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**EUROPEAN INTEGRATION AND THE ADAPTATION OF
CENTRAL AND FEDERAL DECISION-MAKING
STRUCTURES IN THE ECONOMIC FIELD.
THE CASE OF ITALY**

by Raffaele Farella

Paper prepared for the Tepsa Project Research on "European integration and the adaptation of central and federal decision-making structures in the economic field"

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European integration, which has been proceeding gradually over the last fifty years following World War II, received a sharp acceleration with the establishment of European Monetary Union (EMU). The three basic concepts underlying the political project for a united Europe – cohesion, convergence and integration – have therefore become even more incisive in the processes of institutional and functional reorganisation currently under way in individual member states.¹ In Italy, the “political” (guidelines, planning, coordination, control) and administrative functions of managing the national economy are also undergoing radical change. On the one hand, in keeping with the trends in other member states, they are being cut back in favour of the “neutral” function of market regulation, on the other, powers are being delegated to Community policies – exclusive, competitive and subsidiary. The drastic rethinking of public institutions and the way in which they intervene in the workings of the economy that has taken place in the last five years must therefore be analysed in the context of changing reference parameters on the European scene. This is also the background against which to set the Italian central authorities’ shift in focus toward local requirements and specificities (whether economic, social or political) and their institutional expressions (municipal, provincial, regional governments). This shift has broken a deep-seated tradition towards centralism in the management of public affairs (with the exception of the autonomous regions and a few administrations with greater cultural autonomy), and which has tended to assimilate and integrate the three levels of economic and financial decision making imposed by the European construction: the Community, the national and the sub-national (regional or provincial) level.

On the Community level, the need to give more autonomy to local authorities was already felt to be a priority before the process of European integration began, but only became a reality, at least formally, with the recent introduction of the principle of subsidiarity (Art. 3.B of the Treaty of Maastricht), which regulates the hierarchical relationship between the three level of institutions just mentioned, and with the recognition of the institutional importance of regions in the Committee of Regions (198 A, Treaty of Maastricht). Acceptance of the principle of subsidiarity has finally, after a long period of Community centralism, set off a process of devolution of competencies, granting greater autonomy to both the states and the regions, which are leading subjects of state action in some member countries (with federal governments). This trend had already emerged at the time of the signing of the Single European Act (SEA) in 1986, which introduced the political objective of cohesion, intended to mean pursuit of equal socio-economic development throughout the Community’s territory. Through the Community funds established for that purpose, the European regions became not only the object of actions aimed in that direction but also the subjects managing them. This is the case, for example, with the European Fund for Regional Development, from which Italy benefits by means of a complex procedure involving the European Union as well as the Italian state and regions. The functional criteria of this procedure will be analysed in the report.

At the national level, the granting of greater powers to the regions within the Italian institutional configuration, which culminated in 1997 with the passing of the so-called Bassanini Law (No. 59/97) was not only the product of the external pressure just described, but also of strong domestic pressure. The Italian productive world, strongly concentrated in certain areas of the country, had begun to show its disapproval of being kept on the margins of decision making in matters of economic policy.

Under pressure from these various factors, the process of institutional renewal has involved all structures responsible for Italian economic policy. The Bassanini laws were conceived in the framework of a broader plan to revise the Italian Constitution in a federal sense. This scheme ended in failure in April 1998, after almost two years of work by a special “Two-chamber Commission on Constitutional Reform”, which had to a large extent voided the provisions of their innovative content.

Actually the structures are still very fragmented. Competencies are divided horizontally among four ministries (plus the various related offices, especially CIPE), the Department for the Coordination of Community Policies and the Department for Regional Affairs which are part of the Prime Minister’s Office and the Prime Minister himself who, according to Law 400 of 1988, is responsible for the implementation of the planning guidelines in economic policy laid down by the government. Two legislative decrees approved by the Council of Ministers on 29 July 1999 (Dlgs 300 and 303/1999) should reduce that fragmentation considerably. The decrees introduce two important measures: a substantial reduction in the number of ministries, concentrating functions previously scattered over or duplicated by various bodies, and a reorganisation of the Prime Minister’s Office to bring it in line with “Italy’s membership in the European Union and a decentralised set-up”.

Although the recent moves toward federalism (about which more will be said later) could lead to a change, on the vertical plane, powers are distributed territorially, indicating a model in which competencies are bestowed from above through agencies with increasingly small administrative jurisdictions.

SECTION I

Organisation of the ministry in charge of the economy, the reform processes under way.

1)) *The criteria behind the reform of the activities of economic planning and coordination: the Bassanini Laws (59/97, 127/97, 112/98. The norms underlying the future configuration of the Prime Minister’s Office and ministerial structures*

Laws 59 and 127 of 1997 represent a pillar of the reform of the structures and the functioning of the Italian public administration. Law 59/97 mandates the government the power to assign functions and tasks to the regions and the local authorities, as well as to reform and streamline the public administration. It calls for the elimination of malfunctioning and the overlapping of competencies, for the reorganisation of central and peripheral administrations (even those of autonomous authorities) and, as concerns the subject of this study, for the rationalisation of the Office of the Prime Minister and the Ministries through merger or elimination (art.11). The criteria for implementation must

be management efficiency and creating a more rational link between financial management and administrative action, through organisation into homogeneous areas and centres of responsibility. In accordance with that input, the government definitively approved a number of implementational decrees on 29 July 1999, implementing Paragraph II of the law mentioned above. Of particular interest for their scope and innovative nature are the decree on the reform of the organisation of government (DLgs 300/99) and the decree on the reform of the Prime Minister's Office (DLgs 303/99). The most significant provision of the decree on government organisation is the one that merges ministries to do away with the fragmentation and duplication of competences, as called for by the law, in order to simplify decision-making at the political and administrative levels.

Aiming at a lighter and more flexible set-up, the legislative decree on reform of the public administration provides for 12 ministries (currently 18 and five years ago 22), by rearranging, merging and reducing their number. As the law sets out, these changes will come into being at the beginning of the new legislature. In addition to the basic ministries (foreign affairs, internal affairs, justice, defence), the new arrangement calls for (see the table at the end) the establishment of:

- two economic ministries: the Ministry of the Economy and Finance, which brings together the Ministries of the Treasury and the Ministry of Finance; and the Ministry of Productive Activities and Communications, which brings together the Ministries of Industry, the Ministry of Communications and the Ministry of Foreign Trade.
- two territorial ministries: the Ministry of the Environment and Territorial Protection and the Ministry of Infrastructures and Transport, which merge into two structures the Ministry of the Environment, the Ministry of Public Works, Transport and Navigation, and the Department of Urban Areas, and the Department of National Technical Services of the Prime Minister's Office.
- one Ministry for Labour, Health and Social Policies, bringing together the Ministry of Health, the Ministry of Labour and the Department of Social Solidarity of the Prime Minister's Office.
- one Ministry for Education, Universities and Research, merging the Ministry of Education and the Ministry of Universities and Research.
- one Ministry for Monuments, Fine Arts and Cultural Activities.
- one Ministry for Agricultural and Forestry Policies.

The scheme of the decree reorganising the government envisages not only the reform of the individual ministerial apparatuses, but also a comprehensive reorganisation of the central government to allow it to carry out more effectively "the role of the State as a part of the European Union, the new decentralised set-up, the new requirements of regulation and governance".¹ The reorganisation of government is linked to the draft for constitutional reform now being read in Parliament, which modifies the second clause of Article 95 of the Constitution to ensure the best possible distribution of ministerial responsibilities. Thus it distinguishes, as is the case in many European countries, between ministers responsible for an entire ministry and ministers in charge of one or more structures in a ministry. The ministers in charge of an entire ministry are tasked with overall coordination and the political and administrative direction. All ministers belong to the Council of Ministers, which is the collective decision-making body.

The decree is broken down into three parts:

¹ Presentation statement of the law.

The first part outlines the overall structure of the new arrangement and contains general provisions concerning the ministries, the departments, the agencies and the state peripheral administration. The reform introduces a more articulate and ordered arrangement of the existing ministerial model, which does not distinguish among the various functions to be carried out. Basic rules and functioning conditions are defined for each body. The prevalent new model is based on departmentalisation (only three ministries – foreign affairs, defence and monuments and fine arts have general directorates). The departments are structures with vast functions, covering large blocs of competences. Each ministry has a few departments (no more than 4 or 5) to ensure the effective coordination of functions. In addition to other first level structures, the legislative decree calls for the establishment of agencies for technical and operative functions which means they have specific competences, skills or organisational modalities. The decree also rearranges the state peripheral administration, taking into consideration both the decentralisation that has already been carried out and the competences transferred to the regions and the local authorities and the new structures of the central administration. The government receives a new territorial office with general competences: the prefectures are transformed into government territorial offices and are tasked with all peripheral state functions – in addition to those of the prefectures – with the exception of certain sectors (security, defence, justice, finance, education, monuments and fine arts). Coordination is ensured by a special conference at the local level. Reorganisation of the peripheral administration will take place at the beginning of the next legislature. The Government Territorial Office will be divided by area so as to preserve and enhance technical and professional specificities. Functionally, it will depend on the competent ministries for various matters.

The second part, in addition to the merging of ministries, calls for the establishment of 11 agencies resulting from the transformation of ministerial structures and the merging of tasks previously attributed to a number of subjects.

The third part lays down the provisions for the immediate implementation, that is, during this legislature, of the reform of the Ministry of Finance and the Ministry of Education, the reform of the civil defence system and of professional and vocational training, with the establishment of a special agency for each.

Decree 303/99, as presented by the government, is aimed at rationalising the tasks of guidance and coordination of the Prime Minister, “given the process of European integration and decentralisation of functions and tasks to the local authorities”. Articles 3 and 4 specify the tasks of the Prime Minister relative to Italy’s participation in the European Union and relations with the local regional system.

As regards the first point, the Prime Minister promotes and coordinates the action of the government, with the aim of ensuring Italy’s full participation in the EU and development of the process of European integration and of checking on the implementation of the commitments taken on within the EU by means of a special department in the Prime Minister’s Office (Department for Coordination of Community Policies). In preparing Community directives, the state administrations competent for various sectors, the regional administrations, private operators and the interested social sectors may turn to this structure for coordination in the working out of Italian positions in line with the Ministry of Foreign Affairs to be upheld inside the European Union.

As far as state-region relations are concerned, the Prime Minister coordinates the action of the government and promotes the development of collaboration among the state, the regions and the local authorities. The Prime Minister, also in view of the deliberations of

special mixed bodies, promotes the initiatives needed for the orderly course of relations between the state, regional administrations and local authorities and ensures consistent and coordinated exercise of the powers and special measures provided for in case of inertia or breach. For the exercise of guidance and verification functions, the Prime Minister has a special Department of Regional Affairs and, without prejudice to its current functional and structural position, the secretariats of the Permanent Conference for Relations among the State, the Regions and the Autonomous Provinces of Trento and Bolzano and the Conference of the State, the Cities and the Local Authorities.

The two decrees lay the basis for a system of economic management characterised by greater elasticity and less risk of duplication of competences. The modalities and timeframes for the implementation of the reforms remain uncertain, despite the dates set down in the text, in that the reforms require a series of implementational rules and, above all, a tremendous organisational and logistic effort on the part of the many administrations involved.

The Ministries

2) The Ministry of the Treasury, the Budget and Economic Planning

The Ministry of the Treasury has taken over broader responsibilities in the field of European affairs after acquiring the competencies of the Ministry of the Budget and Economic Planning which, in accordance with Reg. CEE 4253/88, was designated as the main institution in charge of coordination between national economic policy and European policies. Even though there is no written law, the Ministry of the Treasury attends the Ecofin Council as the most powerful institution in economic and financial matters.²

Legislative decree no. 430 of 5 December 1997, which merged the Ministry of the Treasury with the Ministry of the Budget and Economic Planning laid the basis for a ministry competent in the sectors of economy, financial and budget policy, the planning of public investment and the actions to be taken for territorial and sectorial economic development of adhesion policies. These competences, as set down in Art. 3 of the law, are performed “in respect of the constraints of convergence and stability deriving from Italy’s membership in the European Union” and are spread over four departments:

The first department is competent for economic and financial policy, through analysis of international and domestic economic, monetary and financial problems, supervision of financial markets and the credit system, economic and financial planning, financial coverage for and management of the public debt. Furthermore, the head of the department is the Italian representative (together with and as a replacement for the Ministry of the Treasury) in the international fora designated for the definition of economic policies with direct implications on national interests.

The second department works on the policies, procedures and implementation of the budget, in particular, with regard to the administration of the state budget.

The third, called the Department for Development and Cohesion Policies, represents the center for economic and financial planning underpinning the actions for economic territorial-sectorial development and the policies of cohesion, in particular, for depressed areas. To that end, it has functions *ex lege* as concerns negotiated planning instruments and planning of the use of Community structural funds.

² The Ministry of Finance, however, is also present at ECOFIN meetings, working in team with the Treasury’s administration.

Presidential Decree no. 38/1998 specifically defines the competences of this new department:

- in agreement with the competent administrations and in linkage with the State-Region Conference, the State-City Conference, and the recently established Unified Conference (the functions and mechanisms of this structure will be described later), it defines, at the planning and operational levels, the objectives and sectorial policies for public investment and concretely interprets the general planning lines deliberated by the CIPE.
- it participates in the processes of definition of Community policies as regard structural funds and promotes and verifies the implementation of programmes that use Community structural funds;
- upon request, it provides assistance and support functions for administrations and public and private bodies in promoting and implementing development and cohesion policies;
- in respect of the competences of the individual public administrations, it carries out studies and planning of the actions for development at local, regional and pluri-regional level, with special emphasis on the depressed areas, taking the necessary actions for promotion and development of those areas, providing for the testing (assessment) and acceptance of the financial proposals presented, as well as allocation of relative funds. In this sphere, the department has revamped the operational approach and support structures for economic and social development in southern Italy, abandoning the old methods of indiscriminate financing and giving greater weight to territorial specificities (with a new planning that calls for differentiated approaches and rewards good performance). The new department was set up in 1998, with the aim of strengthening and rationalising territorial development policies, as well as consolidating the previous experience undertaken by means of so-called negotiated planning (activated through national planning agreements, framework agreements, territorial pacts, planning contracts and area contracts) intended to identify actions to be taken on the territory, after having analysed their characteristics and involved the public and private actors operating in the plans (a bottom-up model). The complex and articulate competences of the department can be linked to three fundamental objectives: 1) to deal first hand with the planning of public action in favour of territorial development; 2) to make proposals to the CIPE for defining the priority objectives in terms of social and economic development; 3) to participate in the definition of Community development and cohesion policies. The action of the new department has encountered considerable difficulty because of the breadth and range of the tasks it is asked to carry out, but also because of the inadequacy of the instruments linking its structures to those of the various subjects involved in diverse ways in the preparatory stages of the actions planned. An example is the recent rejection by the EU of the zonation plan presented by the Department for the Regions objective 2.

Some significant successes have been registered in the use of structural funds in view of both the priority objective of ensuring full use of the resources assigned Italy (positive results in 1998 and the first half of 1999) and the need to strengthen the programmes that respond best to the priorities of development of the depressed areas, in particular in Italy's south.

The fourth is responsible for personnel management and Treasury services. A rotational fund has been set up at the ministry to pay out to administrations as well as to public and private operators, upon request from the competent administrations, the state funds allocated for the implementation of Community policies.

2a The two operational seats of the Treasury Ministry: The Interministerial Committee for Economic Planning and the National Control Room (2b)

The same law establishing the new Treasury Ministry mandated the government to redefine the competencies of the Interministerial Committee for Economic Planning (CIPE), a part of the same ministry. Thus, the CIPE has been assigned the task of coordinating economic policies and planning within the country, as well as coordinating domestic economic policies with those of the Community. In particular, it should establish the general direction of national, Community and international economic policy, and set down specific guidelines and objectives for economic and social development, enhancing the development processes under way in the various areas of the country. Furthermore, it is responsible for verifying the implementation of the development policies “through close cooperation with the interested regions, autonomous provinces and local authorities” (Art.1, DLgs 430/1997) and carrying out coordinating and guidance functions in matters of institutional planning agreements and other negotiated planning instruments. The CIPE, in exercising its functions, may deliberate to set up committees, commissions or working groups to examine and formulate proposals on problems and issues of particular complexity and regarding intersectorial competences, in the cases and according to the modalities set down in the regulations. The president of CIPE may request, also upon proposal of the state or regional administrations, that questions affecting the government’s economic policy action be discussed collectively. After the reform, the CIPE has become the centre of economic planning and coordination of the guidelines and policies of the various economic departments.

In reorganising the committee’s structure, deliberation no. 79/1998 provides for the establishment of permanent commissions for specific tasks.

The first commission is responsible for coordination of national economic policies with Community policies. It is chaired by the Minister for Community Policies, and is attended by the undersecretaries of the main economic ministries. For decisions that involve a specific territorial area, auditions may be held with a representative of the territorial authority (regional administration, autonomous province, etc.). The commission also meets for consultation and to give opinions requested by CIPE or individual ministers. It also has a support structure coordinated by the technical secretariat of the control room of the Treasury Ministry.³

2b The national control room provided for in Article 6 of the decree law of 23 July 1995 operates in the framework of the ministry and is the national reference structure for coordination and promotion of initiatives using Community structural funds. More specifically, on the basis of the data acquired by the Ministry’s information systems, the national control room permanently monitors the state of implementation of individual programmes; provides Parliament and the regional administrations with information on the implementation of programmes, along with the reasons for possible delays; works out and proposes to the Ministry provisions and operational measures to favour rapid utilisation of resources and the best quality programmes; studies the effects of the use of

³The other commissions have general competences in the following fields: coordination of social, and labour policies and policies for support of development of productive activities; coordination of infrastructural policies; coordination and assessment of scientific and technological research activities, also as concerns training; coordination of foreign trade policies; sustainable development from an environmental point of view.

Community structural funds and proposes the most effective planning lines. The national control room is composed of a president, a department head, the executive in charge of development and cohesion policies, two representatives of the Prime Minister's Office, including the head of the Department of Economic Affairs, the State General Accountant, a representative of the Ministry of Foreign Affairs, and a highly qualified expert on the matters for which the national control room is responsible, designated by the Permanent Conference on Relations among the State, the Regions and the Autonomous Provinces of Trento and Bolzano. The nomination, proposed by the Minister in accordance with the Minister for Regional Affairs, is rendered operational by a decree from the Prime Minister.

3 The Ministry of industry, trade and the crafts

The Ministry of Industry, Trade and the Crafts has also been the object of reorganisation by Presidential decree 220/1997. The underlying principles are rationalisation of the existing competences and enhancement of certain tasks, with the consequent establishment of new offices at the directorate general level. There are currently six directorates: general affairs; trade in services, insurance; coordination of incentives to enterprise; energy and mineral resources; production development and competitiveness; harmonisation and safeguarding the market. The competences of the Ministry are wide-ranging and call for negotiation and operational coordination with the competent Community institutions, above all in two specific sectors: incentives to enterprise and harmonisation and safeguarding of the market. The latter are defined and applied in accordance with international directives, of both the Community and international bodies. One of the principle areas of work for the directorate generals on harmonisation and safeguarding of the market is the absorption of Community directives into the Italian legal system:

- no. 97/7 on consumer protection related to distance contracts;
- no. 98/27 on inhibiting measures that safeguard consumer interests;
- no. 98/6 on consumer protection related to the indication of the prices of products offered to consumers;
- no. 98/7 on consumer credit;
- no. 97/55 on comparative advertising.

The same directorate takes part in the formulation of European Union provisions and lines of action, along with the EU's DG XXIV, but also with the directorate generals that in some way touch on important aspects of consumer protection. The activity has during the last year been (and according to the Ministry's plans will continue to be) centred on analysis and preparation of proposals for directives related to electronic trade, the first European normative frame of reference, on long-distance sale of financial services. In this respect, considered the complexity and the importance of the aspects connected with the economic interests of consumers in the financial services sector, the Ministry has set up a special working group with the participation of qualified experts. The same directorate supervises the activities linked to the introduction of the euro, in constant communication with the European Commission and the Euro Committee at the Treasury Ministry.

4 The Ministry for Agricultural Policies

Legislative decree 143/97 (implementing the Bassanini laws) abolished the Ministry of Agricultural Resources and replaced it with the new Ministry for Agricultural Policies.

The latter, pursuant to that law, constitutes the point of reference for national interests in the fields of agriculture, forestry and food production. To that end, in agreement with the Permanent Conference for Relations among the State, the Regions and the Autonomous Provinces of Trento and Bolzano, it is responsible for the formulation and coordination of agricultural, forestry and food production policies and policy lines, in keeping with Community directives. It also represents national interests in the appropriate Community fora, deals with related international relations, fulfils Community and international obligations at the state level, and puts forward proposals concerning government coordination and guidelines in the matters for which it is competent.

5) *The Finance Ministry*

This ministry is responsible exclusively for state revenues. In spite of the attempt to reorganise it in accordance with Law No. 358 of 1991, it has lost influence in that it no longer has competencies in the planning of the budget. The Minister is responsible for the implementation of the European directives and regulations on fiscal matters, and he represents Italy at the top of Ecofin together with the Ministry of Treasury as far as financial matters are concerned.

The Departments

6 *The Department of Regional Affairs*

A part of the Prime Minister's Office, the department headed by a Minister without Portfolio carries out diverse functions (guidance, promotion, supervision) related to a) linkage between and verification of national and regional regulations; b) examination of the laws of the regions and the autonomous provinces of Trento and Bolzano pursuant to Art. 127 of the Italian Constitution, as well as the conflicts in assignment (of competences as a consequence of application of the principle of subsidiarity) between the state and the regions; c) government action inherent in the relations between regions and the autonomous provinces of Trento and Bolzano, as well as the relations between these and local authorities; d) problems of linguistic minorities and border territories; e) actions required to stand in for the regional bodies that do not carry out delegated functions and needed to implement Community obligations, defining the relative proposals in collaboration with the competent ministers in the sector; f) the activities of government commissioners in the regions and the autonomous provinces of Trento and Bolzano, as well as the corresponding representatives of the state in the special statute regions in the fields of organisation, logistics, functional and financial planning; g) the presidency, if the Prime Minister does not take it, of the Permanent Conference for Relations among the State, the Regions and the Autonomous Provinces of Trento and Bolzano, as well as the Unified Conference, as in Art. 8.1 of the legislative decree of 28 August 1997, no. 281; h) relations with the interministerial committees and with other collective organs established in the state administrations, whose decisions affect regional competences, verifying and promoting the coordinated implementation of those decisions by the state administrations, public bodies and public share-holding companies; i) the definition of questions of international and Community importance concerning the activity of the regions; j) acts relative to the guidance and coordination functions of the administrative activities of the regions, wherever the intervention of the Prime Minister is required.

7 *The Department for the coordination of Community Policies*

The Department for the Coordination of Community Policies, part of the Prime Minister's Office, was established in 1987 by law no. 183 of 16 April of that year to "coordinate policies relating to Italy's membership in the European Community and the adaptation of the domestic order to Community acts". Its functions are set down in the institutional law and the various delegating decrees to the Department. The main ones are:

A) coordination of the activities inherent in the implementation of Community policies and Italy's participation in the formation of Community acts and regulations; prepares the "Community law" on the basis of the guidelines laid down by Parliament and the opinion of the State-Region Conference. Community law is the instrument regulating the modalities and the timeframes for the transposition of Community directives. In it, the directives are classified by subject, and this distinction makes for different modalities and timeframes in their transposition to the national order.

B) coordination of the competent public authorities by sector during the phases preparing for the adoption of Community law and, in accordance with them, consultation with interested private operators and the social parts to define an Italian position.

C) verification of the correctness of national and regional norms which provide for allocations of state assistance to enterprise in relation to Community law. In this context, it carries out, in accordance with the Ministry of Foreign Affairs, an *a priori* examination of the requests for state assistance which are then submitted to the European Commission via Italy's Permanent Representation. It also takes care of relations with competent Community bodies (the Council of Ministers and the European Commission, depending on the procedures).

D) support for the Ministry's action during the meetings of the Single European Market Council, informing the Italian representatives in the European Parliament, the Economic and Social Committee and the Committee of the Regions of Italian positions concerning Community interests. Through the competent office, the Department is responsible, in particular, for interministerial coordination – extended to the representatives of the various productive categories – in defining a unitary national position on proposals for Community provisions relative to the single market; it negotiates directly in Brussels on horizontal internal market issues, services in the information society, long-distance financial services, public procurements, company law, trade communications; it also negotiates directly in Geneva on subjects related to procurements in the Community coordination for the GPA (Government Procurement Agreement – the Marrakesh Agreement, 1994), as well as preparation of formal and informal sessions of the Single Market Council; in collaboration with Community institutions, it promotes the diffusion of information on the EU's activities and the initiatives aimed at increasing the awareness of the Union's citizens.

Pursuant to the law-delegation that sets down the competences, the Minister without Portfolio for the Coordination of Community Policies convenes and organises the Community session of the Permanent Conference on Relations among the State, the Regions and the Autonomous Provinces of Trento and Bolzano, in order to harmonise national policies relative to the formulation of Community acts with the requirements of the autonomous territories; he/she contributes to the decisions on whether or not to appeal to the Court of Justice to safeguard situations of significant national interest, and whether or not to intervene in procedures involving discussion of important national questions.

Within the framework of the new regulations for the Prime Minister's Office described earlier, a special law sketches out the future set-up of the Department for the Coordination of Community Policies. According to the decree, which should be signed by the Prime

Minister by the end of 1999, the Department will be divided into three distinct offices, each with its own exclusive tasks with respect to the competences of the Department:

Coordination: the first offices will be in charge of coordination of the Italian position (ascending phase) on decisions to be taken in Brussels as regards financial, fiscal and competition issues, the free circulation of persons, citizens and professionals, productive activities, the environment and research, social policies and rights. It will also be in charge of coordinating and promoting the actions and the interests of the regions, the local authorities and the economic subjects such as entrepreneurs and their associations. Without prejudice to the competences of the local authorities, in this phase, the Minister tries to “concentrate” the various positions and proposals in an attempt to define homogeneous and unified proposals.

Implementation: the second office will take care of the descending phase of Community norms and provisions and will be divided into four distinct services: implementation, disputes and pre-disputes; state aid, judicial affairs, relations with Parliament and legislative support.

Information: the third office takes care of all the activities linked to the diffusion of information and news on EU policies and activities. An *ad hoc* service for consumer policies and, finally, one for cohesion policies, are envisaged.

The decree just mentioned has finally brought to an end a period of uncertainty and conflict with regard to the redistribution of competences between the Department of Community Policies and the Ministry of Foreign Affairs: the latter will be left with the task of representing and negotiating abroad all things related to political affairs and the activity of European integration linked to EU, European Community, ECSC and Euratom treaties, in addition to coordination of the Italian representation in Brussels.

The Prime Minister’s Office, via the Department, is assigned all the competences described above relative to the ascending and descending phases of Italy’s internal position.

This decree strengthens the position of the Department which, despite its extremely limited competences, has in the last five years played a growing and increasingly incisive role as a liaison between national and Community policies.

The Authorities

8 The new subjects managing the economy: Independent authorities

Beside the public subjects that have traditionally been active in managing the economy, mention must be made of a new actor: independent authorities, which have arisen rapidly and strengthened their role recently, under the impulse of European integration. They affect economic reality indirectly through their control actions and are aimed at pursuing possible abuses and violations against public or collective interests perpetrated by individuals or groups by means of economic and financial activities. The particularity of these authorities is that they are of an ill-defined nature, halfway between an administrative subject and a constitutional or even judicial figure. The complexity of the matters they deal with make them very highly technical organisations. Their actions are based on national and Community regulations, arbitration rules established by law and syllogisms and assessment criteria linked to economic and legal analyses. The Authorities set up are for antitrust, electricity and gas, safeguarding of personal data, communication guarantees.

SECTION II

Local territorial autonomies: Regions, Provinces, Municipalities. The policies and institutions set up for territorial development.

II.1 The tasks of regional administrations in economic policy. Old and new competences

The regions (with or without special statutes) have become the primary subjects of economic policy; all statutes of autonomy call – either explicitly or implicitly – for acceptance of the planning model as an uneliminable step in administrative procedures. Already through Law 616/77, the regional authorities had taken on specific competencies in managing the economy, in the following fields:

- a) territorial management (infrastructure, public works, transportation, protection of water and soil resources, quarries and peat-bogs, housing,
- b) protection of the environment, the landscape and nature;
- c) agriculture, forestry, hunting and fishing;
- d) trade fairs, markets, tourism, handicrafts, industrial consortia (plus industrial activity for the regions with special statutes);
- e) social services

The competences described above have been flanked by new ones (industrial activity, energy, regional promotion of foreign trade activities, public housing, research, the environment, transportation, monuments and fine arts, etc.), as set down in the three Bassanini laws (in particular, DLgs 112/98). But their exercise is limited by a series of implementational decrees by the government and regional laws for their adaptation. The logic behind the application of the Bassanini law is provided in law 59/97: for the first time in Italy the new functions are assigned using the criterion of subsidiarity. On the basis of that principle, the central state is left with a number of specific functions, while all the others are devolved to the regions and, in turn, to the provinces, the municipalities and the mountain communities, depending on which subject can carry out the function most efficiently (devolution to the local authorities of the tasks they can carry out most effectively on the territory). The regions are left with general functions (legislation, planning, guidelines, coordination, etc.) and the possibility of strengthening their role in planning complex policies, with particular attention to Community policies and market evolution.

The central state maintains absolute control over a number of crucial administrative functions such as foreign policy, trade, defence, immigration, elections, law and order, justice, scientific research and universities. The state also maintains the power of general planning and implementation in a wide range of sectors, among which, above all, highways, infrastructure and the environment.

This overall set-up has only been partially implemented so far. The competences already transferred to the regions are those for local public transport, and further competences in hunting and fishing, agriculture, rural development and food. After a relatively rapid first stage of implementation, the reform has been blocked by a number of legislative and practical obstacles that do not allow for its completion:

a) central law 59/97 which bases application of the principle of subsidiarity on extremely flexible criteria, leaving the regions with ample autonomy in the devolution of competences to local authorities. This has brought about the transfer of important functions to the regions which have, however, often kept them for themselves. The reform has therefore accentuated the functions of the regional administrations in the fields of economy and local administration, but has not led to an analogous enhancement of the territory through representative agencies, which was the basis of the entire reform programme, thus stripping subsidiarity of its operational significance.

b) as already mentioned, the laws were passed in the framework of a broader plan for constitutional revision, a plan which ended in failure. A precise division of roles and tasks between the state and the regions does not seem feasible without a constitutional provision establishing the relative guidelines for the shape of the state and the administration of public interests. That impasse has been further aggravated by the fact that Article 117 of the Constitution lists regional competences, which contrasts with assignment on the basis of subsidiarity as set down in the Bassanini laws.

c) the regions and local authorities, with significant exceptions, have been tardy, inefficient and low on resources (because they do not yet have the partial capacity to levy and collect the autonomous finances that would be defined through revision of the Constitution) in managing the new competences and have been late in emanating regional laws to prepare for the transfer of functions.

In addition, the Bassanini laws introduced other important novelties: law 127/97 considerably simplified administrative, decision-making and control procedures for the local bureaucracies regulating relations between the public administration, the citizens and the enterprises. Some results are already obvious. The other novelty, introduced indirectly by Art. 4 of Law 59/97, was the strengthening of the functions of local authorities in allocation and erogation of services to be distributed at the level of government closest to the citizens and businesses. In this light, a special office has been set up for productive activities to take care of all bureaucratic procedures relating to business activities, the setting up of new enterprises, erogation of support instruments (financial incentives, operational support programmes) established by the regions and the central state (Ministry of Industry, Treasury, etc.)

As for the foreign power of the regions, their ability to act directly (indirect forms will be dealt with in the following paragraph) in Community decision-making procedures is extremely limited. With the exception of a few informal activities, carried out as informal initiatives or with private instruments, some forms of direct relations between the Community system and local authorities have only recently been put into place:

A) through their participation in the Committee of the Regions;

B) with their presence in the Italian Permanent Representation;

C) with the possibility (taken up only in recent years by most regions) of opening their own representational offices in Brussels.

II.2 The new Unified State-Regions-Municipalities Conference. The role of the Permanent Conference on relations among the State, the Regions and the Autonomous Provinces of Trento and Bolzano

Among the most important innovations introduced by the Bassanini laws is certainly the establishment of the Unified Conference on Local Authorities. The need for this organ was emphasised by Art. 9 of Law 59/97, which allows the government to approve a decree

defining and extending the powers of two existing bodies (the Permanent Conference for Relations among the State, the Regions and the Autonomous Provinces of Trento and Bolzano and the State-City Conference) and local authorities on particular occasions to unify their action in one body known as the Unified Conference. Decree 281/97, pursuant to that law, set up the Conference, specifying its composition and guidance powers (Art. 8). The article states that the presidency can be held by either the Prime Minister, the Minister of the Interior or the Minister for Regional Affairs. The regions participate in it (through the president of the Union of Italian Provinces with the addition of six other provincial presidents designated by the same body); the cities (through the president of the National Association of Italian Municipalities). The purpose of the conference is to identify the common bases of a policy dealing with local government. Furthermore, the Conference plays an important role in the phase of promotion of agreements between the government and the various levels of local administration and the stimulation/control of the various subjects responsible for the implementation of the Bassanini decrees

The same decree establishing the Unified Conference also broadened the tasks assigned to the Permanent Conference for State-Region Relations: Art. 5 calls for a new and important role for that institution in shaping European policies. The same article calls for representatives of the Conference to meet at least twice a year with the people in the Ministry in charge of coordination of Community policies in order “to link the lines of national policy relative to the elaboration of Community measures with the requirements of the regions and the autonomous provinces of Trento and Bolzano in matters of their competence”. Furthermore, the State-Region Conference has acquired the competence to designate the regional components of the Italian representation to the EU and to express an opinion on the annual bill on “Provisions for the implementation of obligations deriving from Italy’s membership in the European Union” (Community Law).

The innovations described are of dual value: on the one hand, they lay the foundation for greater coordination among the various instances, in order to form a composite “country position” to be represented in Brussels; on the other, having been worked out as a function of (or at least in relation to) the approval of a federal revision of the Constitution, with the failure of the latter, they risk reducing the significance and scope of the novelties themselves.

In an attempt to overcome these obstacles, the Department for Coordination of Community Policies has intensified its efforts in the last two years to turn the Community session of the State-Region Conference into a stable seat of liaison between regional, national and Community policies. This is proven by the fact that the Conference was convened six times in 1999⁴ (with respect to the two obligatory meetings held in 1998) and that the majority of the issues discussed were related to the ascending phase of directives and Community regulations.

II.3 The new modalities for planning and the involvement of the local authorities in shaping national economic policies

European integration has certainly represented the main driving factor behind the new Italian choices in economic and financial planning. The “new planning” is based on the involvement of various local and national subjects during the shaping of economic policies. As specified by the Minister of the Treasury, it is based on:

- establishing priorities among the various ideas/programmes;

⁴ The 1999 Community session was held in Brussels on 22 November 1999.

- an *ex ante* feasibility assessment of these ideas and an *in itinere* verification of their implementation;
- making regional and local institutions responsible for their actions, giving them a central role in the promotion and diffusion of methods, good practices and projects;
- a high degree of subsidiarity in the process of selection of interventions, which strengthens, when efficient, the responsibility of the decentralised levels of government and passes the market test;
- establishment of a network of contacts and relations among institutions, enterprises and civil society to bring greater cohesion to the action of the state, the regions and the local authorities;
- enhancement of the best entrepreneurial factors, through market mechanisms, favouring the emergence of new forces.

It makes use of specific planning and negotiating instruments:

1) The “institutional partnership”, aimed at bringing the “ordinary” administrations into the process of planning of local actions, has allowed for more actions, the integration of financial resources and effective linkage with other sectorial policies – for competition, the labour market and, above all, the public administration – which make up the national development policy.

2) The “planning agreement”, an agreement among institutional subjects (state administrations, regions, public – also territorial – agencies) competent in certain sectors, with which they collaborate, making available the financial resources needed to realise a series of actions or specific interventions, functionally linked in a multi-year plan. This planning agreement is a strategic kind of preliminary step in the achievement of territorial interventions financed by specific national and Community programmes.

3) The “planning contract”, a contract signed for the realisation of an agreement or a planning agreement between the administration and a large firm or consortium of small and medium-sized firms to carry out the action which is the object of negotiated planning. The contract is approved by the CIPE which also verifies that it has been carried out.

4) The “territorial pact”, an agreement involving coordinated action between public and private subjects to determine various kinds of actions aimed at promoting local development in depressed areas of the national territory, in accordance with the objectives and guidelines set down in the Community support framework, approved by decision C(94) 1835 of 29 July 1994 by the European Commission. In order to receive the approval of the CIPE, the territorial pact, which can be stipulated for an agreement or a planning agreement, has to specify the local administrations or chambers of commerce promoting the pact; the private subjects and the representatives of interested associations which undersign the pact; the subject responsible for the pact; the main and possibly secondary objectives, in keeping with those outlined in the Community support framework and the single planning documents as concerns, respectively, the areas involved in the various objectives, the synergic integration relations between the actions.

5) The “area contract”, an instrument which aims at producing coordinated action by local institutions, associations, research institutes and private groups and tends to enter into agreements to establish particular conditions in labour and credit contracts and in security guarantees for areas affected by serious unemployment.