How Does Italy Compare to Its Neighbors?

- France: 87
- Germany: 68
- Italy: 58
- Norway: 83
- Portugal: 58
- Spain: 63
- Sweden: 83
- United Kingdom: 87
- United States: 82

Key Findings

The scores for 92 questions from the Open Budget Survey 2010 (see text box) are used to compile objective scores and rankings of each country’s relative transparency. These scores constitute the Open Budget Index (OBI).

Italy’s OBI 2010 score is 58 out of 100, which is higher than the average score (42) for the 94 countries surveyed, but is tied for the lowest score among countries in Western Europe and the U.S. Italy’s score indicates that the government provides the public with only some information on the central government’s budget and financial activities assessed by the Survey. This makes it challenging for citizens to hold the government accountable for its management of the public’s money.

Information in Public Budget Documents

Adequacy & Availability of Eight Key Budget Documents

<table>
<thead>
<tr>
<th>Document</th>
<th>Level of Information Grade</th>
<th>Publication Status</th>
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<tbody>
<tr>
<td>Pre-Budget Statement</td>
<td>A</td>
<td>Published</td>
</tr>
<tr>
<td>Executive’s Budget Proposal</td>
<td>C</td>
<td>Published</td>
</tr>
<tr>
<td>Enacted Budget</td>
<td>A</td>
<td>Published</td>
</tr>
<tr>
<td>Citizens Budget</td>
<td>E</td>
<td>Not Produced</td>
</tr>
<tr>
<td>In-Year Reports</td>
<td>B</td>
<td>Published</td>
</tr>
<tr>
<td>Mid-Year Review</td>
<td>B</td>
<td>Published</td>
</tr>
<tr>
<td>Year-End Report</td>
<td>C</td>
<td>Published</td>
</tr>
<tr>
<td>Audit Report</td>
<td>B</td>
<td>Published</td>
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</tbody>
</table>
Grades for the comprehensiveness and accessibility of the information provided in each document are calculated from the average scores received on a subset of questions from the Open Budget Survey 2010. An average score between 0-20 (scant information) is graded as E; 21-40 (minimal) is graded as D; 41-60 (some) is graded as C; 61-80 (significant) is graded as B; and 81-100 (extensive) is graded as A.

An Executive’s Budget Proposal is the government’s most important policy instrument. It presents how the government plans to raise revenues and where these funds are allocated, thus transforming policy goals into action. In Italy, an Executive Budget Proposal, the Disegno di Legge Disposizioni per la formazione del bilancio annuale e pluriennale dello Stato (legge finanziaria 2009) and the Disegno di Legge Bilancio di previsione dello Stato per l’anno finanziario 2009 e bilancio pluriennale per il triennio 2009-2011, is published, but it is not sufficiently comprehensive. Major gaps in this budget proposal are found in the following areas:

- It lacks information on outputs and outcomes. This information is important for those who are interested in monitoring the budget’s impact. This information is available in separate documents (Note Preliminari), but since it is not published in the budget proposal itself, it is less useful and difficult to interpret.

- It also does not present information on certain fiscal activities that can have a major impact on the government’s ability to meet its fiscal and policy goals, including information on extra-budgetary funds, quasi-fiscal activities, tax expenditures, contingent and future liabilities, and financial and other assets. Absent this information, the public does not know the government’s complete fiscal position.

A Pre-Budget Statement sets forth the broad parameters that will define the government’s forthcoming budget. Italy publishes a comprehensive Pre-Budget Statement.

The Enacted Budget becomes a country’s law and provides the baseline information for all budget analyses conducted during the budget year. In general terms, the Enacted Budget should provide the public with the data it can use to assess the government’s stated policy priorities and hold it to account. Italy publishes a comprehensive Enacted Budget.

A Citizens Budget is a nontechnical presentation of a government’s budget that is intended to enable the public — including those who are not familiar with public finance — to understand a government’s plans. While Italy has started producing simplified and brief versions of the budget, it does not produce a Citizens Budget.

In-Year Reports provide a snapshot of the budget’s effects during the budget year. They allow for comparisons with the Enacted Budget figures and thus can facilitate adjustments. When information was being compiled for OBI 2010, the Trimestrale di Cassa (In-Year Report) for December 2008 was publicly available, but the publication of the March 2009 report was delayed for more than six months. The report that was published was fairly comprehensive, and was the one assessed by the Survey, but Italy did not publish In-Year Reports regularly after that. This prevents useful monitoring of the degree of implementation of budget policies.

A Mid-Year Review provides a comprehensive overview of the budget’s effects at the midpoint of a budget year and discusses any changes in economic assumptions that affect approved budget policies. Information in this report allows the government, legislature, and the public to identify whether or not adjustments related to revenues, expenditures, or borrowing should
be made for the remainder of the budget year. Italy publishes a fairly comprehensive Mid-Year Review, but gaps in information exist. It does not, for example, include a discussion of the economy.

A **Year-End Report** compares the actual budget execution to the Enacted Budget. Year-End Reports can inform policymakers on tax policies, debt requirements, and major expenditure priorities, facilitating adjustments for upcoming budget years. Italy publishes a Year-End Report (Rendiconto Generale dello Stato), but the document is not sufficiently comprehensive. It does not, for example, explain the difference between the original macroeconomic forecast for the fiscal year and the actual outcome for that year. Similarly, it does not explain the difference between the original estimates of non-financial data and original performance indicators, and the actual outcomes.

An **Audit Report** is an evaluation of the government’s accounts by the country’s supreme audit institution (SAI). It reports whether the government has raised revenues and spent national revenue in line with the authorized budget, whether the government’s bookkeeping is balanced and accurate, and whether there were problems in the management of public funds. Italy publishes a fairly comprehensive Audit Report.

**Public Participation and Institutions of Accountability**

An open budget system includes the existence of a strong legislature and supreme audit institution (SAI) that provide effective budget oversight, as well as opportunities for the public to participate in the budget process.

**Are oversight bodies effective in their budget role?**

<table>
<thead>
<tr>
<th>Oversight Institution</th>
<th>Strength**</th>
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<tbody>
<tr>
<td>Legislature</td>
<td>Strong</td>
</tr>
<tr>
<td>SAI</td>
<td>Strong</td>
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** Legislation and SAI strengths are calculated from the average scores received for a subset of questions from the Open Budget Survey 2010. An average score between 0-33 is graded as weak, 34-66 as moderate, and 67-100 as strong.

According to the Open Budget Survey 2010, budget oversight provided by Italy’s legislature is strong. However, the executive does not typically consult with members of the legislature as part of the budget preparation process. Moreover, the legislature does not hold extensive open budget discussions at which the public can testify or submit proposals.

According to the Open Budget Survey 2010, budget oversight provided by Italy’s SAI is strong. However, it does not have adequate channels of communication with the public, either to disseminate its reports or to receive complaints and suggestions. In addition, the executive does not report on steps it has taken to address audit findings.
Recommendations

Italy should:
• Increase the comprehensiveness of the Executive’s Budget Proposal and Year-End Report;
• Produce and publish a Citizens Budget;
• Publish In-Year Reports at regular and timely intervals; and
• Provide more opportunities for the public to testify at legislative hearings on the budget.