

# The Equitable and Sustainable Well-being Framework in Italy

An Action Plan for its use in policy and budget decision making



OECD Working Papers on Public Governance

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# The Equitable and Sustainable Well-being Framework in Italy: An Action Plan for its use in policy and budget decision making

Andrew Blazey, Margaux Lelong, Flavia Giannini, OECD Public Governance Directorate

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In 2017, Italy became the first country in the OECD to link well-being indicators to economic and budget programming in government. The achievement was but one milestone in the country's development of its Equitable and Sustainable Well-being framework. The Treasury Department of the Ministry of Economy and Finance, in conjunction with the National Institute of Statistics, has continued to develop the framework since then. This Action Plan contributes to that development by proposing ways to progress the integration of equitable and sustainable well-being indicators into policy development and budgeting. The Action Plan contributed to a consultation process with government ministries and stakeholders in 2022 by identifying a range of actions the government could consider in the near and medium term to achieve that integration outcome.

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# Abbreviations and acronyms

ASviS	Alleanza Italiana per lo Sviluppo Sostenibile (Italian Alliance for Sustainable Development)
BES	Benessere Equo e Sostenibile (Equitable and Sustainable Well-being)
CNEL	Consiglio Nazionale dell'Economia e del Lavoro (National Council for Economics and Labour)
DEF	Documento di Economia e Finanza (Economic and Financial Document)
ESW	Equitable and Sustainable Well-being
GDP	Gross Domestic Product
IGESPES	Ispettorato Generale della Spesa Sociale (Inspectorate General for Social Expenditures)
ISTAT	Istituto Nazionale di Statistica (Italian National Institute of Statistics)
MAECI	Ministero degli Affari Esteri e della Cooperazione Internazionale (Ministry of Foreign Affairs and International Co-operation)
MEF	Ministero dell'Economia e delle Finanze (Ministry of Economy and Finance)
NSDS	National Sustainable Development Strategy
OECD	Organisation of Economic Co-operation and Development
PBO	Parliamentary Budget Office
PNRR	Piano Nazionale per la Ripresa e la Resilienza (National Recovery and Resilience Plan)
RFF	Recovery and Resilience Facility
RGS	Ragioneria Generale dello Stato (State General Accounting Department)
SDGs	Sustainable Development Goals

# Executive summary

Italy has been at the forefront in the development of ESW indicators since the publication of the first ESW Report by the Italian National Institute of Statistics (ISTAT) and the National Council for Economics and Labour (CNEL) in 2013. In that report, 134 indicators across 12 dimensions of well-being were defined, providing the basis for the ESW framework in Italy. The 12 dimensions are health, education, work and work-life balance, economic well-being, social relationships, politics and institutions, security, subjective well-being, landscape and cultural heritage, environment, research and innovation, quality of services.

The Equitable and Sustainable Well-being (ESW) framework and indicators were developed to inform the country's progress across the 12 dimensions, as priorities for policy in Italy. Italy was the first country in the OECD to link well-being indicators to economic and budgetary programming. Since its introduction into budgeting in 2017, the framework is recognised widely in the Government. The Ministry of Economy and Finance (MEF) has dedicated resources to help bring about this outcome and the MEF is a key proponent in advancing the integration of ESW in policy development and budgeting across government.

This Action Plan proposes ways to progress the integration of ESW indicators into policy development and budgeting. As part of its work, the OECD considered the incentive effects that would support such integration within the context of public sector accountability in Italy as well as the capacities that would be required. As part of implementing the Action Plan, it may be necessary for the relevant parties to each of the proposed actions to consider the risks and barriers related to the implementation of the proposed actions. The OECD's work identified the strengths of the ESW framework, which include high levels of engagement by stakeholders, broad-based support by the Parliament and international examples of relevant practices. The proposed actions focus on four areas:

- On governance, there is merit in establishing an inter-ministerial committee with the MEF and the ISTAT at its core. The purpose of the committee would be to support co-ordination, advocacy and advice to government on ESW. The committee would require supporting arrangements to help ensure its success, for instance designated points of contact within ministries and co-ordinated support at a technical level.
- Building the capacities of government ministries to support the integration of ESW indicators in budgeting and policy making. The proposed actions focus on the inter-operability of frameworks, access to relevant resource materials, and training initiatives. A key aspect of these actions is to support the government (ministry of finance and line ministries) in its use of multiple frameworks including ESW, Sustainable Development Goals and the National Recovery and Resilience Plan.
- The proposed actions consider the information requirements by the State General Accounting Department when line ministries prepare new spending proposals. At the same time, the proposed actions aim to integrate information regarding ESW indicators across budgetary documents.
- Stakeholder engagement is fundamental to integrating ESW indicators into policy making and budgeting as they provide a feedback loop that both demonstrates integration and helps to reveal hurdles to overcome.

This Action Plan proposes 20 actions over the near to medium-term. The near-term is defined as the 12-24 month period starting from when the Ministry decides to progress a specific action, and the medium-term is a two-four year period beyond the near-term. The proposed actions recognise the need for flexibility and responsiveness in implementation as a means to achieve the integration of ESW indicators into policy and budgeting.

**Table 1. Proposed actions**

Areas for action	Responsibilities	Timeline	Description of the proposed actions
<b>Governance arrangements</b>			
Inter-ministerial Committee	Inter-ministerial committee under the leadership of the MEF and ISTAT.	Near-term	a. <b>Establish</b> an inter-ministerial committee to further the use of ESW indicators in policy making, budgeting and other relevant aspects of the Treasury and RGS's work, and establish the terms of reference for the proposed inter-ministerial committee, having regard for lessons from previous inter-ministerial committees.
Steering group within the MEF	MEF: RGS and Treasury	Near-term	b. <b>Create</b> a steering group to support the inter-ministerial committee and to ensure co-ordination of the MEF's contributions to the committee. The RGS and Treasury Departments should determine the appropriate area of the Ministry to have responsibility within the steering group and representatives from both departments should be on the steering group.
Group on data management	ISTAT	Near-term	c. <b>Maintain</b> the ISTAT group on the data management of ESW indicators to support the quality of ESW data over time.
Representation	ISTAT	Near-term	d. <b>Designate</b> senior representatives to be part of the inter-ministerial committee.
	Line ministries	Near-term	e. <b>Provide</b> confirmation to the MEF of a senior representative who has responsibility for the ESW framework and indicators in that ministry as a single point of contact for all materials on ESW.
Community of practice	MEF: RGS and Treasury	Medium-term	f. <b>Launch</b> a community of practice to bring together the designated senior representatives from governmental ministries to support co-ordination and the dissemination of information on ESW.
<b>Capacity building for policy integration</b>			
Harmonising frameworks	ISTAT	Near-term	a. <b>Review</b> and update the mapping process to the ESW, the SDGs and other relevant frameworks, for the purpose of the PNRR. It should improve the inter-operability of frameworks in budgeting and policy making.
		Medium-term	b. <b>Submit</b> the proposed mapping to the proposed inter-ministerial group for consideration to support the use of data across frameworks.
Resource materials	MEF: RGS and Treasury	Medium-term	c. <b>Disseminate</b> guidance and budget circulars to ministries and make the material available publicly to support the forecasting and analysis of ESW indicators (Treasury) as well as the requirements for budget submissions (RGS and/or the Expenditure Analysis and Evaluation Boards as appropriate).
Training	MEF: RGS and Treasury	Near-term	d. <b>Implement</b> training activities and related briefings to increase awareness of the Treasury and RGS' initiatives and better integrate ESW into policy and budgeting across government ministries by drawing on experts as is necessary.
<b>Budget integration</b>			
Identify ESW in the budget documentation	MEF: RGS	Medium-term	a. <b>Update</b> the RGS instructions to line ministries on the preparation of budget proposals to demonstrate the relevance of expenditure, programmes and ESW indicators in the ministries' Integrative Notes, performance plans and reports.
		Medium-term	b. <b>Develop</b> budget analysis tools by RGS, to identify the relevance of spending proposals for the ESW indicators.
ESW and the budget process	MEF: RGS and Treasury	Medium-term	c. <b>Add</b> ESW information to major budget initiatives in the budget law document when it is submitted to the Parliament in October each year to show the relevance of ESW in relation to the proposed allocation of public resources.
ESW indicators as used in performance budgeting and reporting	MEF: RGS	Near-term	d. <b>Undertake</b> a consultation exercise, organised by RGS, with line ministries in preparation for implementing the updated guidance on the use of ESW indicators and to understand if there are specific circumstances where amendments or exceptions are needed to account for the differing circumstances across ministries.
Gender Budgeting	MEF: RGS	Near-term	e. <b>Continue</b> the RGS's development of a gender-based analysis (Bilancio di Genere) or a tool similar to the one developed by the Government of Canada, referred to as GBA Plus, for use in budgetary processes in Italy to advance the objectives of Decree 116/2018.

Areas for action	Responsibilities	Timeline	Description of the proposed actions
Data availability, measurement and use	MEF: RGS and Treasury, and ISTAT	Medium-term	f. <b>Strengthen</b> the co-ordination between the MEF (Treasury and RGS) and line ministries for information and data exchange in policy analysis in order to improve the timeliness of information, and the analytical and modelling work in ESW documents and forecasts.
<b>Stakeholder engagement</b>			
Publications to the Parliament	MEF: RGS and Treasury	Near-term	a. <b>Review</b> the MEF's existing publications to the Parliament for the consistency and priority given to ESW across the publications.
		Medium-term	b. <b>Assess</b> the merits of including ESW in the pre-budget statement to the Parliament to indicate early the policy priorities of the government.
Parliamentary Budget Office' Feedback	MEF: PBO and Treasury	Near-term	c. <b>Initiate</b> an annual process by the Treasury Department to request feedback from the PBO on how it uses the ESW reports that it receives from the Department with the aim of enhancing the relevance of the reports over time.
Civil society involvement	MEF and line ministries	Medium-term	d. <b>Revise</b> outreach activities by governmental ministries to ensure civil society is kept informed of developments in ESW as part of supporting policy development across a diverse and informed group of stakeholders.

# Introduction

Italy is a world leader in its development of Equitable and Sustainable Well-being (ESW) indicators. Definitive features of the ESW initiative are the publication of reports, including flagship reports by the Treasury Department of the Ministry of Economy and Finance (MEF), and the dissemination of data on ESW indicators by the Italian National Institute of Statistics (ISTAT). Over a substantive period, Italian governments and administrations have invested in establishing an indicator framework that looks beyond gross domestic product and the fiscal balance to inform the debate on the progress achieved on key economic, environmental and social indicators.

The Italian Government wishes to strengthen the inclusion of ESW indicators in its policy making and budgetary processes. In 2019, it requested the support from the EU's Structural Reform Support Programme to pursue this work. The European Commission selected the OECD to work with Italy's Treasury Department to develop the ESW modelling on three of the 12 ESW indicators included in the budget process and to prepare an Action Plan on ways to enhance the use of ESW indicators in policy making and budgeting. This report responds to the request to propose an Action Plan.

This Action Plan was prepared in consultation with the Treasury Department and was informed by meetings with stakeholders in Rome to understand the use of the indicators and the potential challenges and opportunities from integrating the indicators into policy and budgeting processes (see Annex A), also considering the relevance of the Sustainable Development Goals (SDGs), performance frameworks and gender budgeting practices.

This Action Plan is organised into five sections, commencing with a summary of the evolution of ESW indicators in Italy to provide the context for the Action Plan. Section 2 considers the actions that could enhance the governance of the ESW framework, and Section 3 looks at actions that could build capacities for policy integration. This section has regard for policy frameworks that are relevant for advancing the use of ESW indicators, such as the SDGs. Section 4 focuses on budget integration, and Section 5 looks at the stakeholder communities and how they can support the integration of ESW indicators in policy making and budgeting.

The Action Plan is not an OECD Review; the proposed actions are intended to support the integration of ESW indicators into budgeting and policy-making processes. The actions include a potential allocation of responsibilities to implement the actions. The allocations are matters for the Treasury Department and State General Accounting Department (RGS) to determine in consultation with other relevant parties, in particular ISTAT.

The Action Plan was prepared with funding by the European Union via the Structural Reform Support Programme and implemented in co-operation with the European Commission's Directorate-General for Structural Reform Support (DG REFORM).

# 1 Equitable and sustainable well-being indicators in Italy

This section of the Action Plan provides context for the proposed actions in subsequent sections by considering the evolution of equitable and sustainable well-being indicators, performance budgeting and the Sustainable Development Goals in Italy.

## The evolution of ESW indicators in Italy

In 2016, Italy was the first country in the OECD to link indicators of equitable and sustainable well-being (ESW, in Italian *Benessere Equo e Sostenibile* (BES)) to economic and budgetary planning. Art. 10, paragraph 10-bis and 10-ter of Law 163/2016 (Government of Italy, 2016<sup>[1]</sup>) that reformed the accounting law 196/2009, provides for an ESW Annex to the annual Economic and Finance Document (DEF) and an annual report to the Parliament on ESW indicators in relation to the most recent Budget Law.

The Treasury Department of the MEF prepares the ESW Annex of the DEF and submits it to Parliament in April each year to show the evolution of ESW indicators covering 8 domains<sup>1</sup> over the previous years, together with forecasts for the current year and over the budgetary horizon both on existing policy and under specified policy scenarios. The Report on ESW indicators is submitted to the Parliament in February each year and shows the evolution of ESW indicators in light of the approved budget law over the budgetary time horizon (MEF, 2022<sup>[2]</sup>). The Treasury Department has the responsibility of forecasting the ESW indicators for the purposes of the annual report.

The development of a framework for ESW indicators in Italy started in the 1990s and continued through with an ESW project in 2010 that involved ISTAT and the CNEL. The aim of the project was to identify the basic elements of well-being in Italy and to assess the economic, social and environmental progress of society relative to those elements. The project involved defining indicators beyond gross domestic product (GDP) and involved stakeholders from civil society in the identification of 134 indicators across 12 domains. The result was summarised in 2013 in the first ISTAT-ESW report. Since then, ISTAT has continued to update its annual ESW report by adding new indicators, reaching a total number of 153 in the 2021 edition. From the beginning of the work by ISTAT, particular attention has been paid to providing disaggregated data at a regional level and for different social groups, in order to observe and analyse issues regarding distribution and to signal any significant inequalities.

As prescribed by Article 14 of Law 163/2016 reforming the accounting law 196/2009, a Committee for Equitable and Sustainable Well-being Indicators was established and charged with selecting a short list of ESW indicators that could be integrated into the budget process. The Committee was chaired by the Minister of Economy and Finance and composed of the President of ISTAT, the Governor of the Bank of Italy, and two experts from universities and research institutes. As a result, in 2017, 12 ESW indicators

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<sup>1</sup> The 8 domains are: Economic Well-being; Health; Education and Training; Work and Life Balance; Safety; Politics and Institutions; Environment; Landscape and Cultural Heritage.

were introduced into the Italian budgetary process by a Ministerial Decree (MEF, 2017<sup>[3]</sup>). The exercise started with the 2017 DEF, where four indicators (gross disposable corrected income per capita; disposable income inequality; labour market non-participation rate by gender; CO<sub>2</sub> and other GHG emissions per capita) were included in the DEF for the first time. All 12 indicators were included in the 2018 DEF, and the 2021 Annex includes a chapter which analyses the PNRR presented by Italy from the perspective of the ESW indicators.

The development of ESW indicators and the subsequent integration of a defined number of indicators into the budget process has helped to establish ESW as a budgetary institution in Italy, as the indicators became a point of reference for measuring progress and informing public debate. However, ESW indicators are not (yet) part of the government's performance budgeting framework, and are not included in the Integrative notes that are prepared by ministries. In 2021, the State General Accounting Department (RGS) suggested the possible use of indicators in the Integrative Notes and has referred to the 12 ESW indicators on the RGS website (RGS, 2021<sup>[4]</sup>).

## Performance budgeting frameworks: gender and green budgeting

In Italy, successive governments have invested in performance budgeting methodologies by integrating outcome-based frameworks into the budget process, for instance green budgeting and gender budgeting. Italy has one of the longest-running practices of green budgeting among OECD countries, with specific requirements to report on spending related to environmental protection. In 2016, Italy introduced gender budgeting as a way to achieve greater transparency on the allocation of budgetary resources and the impacts on men and women.

The accounting reform law 196/2009 (and subsequent modifications) refers to green budgeting and gender budgeting, within the responsibility of the RGS:

- Art. 36, paragraph 6 regulates the reporting of information regarding environmental expenditures (*Ecorendiconto*) by governmental bodies to RGS: the scope is to show the resources allocated to environmental protection including, conservation, restoration, and the sustainable use of natural resources and heritage;
- Art. 38-septies regulates the gender budget: RGS prepares a gender budget report classifying State budget expenditure in terms of gender. It provides a set of statistical indicators to monitor the actions taken to address gender inequalities, and it analyses the impact of tax policy measures on gender.

The Law 196/2009 art. 21, paragraph 11, letter a) indicates RGS as responsible for collecting and publishing the Integrative Notes (*Note integrative*) from line ministries. The Integrative Notes are part of the planning and management cycle of the State administration. In the Integrative Notes, line ministries are to show the criteria used for financial projections with respect to governmental programmes, and indicators to measure results (RGS, 2021<sup>[5]</sup>). The Integrative Notes report on the government's application of performance budgeting in Italy.

While the Integrative Notes attached to the Budget Law show the objectives and result indicators of expenditure programmes with the available financial resources (*ex ante*), the Integrative Notes attached to the State Budget Report show the results achieved and the resources used in relation to those planned (*ex post*). The State Budget Report identifies the reasons for any discrepancies between the objectives defined (*ex ante*) and the results achieved (*ex post*).

## Well-being international practices

The Italian government was an early adopter of a framework that looked beyond economic indicators to inform public debate on the country's progress relative to objective, non-financial criteria. The ESW framework and indicators were developed by ISTAT before the United Nations framework on the SDGs in 2015 and the OECD Well-being framework in 2011. More recently, a number of OECD countries have moved in a similar direction by adopting well-being frameworks and integrating them into policy and budgetary processes (Box 1). These experiences helped to inform the OECD analysis for this Action Plan.

### Box 1. Examples of well-being practices in OECD countries

Several OECD countries have implemented well-being policies and have adopted a framework and strategy which is implemented and monitored at national level. Examples include:

**Canada:** The Canadian Index of Well-being (CIW) was created in 2011 and is run by the University of Waterloo. The CIW is a single composite measure of well-being, which can be compared directly to GDP. The index comprises 64 indicators across eight dimensions: Healthy Populations, Democratic Engagement, Community Vitality, Environment, Leisure and Culture, Time Use, Education, and Living Standards. In 2021, the government introduced a Quality of Life framework and is working to incorporate quality of life measurements into decision making and budgeting.

**Ireland:** The Irish Government is developing a well-being framework as part of the 2022 Programme for Government. Initiatives on gender equality and climate change have helped to pave the way for a comprehensive set of indicators on well-being. The Department of Public Expenditure and Reform (DPER) has led many of the development initiatives. The reforms have been supported by enabling legislation and independent bodies such as the Equality Commission.

**New Zealand:** In 2019, the government launched a well-being budget and amended the Public Finance Act to report on child poverty through annual budget process. The Treasury commenced work on its Living Standards Framework in 2011, which led to the production of the Well-being Budget and a Well-being Dashboard. The framework aligns closely to the OECD Well-being Framework which helps provide New Zealand with cross-country comparisons on 11 domains of well-being and four capital domains. New Zealand added a twelfth domain on Cultural Identity and other indicators such as measures of domestic violence, ability to express oneself, and water quality.

**The Netherlands:** In 2018, Statistics Netherlands published the first of its annual publications monitoring well-being in the country. The methodology tracks well-being over time across three aspects of Broad Well-being Trends (BWT): well-being of residents in the present day, the outlook for well-being of residents in the future, and unusually, the effect of the Netherlands on well-being elsewhere in the world, particularly regarding the environment and developing nations. The BWT tracked for current well-being cover 20 indicators over seven dimensions: Well-being and Material Welfare, Health, Environment, Society, Security, Work and Education, Housing.

**United Kingdom:** In 2011, the government introduced a national framework of well-being indicators to be produced by the Office of National Statistics. The framework consists of 43 indicators across 10 dimensions: Personal Well-being, Our Relationships, Health, What We Do, Where We Live, Personal Finance, Economy, Education and Skills, Governance, and Environment. Differing from the OECD framework, the United Kingdom dashboard contains very little information relating to inequalities. The indicators are published in an interactive online dashboard that is updated biannually. Change is assessed over the short-term (one-year) and the long-term (five-years). An international comparison of the dashboard was released in 2019, looking at national outcomes relative to the EU and the OECD.

## Well-being and Sustainable Development Goals (SDGs)

In Italy, the main tool for the implementation of the 2030 Agenda for Sustainable Development is the National Sustainable Development Strategy (NSDS). The NSDS defines the guidelines for economic, environmental and social policies aimed at achieving the SDGs by 2030. The NSDS was first published in 2017 and is currently under revision. The Ministry of Ecological Transition (MiTE) is responsible, as defined by non-legislative regulations, for the co-ordination of the 2030 Agenda.

ISTAT produces reports on SDG indicators at a national level. The reports support the monitoring of progress toward the SDGs. In 2021, ISTAT prepared a report with 354 statistical measures for 135 indicators. The 2021 report introduced 30 new measures and updated 119 others relative to the 2020 publication.

The SDG and the ESW frameworks differ in terms of approach and purpose, but the work already undertaken for the ESW has been useful to respond to the SDG framework. A mapping exercise showing the link between ESW and SDG indicators was conducted by an inter-ministerial group composed of ISTAT, MEF, MiTE and MAECI. This exercise, completed in 2019, revealed around 40 common indicators (see Figure 1).

Figure 1. Indicators in ISTAT-ESW and SDGs methodologies

BES		SDGs	
1. Health	7 indicators	7 in Goal 3	
2. Education and training	8 indicators	7 in Goal 4 1 in Goal 8	 
3. Work and life balance	10 indicators	2 in Goal 5 8 in Goal 8	 
4. Economic well-being (*)	7 indicators	5 in Goal 1 3 in Goal 10	 
5. Social relationships			
6. Politics and institutions (*)	8 indicators	4 in Goal 5 5 in Goal 16	 
7. Safety	3 indicators	1 in Goal 5 2 in Goal 16	 
8. Subjective well-being			
9. Landscape and cultural heritage	2 indicators	1 in Goal 11 1 in Goal 13	 
10. Environment (**)	11 indicators	1 in Goal 1 2 in Goal 6 1 in Goal 7 1 in Goal 8 3 in Goal 11 2 in Goal 12 2 in Goal 13 1 in Goal 14 2 in Goal 15	        
11. Innovation, research and creativity	3 indicators	3 in Goal 9	
12. Quality of services	5 indicators	2 in Goal 1 1 in Goal 6 2 in Goal 11 1 in Goal 16	   

Note: (\*) 1 indicator in more than one goal. (\*\*) 6 indicators in more than one goal.

Source: (ISTAT, 2021<sup>[6]</sup>)

## 2 Governance arrangements

Good governance is key to implementing policy frameworks and ensuring that government objectives and priorities are achieved. The ESW indicators are cross-governmental indicators in that they require contributions from more than one ministry to produce improvements. As such, it is crucial that the main actors involved in the ESW-related activities and processes co-ordinate with each other.

In preparing this Action Plan, the OECD found there are opportunities to increase co-ordination in budgeting and policy making between the MEF and other ministries and organisations. Although individual ministries can make use of ESW data and indicators, it is not always apparent to them as ministries do not always include the ESW indicators in organisational and budgetary strategies. This situation can fragment the use of ESW information in decision making as reports prepared by the MEF on ESW indicators are not supplemented with information on the performance of policy responses by line ministries. In response, this section describes the proposed actions to establish and operationalise an inter-ministerial committee, clarify the roles of ministries and the ISTAT, and to put in place a community of practice to support the governance of ESW in the government.

### The role of an inter-ministerial committee

The Well-being Control Room (*Cabina di Regia Benessere Italia*) was the technical-scientific advisory body to the Prime Minister on well-being policies and the assessment of the quality of life of citizens. It was tasked with monitoring and co-ordinating initiatives regarding ESW, promoting good practices and developing methodologies and guidelines (see Box 2).

#### Box 2. Tasks and functions of the Well-being Control Room in Italy

The Well-being Control Room, which met for the first time on 11 July 2019, operated as a “technical scientific support body for the Prime Minister with purposes of institutional, political, strategic and functional co-ordination for the implementation of ESW and the National strategy for sustainable development”. It was chaired by a representative appointed by the President of the Council of Ministers and composed of a representative appointed by each relevant Minister. It was supported by an Expert Committee. The main activities of the Control Room included consultation, co-ordination and evaluation activities. The body was dissolved in 2020.

Source: (Wellbeing Control Room (Cabina di Regia Benessere Italia), 2020<sup>[7]</sup>).

The Well-being Control Room was established to co-ordinate the work of ministries, identify the relevance of ESW and guide the maintenance of the indicator framework. The MEF was involved in this process however only at a high-level, and had no interaction with the Control Room at the more technical level. Its dis-establishment in 2020 was brought about by a change of government, and its absence has created a gap, in the OECD’s view, on the co-ordination of efforts across stakeholders.

Steering committees with senior representatives from multiple ministries have proven effective in other OECD countries that use well-being frameworks, as demonstrated in New Zealand (see Box 3). The example illustrates the importance of exchanging information between senior ministerial representatives to inform decisions and decision-making processes.

### Box 3. Governance arrangements on well-being in New Zealand

In 2018, the New Zealand Government established a Social Well-being Board composed of chief executives of relevant governmental ministries and agencies, including the chief executives of the ministries of education, health, justice, social development. In the New Zealand context, the chief executives head each ministry.

The Board is influential in advising the government on matters that require an integrated approach across ministries and agencies in the social sector, including advice on any barriers within the public service that the chief executives encounter in their collaborative work. The Board's terms of reference refer to advising the relevant Cabinet committee on the strategic direction of the social sector, monitoring performance of the Board's work programme relative to the government's well-being indicators, developing evidence-based policy advice, and sharing knowledge and expertise.

This Action Plan proposes that the government revisit the concept of a high-level steering committee to support the cross-ministry governance of the ESW indicators. An inter-ministerial working group should be set up jointly with ISTAT, with a leading role for the MEF (RGS and Treasury), in terms of facilitating dialogue, strategy, decision making and monitoring of indicators, results and integration within ministries (keeping in mind the model of the dissolved Well-being Control Room). The committee would support implementation and co-ordinate joint action on ESW indicators and in doing so support the institutional commitment to the ESW strategy. The use of ESW indicators for policies cannot be reached through only the 12 indicators and would require integrated approach with line ministries. Co-ordination between ISTAT and MEF is therefore indispensable to help reach this objective.

A legal framework to establish the inter-ministerial committee may be needed, and it is recommended to review the decree which set up the former Well-being Control Room, to consider which elements could be retained to ensure the new body is politically neutral and with an appropriate mandate, such as its role of co-ordination, harmonisation of indicators and supervision of the ESW monitoring and reporting. The structure and terms of the steering committee that is already in place in Italy to co-ordinate the National Plan for Recovery and Resilience (NPRR) may serve as a relevant example.

### The role of the MEF

Currently, the MEF is the main actor and driving force of the ESW framework in budgeting in the government. It is mandated by law for the Treasury Department to prepare the two documents on the 12 ESW indicators that are integrated in the budget process (the Annex to the DEF and the ESW Report to the Parliament). Both documents contain projections of the indicators, the first in line with macroeconomic trends and a policy scenario (under unchanged legislation and under a political scenario), and the second in light of the measures included in the budget law. In this capacity, the Treasury Department has advanced the analysis and development of the ESW indicators for policy purposes.

Given its expertise, the Treasury Department should maintain its role on forecasting ESW indicators within the MEF. In addition, the RGS should complement this effort by embedding ESW in performance budgeting in the Department's performance budgeting activities. As such, both departments should be members of

the inter-ministerial group in order to help bring a co-ordinated approach to ESW indicators in budgeting and policy making across government ministries.

## Italian National Institute of Statistics

The ISTAT is responsible for providing data on ESW indicators and publishes the information on a regular basis. Its annual report of ESW indicators provides the basis for the documents prepared by the MEF. Periodically, ISTAT updates the ESW indicators to reflect changes in social and economic measures. For example, in 2020 new indicators were included to take into account the digital and ecological transitions (ISTAT, 2020<sup>[8]</sup>). The 12 ESW indicators that are used for economic and budgetary reports are a subset of indicators prepared by ISTAT, as determined by the legislation.

ISTAT should play a fundamental role, commensurate with its responsibilities, in an inter-ministerial committee because of its expertise on ESW data and its stewardship of the 12 domains within the framework. ISTAT convenes a steering group on the management of ESW data to improve the quality, periodicity and maintenance of the data over time. These capacities demonstrate ISTAT's potential contribution to an inter-ministerial committee.

## Role of line ministries

Of the ministries in government, this Action Plan focuses on the ministries of education and health because this Action Plan considers specifically the indicators of Healthy Life Expectancy, Obesity, and Early School Leavers. The ministries of education and health have technical capacities and processes that can use ESW indicators, but at present there is little requirement to do so. The Budget Law does not require ministries to use ESW in their documents. In relation to performance budgeting, the indicators are not part of the ministries' performance plans and reports nor the accountability documents that are submitted to the Parliament.

At the same time, there are a few good practice examples in these ministries. For example, in the Ministry of Education, the school self-evaluation system takes into account poverty indicators and territorial context. In the Ministry of Health, the statistics office provides information to ISTAT (e.g. data on home care). Data on obesity is also collected by the National Institute of Health. However, despite the availability of data, the ESW information is not included in the ministries' budget documents (i.e. Note integrative).

The existing capacities and processes could be enhanced by assigning responsibility for ESW indicators to a designated member of the executive or senior representative of each ministry to support the relevance, use and reporting of ESW in the activities. The purpose of the assignment is to ensure the capacities have a sponsor. In doing so, it provides an advocate for the integration of ESW indicators into policy and budgeting.

## Community of practice

Communities of practice are used widely in OECD countries, for example in the United States, for the implementation of the legislated framework on the foundations of evidence in policy making. Such communities of practice bring together people with similar roles and responsibilities on a regular basis to share experiences and resource materials. In the case of the United States, the framework on the foundations of evidence in policy making was implemented without additional funding to federal departments and agencies as the capacities were considered part of the management responsibilities of a department.

In the case of Italy, where a person is assigned responsibility in a ministry for ESW indicators, that person should not act in isolation as experiences and lessons from other ministries could potentially increase the

effectiveness of that person's work. In addition, establishing a community of practice can provide a network of people for the MEF to distribute guidance materials and support the implementation of the budget process each year. Within the MEF, establishing a community of practice is likely to support the responsibilities of the RGS.

## Proposed Actions to support the governance of the ESW indicators in budgeting

### Inter-ministerial committee

1. **Establish** an inter-ministerial committee to further the use of ESW indicators in policy making, budgeting and other relevant aspects of the Treasury and RGS's work, and establish the terms of reference for the proposed inter-ministerial committee, having regard for lessons from previous inter-ministerial committees. [Near-term]

### Ministry of Economy and Finance

2. **Create** a steering group to support the inter-ministerial committee and to ensure co-ordination of the MEF's contributions to the committee. The RGS and Treasury Departments should determine the appropriate area of the Ministry to have responsibility within the steering group and representatives from both departments should be on the steering group. [Near-term]

### ISTAT

3. **Designate** senior representatives to be part of the inter-ministerial committee. [Near-term]
4. **Maintain** the ISTAT group on the data management of ESW indicators to support the quality of ESW data over time. [Near-term]

### Line ministries

5. **Provide** confirmation to the RGS and Treasury Department of a senior representative who has responsibility for the ESW framework and indicators in that ministry as a single point of contact for all materials on ESW. [Near-term]

### Community of practice

6. **Launch** a community of practice to bring together the designated senior representatives from governmental ministries to support co-ordination and the dissemination of information on ESW. [Medium-term]

# 3 Capacity building for policy integration

To ensure the ESW framework is implemented effectively across government in budgeting and policy-making processes, capacity-building activities are needed to develop the adequate competences and skills on using ESW indicators. This section proposes actions to support capacities on the use of ESW indicators in budgeting and policy-making processes in the MEF and line ministries, including to develop and publish guidance materials for the actors involved in ESW processes.

## Harmonising frameworks

Well-being agendas can enhance future-focused and anticipatory policies (OECD, 2021<sup>[9]</sup>). The ESW framework is transversal and requires co-ordination in terms of governance (see Section 2: Governance arrangements), and in its use of tools and reporting. ESW indicators, like other well-being frameworks, rely upon an integrated approach with other frameworks to be effective.

### *Forecasting activities*

One of the uses of ESW indicators is to support forecasting over the short term. The Treasury Department prepares forecasts of the indicators as required by the Italian budget law, based on current legislation and policy scenarios. The forecasts require specific models that may take into account macroeconomic variables that can affect the forecast of ESW indicators. For example, employment and income can have an impact on excess weight and obesity estimates and on early school leaver estimates.

However, other departments in the MEF do not use ESW indicators for forecasting purposes. For example, within the RGS, the General Inspectorate for Social Spending (the IGESPES) prepares long-term projections of the pension system and other social protection benefits, and monitors health expenditure and analyses health expenditure trends. These projections do not incorporate the ESW indicators even though ESW indicators such as expected healthy life years could inform analyses on population ageing and transfer expenditures.

### *Synergies between the ESW and SDGs*

The ESW indicator framework and the SDG framework differ by design, application, measurement, and purpose. For instance, the ESW framework does not have goals or targets. However, the two frameworks are complementary as they refer to similar topics and are both used by the government to monitor progress. The main tool for implementing the 2030 Agenda is the National Sustainable Development Strategy (NSDS). The Ministry of Ecological Transition (MiTE) is responsible for the co-ordination mechanism for the implementation of the 2030 Agenda and the NSDS. In 2021, MiTE commenced work on revising the NSDS.

In 2019, ISTAT, MAE, MEF and, MiTE, completed an exercise to map the ESW indicators to the SDG indicators to support the interoperability of the two frameworks (Figure 1). The mapping should be reviewed

on a periodic basis to ensure it is still accurate and complete. The mapping should be reviewed on a periodic basis to ensure it is still accurate and complete. The mapping should also be used in the revision of the NSDS. Processes that harmonise the use of data across frameworks can help to provide insights into the indicators and increase the potential use and value of the information that is generated from the frameworks.

### ***Linking ESW with the Recovery and Resilience Plan***

In July 2021, the Council of the European Union approved the Italian Recovery and Resilience Plan (PNRR) under the Recovery and Resilience Facility (RRF). Elements of the Italian PNRR are relevant within the ESW framework, as illustrated in Chapter 2 of the ESW Annex 2021 (see the paragraph below). However, ESW indicators are not referred to directly within the PNRR. They have been considered in a related document, specifically on gender equality within the PNRR. In this regard, other European countries included comparable ESW and well-being indicators in their RRFs, even though the frameworks and basis for the observations differ from country to country (Box 4).

#### **Box 4. Selected examples of well-being perspectives in National Recovery and Resilience Plans**

Structuring the budget according to well-being indicators is a new and developing practice in OECD countries. Several countries, such as Canada, Finland, Italy and New Zealand, have integrated well-being into budgeting. However, in the wake of the COVID-19 pandemic, many countries' recovery plans now include chapters and indicators on well-being. For example, within the European Union, these have been presented in budget programmes.

Examples of well-being indicators integrated in the budgetary framework

- **Canada:** The budget in Canada integrates a quality of life overview. The Budget Impacts Report estimates budget proposal against the quality of life framework. Alongside the budget, the Finance Ministry also circulated a green paper: *Measuring What Matters: Toward a Quality of Life Strategy for Canada*.
- **Finland:** In 2019, Finland integrated well-being into its budget and used well-being indicators in the orientation and evaluation of public policies.
- **New Zealand:** In 2019, New Zealand developed a well-being budget. It included increased public spending on mental health, child poverty, and domestic violence.

Examples of well-being chapters integrated in the recovery plans

- **Austria:** The recovery plan focused on a knowledge-based recovery (including research, upskilling and reskilling, education, and strategic innovation); and a fair recovery (addressing healthcare, resilient communities, art, culture, and reforms). Examples of reforms and investments: funding of primary care units, developing a mother-child passport platform), and improving access to education.
- **Portugal:** The recovery plan was built on the pillars of resilience, climate, and digital transition. The pillars contained reforms and investments in national health; social responses; and qualifications and skills. Examples included implementing a national campaign and technology platform to promote physical activity, and strengthening regional health services.
- **Spain:** The recovery plan comprised cross-cutting themes, which serve as a backbone for the main policy areas: the green transition; the digital transformation; social and territorial cohesion; gender equality; a pact to support science and innovation and strengthen the capabilities of the national health system; and education and knowledge, lifelong learning and capacity building.

The ESW Annex to the 2021 DEF contains a section which provides a qualitative evaluation of the measures in the PNRR with respect to the ESW to track the potential impacts of investments and reforms on the 12 indicators (MEF, 2021<sup>[10]</sup>). For example, the measure on urban regeneration and social housing is identified as having a positive impact on reducing absolute poverty and on improving healthy life expectancy.

The relevance of ESW indicators for monitoring the outcomes of the PNRR demonstrates the merits of managing data in a way that can map across multiple frameworks. However, establishing such harmonisation is challenging, as there is rarely a perfect fit from one framework to the next. Requirements on accreditation and standards of evidence also complicate matters. These issues are examples of areas where ISTAT has already made progress and which can support the agenda of topics that should be brought to the proposed inter-ministerial committee to bolster decision making using ESW indicators.

## Resource materials

Resource materials, such as guidance notes and circulars, should be available publicly, to support access to the materials and improve transparency about the standards required by government. The RGS, in consultation with the Treasury, should publish guidance documents and/or circulars on the operational aspects of ESW and its implementation in budgeting, to strengthen the use of ESW indicators in the performance budgeting system and to support the forecasts and analyses of ESW indicators. By way of illustration, in the United Kingdom, the *Green Book: Appraisal and Evaluation in Central Government* (His Majesty's Treasury, 2022<sup>[11]</sup>), contains a section on Well-being Guidance, which is a relevant best practice example (Box 5). The guidance illustrates how the integration of ESW can occur across line ministries.

### Box 5. The Green Book and well-being guidance in the United Kingdom

In the United Kingdom, the [Green Book](#) is issued by Her Majesty's Treasury and provides information on how to appraise policies, spending proposals, programmes and projects by providing instructions and supplementary guidance on the design and use of monitoring and evaluation before and after implementation. In 2021, the supplementary Well-being guidance to the Green Book was published, which outlines how and where well-being should be considered in the relevant parts of the Green Book methodology. It includes an overview of how well-being evidence can inform the strategic stages of policy making as well as 'step by step' guidance for analysts on how well-being impacts can be assessed, and in some cases where evidence allows, monetised and included in cost benefit analysis. It also includes guidance on how to include well-being in monitoring and evaluation in line with the requirements of the Green Book.

## Training

### *Training in the MEF*

In order for the RGS to integrate ESW into budgeting, it may be beneficial to using training programmes as a means to establish a common direction across the RGS to identify the ways to achieve the purpose of the initiative. Depending on the organisational arrangement in RGS, the optimal form of the training is to be determined. By illustration, this might be through a guidance note, online resources or a traditional training session.

The purpose of the training would be to increase awareness of how ESW can be used in budgeting, the RGS's responsibilities to help achieve such an objective, and the resources at RGS' disposal. Raising awareness to support the integration of ESW in budgeting does not need to be performed solely by RGS; for example, guest speakers from ISTAT and other organisations can be invited to training sessions to share their experiences and to outline ISTAT's roles and responsibilities.

### ***Training for line ministries***

The objective of the training by RGS for line ministries would be to disseminate the purposes of ESW in budgeting. It is a means of establishing expectations on the information the RGS requires for budget submissions and to promote ESW guidance resources that the RGS can provide to line ministries. Alternatives to training, but with the same purpose in mind, include workshops, executive briefings, and advisory forums. The National School of Administration, which has developed classes and seminars on SDGs, could be involved in this action. It may mean that ministries, such as education and health, could be pilots for training initiatives. Lessons learned from the pilot could inform subsequent initiatives and improve the guidance materials that are prepared for line ministries.

## Proposed actions on policy integration

### **Harmonising frameworks**

1. **Review** and update the mapping process to the ESW, the SDGs and other relevant frameworks, for the purpose of the PNRR. It should improve the inter-operability of frameworks in budgeting and policy making. [Near-term]
2. **Submit** the proposed mapping to the proposed inter-ministerial group for consideration to support the use of data across frameworks. [Medium-term]

### **Resource materials prepared by the RGS and the Treasury**

3. **Disseminate** guidance and budget circulars to ministries and make the material available publicly to support the forecasting and analysis of ESW indicators (Treasury) as well as the requirements for budget submissions (RGS and/or the Expenditure Analysis and Evaluation Boards as appropriate). [Medium-term]

### **Training**

4. **Implement** training activities and related briefings to increase awareness of the Treasury and RGS' initiatives to integrate ESW into policy and budgeting across government ministries, by drawing on experts from ISTAT and the proposed community of practice as necessary. [Near-term]

# 4 Budget integration

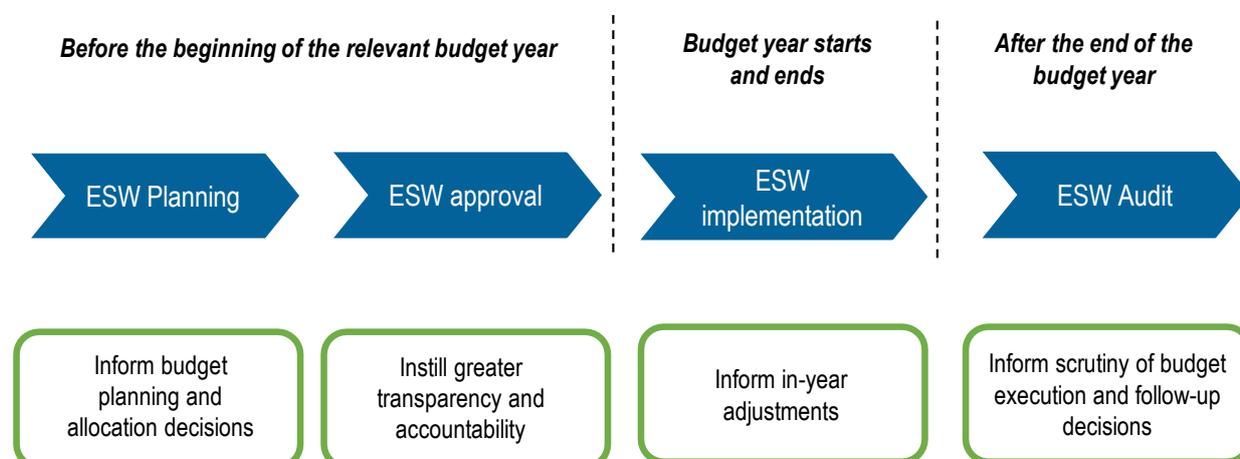
At present, the ESW indicators are not part of an integrated approach to budgeting across government. In order to develop such an approach, the existing practices of preparing and reporting information should be applied beyond the MEF and ISTAT to include line ministries. This section focuses on the integration of ESW into budgeting to support these conditions and to inform resource allocation decisions. The proposed actions are to strengthen and broaden the use of ESW in the government's performance budgeting system and in doing so focus on actions by the RGS.

## Identifying ESW across all phases of the budget process

The ESW project was conceived for the general monitoring of people's well-being in Italy. With the 2016 decision to integrate 12 ESW indicators into the budget process, budgeting moved beyond macro-fiscal variables to include aspects of well-being. However, the State budget is organised by missions, programmes, and actions, and not by ESW domains. This is reasonable, as government is to satisfy a number of frameworks, such as the SDGs, the Paris Agreement, and the PNRR. However, of note is how these frameworks can inform the planning and prioritisation processes in budgeting

The OECD prepared Figure 2 to depict the possible use of ESW indicators in the budget process. The purpose of the figure is to illustrate how line ministries could demonstrate to the RGS how a budget submission could advance – or at least be relevant – to ESW as part of the scrutiny that the RGS applies to a budget submission. To support the RGS in its role, budget negotiations and approvals should be contingent upon line ministries providing ESW information about each submission. The RGS could support this process by providing tools, such as cost-benefit analysis templates, that require information on ESW indicators.

**Figure 2. Illustration by the OECD of ESW in performance budgeting across the budget cycle**



### **ESW in national budget documentation**

The two ESW documents produced by the Treasury Department during the budget cycle (the Annex to the DEF in April and the Report to the Parliament in February) are well developed and are of high quality. However, the information is not integrated into the annual budget law and does not show the relevance of ESW in relation to the programmes and new initiatives that are to receive funding from the budget. An example of such a practice in another country is in New Zealand, where the pre-budget statement and the budget law refers to the government's well-being framework and the budget law identifies initiatives relative to the well-being framework (New Zealand Government, 2021<sup>[12]</sup>).

The guidelines to prepare the Integrative Notes (the *Nota Tecnica n. 2*, attached to the circular) state that every administration is "invited to use the ESW indicators when developing the integrative note" (RGS, 2021<sup>[4]</sup>). However, few ministries include ESW indicators in the Integrative Notes. The OECD found that only three ministries had used two or three ESW indicators in their budget documents. As such, the RGS should revise the guidance for the Integrative Notes from an invitation to a requirement to provide ESW indicators.

### **ESW indicators, performance budgeting and reporting**

Currently, there are no links between ESW indicators and the performance budgeting process in Italy. An integrated approach to ESW indicators would be to incorporate the ESW indicators into the planning, resource allocation and performance reporting by line ministries. Adding an ESW perspective to the performance budgeting framework in Italy would allow ministries to orient strategic plans and accountability reports to the ESW domains. In doing so, it would provide an *ex ante* and *ex post* perspective to ESW in relation to policy and resource allocation.

The first step to link the ESW indicators to the existing performance framework is for ministries to provide information on how they can contribute to the ESW framework, in line with the priorities identified by the government. Ministries' performance plans identify the mission and the objectives of a ministry for the next three-year period and the resources and indicators to measure progress. The inclusion of ESW indicators in Performance Plans and Reports would inform the monitoring activities by the RGS and stakeholders.

Integrating ESW into performance budgeting and reporting would require an update to the guidance materials on the content the government requires when ministries prepare performance plans and reports. Such reforms can be significant and the process to establish the requirements may require the RGS to consult ministries as well as prepare a technical specification of the guidance materials. This action could bring about improvements to the quality of planning and reporting across government.

### **Gender budgeting**

The scope of instructions for this Action Plan includes gender budgeting, which falls under the responsibility of the RGS. Through its responsibilities, the Treasury Department advises that its monitoring of ESW indicators includes the territorial, age and gender dimensions of inequality.

In 2016, Italy introduced gender budgeting as a pilot initiative, which it has continued to implement. The pilots assessed the impact of budgetary policies on women and men in terms of expenditure, services, time and unpaid work. The State budget expenditures were reclassified based on an assessment of the impact on men and women, either as neutral expenditures, sensitive expenditures, or expenditures aimed

at reducing gender disparities or promoting equal opportunities<sup>2</sup>. Some indicators of gender budgeting relate to the ESW indicators and are included in the DEF (Table 2).

**Table 2. ESW and gender budgeting indicators**

ESW Indicators in the DEF	Areas in the Gender Budget
Absolute poverty index	Protection of work, social welfare, and assistance
Life expectancy in good health at birth	Health, lifestyle, and safety
People overweight	Health, lifestyle, and safety
Early leaving from education and training	Education and interventions against gender stereotypes
Rate of non-participation in work	Labour market
Ratio of employment rate of women 25-49 years old with pre-school children to women without children	Labour market

Source: (RGS, 2020<sub>[13]</sub>).

In 2018, Legislative Decree 116/2018 (Article 8) strengthened the gender budget, by stating that it should define and allocate resources from a gender perspective, taking into account the ESW indicators in the DEF, to improve the planning and monitoring of public finances, and integrating the analysis of strictly economic dimensions with well-being considerations. The Article supports the linkages between the gender budget and the ESW framework, and provides a basis to integrate gender budget analyses with the ESW analyses.

However, in the OECD's view, one of the challenges to giving effect to the Decree is to provide analytical tools that line ministries can use to analyse the potential impacts of budget proposals on gender equality outcomes. This is challenging to apply *ex ante*, because at present in Italy it is performed *ex post* with respect to the approval of the budget (Article 38, Law 196/2009). However, a best practice example is the Gender Based Analysis Plus (GBA Plus) tool that was developed by the Government of Canada (Box 6). The RGS is already aware of the GBA Plus and has considered its relevance in the Italian government, including variations of the tool.

<sup>2</sup> Circular n.9 of the State General Accounting Department (29 March 2019).

### Box 6. Gender budgeting in Canada

In 2018, the Government of Canada passed the Gender Budgeting Act, which promotes gender equality and inclusion in society. The legislation established gender budgeting as a permanent feature of the federal budget process. In 2018, the government also introduced its Gender Results Framework, which it uses to integrate gender equality considerations into budget proposals. The framework uses an analytical tool, referred to as [Gender Based Analysis Plus](#) (GBA Plus), and all new measures in the budget proposal are required to complete a GBA Plus assessment before they are considered for inclusion in the budget. The requirement for all proposals to complete a GBA Plus assessment is a mandatory feature of the budgetary instructions to federal departments. In doing so, the tool has raised awareness of gender equality in decision making and helped with the prioritisation of budget proposals.

## Data availability, measurement and use

The data on the 12 ESW indicators in the budget process are provided by ISTAT. Some survey data are gathered directly by ISTAT, while line ministries and agencies collect administrative data. The frequency and timing of some data can be problematic for the MEF and line ministries, as ESW indicators can incur production lags of as much as 2-3 years compared to macroeconomic indicators. However, social indicators, by their nature, do not move typically at the same speed as other economic indicators and the measurement of social indicators can be more complex than macroeconomic variables, for example, forecasts of healthy life expectancy do not change as frequently as GDP.

One approach to overcome this challenge is for line ministries to tag expenditure in budget proposals to identify its relevance to ESW indicators. An example of the resources that are available on tagging is the OECD publication *Green Budget Tagging: Introductory Guidance and Principles* (OECD, 2020<sup>[14]</sup>). The line ministries would undertake the tagging as they are best placed usually to assess relevance (see Box 7). The role of the RGS in scrutinising budget proposals would be unchanged largely from its existing role and the MEF would benefit from richer information on the potential impacts of a proposal. To give effect to tagging expenditures on ESW indicators in the budget, the RGS would need to update its budget instructions to line ministries to specify the information required. However, tagging should be used in combination with improving the timeliness of statistical data prepared by ISTAT and not to compensate for delays.

### Box 7. Well-being in Iceland

In the context of implementing performance budgeting, SDG budgeting and gender budgeting, the Icelandic government revised its budget system and developed a budget-tagging module. Within the system, government targets are linked to expenditures and system allows data to be extracted for analysis through various dashboards and monitoring reports. During the budget preparation process, ministries are to identify how each area of expenditure relates to a government priority e.g. SDGs or gender-equality targets. Line ministries cannot submit budget proposals until all areas of expenditures are tagged appropriately. This places the analytical requirement on line ministries, not the Ministry of Finance and Economic Affairs.

## Proposed actions on budget integration

### Identify ESW across all phases of the budget process within the responsibilities of the RGS

1. **Update** the RGS instructions to line ministries on the preparation of budget proposals to demonstrate the relevance of expenditure, programmes and ESW indicators in the ministries' Integrative Notes, performance plans and reports. [Medium-term]
2. **Develop** budget analysis tools to identify the relevance of spending proposals to the ESW indicators. [Medium-term]

### ESW and the budget process within the responsibilities of the RGS

3. **Add** information on major budget initiatives that are of particular relevance to ESW into the budget law document when it is submitted to the Parliament in October each year to show the relevance of ESW in relation to the proposed allocation of public resources. [Medium-term]

### ESW indicators, performance budgeting and reporting by the responsibilities of the RGS

4. **Undertake** a consultation exercise, organised by RGS, with line ministries in preparation for implementing the updated guidance on the use of ESW indicators and to understand if there are specific circumstances where amendments or exceptions are needed to account for the differing circumstances across ministries. [Near-term]

### Gender budgeting

5. **Continue** the RGS's development of a gender-based analysis (Bilancio di Genere) or a tool similar to the one developed by the Government of Canada, referred to as GBA Plus, for use in budgetary processes in Italy to advance the objectives of Decree 116/2018. [Near-term].

### Data availability, measurement and use

6. **Strengthen** the co-ordination between the Treasury, ISTAT and line ministries for information and data exchange in policy analysis in order to improve the timeliness of information, and the analytical and modelling work in ESW documents and forecasts. [Medium-term]

# 5 Stakeholders engagement

The development of the ESW framework has been supported since its inception by a high degree of stakeholder engagement, which has helped to contribute to perspectives that are broader than government ministries alone. The engagement has helped to establish the ESW indicators as a budgetary institution in Italy that informs parliamentary and public debate on policy making and budgeting. In this Action Plan, the OECD has had specific regard to the role of the Parliament, the Parliamentary Budget Office, and civil society.

## The Parliament

The Italian Parliament as a key actor in the development of the ESW initiative. The concept of ESW spans the spectrum of political debate on policy and budgets. The Parliament receives ESW reports from the Treasury Department and the MEF submits its annual reports to both Chambers of the Parliament.

The MEF prepares budgetary reports every year, which contain macroeconomic forecasts, budget strategy, budget law proposals, and performance information. The MEF should consider the extent to which each of its reports to the Parliament could refer to ESW relative to the two flagship reports it already prepares. The purpose of looking across all publications is to assess whether the impact from the existing resources on ESW could be optimised by ensuring a consistent prioritisation of ESW in the MEF's publications.

## Parliamentary Budget Office

The Parliamentary Budget Office (*Ufficio Parlamentare di Bilancio*) supports the Parliament by providing analyses of governmental documents to the Parliament. The PBO has been empowered by the Budget Commissions of both Chambers of the Parliament to provide analyses and quantitative and qualitative assessments of the impact of the main programming documents (such as the DEF) on SDGs, and thus also on ESW indicators (Parliamentary Budget Commissions, 2021<sup>[15]</sup>). The Budget Commission of the Senate also recognised the importance of evaluation to measure ex-post the effectiveness of the adopted policies (Senate Budget Commission, 2019<sup>[16]</sup>). As such, the PBO provides support to the parliamentary committee that endorsed 12 ESW indicators to include in budgetary report (UpB, 2017<sup>[17]</sup>).

As an independent body, the PBO is a key conduit of analytical resources that supports the interpretation of ESW indicators to a parliamentary audience. As such, the extent to which the Treasury Department is aware of the PBO's role in relation to preparing analyses on ESW indicators to the Parliament can contribute to maximising the effectiveness of the Department's ESW reports. The MEF should seek feedback, either directly or through an intermediary party, on the PBO's uses of the ESW reports that are prepared by the Department.

## Civil society

Civil society has had a prominent role in the development of the ESW framework. For example, in the early 2000s CNEL and ISTAT set up a steering committee on the measurement of the progress of Italian society, which comprised representatives of civil society. In 2011, civil society participated in consultation and survey exercises. In 2016, the government convened a Committee for Equitable and Sustainable Indicators composed of five experts, two of whom were not part of the government administration or central bank. The experts proposed the 12 indicators that were included in the DEF.

Since then, the development of ESW has focussed on technical aspects, such as modelling, which has not required perspectives from civil society to the same degree as the early phases of developing the ESW framework. However, the contribution of civil society to policy development is no lesser in its potential impact. Governmental ministries, including those of education and health, should consider the extent to which they are keeping civil society informed about developments on ESW indicators to support the policy development process and prioritisation within budgetary proposals. Strengthening out-reach initiatives, such as requesting feedback from stakeholders, can help to maintain an effective feedback loop of communication on governmental initiatives and supports the integration of ESW into policy development and budgeting.

## Proposed actions on stakeholder engagement

### Parliament

1. **Review** the MEF's existing publications to the Parliament for the consistency and priority of ESW across the publications. [Near-term]
2. **Assess** the merits of including ESW in the pre-budget statement to the Parliament to indicate early in the budget process the policy priorities of the government. [Medium-term]

### Parliamentary Budget Office

3. **Initiate** an annual process by the Treasury Department to request feedback from the PBO on how it uses the ESW reports that it receives from the Department with the aim of enhancing the relevance of the reports over time. [Near-term]

### Civil society

4. **Revise** outreach activities by governmental ministries to ensure civil society is kept informed of developments in ESW as part of supporting policy development across a diverse and informed group of stakeholders. [Medium-term]

## Annex A. List of interviews

### Government

Ministry of Economy and Finance. The OECD met the *Ragioneria Generale dello Stato* (including the General Inspectorate for Social Expenditures, responsible for monitoring and forecasting trends on social and health spending), the Technical Secretariat of the Minister (whose Head was the President of the Committee for ESW indicators) and the Economic and Financial Analysis and Research Directorate within the Treasury Department.

Ministry of Ecological Transition (MiTE). The MiTE is responsible for environmental policy and the co-ordination of the 2030 Agenda. The MiTE is working with the OECD on the National Sustainable Development Strategy and an Action Plan for Policy Coherence for Sustainable Development.

Ministry of Education. The OECD met the Office responsible for School sports policies, which prepares national guidelines and strategies regarding sport in schools, and promotes national information and awareness-raising initiatives on physical education.

Ministry of Health. The OECD met the Statistics Office within the Directorate-General for Digitisation, Health Information System and Statistics.

National Institute of Health. The OECD met stakeholders from the Center for Behavioural Sciences and Mental Health, the National Center for Disease Prevention and Health Promotion, and the Department of Food Safety, Nutrition and Veterinary Public Health.

National Institute of Statistics (ISTAT). The ISTAT is the official statistics office and has responsibility for statistics on the ESW indicators.

Former President of the Well-being Control Room (*Cabina di Regia Benessere Italia*). A co-ordination body within the Presidency of the Council of Ministers that no longer exists.

### Independent offices

Bank of Italy. The OECD met a member of the Committee on ESW indicators that was tasked with identifying and selecting the ESW indicators to be integrated in budgetary processes.

National Council for Economics and Labour (CNEL). The CNEL is an advisory body to the Parliament and government. In 2010, CNEL and ISTAT developed a tool on the elements of well-being in Italy.

Parliamentary Budget Office. The OECD met the Sectoral Analysis Department, which prepares analyses of revenue and expenditure; financial relations between the levels of government; and the sustainability of expenditure programmes.

### Civil Society

Italian Alliance for Sustainable Development (ASviS). The ASviS aims to raise the awareness of the importance of the 2030 Agenda for Sustainable Development. ASviS was a member of the Expert Committee within the Well-being Control Room.

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