Dal Capitolo 3 di "*OECD Economic Surveys – Italy – May 2011- Overview*"

In many areas environmental indicators are improving, although there have been frequent changes in some policy instruments, especially in energy related areas, where central government makes and enforces policy. Greater use of cost-benefit analyses of policies, regulations and investments, could improve the extent to which least-cost solutions are chosen. The decentralisation process in Italy has assigned responsibility for the implementation and enforcement of most environmental policy to sub-national governments and, while appropriate in many ways, this may be resulting in some excess costs and slower diffusion of best practices.

Responsibility for most aspects of environmental policy implementation and enforcement is decentralised to regional governments, which are, however, restricted in the extent to which they can pass independent legislation. The balance between central legislation and local implementation seems about right, although there have been occasional conflicts.
There is some fragmentation of environmental reporting and environmental inspection agencies so that data may not be of uniform quality across the country, hindering improvement by benchmarking. Also, the analytical capacity of regional environmental agencies (ARPA) is variable, due to variation in size and wealth among the regions. Representatives of the ARPA meet several times a year under the aegis of the national agency ISPRA, but coordination does not extend to joint work at the technical level.
Despite the logic of decentralisation, there is a case for re-integrating the ARPA in a more formal national network if this would increase overall efficiency by reducing duplication of technical effort in some areas.

An important aspect of environmental policy is to make systematic use of analytical tools to assess the environmental impact of policy. Procedures for Environmental Impact Assessment (EIA, used for specific projects, especially infrastructure) and Strategic Environmental Assessment (SEA, the term applied when looking at the consequences of plans and programmes, policies and strategies) exist and, on paper, seem adequate. Their influence is weak, however; assessments are often undertaken too late for alternative policies to be seriously considered.
These assessments should follow transparent, consistent and stable procedures and the role of these assessments in policy making should be reinforced. One problem is that policy changes are frequently introduced by government decree, which do not require an SEA; once the decree is approved, the government usually has to produce parliamentary legislation within a relatively short period of time, which does not allow for meaningful discussion of alternatives. Unless the Environment Ministry or relevant parliamentary committees are powerful enough to challenge this approach, it will be difficult for EIA and SEA to do their job effectively.

Often, policy instruments such as taxes and charges, or tradable permits, set to reflect the external costs of certain activities, are an optimal solution to the problem of environmental externalities, allowing market forces to reconcile environment and economy. In other cases, a more direct regulatory approach is needed. In either case, policy needs to be based on a coherent assessment of the link between the activity (or government policy) and environmental damage, along with an assessment of the cost to society of that damage. This information allows a tax (or quantity) to be set, or provides the basis for EIA (the term used when looking at specific public investment projects) and SEA (for assessing overall policies). General tools which complement or support EIA and SEA when assessing the environmental impact of government actions are cost-benefit analysis and Regulatory Impact Assessment (RIA), whose role is to evaluate the economic impact of regulatory policies, including relevant environmental policies.

In the areas covered by these different assessments Italy falls short of what is desirable. This does not mean that environmental outcomes are particularly poor: progress is in fact being made in many areas, as in other countries. But more could be done with the same overall resource effort, and existing objectives could be achieved at lower cost either to the private or public sectors, or both. Some specific examples of policies that appear costly as a result of insufficient analysis are discussed in the following sections looking at energy, transport, waste and water.

As with Regulatory Impact Assessment (discussed in the recent OECD Regulatory Reform Review of Italy, and in the previous Economic Survey) the use of SEA and EIA seems to be hampered by three factors. First, there is insufficient use of expertise in spending ministries and in the environment ministry. Secondly, the legislative process often does not give sufficient time for the required analysis to be carried out, particularly for SEA. This is partly because much legislation first appears as a government decree in the form of enabling legislation, which may not trigger the need for anassessment; in the second stage the legislation is completed but usually within a time frame prescribed by the decree which does not allow sufficient time for an assessment. As a result, assessments are in some cases rather superficial, and may come too late in the process to take a serious look at possible alternative ways of achieving the same objectives – such a comparison should be a key component of both SEA and RIA. Thirdly, while these first two difficulties could be overcome, the general problem of insufficient emphasis on outcomes and performance in the public administration contributes to making solutions more difficult than they need to be. Moreover, a lack of transparency can make it difficult for outsiders to challenge the results of what assessments have been made.

The slogan of "*getting the prices right*" is the key to using the market to help correct environmental externalities. It is important in two different contexts. First, although Italy does use a number of environmental taxes and also has a relatively innovative economic instrument in the form of the collective, self-financing, commercial packaging recycling consortia, it could certainly make much more use of environmental taxes. This applies in contexts such as fertiliser and pesticide taxation (though these should be differentiated by location and impact) but also to exemptions from fuel tax, such as in agriculture, aviation and fishing. To be effective, these taxes do not need to raise much revenue, and mostly they do not except for fuel taxes and the waste tax (and it can be argued that neither of these, but especially the latter, is solely an environmental tax) but their revenue could be helpful in the current fiscal situation in Italy.

The second sense in which it is important to "*get the prices right*" is in cost-benefit analysis (CBA), which should often be a component of the SEA and EIA exercises mentioned above. These ideally provide a monetary evaluation of net benefits, but in any case can provide the basis for a dispassionate consideration of the full implications of policy actions or infrastructure projects in order to make high quality and consistent decisions. It is difficult to get a clear picture of how much formal CBA is used in environmental policy. There is a unit within the Ministry of Environment responsible for CBA but it seems to be underused. Such a unit should be responsible for carrying out analyses of environmental policies and for developing and establishing methodologies and shadow prices needed for this analysis. It should also have a role in verifying CBA carried out by other ministries where it concerns environmental issues. The Evaluation Unit in the Ministry of Industry and Economic Development is responsible for this kind of analysis there, but the Ministry of Environment should both have an input into that analysis and be capable of vetting it.

The implementation of much environmental policy is delegated to sub-national government – water, waste and many local air pollution issues are handled at this level. But they are not given full prerogative in developing environmental legislation, which is generally developed at the national level. For many purposes it is important to have rules set at the national level, particularly where the issue is not a purely local one but may have regional or even international spill-overs. This is the case for climate change policy, for example, which is naturally handled at the national level; even

so, it seems that some regions have (or perhaps talk as if they have) their own energy supply objectives, which makes little sense in the context of an energy market that is increasingly unified at the European level.
It also makes sense to prevent regions from developing entirely uncoordinated policies when doing so could result in excessive costs for businesses operating across the country. In practice, this does not seem to occur in environmental policy. Sometimes this may appear to unnecessarily restrict regions' room to act. For example, Puglia (Apulia) is home to one of the last major industrial polluters in Italy where surface water quality is a major local issue. A regional environmental regulation to force the company to take some action in this area was ruled inadmissible by the central government. It is not obvious who should legally have the last say in this context. Economically and socially, Puglia would suffer most of the direct consequences (such as lost employment if the company contracted or moved its operations abroad, which is the key concern), but the company also pays taxes to central government. In the event, the region rewrote the regulation as a measure under health policy, in which regions do have the relevant legislative freedom.

Other evidence suggests that, while in the end the arrangements for decentralisation may be effective, at the very least the transition is untidy. The constitutional court has several times had to rule on disputes as to who is responsible for what. In the past, with four levels of government (central, regional, province and municipality) potentially involved, there have been problems of overlapping responsibility (and therefore often an absence of responsibility) in some areas. The situation has been improving, but ambiguities remain and implementation and enforcement of environmental policies remain weak (Capozza and Garrone, 2007).
One area where some changes in the decentralisation arrangements might be useful relates to the national environmental monitoring agency, ISPRA. This is the technical and scientific support agency for the central Ministry of Environment, and is also responsible for gathering nationwide environmental data. Each regional government also has a technical and scientific support agency, ARPA, responsible for the advice on which regions base their policy. The ARPA have informal cooperation arrangements among themselves, and for some years there was a centrally sponsored "*twinning*" scheme to help the weaker regions develop their technical capacities. But with the disparity in population and wealth across regions, the larger richer ones will clearly have better technical capabilities than others, who will nevertheless be forced to duplicate some of the work. Depending on the balance between strict technical work carried out in the ARPA and their role in regional policy making, there may be an efficiency case for linking the scientific side of their work in a formal national organisation, which logically would be ISPRA. This would institutionalise existing networking efforts with the aim of and strengthening coordination and harmonisation of work.

Perhaps less important than duplication of effort, but significant nonetheless, is data collection. ISPRA data is in fact supplied by the ARPA, who collect it as they wish, in waste collection for example by in turn asking municipal administrations for the information. Data may thus be of different quality or completeness across the country, and the national agency has little direct control over this. This can be important if regional decision makers (or voters) wish to benchmark environmental performance or efficiency against results in others areas, to look for ways to improve their own performance, in such a context, nationally comparable data is important.