

Punta del Este, 19 novembre 2009



**PAYMENTS WEEK 2009:
AUTOMATED PROCESSING
OF GOVERNMENT PAYMENTS:
THE ITALIAN EXPERIENCE**

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AUTOMATED PROCESSING OF GOVERNMENT PAYMENTS

Summary

1. *Evolution of public payments management– The Italian experience*
2. *The technological infrastructure for Government payments execution*
3. *Receipts management*
4. *Trends and strategies in the European payment system*
5. *Critical features in the modernization process of public payments*
6. *The use of ICT and exploitation of data*
7. **Conclusions**

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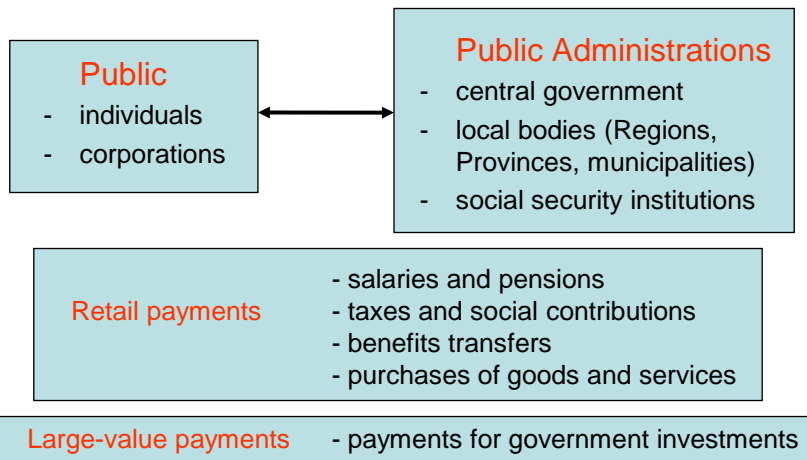
Historical and institutional evolution (1)

- 1893 Constitution of the Bank of Italy
- 1894 First convention between the Bank of Italy and the State Treasury for the State treasury service
- 1991 Last renewal of the convention
- 1992 New convention: the service is renewed by implication every twenty years

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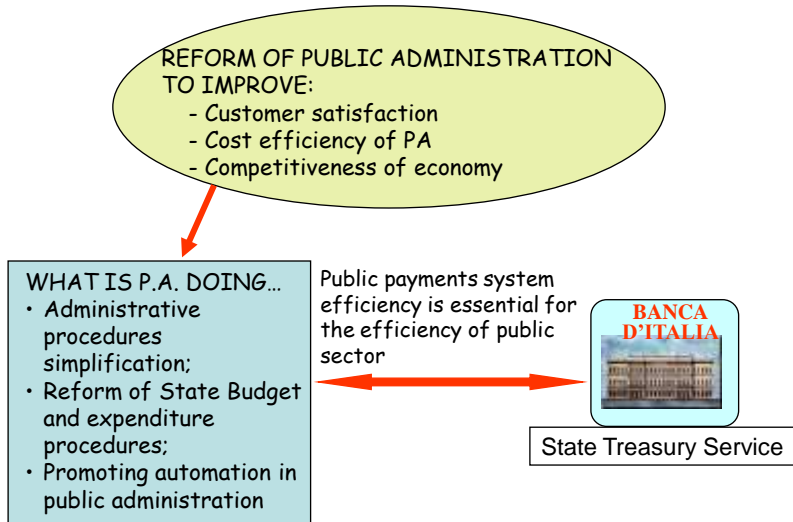
PUBLIC PAYMENTS

Transfer of funds between:



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Reforms of the Public Administration promoted in the '90s: implications for government payments



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THE STATE TREASURY SERVICE – EVOLUTION

- Reforming the treasury service in line with the Public Administration modernization process (*i.e. using new technologies in receipts and payments procedures*)
- Developing plans for the use of telematic networks
- Integrating the State treasury into the interbank payment system
- Enhancing quantity and quality of the information on public finances, including territorial entities

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Promotion of automation in Public Administration and reform of expenditure procedures

- **Reform of the legal framework governing expenditure procedures (DPR n. 367/94)**
 - Introduction of information technologies in expenditure and reporting procedures
 - Executing public payments using, as a rule, bank and postal channels. Creation of the Authority for Public Administration Computerization (CNIPA)

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TRENDS IN PUBLIC PAYMENTS

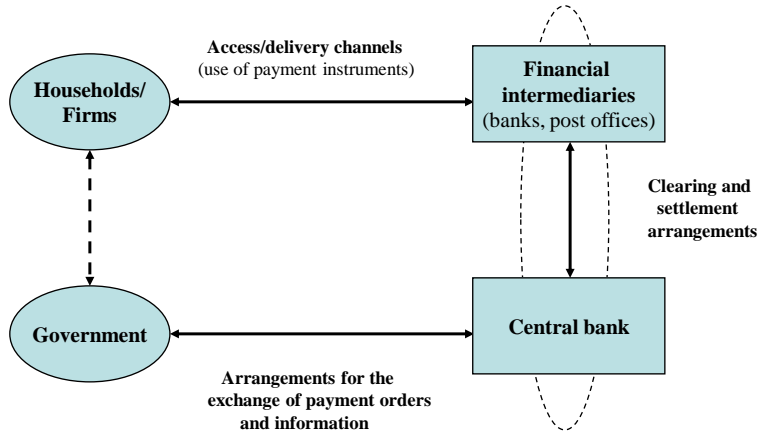
Traditionally, the use of paper-based procedures and instruments has been dominant

but

there is a clear tendency towards migration to electronic systems in all sub-processes of government payments

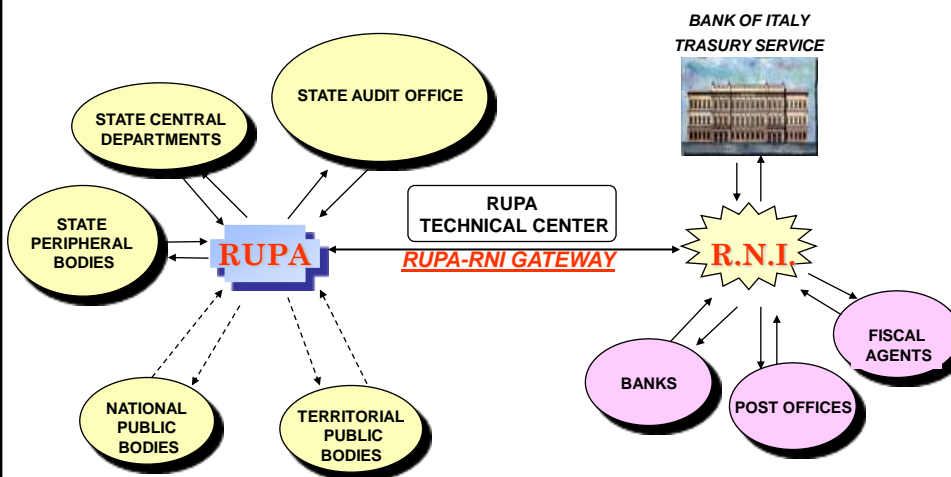
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Processing of government payments



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Telematic Treasury System - Infrastructure



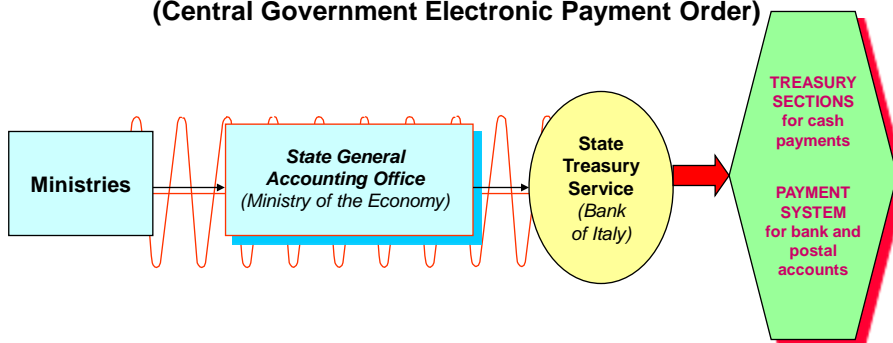
The Computerized System for Public Administration Payments (SIPA)

GOALS:

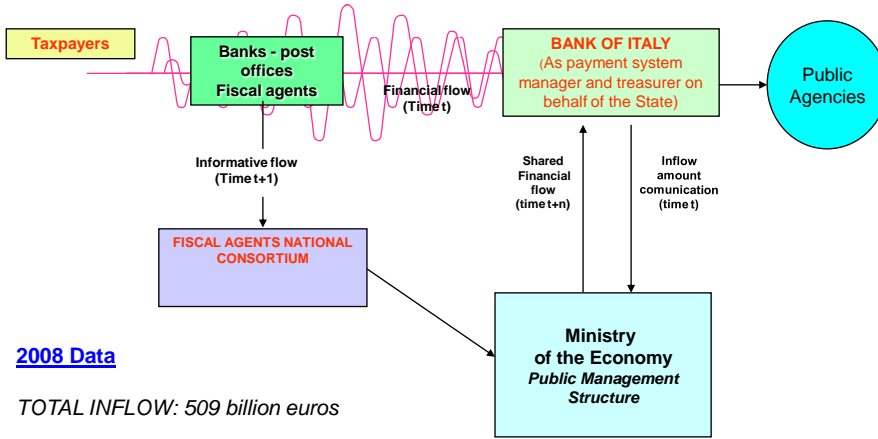
- Introducing information technologies in expenditure and reporting procedures in order to ensure:
 - Data and information certainty
 - Effectiveness in controls
 - Payment quickness
- Replacing paper acts with electronic data
- Executing payments using, as a rule, bank and postal channels

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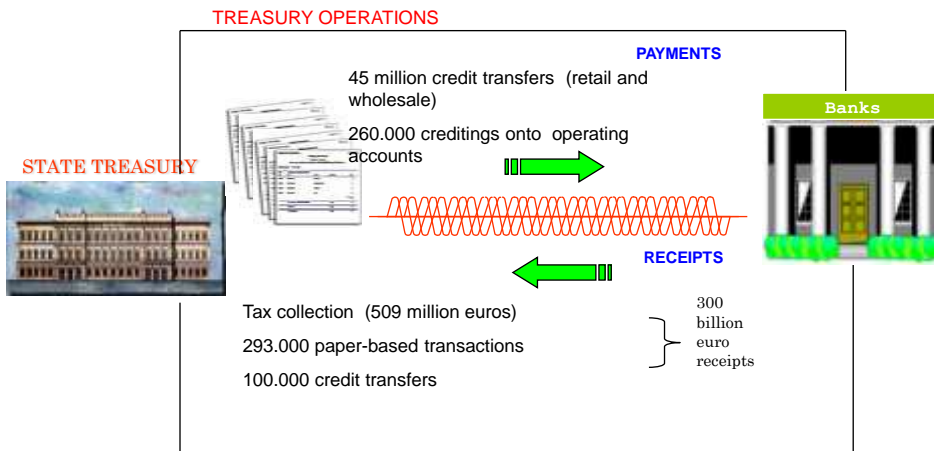
Mandato informatico (Central Government Electronic Payment Order)

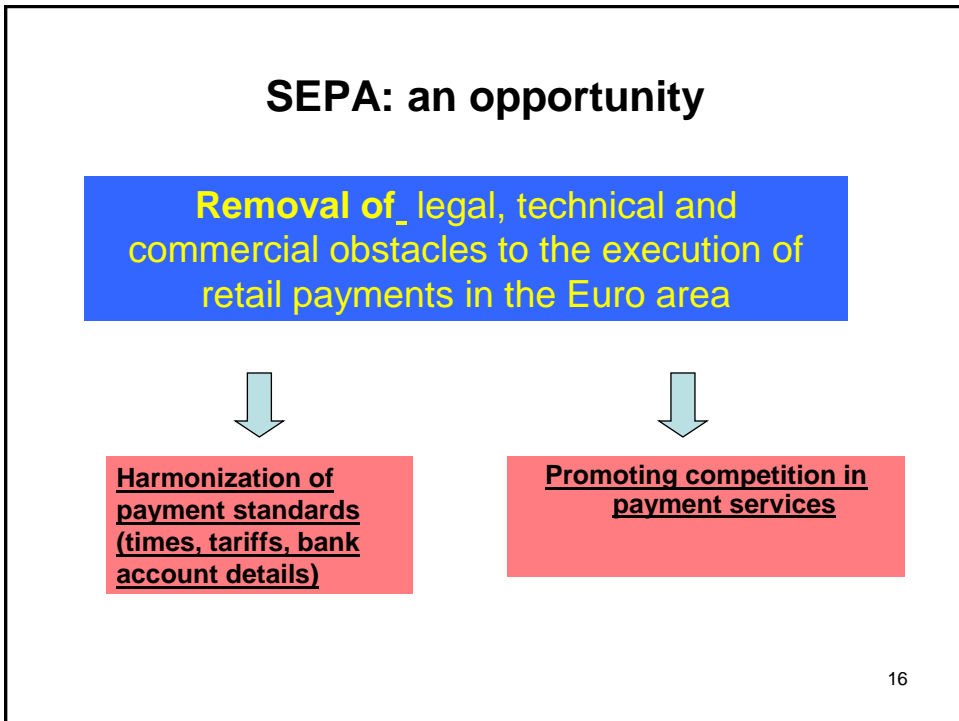
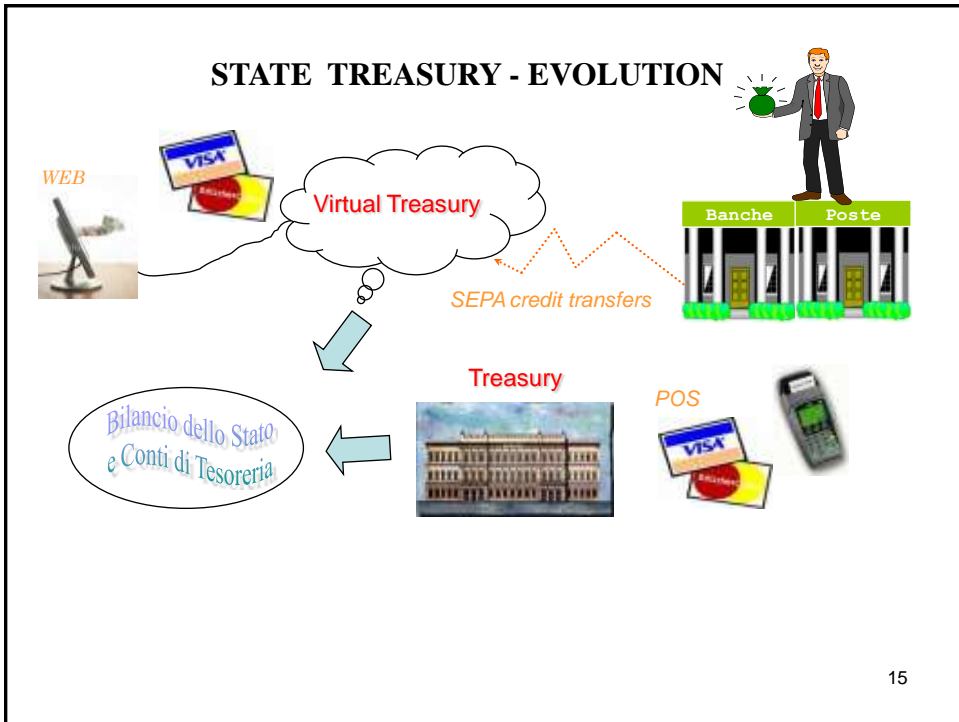


Electronic Tax Collection (Delega Unica)



STATE TREASURY AND COMMERCIAL BANKS





SEPA and Public Administration The role of P.A.



Central and local Public Administration

Closeness to the market

Firms
Households

Large transaction volumes
(receipts and payments)

Public Administration can act as a driving force, bringing its payments critical mass into the System

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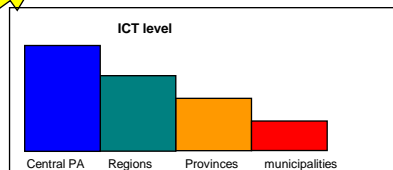
SEPA and Public Administration Role of National Governments

Aknowledging the Payment Service Directive into the national law

Using the standard code (BIC-IBAN) to adress Public Administration's credit transfers

Promoting the adoption of SEPA instruments for Public Administration's payments

IMPROVE THE USE OF ICT
IN PUBLIC
ADMINISTRATION



Only 50% among Regions and Provinces use a telematic network for treasury services

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Public Sector in Italy

- **State sector** (*and other central administrations*)
 - 25 state administrations and constitutional bodies
 - 171 other central administrations
- **Local administrations**
 - 22 Regions
 - 100 Provinces
 - 8.100 municipalities
 - 319 local health units
- **Social security institutions**
 - 27 institutions

A total of about 10.000 institutions

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Provision of treasury services to public entities

	<i>Holding of accounts</i>	<i>Execution of payments</i>
<i>State</i>	Bank of Italy (since 1894)	
<i>Local Public entities</i>	Bank of Italy and commercial banks	commercial banks

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Payments by local public entities: critical features

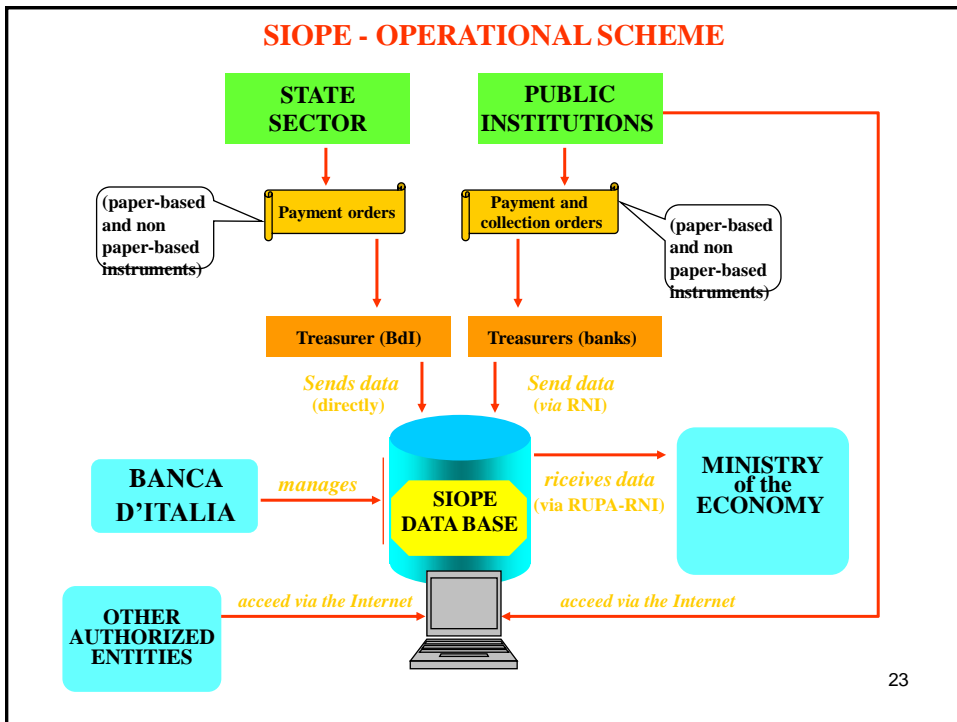
- Local public entities mainly use paper-based payment procedures provided by commercial banks
- Lack of common standards in telematic services provided by banks to local public bodies
- Limited use of digital signature by public bodies
- In general, limited use of digital signature in relationships between banks and customers (households, firms) due to shortage of demand and lack of a proper application

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Payments by local public bodies- Initiatives

- The Bank of Italy has urged the market to define a common standard for “local bodies’ electronic payment order ” based on digital signature
- Commercial banks have co-operated in the definition of a standard which has been submitted to:
 - The Bank of Italy, as the authority responsible for payment system oversight;
 - Authority for Public Administration Computerisation
- Advantages of “local bodies’ electronic payment order”
 - full telematic treasury management by local public bodies
 - automated collection of data to be sent to SIOPE
 - impulse to a wider adoption of digital signature

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- SIOPE – OUTLINES**
- SIOPE is a data base that gathers information on payments and revenues of public institutions: State sector data are sent to SIOPE by the Bank of Italy; data concerning public entities are sent by the banks performing the treasury service
 - SIOPE is regulated by decrees issued by the Ministry of the Economy introducing a standardized coding for payments and revenues for the whole public sector (State, Regions, municipalities, etc.)
 - The General Accounting Department (RGS) entrusted the Bank of Italy with the management and development of SIOPE (the agreement was signed in March 2003); the infrastructure was implemented by the Treasury Services Department and the IT Department of the Bank and it was launched in January 2006; as of November 2006 SIOPE data have been available on the Internet www.siope.it (only authorized entities)
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SIOPE - MAIN OBJECTIVES

- Effective monitoring and co-ordination of public finances, both at central and local level
- Producing public accounts more frequently and timely than today
- Allowing a more detailed analysis of public expenditure with reference to specific categories of goods and services (e.g., ICT expenditure)
- Providing local entities with information and benchmarks suitable for comparisons with similar entities
- Enhancing Local bodies' electronic payment orders, thus increasing the efficiency of the Public Payment System

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SIOPE - INFORMATION AVAILABLE ON THE WEBSITE

Daily and monthly reports on:

State Sector

- Expenditure of Central Government Departments

Public Entities

- Financial and non financial payments and revenues for each entity and entity category
- Current expenditure and capital expenditure, transfers from the State to Public entities

Outlook for SIOPE: for the State Sector SIOPE will collect data about decentralized expenditures and revenues; for Public Institutions further reports and ratios will be provided on the website

Public Institutions can consult SIOPE data and reports through *userid* and *password* or digital certificates. Bank of Italy's branches provide public entities with passwords to access the website, following their requests.

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SIOPE - REPORTS AVAILABLE ON THE WEBSITE

STATE SECTOR

- Central Government Departments payments (daily and monthly reports)

PUBLIC ENTITIES – Daily reports (by institution)

- Payments and revenues

PUBLIC ENTITIES – Monthly reports (cumulative items, per each institution and sector)

- Payments and revenues
- Revenues –non financial items
- Revenues –financial and non financial items analysis
- Revenues – financial assets variations
- Revenues – financial liabilities variations
- Current Payments (without financial items)
- Capital Payments (without financial items)
- Payments – financial and non financial items analysis
- Payments - financial assets variations
- Payments - financial liabilities variations

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Siope – Transactions coding

- Transaction codes classify receipts and payments according to ESA95
- SIOPE is pre-set to receive also :
 - the “Common Procurement Vocabulary-CPV” (Eurostat’s product classification);
 - the “Single Project Code - CUP”, which identifies public investment projects, for timely monitoring of public investment expenditure

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SIOPE - CONTRIBUTIONS

- Uniform coding of transactions promotes transparency in management practices and fosters the harmonization of budget rules
- Access to data allows management control through a benchmarking activity among public entities' practices
- SIOPE can help to increase the efficiency of public institutions' treasury services and, in general, of the public payment system
- SIOPE can combine administrative decentralization and fiscal federalism with authorities' duty to provide the State with detailed and timely reporting

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Conclusions: relevant aspects in a reform of public payments

- Efficiency of public sector payments means reduction of costs and increased competitiveness of the national economic system
- Maximized benefits only if the majority of public treasury services are computerized
- Automation of public sector payments:
 - promotes creation of databases, improving knowledge on entities' cash flows and allowing management comparison
 - provides timely and reliable data (at bearable costs)

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THANK YOU FOR YOUR ATTENTION