**INNOVATIONS FOR
SUCCESSFUL SOCIETIES**

PALERMO RENAISSANCE PART 2:
REFORMING CITY HALL, 1993 – 2000

SYNOPSIS

In 1993, Palermo, Italy, mayor Leoluca Orlando launched an ambitious strategy to reclaim a city from Mafia-related corruption and violence. To move projects forward, however, he had to overcome several obstacles. Nepotism and patronage had created a mismatch between the skills available and the talents required to run the city effectively. Municipal offices lacked adequate records, and information retrieval was difficult and time-consuming. City finances were in shambles. And citizens did not trust the government to get things done and deliver services. After a landslide electoral victory, Orlando and his cabinet members worked with community leaders to develop a "culture of legality" by cutting the Mafia out of government transactions and transitioning the city from norms of secrecy and bribery to norms of transparency and respect for rules. The administration improved records management, built administrative capacity in key departments, improved budget processes and expanded revenues, increased efficiency and tackled corruption, and started to rebuild the social contract between government and citizens. Those reforms earned Palermo multiple awards, as well as a strong first-time rating (Aa3) from ratings company Moody's Investors Service. Although some gains slipped after Orlando left office in 2000, his reforms weakened the Mafia's hold over government. This case study recounts Orlando's reform efforts at city hall from 1993 to 2000.

Two companion case studies address simultaneous reform efforts in Palermo. "Palermo Renaissance Part 1" focuses on the restoration of public spaces, arts and culture, tourism, and schools. "Palermo Renaissance Part 3" details efforts to improve service delivery, management, hiring, and bidding processes

INTRODUCTION

In the spring of 2012, as he debated whether to run for election once more, Leoluca Orlando reflected on his tenure as mayor of Palermo, Italy, in the 1980s and 1990s: He had tried to reclaim the city from the Mafia by renovating historic

sites, facilitating arts and cultural events, and creating employment opportunities. His administration had invested in education, thereby providing young residents an avenue out of the Mafia's patronage machine. And his deputies also restructured several of the agencies that provided important services, such as water and power, so that Palermitans had reliable basic amenities.

To carry out those reforms and to break the Mafia's grip on the city, Orlando also worked with his cabinet members, known as commissioners, to change the way the city carried out its basic operations.

During his first mayoral term (1985–1990), resistance from political parties and city employees blocked much of the reform agenda. At the time, the Mafia still influenced who won local government jobs, and it sometimes installed its allies and operatives in city hall.[1] A national anti-Mafia commission reported that during Italy's 1990 elections, 400 candidates for public office had criminal records or had been charged with public corruption, bribery, racketeering or similar crimes.[2] A magistrate who worked with Italy's high commissioner for anti-Mafia affairs said in the same year, "The Mafia has always had close ties to the political class, but with this last election the Mafia has decided it no longer needs intermediaries between itself and the political world. *Mafiosi* are now being elected directly to political office. Some people talk about the Mafia as an anti-state, but in many parts of Italy it is the state."[3]

Orlando left the Christian Democracy Party and founded an anti-Mafia political party, *La Rete*, or "The Network." His move was prescient; *La Rete* became a national movement, and the Christian Democracy Party dissolved in 1994.

In 1991, a year after Orlando left the city's government, Mafia violence in Sicily, the region in which Palermo was located, reached a peak. The region's 718 Mafia-related murders accounted for 37.5% of the total number of murders committed in Italy that year.[4] In 1992, public outrage spilled onto the streets of the city after the Mafia assassinated two widely respected magistrates: Paolo Borsellino (killed with his five bodyguards) and Giovanni Falcone (killed with his wife and three bodyguards). The army sent 7,000 troops to patrol in and around Palermo.[5]

Under pressure, the Mafia began to move away from high-profile violence and returned to its past tactics of secrecy and backroom deals. But the legacy of corruption and law breaking remained, especially within Palermo's government itself. Orlando had to overcome that legacy in order to move other changes forward. During his second and third terms (1993–2000), he and his reform team had space to make more headway because public outrage and national law enforcement action against the Mafia made it easier to win internal administrative changes.

THE CHALLENGE

Orlando won the 1993 election—held off cycle as a result of legislative changes at the national level—with a landslide victory. The vote of support presented both an opportunity and a challenge. Orlando explained, "I was elected with 75% of the votes, but it was terrible because everybody demanded everything *today*. I spent a lot of time saying to people that we needed time. Real change needs time." Deep reforms would require fixing city hall by tackling record-keeping failures, getting finances in order, expanding the revenue base to redress city problems, improving the effectiveness and capacity of municipal employees, and engaging citizens in monitoring how well the city performed.

The city Orlando inherited reflected decades of neglect and abuse. Perhaps the most prominent symbol of municipal dysfunction was the shuttered Teatro Massimo, Palermo's beloved opera house. The run-down building in the city's center had been closed for "urgent, immediate repairs" since 1974. Previous administrations had

awarded contracts worth billions of lire (millions of US$) to Mafia-affiliated contractors, but the repairs were never done.

Any mayor who wanted to move forward with a project quickly learned that retrieving essential information about finances, investments, programs or residents required a lot of time and much ingenuity. By 1993, Palermo's administrative offices had fallen into decay, without adequate records of government projects or data on property holders, tax payments, and demand for services. There was no clear system for organizing and storing information and documents so that the mayor and commissioners could retrieve the data they needed to manage city operations. The problem was only partly technical. The organizational culture itself did not support careful record keeping, regular communication or coordination.

Furthermore, the city managed its finances ineffectively. Two-thirds of the city's budget came from the central and regional governments, and the rest from local taxes. Giuseppe Cappellani, who headed Orlando's budget office, recalled that the previous municipal administration had spent only 40% of the annual budget. When he came into office, he found 2 trillion lire (US$ 1 billion) frozen for projects from the previous decade that had never gone anywhere. "The money allocated to the [previous] city council had been more than enough," Cappellani said. "The fact that they had a certain amount of money unspent did *not* mean that they did not need it. It meant that they didn't know how to spend it."

Furthermore, previous city administrations had not collected all of the revenue to which the city was legally entitled. A mayor and council that wanted to improve services and address renovation backlogs would need more funds after it used the surplus in the accounts. Tax evasion in Palermo was not unique in Italy, where evasion amounted to 27 to 48% of gross domestic product.[6] Cappellani said that only about 40% of Palermo's

households paid their garbage collection tax, adding that the tax office had been run so sloppily that the municipal government did not know exactly which citizens had not paid, rendering tax enforcement efforts impossible.

Even if the city used unspent funds and managed to collect more taxes, Orlando's administration would need to identify new sources of funding to fix outdated internal systems, overhaul municipal offices, improve city services and infrastructure, and undertake city revival projects.

But money alone was not enough to solve Palermo's problems. The mayor would have to find a way to change norms too. First, he and his commissioners would have to get employees excited about getting things done for the city. Francesco Giambrone, the cultural commissioner, remembered the initial reluctance staff members showed toward taking on new projects. "I decided to allocate extra money for museums and libraries," he recalled. "I was very happy about it. But all the civil servants who were there came to see me and said they were upset because now they had to spend this money."

In addition, it was standard practice for citizens and organizations to use connections or skirt the rules in government operations in order to get ahead. Giuseppe Ferrante, Orlando's cabinet member in charge of boosting entrepreneurial activity, said, "Before, if you needed to get paperwork done, you had to bribe or ask friends for favors. It always involved favors or paying people or asking a friend of a friend. It created a very negative cycle." Municipal policies created many points where a citizen had to seek a clerk's approval or help, and each step created opportunities for "favors."

With unemployment in Palermo at approximately 35% in the early 1990s,[7] Orlando's administration wanted to encourage entrepreneurs to open new businesses and create jobs. But there was a backlog of 1,600 license applications, and

many applicants offered bribes to expedite the paperwork or just started business activity without a license. Ferrante said, "Obtaining a license for a new company could take three years because the procedures were very slow. But when you open a new company, you cannot wait that long for the license. We knew we had to improve the timing of these practices."

Orlando described Palermo's interaction between cumbersome procedures and bribe taking: "Simply getting a minor building permit or a birth or death certificate or a tax form from the city clerk's office was a frustrating, time-consuming business, and over the years, a shadowy figure, the *spicciafacienni* or 'business expeditor' had become a fixture in our municipal life. Such individuals lounged outside the Palermo Registry Office, waiting to be paid to go from office to office or from counter to counter in a citizen's place, transacting his or her business and eventually producing the desired document. Of course, the *spicciafacienni* made his way by passing out small bribes to the clerks behind the counter, and he got what he needed while citizens who couldn't afford his services waited interminably in line."[8]

Further, evidence of low government capacity was everywhere. Politicians pushed government officials to hire on the basis of "political recommendations" rather than through open public competition.[9] Orlando said: "In a system like Palermo's, where everything needs to belong to somebody, social services were managed in the name of cultural belonging, personal belonging. And if you were looking for a job, you just needed to belong to somebody." As a result, many municipal employees lacked the training and skills for the jobs they held.

As a result of all of those syndromes, citizens placed no trust in government. Ferrante said, "There were protests outside city hall because there wasn't a lot of hope among the citizens." People took to the streets partly because the city

had no system for receiving complaints or soliciting public participation. Orlando's administration had to encourage civic participation by engaging the public and opening municipal offices long off-limits to the public.

FRAMING A RESPONSE

Reforming Palermo's city hall was essential to Orlando's larger strategic goals. The mayor had to decide how best to organize the municipal files and finances, build a broader revenue base, change expectations, improve the performance of city hall employees, and re-engage citizens. Achieving those aims would power his other reform efforts.

Orlando relied on two deputies, both of whom he knew well and trusted. The first, Fabio Giambrone—who had helped Orlando coordinate a bid for the national Parliament in 1991 (and who was a relative of culture commissioner Francesco Giambrone)—recalled his close relationship with Orlando: "I met Orlando for the first time when I was 19 years old. [It was the] beginning of an intense and positive collaboration. We understood one another very well; we had a lot of political chemistry." In 1993, Orlando invited Fabio Giambrone to manage his office as chief of staff. In his new role, Giambrone ensured that the lines of communication to the mayor remained open for quick decisions and served as the links between Orlando, the cabinet, the city council and citizens. People referred to Giambrone as the "little mayor" or "shadow mayor" because of his key role.

Emilio Arcuri, a medical doctor by profession and an urban planning adviser, was another critical team member. He had known Orlando since his first term, when, as councillor, Arcuri had helped develop a plan to revitalize Palermo's city center. In December 1993, Orlando appointed Arcuri as vice mayor to manage day-to-day operations. (Arcuri took on a second role as commissioner of the historic city center at the same time.) Arcuri said, "With the new election, I

found myself able to sign on behalf of the mayor—of course with a close understanding with him. Orlando was out on the streets a lot, so I tended to be in city hall, meeting with commissioners while he was out."

The team pondered how best to address each of the broad challenges they faced. Logically, automation in the form of computerization was part of the solution to the record-keeping problem, and addressing that need was high on the agenda. Better information access could expand the range of options available for addressing other challenges. In the mid-1980s, during Orlando's first term, Italy's central government had tried to encourage automation, and Orlando had wanted Palermo's municipal offices to install some. In 1987, Orlando had asked Achille Bontà, an engineer and technology expert, to create a business plan for installing computers in city offices. At that time, the city government had no computers. Moving forward with automation held promise not only as a way to speed information retrieval but also as a device to introduce transparency and control corruption.

In 1989, Orlando had worked with Bontà to establish Sistema Palermo Informatica (SISPI), an information technology company owned jointly by the city of Palermo (as the majority stakeholder) and a private group. SISPI was responsible for equipment as well as the design and application of new technology to services and training. Managed like a private company, SISPI became operational in 1991, with Bontà reporting to a board of directors composed of private citizens. From 1991 to 1993—between Orlando's first and second terms— Bontà had been able to move ahead because SISPI had a contract in place by the end of Orlando's first term. With the computers installed, his team started training civil servants in the new technology.

In Orlando's second term, his team planned to build on the base Bontà had put in place. The focus on technology would support the

administration's efforts from 1993 to 2000 to manage information and create a database of citizens' records—both of which would facilitate the tracking of tax revenues and evaders, the organization of government accounts, the management of personnel, the issuing of forms and licenses, and the connecting of municipal employees with one another and with citizens.

Revenue was Orlando's second imperative, and the solution was partly dependent on better information systems. Orlando's budget office would work to channel unspent funds to city priorities. However, to address deferred maintenance and invest in improving of services, revenues would have to increase. Orlando made it clear that he wanted to focus on tax evaders— those who did not pay their fair shares of local taxes—and not on increases in taxes. He would also find innovative ways of raising revenue from sources outside Italy.

To improve city services, Orlando's administration not only had to enhance information management; it also had to change the organizational culture of the city administration from one of bribe taking and poor management to one of legality and results. Orlando held that leadership and insistence on a new city hall mentality could transform behavior in a short time. Taking a stand against a long-standing belief about Sicilian culture, Orlando had faith that behavioral change was possible. "The traditional saying in Sicily is: 'A person who was born round will not die square.' But we said: 'No: Whoever is born round *can* die square,'" he said. "It was the most relevant message, important mainly in Palermo, Sicily, where our terrible enemy is fatalism. … Citizens [*could*] change, and even the managers responsible for public administration understood that they *could* die square."

Chief of Staff Fabio Giambrone described how commissioners would lead by example and set a tone for rapid transformation in city hall:

"We were fighting a battle to show we could do more and we could do better with the city. When we arrived, we found that janitors were asleep in the room at 2 p.m. That's what they were used to. We had to make everyone understand the change of pace, but it was difficult. …The administration had to lead by example with love of service, which is really what politics is about: being in the service of the city."

Finally, the administration needed to engage and serve citizens better. Orlando had started such efforts during his first term. For instance, in the 1980s he had worked closely with anti-Mafia citizens' groups and every Monday hosted a group of citizens at city hall to monitor and ask questions about the city council and cabinet agendas as well as the municipal budget.[10] Orlando said, "The best way to defend the administration from the Mafia is to let the city administration be… controlled by citizens. If the citizens control, the Mafia has no space to infiltrate inside city administration." For his next terms, he and his team would try to keep as visible and accessible as possible. They would also try to improve services—such as the issuing of records like marriage certificates and business licenses—that would make citizens' lives easier.

The overarching goal of the administration was to earn citizens' trust by making the city run well and by relying on rules and the law rather than on favors and bribes. Cosimo Scordato, a Roman Catholic priest in a low-income neighborhood of Palermo and anti-Mafia activist, said, "Orlando wanted people to think Palermo was a normal city and functioned like a normal city, one that did not work through clientelistic networks, where you don't have to call friends or neighbors to pay bills or get the buses to run or turn on the lights. That's a true antidote to the Mafia: to make the city work by itself."

GETTING DOWN TO WORK

One of Orlando's first priorities was to assemble a competent reform team that reflected the mayor's principles and goals. Once the team was in place, it would act on organizing city hall's database, getting finances in order, shaping norms among employees, and engaging citizens.

Building and coordinating an effective cabinet

For the appointed cabinet posts, Orlando and his top advisers sought people known for their expertise, not their party affiliations. A crucial qualification was that the commissioners had to be free of any Mafia connections. In Palermo, the selection process was not easy. Chief of Staff Giambrone said, "We spent a lot of time talking through and vetting the various options for commissioners. We were looking for people who were high profile, professional, not affiliated with particular interests and not likely to be blackmailed—people who didn't owe others favors. These people were supposed to represent the change in the city. The characteristics we needed were transparency and a respect for rules and laws."

Most appointees were neither politicians nor well-known. Francesco Miceli, an architect and former municipal councillor who had helped develop Palermo's urban plan, became commissioner of public works. Miceli said that former administrations never would have selected him because he was an anti-Mafia activist and a member of a small political party.

Budget commissioner Cappellani, a former civil servant with expertise in budget and financial management, recalled, "My appointment was a surprise because nobody knew me. What was good was that I knew the law and I had technical expertise." He added—referring to Orlando's election in 1993, which was less susceptible to party pressure because citizens could vote directly for candidates and because Orlando won in a landslide—"Usually, the mayor is elected by the support of political parties. In fact, when the

mayor has to form the government, the parties usually impose their candidates to be part of the team. The innovation with Orlando is that he was elected by 75% of citizens, so he didn't have to choose people who were suggested by the parties. He chose people he wanted to have around him."

With a capable team in place, Orlando and his chief of staff focused on strengthening the communication and reporting lines between the mayor's office and those of the commissioners. He instituted two kinds of meetings: administrative and political. At weekly administrative meetings, cabinet members approved documents, monitored ongoing projects, voted on municipal policies and discussed resources for projects. Political meetings, which took place every two weeks, focused on more-strategic matters and had nothing to do with party politics. Those gatherings provided an opportunity for the team to determine priorities and discuss obstacles, share information, raise new issues, build consensus and decide on next steps. The meetings also helped sort out differences and divide up responsibility.

Although Orlando was a hands-off manager who delegated responsibility to capable lieutenants, he was careful to communicate his priorities precisely and to follow up closely. Miceli recalled, "Any occasion would be good to give him updates. He would even invite us to events or to attend meetings with him, so we could update him then." Orlando sent commissioners daily handwritten notes with decisions and priorities. "The original plan, the basic idea of everything, came from Orlando," Miceli added. "But all the people who were expert in those specific fields put it into practice."

Cabinet members worked closely and shared a common vision for reforming Palermo. Commissioner of culture Francesco Giambrone said, "The start came from Orlando, but the important thing is that we were a team, we were together all the time and we shared the same vision. … We had the same idea of how we saw the city."

Arcuri added, "Because we were all there in our individual capacities, having been appointed by Orlando and not for party affiliation, our decisions were based on individual judgments; we were all personally motivated."

Vice Mayor Arcuri created procedures that would help him oversee municipal offices, and he communicated with cabinet members regularly. "I was responsible for managing relationships between the various members of the administration," he said. "All the people [commissioners and managers] were so busy carrying out their own visions that they didn't have the space to look at what others were doing in the administration. We needed to make sure all actions of city hall were coordinated and cohesive."

Improving information management

When Orlando returned to office in the 1990s, he continued to support the computerization efforts he had begun during his first term. He recalled in his biography: "I realize that claiming this as an achievement in the last decade of the twentieth century will seem almost ridiculous to anyone accustomed to living in a normal modern city, but in the early nineties Palermo was still not a normal city."[11]

In 1993, Bontà and his team turned their attention to building a database that would provide quick access to information about Palermo's 700,000 citizens. Bontà's team worked with 12 groups of people from a data input company to transfer all of the manual record data into computerized records. By the end of the process, the new database contained census-style records with citizens' names, addresses, professions, number of family members, ages, and related information. Using the new database, civil servants could quickly search for records by name or address and citizens could easily access such documents as birth and death certificates, identity cards, or driver's licenses.

The database reform was notable not for information collection; in Italy, each municipality kept records of citizens, including proof of significant events such as births and deaths. Rather, the reform was a major achievement because 1) it organized and connected to Palermo citizens for the first time already-existing data in

one place; 2) the new system did away with the need for cumbersome paper files, as everything became digitized; 3) it facilitated transactions for government documents whose files and records were more quickly and easily accessible; and 4) because automation rendered the *spicciafacienni* irrelevant and bribes less likely.

Orlando was especially proud of how the computerization enabled citizens to get things done without having to pay someone to navigate a system of bribery and collusion. He wrote in 2001 about the kiosks and automated processes that facilitated citizens' interactions at the Registry Office: "Official documents and information can now simply be obtained from automated machines, similar to ATMs. The transaction is swift, with no margin for corruption. The request comes directly to the citizen, without the intervention of a middleman. It may seem like merely another bureaucratic procedure to people who live in places where the bureaucracy works, but in Palermo it was a gift of autonomy."[12]

Interestingly, even though citizens could easily obtain records from Palermo's new automated kiosks, Orlando's team observed that people sometimes preferred to conduct the transaction in person—either because their requests involved questions or more detailed information than kiosks could respond to or because Palermitans were simply not accustomed to the new technology yet.

Reforming finances, expanding revenue

With the computerized system in place, Orlando's administration began to reform financial procedures. Consistent with his insistence on having records in order, reforms included tight requirements for the timely submission of paperwork and close monitoring of contracts.

When Cappellani took over from his predecessor in 1995, he worked to channel unspent money toward city commitments and created an emergency fund for reform priorities. Using funds left over from previous administrations, Cappellani was able to allocate 550 billion lire (US$354 million) to municipal projects over the next three years. A large share

went to improving roads and repairing other infrastructure.

The administration also cracked down on tax evaders as part of the culture of legality Orlando's administration wanted to encourage. The administration focused on enforcing taxes within the purview of the municipality, including the garbage collection tax, property tax, and the "public-soil" tax paid by businesses using public space to sell goods.

Cappellani relied on Palermo's new database to enforce tax collection. Cappellani claimed previous administrations were mostly to blame for Palermo's past difficulties with tax collection because records kept by the public authority were poor and there was a lack of coordination among city offices to follow up with tax evaders. Cappellani also said his tax collection reforms were mostly a matter of coordination: "The data was already all in the possession of the civil registry and real estate registry. It was just a matter of matching [whether] people reported their true status in both registries."

The database made it possible to keep track of taxpayers. Cappellani stressed, "Being computerized was a necessity for the civil service, the registry office and the city council. Otherwise, we couldn't have fought tax evasion."

For garbage-collection tax evaders, Cappellani's team of 30 people relied on the newly automated citizens' database. The team used the system to determine the number of dwellings in the city, visited buildings to verify the number of households in each, cross-referenced with civil registry data, and determined whether each household had paid the waste tax. Cappellani explained, "For example, in a building with eight floors, we would figure out who lived in each flat. The task could be performed with the computer system. It was just a matter of putting the data together. City hall had all the people's names. Then we went around, building by building, and checked to see who lived there to determine if there was a match."

The procedure revealed about 120,000 tax evaders out of Palermo's 200,000 eligible, taxpaying households. The office then sent the list of evaders to the accounts office for follow-up via

letter and legal notice. Although the annual revenue of 60 million lire (US$38,000) added relatively little to city coffers, Palermo's new enforcement process spread the clear message that city hall was being run more like a business and that citizens needed to pay their fair shares for public services.

Orlando appeared on television regularly to stress the importance of paying taxes. He recalled, "Normally, I explained the need for taxes for two hours on TV twice a month."

Ferrante, the commissioner who promoted business activity in the city, also helped bring in taxes. He and his team ensured that people who sold items on public property, such as vendors at public street markets, paid public-soil taxes. "Before my tenure, probably 99% of people who used public space for their economic activities did not pay the tax, including neighborhood street markets," Ferrante said. "So we embarked on both an education campaign and direct negotiations with these markets' sellers. We also increased controls. So we saw an increase in tax revenue." He said that vendors had an incentive to pay the tax, because they would be invited to participate in city initiatives like outdoor band concerts in business areas.

The administration's ability to enforce regulations and raise revenue also made it easier to obtain loans from banks. Encouraged by the increased revenue and improved budget administration, banks lent more money to the city, and the national government allocated more resources. Orlando said, "We controlled municipal incomes from rental buildings and taxes. The control of fiscal pressure gave us more credibility … and we received money from the national government. We received more money for Palermo because the [national] government could say it was giving money to an administration that spent correctly. This was not possible in the past."

Cappellani said his office also found additional resources by reviewing insurance policies and debt-servicing obligations. For instance, the city had previously borrowed from the commercial banking sector when the interest rate was as high as 15%. Because Italy was entering the euro era by the time Orlando's administration was in place, interest rates were lower and Cappellani was able to renegotiate some interest rates. The city also took out low-interest loans from Italian bank Cassa Depositi e Prestiti, a joint-stock company monitored by a parliamentary committee.[13]

Beyond using unspent funds, collecting tax revenues and obtaining loans from banks, Orlando cultivated funding from foreign sources. In 1997, he established a Europe Office to solicit funding from the European Union (EU), which offered grants for local development projects in cities or regions that qualified for assistance and demonstrated responsible fiscal management. Giuseppe Modica, a private-sector entrepreneur with a political science degree, took charge of the office and a staff of five. He said, "One objective was to improve coordination between offices to benefit more from EU resources. The second was to train and build the capacity of civil servants so that they could understand EU institutions and their processes for funding." The office disseminated new information on grants to departments and offered advice to civil servants who wanted to apply for funds. It also helped departments form partnerships with EU offices. The Europe Office attracted funding for civil service training projects as well as major service delivery projects to improve water distribution and public transportation.

The outside support advanced the reformers' promotion of better financial practices because grants usually required the city to improve its accounting procedures and fiscal transparency. Modica recalled, "To benefit from funds, you need to have a higher transparency than Palermo was used to. But, for us, getting funding from the European Union was part of improving legality in Palermo."

Reshaping norms at city hall

As the administration rolled out policy changes, Orlando's team had to rely on municipal workers to do their jobs efficiently and effectively. In Palermo, that meant changing a city hall culture that tolerated—and in some cases,

encouraged—bribe taking and sleeping on the job. Orlando stressed, "The change was of rules, attitudes and style of administration."

The mayor led by example. He was known for submitting city reports—semiannually and publicly accessible—complete and on time. To demonstrate his commitment to decisiveness and quick response, he had a rule that no paperwork requiring his signature would stay on his desk for more than six hours. Furthermore, he would meet with citizens at his office only if the topic involved services, not politics.

For some top-level management jobs, Orlando decided to hire outside consultants on short-term contracts until qualified permanent applicants could be recruited. Modica, the manager of the EU office who was hired through that process, said, "At the time, there was a lack of mid- and senior-level folks who could lead these departments. Orlando understood the necessity and used this mechanism to fill the gap." The contracts usually were for three years. Modica said he applied for his job when city hall publicly announced the open position in the newspaper. He recalled his surprise at the transparency of the selection process, which involved submitting a curriculum vitae and being interviewed: "This was the first time public jobs were announced through city hall. It might have been the first time in the history of the city government."

For consultant positions, the core reform team tried to identify people they thought would help change the institutional culture. The consultants brought critical expertise and fresh ideas and demonstrated that the new administration prized qualifications over connections. Chief of Staff Giambrone said, "The objective was to create a new managerial class within city government that would be a lot younger. We wanted it to be a younger administration. There was a need to show that change was happening and a need to demonstrate that people were being chosen for their skills, not for their politics."

In evaluating applications, commissioners paid attention not only to skills and aptitudes but also to staff demographics. Earlier, when personal connections were the main basis for hiring, the

city government failed to consider the need for sustainability. The new administration wanted to hire people who could be trained and become long-term, committed civil servants. "We looked at young people as an investment," Arcuri said.

In another break with the past, Orlando's administration filled vacant civil servant positions through open competition—hiring based on merit and skills rather than political connections. According to national law the public exam was based on an evaluation of education credentials, with points allocated for type of degree and grade point average. (The test used to have written and oral components as well, but those sections were eliminated because of cheating scandals and because the decision-making process was not transparent.) Cesare Lapiana, who was in charge of public transport, recalled hiring the candidate with the best score on the exam: "I remember a young graduate—an electrical engineer—who asked me, 'Why did you choose me and not another?' I said, 'You are the top candidate.' She said, 'But I don't know anybody.' Connections used to be the norm."

The commissioners used automation and streamlined operating procedures to help improve professionalism and remove temptation. For instance, Bontà's team developed new systems that allowed managers to log employees' work hours. Tracking time removed delays and allowed salaries and overtime payments to be made on time.

Understanding that many officials had had some past involvement with bribe taking, Orlando offered an amnesty of sorts. He recalled saying to municipal workers when he came on board, "If you were part of the old system, it is not my problem. Will you be able to change yourself? Because if you can, you will be stronger than the people who have just arrived. I will have full confidence in you. But if you make a mistake, you will be my enemy."

The other issue was how to motivate employees who were already in place. The commissioners had little authority over pay and benefits, which were set in negotiations with labor unions. Pay for performance was not an option—at least in the short term. As a result, the

commissioners experimented with a variety of other strategies to motivate staff members. For example, they tried to signal a dramatic shift in their expectations of civil servants responsible for making payments. Those workers had to settle invoices within 30 days, not the standard 60 days. More-inclusive management styles also helped. Arcuri recalled, "When I held meetings with my staff, everyone was surprised I expected everyone to attend, including the cleaners. We discussed the bigger picture and everyday issues, so even those who would clean our offices felt part of a bigger plan."

Culture commissioner Giambrone also worked hard to adopt a management approach that helped motivate everyone to work toward a common vision: "I wanted civil servants to be aware of and responsible for making choices. I did this through meetings, explanations and long debates. The core theme was to give them responsibility within a project that was shared by everyone. I wanted them to have pride in being part of a project." One major goal city employees rallied around was restoration of the Teatro Massimo, which reopened in 1997 to great acclaim.

The mayor and his team rallied workers to a grand cause, an approach that was workable in the aftermath of public outrage over Mafia assassinations and violence. Citizens of Palermo often referred to the late 1980s—Orlando's first term—as the "Palermo Spring" and the 1990s—Orlando's second and third terms—as the "Palermo Renaissance." Modica recalled the enthusiastic dynamic in Palermo at the time: "The zeitgeist was encouraging and hopeful," he said. "There was a new vibe in the city, and everyone was attentive to these issues."

Arcuri agreed that there was momentum for working toward a common vision, especially because it became the acceptable thing to do: "There might have been some resistance, but when you have a sense of direction and your purpose is clear, it's difficult for people to object to something that is clearly in the common good without sounding suspicious."

Arcuri said social pressure at the time helped motivate employees. "If you do not go to the construction site, work will not be completed," he said. "If everyone knows you have to clean a certain number of offices and you don't, you are going to lose face and you incur a moral sanction from your peers and your role is undermined. In this setting, you do not need to rely on formal avenues for communications between workers and management."

Facilitating business licensing

The city administration prioritized making all municipal transactions legal, fair and efficient. One example was to make it easier to do business in Palermo. Ferrante, the cabinet member in charge of boosting entrepreneurial activity, had served as regional president of a group of young entrepreneurs in Confindustria, an employers' federation of more than 100,000 Italian companies. His primary goal was to eliminate the backlog of 1,600 business-license applications and ease the difficult task of obtaining licenses.

First, his team had to find out how many licenses were actually in use. Licenses for cafés, bars and restaurants were subject to quotas. There was a limit to how many licenses the city could issue, but as with many problems in city hall, there had been no follow-up or careful documentation of what businesses existed and what the license status was. "Once a license was granted, the administration did not know whether the business was still operating," Ferrante said. "People would go and buy up the new licenses that were issued and sell them off to other people," Ferrante said. "Shop owners who stopped their activity didn't give back licenses. This was a way of racketeering and limiting supply."

Ferrante and his team began a census-like review of all existing licenses. They conducted some of that review during an initiative called Café Concerto, whereby the city promoted outdoor concerts at local businesses. "During the Café Concerto series, I had to look at all the licenses we had issued and [then] verify [whether] those licenses had become real businesses. I found out that this wasn't true in a lot of cases." After he and his team conducted the review, they could proceed with issuing new licenses.

Ferrante tried to communicate regularly with the public. He issued press releases on how many licenses the office had issued and to whom, so that citizens could monitor the administration's performance and appreciate its transparency.

In 1998, Ferrante visited Chicago to learn about its one-stop shop, and he launched a similar office in Palermo in 1999. He explained what he adopted from Chicago's model: "I was very impressed with the rationality of their procedures and their organization in the entrepreneurial sense. It was like an industrial layout—almost. You could visualize the physical location where the request was received by the office, the successive steps and the end product. It wasn't a haphazard process that required that a paper file physically move between different offices, with no one knowing where it ended up in the end. I tried to model the one-stop shop in the same way."

Palermo's computerization aided in his efforts. Ferrante said, "In issuing commerce licenses, with the new automation procedures, the civil servants could check documents [quickly] and then grant licenses to companies to open new shops and businesses." Ease of application helped promote efficiency and keep out criminal interests. He added, "The best way to fight the Mafia is to do so with clear, simple and objective laws and procedures that are the same for everyone. We started issuing IDs, taking photos, using one-page applications. Before, citizens had to submit lots of documents. Now, they would get the document on the spot."

Ferrante said new rules ensured that licenses were granted in a fair and objective way. "The principle behind Chicago's approach was that there were reliable and objective criteria to grant a license, and if those were met, the license would be granted without delay," he said. "In the one-stop shop, we had a physical map of the city zoning to check whether opening a business in a certain part of town was allowed by the zoning rules."

Ferrante, like Bontà and Orlando, stressed that automation helped fight corruption and eliminated the middlemen, or business expeditors. "There were citizens who believed that those *spicciafacienni* were the only way to get a license, because the process was not transparent," he said. "And it was lengthy before, so you needed people to navigate it. I made sure they physically disappeared from our venues. With the one-stop shop, only the applicant was allowed to enter."

Ferrante said other state agencies were the only significant sources of resistance: "The major difficulty was in finding ways to interact with other agencies, because there were a lot of people that felt very territorial about it. I received a lot of help from the state commissioner at the time, who ensured that we could sign memorandums of understanding with all the other agencies."

Ferrante's one-stop shop issued 10,000 licenses during its first year as it cleared a significant backlog and filled pent-up demand.

Engaging citizens

Orlando recognized that both transparency in government and citizen involvement were essential to keep out criminal interests. To rebuild the social contract between government and citizens, his administration took several steps to enhance accessibility, responsiveness and participation. The mayor published his personal telephone number in the city directory, met citizens at meetings and public events, and talked to people on the streets. "My message was: 'It is unacceptable that a citizen who wants to talk to the mayor cannot contact him,'" Orlando said. "The mayor would be available 24 hours a day, even on Saturdays and Sundays."

Giuseppe Prestigiacomo, a business leader, said, "He opened doors of city hall. He did meetings. You saw him everywhere. You would see him talk to everyone. Nothing was behind the scenes. Everything was very transparent. There was a lot of trust."

Orlando also set up office hours and open-house nights—especially during the evening Café Concerto events organized by the city—so that citizens felt welcome to stop by and chat with municipal leaders.

The city established a call center for citizens' complaints and requests for information. In 1995 and 1996, in line with a national law that emphasized transparency in government, Bontà's

technology team created a central switchboard to handle citizens' requests. "The objective was to give transparency in a way so that every citizen could understand what was happening," Bontà said. "The objective was to put all proceedings online to give the opportunity to make an inquiry and check status and the responsible office."

The creation of a central switchboard in city hall made it easier for municipal employees to coordinate with one another and made it possible for citizens to reach out to city hall staff. Orlando explained the change from the past: "When I was elected mayor the first time, there was no central switchboard in city hall. Each office had a single telephone, just to have direct private [communications]." Staff members were used to doing private, not public, business on the job; but reforms reinforced a norm that public employees should serve—and be accountable to—the public.

The mayor and the commissioners also organized regular public meetings called "neighborhood offices" to solicit citizens' complaints and advice. Chief of Staff Giambrone recalled, "People would stand up and explain the problems with sidewalks, infrastructure, etc. Everyone would jot down their action point from the neighborhood and get it done within a few months. I can't think of a time that a problem wasn't solved. We gave a signal that there was attention from the city to the problems of the people."

Beyond neighborhood offices and the semiannual city reports, the administration demonstrated progress to citizens in other ways. Arcuri said: "Every six months or so, I would do a public presentation through four meetings in the four sections of the city center to illustrate what had been accomplished. Our technical people also had a very close rapport with the city so they would feel the pulse of the citizen and, indirectly, perform a role that was almost political."

The mayor also reached out to the Palermo's growing immigrant population, which had more than tripled to roughly 68,000 in 1997, from 19,000 in 1985.[14] He appointed five community leaders to advise on improvement of social services for the new residents. Similarly, he worked to provide opportunities for Palermo's marginalized Roma residents and encouraged the head of the gypsy community to call his personal phone number at any time if there were issues—a move previously unheard of.

OVERCOMING OBSTACLES

About the 1990s, Chief of Staff Giambrone recalled, "Those were difficult years—years of high levels of violence. The Mafia was waging a battle against us. In those years, city administrators would say they were not scared, even though they were living under police protection." Although in danger himself and constantly accompanied by bodyguards, Orlando protected other officials by appearing in public and taking responsibility for his administration's actions.

Ferrante said, "I felt protected by Orlando because he would take all the responsibility. People understood that Orlando was carrying all the decisions. I felt pretty safe."

While the potential for Mafia violence was a continuing concern in Palermo, another obstacle developed from a good idea that went bad. In 1988, during his first term, Orlando sought to alleviate the city's high unemployment by creating temporary jobs. He pushed through a new law to encourage worker cooperatives, nonprofit associations, in poor neighborhoods. Throughout Italy, politicians and unions had started to weigh the merits of that innovation. A cooperative's membership usually included workers who were socially disadvantaged, such as psychiatric patients, ex-prisoners, drug abusers or young workers from troubled families. Managed by its members, the cooperative could bid for public works contracts, and its members would receive funding for projects it won, but profits would go to a collective fund regulated by law.

Orlando saw cooperatives as an opportunity to wean ex-prisoners from Mafia influence and provide them with stable incomes. In his 2001

memoir, the mayor wrote, "We encouraged these prisoners to find honest work after they served their time, and we put particular emphasis on forming cooperatives to take on public contracts. One of the first and the largest was called Pretoria Bellini. Comprising dozens of former prisoners, this cooperative cleaned monuments such as the Spasimo, a place where anti-Mafia meetings now took place."[15]

Funds from the municipal budget enabled the cooperatives to put 3,000 citizens to work on public service projects such as roadwork, lighting, gardening and cemetery services. The cooperatives remained during Orlando's second term, received additional money and hired more workers. Franco Nicastro, a journalist, commented on Orlando's move: "He wanted to do something good. He wanted to provide jobs for people. He hired a lot of people as municipal workers. They were part-time workers, who had difficult social backgrounds, such as ex-prisoners."

Although the cooperatives worked well in some cases, like the Spasimo cleaning, other projects went awry, as more and more people joined the programs, undermining efficiency and raising costs. As years passed, stories spread about cooperative workers' obtaining funding for jobs for which they were not qualified, such as getting paid to run an animal shelter when they were afraid of dogs or starting a gardening cooperative but not knowing how to garden. Nicastro explained, "There is a whole part of the society who lives on this system… They take advantage of the system. This system was born with Orlando. He didn't have the intention of doing this. He thought he was doing a good thing. But that's what it turned into."

Many of Orlando's critics point to the cooperative program as an example of a project that got out of hand. The program ballooned, especially after Orlando's administration. By 2012, the region had hired tens of thousands of employees through the cooperative system, creating a drag on the public sector.

A prominent business leader commented on the state of affairs, saying it was the more recent mayor, not Orlando, who was at fault: "Now, with [Diego] Cammarata, there are 22,000 workers. They're meant to be ex-prisoners and social workers, but they're not. He misused the law. When it was created by Orlando, it was created for a noble cause. When Cammarata did it, he did it for cousins, friends, people connected to anyone. The funny thing is that it's been very much criticized. The opposition, everyone, attacks Orlando, saying it was his fault."

ASSESSING RESULTS

In 2000, for the first time, Moody's Investors Service assigned Palermo an Aa3 rating, a high investment-grade rating that put the city on par with Barcelona, San Francisco and Stockholm—and above New York—in creditworthiness. The ratings company attributed the positive rating to an improved city administration, high revenues and low debt during the second half of the 1990s. The new technology in municipal offices, the one-stop shop for business start-ups, better hiring practices, transparency in budget, and improvements in assessing and collecting taxes all had contributed to a vastly improved investor forecast. Moody's further commended the city's past and planned investments in transportation, schools, infrastructure, buildings and monuments. It also noted that Palermo's debt was significantly lower than the debts of other Italian cities.[16]

The reopening of the Teatro Massimo in 1997—with thousands gathered to hear the opening concert—was a colossal success for the city in terms of demonstrating that city government and citizens, not the Mafia, controlled the city. In April 2000, the European Parliament awarded Orlando the European Civic Prize to recognize Orlando's "struggle against

organized crime and his engagement in favor of the civic renewal of his city." In May 2000, the Italian ministry of state reform awarded Palermo's one-stop shop as one of the best in Italy.

Orlando cited technology as a critical element of his administration's success and noted that the city won public administration awards for its telecommunications advancements. Computerization of municipal offices helped improve access to information and services and minimize corruption. By the mid-1990s, Palermo had computerized public offices and had developed a database with citizens' information. Bontà said, "At that time, Bologna [in northern Italy] was at the head of this process of automation. When we made a comparison, in a few years we reached the same level. This was a very big result and effect."

In terms of technology's ability to tackle corruption, Bontà said, his automation projects had eliminated "little" types of corruption—bribes, favors, absenteeism—because transactions were not manual and processes were more transparent. But Bontà suggested that "true" corruption was harder to tackle and required changes in norms and culture, not just improvements in technology. That was a battle Orlando's administration waged—with mixed success—throughout its two terms.

In a positive trend, many of the short-term consultants were able to leave at the end of their three-year contracts, as the administration had hired qualified permanent staff. Modica of the Europe Office said, "My contract was three years. I found it to be a very high-impact and positive experience professionally. Most important, there weren't specific reasons to continue: Orlando's term was about to expire, and I would not have stayed. There was no reason for anyone to rely on external expertise. Over the years, capacity had gone up among civil servants, and managerial expertise from outside had been greatly reduced."

The success of Orlando's administrative reforms was evident in how Palermo had come to life within a relatively short period of time. Members of the administration did not keep close track of the economic revitalization but cited the 10,000 licenses issued, the restorations of Teatro Massimo and the Spasimo, and the subsequent springing up of numerous cafés, bars and restaurants as success stories. Modica recalled, "[Measurement of results] was not very scientific. It was about walking in the street and talking to people and seeing that reality was changing, seeing small businesses come back to the city and seeing the heart of the city revitalize."

Although Orlando made substantial progress during his time in office and worked hard to cut Mafia out of government transactions, problems remained. Unemployment was still high, at 29% in 2000.[17] The Mafia shifted strategy and continued to operate. By 2012, the criminal network had moved into loan-sharking and money laundering and returned to business extortion.

Perhaps more important, Orlando had failed to take adequate steps to ensure the sustainability of his reforms, and as a result, many of the improvements were short-lived. In 2000, with a year remaining in his term, Orlando resigned as mayor to run for president of Sicily (a position much like a governor's role in certain countries). Most of the commissioners and managers resigned with him. The departures prevented the team from institutionalizing many of the new practices, and the city was unable to sustain some of the improvements. Journalist Nicastro said, "This is where Orlando fell short: he started the new process, but he wasn't able to carry it out to the end."

Cammarata—Palermo's mayor from 2001 to 2012—did not continue the reforms, and the political culture shifted. Many of Orlando's administrative reforms unraveled, and city hall

was no longer an efficient and accessible institution. The one-stop shop lost efficiency, city hall finances became a mess again and municipal companies showed deficits. In 2006, Moody's withdrew Palermo's Aa3 rating for "business reasons." In January 2012, a little more than 11 years after Orlando left office, Cammarata resigned from his post as mayor amid corruption allegations, and mismanagement of resources pushed the city toward bankruptcy.

Ferrante, who promoted business activity in Palermo, said, "People started hiring sons and daughters into companies owned by the municipality. There was poor management of public resources, and some things could not be funded. Everything went into decay. A virtuous cycle turned into a vicious cycle." Commissioner of culture Giambrone said, "Those who came after us, the new administration, went back to the old mentality and the old way of thinking. They didn't care about improving the city. It was a period of regression."

In 2012, Orlando ran for mayor of Palermo and won with 72% of the vote.

REFLECTIONS

There was a time when getting one's papers in order in Sicily could get one killed. Orlando recalled how a mentor early on inspired him not only to enter politics but also to improve city hall by reforming its administrative and management cultures. Piersanti Mattarella—former president of the Sicilian region, to whom Orlando was legal adviser from 1978 to 1980—kept meticulous records and insisted on precise accounting, all part of his strategy to severely curtail Mafia control. He used transparency and accountability to challenge *omertà*, the Mafia's code of silence. Orlando reflected that that emphasis on transparency was radical at the time: "In Sicily, to say that politicians need to have their papers in order was more than the French Revolution or the American Revolution. [Mattarella] was too

advanced in comparison with that time. He was so advanced, he was killed."

Mattarella's assassination by the Mafia in January 1980 also ended his campaign to purge Mafia-linked members from the ranks of the Christian Democracy Party, a political party that had dominated Italian politics for nearly 40 years. It was Mattarella's life and death that inspired Orlando to pursue politics and take on a forceful anti-Mafia agenda.

Giovanna Fiume, a professor and anti-Mafia activist, spoke highly of Orlando's engagement with the anti-Mafia community, "Because of the position Orlando occupied, he became a magnet for all democratic forces in the city. He helped bridge all of the different sides … He was the catalyst of clean energies in the city."

Giuseppe Ferrante, commissioner of productive activities, stressed, "At the core of Orlando's success was good management." Indeed, Orlando's strength lay in enforcing sound management of Palermo's budget and personnel. Orlando appointed a core reform team that shared his vision of making the city whole again. He communicated regularly with his lieutenants, prioritized projects and plans, and strengthened coordination and reporting lines. He also enforced laws and regulations, especially in hiring practices. Finally, he stressed the need to make visible and rapid changes in order to change perceptions.

However, reflections on Orlando's administration also included disappointment with how things backslid and theories on why it happened. Members of Orlando's reform team reflected about the challenge of making the gains endure. Chief of Staff Giambrone offered one perspective: "It takes lot of time to build a city, and seven years was not enough. We didn't get everything done that we wanted to. We didn't have enough time to change the mentality and the process."

Ferrante offered an anecdote, suggesting other reasons for the reversal: "I had hired a

number of very smart, young people. [When our administration left], a lot of talented people were moved elsewhere. After I left, one of the managers I had put in place was sent to manage the municipal dog shelter. There wasn't the same level of attention and care to these services. In general, Palermitans have seen the level of mismanagement in the new administration. … We could have put more measures in place to sustain our efforts, maybe, but if someone wants to destroy what we did, there is very little one can do."

Orlando conceded that he had not invested enough time and resources to develop a cadre of leaders both in politics and within the civil service who would be in a position to carry forward the positive changes. "My problem was that I wasn't able to have other young leaders around me," he said. Because the administration revolved around Orlando's personality and reputation, it was easy for the next administration to discontinue his policies and projects when he left with his team of political appointees.

By contrast with his first term, Orlando alienated anti-Mafia citizens' groups during his second administration. Many blamed him for

making himself the face of Palermo's transformation without giving credit to the efforts of groups outside his administration. Citizen monitoring of projects and budgets waned, costing Orlando the support of groups that could have put pressure on subsequent administrations to continue his reforms.

The setbacks in Palermo also reflected changes in Italy's national politics. Starting in 1994, Italy saw the rise of Silvio Berlusconi, who became prime minister in 1994, 2001 and 2008 before resigning in 2011. Diego Cammarata, who took over Palermo's administration as mayor in 2001, was Berlusconi's top aide. In Sicily's 2001 elections (during which Orlando lost the run for presidency), Berlusconi's party won all 61 parliamentary seats. In 2012, both Berlusconi and Cammarata were under investigation for abuse of office.

Reflecting in 2012 on Orlando's administration, Palermo business leader Giuseppe Prestigiacomo remembered a positive and open relationship with city hall: "I knew that if I needed him, I could call Orlando or Fabio Giambrone and get an answer. Now, I don't know whom I would call."

Endnotes

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[10] Schneider and Schneider, *Reversible Destiny,* 180.

[11] Orlando, *Fighting the Mafia,* 183.

[12] Orlando, *Fighting the Mafia,* 184.

[13] Of the bank's capital, 70% was owned by the Ministry of Economy and Finance, and the remaining 30% was held by various foundations. The bank managed the financing of public-sector investments by using postal savings deposits as the main sources of funds.

[14] Sally S. Booth and Jeffrey E. Cole, "An Unsettling Integration: Immigrant Lives and Work in Palermo," *Modern Italy,* 1999, 192.

[15] Orlando, *Fighting the Mafia,* 91.

[16] "Moody's Assigns Aa3 Rating to the City of Palermo," 17 October 2000, www.moodys.com, accessed 4 May 2012.

[17] Ibid.

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