



Dipartimento
del Tesoro

Mainstreaming sustainability in decision-making and planning process

Germana Di Domenico
Department of the Treasury
Economy and Finance Ministry

Rome, 5 October 2018



Sustainability as a key driver of investments and policy-making

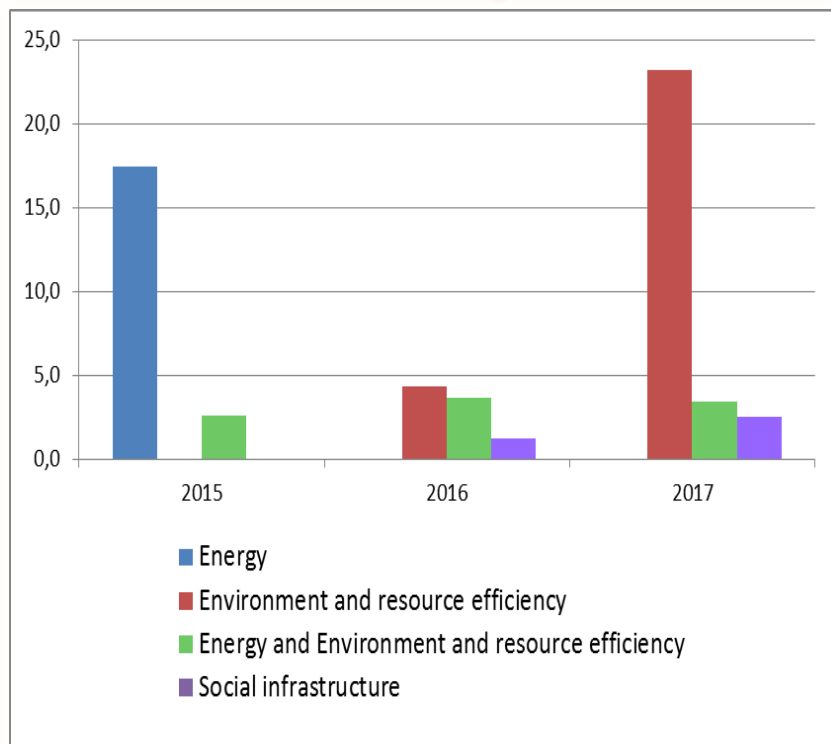
- Most relevant European and UN initiatives addressed at promoting a policy-making approach that fosters the simultaneous achievement of **economic, environmental and inclusiveness goals**.
- **Sustainability** as an integral part of the EC idea to re-orient the financial system to support a long-term and inclusive growth.
- Possible «financial advantages» related to a **more complete risk evaluation** (*Financial Stability Board*) and **long-termism** involving *Environmental, Social and Governance* factors (ESG) in the investment decisions.

A paradigm shift towards a new industrial model able to mainstream sustainable concerns

- Integrated, systemic and long-term oriented approach: public policies conceived within a **wide-ranging and multidimensional strategy**
- **Effective governance system:** microeconomic policies coherently designed in view of the macroeconomic context, in order to limit trade-offs
- **Sustainable reindustrialisation:** strategies to **allocate private capitals** to projects aimed at **reinforcing sustainable production chains** and **improving infrastructure provision** (e.g. sustainable mobility and transport, waste management, public buildings).

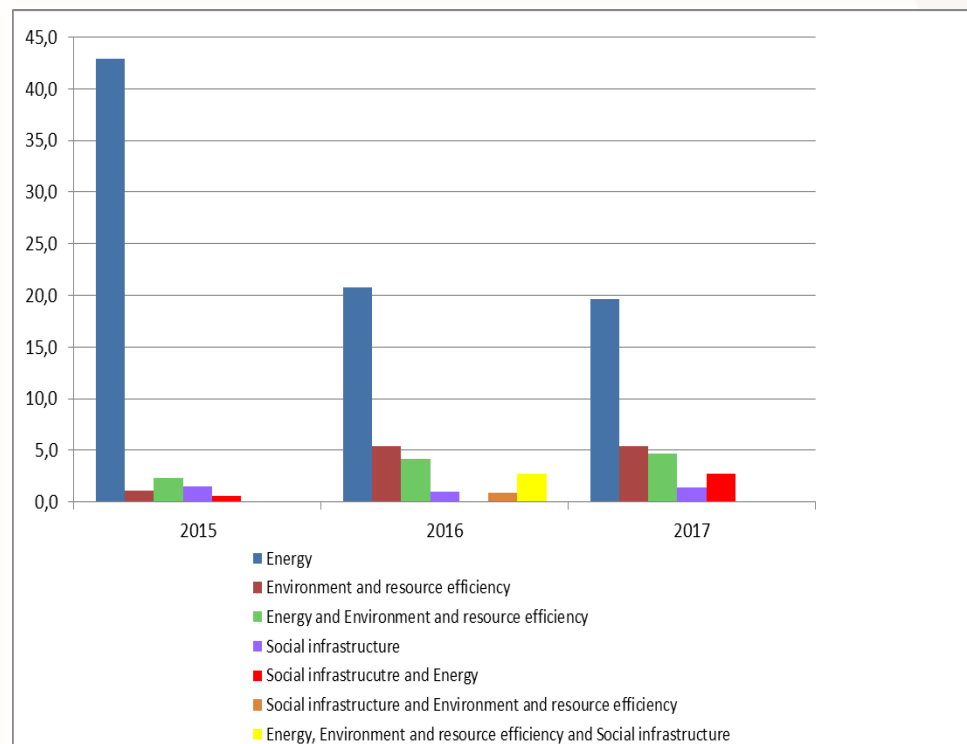
Projects financed by EFSI in energy, environment, resource efficiency and social infrastructures

Signed projects by sector, Italy (% values on total Italian signed projects) - 2015-2017



Source: MEF elaboration on EIB data

Signed projects by sector, EU 25 average (% values on total EU25 signed projects) - 2015-2017



Source: MEF elaboration on EIB data

The EC sustainable finance action plan and related legislative proposals: the Italian view

- Italy supports the European Commission's initiative aiming at giving the EU financial sector a key role in achieving a greener and cleaner economy.
- First: need to **define an economic model based on sustainability**.
- Key importance of the legislative proposal on **taxonomy** as the basis for the other subsequent legislative initiatives ensuring **information transparency**.
- A **shared framework** is essential, but also a **regular updating** is needed.

The National Strategy on Sustainable Development

- Since 2017, the Ministry of Economic and Finance is one of the institutional actors working on sustainable development: technical working group for the definition of a sub-set of **sustainable development goals indicators** to monitor the evolution of the Italian sustainable development performance.
- **Key drivers of growth:** sustainable production and consumption paths promoting an efficient use of natural resources and energy sources, the development of green innovations and technologies as well as the building of resilient infrastructures.

New economic approaches focused on sustainability and inclusiveness (environmental, social and governance dimensions)

- International debate on "GDP and beyond": the central idea is that economic parameters alone are inadequate to evaluate the progress of societies and should be complemented by social and environmental information and by measures of inequality and sustainability.
- **Equitable and Sustainable Wellbeing** (BES – Italian acronym): fundamental dimensions of wellbeing and progress, providing an overall view of the main social, economic and environmental phenomena.

This new approach aims to orient policy makers in identifying priorities in order to ensure a **fair and sustainable wellbeing** also for future generations

Reforming the Italian budgetary approach

- Following the 2016 reform of the State budget, new indicators on well-being have been introduced in the **Government economic planning documents**.
- The experimental phase involved 4 BES indicators: disposable income inequality, per capita income, non-participation rate, Co2) in the 2017 Economic and Financial Document - DEF.
- For the first time, the 2017 DEF reports these indicators' trend over the last 3 years, taking into account the impact of the most relevant public policies in the next 3 years.

Dimensions of well-being: 12 areas

Source: Istat – BES Report 2017

1. Health
2. Education and training
3. Work and life balance
4. Economic well-being
5. Social relationships
6. Policy and Institutions
7. Security
8. Subjective well-being
9. Landscape and cultural heritage
10. Environment (climate change)
11. Research and Innovation
12. Quality of services

Linking the indicators of sustainable prosperity to economic and budgetary planning gives them a **central role in the decision-making process** as well as in the implementation and monitoring of public policies

Challenges and next steps

- Prioritarisation and sequencing: taxonomy as a pre-condition
- If the aim is **to make sustainability a permanent feature of policy design** over time, we need to:
 - Integrate sustainability risks in policy choices (bring the “future” nature of issues into the present through scenario analysis)
 - Ensure a long-term policy horizon together with clear and stable regulatory frameworks
 - Monitor achievements and identify existing gaps (open question: statistical measurement of societal progress)
- Real challenge: to elaborate a «Strategy to coordinate strategies»