



LOCAL PUBLIC SPENDING



Knowing some of the elements that make up public spending can lead to its rehabilitation, as indicated in the “Green paper on public spending” presented last September by the Ministry of Economics and Finance. It presents an analysis of local public spending in 2005, with particular attention paid to the areas which regard the functioning of Public Administrations.

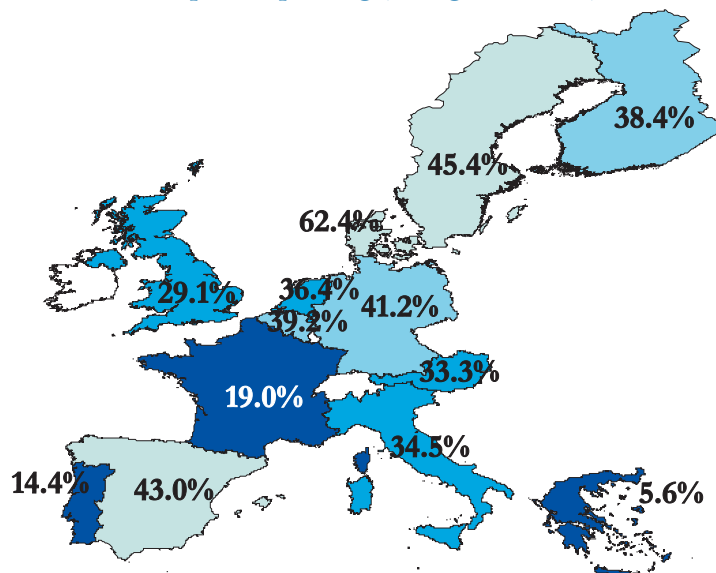
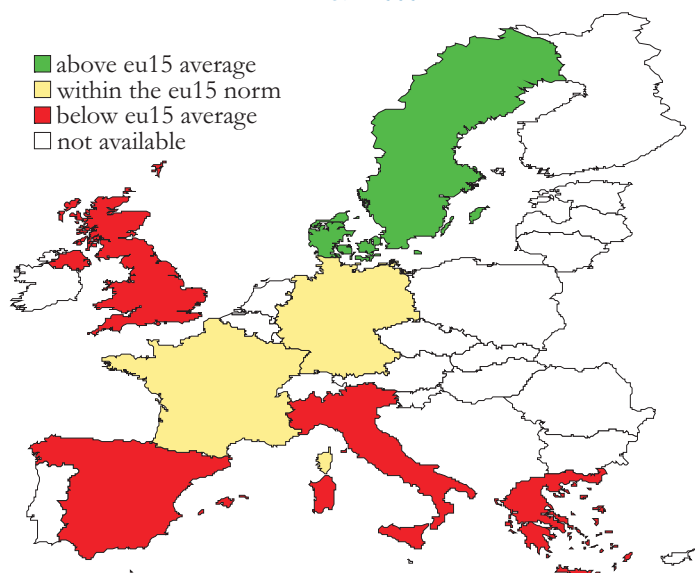
Measuring the efficiency of public spending is a complex process. In the maps below, the performance of Public Administrations in the administration, education, health and infrastructure sectors can be compared in several

European countries. From this comparison it turns out that Italy ranks below the average of the EU15.

Several European countries have been decentralising some functions of central government to local administrations (1) for a few years now, with the aim of streamlining bureaucratic mechanisms and making services for citizens more efficient, improving the quality and speed of delivery and guaranteeing optimum allocation and use of resources. Italy, which is considered a federal state due to its institutional structure, comes in the middle, with 34.5% of public spending managed by decentralised administrative bodies

Summary indicator for the performance¹ of some European countries.
Year 2000

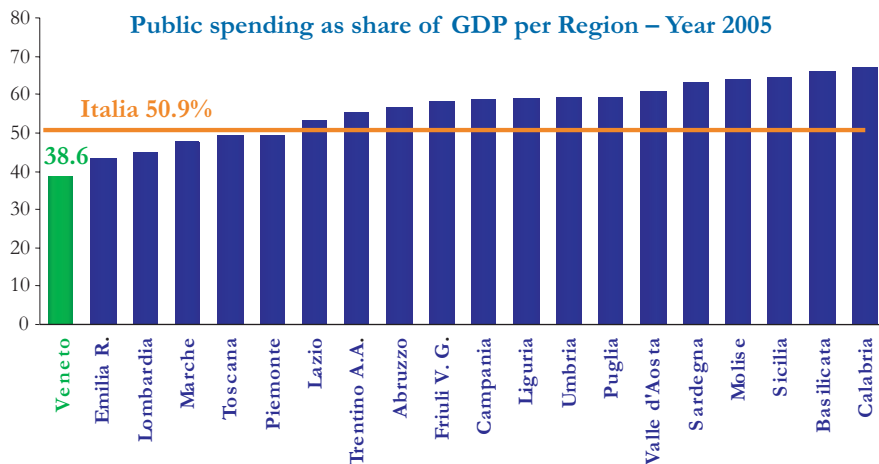
Local public spending² as percentage share of total
public spending (average 2000-2003)



¹Measures the results of some roles carried out by public administrations: administration, education, health, infrastructures. Source: Libro verde sulla spesa pubblica (Green paper on public spending) – Alfonso et al. (2005).

²As Local Authorities we consider autonomous Regions and Provinces, chambers of commerce, local health authorities, hospitals, Provinces, Municipalities, Mountain Authorities, universities, other local bodies. As Central Authorities we consider all of the administrative bodies of the state and the other central bodies whose authority extends over the whole of the economic territory, including the authorities for welfare and social security.

Public spending as share of GDP per Region – Year 2005

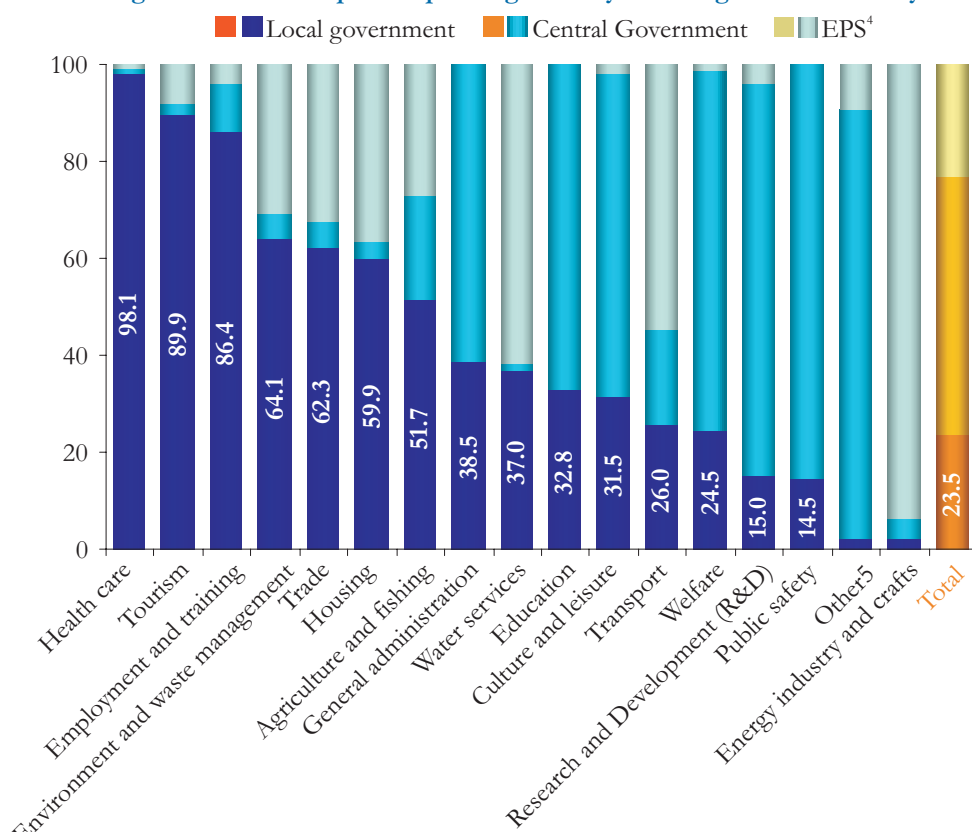


Veneto ranks first in the list of Italian regions for the ratio between consolidated spending per region³ and regional GDP. The public sector in the Veneto spends only 38.6% of its own GDP compared with a national average of about 50.9% and a record amount in Calabria of 67%. From these data it becomes clear that the economic system in the Veneto is mainly supported by the private sector.

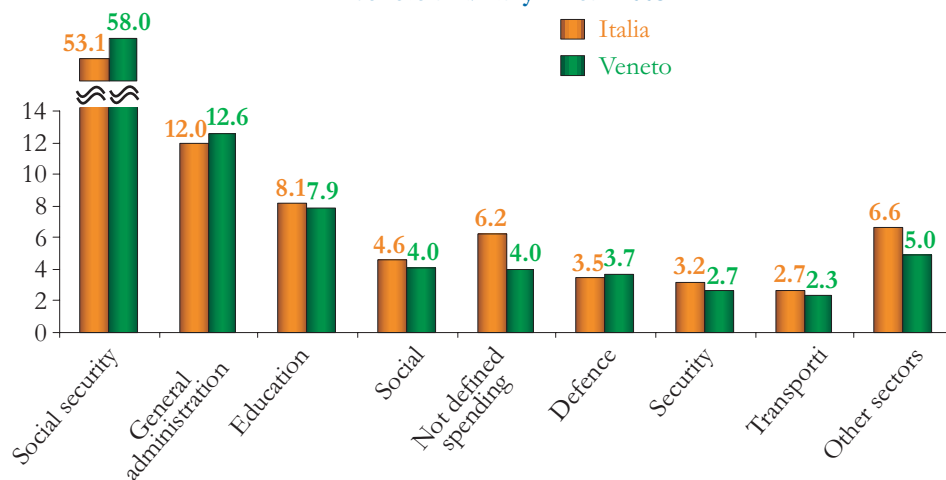
³Consolidated spending per region: the consolidation process consists in considering each authority as provider of final expense. Through the elimination of transfer flows between the various bodies of the public administration possible duplications should be avoided.

Sectors

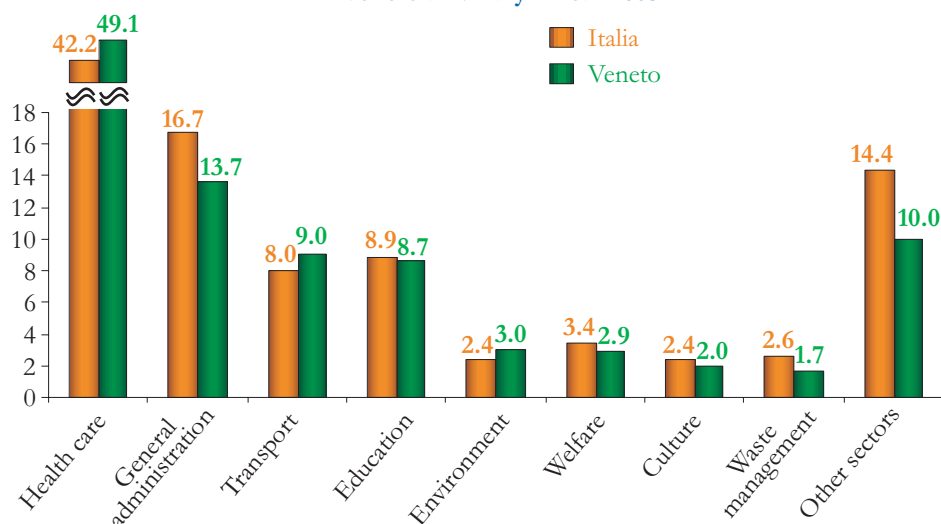
Percentage distribution of public spending areas by level of government⁴. Italy - Year 2005



Percentage distribution of central government public spending by sector. Veneto and Italy – Year 2005



Percentage distribution of local government public spending by sector. Veneto and Italy – Year 2005



Health is the largest spending area for Italy's decentralised administrations, with 98% payable by this level of government. Health care accounts for over 42.2% of the local authorities' total spending. Local authorities also have to cover a greater share of spending on areas of their direct concern such as tourism, trade, employment, agriculture, housing and urban development. These areas, however, cover very small shares of total decentralised spending, less than 2%. The second major expense for decentralised authorities is general administration, which is intended to guarantee the functioning of the authorities and the conservation of their properties. This area accounted for 17% of their total spending, but about 62% of spending on this area in Italy in 2005 came from central government.

⁴ The Enlarged Public Sector (EPS) includes national public enterprises [Azienda dei Monopoli di Stato; Ente Tabacchi Italiano; ENEL; Società Poste Italiane; Ferrovie dello Stato; ENI; ACI; Aziende ex IRI; ENAV (since 2001, when the body became a public limited company); GRTN - Gestore della Rete di Trasmissione Nazionale; Infrastrutture; Italia Lavoro; SIMEST (Società Italiana per le Imprese all'Estero); SOGESID (Società Gestione Impianti Idrici); SOGIN (Società Gestione Impianti Nucleari); Sviluppo Italia; Cassa DD.PP. (since 2004)]; local public enterprises [consortiums and associated forms of local authorities; local enterprises and institutions; associated enterprises and foundations.]

⁵ Under "other" the following spending areas are considered: defence, justice, other hygienic or health interventions, social security and salary integrations, telecommunications, other public works, other spending in the economic field and non-allocable spending

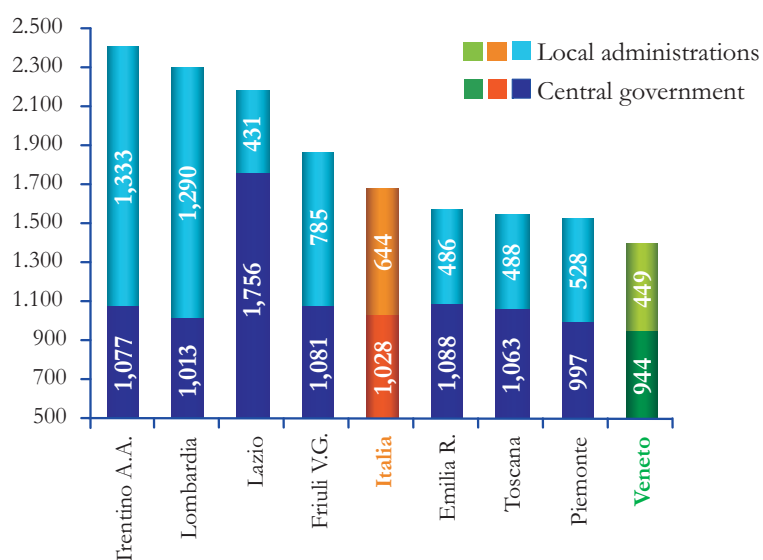
Per capita local government spending by some sectors and regions (euro)- Year 2005

	Total	of which				
		Health	Education	Transport	Welfare	Tourism
Trentino A. A.	9,547	2,076	1,498	983	683	174
Friuli V. G.	4,788	1,614	406	393	260	48
Lombardia	4,786	2,046	337	301	168	9
Piemonte	3,960	1,630	308	459	154	54
Toscana	3,758	1,649	431	297	112	27
Emilia R.	3,704	1,678	392	303	165	18
Veneto	3,302	1,620	287	298	94	17
Lazio	3,014	1,040	389	309	144	11
Italia	3,853	1,592	342	307	132	27

In the comparison of the regions' total local government spending per inhabitant Veneto ranks second last, followed only by Lazio for the greater density of central bodies in its territory. This trend is also continued in the single spending areas.

The functioning of public institutions

Spending on institutional processes⁶ per inhabitant and level of government (euros). Year 2005



To look more closely at some aspects of spending on the functioning of the Public Administration, we will focus on spending on “general administration”.

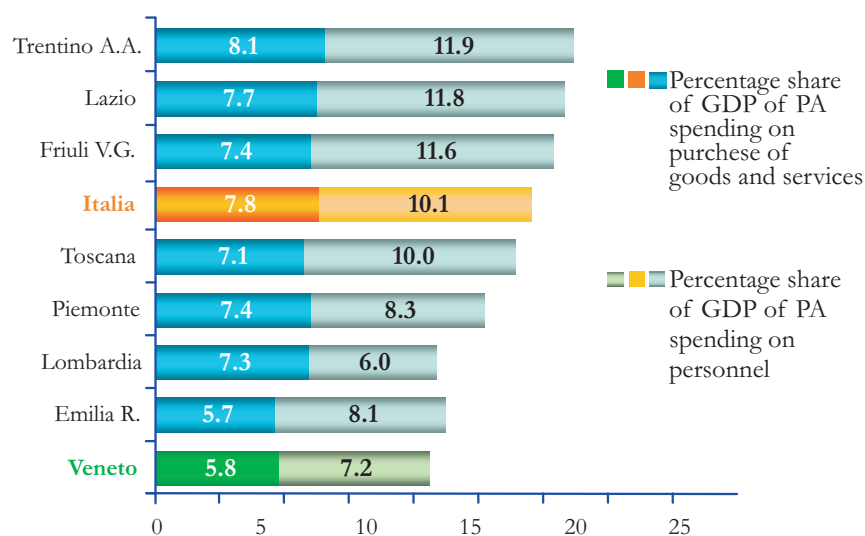
Spending on the functioning of administrative structures and institutional bodies, and on the management and conservation of its property increased by 11% in Italy and by 15% in the Veneto in real terms between 2001 and 2005. This type of spending amounts to 7% of the GDP in Italy, subdivided into 4% for central government and 3% local, while the Veneto only uses 5% of its GDP to support public institutions in its territory and conserve its properties.

Veneto ranks last among all the regions for this function as it destines 1,393 euros per inhabitant, which can be subdivided into 944 euros spent by central government and 449 by local government.

Finally, let's look at spending on staff and for the purchase of goods and services, two areas which have been subject to the restrictions imposed by the internal stability pact inherent in the Maastricht treaty and which restricts the local authorities considerably by containing spending

Spending on “personnel” and “purchase of goods and services” accounts for 33% of total public spending by the public administration in the Veneto compared to 35% on a national level. Veneto spends 13% of its GDP on these, ranking last of all the regions.

Percentage share of GDP of spending on acquisition of goods and services and spending on personnel. Year 2005

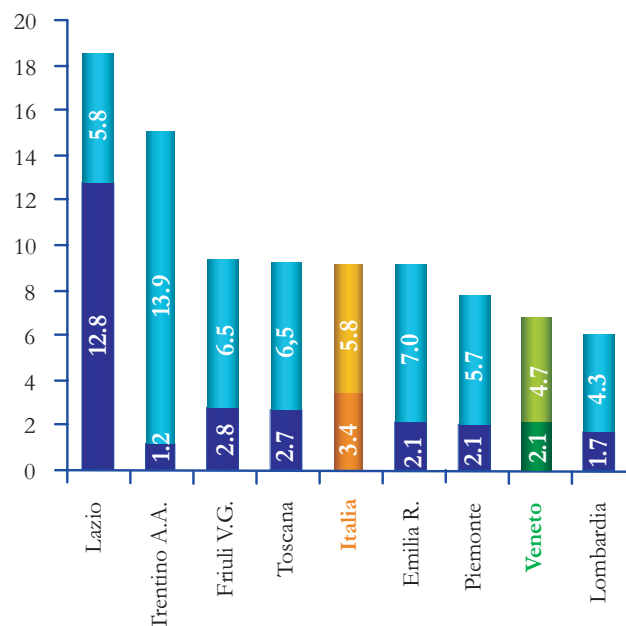
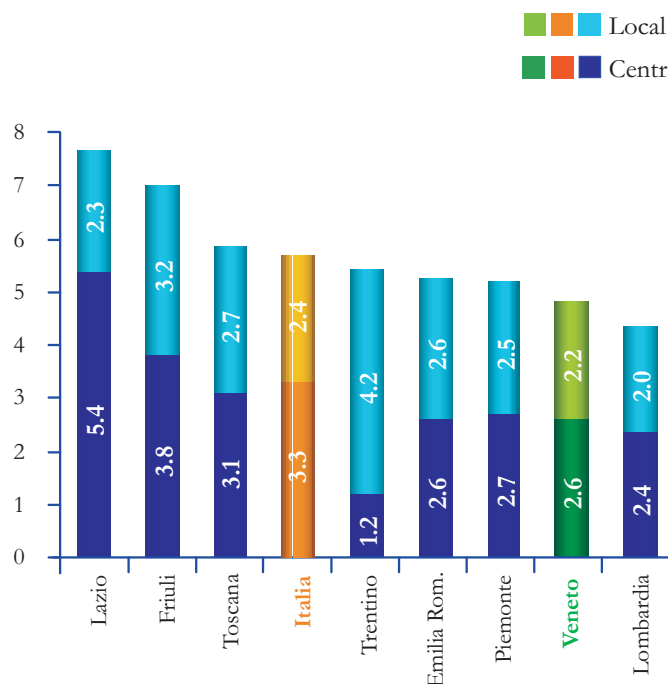


⁶Spending on “general administration”: spending on the functioning of the administration, spending on institutional, executive and legislative bodies, general personnel management, treasury and balance sheet management, customs authorities, election management, management of incoming payments and fees, management of demographic data, programming, statistics, archive, spending for international relations.

Personnel and the purchase of goods and services

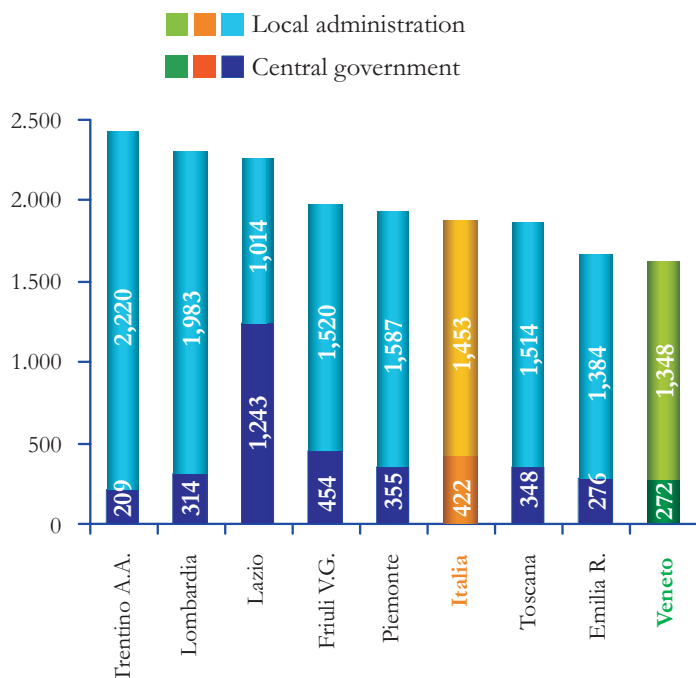
PA personnel⁷ per 100 inhabitants per government level
Year 2005

PA managers per 10,000 inhabitants per government level
Year 2005



⁷Number of employees with permanent position in Public Administration

Spending on purchase of goods and services per inhabitant and per government level (euros) - Year 2005



In an interregional comparison it turns out that the Veneto's PA seems to have adopted more restrictive measures in terms of human resources, and it comes ahead only of Lombardia for the number of employees per 100 inhabitants. The value of 4.8% is split into 2.6% for the central administrations and 2.2% for the local authorities.

Spending on the purchase of goods and services can give an idea of the volume of current administrative work carried out by the authorities: a high amount of money spent on this may indicate, on the one hand, greater management and administrative activity carried out by these bodies, on the other hand it could also indicate inefficient use of resources in activities to the detriment of investments destined for development.

The different behaviours of local governments in the various regions is quite pronounced: the local government of Trentino Alto Adige ranks first, with 2,220 euros spent in 2005 per inhabitant on goods and services, Lombardia registers one of the highest amounts, 1,983 euros, while the Veneto ranks last, with 1,348 euros spent on purchasing goods and services in relation to its population.

Source: processing by Regione Veneto – Direzione Sistema Statistico Regionale on Istat and Ministero dello sviluppo economico – Dipartimento per le politiche di sviluppo data



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