

# The sub-national system of government in Italy

June 2008

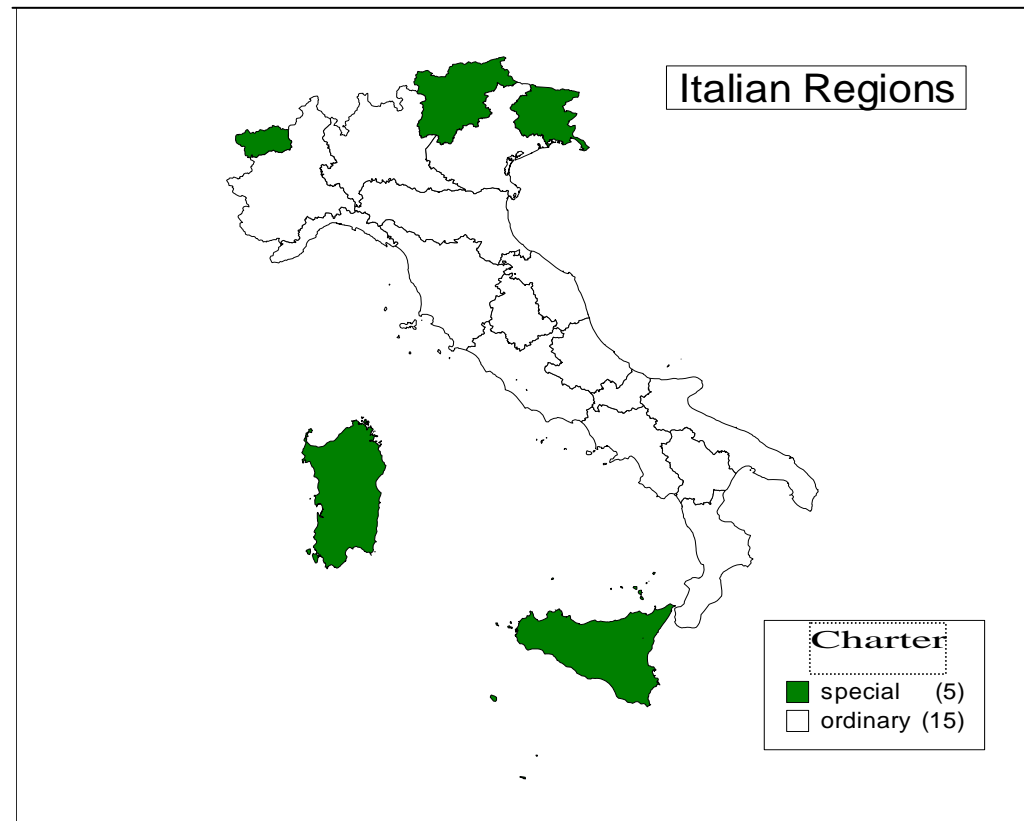
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Sources :

- ISTAT (Central Statistical Institute)
- Court of Accounts
- Ministry of Health
- Rating Agencies: Fitch Ratings, Moody's, Standard & Poor's
- Ministry of Economy and Finances
- Regional accounts

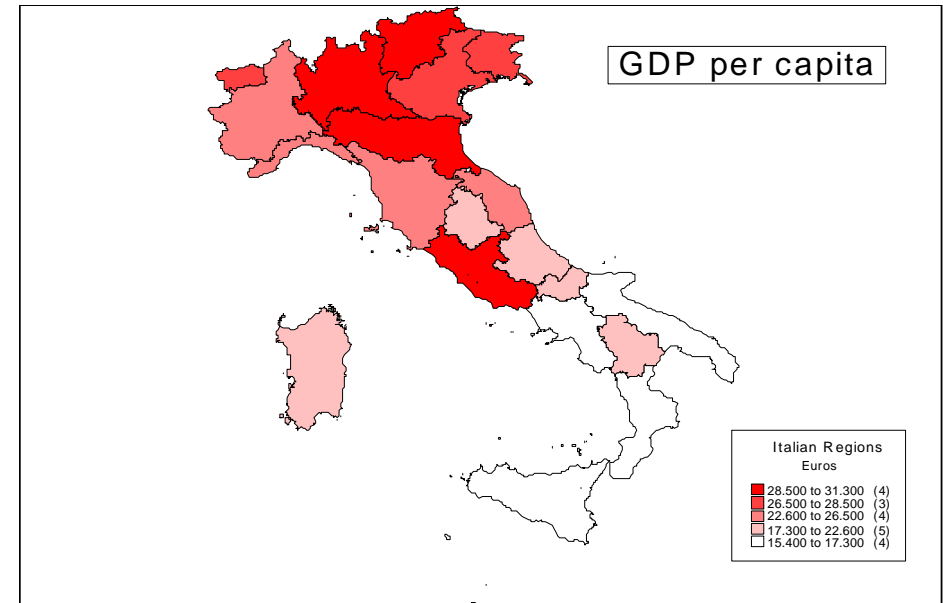
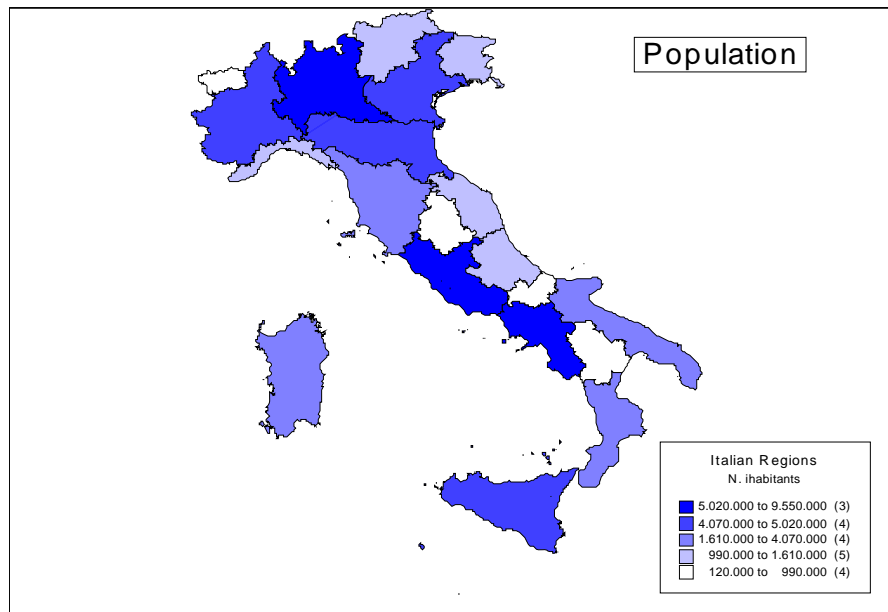
# 1.1. The regional subdivision of Italy

Pursuant to the 1948 Italian Constitution, the regional system is made up by 20 Regions, 5 of which have a special charter in response to specific historical, geographical and linguistic problems



## 1.2. The regional subdivision of Italy

Italian population (about 59 million) is concentrated in the North of the country (e.g., Lombardy); other populous regions are Latium in the Centre, Campania and Sicily (to a lesser extent) in the South



GDP per capita is highest in the northern regions and Latium, while the Mezzogiorno still suffers from its relative underdevelopment

## 2. From local authorities to constitutional federalism: the regions

The 1948 Italian Constitution attributed administrative responsibilities to Provinces and Municipalities and legislative powers to a limited extent in specific subject matters to ordinary Regions and to a larger extent in a higher number of fields to the special-charter Regions

Constitutional law n. 3/2001, confirmed by a referendum, modified the Second Part – Title V – of the Constitution with reference to Regions, Provinces, Municipalities. Some of the main articles relative to Regions are the following:

**Art. 117:** Apportions responsibilities between the Regions and the State. Regions' responsibilities have been expanded to all areas not specifically reserved to the central government (foreign policy, defence, immigration, antitrust, etc.) or explicitly shared with it, such as healthcare and education

**Art. 119:** Accords Municipalities, Provinces, Metropolitan Cities (a novelty in our constitutional panorama...) and Regions financial autonomy, through:

- own taxes
- participation in the revenue of State taxes
- grants for specific purposes
- transfers from a general equalisation fund in favour of economically weaker regions

## 3.1. Regional economic and financial data

REGIONS ( <i>mln €</i> ) *	2004	2005	2006	2006/2005 % change
Current revenues	115.178	121.122	128.889	6
of which: Own taxes	47.309	48.007	51.305	7
VAT participation (1)	41.056	44.425	47.290	6
Current transfers	13.663	14.621	14.444	-1
Capital revenues	14.277	14.619	14.086	-4
of which: State/EU transfers	13.861	14.168	13.234	-7
New loans	5.692	4.081	8.689	113
<b>TOTAL REVENUES</b>	<b>135.147</b>	<b>139.821</b>	<b>151.664</b>	<b>8</b>
Current expenditures	112.543	116.320	128.421	10
Capital expenditures	27.886	25.653	26.581	4
<b>TOTAL EXPENDITURES</b>	<b>143.077</b>	<b>144.623</b>	<b>158.142</b>	<b>9</b>
<b>DEFICIT</b>	<b>- 7.930</b>	<b>- 4.802</b>	<b>- 6.478</b>	

(\*) All Regions, but Trentino Alto Adige

(1) Includes the national "Fondo perequativo" on VAT participation

## 3.2. Regional economic and financial data

### ORDINARY REGIONS DEBT TOTAL DEBT TO BE SERVED BY EACH REGIONS (IN € MLN AND IN % OF TOTAL AMOUNT)

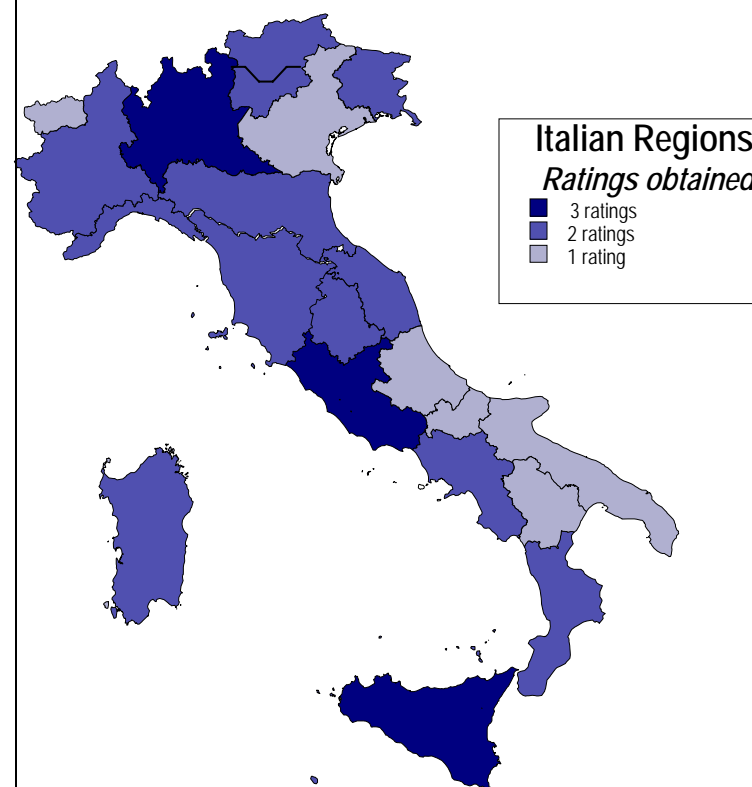
PIEMONTE	2.984	15,6%	LAZIO	2.543	13,3%
LOMBARDIA	1.070	5,6%	ABRUZZO	960	5,0%
VENETO	1.110	5,8%	MOLISE	196	1,0%
LIGURIA	411	2,1%	CAMPANIA	3.551	18,5%
EMILIA-ROMAGNA	1.155	6,0%	PUGLIA	2.517	13,2%
TOSCANA	762	4,0%	BASILICATA	1.660	0,9%
UMBRIA	351	1,8%	CALABRIA	375	2,0%
MARCHE	1.007	5,2%			

Source of data:  
Court of Accounts

## 3.3. Regional economic and financial data

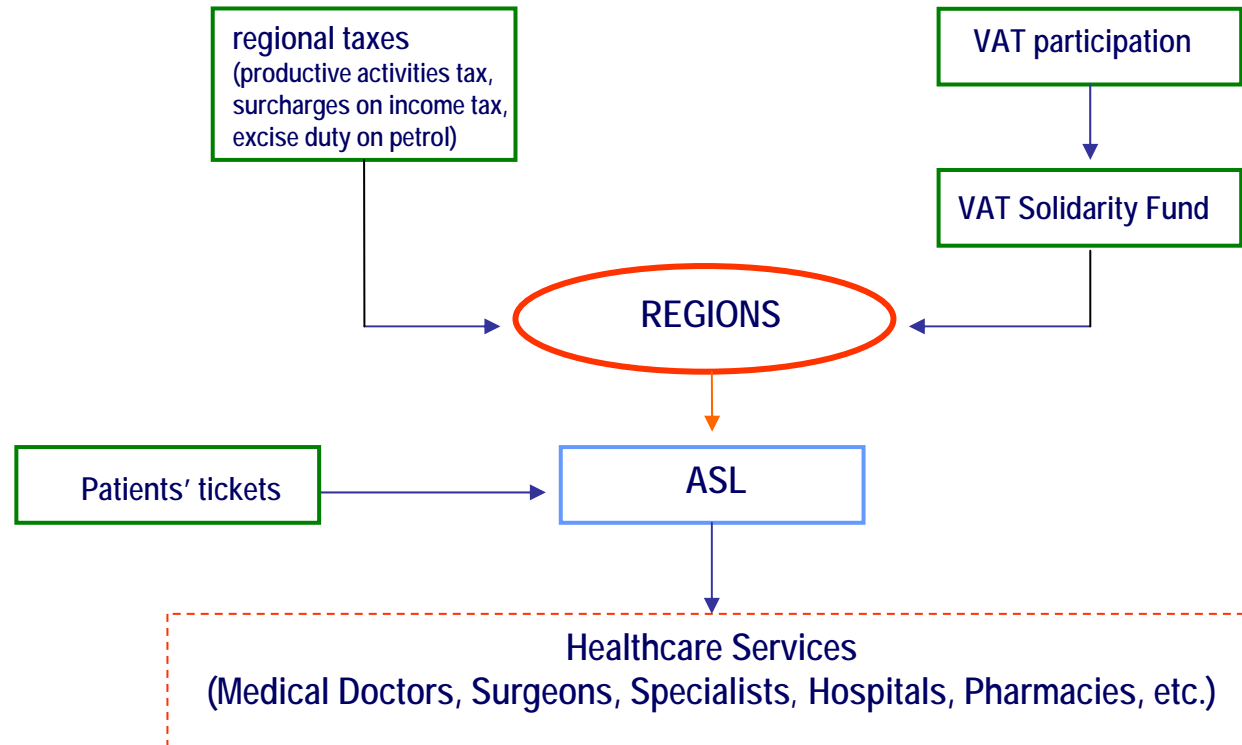
### Rating of Regions

REGIONS	Moody's		S&P		FitchRatings	
	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN	DOMESTIC	FOREIGN
ABRUZZO	A2	A2				
BASILICATA	AA3					
CALABRIA	A1				A+	A+
CAMPANIA	A3	A3	A-	A-		
EMILIA ROMAGNA	Aa2	Aa2	A+	A+		
FRIULI VENEZIA GIULIA			A+	A+	AA	AA
LAZIO	A2	A2	BBB	BBB	A	A
LIGURIA	Aa3	Aa3	A+	A+		
LOMBARDIA	Aa1	Aa1	A+	A+	AA-	AA-
MARCHE	Aa3	Aa3	A+	A+		
MOLISE	A2					
PIEMONTE	Aa3	Aa3			AA-	AA-
PUGLIA	A1					
SARDEGNA	A1	A1			AA-	AA-
SICILIA	A1	A1	A+	A+	A	A
TOSCANA	Aa2	Aa2	A+	A+		
UMBRIA	Aa3	Aa3	A+	A+		
VALLE D'AOSTA			A+	A+		
VENETO	Aa2	Aa2				
<i>ITALIAN REPUBLIC</i>	<i>Aa2</i>	<i>Aa2</i>	<i>A+</i>	<i>A+</i>	<i>AA-</i>	<i>AA-</i>



# 4.1. Regions' main responsibility: to provide healthcare

## Main elements of the healthcare system



## 4.2. Regions' main responsibility: to provide healthcare

### Regional costs and revenues of national health service

	Total costs	Total revenues	Deficit
2005	98.605.565	92.880.086	-5.725.479
2006	100.343.318	96.160.683	-4.182.635

Regions	2006 Deficit per capita (€)
Piemonte	-12
Valle d'Aosta	-114
Lombardia	-1
Veneto	3
Pr Bolzano	44
Pr Trento	3
Friuli V. Giulia	10
Liguria	-67
E. Romagna	-23
Toscana	-21
Umbria	-50

Regions	2006 Deficit per capita (€)
Marche	-19
Lazio	-307
Abruzzo	-104
Molise	-197
Campania	-114
Puglia	-59
Basilicata	-25
Calabria	-33
Sicilia	-181
Sardegna	-62

Source: Ministry of Health

## 5. Fiscal federalism: a character in search of an author...

Regions' current financial autonomy



No clear fiscal-federalism scheme is in place yet

The room so far for regional policies has been very limited

Investments have been financed mainly out of debt

Regions' demand for fiscal federalism



The Northern Regions are quite determined to secure from the State most of the revenue of taxes collected on their territory

Sicily, a special-charter Region, is joining forces with ordinary Northern sisters

Other Southern Regions, traditionally opposed to fiscal federalism as it would reduce transfers from the Central Government, seem now flirting with this idea

What 2008 has in store



A new start or another replay of an old game?