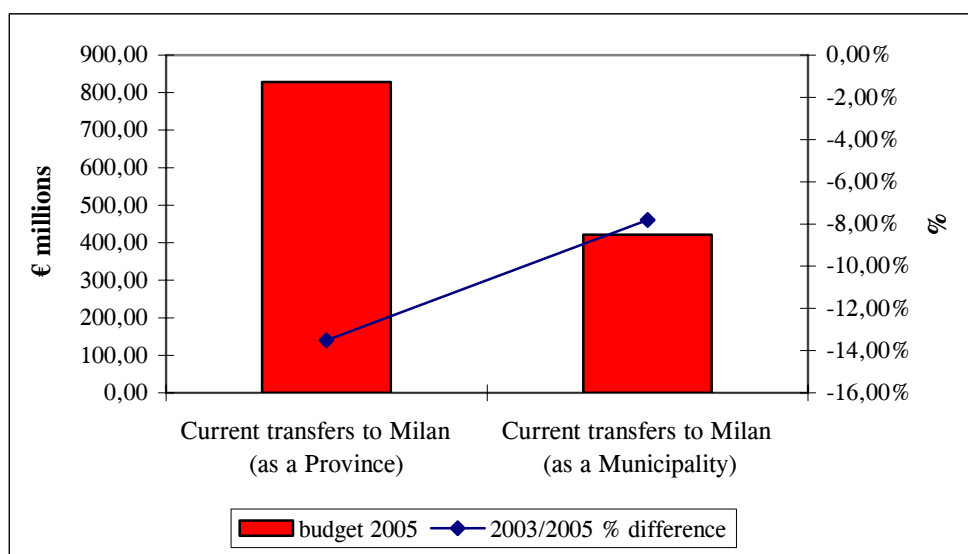
Graph 3.3.11 – Current transfers to Provinces and Municipalities



Source: Lombardy Region.

With a focus on Milan Province, 2005 estimated current transfers are about 828,54 € millions, while considering Milan city they amount to 421,04 € millions, with a considerable decrease if compared to 2003 current transfers.

Graph 3.3.12 – Current local transfers

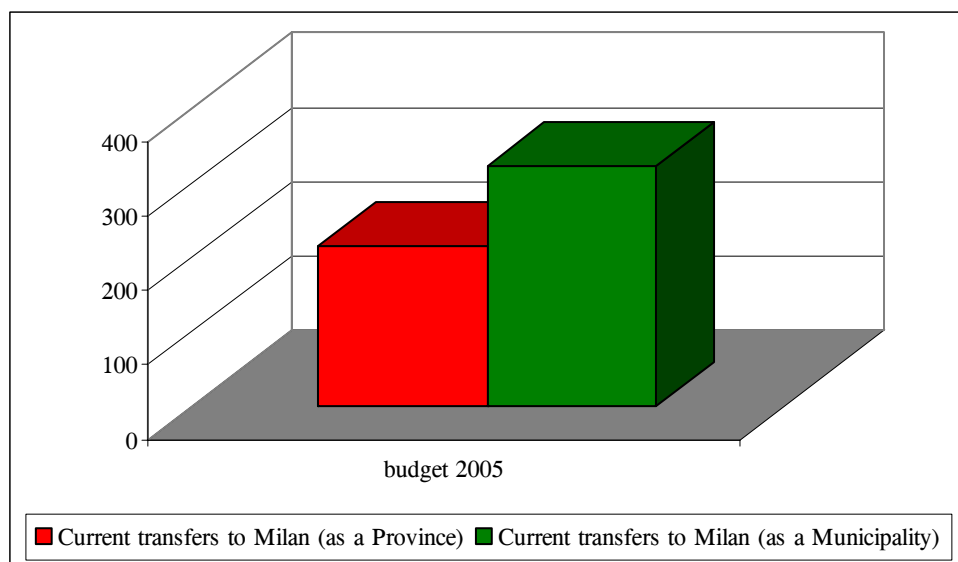


Source: ANCI Lombardia, Ministero Interni.

3.3.3.4 Municipalities own taxes

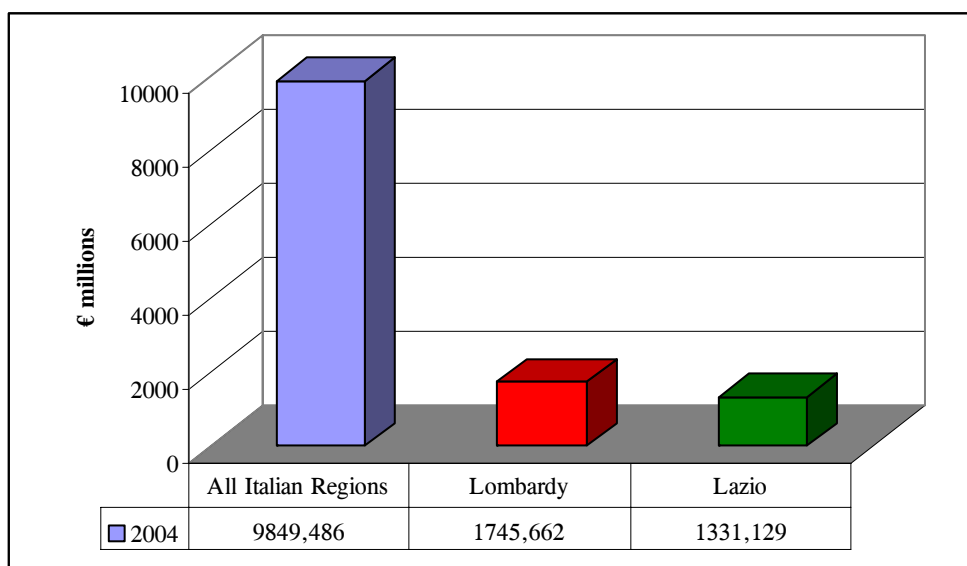
ICI represents the most significant source of direct revenue. In 2004 ICI revenues in Italy amounted to 9849,5 € millions: Lombardy revenues represent nearly the 18% of national revenues.

Graph 3.3.13 – Current local transfers per capita (2005 budget)



Source: ANCI, ISTAT, Agenzia del Territorio.

Graph 3.3.14 – Municipal own revenues



Source: ANCI, ISTAT, Agenzia del Territorio

Graph 3.3.15 – Municipal revenues per capita (2004)

Source: ANCI, ISTAT, Agenzia del Territorio

3.4. INTERGOVERNMENTAL CO-OPERATION

3.4.1. Vertical collaboration between the national government and the Lombardia Region

In the 1999, Lombardia Region has drawn up the Institutional agreement “Intesa istituzionale di programma” with the national government, aimed at implementing forms of effective decentralisation of decision-making and defining the framework for public investments focused on development priorities identified by the region. The Institutional agreement designed actions that necessitate coordination between the Region and the national government in order to avoid waste of resources and fragmented interventions. From 1999 to 2004 the Region has stipulated about 15 Programme agreement (Accordi di programma quadro) with different Ministries to define executive programs of interventions with financial commitments on specific topics: environment, health, local development, cultural heritage, transport networks, innovation (see Table 3.4.1).

The collaboration between the government and the regional authority takes place also at the political level. The permanent Conference State-Regions (Conferenza Stato Regioni) promotes the cooperation among the national and regional activities, representing the best place for the political negotiations. The Conference is therefore the “connection” between the policy of the national Government and the policy of the Region. The United Conference (Conferenza Unificata) combines the State-Regions Conference with the Conference State-City-Local Authorities and works for the purpose of:

- promoting the cooperation between national and local activities;
- reviewing topics and tasks of common interest;
- dealing with the administrative and political issues most relevant for local bodies.

Table 3.4.1 - Lombardia: Program framework agreements (million euro)

	1999	2000	2001	2002	2003	2004
Accessibility to Malpensa airport	2773,4					
Health	719					
Cultural heritage	89,9					
Environmental mitigation (Malpensa)		168,1				
Development of regional motorway network		758,5				
Energy and Environment			429			
Inundation October 2000			40,7			
Local development in depressed areas				68		
Environment II				1127,2		
Water resources				114,5		
Land protection				29,2		
Ski championship 2005					178,3	
Cultural heritage II					82,2	
Information society					8,1	
Safety						40,8
Health II						379,3
Local development						46,8
Water resources II						145,2
Total	3582,2	926,6	469,7	1309,7	297,7	612,1

Source: DPS Annual Report – 2004.

3.4.2. Vertical collaboration between the region, the province and municipalities

One of the main example of successful cooperation between different levels of government in the metropolitan area is the project to expand and renovate the Milan exhibition centre (Fiera di Milano) to

boost its development and functionality and strengthen its leadership on the international fair market. The project aims also to revitalize the Milan area by relocating large-scale fairs and organizing them more efficiently in a move designed to eliminate any problems or inconvenience currently experienced by organizers, exhibitors, visitors, and residents.

The first step in this direction is the construction of the New Fiera Milano Complex, the so called out of town complex in the former Agip refinery area at Rho-Pero: a large facility with a gross floor space of 530.000 sq. m built on more than 2 million sq. m of land.

The total cost for the building of the New Complex amounts to about 550 millions of euro and will be carried by the national government.

Parallel to the construction work on the New Complex, an international call for tenders has been launched for the partial selling of the current fair complex, the ultimate goal being the urban regeneration of this area. This idea is taking concrete shape thanks to the efforts of Fondazione Fiera Milano, the controlling shareholder of Fiera Milano SpA, and of Sviluppo Sistema Fiera, the engineering and contracting company specializing in large projects, that was founded to implement this ambitious program.

The New Fiera Milano Complex is a self-funded project, which adopted the general contractor scheme to ensure on time, on budget completion. This is a significantly innovative approach to a major Italian construction project, which anticipated the so called Legge Obiettivo, a new law governing infrastructures. In order to meet such objectives and ensure that the New Fiera Milano Complex will be up and running as planned, the number of the entities involved had to be high: the Rho and Pero municipalities, the City of Milan and Provincial Government, the Regional Authority, the Italian Railways, the Highway Companies, the Milan Subway, the Consortium for Water Protection Conservation, the Po river Authority, Agip Petroli, ASL, and ARPA.

A second example of vertical cooperation between administrations is the BEIC project for the building of the European Library (Biblioteca Europea di informazione e cultura) in the centre of Milan. To carry out this project, the Region has promoted a Programme agreement (Accordo di programma) with the involvement of many institutions: Ministry of Cultural heritage, Province, City of Milan, State University, Technical University.

The total cost of building, about 236 millions of euro within 2007, will be carried by the national government and the “local system” (Cariplo Foundation, City, Provinces, Region, Universities, other private and public actors). Nevertheless the project, at the moment, suffers a setback, partly due to the financial constraints of national government.

There are other ways that region and local authorities cooperate: through legal (governmental) agreements, jointly owned companies, voluntary agreements, non-profit organisations, foundations.

The Region has promoted the institution of territorial offices in each province with the aim to support the dialogue with the Institutions, civil society, NGOs.

Since 2001, negotiating table (Tavoli Territoriali di Confronto) have been set up in all the Provinces, in order to plan prior interventions and to share with the local level the strategic objectives for territorial development (Pacchetti Prioritari Provinciali).

The collaboration between the region and the provinces, in terms of the local development policies, is regulated by the Framework agreements for territorial development (Accordi Quadro di Sviluppo Territoriale), cooperation tools introduced by the regional law 2/2003.

3.4.3. Horizontal collaboration among municipalities

The Law which regulates the system of local bodies (T.U.E.L.- Testo Unico delle leggi sull’ordinamento degli enti locali) provides for some cooperation forms among local bodies.

Municipalities could draw up an Agreement (*Convenzione*), set up a Consortium (*Consorzio*) or enter into an Union (*Unione di Comuni*).

The Agreement permits to Municipalities to carry out tasks and services in a coordinate manner, especially in the case of topics which need collaboration between neighbour bodies. The agreement has to define objectives, term, consultation forms, financial commitment and mutual guarantees; it is also allowed to set up common offices which operate with drafted employees.

The setting up of a Consortium could promote the shared management of specific services: responsibilities are shared among the local bodies in proportion to the quota agreed and assigned by the Statute.

Unions of Municipalities are local bodies constituted by two or more members with the aim of cooperate on many various issues; the president of the Union is appointed among the Mayors of the single municipalities; the Union has to issue its own Statute that specifies tasks, resources and offices.

In the province of Milan these cooperation forms are quite widespread among surrounding municipalities, but don't affect the City of Milan. At the local systems' level, there are several experiences of horizontal collaboration on many various issues, especially on local development, planning, environment protection, transport networks and local welfare. These initiatives have been voluntarily promoted by local development agencies or institutional actors deliberately created by local bodies. These best practices of local cooperation have certainly a strategic value but still suffer from some limits: weakness and dependency on political cycle, legitimation and institutionalization, involvement of social actors and above all the absence of relationships with the provincial capital.

Anyway some experiences are worthy of mention:

- Local administrations of the Vimercate Area (Agrate Brianza, Aicurzio, Bellusco, Bernareggio, Brugherio, Busnago, Bussero, Caponago, Carugate, Cavenago Brianza, Cornate d'Adda, Mezzago, Pessano con Bornago, Ronco Briantino, Subiate, Villasanta e Vimercate) have carried a voluntary agreement (*Convenzione tra Comuni*): its mission is to promote large area initiatives and actions oriented to local sustainable development. The coordinating authority has also signed a collaboration agreement with the Province of Milan and has launched a process of A21 Local that will include all local municipalities and will tackle these topics: mobility, biodiversity, cooperation strategies, waste, water.
- In the North of Milan, the Municipalities of Bresso, Cologno Monzese, Cinisello Balsamo and Sesto San Giovanni are committed over the last years to create an integrated area of sustainable development, through the setting up of tools such as development agency (ASNMI, North Milan Development Agency), Strategic Plan and A21 Local.
- The Consortium for the reindustrialization of the area of Arese (C.R.A.A.), in the North of Milan, was set up in 1996 with the participation of the Province of Milan, the Municipalities of Bollate, Garbagnate Milanese, Rho, Arese, and Lainate, as well as, Fiat Auto SpA, Finlombarda SpA, SVI Lombardia SpA, and the Chamber of Commerce. The Consortium promotes and coordinates the redevelopment of Alfa Romeo industrial areas, by managing the funds to reduce the impact of the employment crisis of the former Alfa Romeo plant. It promotes and coordinates the redevelopment of industrial areas with activities which are compatible with the traditional highly skilled technical jobs of the plant.

3.4.4. Public-private partnerships

The Public Administration sector has recently undergone a profound process of change which has moved it increasingly towards paying close attention to the financial balances of the system with respect for principles of parsimony in production and the quality of services provided. With the initiation of the devolution processes, the Regions have expanded their margins of autonomy, placing greater emphasis on

the processes of planning and managing financial resources, with positive impacts on the implementation of regional and local development policies within the bounds set by the European Union.

This process led to the need to adopt innovative financial tools able to expand the ability for action of the public bodies involved in the operations and minimizing their financial burden through the involvement of private operators. This was the basis for the Public Private Partnership structuring with the objective of aiding the creation of suitable public infrastructures that cannot be achieved with traditional financial tools.

The need to coordinate and promote the use of project finance tools and of Public Private Partnerships (PPP) led the Region of Lombardy to institute the Regional Project Finance Unit (ex art.1 paragraph 12 of l.r. 3/2001).

The Unit was founded with dual aims:

- to promote the use of techniques for financing works and infrastructures in the regional and local administrations using private capital;
- to provide support to the regional administration in evaluating the margins of applicability of the project finance tool, identifying the applicable regulations and supplying standard models of contractual/legal documents;

Finlombarda³, a company which serves as an important public private joint venture aimed at fostering the development of the regional system and plays a privileged role in the public to act as an instrumental entity of the Region of Lombardy, supports the Unit's work, making available its resources and skills acquired by members of the public finance sector and using consulting as needed from professionals from the private market who have experience in the project finance sector.

Among the various activities assigned to the Regional Project Finance Unit was the creation of the Project Finance Research Group in Lombardy. The Project Finance Research Group in the Region of Lombardy is the first step for creating a regular, permanent monitoring for planned public private partnership projects announced and completed by the administrations of the Region of Lombardy. On the one hand, the research group provides the needed level of information on the diffusion of project finance for completing public works, working by implementing a competitive mechanism between private entities in presenting proposals. On the other hand, it works by helping to create a positive cycle that involves all of the public administrations of the Region of Lombardy in creating best practices.

Every four months, the Research Group publishes information that it has collected and processed, composing a report aimed at evaluating the level of application of project finance in Lombardy.

The Report 2005 on private-public partnerships shows a broad dissemination of project finance in the region, with a growth in the number of initiatives and in the total amount of investments. At the beginning of year, the public-private projects for public works are 249 up 30% compared to 2004, thanks to the new initiatives planned by public administrations. In terms of total value, the planned or realized investments amount to 6.213 millions (euro) up 58% compared to last year.

The new projects, according to plans published by the local administrations for the next three years, are 40 to the value of 980 millions.

The most important investments, in terms of financing, are planned by the City of Milan:

- the project for a new subway line (450 millions euro);
- the new building for municipal offices (107 millions euro);
- a cemetery in the South of Milan (52 millions euro).

³ For 30 years, Finlombarda (created on the initiative of major banks in Lombardy (Cariplo, Mediocredito Lombardo, Banca Popolare di Milano, and Banca Commerciale Italiana) as a company with completely private capital in close relationship with the new regional institution, has been a joint venture between the public administration and private finance. Its activities are aimed at providing assistance to the regional administration, local administrations and non-local public entities in the use of public-private partnership models for making investments and using innovative financing tools.

The sectors of public works more involved in project financing are sport and entertainment facilities (251 M€), road system and parking (3.567 M€), health facilities (1.047 M€) and infrastructures related to education. The public works of regional dimension, such as the four regional motorways, are the most financed with 45 % of total amount.

Table 3.4.2 - Project finance initiatives by sector (2005)

Sectors	Projects number	%	Investments Meuro	%
Road network	71	28,6	3.567	57,5
Health facilities	18	7,2	1.047	16,9
Other transports	4	1,6	909	14,6
Sport & entertainment	80	32,1	251	4,0
Administration	4	1,6	129	2,1
Religion	14	5,6	89,8	1,4
Infrastructures for education	20	8,0	68	1,1
Industrial and agriculture facilities	4	1,6	53,2	0,9
Other	9	3,6	27,3	0,4
Sanitation	5	2,0	25,5	0,4
Cultural heritage	2	0,8	10,9	0,2
Environment protection	2	0,8	10,2	0,2
Energy production	6	2,4	7,9	0,1
Tourism	4	1,6	7,0	0,1
Defence/Safety	3	1,2	4,9	0,1
Water resources	3	1,2	3,2	0,1
Total	249	100%	6.213	100%

Source: Finlombarda

In terms of territorial distribution of the initiatives, the Province of Milan counts 108 projects (43% of total number) and 2.436 M€ of total amount invested; in the City of Milan there are 50 projects and investments for 1.692 M€.

Table 3.4.3 - Project finance initiatives by Province (2005)

Province	Projects number	%	Investments Meuro	%
Milano	108	43,4	2.436	39,2
Brescia	28	11,2	405,8	6,5
Bergamo	24	9,6	79,9	1,3
Mantova	22	8,8	110,2	1,8
Pavia	17	6,8	43,5	0,7
Lecco	13	5,2	23	0,4
Varese	7	2,8	15,6	0,3
Lodi	7	2,8	15,8	0,3
Como	7	2,8	189,1	3,0
Sondrio	6	2,4	26,1	0,4
Cremona	6	2,4	31,7	0,5
Lombardia Region	4	1,6	2.836	45,6
Total	249	100%	6.213	100%

Source: Finlombarda

The local administrations more involved in project financing are Municipalities and hospital firms (Aziende ospedaliere), both in terms of projects' number and in terms of investments: 75 initiatives to be implemented by the Municipalities with 410,2 M€ of investments.

The project finance spreads among the small-medium administrations, but the 74% of the investments refers to Municipalities with a population more than 30.000 inhabitants.

Table 3.4.4 - Actors promoting project finance initiatives (2005)

Administration:	Projects number	Investments Meuro
Municipality	75	410,2
Hospital firm	7	415,3
Other	4	10,3
Ministry	2	7,4
Anas	1	756
Public or semi-public firm	1	57,1
University and others	1	6,2
Total	91	1.662,7

Source: Finlombarda.

3.5. CAPACITY BUILDING, TRAINING AND E-GOVERNMENT

3.5.1. Innovation in the Public Administration

A key role to meet the modernization needs of the Italian public administration is held by the Department for Public Administration set up in 1983 as part of the Prime Minister's Office.

The Department promotes the reform initiatives of the administration in the direction of efficiency, efficacy and minimized cost of administrative action.

In the 'nineties the Department coordinated an extensive programme of transformation of the administration intended to improve its quality and efficiency, as a result of which both the Italian public administration and the context in which it operates have been profoundly changed. The Department for Public Administration is therefore becoming increasingly characterized as the coordination centre of an extensively articulated process of administrative modernization. Proper discharge of this task calls for the use of instruments of the participative type, based on consent: with a view to exchanging experiences, registering needs and jointly defining new initiatives of change, in particular, the Department avails itself of such instruments as protocols, agreements, coordination tables and working groups.

The main sectors of the Department's action can be summarized as follows:

- **Personnel training:** within the general framework of training programmes intended for the personnel of the public administrations, the Department promotes the qualification of the human resources and to this end avails itself of the services offered by the Scuola Superiore della Pubblica Amministrazione (SSPA - Superior Public Administration School), the Centro di Studi e Formazione per le Autorità Locali (Formez, Study and Training Centre for the Local Authorities) and other public and private bodies operating in this field. Best use of training policies is obtained by appropriate processes of analysing the tasks of personnel and the training needs deriving there from.
- **Personnel management:** defines the methods of selecting and recruiting public personnel. It also has orientation and supervision powers relating to the organization of the offices of the public administration and initiatives in connection with the juridical status of officials and salary policy. Another aspect of its work concerns management, coordination and orientation of questions involving public managers, to which end the Department manages a special data bank relating to senior officials.
- **Administrative innovation:** draws up innovation policies intended to improve the quality of public services and public policies and keeps a check on their efficacy. It also prepares programmes in support of innovation in both the central and the local public administrations based on the development of knowledge and the human capital and the creation of innovation-friendly environmental conditions.
- **Better regulations:** seeks to improve the quality of regulations and to simplify bureaucratic procedures for citizens and enterprises: in this activity the Minister for Public Administration is assisted by a special office that concerns itself with regulatory activities and the simplification rules and procedures.
- **Inspection functions:** the Department also performs control activities within the public administrations with a view to assuring their proper functioning, rational organization and optimal utilization of the human resources.
- **Public Administration's Institutional Communication:** in October 2001 an Office for communication and information for citizens has been set up, to improve the quality of the Public Administration's communication and to enhance its clearness and transparency. The Office gives specific attention to on line communication and to the simplification of the language used in administrative documents; the Office coordinates the Press Office, the Public Relation's Office and the Web Editorial Office.

Major projects and objectives in these fields are:

- **Improvement of the quality of the services rendered by the administrations.** The users of the public administration, citizens and enterprises, ask first and foremost good-quality services in return for the resources they contribute through taxation. The Department for Public Administration is at the very centre of the process of improving the quality of the public services, facilitating the spread among the

public administrations of managerial models for managing the services. Furthermore, the relationship between the administrations and the citizens and enterprises has to be simplified to the greatest possible extent by inducing the administrations to orient their action towards the users, rendering measurable both the times and the results of these actions and adopting instruments for assessing the level of user satisfaction and the quality of the services rendered.

- Administrative simplification. The complexity of the administrative procedures with which citizens and enterprises are called upon to contend in their day-to-day experience substantially determines the relationship between the public administration and its users. The Department seeks to promote and facilitate a substantial simplification of administrative procedures, making use also of the new technologies. Of particular importance in this field is the promotion of the effective activation of one stop shops throughout the national territory. Furthermore, the Department is called upon to implement the process of reducing the stock of regulations and improving the quality of the existing regulations, irrespective of whether they derive from legislation or other kinds of regulatory acts.
- Containment and rationalization of public expenditure. Reduction and rationalization of public expenditure is in line not only with the general objectives of controlling the public deficit, but also with the desire of citizens and enterprises to have a public administration that produces quality services and yet reduces cost to a minimum compatible with essential efficiency criteria. The DPA sustains actions that aim at reducing expenditure in the public administrations by facilitating the introduction of organizational and process innovations and forms of outsourcing both activities and services. Providing appropriate consultancy, the Department also supports, giving technical assistance and training, the general spread among the administrations of modern planning, control and management systems.
- Digitalization of the administrations. Improvement of the quality of the services rendered by the public administrations and the overall efficiency of these services are bound up with the rapid and correct digitalisation of services, functions and procedures. Working in close collaboration with the Department for Innovation and Technologies, the Department for Public Administration is engaged in promoting the training of the personnel for the use of the new technologies and stepping up the use of information systems capable of facilitating, among others, more effective management of the human resources and efficient management of expenditure procedures (e-procurement).

3.5.2. Accountability

The recent process of transformation in the public administration, set up by the legislative reform and mainly prompted by the DPA, has produced a sharply change in the control (monitoring and evaluating) systems.

In particular, the law n. 29/93 provides for internal control services to be introduced in each public administration: these systems have to check, through comparative assessment between costs and returns, the achievement of objectives, the correct and sound management of public resources, the fairness of administrative actions (Art. 20, II).

The management control, therefore, doesn't have just an operative dimension, aimed at verifying the goodness of the administration and any shift from the estimate, but above all a strategic and executive dimension directed to evaluate the results obtained.

The main instrument to ensure the accountability of the Province is a systematic audit process provided by a specific office which refers to the Executive board (Giunta). Auditing and management control are conducted on a yearly base, according to the regulation of the provincial Statute and norms of the accounting regulations (*Regolamento di contabilità*). The Article 73 of the Statute states that the management control is the process directed to verify the achievement of the planned objectives, through the analysis of the functionality of the organization, the efficiency and effectiveness in the implementation process. The control system has also to provide all the information and data necessary to conduct the

development and planning process, mainly through a quantitative and qualitative analysis of productivity in services and duties.

3.5.3. Help Desk for business in the Province

The help desk (*Sportello Unico*) for productive activities is a service which makes relationships between citizens and Institutions easier. The service is supplied by the Municipalities to all entrepreneurs who need permits, authorizations and other deeds to carry on their productive activity. In this way the entrepreneur of any economic sector (agriculture, commerce, tourism, public and private services) gathers in just one application all the requests to start his activity and gets the necessary permits all at once.

Help desks were set up: to grant the entrepreneurs one interface with the Institutions for the issue of all the needed deeds concerning the practice of their economic activities; to activate and steadily attend one single procedure for the issue of all permits concerning the setting up of goods and services, within a short and scheduled time; to supply the entrepreneurs with information and advice both about all the procedures regarding productive activities, and about opportunities and financing.

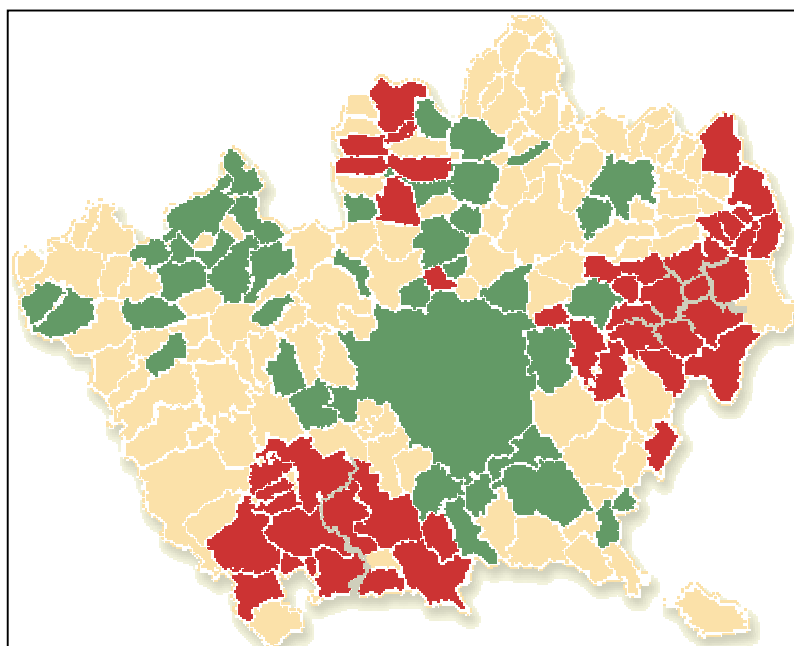
Help desks are based on four principles:

- user's satisfaction oriented organization;
- assumption of responsibility by one interlocutor who is in charge for the user's needs: the person in charge activates the functionaries of his Institution and gets in contact with the other Institutions to satisfy for all user's requirements;
- process based approach: the organization process for the issue of the final deed is activated by one request;
- systemic approach: the other Institutions cooperate for a correct management of the organizational process of the help desk.

The following map shows different kinds of help desk launched by some municipalities in the province: the red ones indicate projects jointly promoted by local authorities, the green ones are single initiatives.

One of the best practice that is worthy of mention is the Sportello Unico Est Milano, promoted by the Pioltello government and now extended to 22 Municipalities in the East side of the province. (<http://www.sportellounicoestmil.it/>).

Figure 3.5.1 - Help desks by Municipalities



3.5.4. E-government

In order to facilitate and accelerate the development of the information society at the regional level, the Department for Public Administration (DPA) and the Department for Innovation and Technologies (DIT) have agreed to undertake an initiative to boost the development of support structures in this area.

It involves the establishment of Regional Competence Centres (RCC) for the development of E-government and the information society; they act as enablers of E-government innovation processes through training, information and technical assistance activities to Local Authorities. The idea of establishing the Regional Competence Centres for E-government and the Information Society was born by the end of 2001, during the preparatory phase of the 1° Call for E-government projects, which has represented the official launch of the Italian national E-government Action Plan.

Providing support to local authorities requires an integrated set of activities providing assistance in training, information and planning that will initially concern the managers and officials directly involved in the RCC. It will then be extended to a wider range of regional and local government officials. They will survey, orient and facilitate the analysis of the needs of local authorities and then propose methodologies, processes and solutions to achieve the desired result.

The sphere of action of the Regional Competence Centre encompasses the organisational and management aspects of E-government, the development of skills and competencies, institutional changes and other elements contributing to genuine service innovation.

Each Centre develops its own programme of activities, with its own *modus operandi* and objectives, which will respond to the needs and features of the given local context. At the same time, however, all of the centres are linked in a network that enables them to draw on a shared pool of services and assistance.

The overall objectives of the project are:

- to enhance co-operation between the Department for Innovation and Technologies and regional systems by linking the RCCs in a national electronic network that reflects the new federalist institutional structure of the country, and by providing support for the Standing Committee for Innovation and Technologies;
- to lend support to local government bodies and increase their competence at defining and implementing e-government and Information Society programmes and projects in keeping with the objectives set out in the Government Guidelines;
- to create and distribute integrated and shared models, instruments and approaches regarding the most critical aspects of innovation processes;
- to develop co-operation and co-ordination between the various tiers of local government within regional systems and encourage inter-regional joint actions and resource-sharing.

The development of regional policies for the information society and for e-government clearly translated into the promotion and initiation of an extensive set of projects for the internal innovation of public administrations, for the innovation of services aimed at the territory and, increasingly, for support to the innovation of economic players, educational facilities and ICT use in families.

Actually, in many regions, a widespread set of ICT projects had started to emerge spontaneously, promoted by town, province and region government, associations and other players in local development, even before the recent coming to maturity of articulated, broad territorial policies in this field.

To mention the most significant experiences on the territory, we have to indicate the “Sintesi project” promoted by the Province of Milan, in order to realize a link with the regional and national Job Information System (Sistema Informativo Lavoro). The project creates an Integrated System for employment services, in collaboration with the Region, other Provinces, Chamber of Commerce and other actors, which allows the access to information and services related to the labour market.

The main purpose of the project is therefore to improve efficiency and quality in employment’s services, addressed to citizens and firms, through the exploitation of advanced technologies.

Besides that, the issues related to the “Sintesi” project are: education, to register young people with training obligation, and training to promote vocational courses at different levels.

Table 3.5.1 - E-government projects coordinated by the Provinces in the Lombardy Region

Region	Province	Acronym	Denomination	Total amount (in euro)	Auto-financing (%)
Lombardia	Lecco	Lc-card	People's card	2.183.000	55,0
	Lodi	Co.in.co	Knowledge in Municipality	705.470	50,0
	Mantova	People Province	E-government for local bodies	1.262.410	50,0
	Pavia	Ppfpv	Provincial protocol	2.193.950	50,0
	Brescia	Rtb	Telematic network Brescia	622.000	50,0
		Ssb	Library system	563.156	50,0
	Bergamo	Sicci	Integrated land registry system	827.744	50,0
		Siter@	SIT for Civil defence	121.000	50,0
	Milano	Paol	On-line purchasing	300.001	50,0
		Pink card on-line		2.491.707	50,0
		Sintesi	Job Information System	15.900.000	50,0
		Sir		1.033.000	50,0
	Como	Aprocomo	Information system for new business	700.000	50,0

Source: FORMEZ (http://formazione.formez.it/osservatorio_domanda_e_offerta.html).

3.6. LOCAL DEMOCRACY

There has been in recent years a number of initiatives for the promotion of local democracy and a more effective involvement of citizens and their organisations in decision making processes, in a governance oriented perspective. Local authorities throughout Europe and Italy experimented different ways of thoroughly involving their citizens in decision making processes, especially on urban planning, mobility and environmental matters. The objectives are to ensure greater transparency and accountability, cope with the decreasing voting turn out in local consultations and the need to increase and diversify the knowledge based for local decisiona.

Some of such instruments are statutory (e.g. referenda, which are included in Municipalities' statutes), some others (like Local Agenda 21 processes) are not mandatory, but widespread (they have been helped out also by funds provided by the Ministry of Environment).

Moreover, we find a family of experiences linked to the debate raised in Porto Alegre about participatory budgeting and similar experiences.

We will not examine in depth all the different small-scale initiatives implemented by the municipalities in order to enhance local democracy through a stricter involvement of citizens and their organisation in local decision-making processes; we will focus instead on four examples of areas in which in the last years progress towards the improvement of local democracy seems important:

- referenda and other institutional instruments (at provincial level and with one example at the local level, the Municipality of Milan);
- local agenda 21 initiatives (at provincial and at local level);
- participatory budeting intitatives (local level);
- e-democracy initiatives (both at provincial and at local level).

3.6.1. Referenda and institutional instruments

Both the Province of Milan and the Municipalities allow the possibility for citizens to ask for referenda or people's initiative deliberations. In fact such refrenda are not a widespread instrument at local level, while they are much more used at national level.

In particular, as far as the Province is concerned, the Statute⁴ foresees different possibilities, both top down and bottom up; for the first ones, it is possible for provincial concillors to develop consultations with citizens on matters of provincial interest; for the secon ones, citizens can propose deliberations to be adopted by the Provincial Council (that are taken into account if they are subscribed by at least 3500 citizens) or they can ask for referenda on matters of provincial competece.

Different Municipalities within the Province of Milan foresee specific instruments that enable citizens or their organisations to ask for referenda on matters of common interest, that lie within the competencies of the Municipality itself. A good example, is the regulation of Milan⁵, that foresees the possibility for citizens to present a request for petitions (at least 1000 citizens should subscribe it), questioning (at least 500), or referendum on municipal matters if at least 100 citizens that vote in Milan request it.

⁴ Approved in 1999 and modified in 2000.

⁵ Regulation 112/95 approved by the Municipal Council 20.3.1995, in use since 14.4.1995.

3.6.2. Local Agenda 21 initiatives

Local Agenda 21 is a participated process for planning local sustainability, promoted at the international level by UN⁶ and supported by various international bodies. In Europe it is supported in particular by the European Sustainable Cities Campaign. The original requirement was that each local authority had to start a large participation process with citizens and representative bodies in order to design local strategies towards sustainability by 1996. In Italy the adoption of Local Agenda 21 took place later, after some funding efforts by the Ministry of Environment: in fact, very few local authorities launched Agenda 21 processes in the late Nineties, but widespread diffusion of this instrument took place after the year 2000. The Region Lombardy and the Province of Milan have been no exception from this point of view, and Local Agenda 21 initiatives have sharply increased in number in the recent years: today, more than half of the total number of local authorities involved in LA21 processes in the region lies in the province of Milan. The diffusion of Local Agenda 21 initiatives is partly due to the Province itself, that worked as an enabler for local authorities, providing them with skills and training at various levels.

3.6.2.1 Provincial level

The Province of Milan itself launched an Agenda 21 initiative in 1998, based on two axes: the periodical assessment of the state of the environment at provincial level and the support to local authorities engaged in LA 21 processes, or willing to launch such initiatives.

3.6.2.2 Local level

There are at the moment sixty local authorities involved in Local Agenda 21 processes in the Province of Milan⁷: not all of them have implemented the process, because many have simply signed the Aalborg Charter, but there are some interesting examples and best practices. One interesting point is the fact that many processes in this area are promoted by groups of municipalities, that recognise the need to work in association in order to more effectively cope with problems of local sustainability: from the conservation of biodiversity to public green spaces, from cycle lanes to waste reduction and management, and so on.

The examples of Seveso, Meda, Desio and Cesano Maderno in the North of Milan or of San Donato and San Giuliano Milanese, in the south east area of the province are interesting from this point of view. In both cases the municipalities decide to start together a Local Agenda 21 process in order to test the possibilities and the overall sense of coping together with local problems, arising from territorial factors that passed the municipal boundaries.

In the first case, after more than one year of working groups (four working groups on environment and biodiversity; territory; employment, sustainable production and consumption; culture, society and health), the Local Forum issued in 2004 an action plan, based on a number of strategic projects and actions to be implemented by various local actors (the municipalities themselves, but also economic actors and associations).

In the second case, the process took place in 2001-2003, and four working groups (on environment and natural resources, mobility and urban planning, social cohesion, local economy) issued an action plan in

⁶ Agenda 21 was launched at the UNDP Summit on Environment and Development in Rio de Janeiro in 1992; the progress in its implementation has been revised in following Summits after five and ten years, the latter in Johannesburg in 2002.

⁷ Parco Adda Nord, Parco del Ticino, Parco Valle Lambro and the municipalities of Abbiategrasso, Agrate Brianza, Aicurzio, Arconate, Bellusco, Bernareggio, Bernate Ticino, Brugherio, Buscate, Busnago, Bussero, Caponago, Carnate, Carugate, Cassina de' Pecchi, Castano Primo, Cavenago Brianza, Cernusco sul Naviglio, Cesano Maderno, Cinisello Balsamo, Cologno Monzese, Corbetta, Cornate d'Adda, Corsico, Cuggiono, Desio, Inveruno, Lentate sul Severo, Limbiate, Lissone, Magenta, Magnano, Meda, Melegnano, Mezzago, Milano, Monza, Muggiò, Peschiera Borromeo, Pessano con Bornago, Pieve Emanuele, Pioltello, Rho, Robecchetto con Induno, Ronco Briantino, Rozzano, Sesto San Giovanni, Severo, Subiate, S. Donato Milanese, S. Giuliano Milanese, Trezzo sull'Adda, Vanzaghello, Villasanta, Vimercate.

which themes were linked to the promotion of more sustainable mobility patterns and local consumption models, and widespread environmental information and training.

The themes that characterise Local Agenda 21 initiatives in the Province of Milan touch upon the issues felt as important by local communities, that have great impact on the quality of life: green public spaces, air pollution, energy production, mobility with a particular attention towards slow mobility patterns (pedestrian, cycle), and consumption patterns (organic, fair trade, etc.). It is interesting to underline that many of such issues are also the most important lines along which urban and regional planning is moving in the same areas. We have already discussed the role of the infrastructural network and its problems (see § 1.10), and the whole question of daily mobility in this area is of the utmost importance.

3.6.3. Participatory budgeting

Participatory budgeting, launched initially by the Municipalità of Porto Alegre in Brasil, is gaining diffusion in local authorities worldwide, because it is based on the involvement of local communities in the decision making process for budget allocation. In Italy participatory budgeting is promoted by Rete del Nuovo Municipio (New Municipalities Network), together with an overall reflexion upon the ways local authorities play their role face to their communities. At provincial level both the Province itself and some Municipalities are part of the Network. In particular, the most interesting experience of participatory budgeting involves the municipality of Pieve Emanuele, located south of the City of Milan.

3.6.4. E-democracy initiatives

E-democracy initiatives are quite new in Italy and in the Province of Milan. Following a report issued in 2004 by Fornez and the Ministry of Innovation⁸, the largest part of the experiences in our country still concern very simple ways of interaction with citizens with electronic devices. The report underlines that while in the whole country local participation practices are spreading very quickly, and are becoming one of the ways in which local authorities interact with citizens, e-democracy is still quite rare in such interactions. Local authorities mostly use newsletters and newsgroups and civic networks animated by citizens themselves; sometimes they open up electronic fora for the discussion of local matters (e.g. on planning initiatives), very rarely they experiment e-voting.

In the Province of Milan the leading experiences are promoted by the Province itself, that gives the possibility to citizens and local groups to bring to attention cultural and associative initiatives and to take part to an on-line forum; some civic networks (Rete civica milanese for Milan, RecSando for San Donato Milanese, and others), that allow citizens both to post news and initiatives and to interact with the public administration through structured fora; and others by the Municipality of Pieve Emanuele and Sesto San Giovanni.

Such local democracy instruments are quite effective, even if they tend to be subject to the digital divide, that implies that elderly or less cultivated people have difficulties in accessing such services.

⁸ Ministero per l'Innovazione e le Tecnologie, *Linee guida per la promozione della cittadinanza digitale: e-democracy*, Roma, 2004.