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The administrative ineffectiveness of the Italian Southern Regions: the Sicilian case

di Benedetto Francesco Ballatore ed Elda Casetta

Abstract

This paper starts from the fact that Sicily, despite of the special autonomy (whereby it has a full legislative competence on key policy areas: regional transport and communication; public health and safety; healthcare; secondary and higher education; social affairs; agricultural taxes and policies; provision of public services; etc.), has always been characterised by a feeble economic system (the unemployment rate for the young is one of the highest in Europe and the region has relevant difficulties in spending the European Structural Funds allocated resources). According to several studies, the low economic performance of Sicily must be attributed to the low quality of the local administrative and political system. Given such assumption, the paper suggests the possible solutions for Sicily's socio-economic renaissance, which can be also applied to the other Southern Regions.

1. Introduction

Among the Italian regions Sicily represents, especially from the political point of view, the most significant one. The island, due to its strategic location had several dominations, included the German troops at the end of the Second World War, and then the Americans on 1943; however, the period starting from the establishment of Italy as a unified nation and the attribution of the regional autonomy to Sicily is the most relevant one in order to understand the reasons behind the island's socio-economic lack, despite its potentialities. In fact, the Region has numerous underused geo-economic factors (i.e., tourism, the agro-food sector, the alternative energies sources and the strategic geographical position) which would guarantee to the island a stable socio-economic development.

On the contrary, from unification of Italy (in 1861), Sicily has been characterised by low administrative capacity, high government instability, further to a low degree of accountability of both the administrative and the political system. These issues became relevant when the island in 1946 became an autonomous Region with a Special Statute (with its own Parliament and laws). This type of government did not develop the capability of the administrative and political power to provide high-quality public services in a cost-effective way to foster a long-term growth of the island. This paper aims to contribute to the broader debate concerning what kind of political and administrative solutions should be carried out to solve the socio-economic Sicily's socio-economic problems.

The paper is structured as follows. Section 2 provides a brief historic background of Sicily, from 1860 to 1946. Section 3 describes the period of developmental policies in the Southern Regions explaining the reasons of their partial success. Section 4 investigates the responsibilities of the Sicilian political and bureaucratic class with reference to the lack of social and economic growth in Sicily, also in relation with the rise of organized crime and its pervasive presence within the regional political institutions. Furthermore, Section 5 suggests the possible solutions for Sicily's sustainable socio-economic growth and in general of the Southern Regions. Section 6 sets forth the conclusions.

2. The road toward the special statute: a brief historical background

Sicily's had several dominations due to its strategic location at the centre of the Mediterranean Sea. During the centuries the different conquering populations imposed their culture and the administrative procedures and many of these also exploited the island's natural resources, never considering the socio-economic peculiarities of the Region. This trend persisted also from the unification (the Piedmont government introduced socio-economic programmes with the aim of equalizing Sicily, and generally the Southern Regions, to the Northern Italian Regions) until the Second World War with the Fascist regime.

The latter increased the Italian industrial potential through the dislocation of public resources toward the arms industry. The results were: (1) the surge of the national deficit; (2) a further weakening of Sicily's agricultural economy.

Fascist agricultural policies consisted of a series of laws enacted with the aim of improving the agricultural sector and, on the other hand, a step towards an attempted autarky. In particular, the "Agricultural Reform" aimed to: (1) divide large estates and create small landholdings (with streets and potable water), where peasants had to live; (2) expropriate the unproductive large lands, allowing the transmission of the reclaimed lands under the direct control of the State.

The regime believed that this kind of approach would have ensured an improvement of the *Mezzogiorno* Region's agricultural sector. The reclamation and expropriation operations brought good results in the rural areas of Central Italy and Apulia. Conversely, these measures in Sicily, considering also the huge amounts of estates (500,000 hectares), were effective only in part since they began in a period which was too close to the war in order to be successfully completed. Yet, the reform failed because the Fascist government did not consider Sicily's agronomic and socio-economic conditions. Indeed, rather than promote crop diversification and/or rotation, Mussolini urged Sicilians to sow wheat and participate in his "battle of grain": this decision had also a negative impact as regards the reduction of soils' fertility.

With reference to the "Agricultural Reform", the significant presence of the independence movements in Sicily, at the end of the Second World War, was related to the fact that as long as Mussolini did not attack the financial interests of the agrarian bourgeoisie, the latter supported the regime. Conversely in the late 1930s, when the regime realized that their farming methods deprived the nation of food, and thus, planned the restructuring of the island's agricultural sector, the Sicilian agrarian landowners organized popular movements to achieve the independence from the regime. The opposition to the regime originated also from: (1) centralizing tendencies of the fascist regime; (2) the transfer of all islanders with high administrative capacity and education to the mainland.

The policies of the regime represented for Sicilians the peak of eighty years of exploitation by the Italian State by raising demographic pressure, not boosting growth in agriculture and not providing structural land reforms capable to make the agricultural sector more competitive.

Finally, Mussolini's autarchy policy ruined any chance for Sicily to recover itself through an entry of foreign capital, weakening also Sicily's agricultural economy. However, the island's poor socio-economic development condition did not change significantly after the end of the Second World War and the attribution of the Special Statute of Autonomy (on February 26, 1948).

3. The developmental policies phase and their impact in the Mezzogiorno and Sicilian contexts: a missed opportunity for their socio-economic growth

After the Second World War, the socio-economic growth of the Southern Regions became an important issue of the Italian political agenda. The first attempt to carry out developmental policies in the *Mezzogiorno* was implemented by the European Recovery Program (ERP) (the Marshall Plan)[1]. However, despite the huge amount of funds allocated for Italy, the Italian Government did not follow the guidelines for the financial resources' allocation set up by the US authorities.

Indeed, the US Economic Cooperation Administration (ECA)[2] strongly supported the adoption of developmental policies to improve the socio-economic conditions of the *Mezzogiorno* areas, while the Italian Government, from 1947

[1] The plan is named for Secretary of State George C. Marshall who announced it in a commencement speech at Harvard University on June 5, 1947.

[2] The Economic Cooperation Administration (ECA) was a USA government agency set up in 1948 to administer the Marshall Plan. It reported to both the State Department and the Department of Commerce. The ECA had an office in the capital of each of the sixteen countries participating in the Marshall Plan. In theory the ECA served as joint administrator of the Marshall Plan development projects in each European nation. In practice, local officials knew far more about what was needed than ECA representatives, who developed a management strategy of listening to local officials and allowing them to set priorities for reconstruction assistance.

until the early 1950s, prioritised the reconstruction of the country's basic infrastructures, the lowering of high levels of inflation and the achievement of monetary stabilization[3].

This approach depressed the economy of Southern Regions, included Sicily; in fact, the Government, subsidising the manufacturing sector to boost industrialization level did not provide adequate financial aids to the *Mezzogiorno* to reduce regional inequalities. Notwithstanding, the achievement of monetary stabilization and the reduction of public expenditure (without the tax increase), deflation along with the prevalence of speculation caused high unemployment rates and a further slowdown in reconstruction. As a result, the US Administration threatened to cut part of the ERP's second year aid: another US$ 85 million cuts after a US$50 million cuts implemented in 1948[4].

In 1949, the Government launched the third stage of Italy's post-war economic evolution aiming to: (1) trade liberalization; (2) decrease of taxes on foreign goods; (3) increase of public investments in order to improve the industrial growth and reduce the rate of unemployed people[5].

The ERP brought few socio-economic developments in Sicily and in all the *Mezzogiorno* Regions. In fact, the Italian policy-makers considered the *Mezzogiorno* a non-strategic area at all (Viesti et al., 2011)[6]. The results of such political line were: (1) poor industrial development and a non-inclusion of the Southern Regions in the process of post-war recovery that was taking place in the North-Western Regions; (2) lack of transportation infrastructures: in 1950 the majority of Southern provincial roads did not have protective surfaces; (3) the yield of agricultural products was occasional and the majority of these were sold in the local markets; (4) lack of basic infrastructures (schools, hospitals, streets, aqueducts, sewage systems); (5) high levels of illiteracy (49 per cent of the adult populations), poverty (85 per cent of all southern Italian families were classified as poverty-stricken) and unemployed peoples (around 2 million).

The Italian Government in 1950 tried to overcome these issues with the establishment of a national agency: the *Cassa per il Mezzogiorno* (Fund for the South) which carried out a wide set of developmental policies in all the Southern Regions from 1950 to 1984. In particular, it realized infrastructural facilities in all the Southern Regions, in order to solve the dualism between Northern and Southern Regions of the country.

However, infrastructure policies were the priority for the government, during the "pre-industrialization phase" and they focused on public works in agriculture (land reclamation, irrigation systems, etc.) and transportation sector (construction of motorways and railways). These developmental policies were the main tool for the economic growth of Southern Italy, especially during the years of the "Italian economic miracle".

[3] VOULGARIS, Y, *The Difficult Modernization: Political Strategies and the Social State in Contemporary Italy*, Athens: Exantas (in Greek) 1990. SOTIROPOULOS, D. A., *Old Problems and New Challenges: The Enduring and Challenging Functions of Southern European State Bureaucracies*, in R. GUNTHER, P.N. DIAMANDOUROS, and D.A. SOTIROPOULOS (eds), *Democracy and the State in the New Southern Europe. Oxford*: Oxford University Press, 2006. RAFTOPOULOS, R., *Italian Economic Reconstruction and the Marshall Plan: A Reassessment*, Occasional paper 2009/03. Giessen: Institut fuer Politikwissenschaft, Giessen Universitaet, 2009.

[4] RAFTOPOULOS, R., *Italian Economic Reconstruction and the Marshall Plan: A Reassessment*, Occasional paper 2009/03. Giessen: Institut fuer Politikwissenschaft, Giessen Universitaet, 2009.

[5] SOTIROPOULOS, D., A. (2013). International aid to southern Europe in the early post-war period: the cases of Greece and Italy. *WIDER Working Paper No. 2013/116*.

[6] VIESTI G. (2011). Convergence among Italian Regions, 1861-2011. Paper presented at the Conference 'Italy and the World Economy, 1861-2011' Rome, Banca d'Italia 12-15 October 2011, Number 22 – October 2011.

In subsequent decades, however, development policies started grappling with the production sectors themselves (such as the industry) even though the early "infrastructural stage" of the programme was the most successful and effective in terms of support to economic development pathways (D'Antone 1995, 1996 and 1997)[7].

The "pre-industrialization" character of the *Cassa* is clearly revealed by the concentration of the majority of the budget on agriculture. The developmental policies of the *Cassa* during its thirty years of activity were motivated by socio-economic reasons; for example, the agricultural reform was part of the programme of all the post-war parties as a prerequisite for the recovery of the *Mezzogiorno* agricultural sector that, despite its potentialities, was not efficient.

The reform of the rural areas, enacted in 1950, was a response by the Government to the farmers' demonstrations during the early 1950s, especially in Sicily. Such political decision defused social tensions originated by the unsatisfactory answer provided by the Italian policy-makers to the demands of a greater social justice of the poor peasants. This last aspect was also essential to allow the industrialization growth that was taking place in the North and to deprive the Communist Party of the support of discontented peasants[8].

Focusing on Sicily's the reform its main goals were: (1) the improvement of the agronomic practices; (2) the distribution of expropriated large estates (*latifondi*) to small holders organized in cooperatives; (3) the limitation of individual holdings to a maximum of 150 hectares, only subject to the conditions that such holdings were intensively cultivated; (4) the financial support distributed to the new farmers, who received funds through the established peasants cooperatives.

These aims were implemented by the establishment of the Sicilian Agricultural Development Agency (ERAS) which attacked large estates, although the confiscation criteria were quite ambiguous.

In fact, the ERAS failed to provide an efficient technical support to the new established cooperatives which would have transformed latifundism into a diversified agriculture.

The Sicilian agricultural sector is still affected, especially in the internal areas, by significant underdevelopment factors, which limit its potentialities: (1) significant decrease of the soils' fertility, especially of those located in the internal areas; (2) peripheral condition of the island with reference to the most important European consumers markets; (3) inadequate and low maintenance of infrastructural facilities; (4) the shortcomings of food processing industries capable to transform at reasonable production costs the local production; (5) the failure of the agricultural consortium and cooperatives with reference to their strategic objectives (improvement of the small farmers incomes); (6) improvement in the standard of living in rural areas and promotion and diversification of their productions; (7) enhancement of the environment and of rural areas by supporting territorial management.

Considering that the agricultural reform in Sicily left the island poorly prepared to accumulate capital out of agricultural exports, also the industrial development promoted by the *Cassa* failed. This aspect does not mean that in Sicily,

[7] D'ANTONE, L., *L'interesse straordinario per il Mezzogiorno (1943-60)*, Meridiana, No. 24/1995, pp. 17-64 1995; D'ANTONE, L., Radici *storiche ed esperienza dell'intervento straordinario nel Mezzogiorno*. Bibliopolis, Napoli, 1996; D'ANTONE, L., «*Straordinarietà» e Stato ordinario. Storia del capitalismo italiano dal dopoguerra ad oggi*, Donzelli (Rome), 1997.

[8] In 1946, when the Communist party was represented in the national government with a Communist Minister of Agriculture, law was issued that legalized the occupations. As already reported in the previous paragraph, when Italy embraced the Marshall Plan, the Communist Party was excluded by the government coalition.

as well as in the other Southern Regions, there were no industries. In fact, during the twenty-five years in which the *Cassa* implemented its developmental policies, industrial growth was encouraged by offering exemptions, credit facilities, by reducing railroad tariffs, and by channelling other national funds.

Yet, in 1953 the discovery of oil fields in the Southern cost of the island had as a consequence the establishment of several refineries, together with thermoelectric plants and factories for manufacturing plastics and other petrochemicals.

The developmental policies carried out in Sicily and generally in the *Mezzogiorno* enhanced the literacy level of the population and reduced the level of infant mortality, two of the most important indices of social backwardness[9].

In relation to the employment/unemployment rate, Chubb[7] indicated that the limits of the socio-economic development in Sicily and generally in the Southern Regions emerge more clearly from an analysis of the labor-market. The review of employment rates in the South showed that this indicator in 1975 was lower than in 1950: an evident failure of the *Cassa*'s developmental policies.

Thus, unemployment led an estimated 9 million Italians to migrate from the South to the North of the peninsula during the years from 1953 to 1973, affecting the already precarious process of industrialization and economic development in the *Mezzogiorno*.

A direct consequence of the partial development of the *Mezzogiorno* Regions, particularly evident in Sicily, was a relevant population flow from the internal countryside to the cities of the coast. This process caused a serious degradation of urban infrastructure with the growth of a long series of social problems, which were exploited by the local politicians (with the endorsement of national ones) to create a patronage political system.

In Palermo, for example, the Christian Democratic Party (which ruled the Region and its capital for almost forty years) developed a patronage political system based on the exploitation of the public resources as well as on the predisposition of a sophisticated local patronage system that depended mainly on the mismanagement of public funds[7].

In conclusion the Sicilian and generally the *Mezzogiorno*'s economy were affected by a process of modernization that did not bring, paradoxically, a structural socio-economic development. In other terms, the *Cassa*, was not capable in sustaining an enduring process of industrialization in all the Southern Regions.

4. The role of the political class and regional public administration in the Sicilian economic and social backwardness

4.1. Overview of the structural weakness affecting the Sicilian political-administrative system

Sicily has a strong legal and political autonomy guaranteed by its condition as a Region with Special Status and reinforced by the process of devolution implemented between the 1970s and 1990s. The issuing of the Special Statute in 1946 meant that the Region inter alia was invested with the power to enact laws with a rank, which is of equal force and value of the State's laws, and with a certain number of competences.

Three special bodies constituted the Special Region of Sicily: (a) the Assembly; (b) the Cabinet; (c) the President of the Region. The last two bodies have the executive power, while the As-

[9] CHUBB, JUDITH (1981), The Social Bases of an Urban Political Machine: the Case of Palermo. *Political Science Quarterly*, Vol. 96, No. 1 (Spring, 1981), pp. 107-125

sembly has the legislative powers. The Cabinet organizational framework is composed by the President and the Regional Ministers.

With the approval of the Constitutional Law no. 2/2001, the President is elected by direct universal suffrage along with the members of the Assembly. The President appoints the Assessors who have the responsibility to carry out the competent policies of the 12 Regional Ministries.

A hypertrophic administrative machine characterizes Sicilian regional administration, with more than 20,000 employees and a very complex organizational apparatus. In each Ministry, there are two main institutional figures: (1) the Regional Minister who has the political responsibilities; (2) the general director who has administrative competences and is the highest administrative figure being in charge of the entire Department, in which there are several offices run by the division managers.

Until 2000, there was not a formalized separation of responsibilities between the administrative and the political powers during the first fifty-four years of the regional government in Sicily; in fact, the division was formalized by Regional Law no. 10 in 2000[10].

The huge number of administrative departments, regional bodies and authorities did not secure any improvement of the regional system as a provider of useful public services and policies.

Studies indicate that in Sicily the average period between the delivering of a project and its approval by the contracting authority requires more than double the time compared to the national average. The number of appeals submitted to the Regional Administrative Court (more than 12,000 in 2013) is the third in Italy (after *Campania* and *Lazio*) and has increased more than 50% between 2000 and 2013.

With the implementation of the EU regional policies in order to improve the socio-economic conditions of the underdeveloped areas, the EU developmental strategies still constitute a great opportunity for the Sicilian structural development, also taking into account the significant amount of the Cohesion Policy funds (32.8 billion Euros) allocated by the EU Commission during the period from 2014 to 2020 for Italy.

However, the Sicilian political and administrative establishment as in the past will never fully exploit the opportunities provided by the European Structural and Investment Funds[11].

The most relevant factors that led to this situation are:

(1) **Political instability.** From 1947 to 2012 in Sicily, 58 governments have followed over 55 years as consequence of the frequent changes of presidents and of the reallocation of the Regional Ministers during the legislature. The continuous changes within the Sicilian political system caused the establishment of a vicious cycle with the political and administrative power that, also nowadays, is not capable to plan a long lasting period of developmental policies based on the actual needs of the Sicilian population and local entrepreneurs.

(2) **Low planning capacity**. The persistent malfunctioning of the political and administrative bodies, characterised also by a lack of attitude to make effective development programmes has been underlined in several studies. Among

[10] MILIO, S., *Explaining differences in regional performance: administrative capacity and political factors. The case of Structural Funds implementation in Italian Objective 1 Regions*. PhD thesis, The London School of Economics and Political Science (LSE), 2007.

[11] Actually, in line with the objectives of the Europe 2020 strategy there are five main funds available to improve the economic and social conditions of the European underdeveloped areas: European Regional Development Fund (ERDF); European Social Fund (ESF); Cohesion Fund (CF); European Agricultural Fund for Rural Development (EAFRD); European Maritime and Fisheries Fund (EMFF).

these, two majors studies carried out by Moncada (1970)[12] and Epstein (1992)[13] denounced the "lack" of a development programme because of the ineptitude and incompetence of the regional administration, including both the political and bureaucratic class.

(3) **Lack of competences and political patronage**. The low competence of the administrative class still constitutes one of the most significant obstacles to the Sicilian socio-economic renaissance. In fact, the recruitment process in the Sicilian Region as well as in the Municipality of Palermo followed the codes of the political patronage in which the party in power always rewarded families, lobbies and groups of interests for their electoral support (Chubb 1981)[14]. The political class still set up procedures to recruit the personnel on the basis of party affiliation, without any meritocratic system. For example, it was noted that 70% of the civil servants recruited in Sicily during the period 1960-1980 were enrolled in the ruling political party.

(4) **Lack of accountability.** Accountability means that public officials must provide information and or justification in the executions of their functions towards citizens and social groups. These latter act as agent of control of the administrative performance, therefore the public administration is forced to give account of and justify its acts. On the contrary, in Sicily (as well as in the other Regions of the South) citizens do not exercise an adequate monitoring over their local institutions because the regional departments and agencies do not make performance information broadly and easily accessible to the population. The official website of the Sicilian Region called "Transparent Administration", whose goal is the dissemination of the information related to the administrative activity of the Regional Departments and Agencies, has not useful data with reference to: (1) revenue/gross cost ratio for specified services (meant also as the guarantee of the availability of financial and procedural data); (2) programme design (meant as SWOT analysis); (3) programme approval and implementation; (4) evaluation reports concerning the activities carried out by the regional departments and agencies.

(5) **Excessive regulation.** Several evidences showed that administrative inefficiency (closely related to the insufficient enforcement) has as a direct consequence a huge production of complicated laws and administrative acts. The Italian system and also the Sicilian one are burdened with too many laws (especially if compared to other countries). In fact, the numerous Regional Governments, throughout the years, never approached the issues of rationalising the huge amount of regional laws and introducing a set of legislative acts which liberalises the entrepreneurial energies that are well alive in the Region.

4.2. The consequences of the low quality of the political and administrative system

In some way, the Sicilian situation can be compared to that of Greece. The results of such low level of the political and administrative establishment have been:

(1) **High degree of social instability**. The deficit of political and administrative governance, since the establishment of the Special Statute, caused a significant weakness of large sectors of the population. Overall unemployment stands well above 30 percent and youth unemployment is over 50 percent. At the same time the

[12] MONCADA, M., *Nazione Siciliana*, Flaccovio Editore, Palermo, 1973.

[13] EPSTEIN, STEPHAN, R., *Island for itself: economic development and social change in late medieval Sicily*, Cambridge University Press, 1992.

[14] CHUBB, J., *The Social Bases of an Urban Political Machine: the Case of Palermo*, Political Science Quarterly, Vol. 96, No. 1 (Spring, 1981), pp. 107-125, 1981.

political and bureaucratic classes are still profiting at the expenses of the national and European public finances. In relation to that, the number of protests in Sicily, from January 2008 until January 2015 has been more than 1,700 and Palermo is often paralyzed by several strikes organized by the Trade Unions and by independent associations of workers, which have been fired by some private or public company.

(2) **An environment that is less favourable for the economic growth**. Sicily has enormous potentialities to become an international business hub in several economic sectors. However, the bureaucracy is the main obstacle especially regarding the start-up of new firms. The regional political and administrative sectors never act as vectors capable to connect the different islands of entrepreneur excellence. In such problematic context, whose difficulties have worsened also because of the financial crisis, the adoption of internationalization strategies (by the implementation of an ad hoc legislation) is a crucial factor for companies addressing the crisis in Sicily. The various Regional Governments, during the years, never considered the issues of rationalising the huge amount of regional laws introducing, at the same time, a set of legislative acts which liberalise the entrepreneurial energies of the Region. Although Sicily, from 2007 to 2013, accessed to 8,54 billion Euros (between the EU and national funds), its poor administrative capacity determined a serious delay in the use of EU funds. The shortcomings identified in the management of funds were mainly due to the excessive fragmentation of interventions, the dispersion of resources and the lack of strategic importance given to the overall development of the island, deficiencies in the system of checks and the fragmentation of competences. Such situation is paradoxical in view of the fact that from 2008 (the year in which the financial crisis began) until 2014 Sicily's GDP decreased averagely by more than 4%, compared to an average of 2.4% for Italy as a whole.

The period from 2013 to 2014 also showed worrying pictures with reference to the unemployment rate that overcame 22%. Indeed, the worst scenario is for young people, as 55.5% of young Sicilians do not have work. Studies carried out by *InfoCamere* (a think-tank) showed a persistent decline of the manufacturing industry in the island. As represented in figure 3, the number of active undertakings dropped to 370,010 units at the end of the first quarter of 2014: a decrease of 6.2% compared to 2007 (the beginning of the financial crisis). It must be noted, that Sicily is the worst dynamic among the Italian Regions, compared to the *Mezzogiorno* (-2.9%) and the national (-0.7%) trends. The reduction of the production base has affected businesses of various sizes and has peaks in the manufacturing sector.

(3) **A political system that is close to the oligarchy**. Sicily has failed to address the above-related problems because the Region's elites (formed by the link between the political and administrative class with the local entrepreneurial class) still have a vested interest in keeping a sort of status quo. Since the establishment of the Sicilian Region these elites have reinforced and preserved their positions. Thus, there was a continuous exchange of favours between a small group of entrepreneurs and the political –administrative apparatus, which is still in progress. In contrast with the American theories of the "power elite", which hypothesize the domination of politics by business interests, the entrepreneurial class in Sicily has always been subordinated to the political power (Chubb1981)[15].

(4) The increase of the corruption level. Corruption, both at national and regional level, is the

[15] Chubb, J., *Patronage, Power, and Poverty in Southern Italy*, New York: Cambridge University Press, 1981.

most tangible outcome of the low quality of the political and administrative activity. This social phenomenon is also the result of the excessive regulation: a pervasive attitude of the whole Italian public administration. Data to objectively measure the corruption evolution over the long term are limited. However, the Annual Report of the Sicilian Court of Auditors (2015) emphasizes that in particular the costs of the regional political system continue to be disproportionate, also compared to the standards of the European ones. These statements are confirmed in a study carried out by Fiorino et al. (2012)[16], where Sicily together with Campania results to be the most corrupted Italian Regions.

5. Tough decisions are required for the social and economic recovery of Sicily

Policies require politics. It means that ideas for solving economic and social problems must be implemented by those who have political power. This is particular true in the Sicilian context, where the ethic and technical gap of the whole political-administrative establishment has always been an important concern. Notwithstanding, the status of Autonomous Region with Special Statute, the Sicilian population never enjoyed the potential advantages that an efficient governance of the island by the political and administrative class would have offered to it. Therefore the central government, together with the current one shall act now. Hereinafter, some proposals, which can constitute the basis for a more structural economic and social development of Sicily and in general of the *Mezzogiorno* Regions, are reported:

(1) **Improvement of the expenditure modalities of the EU structural funds**. Italy and in particular the *Mezzogiorno* Regions always showed a low capability to use in a proper way the significant amount of money coming from the EU through the Cohesion Policy. In the period from 2014 to 2020, Italy will manage around 50 operational programmes under the EU Cohesion Policy, having been allocated around 38.2 billion Euros (current prices) in total through the Cohesion Policy funding, of which 22.2 billion Euros for less developed Regions (Campania, Apulia, Basilicata, Calabria and Sicily). Hereinafter, the main priorities (particularly significant in Sicily and in the other Southern Regions) set out in a "Partnership Agreement" with the EU Commission are reported: (1) developing an innovation-friendly business environment; (2) putting in place high-performance infrastructures and efficient management of natural resources; (3) increasing labour market participation, promoting social inclusion and improving the quality of human capital; (4) supporting the quality, effectiveness and efficiency of the public administration.

Nevertheless, the current incompetent and inefficient Southern regional public administration cannot accomplish these ambitious aims. This problem can be overcome, drastically, by the abolishment of the Regions and consequently by the revocation of their competences concerning the management of EU Structural Funds, as explained in the subsequent point.

(2) Abolishment of the Regions (and provinces) and establishment of the departments. The reform of Title 5 of the Italian Constitution in 2001, expanding the political and administrative power of the Italian Regions, caused the proliferation of several public expenditure centres with a worsening of the financial conditions of the country. Studies carried out by the Association of Craftsmen and Small Enterprises of *Mestre* (CGIA) showed a substantial increase in all the different areas of the regional budget without a satisfactory level of the services provided to the citizens, especially in Calabria, Campania Lazio and Sicily.

[16] FIORINO N., GALLI E., PETRARCA I., *Corruption and growth: evidence from the Italian Regions*, European Journal of Government, Volume 1, Number, 2012.

This situation throughout the years has been caused by a series of determinants: (1) the lack of effective use of public resources, which is closely linked to the pervasive corruption level existing in this sector; (2) the different organizational architectures (such as public/private mixture, hospitals, network, etc.) although all the Italian Regions adopt the same legal framework; (3) variations in the degree of financing through regional taxation and co-payments (Francese and Romanelli 2011)[17].

Therefore, a revision of Title 5 of the Italian Constitution is necessary. A viable solution towards a drastic cut of the unproductive public expenditure would be the full elimination of the 20 Regions and 110 provinces, which would be replaced by a certain number of departments: 36 as reported in a paper drafted by the Italian Geographical Society in July 2013. This new legal entities (ruled by a prefect as representative of the State) shall not have any legislative power and their competences shall be related to spatial planning and economic development, to the construction and maintenance of school buildings and centres for vocational training. The prefect will be also responsible of the administrative control and the departments' compliance to the law.

Therefore, the economic recovery of Sicily and generally of the *Mezzogiorno* must be implemented by the Government through the establishment of a lead development agency. The latter must be set up not only with a rationale to respond to a crisis, but also as a tool of promoting competitiveness, productivity and overall a structural growth (like in UK, Singapore, France, South Korea, Germany, Canada). A single "national development agency" could help the underdeveloped areas to unlock their economic potential through: (1) a stronger economic leadership providing a clear sense of direction for the Sicilian and Southern Italy economy; (2) a clearer strategic focus by the planning of clear priorities and investment decisions, ensuring that funds are used in ways that deliver the best results for ratepayers; (3) an improvement of the financial resources available for projects capable to unlock the Southern Italy economic potential; (4) an effective local territories' promotion to attract investors, skilled workers and visitors; (5) a better use of resources through the reduction of duplication, for example in back office functions; (6) a simplification of the governance considering that the Italian legislative framework is characterized by several agencies, overlapping between them their competences and so lengthening the decision-making process.

(3) The establishment of Special Economic Zones. A further step towards a more structural economic growth of Sicily as well as of the other Mezzogiorno areas would be the establishment of the Special Economic Zones (SEZ). The Polish experience can constitute a feasible example concerning the strategic role of the SEZ in the improvement of the economic conditions of a country. The SEZ in Poland were created in particular to: (1) accelerate the economic development of the underdeveloped areas of the country;(2) create new jobs; (3) attract foreign investors to Poland. All Poland's existing SEZs were established in the 1990s. Towards the end of 2013 the total value of capital invested in all the 14 SEZs in Poland reached PLN 93.1 billion and at the end of 2014 it exceed PLN 100 billion (KPMG 2014). SEZs are not only related to invested money and new jobs; in fact, their establishment improved the competitiveness of the country's entire economy, transferring technologies, as well as developing co-operation in Regions covered by the zones. European legislation prevents the creation of SEZs, considering

[17] Francese, M., Romanelli, M., *Healthcare in Italy: expenditure determinants and regional differentials*, Bank of Italy working paper, n. 828, 2011.

tax benefits as State aid. However, according to article 107 paragraph 3 of the Treaty on the Functioning of the European Union the implementation of aids granted by States, in terms of tax benefits, may be compatible with the internal market only if the aid is targeted to the promotion of the economic development of areas where the standards living are relevantly low. Yet, article 108 provides that a Member State, only for extraordinary events, can carry out this kind of policies, after the unanimous vote of the Council. It seems clear that, if Italy decides to set up SEZs in the Southern Regions, the deal would be totally political. On the other end, the bailout in 2008 of the national airline company Alitalia is a clear example of how, if there is political willingness, is possible to overcome EU administrative constraints related to the state aids.

(4) Fight corruption. The Italian public service is experiencing a dramatic increase of the corruption levels even in the Northern part of the country where is occurring a dangerous "southernization process" of the local public sector. The continuous growth of the corruption and outright bribery crimes still persist just because reforms during the last twenty years never approached the problem systematically. Corruption modalities in Italy are based on consolidated protocols on the use of consultants, subcontractors or supplies in favour of subjects related to public officials who manage the same contracts. On the contrary, the approach of the Italian State seems very disorganized rather than holistic. Also the new anticorruption bill seems to go in this direction. In less than three years from the approval of the anticorruption Law no. 190 of November 6, 2012, the enactment of this new bill confirm the limits of the Italian policies-makers in tackling effectively this problem. This new anti-corruption bill is formed by two the main pillars: (1) the rising of administrative and penal sanctions for many of the corruption crimes (but also for criminal association); (2) the reintroduction of the corporate accounting fraud as a full-blown crime (currently it is classified as a non-felony offence with significantly lighter penalties). Other interesting aspects are constituted by the compulsory for prosecutors facing corruption cases to report to the head of the National Anti-Corruption Authority (ANAC), and for officials found guilty of corruption to pay a fine equal to the bribes received. However, the bill will be partially successful to addressing corruption for the following reasons: (1) the government's stance on the issues has been unclear since its inception (there were a lot of announcements, delays, measures approved after high-profile investigations and then repeatedly amended); (2) although it made many punishment for offences against the public administration harsher, it looked more like a short-term decision than like a coherent political choice; once again the national legislator does not approach the problem in a more holistic way; (3) the increased penalties (both the minimum and the maximum sentences) probably have been the result of "penal populism" — as many jurists have suggested—, and not of a thoughtful legislative provision; (4) it is unclear whether they were necessary in order to "send some corrupt people to jail" (as Prime Minister said), when the government proposed increasing penalties only for the crime of "individual corruption," or a solution for the lop-sidedness of penalties that were harsher for "individual corruption" than for "judiciary corruption," embezzlement, and official misconduct (Stasio 2015)[18].

Therefore, what are viable solutions that the Government can adopt to more effectively fight

[18] STASIO, D., *A step forward, but improvisation remains*. Il Sole 24 Ore Digital Edition. April 2015. http://www.italy24.ilsole24ore.com/art/government-policies/2015-04-01/a-step-forward-but-improvisation-remains-194341.php?uuid=ABMIf4ID, 2015.

corruption, within the central and regional public sector?

There are a series of best practice already implemented in several countries. For example, the Anticorruption Reform (Prevention of Corruption Act: POCA) carried out by the Singapore Government can be a good model for a more wide-ranging approach capable to structurally fix the problems that affect the Sicilian public sector and in general the Italian one. One of the main pillars of the Act was the increasing of the investigation power of the Corrupt Practices Bureau (CPIB), which could arrest suspects search arrested persons, and examine the bank accounts and other assets of civil servants under investigations.

The POCA's effectiveness was ensured by the introduction of amendments (in 1963, 1966 and 1981) and new legislation (in 1989) to deal with the unanticipated problems (Quah 1989)[19]. Among the list of distinctive prescriptions reported in the Act is the introduction of the legal principle of presumption of corruption. It means that, when a public officer is found to have received bribes and so, a public officer charged in court has the duty to explain to the court that what he received was not received corruptly; if he fails to explain to the court, he will be presumed to have received the money corruptly and so the prosecutor will be facilitated to bring all the evidence to court.

Another country, which has a well-developed system of legislation, law enforcement and judicial authorities to deal with corruption, is Denmark. In 2013, the Parliament adopted legislative amendments with the aim to strengthen the prevention, investigation and prosecution of cases concerning economic crimes. With reference to bribery crimes, the Danish Government has increased the maximum penalty, bringing it from three to six years. For bribery in the private sector and bribery of arbitrators, the maximum penalty increased from one year and six months to four years. Furthermore, in June 2013 Denmark adopted a new law by which the transparency of the public administration has been improved. Thus, citizens can access documents of any administrative body also by using Internet. This last aspect must be considered a relevant step; in fact, the accountability of the public bodies activities if carried out also by citizens can increase in the long period the level of the public sector transparency lowering at the same time the corruption level.

Conclusion

As Europe and Italy struggle from the lingering recession, Sicily and the Southern Italy face particularly severe economic and social problems. To pay off its onerous debt (equal to 7,5 billion Euros) contracted by the Region with the banks, Sicily must grow its economy, which has always been shrinking: a problem made worse by the downturn. Previously, the elimination of the Regions (which must have a merely administrative function) by the Italian legal system and the establishment of the administrative departments has been suggested as a possible solution. As a consequence, key subjects (such as agricultural policies, healthcare policies, management of the EU funds) must return under the control of the central Government.

The implementation of this new scenario will require a new Constitutional Law whose main goal must be the elimination of the Regions and their replacement with 36 departments with few administrative and institutional competences. The return of all institutional competences to the Central Government, would represent the first step towards a more virtuous management of the public resources.

[19] QUAH JON S.T., *Singapore's Experience in Curbing Corruption*, In ARNOLD J. HEIDENHEIMER, MICHAEL JOHNSTON and VICTOR LEVINE (eds.), Political Corruption: A Handbook. New Brunswick: Transaction Books, 1989, Chapter 48, pp. 841-853, 1989.

In fact, the elimination of the Regions and Provinces would release a huge amount of public financial resources that could be employed to finance the improvement of the infrastructures and welfare. Both aspects are particularly important in a context such as that of Sicily.

A unique State developmental agency may constitute the cornerstone for a structural improvement of the Sicilian economic conditions, as well as of the other Southern Regions. This new public body, through the implementation of the economic policies planned by the Government, should focus its activities in attracting more investment especially those from foreign countries. In fact, attracting more investment and at the same preventing capital outflows from Sicily is a critical to help reverse this trend and improve the island's overall competitiveness.

Creating business-friendly environment capable to attract Foreign Direct Investment (FDI) is an important issue for the economic health of a country. This aspect is particularly true especially during times of crisis and even more for Sicily and the other Southern Regions, whose economies have been traditionally fuelled by public spending and consumption rather than savings and investments. Several studies demonstrated that FDI creates new jobs, increases capital, contributes for tax revenues, attracts innovation, helps development and retain workers. Furthermore, the impact of foreign investments goes well beyond the initial dollar amount. Studies concerning the potential perspectives of economic growth for a country like Greece underline that a 0.5 billion Euros investment in tourism infrastructures aimed at increasing tourism industry has translated into an estimated 0.1 percent of Greece's gross domestic product (GDP) per year during construction—an annual contribution that should continue in the years of operation that will follow.

The Italian Government should implement a FDI strategy that targets both a more rational and remunerative privatization and new opportunities of investments in key sectors with traditionally limited FDI penetration (i.e., tourism, transportation, utilities, construction, and health care) which have, however, potentially high returns.

Sicily and the other Southern Regions, in order to become an easier place to do business must overcome several critical aspects and in particular: the high levels of bureaucracy, inconsistent tax policies and the high levels of pervasive corruption. The elimination of the Regions, also those with the Special Statute (among these Sicily constitute that with the highest public expenditure level), can be considered the first step towards a more rational structure of the Italian institutional framework, with relevant advantages with reference to the reduction of the unproductive public spending; in fact, the cut of the centres of public expenditures (as Regions and provinces are) will inevitably improve public finances releasing new financial resources that can be allocated for the improvement of the infrastructures, in particular streets and railways.

This process is not easy to realize but the Italian socio-economic context is so forbidding, that is time for the political establishment to take hard decisions with the ambition to structurally improve the economy of the country in an increasingly competitive international context.

Several nations such as South Korea and the already mentioned Singapore, have improved their public sector performances, with the aim of attracting valuable investments from other countries.

From 1998 South Korea enacted long-term policies targeted to increase the effectiveness of its public administration and for ending any bureaucratic procedure which was not needed. In order to make this new policy goal effective, the

country set up a reform of committee that reported directly to the Prime Minister. Within five years, FDI in South Korea had increased by 250 percent.
Singapore Government, in line with the very effective reforms of its public sector, carried out since the achievement of independence from the United Kingdom in 1959, sharply improved its business context by replacing slow, manual administrative process with a 24-hour online system. So, new businesses do not have to deal with limited service hours, long lines and delays, but in a very simple way they can get information, register and incorporate online. And, moreover, it is no longer necessary for them to hire services companies to manage the process.
Therefore, the Italian Government could create a friendlier business environment and increase significantly FDI especially in the underdeveloped areas of Southern Italy by taking action on several fronts.
Primarily, fixing the basics. To make it faster and easier for company to invest in Sicily and in the other Southern Regions, the Italian Government must streamline its bureaucratic processes and create a tax system that is more transparent and efficient. Ensure that investments in e-government services are geared towards increasing the users' uptake by systematically linking simplification of procedures with opportunities to carry out administrative practices online, would be a good start.
Taking into consideration the relevance of the tax evasion, especially in the *Mezzogiorno* area, it would be important that the Government, together with the reduction of the tax burden, develops efficient judicial proceedings that convey a sense of consequence for tax evasion. In relation to that, after the Second World War the civil justice system has been characterised by a substantial increase in length of proceedings. This phenomenon is particular relevant in the Southern Regions. The new civil justice Reform (Law no. 162/2014) introduces some new elements and hopefully could be a first step towards a greater efficiency of the national judicial system.
Other strategic goals should include an upgrade of the whole tax system towards the efficiency and simplification direction, an outreach programme (for example "Invest in Sicily") that includes as previously reported the establishment of SEZ in the South Regions, to improve the links with international investors, local companies, and expatriates.
Secondly, the Italian Government, through the support of the "national development agency", must present potential investors with a clearer value proposition relevant to neighbouring countries, going beyond its natural competitive advantage for example in the area of tourism. Considering that tourism is so important for the Sicilian economy, as well as for other Southern Regions' economy, the country must define a future vision of the nation as both a travel destination and a key player in the health tourism industry, while protecting and promoting its cultural assets. It is also important that the Government supports other high-priority industries, such as health services, agriculture, and shipping. Under this point of view, a proper management of EU Structural Funds by the "national development agency" would allow: (1) supporting local entrepreneurs with technology, business, and marketing support; (2) promoting shipping education; (3) making Sicily and *Mezzogiorno* a Southern Europe's primary transportation hub through ongoing infrastructure development and logistical planning.
Thirdly the Italian Government must sustain the effort towards a more effective public administration through the systematic use of administrative reviews in order to balance quality of service delivery and efficient public spending, relying on high-quality performance indi-

cators that appropriately track output and outcomes and provide important tools to assess the public administration performance (OECD 2012).

In this context the education policies that the Government will implement in the future are particularly significant. Italy must ensure excellence in its universities by linking funding to clear performance targets and by being more effective at matching graduates with job market needs. Once this aim has been reached, the public sector, by the enactment of a substantial and structural reform, can implement a meritocratic process also through new policies capable to attract the best universities' graduate students and midcareer transfers.

Southern Regions' economic problems developed over time, and it will take time to fix them. But if the current Government also implement these actions, the Italian *Mezzogiorno* will become far more attractive to foreign businesses and investors. Higher levels of foreign investment will contribute to GDP in the near term and it will increase, in general, the competitiveness of the country's industrial base in the medium term, providing a foundation for long-term growth—and a more prosperous future.