

Chapter 1

Restoring confidence in sustainable growth

Italy, the euro area's third-largest economy and the world's seventh-largest, has been hit hard by the economic crisis since 2008. The severe economic crisis and ensuing austerity measures have eroded citizens' trust in the ability of governments to effectively safeguard public interest. This chapter argues that strengthening integrity in the public sector and preventing corruption will not only support the restoration of trust in the Italian government – a key determinant of sustainable growth – but also contribute significantly to its objectives of fiscal consolidation, economic growth, and social fairness.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West bank under the terms of international law.

Introduction

To help guide the implementation of Law No. 190 of 6 November 2012 (known as the “Anti-Corruption Law”), Italy’s Department of Public Administration (DPA) asked the OECD’s Public Governance and Territorial Development Directorate to undertake a public sector integrity review. The DPA requested that the review’s focus should be on the law’s preventive aspects, particularly institutional co-ordination, codes of conduct, whistleblower protection, and integrity risk management. Although the Anti-Corruption Law also contains numerous repressive provisions, they remain beyond the scope of the review.

The methodology proposed by the OECD in undertaking the review builds upon a combination of tools:

- a desk review of information on the Italian context in response to a request for detailed information from the Italian authorities;
- interviews conducted with relevant actors by the OECD;
- analysis of comparative data and external assessments of the Italian context;
- a peer review process with the participation of officials from other OECD member countries.

Also incorporated in the review are good practices and lessons learned from OECD member countries. Such insights into corruption prevention mechanisms contribute to the ongoing discussion on how best to implement the integrity framework and ensure that it produces results.

This report is divided into seven chapters, starting with the Italian context in relation to integrity and anti-corruption in the public sector. This chapter supplies key facts and data and describes the broad public service reforms that have paved the way to reinforcing integrity in the Italian public sector. Chapters 5, 6 and 7 analyse the key elements of the Italian integrity framework which the Anti-Corruption Law addresses – institutional co-ordination, codes of conduct, whistleblower protection, and integrity risk management – and examines their implementation and long-term sustainability.

Key facts and data about Italy

Land

Total area (thousand km ²)	301.3
Agricultural land in 1995 (thousand km ²)	165.2
Population of major cities in 2010 (thousands)	
Rome	4 155
Milan	3 123
Naples	3 080
Turin	2 298

People

Population in 2010 (thousands)	60 051
Number of inhabitants per km ²	199
Annual population growth rate in 2010 (%)	0.5
Fertility rate in 2008	1.4
Life expectancy in 2007	81.5
Labour force in 2010 (thousands)	24 975
Numbers employed in 2010 (thousands)	22 872
agriculture	981
industry (in 2010)	6 511
services	15 471

Production

GDP (EUR bn) in 2010	1 549
GDP <i>per capita</i> (USD) in 2010	34 161
Gross fixed capital formation (% of GDP in 2010)	19.5
Origin of gross domestic product at 2010 market prices (as % of total)	
agriculture	1.7
industry	17.3
construction	5.3
other	75.68

Foreign Trade

Exports of goods and services in 2010 (% of GDP)	26.8
Main export categories in 2010 (% of total exports)	
manufactured goods	39.8
fabric and textile goods	11.0
chemical products	6.7
transport equipment	10.2
mineral fuels	4.3
Imports of goods and services in 2010 (% of GDP)	28.5
Main import categories in 2010 (% of total imports)	
foodstuffs	6.0
manufactured goods	24.4
metal, ores and scrap metal	9.9
chemical products	8.7

Currency

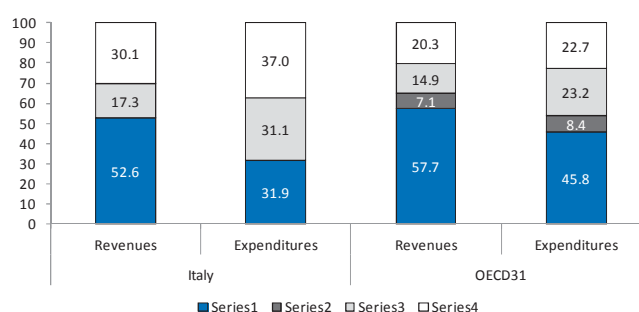
Monetary unit	Euro (EUR)
Currency units per USD (daily average)	
in 2010	0.7550
in 2011 (March)	0.7136

Source: OECD (2011a), *OECD Economic Surveys: Italy 2011*, OECD Publishing, doi: http://dx.doi.org/10.1787/eco_surveys-ita-2011-en.

Revenue, expenditure and debt

The Italian system of government is more and more decentralised and there are plans to further extend spending and revenue powers to the regions. Central government funds essential expenditure at the regional and local levels. Compared with other OECD countries, social security funding accounts for a high proportion of total revenues and expenditures.

Figure 1.1. General government gross debt as a percentage of GDP, 2010

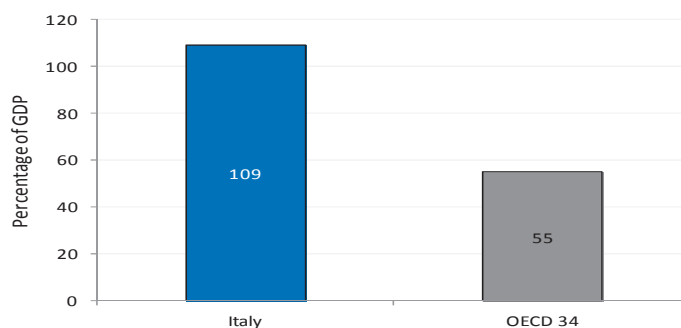


Note: Data for Chile, Mexico and Turkey not available.

Source: OECD (2011b), *Government at a Glance*, OECD Publishing, Paris, doi: http://dx.doi.org/10.1787/gov_glance-2011-en.

To ease the ongoing economic crisis, Italy has introduced a number of fiscal stimulus packages. Their aggregate size is among the smallest of all OECD members due to the country's limited room for fiscal manoeuvre that results from its relatively high levels of debt – 109% of GDP in 2010.

Figure 1.2. General government debt as a percentage of GDP, 2010



Note: Data for Japan are from 2009.

Source: Central government debt, OECD StatExtracts.

Public procurement

Figure 1.3. Public procurement as percentage of GDP

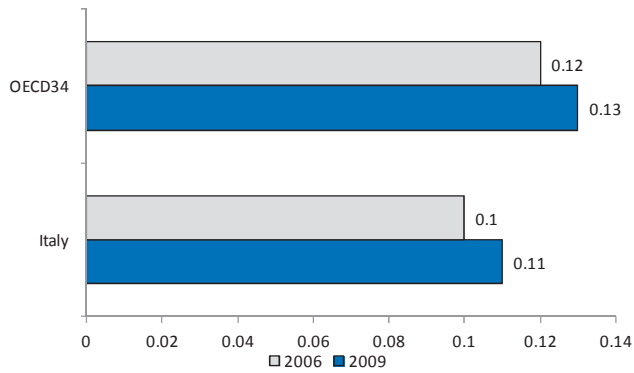
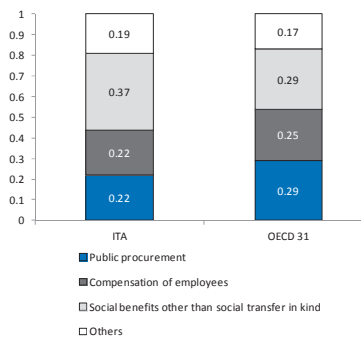


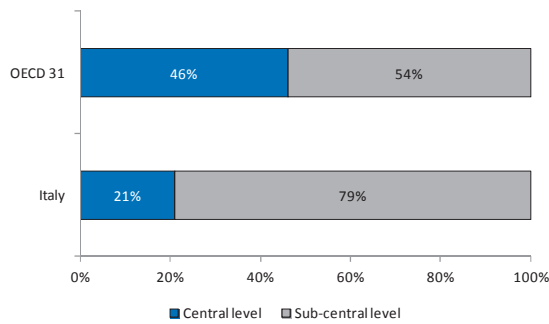
Figure 1.4. Public procurement expenditure compared to other main components of general government expenditure, 2009



Note: Data for Australia is missing.

Source: OECD (2011b), *Government at a Glance*, OECD Publishing, Paris, doi: http://dx.doi.org/10.1787/gov_glance-2011-en.

Figure 1.5. Public procurement expenditure by level of government



Source: OECD (2011b), *Government at a Glance*, OECD Publishing, Paris, doi: http://dx.doi.org/10.1787/gov_glance-2011-en.

Public procurement (*cont.*)

Table 1.1. Transparency in public procurement, 2010

	Central procurement website	Contracting entity website	Domestic printed or electronic journal	% of OECD countries that publish information*
Information for potential bidders	Yes	Yes	No	97%
Selection and evaluation criteria	Yes	Yes	Yes	91%
Tender documents	Yes	Yes	No	79%
Contract award	Yes	Yes	Yes	97%
Justification for award	No	No	No	59%
Tracking procurement spending	No	No	No	32%
*Percentages refer to the share of OECD countries that reported publishing information “always” or “sometimes”.				

Source: OECD (2011b), *Government at a Glance*, OECD Publishing, Paris, doi: http://dx.doi.org/10.1787/gov_glance-2011-en

Like the majority of OECD countries, Italy publishes most public procurement information on its national e-procurement website managed by Consip, a public stock company owned by Italy's Ministry of Economy and Finance (www.acquistinretepa.it).

Table 1.2. E-government building blocks and e-procurement, 2010

E-enabling laws and policies	Italy	OECD25
Recognition and use of digital signatures	<input type="checkbox"/>	100%
Electronic filing in the public sector	<input type="checkbox"/>	88%
Administering PPPs for e-government projects	<input type="checkbox"/>	64%
Services offered on single-entry procurement website	Italy	OECD34
Tender searches	<input type="checkbox"/>	62%
Tracking of outcomes of contracts	<input type="checkbox"/>	29%
OECD percentages refer to percentage of responding countries answering in the affirmative. <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Data unavailable		

Source: OECD (2011b), *Government at a Glance*, OECD Publishing, Paris, doi: http://dx.doi.org/10.1787/gov_glance-2011-en.

In 2009 Italy launched (then updated in July 2010) a comprehensive e-government action plan, known as “e-Gov 2012”. It is intended to improve online services, increase efficiency, boost interoperability between government departments, and develop digitalisation in the most critical ones (e.g. health, education, justice). Europe’s ninth e-government benchmarking survey (Capgemini et al., 2010) recognised Italy as one of the countries that has performed best in e-enabling a variety of services.

Integrity and transparency

Freedom of information (FOI) legislation in Italy requires the government to publish budget documents, audit reports, and administrative data sets. This information is generally available on ministry/agency websites or a central online portal. Italy is also one of the few OECD countries that publish lists of public servants and their salaries, although this provision applies only to select positions. Similarly to over one-half of OECD countries, Italy has requirements in place for publishing information in open data formats in order to promote the re-use of information by other parties.

New standards of transparency, aimed at fostering control by citizens, were set in 2009 as part of the so-called “Brunetta Reform” (see Part II.1XX). From 2011, each government department must adopt the Triennial Programme on Transparency and Integrity. Since 2011, the Independent Commission for Evaluation, Integrity and Transparency (CIVIT) has posted online reports on the transparency data sets available on ministry and government agency websites. In 2012, it also published reports on the transparency of ministries and national government agencies.

Table 1.3. Disclosure of public sector information, 2010

Types of information disclosed	Proactive disclosure		
	Italy	OECD 32	Publication channels
Budget documents	<input type="checkbox"/>	94%	CP, MA
Audit reports	<input type="checkbox"/>	72%	MA
List of public servants and their salaries	<input type="checkbox"/>	28%	CP, MA
Sharing of administrative data			
Administrative data sets	<input type="checkbox"/>	63%	MA
Requirements on publishing in open data formats	Yes	53%	–
<input type="checkbox"/> <input type="checkbox"/> Required by freedom of information (FOI) laws to be proactively published <input type="checkbox"/> Not required by FOI laws, but routinely proactively published nevertheless <input type="checkbox"/> Neither required nor routinely published CP: central portal; MA: ministry or agency website; OW: other website OECD percentages refer to the percentage of the 32 responding OECD countries which either require that information be published by law or, while not requiring it, nevertheless publish information routinely.			

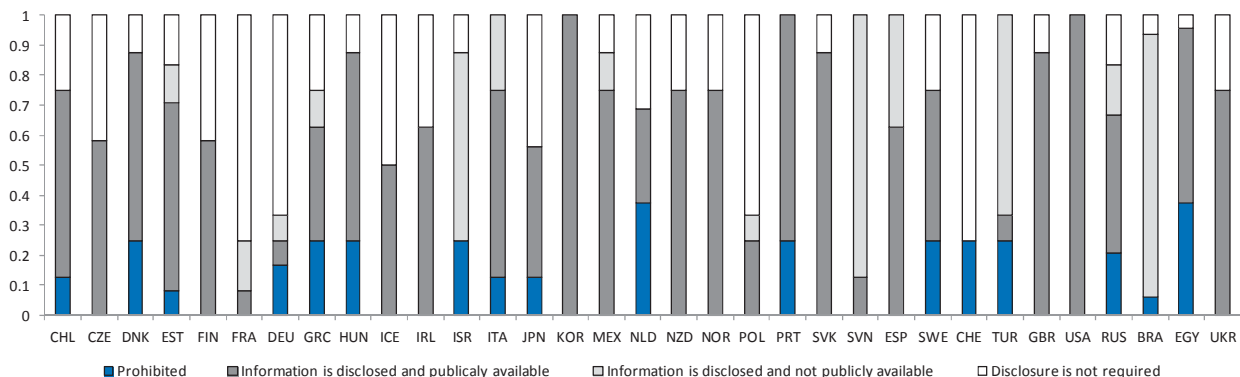
Source: OECD (2011b), Government at a Glance, OECD Publishing, Paris, doi: http://dx.doi.org/10.1787/gov_glance-2011-en.

Table 1.4. Level of disclosure of private interests in the three branches of government by country, 2010

	EXECUTIVE BRANCH		LEGISLATIVE BRANCH		JUDICIAL BRANCH	
	Prime Minister	Ministers or Members of cabinet	Upper House Legislators	Lower House Legislators	Judges	Prosecutors
Assets	●	●	○	○	○	○
Liabilities	○	○	○	○	○	○
Income Source	○	○	○	○	○	○
Income Amount	○	○	○	○	○	○
Outside position: Paid	○	○	○	○	○	○
Outside position: Non-Paid	○	○	○	○	○	○
Gifts	P	P	P	P	P	P
Previous Employment	○	○	○	○	○	○

● Information is disclosed and publicly available online or print
 ○ Information is disclosed and not publicly available
 ○ Information is disclosed and publicly available upon request
 ○ Disclosure is not required
 P Prohibited
 n.a. indicates not applicable (e.g. country has no President)
 "." indicates that data are missing

Source: OECD (2011b), *Government at a Glance*, OECD Publishing, Paris, doi: http://dx.doi.org/10.1787/gov_glance-2011-en.

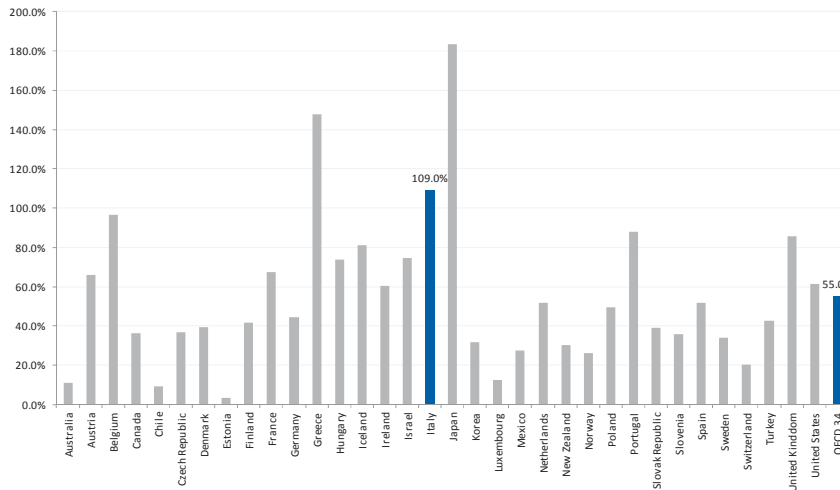
Figure 1.6. Level of private interest disclosure in the executive branch, 2010

Source: OECD (2011b), *Government at a Glance*, OECD Publishing, Paris, doi: http://dx.doi.org/10.1787/gov_glance-2011-en.

Italy hit hard by the economic and financial crisis

Italy, the euro area's third-largest economy and the world's seventh-largest, has been hit hard by the economic crisis since 2008. Comparison of its financial health prior to the downturn with its situation today reveals a gloomy picture. The unemployment rate is on the rise. According to the OECD, of Italy's 60.33 million inhabitants in 2011, 10.8 % were unemployed – a substantial increase over the 6.9% recorded in the second quarter of 2008. GDP growth in 2011 was 0.4%, much lower than the OECD average of 1.8%.

Central government debt increased from EUR 1 573.8 billion in 2008 to EUR 1 794.4 billion in 2011 (EUROSTAT, 2011), a rise of 14%. The general government debt ratio is now 109% of GDP, almost twice the OECD average of 55% (Figure 1.7). In 2010, Italy had the third-highest general government debt ratio of all OECD countries.

Figure 1.7. General government debt as a percentage of GDP (2010)

Note: Data for Japan are from 2009.

Source: OECD StatExtracts (n.d.), Government deficit/surplus, revenue, expenditure and main aggregates, OECD Publishing, http://stats.oecd.org/Index.aspx?DatasetCode=SNA_TABLE12, accessed on 8 January 2013

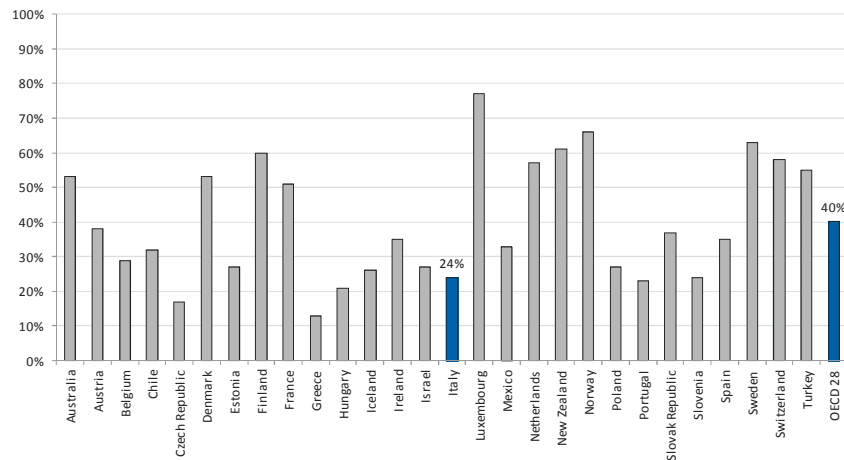
According to the OECD, Italy's general government expenditure, setting the 2011 total of EUR 788.1 billion against the total government revenue of EUR 728.3 billion reveals a deficit of EUR 59.8 billion.

In response to the economic crisis, Italy is embarking on an ambitious structural reform programme as part of its economic recovery and pro-growth strategy. Shaping this structural reform agenda is a focus on multi-pronged initiatives to foster competition in product markets, tackle labour market dualism, strengthen governance, improve the tax system and tax administration, and encourage innovation. As in many other OECD countries, pro-growth policies have been – and will likely continue to be – accompanied by severe austerity measures to achieve fiscal consolidation. Measures include reductions in healthcare expenditure, public employee wages, and pensions. But will these policies be enough to reactivate and, more importantly, sustain economic growth in the long term?

Restoring trust vital for sustainable economic growth

The severe economic crisis and ensuing austerity measures have eroded citizens' trust in the ability and commitment of governments to defend public interest over that of the few. Grassroots movements have sprung up across the globe to express discontent and demand stronger accountability from the authorities.

In Italy, the level of trust in the national government is alarmingly low. In a Gallup poll from April 2012, only 24% of Italian respondents said they had confidence in their government (Figure 1.8). The figure represents a drop of eight percentage points from a similar survey in November 2011.

Figure 1.8. Level of trust in national governments in OECD countries, 2012 or most recent year data.

Source: Gallup (2012), www.gallup.com/poll/world.aspx.

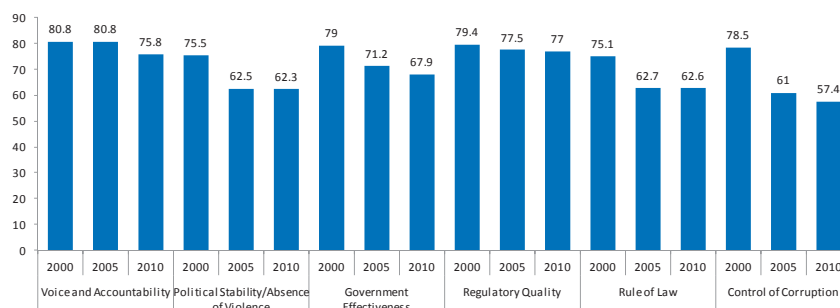
Against that background, the success of identified reforms will rely heavily on the capacity of the Italian government to restore trust in its ability and commitment to guide the country towards sustainable economic growth (Horvath, 2012; Zak and Knack, 2001).¹ Only a new sense of trust will renew private sector faith in Italy's future success, encourage investments² and promote innovation (Knack and Keefer, 1997).³

Today, concerns over integrity and corruption stand out as key factors in the prevailing lack of trust in Italy's public sector.

Restoring trust in the public sector calls for more integrity, less corruption

The Italian Corte dei Conti (Court of Auditors) has estimated the annual cost of corruption in Italy to be approximately EUR 60 billion (Dipartimento della Funzione Pubblica, 2010). The figure is equivalent to 7.6% of annual general government expenditure, or the entire 2011 federal government deficit.

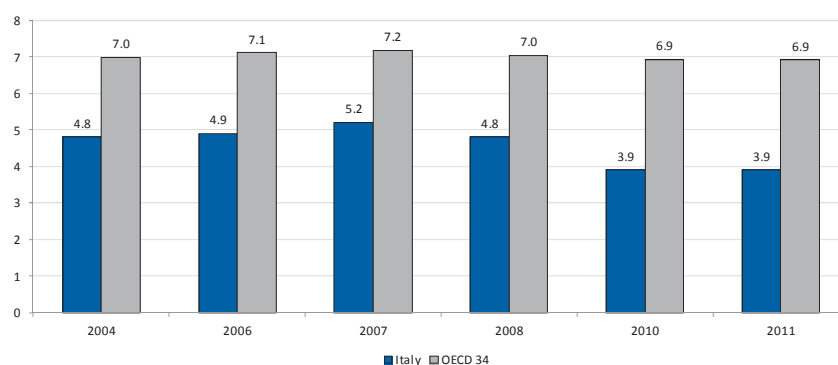
The perception of Italy's governance performance – measured against commonly used indicators – worsened between 2000 and 2010 and has probably been aggravated by the crisis (Figure 1.9). Trust in the government's ability to control corruption declined particularly steeply from 2000.

Figure 1.9. How perceptions of governance evolved from 2000 to 2005 and 2010 in Italy

Note: The World Bank's Worldwide Governance Indicators give an indication of people's perception of the extent to which public power is exercised for private gain. Higher values denote better outcomes.

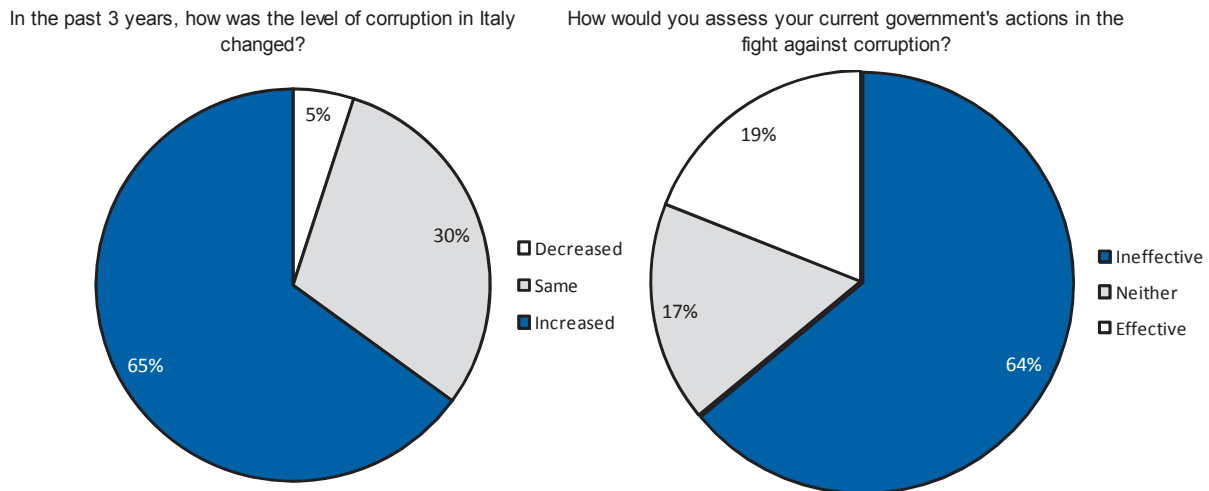
Source: Worldwide Governance Indicators, World Bank, http://info.worldbank.org/governance/wgi/sc_country.asp.

The trend shown in Figure 1.9 is further reinforced by data on the public perception of corruption. Already significantly higher in Italy in 2004 than in other OECD countries, the perception has worsened since the onset of the global downturn (Figure 1.10). According to Transparency International's Corruption Perceptions Index, Italy (in 69th place) has the highest level of perceived corruption among OECD countries after Mexico (in 100th position) and Greece (80th).

Figure 1.10. Evolution of public perceptions of trust in Italian government compared with OECD averages, 2004-11

Source: Transparency International, Corruption Perception Index, www.transparency.org/research/cpi/overview.

Trust in the ability of the government to curb corruption effectively is very low, with 64% of the Italian public considering government action ineffective, according to Transparency International's Global Corruption Barometer (Figure 1.11). Similarly, Eurobarometer findings reveal that 75% of the Italian population believe that their government is ineffective at fighting corruption (EC, 2012). Eurobarometer also reports that 71% of Italians felt that there was too little prosecution to deter people from bribery and that the vast majority (85%) felt that court sentences in corruption cases were too lenient.

Figure 1.11. Italians' perception of corruption according to the Global Corruption Barometer

Source: Transparency International (2011), Global Corruption Barometer 2010/2011, www.transparency.org/research/gcb/overview.

Strengthening integrity in the public sector and preventing corruption will not only support the restoration of trust in the Italian government – a key determinant of sustainable growth. It will also contribute significantly to its objectives of fiscal consolidation, economic growth, and social fairness. More integrity and less corruption will help prevent the waste of available resources and enhance revenue collection, thereby reducing the budget deficit. In addition, greater integrity will improve public sector performance and thereby bolster the government's ability to do more with less.

Efforts to strengthen integrity and deter corruption should be a key priority cutting across the structural reforms being undertaken by the Italian authorities. In this regard, the passing of the Anti-Corruption Law on 6 November 2012 amid difficult economic reforms deserves acclaim and sets an example of bold leadership that will likely have implications beyond Italy's borders.

Notes

1. According to Horváth, trust is one of the chief determinants of long-term growth. Zak and Knack (2001) estimate that “the investment/GDP share rises by nearly one percentage point for each seven-percentage point increase in trust”.
2. Economic agents in highly trusting environments enjoy lower transaction costs. For further discussion, see Horváth (2012).
3. Knack and Keefer (1997) find that low levels of trust can discourage innovation and that “trusting societies not only have stronger incentives to innovate and accumulate physical capital, but are also likely to have higher returns to accumulation of human capital”.

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