

TARGETING FINAL OBJECTIVES OF PUBLIC SERVICE PROVISION TO EXPAND

CAPABILITIES: A POLICY APPLICATION IN THE SOUTH OF ITALY*

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ABSTRACT

The South of Italy still lags behind in providing access to qualified education, child care and elderly assistance, provision of water supply and urban waste management, thus raising questions on the effectiveness of regional development policies, whose final objectives are citizens' well-being and societal progress. The lack or poor quality of essential services affects the opportunities available to those living in the area, and the range of their possible choices in life.

Current regional policy in Italy addresses those issues directly by identifying specific policy indicators for each of them. Moreover, to focus the scope of policy action and to reinforce policy makers' accountability, performance targets are set with an incentive mechanism attached.

This paper describes how in a situation characterized by weak local accountability and adjustments of preferences to low expectations, a policy mix of participated decision-making to define policy objectives and set targets, a financial incentive and the involvement of local communities, can reinforce the delivery of results.

Keywords: accountability; capabilities; public services; quantified targets, citizens' participation

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I. Regional development policy in Italy

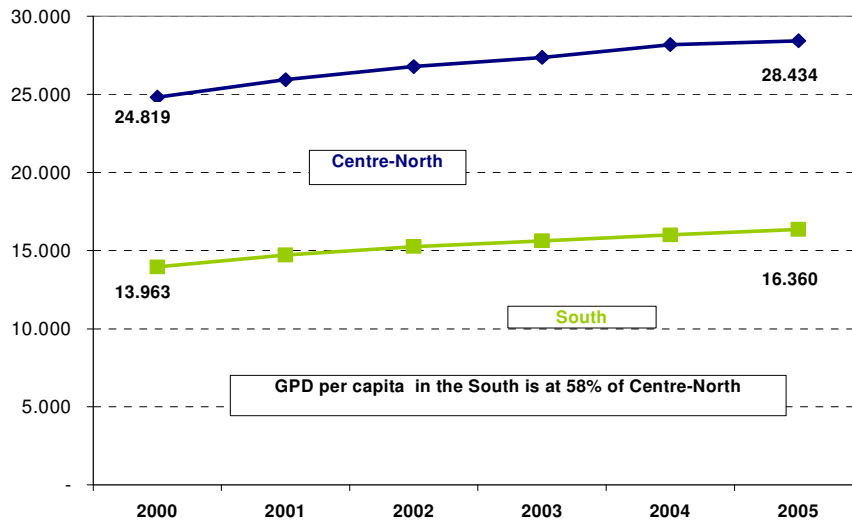
Italy is a divided country: while some of its regions are among the best economic performers in the European Union, the South still lags behind. In the area live almost 21 millions of inhabitants corresponding to approximately 36 per cent of the population of the country, but only 24 per cent of national GDP is produced. Therefore GDP per capita in the South is only 58 per cent of that of Centre -North and the unemployment rate is twice as much as the average in Italy (12.2 per cent in the South, 6.8 per cent in Italy). Female participation to the labor market is very low: the activity rate is stable around 40 per cent and has recently even worsened to 38.5 per cent due to persistent discouragement effects. (See fig. 1 and 2).

Regional development policy, implemented within a comprehensive theoretical and organizational framework in the last ten years (Barca and Ciampi, 1998; Barca, 2001) is directed to reducing those disparities through long term public investments in infrastructure and training of human resources. The general policy objectives are to improve competitiveness by a better use of territorial resources and increase equity by expanding opportunities to citizens living in the area (Utili and Foresti, 2005).

The financial endowment of the regional development policies for the South is substantial and amounts to approximately fifty per cent of the investment resources to the area. The yearly budget is of approximately 9 billion euro equal to on average 2.4 per cent of the GDP of the Southern regions. Specific features of regional place-based policies are the medium term horizon of the programming period which is organized over cycles of seven years, the implementation in a multilevel governance framework characterized by cooperation and partnership in decision making among central and

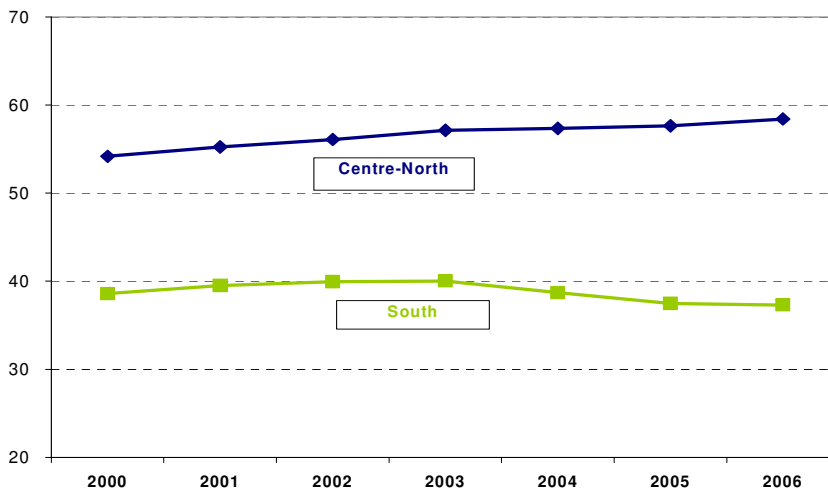
regional governments together with an extended use of monitoring and evaluation procedures in assessing the policy.

Figure 1: Per capita GDP Centre-North and South of Italy, years 2000-2005 (euro at current prices)



Source: Istat, Territorial Accounts

Figure 2: Female activity rates, Centre-North and South of Italy, years 2000-2006



Source: Istat, Labour Force Survey

Regional governments in Italy have been endowed, over the past ten years, with more autonomous administrative and political power and with specific and more extended constitutional competencies in territorial development policies.

The 1999 constitutional reform changed the electoral mechanism for Regional Governors, - until that time appointed by Regional Councils- to direct election, with a five years mandate. As a result Regional Governors were faced with a medium term perspective to their policy actions, could focus on a number of medium term objectives and got better visibility for their action thus increasing the potential for public scrutiny. Within this new institutional assessment regional governments were then entrusted with most of financial responsibility and the enactment of the investment programmes.

The decentralization process left central administrations with competencies in national strategic matters (e.g., research, security, and education), as well as the task of coordination, monitoring, and evaluation. While the regional level has (or may more easily extract from its territories) the knowledge to select good projects, the central level has to guarantee general quality standards and consistency with the main general objectives of territorial policy. This in turn means that project selection is carried out at regional level while the central level is responsible of setting guidelines and general rules, regulating the allocation of resources, pinpointing the main targets, carrying on diagnostic monitoring and providing technical assistance.

The Department for Development and Cohesion Policies in the Ministry of Economic Development has the role of general supervision of the regional development policy.

While in principle this institutional setting has the potential to increase accountability and public scrutiny¹ its impact is conditioned on the availability of information on

policy results and on the ability of the public to interpret and use it to form their political will. These aspects will be explored further on in the paper.

Regional development policy has introduced in Italy international standards of policy assessment, monitoring and evaluation procedures previously not systematically available. Each regional and national program has its own ex ante, intermediate and ex post evaluation; specific evaluation units have been set-up at central and regional level. Up to the end of the '90s, detailed statistical information for policy monitoring was lacking at regional level and also comparable across regions. With a significant investment, statistical information on a variety of features on regional economic and social context was made available, thus contributing to a better description of the living conditions in each Region².

A macro model of the economy of the South of Italy is built to better monitor and understand the path towards the objectives of supporting growth and employment. Results from policy monitoring are publicly available both in specific thematic reports and in a comprehensive yearly report on the economy of the area and on the ongoing policies.

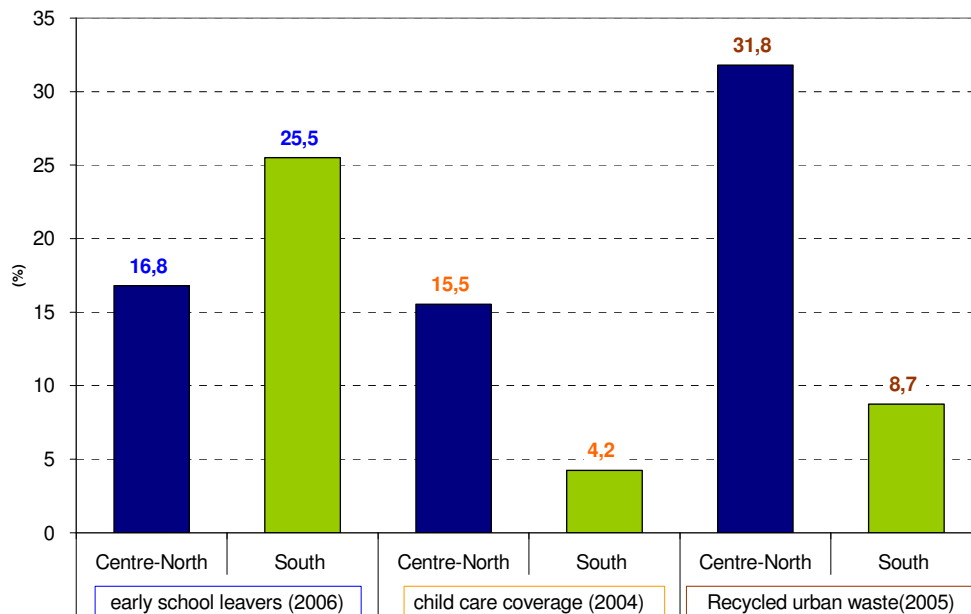
II. Essential services delivery

The implementation of seven years (2000-06) of regional policy according to the described framework has raised the awareness on a number of relevant issues.

The implementation of regional policy has made available detailed territorial information as a necessary tool to deliver and monitor policy actions correctly. Information has shown, not only the existence of regional disparities in the provision of essential goods that should be evenly distributed across the country, but also the extent of the gap which is often even larger than the one experienced for GDP and

labor market indicators. For example, child care coverage is only 4.2 per cent as compared to more than 15 per cent in the rest of the country; the percentage of recycled urban waste also is only one quarter on average of what is experienced in the cities of the Centre-North.

Figure 3: Disparities in the provision of some essential services, Centre-North and South of Italy, (last available year, percentage values)



Source: Istat, Labor force survey and Survey on social expenditure by municipalities; APAT: Agency for environmental monitoring

This in turn has drawn the attention on how much development policies are affected, and as a consequence less effective, when implemented in a context characterized by generalized backwardness in the quality and availability of many relevant services to citizens and firms.

The acknowledgement of those issues explicitly – namely the acceptance of very different standards in a unified country and the impact of backwardness on policy effectiveness - recalls the relation between the influence of the social context on the set of opportunities available and individual effort as agents of development (Sen,

1999). Therefore the expansion of capabilities through public actions becomes a priority of regional development policy.

In addition, it has become apparent that long term (or “structural”) policies of public investments, whose results can be appreciated and assessed after a long period of time, need to be sustained with initiatives whose outcome is observable within a shorter time span in order to maintain and increase public approval on the policy choices made. As a consequence also the role of regional governments has been put under public scrutiny: the wider acknowledgment of the disparities in the provision of essential goods has raised questions on the accountability of sub-national levels of governments in guaranteeing adequate standards in the provision of essential goods. At the same time, the enduring lack of adequate services affects the process of preference formation lowering citizens’ request on their availability and quality³.

To address those issues, the current regional development Program (for the next seven years 2007-2013), features a performance-based scheme that sets explicit targets (in terms of quantified indicators), on the provision and quality of essential services. The effectiveness of public action in terms of services delivered to citizens is, in this case, directly addressed. Therefore well-being and expansion of opportunities become the key for the success of territorial development and competitiveness. Moreover, to focus policy action and reinforce accountability of policy makers, a mechanism of financial rewards and penalties linked to the results achieved, is added to complete the scheme.

Different levels of Government are involved and therefore the delivery chain must be identified to design and implement an effective scheme. In order to tackle the many organizational issues linked to service delivery, political as well as administrative responsibilities are requested, in addition to a complex combination of proper use of financial resources to respond to the observed needs.

The process and the mechanism put in place to convey a different vision within regional development policy is described in what follows. Previous experience of regional policy implementation has shown failures on the part of citizens in the democratic control on the action of local policy makers, resulting in inadequate accountability. Therefore an adequate design is also needed to spur citizens' engagement and to make policy makers and administrators more accountable.

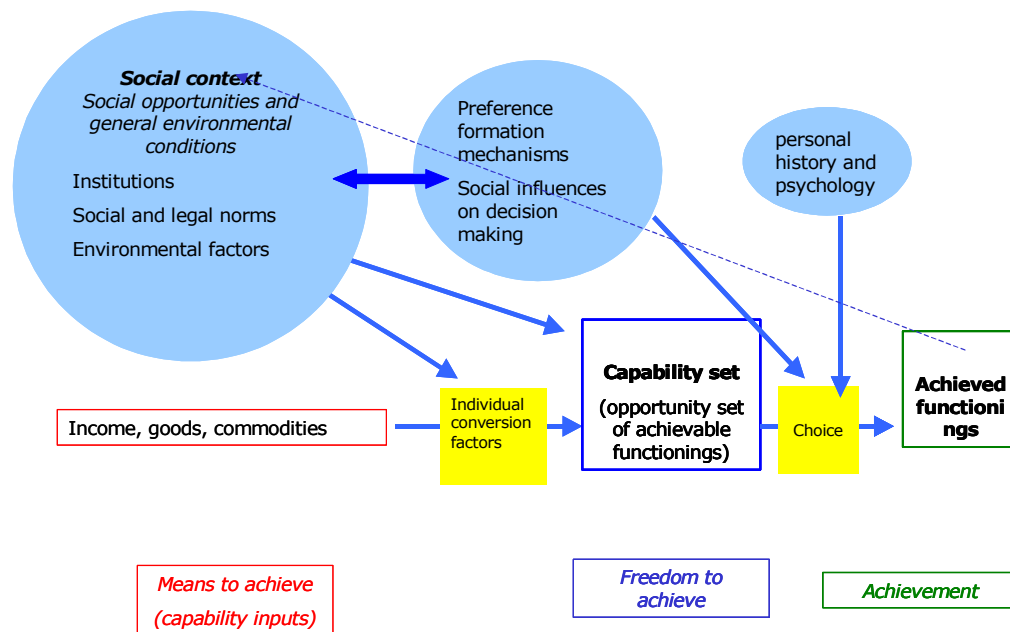
III. A capability perspective

Issues raised from the past experience of policy implementation can be fruitfully examined from a capability perspective.

From a very general point of view, the widespread lack of adequate standards in a variety of collective services strongly affects opportunities of citizens living in the area. Furthermore, the extent to which the absence of adequate provision of services is experienced both in time and in space, affects the preference formation mechanism thus lowering citizen's requests on the availability and quality of those services.

The scheme from Robeyns (2005), (here slightly adapted) proves extremely useful to understand and conceptualize all the interactions that take place (see Fig.4).

Figure 4: Representation of a person's capability set and the role of social context and general environmental conditions.



Source: Adapted from I. Robeyns (2005). The dotted line from functionings to social context is our addition

In her work Robeyns clearly underlines that the relation between capability inputs and functionings is influenced by personal conversion factors as well as social conversion factors and environmental conversion factors (Robeyns, 2005, p.98-99). Generally speaking the lack or poor quality of essential services has an impact, through the influence on individual conversion rates (Chiappero Martinetti and Salardi, 2007) and the capability set itself, on the opportunities available to those living in the area, and affects the range of their possible choices in life⁴.

For simplicity we don't consider at first income, goods, or commodities disparities. Even if all individuals were endowed with the same capability inputs, their capability set would be different according to the different general environmental conditions and social opportunities. Institutions, social and legal norms and environmental factors have an influence on the preference formation mechanism and that in turn affects social norms and institutions. If we consider for example an environment characterized by lack of children and family care, we observe that the capability set of women living in that context offers limited options to women desiring to work. As a

result of a more limited set of choices we may observe a lower female participation to the labor market. But many other interactions are currently in place since the influence of social norms and institutions where traditionally family care is considered a woman's duty weakens the demand for better services in that field and brings to a conservative behavior on the part of local institutions that act in an area where public family services are not considered a priority. The participation of women to the labor market instead, is likely to have an impact on institutions and, in the specific example lead to demand for a better provision of family care (see dotted line from functionings to social context in Fig.4).

A lot of different examples can lead to a similar reasoning. Other aspects though need to be taken into account. First of all, in examining the extent of disparities in the availability of essential services one should also consider the overall impact on individual choices of a general context where the inadequate level of public provision of services is experienced in many different fields, from availability of transportation, response of public administrations, provision of water, electricity, waste management, education, etc.. What is included in the capability set and how capabilities can be transformed into functionings is influenced by the cumulative impact of those aspects in every day life and by their interactions.

Second, in presence of income disparities (that in the South of Italy are even higher than in the rest of the country⁵) there is an additional discrimination affecting individuals with lower endowments of capability inputs, whose means in life give them access in any case to a smaller set of opportunities and who do not have, for example, the possibility of buying what they need at market prices⁶.

Third, the influence of family and social context on preference formation is an aspect to be taken into account. An additional example can help to further explore those

issues. Surveys in the South of the country have shown that having experienced low standards of education students generally have a subjective perception of their level of education which is better than what it is objectively revealed with specific tests (Foresti and Pennisi, 2007). As a result they and their families do not express demand for better standards of education. (Moreover, at the end of compulsory schools, students with financial possibilities will be able to choose a university of their choice elsewhere in the country, while the chances of others are limited).

This reasoning highlights the scope for public action to remove obstacles related to different social opportunities and general environmental conditions affecting what people can do in life. Those “obstacles” also affect the mechanism of formation of preferences and in the end also of social institutions and norms. The rationale is to expand the capability sets and give individuals living in backward contexts more freedom to choose among different options. If children and elderly care services were available to every woman, the observed functioning of participation rate would express the result of personal choices of spending more time with their family. In a context where in some regions less than two per cent of the corresponding population can be offered child or elderly care, the set of choices is extremely limited and social disapproval can also be very influential.

In a decentralized context, where policy responsibilities are divided among many different actors, decision making and implementation of a policy strategy aimed at improving the quality and availability of services requires the involvement of many different levels of government. Local level of government respond to the requests of their own electorate.

However, there is also an issue of how much difference in availability and provision of collective services can be tolerated in a united and developed country. Therefore a

partnership process of democratic participation and reasoning, involving the relevant actors and stakeholders, can be helpful to build consensus around some specific issues that have not been adequately dealt with by policy makers.

IV. The performance-based mechanism on essential services

In this paragraph we describe the main features of the performance-based scheme. The rationale of the choices made are examined in details in the following paragraphs.

The performance-based mechanism on essential services is enclosed in Italy's forthcoming seven years program of regional development policy, which totals some 100 billion euros, and is aimed at the eight regions in the South of Italy⁷.

Eleven indicators have been selected, in partnership with local authorities and stakeholders, to measure the progress of Southern regions in the provision of services such as qualified education, child care and elderly assistance, water and urban waste management. The explicit consideration of final objectives into the policy design is a remarkable innovation in regional development policy and marks a shift towards focusing on delivering visible results in the provision and quality of public services, recognized as key factors to improve the general context where people live and to support development.

Regional administrations are committed to quantified targets expressed in terms of final results of the policy, i.e. share of young people with a high level of education, percentage of recycled and composted urban waste, etc. The objectives take into account, where possible, both the provision and the quality of services.

To focus the scope of policy action and to reinforce the accountability of policy makers, a mechanism of financial rewards and penalties is attached to the scheme. Around three billion euros are conditioned to the attainment of the targets at 2013. In

order to link the incentive mechanism to the regional efforts, a share of the resources is assigned in 2009 on the basis of the progress made towards the targets. Each regional government can gain resources pro-quota according to the number of targets achieved. A certain degree of competition among regional administrations is introduced, since financial resources not assigned in 2013 to low performing Regions can be gained by best performers.

The four services considered - education, child and elderly care, water and waste management-, differ in the legislative framework and institutional setting of subsidiarity. Nevertheless they share two very important features: 1) they are recognized by now as essential for development and perceived by citizens as key elements of policy action's effectiveness; 2) their delivery depends on the interaction of many levels of Government (Central, Regional and Local), each of them endowed with specific responsibility (see Table I).

The performance-based mechanism therefore requires a complex integration of financial resources and political and administrative responsibilities. As a consequence interaction among different layers of Governments and all relevant stakeholders is needed in every step of the process: choice of policy objectives, choice of indicators to represent them, setting targets and definition of the rules of the incentive scheme.

Table I: Objectives, indicators and different responsibilities in the performance-based scheme for the Italian Southern regions in 2007-2013

Services	Statistical indicator	Central administration	Local administration (in addition to Regions)
Education	Early school leavers	Ministry of Public education	Counties; Schools
	Students with poor competency in reading		
	Students with poor competency in mathematics		
Child and elderly care	Percentage of municipalities with child care	Ministry of welfare; Department for family's policies	Municipalities
	Children in child care		
	Share of old people beneficiary of home assistance	Ministry of Health	Municipalities; local public health agencies
Urban waste management	Amount of urban waste landfilled	Ministry of environment	Local Water agencies; Municipalities
	Percentage of recycled urban waste		
	Percentage of composted waste		
Water sector	Percentage of water distributed		Local Water agencies
	Population served by waste water treatment plants		

Source: Department for Development and Cohesion Policies, Ministry of Economic Development, Italy

V. Choice of objectives

The building up of the performance-based mechanism started with the choice of policy objectives to be measured with explicit targets on service provision. Even if the general aim of reducing disparities in the provision of essential services is widely acknowledged, still a number of issues have to be explored before being able to transform it into policy action. Some of the issues can be addressed with reference to a theoretical framework, but in policy applications, opportunity and availability of reliable information also play a relevant role. Attempts to define a capability list through democratic deliberation and debate have been made in the UK, resulting in a recommendation of a list of ten domains of central and valuable capabilities to be submitted to the UK Commission on Equality and Human Rights (Vizard and Burchardt, 2007). In our case the “list” is the final result of a participated decision-making process taking place within a policy program.

Since the public program of regional development, in which this initiative is enclosed⁸, fosters human development as a key element conducive to economic development, the objectives need to be relevant for the program itself to be appropriately considered. If obstacles to full development of individuals are removed, they can fully participate to social and economic life, exercise their freedom and be agents of development (Sen, 1999).

The fact that Italy is indeed a developed and democratic country excludes a number of aspects such as adequate nutrition or political freedoms or basic health or education provision. However, what is considered essential also changes with economic development and the general level of development of the country requires to consider not only the provision but also the quality of basic services like education and health, (Brandolini and D'Alessio, 1998), (especially since data show that a better quality of those services is available in other Italian regions). On the other hand some needs, like correct waste management, arise indeed following economic development. Lack of adequate provision in those respects conveys a general description of a backward context that discourages external investments and lowers a region's competitiveness. The selection process of those services that were considered essential to improve well being was started with a position paper by the Department for Development and Cohesion Policies in September 2005. The performance-based mechanism has been formally approved at the beginning of August 2007.

A technical group was established including representatives of regional and central administrations in charge of regional policies. The group met approximately every two months performing general discussions or specific sessions also with sectorial experts. As the objectives and services were being focused, the group included representatives of Regions and Central agencies with specific sectorial competencies

in the fields of education, social services, environment, or other themes under discussion.

Regional administrators were also making consultation with their political level and with local authorities in charge of providing the service (municipalities or local responsible of optimal environmental areas for waste and water management), to test the feasibility of the mechanism and the political consent. Periodical consultation with economic and social partners also took place.

Possible objectives were proposed by either central or regional representative and discussed openly. Some very relevant sectors could not be chosen either because the delivery chain was not entirely public (for example in the energy sector) or was not sufficiently clear, so that the scheme could not be appropriately applied, or because of the lack of territorial information adequate to measure the objectives (as for example in the cases of safety and criminal behavior and transportation and accessibility).

All the objectives chosen and described by the indicators are directly relevant for the well-being of citizens of the area, and in turn relevant for development. The impact of multidimensional indicators of deprivation on individual's opportunities in life is considered explicitly as a key element of regional development policy.

VI. Selection of indicators

The use of indicators and targets to support and guide policy making has been widely discussed over the past years and initiatives, launched by national agencies and international development institutions, to measure communities progress are quite common now. Our scheme fits in the *benchmarking projects* category defined as “(...) those projects involving government performance-measurement efforts; using indicators selected to measure outcome related to public services; sponsored by a

governmental entity; which focus advocacy toward guiding public policy decisions that determine or influence public –service outcomes” (Swain and Hollard, 2003).

While it is recognized that quantitative targets are useful tools to monitor progress towards policy objectives and to shape the agenda for public debate and budget decisions, public administrations in Italy still make little use of them and the public debate is not yet used to quantified information.

The selection and construction of territorial indicators in terms of well-being and quality of public services are indeed difficult, essentially for two interrelated reasons. First, policy objectives are complex to be translated into verifiable measures in an incomplete information framework. Devising and delivering public goods truly useful to local needs is a knowledge-intensive process. Furthermore, most of the knowledge needed to implement policy is dispersed among several agents, at local and central levels. Policy actions designed for specific territories require therefore a high degree of vertical and horizontal co-ordination among administrations and improved cooperation between public and private bodies.

Second, even when some of the objectives can be expressed by measurable variables, the causality link between actions and objectives is very hard to be established, since many variables influence the achievement of policy objectives; therefore it is hard to hold those enacting policy responsible for achieving targets. This problem is especially relevant when binding targets are attached to indicators, as in our case (Barca et al., 2005).

Both issues connected with the selection of indicators were extensively debated during the building up of the mechanism, and the following four criteria were agreed to be applied in the choice of indicators:

- 1) Indicators are *measurable*; they are provided by a certified statistical source, information is available at the needed territorial level, regularly updated, timely available, the same methodology is applied to all regions, the unit of measurement is unambiguous and so on.
- 2) Indicators are *easy to interpret*; the actions undertaken to meet policy objectives can be evaluated monitoring the indicators. They are presented in ways that are easily comprehensible also to non experts, so that democratic control can be spurred. For example “population served by urban waste water treatment” is preferred to “concentration of biochemical oxygen in urban waste water”.
- 3) Indicators are *relevant for public action*, so that public administrations are made accountable for the results. Public ownership is reinforced by the fact that the objectives and the indicators are in the public debate beyond their sector of interest. For example, the most recent Budget Law includes policy objectives with quantified targets for both waste management and child care.
- 4) Indicators’ values depend on a clear *chain of responsibilities* involved in accomplishing the objective. Since financial rewards are given to Regional administrations if targets are attained, the right specification of responsibility is crucial for the implementation of the mechanism. The delivery of public services involves many levels of Government, each endowed with specific task according to the political and administrative framework resulting from the devolution process recalled in the introduction. Even if Regional administrations are the main responsible for framework programming of the services chosen (education, children and elderly care, water and waste management), Local administrations (Counties, Municipalities, Regional Public Agencies etc.) are

the ones directly in charge for their provision and the Central Government's lead and coordination have an impact on the way services are actually delivered.

The process of selecting indicators was made together with regional decision-makers responsible of development policy and beneficiaries of the performance-based scheme, in order to make them feel fully participant to the policy choice and to increase ownership. Experts from the National Statistical Office and Central Agencies have also participated and regional decision makers have discussed the tentative choices within their administration and with local administrations in charge of providing the services.

Table II: Objectives, indicators and targets at 2013

Services	Statistical indicator	Target at 2013
Education	Early school leavers	Reducing the percentage from today's 26% to 10%
	Students with poor competency in reading	Reducing the percentage from today's 35% to 20%
	Students with poor competency in mathematics	Reducing the percentage from today's 47% to 21%
Child and elderly care	Percentage of municipalities with child care	Increasing the percentage from today's 21% to 35%
	Children in child care	Increasing the percentage from today's 4% to 12%
	Share of old people beneficiary of home assistance	Increasing the percentage from today's 2% to 4%
Urban waste management	Amount of urban waste landfilled	Reducing the amount from today's 395 kg per head to 230 kg per head
	Percentage of recycled urban waste	Increasing the percentage from today's 9% to 40%
	Percentage of composted waste	Increasing the percentage from today's 3% to 20%
Water sector	Percentage of water distributed	Increasing the percentage from today's 63% to 75%
	Population served by waste water treatment plants	Increasing the percentage from today's 56% to 64%

Source: Department for Development and Cohesion Policies, Ministry of Economic Development Italy

VII. Setting targets

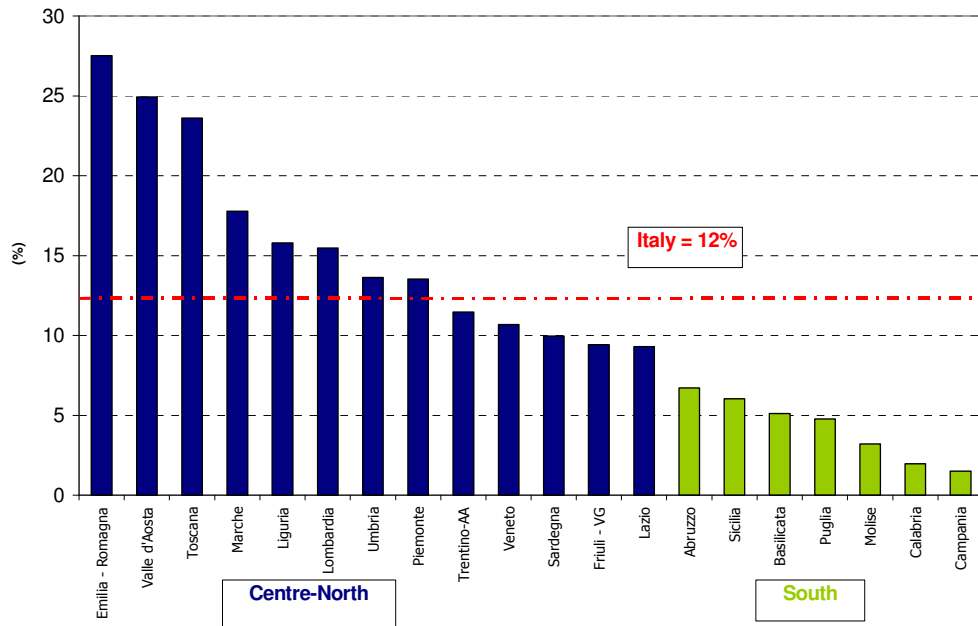
Targets to be met at 2013 are the same for all Regions participating in the mechanism, since they represent minimum standards to be met to guarantee an acceptable level of essential services. The focus here is on guaranteeing a set of possible choices to expand citizens capabilities wherever they live, rather than fostering local advancements, setting targets in terms of marginal improvements from initial conditions.

The latter approach, which was initially supported by some Regions on the basis of feasibility considerations, was disregarded as soon as the extent of disparities among regions on services that should be evenly provided, became evident.

The values of the targets were agreed by the administrations participant in the performance-based mechanism, taking into account and discussing normative targets such as the ones set by European Directives and National laws on water and waste management or the ones set at European level by the Lisbon strategy regarding education and child care.

In many cases the values are connected to the current values observed in the more developed regions (North of Italy) or in Italy, in order to reduce the gap. For example, Southern regions lie below Northern regions for child care provision; the target to be met in 2013 corresponds to the current value observed in Italy.

Figure 5: Child care provision (percentage of children 0-3 years old using child care) – Italian regions 2004



Source: Istat

The path the regions will follow to achieve targets may be different, reflecting starting conditions, territorial differences and socioeconomic environment, organizational setting and decision-making, accountability, civic participation and financial resources involved. These are all crucial elements of service delivery, left to Regional administration's choice. Regions are committed to improve services to citizens but otherwise left free to choose the actions to accomplish them. This choice differs from previous experiences of performance-based mechanisms, focused on the enhancement of public administration through targeting administrative procedures, which proved to be effective, even though enclosing a risk of formal compliance (see Brezzi, Raimondo and Utili, 2007).

In some cases targets are very ambitious with respect to starting conditions and thus require a dramatic change in the pattern and pace. However, even if ambitious these targets are achievable according to available evidence and, in many cases, relevant improvements can be made also through the adoption of new, more efficient

management models in services provision. To support Regions in this direction, Central administrations are asked to provide and spread best practices, case studies, benchmarks and so on.

In 2009 Regional progress on the indicators selected will be evaluated and part of the financial reward will be assigned to Regions on the basis of the progress made towards the targets at 2013. Therefore in 2009 the incentive mechanism takes into account the different starting positions, to guarantee the participation to the incentive scheme of all the Regions which are judged, in the first period, only in terms of their improvement and not against an external benchmark. The drawback of this choice is that the mechanism may reward in 2009 a situation even more differentiated, in terms of availability of essential services, than the current one.

The choice of targets, as well as the previous steps in the building-up of the mechanism, was made with policy-makers from the Regions participating in the performance-based scheme. The participated decision-making method resulted in a learning process for all the parts involved: it helped the Central Government to convey information spread among different stakeholders and to better understand regional peculiarities; it gave the Regions a clearer picture of their current position regarding the necessary changes and increased their commitment to the policy objectives. As a result of the process, a consensus on the necessary changes was built, reducing the possible tension between local community's vision and central administration's vision.

VIII. Strengthening the delivery of results

Experience has showed that setting targets, even if agreed, is not sufficient to guarantee their achievement; it is necessary to make them policy oriented and *operational* (Noorbakhsk, 2002).

The persistent gaps in services provision in Southern regions points out two issues that must be addressed when designing a strategy to meet policy objectives: 1) a lack of regional and local administration's accountability and 2) an adjustment of preferences to lower expectations together with a limited perception of the value of participation in the governing of local communities⁹.

The initiative on essential services in Italy encloses devices to reinforce the delivery of results, finding a correct incentive scheme for local stakeholders, strengthening local governance and political accountability, involving citizens¹⁰.

Setting an incentive mechanism which provides additional financial resources if the objectives are accomplished, has proven in previous experiences in regional development policy, to be effective in providing visibility and hence, reshaping the agenda for public action (Brezzi, Raimondo and Utili, 2007). In our view, therefore, the financial incentive is the way to make the scheme operational and to distinguish it from other initiatives on setting policy targets.

The effectiveness of the performance-based scheme depends on the commitment and cooperation, from a very early stage, of different levels of Government both in the choice of objectives and targets, and in the design of the incentives. In fact, through the participated decision-making process, responsibilities have been identified more clearly, helping to increase the accountability of different level of governments towards the same objective.

The partnership approach has proven to be useful to build a common vision on the necessary changes and how to achieve them. Local community's vision may not consider all the relevant parameters of quality of life, it can be biased by the context in the expression of preferences and therefore can be inadequate, if alone, to take the appropriate action toward the needed remarkable improvement in the quality of services. On the other hand Central administrations do not have (or by being distant are not able to use accurately), all the relevant information on local communities' needs, specific territorial features in the access and delivery of services. The delivery of results is then reinforced if these objectives enter explicitly the political agenda, at local, regional and central levels.

As a result, the commitments of all the actors have been recognized and formalized.

A political agreement among Central and Regional administrations is to be signed. Central Administrations are responsible for specific technical assistance programs to support local administrations in implementing more efficient management models of providing services. Regional administrations are required to define a detailed Plan of Action to pursue the targets. The mechanism features a direct financial incentive to reward local administrations' good performance.

Finally, the effectiveness of the incentive scheme depends also on the capability of involving citizens and getting the community feel a sense of ownership of the indicators to be used as a planning or evaluation tool (Office of the Deputy Prime Minister, 2005).

Transparency of the mechanism and visibility of the results during the implementation of the mechanism are necessary conditions to raise citizens awareness and let them exercise their voice.

Information on the progresses during the implementation of the performance-based mechanism is guaranteed by a technical monitoring group, which has also the explicit task of circulating information (through local meetings, website¹¹, media, conference etc.) reporting to citizens and receiving feedbacks on their needs and perceptions of progress.

Citizens, consumers and environmental associations, social and economic partners, are asked for an active role in the implementation to exercise democratic control.

IX. Open issues for a sound implementation

Even if the performance-based mechanism has been carefully designed to foster the achievement of results in a complex framework, there are a number of issues that will arise during its seven years implementation and that can not be fully addressed at present.

First, there may be an issue of financial sustainability in the long period, that could turn into a different model of service management asking for citizens cofinancing (education, child care and health are sectors in Italy still almost entirely public funded). Moreover, the financial sustainability in the future years is directly linked to the sustainability of performance beyond the period of implementation of the performance-based mechanism.

To respond to this issue, the performance-based mechanism requires reinvesting in the same sector the resources gained thanks to the positive results achieved in a certain sector. This feature is also an additional incentive to good performance since the amount of resources that can potentially be gained is substantial compared to the

historical expenditure of the sector and can help in making a difference from the path previously experienced.

Second, even though the choice of targets expressed in terms of service delivery (percentage of children in child care, population served by waste water treatment etc.), should prevent from formal compliance (such as hitting the target only when the incentive scheme is active), nevertheless the risk that the service is not provided, or not provided at the desired intensity or quality, when the performance-based mechanism is over, still exists.

The transparency and visibility of the mechanism should spur a democratic process asking for an adequate provision of essential services.

Therefore, the question is on finding new approaches to empower citizens participation and more generally to enclose a sufficient space for services to respond to local needs, also in an incentive scheme designed by the Central Government¹².

More emphasis on measurement of citizens perception is a first step toward this direction (Deichmann and Lall, 2003), still not sufficient in a context characterized by adaptive preferences and when the targeted group is a marginalized one. In analogy to the partnership process used to extract and convey information from all stakeholders described in the paper, we need to establish a process through which citizens can demand what they need and get what they demand.

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¹ In its 2005 Survey on Italy, the OECD stressed that "the quality of local administrations seems to have been improving in response to a policy strategy of rising regional responsibility, so far mainly on the spending side".

² See for example the context indicators data base available at <http://www.istat.it/ambiente/contesto/>

³ The defensive adaptation, however, does not imply that individuals would not value the removal of the state of deprivation, see Sen, (1985).

⁴ For a discussion of the need to make a distinction between social conversion factors and individual conversion rates for addressing correctly empirical investigation, see Chiappero Martinetti and Salardi (2007); conversion rates, estimated empirically in their work, comprehend the overall interaction and

combination of the plurality of features that affect the transformation of capability inputs into functionings. The rates are included in an integrated micro-macro model aimed at simulating and evaluating the potential impact of a change in public provision of goods and services on individual well-being

⁵ The Gini index of income inequality calculated in the Southern regions is 0.32 while the same measure of inequality calculated in the regions of the centre and the North is equal to 0.28 (Istat, 2006).

⁶ The need to carefully consider whether the poor really benefit from expenditure on social services and to ensure access to basic services to the poorest people to enhance development is highlighted in Mehrotra et al., 2000.

⁷ The Regions are Campania, Abruzzo, Molise, Apulia, Basilicata, Calabria, Sardegna and Sicily. The Ministry of Public Education participates to the mechanism only for the indicators on education.

⁸ The performance-based mechanism is enclosed in the National Strategic Framework for regional development policies in 2007-2013. See <http://www.dps.tesoro.it/QSN>

⁹ How this, in turn, is affected by Government responsiveness in assuring access to the basic services is pointed out in the UN *Vienna Declaration on building trust in Government* (UN PAN, 2007).

¹⁰ Recent articles question whether failure to meet the UN Millennium Developing Goals depends on not having taken explicitly into account these factors (The Economist, 2007).

¹¹ An official website to monitor the initiative is available at www.dps.tesoro.it/obiettivi_servizio

¹² To the same question seems to respond the shift adopted in the approach to the UK Local Area Agreements, previously called Local Public Service Agreements. Some topics, on which targets are set, are mandatory in the agreement between Central and Local Government, while some indicators or topics are chosen by local governments and may be different among local communities (Department for Communities and Local Government, 2006).