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DEFENCE INDUSTRY INFLUENCE IN ITALY

Analysing Defence Industry Influence
on the Italian Policy Agenda

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Every effort has been made to verify the accuracy of the information contained in this report. Interviews were conducted between 2018 and 2019. All direct quotes were translated from Italian to English by the researcher. All information was believed to be correct as of March 2021. Nevertheless, Transparency International cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

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ACRONYMS

AIAD	Federazione Aziende Italiane per l’Areospazio, La Difesa e La Sicurezza (Federation of Italian Companies in Aerospace, Defense and Security)	MISE	Ministry of Economic Development
AiFE	The Aspen Initiative for Europe	MoD	Ministry of Defence
ANAC	Autorità nazionale anticorruzione (National Anti-Corruption Authority)	MP	Member of Parliament
CESI	Centro Studi Internazionali	OECD	Organisation for Economic Cooperation and Development
DPP	Documento Programmatico Pluriennale per la Difesa (Multi-Year Plan for Defence)	PM	Prime Minister
EU	European Union	SIPRI	Stockholm International Peace Research Institute
IAI	Istituto Affari Internazionali	TI-DS	Transparency International Defence & Security
ISPI	Istituto per gli Studi di Politica Internazionale	UAMA	Unità per le autorizzazioni dei materiali di armament (National Authority for the Armament Licensing and Controls)
MEP	Member of European Parliament	UAV	Unmanned Aerial Vehicle

EXECUTIVE SUMMARY

This report examines systemic vulnerabilities and influence pathways through which the Italian defence industry may exert undue influence on the national defence and security agenda. Governments and industry should mitigate the risk of undue influence by strengthening the integrity of institutions and policy processes and improving the control and transparency of influence in the defence sector.

Compiled by Transparency International Defence and Security with the support of Italian Coalition for Civil Liberties and Rights (CILD) and Osservatorio MilEx, this report forms a case study as part of a project to analyse the influence of the arms industry on the defence and security agendas of European countries. Alongside Germany, Italy was selected as a case study due to its defence industry characteristics, industry-state relations, lobbying regulations and defence governance characteristics. The information, analysis and recommendations presented in this report are based on research that has been honed through interviews with a broad range of stakeholders and experts.

Expenses for armaments in Italy continue to increase with a projection of more than 6 billion euro for 2021, presenting a lucrative source of funding for the domestic defence industry. As such, there is an urgent need to identify and scrutinise the possible routes for undue influence in the Italian defence sector.

Pathways of influence

The report explores some of the most prominent opportunities for exerting influence on policy in Italy, along with their role in the defence sector.

Lobbying: Lobbying in the Italian context is particularly problematic, since there is no standalone law regulating lobbying activities at the national level. Some national public administrations have recently adopted their own regulations on lobbying, but no register exists at the Ministry of Defence. Italy's largest defence firms and associations submit reports concerning their lobbying to the necessary registers, but this information is frequently outdated and incomplete, providing no basis for meaningful oversight of their activities.

Political foundations: Described as the “new playing ground for exerting influence” by the President of the Italian Anti-corruption Authority, political foundations provide an arguably unique opportunity for political influence through both funding of politicians and political parties, as well as cultivating close interpersonal relationships. Through publications, presentations and training they could have the capabilities to influence public

discourse and political debate. The network of connections between these influential foundations, policy makers and the defence industry is dense, as analysis of Italy's largest defence producer Leonardo shows. Newly introduced regulations aim to shed light on political foundations, but concerns whether they are fit for purpose remain.

Think tanks: Think tanks can be highly influential for policy formation, particularly in a technical subject like defence and in a political context of relatively inexperienced members of parliament and the executive. This influence is not necessarily unwarranted or negative, but it might become so if the advice given by think tanks is swayed by funding from defence companies. Both companies and think tanks are insufficiently transparent about the flow of funds from industry to think tanks to avoid raising questions about the independence of their advice. Furthermore, think tanks can facilitate influence by hosting events where the defence industry and politicians can meet and the former can lobby decision makers informally.

Revolving door: The movement of individuals between the public and private sectors, often referred to as the ‘revolving door’, can present a significant conflict of interest risk if not conducted transparently and properly regulated. In Italy, changes from military functions to industry and role changes between political decision-makers and top managers of companies remain a regular occurrence. Unfortunately, not all risks are appropriately mitigated. No universal and adequate regulations of conflict of interest exist and worryingly members of parliament are currently not in the scope of existing law.

Campaign and political financing: While Italian regulations on political financing have seen substantial changes in recent years, shortcomings remain that relate to specified thresholds, reporting requirements and lack of oversight. An analysis of recent political donations indicates that the majority of funding comes from members of parliament (MP) and individual donors. This data does not show many direct contributions being made by defence companies through these channels. This does however highlight further the importance of regulating any conflicts of interest of MPs, foundations, or other political personalities who may act as individual personal donors and thereby function as an indirect mode of influence for corporates.

Policy process vulnerabilities

In theory, a well-designed and well-executed policy and decision-making process guards against the risks that could be posed by undue influence. This report, however, identifies a number of vulnerabilities in the defence strategy formation and procurement process that expose the Italian system to undue influence.

The formation of the defence strategy and procurement for Italian defence and security capability is vulnerable to undue influences by defence industry due to the following shortcomings:

- The 2015 White Paper, the most recent and closest thing to a national defence strategy, is not clear or concrete enough to define a logical way forward. The lack of an overarching geo-strategic vision defined in clear documents makes it possible to justify any decision at any moment, even if it is in contrast with previously declared principles and motivations.
- The lack of long-term financial planning for defence programmes creates long-term uncertainty for producers. It leads to industry maintaining continuous pressure on decision makers making, instead of providing a multi-year planning cycle that may be less vulnerable to whims and pressure.
- Budgetary decisions suffer from limited transparency on many levels. The insertion of the defence budget scattered across lines in the general annual budget makes it difficult for parliamentarians to have a clear and complete understanding of the whole defence budget. The split of the total defence budget figure across ministries, notably the MoD and the Ministry of Economic Development (MiSE), with different protocols and stakeholders involved makes it more difficult to determine the total sum allocated to 'defence purposes' and increases the number of actors across different ministries who may become potential targets of undue influence.
- Weak oversight of the defence budget is another area of concern. Although parliament has formal oversight of the budgeting process, it often has very limited time to review relevant documents. Information provided is often both too dense and too high-level, to give clear visibility on planned expenditure.
- The military play a key role in shaping defence policy choices and procurement priorities through the provision of technical expertise. Regulatory weaknesses however allow the defence industry to be in a position to influence the military, and in turn exploit their role in defence policy-making. The main weaknesses are the retired military officers moving into private sector employment without always adequate regulation and oversight. This is compounded by the limited transparency around policy decisions made on strategy, budget requests and equipment acquisitions.

- A crucial shortcoming in the accountability of the procurement process is limited transparency and oversight of procurement subsequent to initial approval by Parliament. After the initial approvals, Parliament's formal oversight powers are limited, and regulations allow subsequent reallocation of financial resources in the years following an approval of procurement programmes, which can be decided on solely by the MoD without any further parliamentary debate.
- There is no independent body or agency tasked with auditing how arms acquisition programmes are managed over time. Consequently, this function is performed internally by the defence industry itself and the armed forces.

The role of exports

In many countries, arms exports are directly related to national defence capability strategies, since it is the sum of production for the armed forces and for exports that make arms production economically viable. This creates a dependence for governments on promoting the industry's arms exports in return for national defence capability and domestic production capacity. This argument can increasingly be found in narratives to justify procurement programmes and/or quantities of armaments ordered by the Italian Government and procurement, thereby tying domestic procurements to industry-friendly initiatives in order to motivate international buyers.

RECOMMENDATIONS

Based on this analysis, the report proposes recommendations for change across three categories: those that aim to strengthen the integrity of institutions and policy making processes to reduce their vulnerability to external influence; those that improve controls of that external influence by fostering transparency and accountability; and those that encourage best practice in mitigating risk of undue influence within the defence industry.

1. Strengthen the integrity of institutions and policy processes by:

- Establishing a regular process for publishing a codified document comparable to a defence white paper, to be reviewed by the MoD on a bi-annual basis and discussed and voted on in parliament.
- Introducing a long-term (multi-year) budgeted procurement plan, closely linked to the general defence strategy, to be presented in parliament and voted on after a debate, decoupled from the approval of the annual General Budget Law.
- Setting-up an authority tasked with conducting regular reviews of key defence acquisitions that would independently audit procurement programmes.
- Implementing more transparent stages in the export licensing process, with the opportunity for MPs to access all the documents and debate and vote on selected licensing cases.

2. Improve control and transparency of influence exerted through money, ideas and people by:

- Ensuring uniformity of conflict of interest controls and regulations for MPs and politically exposed persons across institutions asking for the highest level of transparency of their relevant relationships and benefits. Control and sanctioning powers in relation to conflict of interest regulations should be delegated to an independent authority equipped with adequate human and economic resources for the purpose.
- Modifying revolving door regulations to provide a clearer definition of conflict of interest situations, so that decisions on the need for 'cooling off' periods are less subjective and more consistently implemented. The scope of the regulations should also be extended to include all politically exposed persons, identify post-employment restrictions and extend the duration of the 'cooling-off' periods.

- Approving a law that regulates lobbying across all relevant institutions, with clear definitions of what constitutes lobbying, a mandatory stakeholder register and a public agenda of meetings between stakeholders and authorities.
- Introducing a legislative footprint to facilitate monitoring of policy decisions.
- Improving transparency of funding of political foundations and think tanks, as well as membership and involvement of any politically exposed persons.

3. Companies active in the defence sector can improve integrity by:

- Improving internal controls on political contributions, charitable donations and lobbying.
- Publishing details and expenditure of all political contributions, charitable donations and lobbying activities.
- Implementing policies and procedures to better regulate conflicts of interest with public sector clients.
- Improving controls to regulate exchanges of people with the public sector, including when offering employment or board functions.

INTRODUCTION

Evidence-based and objective foreign policy and security debates are expected in well-functioning democracies. These should be conducted through state institutions that have the trust of the public. Policy decisions should be shaped through public consultation and debate with relevant stakeholders. These processes ensure prospective policy is fit for purpose and provided such processes are transparent, well-regulated, fair and inclusive, they contribute to an effective and stable society. Yet when individuals, groups or corporations wield disproportionate or unaccountable influence, this may undermine the public good and public funds may be squandered.

The risks and impacts of undue influence, where individuals or organisations try to persuade policy makers in favour of their interests are particularly significant in the defence and security sector. In the defence and security sector, high levels of secrecy and complexity, combined with close relations between government and industry, converge to create a potentially fertile ground for private interests to thrive.

This situation is further complicated by the different roles governments have with respect to the defence industry, being simultaneously both the main customer and the main regulator. Because government is reliant on the defence industry for the fulfilment of one of its core obligations – providing defence and security for its citizens – it is easy to see how lines in the relationship between the two can easily become blurred. If unchecked, the influence of the defence industry may damage the integrity of state institutions and pervert the aims of a national security strategy, while undermining market competition and good defence sector governance.

Objectives of the study

Transparency International Defence & Security (TI-DS) undertook this study as part of an analysis of the influence of the defence industry on the defence and security policy agendas of European countries. This report, focusing on the case of Italy, is one of two reports analysing this relationship at a country level. The aim of the study was to identify controls to reduce the risks of undue influence and make recommendations for a more ethical relationship between the defence industry and policy-making entities. It does so on the basis of an in-depth risk assessment of potential defence industry influence over the Italian Government's decisions.

Germany and Italy were the two countries selected as case studies for this project. By virtue of having distinct institutional traditions, both countries provide an interesting spectrum of defence industry characteristics, industry-state relations, lobby regulations, and defence governance characteristics.

Compiled by Transparency International Defence and Security in cooperation with the Italian Coalition for Civil Liberties and Rights (CILD) and Osservatorio Mil€x, this report analyses the risks of influence in a range of areas, from the development of the security and defence strategy to procurement processes. It identifies and details the weaknesses in the regulatory framework and its application that could allow undue influence to occur, and proposes influence controls in policy processes that would improve fair, accountable and transparent policy decisions.

Defence export issues are a part of, but not at the centre of this study. Where there are obvious relationships between the policies under analysis and arms trade issues, exports are taken into consideration. Governments might support and even promote exports if it is perceived that it is necessary for industry to generate income to help maintain national defence capability requirements. However, export issues in their own right, such as export licensing procedures and their violations or restrictions are not addressed in this study.

Approach

The capacity of an individual or organisation to influence government strategy or policy-making processes is extremely difficult to measure and monitor. Correlation of outcomes with a particular interest cannot be taken as evidence of cause and effect. Nor can a divergence of interests evidence the absence of undue influence.

The methodology used by TI-DS identifies potential weaknesses in regulations and policy decision-making processes which may leave them vulnerable to undue influence, rather than aiming to measure the actual extent to which undue influence is occurring. The development of solutions and controls are at the heart of this report. The aim is to offer a range of policy recommendations to address these systemic and regulatory weaknesses in order to ensure transparent and accountable policy-making in the defence sector.

The information, analysis and recommendations presented in this report are based on extensive desk research, the findings of which were explored in more detail during more than 20, mainly anonymous, interviews. The interviewees included various members of parliament from different political parties, including those privy to key parliamentary committees, current and former parliamentary staffers, former members of the Ministry of Defence (MoD), defence industry and interest group representatives, researchers and university professors. Interviews

were also conducted with investigative journalists, as well as staff from non-governmental associations.

The study first describes the characteristics of the Italian defence sector and the variables that affect state-industry relations. It then goes on to analyse influence pathways and identify vulnerabilities to influence in the policy process and finally, it proposes measures for better influence controls.

THE ITALIAN DEFENCE SECTOR

Understanding the roots and direction of influence requires an understanding of the context within which it can occur. State-industry relationships vary between countries and are shaped by variables such as state ownership of military production, the importance of the defence sector for the economy, whether production is monopolised by a few large players or fragmented among many smaller ones, and the structure of the political and policy-making process designed to regulate and oversee the defence sector.

All of these factors inform the way in which the state and the defence industry relate to each other, the channels of influence that exist, which individuals and institutions are the target of influence, and what form pressure might take.

Defence in the Italian political context

The main centre of power for defence-related decisions in Italy is the Government. The Cabinet and the President of the Republic make up the majority of the Supreme Council of Defence, a committee mandated by Article 87 of the Italian Constitution to 'coordinate all activities related to national defence issues'. Parliament has the formal right to exercise scrutiny over defence policy, including international missions and arms acquisition. However, such scrutiny is often limited in practice, as parliament may simply implement political guidelines from the executive.

Much of the political elite approaches the Italian defence sector as a national asset to protect and support, as is the case in many countries, allowing these companies a degree of

exceptionalism as a result. For instance, public decision-makers have allowed revolving door cases in evident contradiction with the law, allowing people to hold multiple offices even when these roles may create a potential conflict of interest.¹

Military capability and industry

Italy sees itself as a leading country for international operations in the broad Mediterranean region,² with a vision that expands also to its adjacent regions.³ In recent years, the country has participated in various missions abroad, demonstrating a relatively active stance internationally.⁴ To implement this strategic vision, a surge in defence spending has been recorded in Italy since around 2015.⁵ The majority of these investments have been allocated to the domestic defence industry, particularly to those areas of industrial capability that the Italian Government considers vital for national security and is therefore committed to sustaining. Sectors such as military electronics, weapons and naval shipbuilding have all been recipients of state help.⁶

Italy hosts a broad and advanced defence industrial base, with capabilities ranging from subsectors such as fixed and rotary wing aircraft, to space systems, defence electronics, wheeled armoured vehicles weapons systems and shipbuilding.⁷ These companies are thought to contribute directly to boosting the national GDP and improving the balance of trade,⁸ even though it is difficult to estimate the extent of the contribution. According to a 2018 study, the Italian defence and aerospace industry is worth 13.5 billion euro, exports 70 per cent of production and

¹ Duccio Facchini, "'Porte girevoli": storie di chi ha fatto il salto, dal governo all'impresa' (Altreconomia, 31 January 2017) <https://altreconomia.it/porte-girevoli-storie-salto-dal-governo-allimpresa/> [accessed 18 March 2021].

² Ministero della Difesa, Libro Bianco per la sicurezza internazionale e la difesa [White Paper for International Security and Defence], July 2015, https://www.difesa.it/Primo_Piano/Documents/2015/04_Aprile/LB_2015.pdf [accessed 18 March 2021]. See also the 2005 Strategic Concept of the Chief of Staff (Di Paola) and the 2008 "Rapporto 2020" authored by the MFA.

³ Istituto Affari Internazionali (IAI), The Innovations of the Italian White Paper: Defence Policy Reform (IAI: Roma), 2017, p.7 <http://www.iai.it/sites/default/files/iaiw1734.pdf> [accessed 18 March 2021]; Ministero della Difesa, Libro Bianco [White Paper], (cit. 2) § 51.

⁴ Rappresentanza Permanente d'Italia ONU – New York, 'Security Council - UN Peacekeeping Operations: Strategic Force Generation' (10 May 2017) https://italyun.esteri.it/rappresentanza_onu/en/comunicazione/archivio-news/2017/10/consiglio-di-sicurezza-un-peacekeeping.html [accessed 18 March 2021].

⁵ Janes, 'Defence Budgets: Italy', [https://janes.ihs.com/DefenceBudgets/Guided?view=chart#view=&f=COUNTRY\(Italy\)&pg=1](https://janes.ihs.com/DefenceBudgets/Guided?view=chart#view=&f=COUNTRY(Italy)&pg=1) [accessed 16 February 2021]; Vignarca, F. 'Italian military expenditures growing strongly: over €26 billion on an annual basis' (Osservatorio MilEx, 27 April 2020) <https://www.milex.org/2020/04/27/italian-military-expenditures-growing-strongly-over-e26-billion-on-an-annual-basis/> [accessed 18 March 2021] and all other reports issued by Osservatorio MilEx on Italian military expenditure between 2017 and 2021.

⁶ Tom Kington, 'Italy defense budget rebounds despite coronavirus crisis' (Defense News, 28 October 2020) <https://www.defensenews.com/global/europe/2020/10/28/italy-defense-budget-rebounds-despite-covid-crisis/> [accessed 18 March 2021].

⁷ Jane's Navigating the Emerging Markets – Italy, April 2017, pp. 22-24.

⁸ Ministero della Difesa, Libro Bianco [White Paper], (cit. 2) pp.113-115.

employs around 160,000 people.⁹ The investment in research and development stands at 1.4 billion euro, the second highest investment in a sector in Italy.¹⁰

Italy's defence industry is consolidated into 'national champions' – large corporations with a de facto monopoly in each warfare domain. For instance, the largest such domestic group by far is Leonardo which is the key domestic supplier of defence electronics equipment, aircraft, helicopters, naval artillery products and torpedoes and ranked 8th on the world's largest arms producers list for 2018.¹¹ Fincantieri is another 'national champion', as the main supplier of major warships, ranking 50th in SIPRI's top 100 list for 2018,¹² while Iveco Defence Vehicles is the leader in military land vehicles supplies.

In addition to the two top players, Leonardo and Fincantieri, the aerospace and defence sector contains over 4,000 small- and medium-sized companies in its supply-chains.¹³ Variations exist in the corporate ownership structures of small- and medium-sized companies and in the proportion of revenues generated by defence contracts. Despite these variances, Italy's major defence producers remain, at least partially, under the State's control¹⁴ with the Italian Government owning ~30 per cent of shares in Leonardo¹⁵ and indirectly owning shares in Fincantieri, which is ~71 per cent owned by CDP Industria, which in turn is ~83 per cent owned by Italy's Ministry of Economy and Finance.¹⁶

Two key mechanisms through which the Italian State has preserved its primacy in defence industry are the so-called 'golden powers' and the right to nominate top management in companies in which it retains a level of control. This refers to the provisions of Law no. 21/2012 and its subsequent government decrees, which provide the State with the right to intervene in key strategic sectors, like defence and security, affecting the regulation for private or partially public-owned companies.¹⁷ More specifically, the government can mandate conditions that potential buyers must meet in order to be able to proceed with

shares acquisition; block board decisions aimed at changing particularly important procedures, such as statutory safeguard clauses or similar, and block the takeover of prospective buyers when it is deemed that the acquisition would harm 'national interests'.¹⁸

Additionally, the Italian Government withholds the right to nominate quotas of the top management of the largest defence companies like Leonardo or Fincantieri, depending on the number of shares held by the State. Despite recent improvements in transparency by Leonardo for instance on the appointment process and composition of the board,¹⁹ such appointments are frequently political, with board members bringing political mandates and relationships with them.²⁰

The defence market

According to the most recent data in 2019, Italy ranked 12th on the list of the world's top military spenders, spending nearly 26.8 billion US dollars on defence, equating to a 1.4 per cent share of GDP.²¹ In the same timeframe, trends evidenced by data from the Stockholm International Peace Research Institute (SIPRI),²² showed that Italy was in the top 10 list of arms exporters (2.1 per cent share of the global market) and in 20th place on the importers list. This shows that a fair proportion of weapons produced in Italy are destined for the foreign market, while the domestic needs for the Italian military are mainly satisfied by internal production. According to data by Osservatorio MilEx, total Italian military expenditure amounted to at least 26 billion euro in 2019 with a slightly growing trend both in terms of current values and constant values.²³ For the purpose of analysis, it is fundamental to understand the dynamics linked to the funds for the acquisition of new weapons systems.

⁹ The European House - Fondazione Ambrosetti and Leonardo S.p.A, La filiera italiana dell'Aerospazio, della Difesa e della Sicurezza, (Leonardo and The European House: Roma), September 2018, p.20 https://www.leonardocompany.com/documents/20142/3072461/body_Ricerca_La_filiera_italiana_dellAerospazio.pdf/c9922522-6581-c409-5002-8393ab1383e9?t=1549547426546 [accessed 18 March 2021].

¹⁰ Ibid, p.21

¹¹ Stockholm International Peace Research Institute (SIPRI), The SIPRI Top 100 Arms-producing and Military Services Companies, 2018, (SIPRI: Stockholm) December 2019, p.9, https://www.sipri.org/sites/default/files/2019-12/1912_fs_top_100_2018.pdf [accessed 18 March 2021].

¹² Ibid, p.10

¹³ The European House - Fondazione Ambrosetti and Leonardo S.p.A (cit. 9) p.3

¹⁴ Ibid.

¹⁵ Leonardo Company, 'Company Profile 2020', 2020, https://www.leonardocompany.com/documents/20142/115605/WEBCompany_profile_leonardo_190620_affiancate.pdf?t=1592819054178 [accessed 23 February 2021].

¹⁶ Fincantieri S.p.A., 'Shareholders', 2020, <https://www.fincantieri.com/en/governance/shareholders/> [accessed 23 February 2021].

¹⁷ Dipartimento del Tesoro (Department of the Treasury), 'FAQ – State-owned enterprises and Privatisations', http://www.dt.mef.gov.it/en/faq/faq_privatizzazioni.html [accessed 17 December 2020].

¹⁸ Camera dei Deputati, 'La disciplina del golden power: quadro normativo', https://temi.camera.it/leg17/post/la_disciplina_del_golden_power__quadro_normativo.html?tema=temi/dl_21_2012__la_salvaguardia_degli_assetti_strategici [accessed 17 December 2020].

¹⁹ Transparency International Defence & Security, 'Leonardo S.p.A', Defence Companies Index, February 2021, <https://ti-defence.org/dci/companies/leonardo-s-p-a-2/> [accessed 12 February 2021].

²⁰ Chris Hughes, 'It's Politics as Usual in Italy's State-Led Firms' (Bloomberg, 27 April 2020), <https://www.bloomberg.com/opinion/articles/2020-04-27/it-s-politics-as-usual-in-italy-s-state-led-firms> [accessed 18 March 2021].

²¹ SIPRI, Trends in World Military Expenditure 2019, (SIPRI: Stockholm), April 2020, p.2, https://www.sipri.org/sites/default/files/2020-04/fs_2020_04_milex_0_0.pdf [accessed 18 March 2021].

²² SIPRI, Trends in International Arms Transfers 2019 (SIPRI: Stockholm), March 2020, p.2,6, https://www.sipri.org/sites/default/files/2020-03/fs_2003_at_2019.pdf [accessed 18 March 2021].

²³ The difference in the figures shown has several causes: firstly, the data of the Stockholm International Peace Research Institute (SIPRI) derive from global assessments and from figures published by government offices (with subsequent cross-checking) while those of Osservatorio MilEx derive from an analysis of documents of the State budget. Secondly, SIPRI presents the final figures and not the forecasted ones provided for by the Budget Law. For the MilEx data, see: Francesco Vignarca, 'Military expenditure 2019: the first data from the Budget Law' (Osservatorio MilEx, 17 February 2019) <https://www.milex.org/2019/02/17/spese-militari-2019-i-primi-dati-dalla-legge-di-bilancio/> [accessed 18 March 2021].

The expenses for armaments in Italy continue to increase: 5.6 billion euro confirmed in 2020 with a projection of more than 6 billion euro for 2021, representing a change of +7 per cent in one year and maintaining the strong growth trend that led to a double digit increase in the last 10 years. In particular, such investments are possible only thanks to the financial contributions of the Ministry of Economic Development (MISE), which have also been increasing in recent years: at least 3 billion euro devoted to arms acquisition (or related costs) in the last four years.²⁴

²⁴ Various reports from Osservatorio Mil€x on Italian military expenditures between 2017 and 2021, for example: Francesco Vignarca, 'Una prima valutazione delle spese militari 2021' (Osservatorio Mil€x, 15 January 2021), <https://www.milex.org/2021/01/15/una-prima-valutazione-delle-spesse-militari-2021/> [accessed 18 March 2021].

PATHWAYS OF INFLUENCE: MONEY, IDEAS, PEOPLE

The way in which industry influence is exerted can be overtly financial, for instance through contributions to political parties and campaigns. It can also take its course through promoting certain ideas or converting people to its cause.

Money involves influence exerted over the policy process through financial means, ranging from political contributions to direct financial interests of decision-makers that have the potential to generate a conflict of interest. Pathways of influence in ideas facilitate the transfer of knowledge and information between the private and public sectors. The most prominent

example of this type of exchange is traditional lobbying, but think tanks and external consultants can also play a role in facilitating undue influence. The pathway of influence through people relates to the movement of individuals between the public and private sectors or their close interactions with public institutions, the military or other associations. These relationships are even more significant given the high levels of complexity and intrinsic lack of transparency in both the defence institutions and the defence industry. Below we explore some of the most prominent opportunities for exerting influence on policy in Italy, along with their role in the defence sector.

TRADITIONAL LOBBYING

A comparative analysis of European regulation on lobbying shows that the practice is still one of the main channels to exert influence on public decision-makers due to lack of, or weaknesses in, national regulations.²⁵ The Italian context is particularly problematic, since there is no standalone law regulating lobbying activities at the national level.²⁶ There have been efforts to change the status quo, and more than 50 bills have been introduced to parliament since 1976, however, only a few were actually discussed in the parliamentary committees, and none have been voted through.²⁷ Since the beginning of the new legislative term in 2018, at least eight different bills to regulate lobbying have been proposed in Parliament, but none has been approved so far.²⁸

Despite this legal vacuum, the Italian Supreme Court ('Corte di Cassazione') has confirmed the lawfulness of lobbying.²⁹ In the absence of a national law, some national public administrations have recently adopted their own regulations on lobbying.

Notably, the Chamber of Deputies (but not the Senate) introduced a register of lobbyists in 2017.³⁰ Registration is compulsory for organisations and persons who want to obtain accreditation to represent private interests in the Chamber's premises, and the register is published online.³¹ At the end of each year, registrants have to submit a report, published online, detailing the goals pursued through their lobbying activities, the ways in which they carried out their activities, the contacts they actually established with MPs and the persons they employed for these activities.

At the government level, in 2016, the then Minister of Economic Development Carlo Calenda introduced a transparency register for the Ministry of Economic Development,³² which was confirmed and extended to the Ministry of Labour by his successor, Minister Luigi Di Maio, in 2018. The structure of these two registers is closely modelled on the EU Transparency Register,³³ jointly held by the European Parliament and

²⁵ Transparency International, 'Lobbying in Europe: Hidden Influence, Privileged Access' (TI: Berlin), 2015, https://www.transparency.org/whatwedo/publication/lobbying_in_europe [accessed 18 March 2021].

²⁶ In the absence of a national law, some regions have adopted regional laws on lobbying – for example Tuscany, Molise and Abruzzo. These regional laws are based on the European Transparency Register, focusing on transparency and participation and they provide for a register, a list of permitted lobbying tools and specific sanctions. However, due to the limited geographical and sectoral scope, these laws do not affect lobbying in the context of defence policy formation, which by definition is an issue that is decided at national level. Transparency International Italia, *Lobbying and Democracy: The Representation of Interests in Italy* (TI Italia: Milan), 2014, p.9, <https://www.transparency.it/informati/pubblicazioni/lobbying-e-democrazia> [accessed 18 March 2021].

²⁷ *Ibid.*, p.8

²⁸ The eight bills have been proposed by MPs from the Democratic Party (Fregolent, Madia, Misiani, Valente, Verducci), the Five Star Movement (Silvestri, Morra) and the Socialist Party (Nencini). Maria C. Antonucci, 'Cosa succede nel Movimento 5 Stelle sul tema delle lobby?' (Formiche, 19 June 2019), <https://formiche.net/2019/06/movimento-5-stelle-lobby/> [accessed 18 March 2021].

²⁹ Organisation for Economic Co-operation and Development (OECD), *Lobbyists, Governments and Public Trust, Volume 3* (OECD: Paris), November 2014, pp.185-186, https://read.oecd-ilibrary.org/governance/lobbyists-governments-and-public-trust-volume-3_9789264214224-en?page187 [accessed 18 March 2021]; Transparency International Italia, *Lobbying and Democracy*, (cit. 26) p.8, quoting Decisions n.1/1974, n.290/1974 and n.379/2004.

³⁰ Euronews, 'Italy: how parliament is starting to deal with lobbyists' (Euronews, 21 March 2017), <https://www.euronews.com/2017/03/21/italy-when-just-one-chamber-of-the-parliament-gives-itself-rules-about-how-to> [accessed 18 March 2021].

³¹ Camera dei deputati, 'Registro rappresentanti di interessi', http://www.camera.it/rappresentantiinteressi/registro_rappresentanti.html [accessed 18 March 2021].

³² Ministero dello Sviluppo Economico, 'Registro Trasparenza', <http://registrottrasparenza.mise.gov.it/> [accessed 18 March 2021]

³³ European Commission and European Parliament, 'EU Transparency Register', <https://ec.europa.eu/transparencyregister/public/homePage.do?redir=false&locale=en> [accessed 18 March 2021]

Commission. MISE's register currently includes 1,610 registrants, while the Ministry of Labour's register contains only 54.³⁴ No similar register exists at the Ministry of Defence.

Consultative openness beyond lobbying

In addition to lobbying in a strict sense, there are examples of legislation that indirectly show openness towards stakeholder consultation in the decision-making process. For example, Law no. 246/2005 introduces a new mechanism to increase participation by stakeholders in the decision-making process of the Italian Government. Article 14 of the Law provides that the government must conduct a preliminary analysis of the impact of its planned normative acts ("analisi dell'impatto della regolamentazione", AIR) on citizens, businesses and the functioning of the public administration.³⁵ The analysis should also include a phase of open consultation with interested stakeholders, and the results of such consultations are to be made public.³⁶ In addition to stakeholder consultation by the government, consultation of interest holders in the legislative process is also regulated as part of the regulations of the two houses that make up the Italian Parliament. Article 144 of the Rules of the Chamber of Deputies provides that all parliamentary committees can organise hearings with "any person who can provide useful details for the purpose of the activities of the Chamber".³⁷ Similar powers are granted to MPs sitting in the Senate.³⁸

The lack of regulation of lobbying is reflected in a number of issues that make lobbying a potential avenue for policy influence in Italy.

First, a negative cultural perception of lobbying hinders open and transparent procedures, even within the limits of the aforementioned regulations. As noted by Prof. Petrillo, in Italy "the word 'lobby' has come to have criminal connotations and has been used as a byword for 'corruption'".³⁹ In such a context, lobbyists are not encouraged to conduct their activities openly, and the political elite is concerned that regulating lobby groups would reflect badly on them for election purposes, presuming that regulating the practice would equate to legitimising lobbying. Lobbying is a fact of public life in all countries, and thus the absence of specific regulation in Italy pushes the practice into the territory of 'the informal' - behind closed doors.

Transparency International Italy has defined this specific cultural and socio-political practice as "ad personam lobbying", meaning that pressure "is based on social and personal relations, rather than procedure, content and persuasive communication."⁴⁰

"In Italy, there is no legal requirement to maintain records of meetings between stakeholders and the authorities. In fact, there is no agreed definition of what constitutes a 'stakeholder', nor a national public register that lists them. [...] These two would be vital elements to keep track of efforts taken to represent private interests with public officials."⁴¹

Second, it is not possible to have a reliable map of who is a lobbyist in Italy, due to the lack of a clear definition of lobbying and lack of a mandatory national register of lobbyists. Meetings between policymakers and lobbyists can take place inside or outside of parliament, and the frequency or specific topics discussed cannot be monitored effectively. In short, any interest group – including the defence industry – can exercise unmonitored influence on the legislative process in Italy. Indirect forms of lobbying such as advisory committees or external advice and consultancies requested by policymakers can also be channels for industry to exert influence, and as such their composition and working methods require more regulation. This is particularly true in the current context of Italian politics, as the national elections of 2018 introduced to the Italian Parliament a large number of MPs and government officials holding their first post in public office.

Third, there is no requirement for defence companies to declare their annual lobbying expenses, which is particularly problematic given the salience of these direct bilateral meetings in defence policy-making where the government relies heavily on domestic industry for the supply of the majority of their equipment and services. Available data, such as that contained in the Chamber of Deputies' register, suggests that big arms corporations tend to have in-house staff in charge of their institutional relationships. Small and medium defence enterprises may decide to subcontract their lobbying activities to specialised, external agencies, given the potential lack of expertise and internal capacity. Annual revenues of lobbying and public relations (PR)

³⁴ Both figures correct as of 30 June 2019.

³⁵ Normattiva, 'Legge 28 novembre 2005, n. 246 (Entrata in vigore della legge: 16-12-2005)' (09 February 2012), <http://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:legge:2005;246> [accessed 18 March 2021]

³⁶ Ibid, Article 14.5 and Decree of the President of the Council of Ministers n. 169/2017, art. 16-18.

³⁷ Camera dei Deputati, 'Indice del Regolamento della Camera dei Deputati, Article 144, p.101', http://leg16.camera.it/application/xmanager/projects/camera/file/conoscere_la_camera/regolamento_camera_25_settembre_2012.pdf [accessed 18 March 2021].

³⁸ Senato della Repubblica, 'Il Regolamento del Senato' Article 48, <https://www.senato.it/1044?articolo=1038&sezione=146> [accessed 18 March 2021]

³⁹ OECD, Lobbyists, Governments and Public Trust (cit. 29) p.184-185.

⁴⁰ Transparency International Italia, Lobbying and Democracy, (cit. 26) pp.15-16.

⁴¹ Interview with an expert on lobbying in Italy and Europe, 2018.

firms in Italy suggest that this phenomenon is on the rise.⁴² However, as these companies have confidentiality clauses, it is nearly impossible for the public to understand who is funding these agencies and to what extent. Any register to monitor lobbying activities of the Italian arms industry should therefore include, as a minimum, the budget that stakeholders allocate for lobbying activities, the number of lobbyists involved, including details of their names, affiliation, website and the number of meetings held with the authorities, including details of the issues discussed.

Good practice: EU Transparency Register

A leading lobbying expert views the EU Transparency Register jointly held by the European Parliament and Commission as best practice.⁴³ Registrants in the EU Transparency Register of interest representatives must sign a code of conduct and declare the main EU initiatives, policies and legislative files they follow; as well as their meetings with commissioners, members of their cabinet or director-generals;⁴⁴ the number of lobbyists involved; the persons accredited for access to European Parliament premises; and their lobbying expenses. However, even the EU Register could be considered to be lacking some important information. For example, only the persons accredited for access to the European Parliament – and not all the lobbyists an organisation employs – have to be named individually. In addition, only meetings with European Commission representatives – and not other meetings with individual MEPs – have to be registered.⁴⁵

The EU Transparency Register has enabled the creation of easily usable tools by civil society organisations to track lobbying activities at the EU level (mainly focusing on lobbying expenses and meetings),⁴⁶ as well as reports on lobbying by specific

interest groups, including the defence industry.⁴⁷ By contrast, no similar initiatives exist in the Italian context, due to the lack of an equivalent register. The current register held by the Italian Chamber of Deputies does not contain details about the budget spent on lobbying, the dates of meetings, the subjects discussed in meetings with individual MPs, or the parliamentary intergroups in which stakeholders participate.

If registrants were required to submit more specific information to the Chamber of Deputies' register it could then become a valuable resource to help researchers and the general public to better understand lobbying activities in the Italian Parliament. Moreover, the current regulation that covers only the lower house is clearly insufficient, as both houses of the Italian Parliament have the same powers to approve laws and votes of confidence in the government. The regulation should be extended to cover both houses of Parliament, as well as all Government ministries.

Defence industry lobbyists

Three major defence companies are registered in the Italian Chamber of Deputies Register: Leonardo, Fincantieri and MBDA Italia.⁴⁸ Each company has two lobbyists with parliamentary accreditation. The Register's regulation prohibits individuals who held public office as members of the government or parliament in the previous 12 months from gaining accreditation to represent private interests in the Chamber's premises.⁴⁹ MBDA and Fincantieri employ lobbyists who previously held public office, albeit in times or positions not restricted by the regulation.⁵⁰ In June 2019, the President of the Chamber of Deputies, Roberto Fico, enforced the first sanctions related to the register, suspending accreditation of 11 registrants whose reports did not include all the required information; for example, the names of the individual MPs contacted.⁵¹ Leonardo, Fincantieri and MBDA all submitted reports concerning their lobbying activities in 2019, where they name several individual MPs they contacted, including members of the Defence and

⁴² Andrea Montanari, 'Cattaneo Zanetto primo dei lobbisti' (Milano Finanza, 2 October 2018), <https://www.milanofinanza.it/news/cattaneo-zanetto-primo-dei-lobbisti-201810012147266368> [accessed 18 March 2021].

⁴³ Interview with an expert on lobbying in Italy and Europe, 2018; European Commission and European Parliament, 'EU Transparency Register' (cit. 33).

⁴⁴ The EU Register includes details about the date and location of the meeting, the subjects discussed (albeit in very general terms) and the Commission representative, though it does not list the relevant company representative present at the meeting.

⁴⁵ The amount of information provided by registrants differs significantly, with some voluntarily disclosing more than others. For example, the profile of Transparency International includes detailed information about the main initiatives followed by the organisation, the staff involved (including names of staff that has previously worked for EU institutions), and an external link to meetings with all EU decision makers including MEPs. See: European Commission and European Parliament, 'EU Transparency Register – Transparency International', 20 May 2020, <http://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=501222919-71> [accessed 18 March 2021].

⁴⁶ See, for example: Transparency International EU, 'Integrity Watch', 2020, <https://www.integritywatch.eu/> [accessed 18 March 2021]; 'LobbyFacts', www.lobbyfacts.eu [accessed 18 March 2021] (a joint project of Corporate Europe Observatory and LobbyControl).

⁴⁷ See, for example: Vredesactie, Securing Profits. How the arms lobby is hijacking Europe's defence policy, (Vredesactie: Brussels) October 2017, https://www.vredesactie.be/sites/default/files/pdf/Securing_profits_web.pdf [accessed 18 March 2021]

⁴⁸ Figure correct at the time of writing. Camera dei Deputati, 'Rappresentanti di interessi – Leonardo', 2020, https://rappresentantidiinteressi.camera.it/sito/legal_37/scheda-persona-giuridica.html [accessed 18 March 2021]; Camera dei deputati, 'Rappresentanti di interessi – Fincantieri', 2020, https://rappresentantidiinteressi.camera.it/sito/legal_190/scheda-persona-giuridica.html [accessed 18 March 2021]; Camera dei deputati, 'Rappresentanti di interessi – MBDA Italia', 2020, https://rappresentantidiinteressi.camera.it/sito/legal_228/scheda-persona-giuridica.html [accessed 18 March 2021].

⁴⁹ Camera dei Deputati, Disciplina dell'attività di rappresentanza di interessi nelle sedi della Camera dei deputati (Deliberazione dell'Ufficio di Presidenza dell'8 febbraio 2017), Art. 2.2.c, February 2017, https://www.camera.it/application/xmanager/projects/leg18/attachments/consocerelacamera/upload_file_2s/000/000/337/Deliberazione_UdP_8_febbraio_2017.pdf [accessed 18 March 2021]

⁵⁰ MBDA Italia employs Giuseppe Cossiga, who was member of the Chamber of Deputies from 2001 to 2013 and Undersecretary of Defence from 2008 to 2011 before starting to work for MBDA in 2017; Fincantieri employs Simone Mazzucca, who was a public official in the Ministry of Defence from 2014 to 2018 before starting to work for Fincantieri in 2018.

⁵¹ Ilaria Proietti, 'Trasparenza, alla Camera prime sanzioni: da Fico daspo a 11 lobbisti' (Il Fatto Quotidiano, 18 June 2019), <https://www.ilfattoquotidiano.it/in-edicola/articoli/2019/06/18/pasticci-furbate-e-segreti-il-daspo-di-fico-a-11-lobbisti/5262850/> [accessed 19 March 2021].

Economic Activities Committees, as well as undersecretaries of defence. These reports were not subject to any sanctions and it is not known how much detail was originally provided. As noted by Openpolis, even when complete, the information included in the reports is often very general and superficial, as it details neither the budget spent on lobbying activities, nor the dates of meetings and subjects discussed with individual MPs.⁵²

In the register of the Ministry of Economic Development (MISE), defence industry representatives presently registered include, amongst others, Leonardo, Fincantieri and the defence industry association AIAD.⁵³ However, the declarations are incomplete and often not up to date. Leonardo's profile does not declare any lobbying expenses for 2018 nor the number of lobbyists employed, while the data for the subsequent year is not yet available.⁵⁴ Fincantieri declares four lobbyists and between 900,000 euro and 1 million euro in lobbying expenditure in 2015, but has not submitted information since,⁵⁵ while AIAD's most recent declaration is from 2016 declaring 25 lobbyists and between 1 and 1.25 million euro in expenses.⁵⁶ Some smaller companies declare higher lobbying expenses, with Elettronica and Thales Alenia Space Italia declaring more than 10 million euro in expenses in 2015 and 2017 respectively.⁵⁷

As for lobbying meetings, a section of the register's website contains the agendas of meetings for the Minister, undersecretaries or director generals with stakeholders.⁵⁸ However, unlike in the EU Transparency register, this information is not included in the profiles of the registrants, meaning that in order to see when a particular stakeholder met with the Ministry's representatives, one would need to check all the agendas. For example, former Minister Calenda's agenda indicates that he met Fincantieri's representatives 10 times and Leonardo's representatives eight times between October 2016 and February 2018 to discuss issues ranging from the companies' industrial plans to exports and investments abroad.⁵⁹

His successor Luigi Di Maio met Fincantieri's representatives five times and Leonardo's representatives once between September 2018 and May 2019.⁶⁰ The current Minister Stefano Patuanelli met Fincantieri's representatives four times and Leonardo's representatives once between September 2019 and July 2020. There is no information on what was discussed.

Lobbying through parliamentary intergroups

Another forum that provides opportunities for lobbying at the parliamentary level and lacks regulation is parliamentary intergroups - informal groups composed of MPs from different parties that focus on particular subjects and engage with civil society representatives. In Italy, these groups lack any kind of regulation and most of them do not have a website or a public list of members.⁶¹ In comparison, the European Parliament's rules establish that each intergroup must publish a list of members and a declaration of financial interest, disclosing any outside support it receives in the form of financial assistance, human resources or equipment.⁶²

⁵² 'Registro lobby della camera, bisogna andare avanti' (OpenPolis, 24 June 2019), <https://www.openpolis.it/registro-lobby-della-camera-bisogna-andare-avanti/> [accessed 18 March 2021]

⁵³ Other aerospace and defence companies registered include Elettronica, Thales Italia, Thales Alenia Space Italia, Telespazio and CNH Industrial (the parent company of Iveco Defence Vehicles).

⁵⁴ As of March 2021, Leonardo's profile was last updated in September 2019 even though it should have been updated by September 2020 at the latest. Following an email communication between TI-DS and MISE mentioning Leonardo's information on 04/07/2019, a new profile for Leonardo was added on 17/09/2019; the old profile, last updated in November 2016 under the name of 'Leonardo Finmeccanica', remains online. Ministero dello Sviluppo Economico, 'Transparency Register – Leonardo', <http://registrotrasparenza.mise.gov.it/index.php/consultare-il-registro/details/6/1700> [accessed 18 March 2021]; Ministero dello Sviluppo Economico, 'Transparency Register – Leonardo Finmeccanica', <http://registrotrasparenza.mise.gov.it/index.php/consultare-il-registro/details/6/422> [accessed 18 March 2021].

⁵⁵ As of March 2021, Fincantieri's profile was last updated since in November 2016 even though it should have been updated by November 2017 at the latest. Ministero dello Sviluppo Economico, 'Transparency Register – Fincantieri S.p.A.', <http://registrotrasparenza.mise.gov.it/index.php/consultare-il-registro/details/6/441> [accessed 18 March 2021].

⁵⁶ As of March 2021, AIAD's profile was last updated in October 2017 even though it should have been updated by October 2018 at the latest. Ministero dello Sviluppo Economico, 'Transparency Register – Federazione Aziende Italiane per l'Aerospazio, la Difesa e la Sicurezza (AIAD)', <http://registrotrasparenza.mise.gov.it/index.php/consultare-il-registro/details/6/486> [accessed 18 March 2021].

⁵⁷ Ministero dello Sviluppo Economico, 'Transparency Register – Elettronica', <http://registrotrasparenza.mise.gov.it/index.php/consultare-il-registro/details/6/468> [accessed 18 March 2021]; Ministero dello Sviluppo Economico, 'Transparency Register – Thales Alenia Space Italia', <http://registrotrasparenza.mise.gov.it/index.php/consultare-il-registro/details/6/1363> [accessed 18 March 2021].

⁵⁸ According to the website, the agendas and all meeting information should be updated every two months. Ministero dello Sviluppo Economico, 'Calendario incontri con i portatori di interesse', <http://registrotrasparenza.mise.gov.it/agende> [accessed 19 March 2021].

⁵⁹ Ministero dello Sviluppo Economico, 'Calendario storico incontri con i portatori di interesse – Ministro Carlo Calenda', <http://registrotrasparenza.mise.gov.it/index.php/appuntamenti-storico?resetfilters=0&clearordering=0&clearfilters=0> [accessed 19 March 2021].

⁶⁰ Luigi Di Maio was Minister of Economic Development from June 2018 to September 2019. However, agendas of his meetings are not available for the periods June-August 2018 and May-September 2019.

⁶¹ Eugenio Levi, Rama Dasi Mariani, and Elena Paparella, *Intergruppi parlamentari, rappresentanza fluida e recenti evoluzioni del parlamentarismo*, (Costituzionalismo.it: Roma), Fascicolo n. 2/2017, https://www.costituzionalismo.it/costituzionalismo/download/Costituzionalismo_201702_634.pdf [accessed 19 March 2021]; 'La necessità di regole e trasparenza per gli intergruppi parlamentari' (Openpolis, 20 January 2017), <https://blog.openpolis.it/2017/01/20/la-necessita-di-regole-e-trasparenza-per-gli-intergruppi-parlamentari/13241> [accessed 19 March 2021].

⁶² European Parliament, 'The intergroups of the European Parliament', December 2019, <http://www.europarl.europa.eu/about-parliament/en/organisation-and-rules/organisation/intergroups> [accessed 19 March 2021].

Spazio: Space Parliamentary Intergroup

One intergroup in the Italian Parliament that is relevant for the aerospace and defence industry is the group “Spazio” (Space), which operated during the 2013 to 2018 XVII legislative term and was formed again at the beginning of the XVIII legislature.⁶³ Its counterpart in the European Parliament, the “Sky and Space” intergroup, is considered close to the aerospace and defence industry, and its administrative staff (consisting of 2-3 secretaries) is provided by the Aerospace and Defence Industries Association of Europe (ASD), the association comprising Europe’s main defence companies.⁶⁴ In the Italian context, it is difficult to know to what extent the Space intergroup may be exposed to influence by the defence industry, as information about its members, activities or external support is not made public.

According to the Italian magazine *Formiche* – which organised the launch event of the Intergroup together with the specialised aerospace magazine *Airpress* – the Intergroup’s members include four members of the Chamber of Deputies’ Defence Committee, as well as members of the Budget and the Economic Activities Committees. Together, these members represent the four main parties in the Parliament: Five Star Movement, Democratic Party, League and Forza Italia.

Among the Intergroup’s goals is to support Italy’s aerospace industry, whose representatives were present at the launch event, including Argotec, Avio and the two Thales-Leonardo joint ventures (Telespazio and Thales Alenia Space).⁶⁵ Given the overlap between the defence and space industries and the increasing international competition and militarisation of space, the Space Intergroup in the Italian Parliament may provide a possible avenue for the defence industry to exert influence on Italy’s defence policies concerning space, for example investments into military satellites, though there is no clear evidence of such undue influence to date.

Transparency of parliamentary hearings

The existing regulations on inclusiveness and transparency of public consultations and parliamentary hearings suffer from weak substance and implementation.⁶⁶ The system of parliamentary hearings is completely voluntary; as such, there is no minimum standard or best practice with regards to the frequency of these meetings, the expected breadth of consultations/stakeholders who are consulted, or transparency about the topics being discussed. In contrast to hearings of members of the Government and other public officials, for which stenographic recordings are published, hearings of private sector representatives and other sector experts are entirely discretionary. Written reports of these hearings do not exist, although they are sometimes streamed on the web-TV of the Parliament.⁶⁷

Defence Industry – Parliamentary exchanges

The Defence Committees of the Chamber and the Senate regularly hear from top defence industry executives. These hearings are intended to inform the Committees and aid decision making, with industry representatives being invited to share expertise and insights from the practice.

- Leonardo’s CEO Profumo presented to the Senate’s Defence Committee on 9 May 2019 about the prospects for Italian arms exports,⁶⁸ by the Chamber’s and the Senate’s Defence and Economic Activities Committees on 5 September 2018 about the European Defence Fund,⁶⁹ and by the Chamber’s Defence and Economic Activities Committees on 25 October 2017 about the prospects for the company.⁷⁰
- Fincantieri’s CEO Bono attended hearings of the Senate’s Defence Committee on 9 March 2019 about the prospects for Italian arms exports,⁷¹ by the Chamber’s Foreign Affairs and Economic Activities Committees on 26 October 2017 about Italy-France naval cooperation agreements,⁷² and by the Chamber’s Economic Activities Committee on 16 May 2017 about Fincantieri’s 2016-2020 industrial plan.⁷³

⁶³ Di Stefano Pioppi, ‘Spazio protagonista in Parlamento. Ecco il nuovo Intergruppo’ (*Formiche*, 25 June 2019), <https://formiche.net/2019/06/spazio-parlamento-intergruppo/> [accessed 19 March 2021].

⁶⁴ European Parliament, ‘Sky and Space Intergroup: Declaration of financial interests’, 2020, <http://www.europarl.europa.eu/about-parliament/files/organisation-and-rules/organisation-intergroups/legislative-declaration-of-financial-interests-sky-and-space-2015.pdf> [accessed 19 March 2021]; Vredesactie, *Securing Profits*, (cit. 47) p.7.

⁶⁵ Pioppi, ‘Spazio protagonista in Parlamento. Ecco il nuovo Intergruppo’ (cit. 63).

⁶⁶ OECD, *Lobbyists, Governments and Public Trust*, (cit. 29) p.186.

⁶⁷ Camera dei Deputati ‘XVII Legislatura – Audizioni’ <http://www.camera.it/leg17/14?conoscerelacamera=22> [accessed 19 March 2021].

⁶⁸ Senato della Repubblica Web TV, ‘Audizione dell’Amministratore delegato di Leonardo, Alessandro Profumo sulle prospettive dell’export italiano di materiali per la difesa e la sicurezza’, 9 May 2019, http://webtv.senato.it/4621?video_evento=1245 [accessed 19 March 2021].

⁶⁹ Camera dei deputati Web TV, ‘Fondo europeo difesa, audizione esperti’, 5 September 2018, <https://webtv.camera.it/evento/12888> [accessed 19 March 2021].

⁷⁰ Camera dei deputati Web TV, ‘Commissioni Riunite - Leonardo Spa, audizione Profumo’, 25 October 2017, <https://webtv.camera.it/evento/12035> [accessed 19 March 2021].

⁷¹ Senato Web TV, Audizione dell’Amministratore delegato di Fincantieri SpA, 5 March 2019, http://webtv.senato.it/4621?video_evento=996 [accessed 16 February 2021].

⁷² Camera Web TV, ‘Commissioni Riunite - Cooperazione navale tra Italia e Francia, audizione ad Fincantieri, Bono’, 25 October 2017, <https://webtv.camera.it/evento/12065> [accessed 19 March 2021].

⁷³ Camera Web TV, ‘Commissione Attivita’ Produttive - Piano industriale 2016-2020, audizione Bono, ad Fincantieri’, 16 May 2017, <https://webtv.camera.it/evento/11178> [accessed 19 March 2021].

POLITICAL FOUNDATIONS

In an analysis of political party financing, Mattia Diletti characterises political foundations as discussed here as a “personal think tank” connected with individual political leaders and used as a direct vehicle of funding for the political class.⁷⁴ The scope of Italy’s campaign financing law allows easy circumvention of the existing regulations through common ‘third-party funding’ mechanisms.⁷⁵ In recent years, entities linked with political parties have been involved in substantial financial flows to and from political figures, as evidenced by the funding scandal of Lega Nord.⁷⁶ Recently they were also described by the President of the Italian Anti-corruption Authority (ANAC), Raffaele Cantone as the “new playing ground for exerting influence”.⁷⁷

Looking beyond the foundations’ financing role, OpenPolis have highlighted that political foundations have become increasingly prominent in Italian political debate as a result of the strong presence of political figures in their membership.⁷⁸ An analysis of the networks of the 2,942 people involved in the governing bodies of these 101 entities, revealed a web of memberships and ties that involves individuals and organisations from across the political spectrum. Effectively, political foundations provide politicians with new venues for hosting political debate, replacing the traditional role that political parties held before their recent crisis.⁷⁹ Available data shows that more than 22 per cent of these entities have at least 10 members who are also involved in other political foundations. Some of these associations are directly linked with political parties or movements – for example the Fondazione EYU or Associazione Rousseau – who declare their mission’s alignment with a party in their statutes. Others have indirect links, inferred from the proportion of members affiliated with a political party.⁸⁰

Political foundations had weaker transparency and reporting obligations than political parties despite their clear link with politics, until a new law was introduced in 2018 tackling some of

the problems, but not all.⁸¹ Until then, as reported by OpenPolis, only 19 of the 101 surveyed foundations published their budget, whilst only three also disclosed a list of their donors. In the absence of clear legal requirements, some associations chose to publish only the initials of donors, or to publish only the names of people who gave their consent. Less sensitive information, such as the statute or mission, was also missing from 55 per cent of these organisations’ available documents.⁸² The overlap of political presence and financial opacity made these entities potential vehicles of influence through money.

“The limited financial transparency [of political foundations] makes it very hard to monitor their sources of funding, and also to identify the specific beneficiary of that sum within the foundation. These entities have been recipients of expensive properties sold under price [as a form of bribe] but also money paid in return for services like research studies on very diverse topics”.⁸³

More than just vehicles for political finance, political foundations are also a medium for personal connections and influence on policy through thought leadership. Their diverse membership base tends to include politicians and companies, and through publications, presentations and training they endeavour to contribute to and influence public discourse and political debate. What emerges is an interconnected web of individuals pushing a political, economic and societal agenda.⁸⁴

⁷⁴ Maria Romana Allegri, Mattia Diletti, Paola Marsocci, *Political Parties and Political Foundations in Italy: Their Changing Landscape of Structure and Financing* (FrancoAngeli: Milano), 2018, p.10-11, https://ojs.francoangeli.it/_omp/index.php/oa/catalog/book/272 [accessed 19 March 2021].

⁷⁵ OECD, *Financing Democracy: Funding of Political Parties and Election Campaigns and the Risk of Policy Capture* (OECD: Paris), 2016, pp.54-59, <https://www.oecd-ilibrary.org/docserver/9789264249455-en.pdf?expires=1616456620&id=id&accname=guest&checksum=B5C6483924498A382B756245374DC9B4> [accessed 19 March 2021].

⁷⁶ OECD, *Financing Democracy* (cit. 75).

⁷⁷ Giuseppe Latour, ‘Cantone: i partiti pubblicino i finanziamenti ad associazioni e fondazioni’ (Il Sole 24 ore, 27 October 2017), https://www.ilssole24ore.com/art/cantone-partiti-pubblicino-finanziamenti-ad-associazioni-e-fondazioni-AElnrwC?refresh_ce=1 [accessed 19 March 2021].

⁷⁸ In its analysis, OpenPolis only included entities with an active website or that took part in their survey; a total of 121 entities were identified as belonging to this category. Openpolis, *Cogito Ergo Sum 2017: Think tank, fondazioni e associazioni politiche in Italia*, (Openpolis: Roma), May 2017, pp. 6-7 http://minidossier.openpolis.it/2017/04/Cogito_ergo_sum_2017 [accessed 19 March 2021].

⁷⁹ Openpolis, *Cogito Ergo Sum 2018: Think tank, fondazioni e associazioni politiche in Italia*, (Openpolis: Roma), 2018, pp.11-23, <https://www.openpolis.it/wp-content/uploads/2018/07/Cogito-ergo-sum-2018.pdf> [accessed 19 March 2021]; *Federalismi.it. Crisi dei partiti, trasformazione della politica ed evoluzione della forma di governo*, 30 November 2016, pp.16-19, <https://www.federalismi.it/AppOpenFilePDF.cfm?artid=32860&dpath=document&dfile=30112016112147.pdf&content=Crisi%252Bdei%252Bpartiti%252C%252Btrasformazione%252Bdella%252Bpolitica%252Bed%252Bevoluzione%252Bdella%252Bforma%252Bdel%252Bgoverno%252B-%252Bstato%252B-%252Bdottrina%252B-%252B> [accessed 19 March 2021].

⁸⁰ Openpolis, *Cogito Ergo Sum 2018* (cit. 79) p.16.

⁸¹ Transparency International Italia, *Partiti e fondazioni: quanto ne sappiamo davvero dei soldi ai politici?* (TI Italia: Milano), 2018, p. 11, http://soldiaipolitici.it/wp-content/uploads/2018/07/Transparency_DossierFinanziamento-1.pdf [accessed 19 March 2021]; Openpolis, *Cogito Ergo Sum 2018* (cit. 79) pp.8-10.

⁸² Carmine Gazzanini, ‘La carica delle Fondazioni. Solo 3 su 101 dicono chi le paga. Spaventoso sottobosco bipartisan per le associazioni’ (La Notizia, 21 September 2018), <https://www.lanotiziagiornale.it/la-carica-delle-fondazioni-solo-3-su-101-dicono-chi-le-paga-spaventoso-sottobosco-bipartisan-per-le-associazioni/> [accessed 19 March 2021].

⁸³ Interview with a member of the Italian Chamber of Deputies, November 2018. See also: L. Franco and T. Mackinson, ‘Eyu, dal costruttore Parnasi 150mila euro alla fondazione Pd per studio immobiliare che valeva tre volte meno’ (Il Fatto Quotidiano, 20 June 2018), <https://www.iffattoquotidiano.it/2018/06/20/eyu-dal-costruttore-panasi-150mila-euro-alla-fondazione-pd-per-studio-immobiliare-che-va-leva-tre-volte-meno/4441165/> [accessed 19 March 2021].

⁸⁴ “La spazzacorrotti”, RAI 3 Report, 18 May 2020, television broadcast <https://www.rai.it/programmi/report/inchieste/La-spazzacorrotti-f3d4edca-88c1-480f-9852-f97a66b0135c.html> [accessed 18 March 2021]; Openpolis, *Cogito ergo sum 2020: Il ruolo politico di think tank, fondazioni e associazioni politiche, e la loro influenza nelle dinamiche di potere* (Openpolis: Roma), 2020, https://www.openpolis.it/wp-content/uploads/2020/05/Cogito-ergo-sum-2020_Openpolis_Report.pdf [accessed 18 March 2021].

Case study: *Italianeuropei and Italiadecide*

Italianeuropei and Italiadecide are recognised as some of the best connected political foundations in the country.⁸⁵ Italianeuropei has two ministers on its steering committee (Boccia and Speranza), three additional members of parliament as members, and another minister (Provenzano) and an undersecretary (Guerra) on its editorial committee.⁸⁶ Italiadecide on the other hand is characterised as bringing together academics, public officials and entrepreneurs with the aim, amongst others, of promoting “studies and research on specific issues to be submitted to the attention of the political and institutional world.”⁸⁷

Italy’s largest defence producer Leonardo is connected to both of these foundations. The company is listed as member of Italiadecide,⁸⁸ and it makes membership contributions to the association according to the foundation’s statute.⁸⁹ The foundation works on topics of interest to Leonardo. For example, in 2018, the foundation published a report on dual technologies with civilian and military purposes - an area in which Leonardo itself is active. The report, edited by a vice president of Research and Market Analysis at Leonardo proposes “national policies to position Italy among the leading countries in European defence policy.”⁹⁰ Leonardo is a member of other political foundations and cultural associations, including the Aspen Institute Italia⁹¹ and the Associazione Amici dell’Accademia dei Lincei.⁹²

Besides being a member of the main political foundations, Leonardo has its own foundations: Fondazione Ansaldo⁹³ and Fondazione Leonardo - Civiltà delle Macchine.⁹⁴ In 2017, Leonardo also bought shares of Istituto Treccani, which publishes Italy’s most important and prestigious encyclopaedia, as well as a geopolitical atlas edited by ISPI.⁹⁵

The network of persons across these influential foundations, policy makers and industry is dense. In the example of Leonardo, itself a member of Italiadecide, it is also connected to Italianeuropei and the Leonardo Foundation in the person of Francesco Profumo, who is on the steering committee of the former and scientific committee of the latter. Leonardo’s CEO Alessandro Profumo is also an individual member of Italiadecide,⁹⁶ while in turn Italiadecide’s president Alessandro Palanza is on the steering committee of the Leonardo Foundation. Giovanni Maria Flick holds positions in both the Italiadecide and the Leonardo Foundation, as does Alessandro Pajno, the President emeritus of the Council of State.⁹⁷ The former Leonardo board member Marta Dassu held positions in several other highly influential foundations whilst on the board including: Aspen Institute Italia, Fondazione Eni Enrico Mattei, Fondazione Italia USA.⁹⁸ Mr De Gennaro, who was Leonardo’s President until May 2020, was also President of Centro Studi Americani, a think tank promoting Italy-US relations.⁹⁹

While there is nothing necessarily illegal with engagement across societal and political institutions, it can carry a risk of conflicts of interest and the ability to disproportionately influence public policy at the expense of those with less direct access. At the very minimum, enhanced transparency of such engagements is needed. Leonardo received one of the highest scores on transparency of their customer engagement on TI-DS’s Defence Companies Index 2020.¹⁰⁰ Yet, there is little to no mention on its website of its involvement in political foundations, details of its membership fees or activities of its own company officers or that of its foundation, though it makes no secret of its involvement in these foundations. While the company provides information on some charitable contributions and lobbying expenditure, activities through these influential political foundations fall through the cracks.

⁸⁵ Openpolis, Cogito ergo sum 2020 (cit. 84)

⁸⁶ Ibid.

⁸⁷ Italiadecide, ‘Statute’, Article 3, <http://www.italiadecide.it/associazione/statuto-2/> [accessed 19 March 2021].

⁸⁸ Italiadecide, ‘Members’ <http://www.italiadecide.it/associazione/soci/> [accessed 19 March 2021].

⁸⁹ Italiadecide, ‘Statute’ (cit. 87)

⁹⁰ Italiadecide, Rapporto 2018: Civile e Militare. Tecnologie duali per l’innovazione e la competitività (Società editrice il Mulino, Bologna), 2018, p.12 http://www.italiadecide.it/wp-content/uploads/2019/03/11022019_Italiadecide_Rapporto2018.pdf [accessed 19 March 2021].

⁹¹ Aspen Institute Italia, ‘Soci sostenitori’ https://www.aspeninstitute.it/system/files/inline/SOCI_SOST_ITA_24_02_2021.pdf [accessed 19 March 2021]. The document also lists Fincantieri as a member. All information correct as of March 2021.

⁹² The Associazione Amici dell’Accademia dei Lincei promotes relations between industry and the Accademia dei Lincei, which gathers Italy’s most senior academic figures. See: Associazione Amici dell’Accademia dei Lincei, ‘Amici’ <https://www.associazioneamicilincei.it/amici> [accessed 19 March 2021].

⁹³ Fondazione Ansaldo, ‘La Fondazione’, 2019, <https://fondazioneansaldo.it/index.php/home/presentazione> [accessed 18 March 2021].

⁹⁴ The Fondazione Leonardo - Civiltà delle Macchine was established in November 2018. Its President is Luciano Violante, who was President of the Chamber of Deputies from 1996 to 2001. See: Fondazione Leonardo - Civiltà delle Macchine, ‘La Fondazione’, <https://www.fondazioneleonardo-cdm.com/it/fondazione/> [accessed 19 March 2021]; Michele Arnese, ‘Leonardo-Finmeccanica, chi elogia e chi borbotta per la nomina di Violante alla Fondazione’, (Start Magazine, 12 October 2018) <https://www.startmag.it/economia/leonardo-finmeccanica-chi-elogia-e-chi-borbotta-per-la-nomina-di-violante-alla-fondazione/> [accessed 19 March 2021].

⁹⁵ Leonardo acquired a 3.26% share in Treccani, worth 2.1 million euros. See: Treccani, ‘Soci’ <https://www.treccani.it/istituto/chi-siamo/profilo/soci.html> [accessed 19 March 2021]; Senato, Relazione della Corte dei Conti al Parlamento, Istituto della Enciclopedia Italiana Giovanni Treccani SpA – Esercizio 2017, December 2018, <http://www.senato.it/service/PDF/PDFServer/DF/345049.pdf> [accessed 19 March 2021].

⁹⁶ Italiadecide, ‘Members’ (cit. 88)

⁹⁷ Fondazione Leonardo - Civiltà delle Macchine, ‘La Fondazione’ (cit. 94)

⁹⁸ Openpolis, Cogito ergo Sum 2020 (cit. 84)

⁹⁹ Centro Studi Americani does not publish a list of its members. The honorary president of the Centre is Giuliano Amato, who was Italy’s Prime Minister in 1992-1993 and 2000-2001 and is currently a Judge of Italy’s Constitutional Court (since 2013). See: Centro Studi Americani, ‘Consiglio di Amministrazione’, <https://centrostudiamericani.org/consiglio-di-amministrazione/> [accessed 19 March 2021].

¹⁰⁰ Transparency International Defence & Security, ‘Leonardo S.p.A.’ (cit. 19)

Regulation until 2018 made it impossible to know who contributed financially to these organisations and the extent of these contributions – unless these entities chose to voluntarily disclose information on their annual budgets, members, and donors. The new Law on anti-corruption introduced in 2018 and dubbed the ‘corruption destroyer’ (known as the ‘spazzacorrotti’ bill)¹⁰¹ included measures to increase the transparency of political financing. It aims to mitigate the issues associated with the opacity of political foundations, but concerns remain about whether the new definition of political foundations is fit for purpose.¹⁰² Article 11(4) lists the entities that should be considered ‘politically affiliated’, significantly expanding the scope of application of the law.¹⁰³ Political foundations, associations or committees are those that have governing bodies determined in full or in part by political parties or movements; political personalities with a seat in those governing bodies;¹⁰⁴ or those that have made donations of 5,000 euro or more to political parties or movements.¹⁰⁵ However, this may still not cover the whole spectrum of entities that have meaningful financial flows to and from political figures. Entities with indirect links to politics are not within the scope and the law narrowly focuses on elected officials using a narrow definition of decision-making bodies within foundations.¹⁰⁶ Casaleggio Associati,¹⁰⁷ for instance, which has a significant role in the activities of the Five Star Movement, will not have to report their donations, and even Italianeuropei falls outside of the definition.¹⁰⁸ Similarly, the definition may exclude many entities like certain think tanks, which play an important role in linking politics with industry through events and gatherings.

¹⁰¹ Reuters, ‘Italy moves against corruption with ‘bribe destroyer’ bill’ (Reuters, 6 September 2018) <https://www.reuters.com/article/us-italy-politics-corruption/italy-moves-against-corruption-with-bribe-destroyer-bill-idUSKCN1LM2W2> [accessed 19 March 2021].

¹⁰² Openpolis, Cogito ergo Sum 2020 (cit. 84)

¹⁰³ For the previous definition, see: Gazzetta Ufficiale, ‘Decree-Law 28 December 2013, n. 149’, Art 5(4), <http://www.gazzettaufficiale.it/eli/id/2013/12/28/13G00194/sg%20> [accessed 19 March 2021].

¹⁰⁴ Ibid.

¹⁰⁵ Camera dei Deputati, XVIII Legislatura Disegno di Legge N. 1189-B, 2018, Art 1(20) <http://documenti.camera.it/leg18/pdl/pdf/leg.18.pdl.camera.1189-B.18PDL0040420.pdf> [accessed 19 March 2021].

¹⁰⁶ Openpolis, Cogito ergo Sum 2020 (cit. 84)

¹⁰⁷ Casaleggio Associati’s website states that “[s]ince 2005 Casaleggio Associati manages the blog of Beppe Grillo, participating in the dynamics of aggregation and development t[h]rough the Internet, which led to the founding and success of the 5 Star Movement”. See: Casaleggio Associati, ‘Chi Siamo’, <https://www.casaleggio.it/chi-siamo/> [accessed 19 March 2021].

¹⁰⁸ Openpolis, Cogito ergo Sum 2020 (cit. 84) p.51

THINK TANKS

The links between think tanks and the political elite demonstrate how influential these networks can be in policy formation. This is particularly true in a highly technical subject like defence. This influence is not necessarily unwarranted, but it presents the risk that advice given by think tanks is influenced by funding from defence companies. Among the main Italian think tanks working on defence policies are: the Istituto Affari Internazionali (IAI), which runs a research programme on defence and regularly publishes papers and reports on issues ranging from Italy's defence budget to its defence acquisition programmes;¹⁰⁹ the Istituto per gli Studi di Politica Internazionale (ISPI), which focuses on foreign policy and deals indirectly with defence policies;¹¹⁰ and the Centro Studi Internazionali (CESI), which has a defence research programme.¹¹¹

There are three distinct pathways of potential influence by third parties, including industry, through think tanks:

First, the relevance and visibility of their publications for policymakers is evidenced by the fact that the three think tanks mentioned above have a regular collaboration with Italy's Parliament and Ministry of Foreign Affairs within the framework of the Observatory on International Politics, which publishes reports and papers on Italy's foreign and defence policies.¹¹² In particular, IAI provides input to the Observatory's recent studies concerning, among other things, government-to-government arms exports,¹¹³ the EU Common Security and Defence Policy,¹¹⁴ autonomous weapons and nuclear disarmament.¹¹⁵ The Military Centre for Strategic Studies (Centro Militare di Studi Strategici,

CeMiSS) within Italy's Ministry of Defence also publishes in-depth studies about Italy's defence policies and arms acquisition programmes,¹¹⁶ in part commissioning them from external experts working for universities or think tanks such as IAI.

Breakdown of contributions from defence companies to think tanks

Istituto Affari Internazionali (IAI) accepts and declares financial contributions from defence companies for specific research projects, for example:

A May 2020 study on battle tanks and the modernisation and replacement of Italy's Ariete tanks was undertaken with financial support from Leonardo.¹¹⁷ Leonardo produces Italy's tanks in a joint venture with Iveco Defence Vehicles (Iveco – Oto Melara).

A March 2019 study on European programmes for a sixth generation fighter jet received funding from Leonardo.¹¹⁸ The study argued in favour of Italy joining the UK's Tempest project,¹¹⁹ a joint development involving BAE Systems, Rolls Royce, MBDA UK and Leonardo UK since July 2018.

A March 2014 study on Italy's combat aircraft and Italy's participation in Lockheed Martin's F-35 programme – which stressed the major role played by Italy's defence companies in the programme – received a financial contribution from Lockheed Martin.¹²⁰ A previous 2008 study on the F-35

¹⁰⁹ Istituto Affari Internazionali (IAI), 'Difesa', <https://www.iai.it/it/area/difesa/ricerca> [accessed 24 October 2019].

¹¹⁰ Istituto per gli Studi di Politica Internazionale (ISPI), 'Cybersecurity', <https://www.ispionline.it/it/ricerca/cybersecurity> [accessed 19 March 2021].

¹¹¹ Centro Studi Internazionali (CESI), 'Difesa e Sicurezza', <https://www.cesi-italia.org/articoli/programmi/difesa-e-sicurezza> [accessed 24 October 2019].

¹¹² IAI produces the "Focus on Euro-Atlantic relations" every three months for the Observatory, which also addresses defence issues. See: Parlamento Italiano, 'Osservatorio di Politica Internazionale', <http://www.parlamento.it/843> [accessed 19 March 2021].

¹¹³ IAI, I regimi di esportazione G2G di sistemi d'arma: uno studio comparativo (Osservatorio di Politica Internazionale), May 2017, <http://www.parlamento.it/application/xmanager/projects/parlamento/file/repository/affariinternazionali/osservatorio/approfondimenti/PI0131App.pdf> [accessed 19 March 2021]. A more recent study on the same topic was produced by Fondazione ICSA for the Observatory. See: Fondazione ICSA, Esportazione dei sistemi d'arma: G2G, modelli comparati, opzioni per l'Italia (Osservatorio di Politica Internazionale), July 2019, <https://www.parlamento.it/documenti/repository/affariinternazionali/osservatorio/approfondimenti/PI0150.pdf> [accessed 19 March 2021].

¹¹⁴ IAI, Recenti sviluppi verso la difesa europea: opportunità e sfide per l'Italia (Osservatorio di Politica Internazionale), January 2019, <https://www.parlamento.it/application/xmanager/projects/parlamento/file/repository/affariinternazionali/osservatorio/approfondimenti/PI0148.pdf> [accessed 19 March 2021]; IAI, Il dibattito sulla difesa europea: sviluppi UE e prospettive nazionali (Osservatorio di Politica Internazionale), February 2017, <https://www.parlamento.it/application/xmanager/projects/parlamento/file/repository/affariinternazionali/osservatorio/approfondimenti/PI0126App.pdf> [accessed 19 March 2021].

¹¹⁵ IAI, Uso e sviluppo delle armi autonome. Prospettive per un controllo a livello internazionale, (Osservatorio di Politica Internazionale), March 2018 <https://www.parlamento.it/application/xmanager/projects/parlamento/file/repository/affariinternazionali/osservatorio/osservatorio/PI0081Not.pdf> [accessed 19 March 2021]; IAI, Lo stato del disarmo nucleare (Osservatorio di Politica Internazionale), November 2017, <https://www.parlamento.it/application/xmanager/projects/parlamento/file/repository/affariinternazionali/osservatorio/osservatorio/PI0077Not.pdf> [accessed 19 March 2021].

¹¹⁶ Ministero Della Difesa, 'Centro Militare di Studi Strategici', https://www.difesa.it/SMD_/CASD/IM/CeMiSS/Pagine/default.aspx [accessed 19 March 2021].

¹¹⁷ IAI, Main Battle Tanks, Europe and the Implications for Italy (IAI: Rome), May 2020, p.2, <https://www.iai.it/en/publicazioni/main-battle-tanks-europe-and-implications-italy> [accessed 19 March 2021].

¹¹⁸ IAI, Europe and the Future Combat Air System (IAI: Rome), March 2019, p.3, <https://www.iai.it/en/publicazioni/europe-and-future-combat-air-system> [accessed 19 March 2021].

¹¹⁹ Italy's Ministry of Defence (MoD) officially announced its participation in the UK's Tempest project in September 2019, citing Italy's desire to rely on its defence industry for the realisation of the programme, including through Leonardo, MBDA, Avio Aero and Elettronica. (See: Ministry of Defense "L'Italia partner di UK nel programma Tempest", 10/09/2019, https://www.difesa.it/Primo_Piano/Pagine/italia_partner_di_UK_nel_programma_Tempest.aspx [accessed 19 March 2021]). The agreement between Italy and the UK was followed the next day by a complementary agreement between the four UK companies already comprising Team Tempest (BAE Systems, Rolls Royce, MBDA UK and Leonardo UK) and the four Italian companies mentioned by the MoD (Leonardo Italy, MBDA Italy, Avio Aero and Elettronica). See: Leonardo Company, 'UK and Italian industry to partner on Tempest', 11 September 2019, <https://www.leonardocompany.com/en/press-release-detail/-/detail/uk-and-italian-industry-to-partner-on-tempest> [accessed 24 October 2019]; Leonardo Company, 'Team Tempest: Developing a Future Combat Air System', <https://uk.leonardocompany.com/en/innovation/tempest> [accessed 24 October 2019].

¹²⁰ IAI, Il ruolo dei velivoli da combattimento italiani nelle missioni internazionali: trend e necessità (IAI: Roma), March 2014, p.7, <https://www.iai.it/it/publicazioni/il-ruolo-dei-velivoli-da-combattimento-italiani-nelle-missioni-internazionali> [accessed 19 March 2021].

received support from Alenia Aeronautica (now Leonardo), the main Italian company taking part in the F-35's production.¹²¹

A July 2018 study on European and Italian access to space received support from Avio SpA, which produces the launcher Vega and participates in the development of the launcher Ariane 6 by Ariane Group.¹²²

A 2014 study on the role of dual-use helicopters in the security and defence field and a 2016 study about the use of drones for European security received contributions from Leonardo,¹²³ itself a major producer of helicopters and drones.

There is no suggestion that these reports led to improper findings as a result of their connections with the defence companies mentioned.

In addition to publishing influential studies on the defence sector, IAI's experts include a number of people with strong links with the Italian and EU institutions.

Michele Nones, who was Director of IAI's Security and Defence Programme until 2015 and is currently an IAI Scientific Advisor, has been a consultant for the Italian government and MoD in various capacities (for example, he was the Advisor for European Affairs to Italian Defence Minister Roberta Pinotti).¹²⁴

IAI Director Nathalie Tocci, who has held the post since 2017, was Special Adviser to the High Representative for Foreign Policy and Vice-President of the European Commission Federica Mogherini.¹²⁵ Tocci is now Special Advisor to Mogherini's successor, Josep Borrell.

On its Steering Committee, IAI gathers representatives from both government and the defence industry.¹²⁶ This has included high-profile public representatives such as former Defence Minister Roberta Pinotti, former EU High Representative Federica Mogherini, and former Defence Chief of Staff Vincenzo Camporini, among others. They sit

alongside people active in the defence industry – some of whom held public offices themselves – like AIAD President Guido Crosetto, former Leonardo board member Marta Dassù and Fincantieri's Vice President for European and NATO Relations Andrea Manciuilli, as well as Giampiero Massolo, Chairman of Fincantieri and Giovanni De Gennaro, former President of Leonardo.

Second, there is a clear channel for influence through funding from defence companies to think tanks. Defence companies are generally not transparent about their financial contributions to think tanks, despite the fact that Law no. 124 of 2017¹²⁷ establishes that think tanks must publish the contributions they receive from public administrations or any companies controlled by the State. As in the case of political parties, in recent years public funding for think tanks has shrunk and private funding by large corporations has become increasingly important. In the case of IAI, funding from Leonardo has sustained its Security and Defence Programme in the absence of adequate public funding.¹²⁸ This is a problem for policy formation, as politicians and public administrations often rely on the research outputs of think tanks as a critical source of information in highly specialised and complex domains such as defence and foreign policy. Indeed, as set out previously, both the Italian Parliament and Ministries of Foreign Affairs and Defence regularly commission expert studies from such think tanks, as they lack the in-house expertise and capacity.¹²⁹

Transparency of financial contributions to think tanks: Leonardo

Leonardo's 2017 Sustainability Report states that "Leonardo actively participates in the discussions about economic, political and geopolitical issues by promoting activities of the main think tanks, such as the Italian Institute for International Political Studies (Istituto per gli Studi di Politica Internazionale – ISPI), the International Affairs Institute (IAI), the Chatham House and the Center for Strategic and International Studies (CSIS)."¹³⁰ The report

¹²¹ IAI, *Il Programma F-35 Joint Strike Fighter e l'Europa* (IAI: Roma), October 2008, p.2, <https://www.iai.it/it/publicazioni/il-programma-f-35-joint-strike-fighter-e-leuropa> [accessed 19 March 2021].

¹²² IAI, *L'accesso allo spazio, settore strategico per l'Italia e l'Europa* (IAI: Roma), July 2016, p.2, <https://www.iai.it/en/publicazioni/l'accesso-allo-spazio-settore-strategico-italia-e-leuropa> [accessed 19 March 2021].

¹²³ IAI, *The Role of Dual-Use Helicopters in the Security and Defence Field* (IAI: Roma), July 2015, <https://www.iai.it/it/publicazioni/role-dual-use-helicopters-security-and-defence-field> [accessed 19 March 2021]; IAI, *I velivoli a pilotaggio remoto e la sicurezza europea. Sfide tecnologiche e operative* (IAI: Roma), July 2016, <https://www.iai.it/it/publicazioni/i-velivoli-pilotaggio-remoto-e-la-sicurezza-europea> [accessed 19 March 2021].

¹²⁴ Jean-Pierre Darnis and Alessandro Marrone, 'The Istituto Affari Internazionali as non-state actor for Italy's foreign policy?', *Centre de la Méditerranée*, 94 (June 2017) paragraph 40, p.13, <https://doi.org/10.4000/cdlm.8750> [accessed 19 March 2021]; Ministero della Difesa, 'Curriculum Vitae Michele Nones' https://www.difesa.it/Amministrazionetrasparente/persociv/Documents/incarichi/cv_nones2015.pdf [accessed 19 March 2021].

¹²⁵ Darnis and Marrone, 'The Istituto Affari Internazionali as non-state actor for Italy's foreign policy?' (cit. 124); IAI, 'Nathalie Tocci' <https://www.iai.it/en/persona/nathalie-tocci> [accessed 19 March 2021].

¹²⁶ IAI, 'Direttivo', <https://www.iai.it/it/direttivo> [accessed 17 December 2020]. See in particular the 'Steering Committee' (Comitato Direttivo) section.

¹²⁷ Law No. 124/2017, Article 1, paragraph 125 (29 August 2017).

¹²⁸ Darnis and Marrone, 'The Istituto Affari Internazionali as non-state actor for Italy's foreign policy?' (cit. 124), paragraph 35, p.12.

¹²⁹ *Ibid.*, paragraph 47, p.14

¹³⁰ Leonardo Company, 2017 Sustainability and Innovation Report (Leonardo: Roma), March 2018, p.29, https://www.leonardocompany.com/documents/20142/116052/body_LEONARDO_BdS2017_Eng_Singole.pdf?t=1540545434748 [accessed 16 December 2020].

mentions donations to such think tanks, but does not provide a specific financial breakdown of donations made to each organisation.

The company's 2018 and 2019 Sustainability and Innovation Reports make no reference to think tanks, instead using the more general terms of contributions to "academics and research centres".¹³¹ The 2019 report states "Leonardo is part of a system that includes companies, political and economic institutions, the scientific world and local communities" and indicates that the purpose of this engagement is to "contribute to strengthening its bond with the industrial, economic and social context and to improving its business management practices".

Leonardo's website states that "in 2019, membership fees to trade associations, industrial and business organizations, technical associations and think tanks amounted to around 5 million euro (approx. 5 million euro in 2018, 4.8 million euro in 2017 and approx. 5 million euro in 2016). Specifically, the three most substantial fees paid in 2019 relate to Confindustria (local and regional associations) for 2.4 million euro, AIAD (Italian Industry Federation for Aerospace, Defence and Security) for 1.2 million euro and Fondazione Ansaldo for 0.1 million euro".¹³² While Leonardo does publish a list of its memberships in industry associations, does not systematically disclose relationships with think tanks and foundations outside the scope of this definition and provides limited information on financing.¹³³ Membership fees and other potential contributions to individual foundations or think tanks are not detailed beyond the three primary recipients mentioned above.

Third, in addition to publishing research outputs in favour of certain decisions, think tanks can facilitate influence by hosting events where the defence industry and politicians can meet and exchange ideas. Events at think tanks can provide opportunities for defence companies to sustain their informal networks with the authorities and to lobby decision makers informally. The lack of equal opportunity to access decision-makers can create the perception of undue influence. It is difficult to determine what constitutes equal access to decision-makers, whether between defence companies and other interest groups or that of semi state owned companies like Leonardo versus private ones like Iveco. Nonetheless, the lack of transparency on the potential impact of such encounters and who is involved can contribute to the perception of unfair access to representation.

Combining lobbying and engagement: Think tank events

Since 2015, ISPI has held a major annual event focused on Italy's foreign policy in the Mediterranean – Rome MED – with Leonardo as the event's official partner and Fincantieri as a major sponsor.¹³⁴ The fourth time this event was held on 22-24 November 2018, it was attended by Italy's President, Prime Minister, Defence and Foreign Ministers, as well as foreign leaders. Three Leonardo representatives also spoke at the conference: Leonardo's then President Gianni De Gennaro, its CEO Alessandro Profumo and its Director of Security & Information Systems, Strategy & Technologies, Giorgio Mosca.¹³⁵

Defence industry associations also organise in-person events for the Italian defence sector. Industry group AIAD, for example, organised an event focused on Italy's defence industrial policies in July 2019, which was attended by the Defence Minister, Elisabetta Trenta and the Chief of Defence Enzo Vecciarelli, as well as Leonardo's and Fincantieri's Chief Executives, Alessandro Profumo and Giuseppe Bono.¹³⁶ A similar event was organised by AIAD and held in November 2019 with the new Defence Minister Lorenzo Guerini.¹³⁷

¹³¹ Leonardo Company, Sustainability and Innovation Report 2019 (Leonardo: Roma), March 2020, p.31, <https://www.leonardocompany.com/documents/20142/11180875/2019+sustainability+report+Leonardo.pdf?t=1588264339937> [accessed 16 December 2020]; Leonardo Company, 2018 Sustainability and Innovation Report (Leonardo: Roma), March 2019, p.24, https://www.leonardocompany.com/documents/20142/116025/Leonardo_2018+Sustainability+Report_Non-financial+Statement-final.pdf?t=1556644909652 [accessed 16 December 2020].

¹³² Leonardo Company, 'Stakeholder Engagement', <https://www.leonardocompany.com/en/about-us/sustainability/approach-and-reporting/our-stakeholders> [accessed 16 December 2020].

¹³³ Leonardo Company, Sustainability and Innovation Report 2019 (cit. 131) p.139.

¹³⁴ ISPI, 'Rome MED Supporters 2018' <https://med.ispionline.it/supporters> [accessed 24 October 2019].

¹³⁵ ISPI, 'Rome MED Programme 2018', November 2018, https://med.ispionline.it/wp-content/uploads/2018/11/MED2018_PROGRAMME_ONLINE_AsofNovember23_DEF.pdf [accessed 19 March 2021].

¹³⁶ Ministero della Difesa, 'AIAD: al CASD il Convegno su Aerospazio, Difesa e Sicurezza', 15 July 2019, https://www.difesa.it/Primo_Piano/Pagine/aiad-casd-convegno-aerospazio-difesa-sicurezza-.aspx [accessed 19 March 2021].

¹³⁷ AIAD, "Convegno – Tra le sfide dell'Europa e le esigenze della NATO: quali prospettive per la difesa italiana e la sua industria", 1 October 2019, <https://aiad.it/convegno-tra-le-sfide-delleuropa-e-le-esigenze-della-nato-quali-prospettive-per-la-difesa-italiana-e-la-sua-industria/> [accessed 24 October 2020].

REVOLVING DOOR AND SIDE JOBS

The movement of individuals between the public and private sectors – while potentially in the interests of both parties given the significant overlap in the skills required to work in either sector – can present a significant risk of conflict of interest if not conducted transparently and regulated properly. The prospect of lucrative private sector employment has the potential to influence policymakers' decisions while in office in favour of future employers. Once employed by a private company, former officials may use their contacts and privileged information from their previous position to either give their new employer a competitive advantage or to gain access to and influence their former employer.

This phenomenon – often referred to as the 'revolving door' – is pervasive in the defence sector globally. Studies in both the US and the UK have documented a myriad of cases of retiring generals taking up employment with arms manufacturers and MoD officials accepting jobs with defence companies.¹³⁸ It is indisputable that in taking up these roles former government employees benefit from their former professional networks, insider knowledge and the non-transparent processes at work in ministries and even the armed forces.

Law No. 215/2004 provides that government officials cannot work in the public or private sectors in functions that are directly related to their government role for 12 months after they leave office.¹³⁹ Legislative Decree n. 165/2001 has a broader scope of application, as it forbids all top-level managers in the public administration from taking up private employment in the same industry/sector where they worked for three years.¹⁴⁰

The Competition Authority ("Autorità garante della concorrenza e del mercato") is responsible for monitoring conflicts of interest and to enforce sanctions for non-compliant behaviours of government officials.¹⁴¹ For public officials, the appointed anti-corruption officer ("responsabile per la corruzione, RPC) within each public administration at the provincial, regional or national level monitors conflicts of interest internally. Potential violations

are reported to the Anti-corruption Authority ("Autorità nazionale anticorruzione, ANAC) and the Competition Authority, who proceed with eventual enforcement.¹⁴²

Even when revolving door appointments are legal and non-disclosure agreements are in place to prevent the onward use of confidential information in any future private sector role, the time between public and private employment is short relative to the many years over which large defence procurement contracts are developed and still brings the new employer a possible competitive advantage.

From military and public security sector to industry¹⁴³

- Luciano Carta, President of Leonardo, arrived at the company in 2020 fresh from his post as Director of the External Information and Security Agency (AISE), Italy's foreign intelligence service.¹⁴⁴
- Sandro Ferracuti, former Chief-of-Staff of the Italian Air Force, was appointed President of Selex Integrated Systems in 2005, a subsidiary of Finmeccanica (now Leonardo), which designs and develops radar and sensor systems.¹⁴⁵ Ferracuti held this role for several years before being recalled to political roles in the MoD in 2007 thus completing a full round-trip between public and corporate roles.
- In 2009, General Nazzareno Cardinali was appointed president of Selex Communications and subsequently President of Selex Elsag in 2012.¹⁴⁶
- In 2006 Giulio Fraticelli, former Army Chief-of-Staff, became President of Oto Melara a company that produces cannons, tanks and missiles. Previous incumbents of the Chief of Staff position followed similar paths; former Chief of Staff Mario Arpino became the President of Victrociset, now a subsidiary Leonardo, from 2003 to 2012 and his predecessor Guido Venturoni left the position to join Finmeccanica, now Leonardo.¹⁴⁷

¹³⁸ Transparency International Defence & Security, *A mutual extortion racket: the military industrial complex and us foreign policy*, (TI-UK: London), December 2019, <https://ti-defence.org/publications/a-mutual-extortion-racket-the-military-industrial-complex-and-us-foreign-policy-the-cases-of-saudi-arabia-uae/> [accessed 19 March 2021]; and Transparency International Defence & Security, *Out of the Shadows, Promoting Openness and Accountability in the Global Defence Industry*, (TI-UK: London), September 2018,

http://ti-defence.org/wp-content/uploads/2018/09/Out_of_the_Shadows_WEB3.pdf [accessed 19 March 2021].

¹³⁹ Parlamento Italiano, 'Law n. 215 20 July 2004 "Norme in materia di risoluzione dei conflitti di interessi"', Art. 2, <http://www.camera.it/parlam/leggi/042151.htm> [accessed 19 March 2021].

¹⁴⁰ Ministero dello Sviluppo Economico, Legislative Decree n. 165/2001, Art. 53, 16-ter, http://www.sviluppoeconomico.gov.it/images/stories/trasparenza/corruzione/nota_applicativa_Pantouflage.pdf [accessed 19 March 2021].

¹⁴¹ Parlamento Italiano, 'Law n. 215 20 July 2004' (cit. 139) Art. 6-7.

¹⁴² Gazzetta Ufficiale, 'LEGISLATIVE DECREE 8 April 2013, n. 39', Art. 15-16, <http://www.gazzettaufficiale.it/eli/id/2013/04/19/13G00081/sg> [accessed 19 March 2021].

¹⁴³ The examples listed are designed to illustrate such movements in practice; there is no implication that any of these individuals have acted improperly in their roles in the private sector.

¹⁴⁴ Leonardo Company, 'Luciano Carta', <https://www.leonardocompany.com/en/about-us/management/chairman> [accessed 16 February 2021].

¹⁴⁵ Camera di Deputati, 'Disegni di Legge e Relazioni, XXII-BIS n.23 vol. 1', p.43, https://www.camera.it/_dati/leg17/lavori/documentiparlamentari/indiceestesti/022bis/023bis_v1/00000003.pdf [accessed 16 February 2021].

¹⁴⁶ 'Selex Elsag Completes First Phase of Reorganization, Appoints Board' (RadioResource Media Group, 30 May 2012) <https://www.rrmediagroup.com/News/NewsDetails/newsID/8322> [accessed 16 February 2021].

¹⁴⁷ Aziende della Difesa, il "no" della Camera ai generali in pensione? Sottosegretario alla Difesa Giocchino Alfano "difende" ... il "personale Generale" (26 September 2014) <https://www.militariassodipro.org/aziende-della-difesa-il-no-della-camera-ai/> [accessed 16 February 2021].

In addition to these changes from technical (military) functions to industry, there are also role changes between political decision-makers and top managers of companies.

From politics to industry, and back again

- In May 2020, Carmine America joined Leonardo's board of directors as an independent, non-executive member.¹⁴⁸ Prior to his appointment, America held defence and security-related positions in the Ministry of Foreign Affairs and Ministry of Economic Development.
- Giampiero Massolo, current Chairman of Fincantieri, joined the company in May 2016 one month after leaving his post as the Director General of the Security Intelligence Department (DIS), a department of the Italian Presidency of the Council of Ministers.¹⁴⁹ Prior to this, Massolo served as the Secretary General of the Ministry of Foreign Affairs and held several diplomatic roles. Massolo also holds several senior and advisory positions in major think tanks and associations including ISPI, IAI, the Aspen Institute and the Società Italiana per l'Organizzazione Internazionale (Italian Society for International Organisations or SIOI).
- In 2012, Gianni De Gennaro was appointed as Undersecretary of State to the Prime Minister's Office, responsible for the information and security services, a role that he held until April 2013.¹⁵⁰ Only three months after leaving this government post, he became the President of Finmeccanica, confirmed again for a second term in 2017.¹⁵¹
- Adm. Giampaolo Di Paola, was set to join Finmeccanica after having been military Chief-of-Staff, followed by a role in politics. Adm. Di Paola was the Minister of Defence between November 2011 and April 2013, appointed by Prime Minister Mario Monti after a career spent in the field and at the Secretary General/Directorate of National Armaments until 2008.¹⁵² Between these appointments, Adm. Di Paola was the chairman of the military committee of NATO.¹⁵³ After his post as the Italian Minister of Defence ended in April 2013,

there were reports in the media that Adm. Di Paola was set to become a consultant at Finmeccanica around January 2014.¹⁵⁴ However, according to media reports, the Italian Antitrust Authority blocked this appointment as it would have been in breach of the conflict of interest laws, specifying a 12-month cooling off period. In response, Finmeccanica issued a statement that "Admiral Di Paola enjoys all our esteem but is not a consultant to Finmeccanica."¹⁵⁵ In 2017, having given support to Italian participation in the Joint Strike Fighter programme as the Minister of Defence, Giampaolo Di Paola became president of the company Aerea S.p.A,¹⁵⁶ a company directly involved in the same project.¹⁵⁷

Despite the mandatory 'cooling off' period, people have moved from government roles to top-level management positions in the defence industry, seemingly in violation of applicable regulations.

Multiple employments, multiple connections: Marta Dassù

Marta Dassù was the Italian Deputy Minister of Foreign Affairs from 2011 until February 2014. In May 2014, she was appointed to a seat on the board of directors at Leonardo, a company whose sector is connected with the office she previously held,¹⁵⁸ before the 12-month restriction mandated by Art 1 of Law no. 215/2004. This appointment was challenged by a number of MPs of the left-oriented party "Sinistra, Ecologia e Libertà", who issued a formal parliamentary question to examine this choice.¹⁵⁹ However, the government did not respond. According to some reports, Dassù tweeted in response: "Antitrust has already approved, in a favourable sense, my appointment in Finmeccanica."¹⁶⁰ She remained on the board until 2020.

¹⁴⁸ Leonardo Company, 'Carmine America', <https://www.leonardocompany.com/en/about-us/corporate-governance/board-of-directors/composition/america> [accessed 16 February 2021].

¹⁴⁹ Fincantieri, 'Giampiero Massolo', <https://www.fincantieri.com/en/governance/board-of-directors/giampiero-massolo/> [accessed 16 February 2021].

¹⁵⁰ Senato della Repubblica, 'Scheda di attività – Giovanni De Gennaro', <http://www.senato.it/leg/17/BGT/Schede/Attsen/00028842.htm> [accessed 16 February 2021].

¹⁵¹ Leonardo Company, 'Finmeccanica - Giovanni De Gennaro appointed Chairman', <https://www.leonardocompany.com/-/giovanni-de-gennaro-appointed-chairman> [accessed 16 February 2021]; Luca Romano, 'De Gennaro, da spalla di Falcone a Leonardo' (Il Giornale, 18 March 2017) <https://www.ilgiornale.it/news/economia/de-gennaro-spalla-falcone-leonardo-1376518.html> [accessed 16 February 2021]; Giorgio Meletti, 'Gianni De Gennaro, l'uomo dei servizi per i segreti di Finmeccanica' (Il Fatto Quotidiano, 4 July 2013) <https://www.ilfattoquotidiano.it/2013/07/04/de-gennaro-luomo-dei-servizi-per-segreti-di-finmeccanica/645872/> [accessed 16 February 2021].

¹⁵² Senato della Repubblica, 'Scheda di attività – Giampaolo Di Paola', <http://www.senato.it/leg/17/BGT/Schede/Attsen/00012607.htm> [accessed 16 February 2021]; NATO, 'Chairman of the Military Committee – Admiral Giampaolo Di Paola', 27 June 2008, <https://www.nato.int/cv/milcom/dipaola-e.htm> [accessed 16 February 2021].

¹⁵³ Gianandrea Gaiani, 'Di Paola, l'ammiraglio ministro che dovrà cambiare la difesa italiana', (Il Sole 24 ore, 17 November 2011) <https://www.ilssole24ore.com/art/notizie/2011-11-17/paola-ammiraglio-ministro-dovra-153146.shtml?uid=AaYPJNME> [accessed 16 February 2021].

¹⁵⁴ Toni De Marchi, 'Navi e poltrone: la resistibile ascesa dell'ammiraglio Di Paola' (Il Fatto Quotidiano, 7 January 2014) <https://www.ilfattoquotidiano.it/2014/01/07/navi-poltrone-la-resistibile-ascesa-dellammiraglio-di-paola/834081/> [accessed 16 February 2021].

¹⁵⁵ 'Finmeccanica, Di Paola Fermato dall'antitrust' (Ficiesse, 6 February 2014) http://www.ficiesse.it/home-page/8219/finmeccanica_-di-paola-fermato-dall_antitrust-_sole24ore [accessed 16 February 2021].

¹⁵⁶ European Leadership Network, 'Giampaolo Di Paola', <https://www.europeanleadershipnetwork.org/person/giampaolo-di-paola/> [accessed 16 February 2021].

¹⁵⁷ Gianni Dragoni, 'Di Paola presidente di Aerea, in volo con l'F-35' (7 July 2017) <http://www.giannidragonni.it/insider/di-paola-presidente-di-areea-in-volo-con-lf-35/> [accessed 16 February 2021]; Courtney Howard, 'Pratt & Whitney selects Italian partners to provide components for F-35 military jet engines' (Intelligent Aerospace, 8 April 2016), <https://www.intelligent-aerospace.com/military/article/16539041/pratt-whitney-selects-italian-partners-to-provide-components-for-f35-military-jet-engines> [accessed 16 February 2021].

¹⁵⁸ Leonardo Company, 'Board of Directors appoints Mauro Moretti Chief Executive Officer and General Manager', 15 May 2014, <https://www.leonardocompany.com/-/cda-bod-moretti> [accessed 16 February 2021].

¹⁵⁹ Camera dei Deputati, 'Interrogazione a risposta orale 3-00785', 26 April 2014, <http://aic.camera.it/aic/scheda.html?core=aic&numero=3/00785&ramo=C&leg=17> [accessed 16 February 2021]; Camera dei deputati, 'MOZIONE 1/00443 presentata da LACQUANITI LUIGI (SINISTRA ECOLOGIA LIBERTA') in data 28/04/2014', http://dati.camera.it/ocd/aic.rdf/aic1_00443_17 [accessed 16 February 2021].

¹⁶⁰ Paolo Bracalini, 'Per l'amica dei poteri forti non c'è conflitto d'interessi', (Il Giornale, 26 April 2014) <https://www.ilgiornale.it/news/interni/lamica-dei-poteri-forti-non-c-conflitto-dinteressi-1014175.html> [accessed 18 March 2021].

Dassù still chairs the Aspen European Institutes as part of the Aspen Initiative for Europe (AlfE), a group of research centres that are active on issues of global economic change, technological advancement, and international security, doing so, in their own words, by building networks and promoting informed dialogue.¹⁶¹ The Italian branch of AlfE lists many political persons on the executive committee, including for instance former PMs Giuliano Amato and Romano Prodi, and former ministers such as Franco Frattini and Giulio Tremonti.¹⁶² In addition to AlfE, Dassù sits on the board of directors of influential think tanks such as the Istituto Affari Internazionali (IAI) and The Council for the United States and Italy.¹⁶³

In addition to the 'revolving door' of subsequent engagements, simultaneous external engagements by politicians can also create potential or actual conflicts of interest.

Double engagements: politics and industry

The case of Guido Crosetto, a former MP who became Undersecretary for Defence in May 2008 provides an example of simultaneous engagements. In September 2014, Crosetto became the President of AIAD, the main A&D industry association in Italy – a project started and funded largely by Leonardo.¹⁶⁴ On taking this position, Crosetto decided not to run for a seat at the next round of elections. However, he reversed this decision in 2018, when he ran and won a seat in parliament.¹⁶⁵ His two roles as both MP in the permanent parliamentary committee on budget, treasury and planning (V committee) and President of AIAD generated criticism, at which point Crosetto handed in his resignation from his political post. His resignation was not, however, immediately accepted by parliament, and he continued holding both positions until his resignation was ultimately approved in March 2019.¹⁶⁶ "There is no legal incompatibility between the two posts," noted Crosetto. However, he added that "it would bother me when people would question what I was doing [ed. on whose behalf] in criticising

cuts to the defence budget, for example", which is what prompted him to propose his resignation.¹⁶⁷

According to the law, Crosetto had breached no rules. However, more detailed regulation on pre- and post-public employment of political figures, especially in the form of bespoke 'cooling off periods', could increase public confidence in the institutions and avoid possible conflicts of interest occurring.

The revolving door can be a pathway for undue influence because the standards that regulations place upon elected or appointed officials and military personnel are too low, also if compared to those applying to civil servants. Law no. 190/2012 provides a mechanism to regulate conflicts of interest for civil servants, as it includes a clear set of prohibited scenarios, provides for public disclosure of individuals' interests, and sets up credible penalties for misconduct. However, its provisions only apply to people working in the public administration – including employees of the MoD. Notably, politicians and military personnel are excluded. Military personnel instead abide by the Code of Military Conduct, which provides internal reporting lines for dealing with misconduct.¹⁶⁸

Law no. 215/2004 regulates conflicts of interest only for a limited number of elected officials, leaving many important public decision-makers under no legal obligation when it comes to changes in employment.¹⁶⁹ In particular, MPs' activities are currently not within the scope of the law. As such, the law fails to regulate at least one of the key fora for defence policy-making, namely the permanent parliamentary defence committees and parliament in general. This shortcoming is further exacerbated by the fact that lobbying is not regulated, which provides outside interest groups with more freedom to influence elected officials. Even for those categories under the obligations of Law no. 215/2004 (i.e. government officials), the 12-month length of the so-called 'cooling off' periods is relatively short in light of long procurement projects in defence.

A major weakness of Law no. 215/2004 is the definition of "conflicts of interest". According to this law, conflicts of interest are "situations when government officials contribute to, promote an act, or fail to perform their duties [...] in ways that benefit them,

¹⁶¹ Aspen Initiative for Europe, 'Aspen European Institutes', <http://aspensforeurope.org/about/aspens-european-institutes/> [accessed 18 March 2021]; Aspen Initiative for Europe, 'Marta Dassù, Chair', <http://aspensforeurope.org/our-people/marta-dassu/> [accessed 18 March 2021].

¹⁶² Aspen Institute Italia, 'Comitato Esecutivo', <http://www.aspeninstitute.it/istituto/comunita-aspens/comitato-esecutivo> [accessed 18 March 2021].

¹⁶³ IAI, 'Boards', <https://www.iai.it/en/iai/boards> [accessed 18 March 2021]; Marianna Rizzini, 'Marta Dassù' (Il Foglio Quotidiano, 17 April 2009) <https://www.ilmagazine.it/ritratti/2009/04/17/news/marta-dassu-965/> [accessed 18 March 2021].

¹⁶⁴ Michela Della Maggessa, 'Crosetto vola su Aiad con Finmeccanica' (Formiche, 15 September 2014) <https://formiche.net/2014/09/crosetto-vola-aiad-finmeccanica/> [accessed 18 March 2021].

¹⁶⁵ Massimiliano Cavallo, 'Cuneesi eletti e non eletti: Gribaudo, Dadone e Crosetto sicuri' (La Guida, 5 March 2018) <https://laguida.it/2018/03/05/cuneesi-eletti-e-non-eletti-gribaudo-dadone-e-crosetto-sicuri/> [accessed 18 March 2021]; Camera dei Deputati, 'CROSETTO Guido', http://www.camera.it/leg18/29?tipoAttivita=&tipoVisAtt=&shadow_deputato=300356&lettera=&idLegislatura=18&tipoPersona [accessed 18 March 2021].

¹⁶⁶ Flavia Giacobbe, 'Perché Crosetto sceglie l'industria e dice arrivederci al Parlamento (chapeau)' (Formiche, 23 May 2018) <https://formiche.net/2018/05/crosetto-dimissioni-difesa> [accessed 18 March 2021]; Camera dei Deputati, 'Approvate le norme sull'accesso aperto all'informazione scientifica', 13 March 2019, https://www.camera.it/leg18/1132?shadow_primapagina=8732 [accessed 18 March 2021].

¹⁶⁷ 'Guido Crosetto, la Camera respinge le dimissioni: 187 favorevoli e 285 contrari. "Sono lusingato, non me lo aspettavo"' (Il Fatto Quotidiano, 17 October 2018) <https://www.ilfattoquotidiano.it/2018/10/17/guido-crosetto-la-camera-respinge-le-dimissioni-187-favorevoli-e-285-contrari-sono-lusingato-non-me-lo-aspettavo/4700528/> [accessed 18 March 2021].

¹⁶⁸ Military personnel instead abide by the Code of Military Conduct, which provides internal reporting lines for dealing with misconduct. Toni De Marchi, 'Difesa, solo i civili sono corrotti: militari tutti onesti per definizione' (Il Fatto Quotidiano, 12 February 2015), <https://www.ilfattoquotidiano.it/2015/02/12/difesa-solo-i-civili-sono-corrotti-militari-tutti-onesti-per-definizione/1419551/> [accessed 18 March 2021]. The Code itself is available at: Ministero della Difesa, 'Codice dell'ordinamento militare', 15 March 2010, <https://www.difesa.it/Content/Pagine/CodiceOrdinamentoMilitare.aspx> [accessed 18 March 2021].

¹⁶⁹ Law no. 215/2004 regulates conflicts of interest for "government officials", a category that, according to the law, includes the prime minister; ministers; their deputies; undersecretaries of state; and special commissioners appointed by the government.

their business, or relatives and partners”.¹⁷⁰ This definition covers only actual instances of conflict of interest, but does not address potential conflicts of interest or the appearance of a conflict of interest, without there is no legal basis for any preventative measure. Previous legislature saw initiatives to change this

limitation, but none got to the final stage of approval.¹⁷¹ As noted by Raffaele Cantone, President of the Italian Anti-Corruption Authority (ANAC), a “lack of clarity in the law limits the potential scope of action to tackle conflicts of interest”.¹⁷²

CAMPAIGN AND POLITICAL FINANCING

In March 2018, Italy held the first national elections where political parties were not eligible to receive public financial support from the state as in 2014 the Italian Parliament banned direct state contributions to political parties,¹⁷³ as well as mechanisms to claim back expenses incurred during election campaigns.¹⁷⁴ The law introduced new mechanisms and provisions to regulate private sources of political financing. Additional modifications were made to this framework in 2018 when the Italian Parliament approved the new anti-corruption law ‘spazzacorrotti’,¹⁷⁵ which included measures to increase the transparency of political financing.

Under the current campaign financing law,¹⁷⁶ individuals and legal entities can make donations to political parties worth up to 100,000 euro per year. Any contribution between 500 euro and the maximum cap triggers an automatic publication of donor’s details and values of donations on the relevant party’s website. The Parliament publishes these details on its website, along with details of any funds above 3,000 euro received by elected officials, members of the cabinet, and undersecretaries of state. Details of tax returns and declarations of assets for these officials are also published on the Parliament’s website. Furthermore, law imposes the same transparency requirements upon political parties and political foundations. The Committee for Transparency and Control of Political Parties Accounts (“Commissione di garanzia degli statuti e per la trasparenza e il controllo dei rendiconti dei partiti politici”) is the body responsible for auditing the information provided by political parties to the Presidency of Chamber of Deputies. Certified external auditors are also required to verify the audits of political parties’ accounts.

While Italian regulations on political financing have seen substantial and positive changes in recent years, shortcomings remain.

First, by banning public sources of political funding, Italian law makes private contributions more important for the financial sustainability of political activities in Italy. This increased dependency on private donors heightens the risk of policy capture by private companies.¹⁷⁷ The maximum cap of 100,000 euro on private donations from legal entities is high, and as such is not very effective in limiting the potential influence of single donors. While in practice large single donations have made a minor proportion of funding received,¹⁷⁸ the prospect of attracting such contributions means that risk of influence remains.

Second, reporting requirements make no reference to any particular reporting format or template, which would greatly increase the benefit of having this information the public domain. Nor do reporting requirements set out how to deal with potential cases of the same donor making multiple contributions under the maximum limit. A notable gap in the law is that ‘non-commercial’ activities are not subject to the same transparency standards introduced for other donations.¹⁷⁹ Activities such as fundraising dinners or events organised by individual politicians or run by political parties are not covered. Consequently, recipients of political contributions are only required to report the total sum received, but not the full list of participants or donors. Moreover, the Law does not clearly address or outline reporting requirements for political foundations. Art. 5(4) of the current Law only defines these requirements by imposing the same requirements as those for political parties; the text does not

¹⁷⁰ Parlamento Italiano, ‘Law n. 215 20 July 2004’ (cit. 139) Art. 3.

¹⁷¹ For example, one bill was approved by one of the two chambers of the Italian Parliament on 25 February 2016, but the initiative failed as the bill did not get the second mandatory approval at the Senate. ‘Inleggibilità e blind trust. Conflitto di interessi: sì della Camera alla legge’ (Avvenire, 25 February 2016) <https://www.avvenire.it/attualita/pagine/conflitto-interessi-voto-favorevole-camera> [accessed 18 March 2021]; and Riparte il futuro, <https://www.riparteilfuturo.it/blog/articoli/conflitti-di-interessi-trasparenza-elezioni>.

¹⁷² Huffington Post, ‘Raffaele Cantone presenta la relazione annuale Anac: “Serve un intervento sul conflitto di interessi”’ (Huffpost, 6 July 2017), https://www.huffingtonpost.it/2017/07/06/raffaele-cantone-presenta-la-relazione-annuale-anac-serve-un-i_a_23018848/ [accessed 18 March 2021]; ANAC, Il sistema della prevenzione della corruzione in Italia, 21 November 2017, p.7, <https://www.anticorruzione.it/portal/rest/jcr/repository/collaboration/Digital%20Assets/anacdocs/Comunicazione/Interventi/int.Pres.Cantone.UniPerugia.21.11.2017.pdf> [accessed 18 March 2021].

¹⁷³ Gazzetta Ufficiale, ‘Coordinated Text of the Decree-Law 28 December 2013, n. 149’ <https://www.gazzettaufficiale.it/eli/id/2014/02/26/14A01531/sg> [accessed 18 March 2021].

¹⁷⁴ Camera dei deputati, ‘Disciplina e trasparenza dei partiti politici e delle fondazioni’, 22 April 2020, https://temi.camera.it/leg18/temi/t118_disciplina_dei_partiti_politici.html [accessed 18 March 2021].

¹⁷⁵ Reuters Staff, ‘Italy moves against corruption with ‘bribe destroyer’ bill’ (Reuters, 6 September 2018), <https://www.reuters.com/article/us-italy-politics-corruption/italy-moves-against-corruption-with-bribe-destroyer-bill-idUSKCN1LM2W2> [accessed 18 March 2021].

¹⁷⁶ Camera dei deputati, ‘Disciplina e trasparenza dei partiti politici e delle fondazioni’, 22 April 2020, <https://www.camera.it/temi/documentazione/temi/pdf/1104961.pdf> [accessed 18 March 2021].

¹⁷⁷ OECD, Financing Democracy (cit. 75)

¹⁷⁸ Transparency International Italia, ‘Soldi e Politica – Finanziamenti Politici’ <http://soldiepolitica.it/> [accessed 18 March 2021].

¹⁷⁹ Camera dei Deputati, XVIII Legislatura Disegno di Legge N. 1189-B, Art. 9(1), (no 105); Transparency International Italia, Soldi e Politica: Dossier sul finanziamento e i conflitti di interesse in politica (TI Italia: Milan), November 2020, https://www.transparency.it/images/pdf_pubblicazioni/report-soldi-e-politica.pdf [accessed 18 March 2021].

specify, for example, that political foundations need to publish the list of donors.¹⁸⁰

Third, the current legal framework establishes only weak oversight of the financing of political activities. In particular, it expands the mandate of the existing oversight authority but does not require the government to provide additional human or capital resources to meet the new requirements. According to the new Law, the mandate of the Committee for Transparency and Control of Political Parties Accounts now also covers oversight on political foundations, which is expected to lead to a substantial increase in the number of actors it regulates.¹⁸¹ This burden adds to the existing problems encountered by the Committee which recent reports claim include weak financial and legal independence as well as issues of understaffing.¹⁸²

An analysis of sources of funding received by political parties in 2018 and 2019, shows that direct funding from defence companies is rare.¹⁸³ The majority of funds received by political parties under the latest funding regime comes from Members of Parliament (ca.72 per cent) and individual donors (ca. 23 per cent).¹⁸⁴ This indicates that in Italy, currently, direct political financing is not the main way in which defence companies influence politics. However, it further highlights the importance of regulating any conflicts of interest of MPs, foundations, or other political persons who may act as individual donors. In addition to the potential risks of undue influence through personal interactions and exchange of ideas that such networks of individuals bring, this pattern of financing adds a potential financial dimension to the relationship.

¹⁸⁰ Openpolis, 'Le nuove regole sulle fondazioni politiche sono poco chiare', 14 January 2019, <https://www.openpolis.it/le-nuove-regole-sulle-fondazioni-politiche-sono-poco-chiare/> [accessed 18 March 2021].

¹⁸¹ Ibid.

¹⁸² Camera dei Deputati, Relazione: Commissione di garanzia degli statuti e per la trasparenza e il controllo dei rendiconti dei partiti e dei movimenti politici, 27 April 2018, http://www.camera.it/application/xmanager/projects/leg18/attachments/uploadfile_commissione_trasparenza/pdfs/000/000/012/CRP_Relazione_27042018.pdf.pdf [accessed 19 March 2021]; ANAC, 'Bonafede bill: risks and opportunities for the fight against corruption', October 2018, http://www.anticorruzione.it/portal/public/classic/Comunicazione/Interventi/_dettaglio?id=2f79b6c30a7780422bb61ece316e377c [accessed 19 March 2021].

¹⁸³ Transparency International Italia, 'Soldi e Politica' (cit. 178)

¹⁸⁴ European Data Journalism Network, 'Italy: doing politics with politicians' money' (27 December 2019) <https://www.europeandatajournalism.eu/eng/News/Data-news/Italy-doing-politics-with-politicians-money> [accessed 19 March 2021].

DEFENCE STRATEGY FORMATION AND PROCUREMENT: VULNERABILITIES TO INFLUENCE

Well-designed and executed policy and decision-making processes guard against the risks of undue influence. Yet shortcomings in their design or application can expose them to risks of undue influence.

Defence strategy

The latest document outlining Italy's national security strategy is the "White Paper for International Security and Defence", released in July 2015 by the Ministry of Defence.¹⁸⁵ Although the document was not converted into law, it provides a good overview of a wide range of issues relevant to defence policy in Italy, including: the country's security and national interests; the need to make a revision of governance structures for the armed forces; budgetary issues for major defence programmes; and the role of the domestic defence industry.

The 2015 White Paper aims to shape issues in a more comprehensive way than was available in the years prior, however it is not clear and concrete enough to define a logical way forward. The lack of an overarching geo-strategic vision makes it possible to justify any decision at any moment, even if a decision is in contradiction of previously declared principles and motivations.

On the budgetary side, the White Paper called for the establishment of more long-term processes for funding major arms acquisitions, envisaging a six-year programming law to be reviewed every three years, that would replace the current annual allocation.¹⁸⁶ If implemented it would have been a breakthrough for planning, since the proposed period of time would stretch beyond the term of a single parliament and therefore reduce opportunities for undue influence of individual politicians or politically opportune decision making.¹⁸⁷ The White Paper became a way to answer broader questions on the armed forces and the strategic direction, so that it would be easier to understand the context of a specific procurement programme.¹⁸⁸ However, no steps were taken to implement its recommendations and pass it into law.

In the context where a general strategic framework is lacking, there can be more opportunity to influence the more specific elements of the defence strategy. The content of the White Paper shows that industry is more successful at this than some other stakeholders and interest groups. During the drafting process, the MoD held consultations with academics and scholars in the sector, with experts and representatives of civil society, and with members of the defence industry.

While in principle this is an appropriate process to involve relevant stakeholders, in the final documents inputs from the industry are the most prominent. An entire chapter in the final draft is dedicated to industrial policies and scientific innovation,¹⁸⁹ relegating academic contributions only to a technical and technological aspect of service to the industry. There are very few references to civil society and those that exist only address reintegrating military personnel into society after their service has ended. From the sheer number of inputs accepted from industry sources and minimal inclusions from non-industry sources, it is evident that industry was the more successful stakeholder influencing the content of the White Paper.

The absence of an overarching geopolitical strategy has clear consequences apparent from the sometimes incompatible or diverging justifications for different procurement programmes.

The F-35 project was justified by the need for integration at NATO level, an argument that was later abandoned when the government declared interest in the Tempest aeronautical project in partnership with only the UK. The Tempest project excludes the possibility of cooperation at the European level. This stands in contrast to other procurement projects in which cooperation at the European level was claimed to be fundamental for the achievement of Italy's strategic goals, such as in the case of the Eurodrone.

¹⁸⁵ Ministero della Difesa, Libro Bianco [White Paper], (cit. 2)

¹⁸⁶ IAI, Recent Developments in Italy's Security and Defence Policy (IAI: Roma), November 2016, p.4, <http://www.iai.it/sites/default/files/iai1619.pdf> [accessed 19 March 2021].

¹⁸⁷ Answers submitted in writing by Centro Study Laran.

¹⁸⁸ Interview with a senior researcher on European defence, 2018.

¹⁸⁹ Ministero della Difesa, Libro Bianco [White Paper], (cit. 2), Chapter 9.

Defence budget

At present, financial allocations to defence are presented by the government on an annual basis via the General National Budget Law, and approved by parliament.¹⁹⁰ This law is normally approved in the final quarter of the year and outlines the defence expenditure in a document called the ‘Provisional State of Expenses’.¹⁹¹

Budgetary decisions in Italy suffer from limited transparency on many levels. The inclusion of the defence budget in the general budget makes it difficult for parliamentarians to have a clear and complete understanding of the whole defence budget. Many important decisions are scattered across tables and chapters in the 1,000-2,000 page budget law making them inaccessible and difficult to understand.

The split of the total defence budget across ministries – notably the MoD and MiSE – makes it difficult to determine the total sum allocated to ‘defence purposes’. This fragmentation complicates analysis of how much money is actually allocated to defence. By involving a large group of stakeholders, it also increases the number of actors across different ministries who may become potential targets of undue influence. The plethora of people and institutions who could be influenced also makes control mechanisms harder to establish, as different offices have different working methods and would require bespoke solutions.

Since 2013, the budget has been disseminated to MPs supported by the Multi-Year Plan for Defence (“Documento Programmatico Pluriennale per la Difesa”, or “DPP”).¹⁹² The DPP outlines the general operational needs of the armed forces, including details on specific arms programmes and their allocated financial resources over the next three years. It also covers funding provided by the MiSE. As such, it has become an important resource for parliament in informing their decision making on the approval of the defence budget.

Although parliament has formal oversight of the process, MPs have lamented that they do not have adequate capacity and information to evaluate the impact of their decisions. In particular, even though the DPP and other supporting documents have been published since 2013, the short timeline between publication of the DPP and the vote on the budget means the DPP is less useful than it could be in informing decisions. “The DPP is very dense in content, with many pages and much information to digest. The 2018 iteration was shared with MPs in late October,¹⁹³ and by the

end of December the budget had to be voted on. This, of course, limits the depth of MPs’ analysis”.¹⁹⁴ The clarity of information in the DPP has also been a source of contention. Members of the Permanent Defence committee have reported that the information in these documents, while dense, is too high-level, and the breakdown of presented is not sufficient to give clear visibility on future expenditure.¹⁹⁵

Another aforementioned problem is the lack of long-term financial planning for defence programmes. Since arms programmes normally run over very long procurement cycles, a short-term financial outlook generates uncertainty of funds and general instability. Moreover, the DPP groups planned financial allocations too much, and its content is subject to radical changes over time, which does not allow for meaningful long-term projections. Even with a three-year financial projection included in the DPP, the 2015 White Paper suggests that this timeframe is too short and aimed to set up a process that would project arms expenditures for six years.¹⁹⁶ The lack of a long-term plan and budget provides the opportunity for industry to put pressure on decision makers on a regular basis, while the fact that budget decisions are annual means decision makers are targets of lobbying year after year, instead of providing a multi-year planning cycle that would be less vulnerable to undue influence.

Ad-hoc budgetary decisions: The Naval Law

The Naval Law is a multiannual procurement programme approved by the Italian government (Government Act n. 116) in late 2014, with the purpose of renewing the assets of the Navy.¹⁹⁷ This request from the Navy (A/R n. SMD 01/2014) was presented by the MoD to parliament on 29 October, which evaluated the request via the permanent defence committee (n. IV) and the permanent budgetary control committee (n. V). Parliament approved the request, subject to conditions, which were eventually met in early 2015.

However, this funding has generated criticism for the short timeline and for other procedural issues. First, MPs were only given a few weeks to assess the merits of the bill. One MP recalls:

“we received thousands of pages in non-searchable pdf format. It was physically impossible to read all the

¹⁹⁰ Gazzetta Ufficiale, ‘Law 30 December 2020, n. 178 (Legge Di Bilancio 2021)’, https://www.gazzettaufficiale.it/atto/serie_generale/caricaDettaglioAtto/originario?atto.dataPubblicazioneGazzetta=2020-12-30&atto.codiceRedazionale=20G00202&elenco30giorni=false [accessed 18 March 2021].

¹⁹¹ Ministero Della Difesa, ‘Stato di previsione della spesa per l’anno finanziario 2021’, <https://www.difesa.it/Content/Pagine/statoprevisionespesa.aspx> [accessed 18 March 2021].

¹⁹² Camera dei Deputati, ‘Il documento programmatico pluriennale per la difesa’, https://temi.camera.it/leg17/temi/II_documento_programmatico_pluriennale_per_la_difesa [accessed 18 March 2021].

¹⁹³ Camera dei Deputati, Documento programmatico pluriennale per la Difesa per il

triennio 2018-2020, 29 October 2018, <http://documenti.camera.it/leg18/dossier/pdf/DI0086.pdf> [accessed 19 March 2021].

¹⁹⁴ Interview with a member of the Italian Chamber of Deputies, November 2018.

¹⁹⁵ Ibid.

¹⁹⁶ Ministero della Difesa, Libro Bianco [White Paper], (cit. 2) § 160.

¹⁹⁷ Camera dei deputati, Programma pluriennale di A/R n. SMD 01/2014, relativo al programma navale per la tutela della capacità marittima della Difesa, 11 November 2014, <http://documenti.camera.it/Leg17/Dossier/Pdf/DI0200.Pdf> [accessed 19 March 2021].

material and come to an informed decision in the requested timeline. This is why we approved the request with conditions, as we needed more time to evaluate the details [...] Besides, some vital information on the ships' technical specifications were missing."¹⁹⁸

Even MPs of the majority party expressed their "strong regret for the intense pressures placed on the [permanent defence] committee to shape their decision."¹⁹⁹ Moreover, this substantial economic allocation took place shortly before the publication of the 2015 White Paper. Given this context, it may have been more appropriate to include the Naval Law in the assessment leading to a broader strategic review that the authorities were soon to approve.²⁰⁰

Considerations about the importance of the programme and investment for the Italian industry, and Fincantieri in particular, played a role in the shaping and timing of the programme.²⁰¹ In particular, according to one expert "even as the government was in the process of formulating the 2015 White Paper for defence, Fincantieri and the Navy worked in parallel to guarantee long-term contracts to the Italian shipbuilding sector. This is because with a portfolio of contracts covering the next decade or so, industry would be in a better position in light of the planned privatisation, looking more appealing to prospective investors".²⁰²

As outlined in the 2014 Financial and Economic Document, an official resource published by the Italian Ministry of Finances, the government planned to privatise some major state-controlled companies, including Fincantieri, to reduce the public debt and increase the company's performance.²⁰³ "At the time, the company's profitability, its economic outlook, was not great: the two main naval yards, Riva Trigoso and Muggiano, were low on capacity, as the only ongoing project was the FREMM. A broader portfolio of contracts could make Fincantieri more appealing to investors, ahead of the privatisation."²⁰⁴

Although there are a number of factors that triggered the 'Naval Law', it is clear that the lack of long-term planning has created the conditions for this large and unbudgeted defence expenditure. This example demonstrates that when budgetary decisions are not clearly paired with a long-term strategic

outlook, it provides the opportunity for specific groups to influence and shape decisions that affect national security for years to come, for better or worse.

Defence procurement

Arms procurement processes are cooperation between the MoD and the Armed Forces. The MoD and Chief of Defence Staff initiate a new acquisition when they identify an operational need of the armed forces. The two offices then discuss the new procurement from both a political and operational standpoint. These initial guidelines are worked out in greater detail with the Secretary General/National Armaments Director's (SG/DNA) Office within the MoD. The SG/DNA is responsible for the technical and administrative aspects of military procurement and converts the initial directives into a specific arms programme.

The military plays a key role in shaping Italian defence policy choices, as it provides substantial inputs to the civilian political elite on strategy through the Chiefs-of-Staff and arms procurement through the role of Secretary General of Defence and National Armaments Director. The technical nature of defence policy makes it hard for parliamentarians to exercise meaningfully scrutinise the inputs given by the armed forces.²⁰⁵

Regulatory weaknesses in turn allow the defence industry to be in a position to influence the military, and thereby influence defence policy-making. The main weaknesses are the aforementioned 'revolving door', with retired military officers moving into private sector employment, which may shape the advice given by military officers in anticipation of future employment in the industry, as well as allowing industry to leverage their previous networks. This is further compounded by the limited transparency around policy decisions made on strategy, budget requests and equipment acquisitions, which inhibits the ability to judge whether choices have been made in the public interest and in line with an overarching national security strategy. As such, there is a potential for the armed forces to be used as a proxy for the commercial interests of industry.

A crucial shortcoming in the accountability of the procurement process is limited transparency and oversight of procurement following initial approval by parliament. When financed through ordinary budget appropriations, programmes relating to the renewal and modernisation of weapon systems can be approved by decree of the MoD. In this case, before issuing the ministerial

¹⁹⁸ Interview with a member of the Italian Chamber of Deputies, November 2018.

¹⁹⁹ Camera dei deputati, IV Commissione Permanente: Sommario, 15 January 2015, pp. 33-34, <http://documenti.camera.it/leg17/resoconti/commissioni/bollettini/pdf/2015/01/15/leg.17.boI0370.data20150115.com04.pdf> [accessed 19 March 2021].

²⁰⁰ Ministero della Difesa, 'Riunione del Consiglio Supremo di Difesa: approvato il Libro Bianco per la sicurezza internazionale e la difesa', 21 April 2015, https://www.difesa.it/Primo_Piano/Pagine/20150421Consiglio_supremo_difesa.aspx [accessed 19 March 2021].

²⁰¹ Interview with Vice Admiral Chief Inspector Matteo Bisceglia who was Head of Naval Armaments Directorate (NAVARM) of the Italian MoD at the time. See: 'Legge Navale: Italy's Fleet Renewal Programme', (European Security & Defence, 7 November 2019) <https://euro-sd.com/2019/11/articles/15184/legge-navale-italys-fleet-renewal-programme/> [accessed 19 March 2021].

²⁰² Interview with a senior consultant and defence expert, 2018.

²⁰³ Ministero dell'Economia e delle Finanze, Nota di Aggiornamento del Documento di Economia, 18 September 2015, p.73, http://www.dt.tesoro.it/modules/documenti_it/analisi_programmazione/documenti_programmatici/NOTA_AGGIORNAMENTO_DEF_2015_xissn_on-linex.pdf; <https://www.ft.com/content/b7bfe22a-d462-11e3-a122-00144feabdc0> [accessed 19 March 2021]; Nicola Borri, 'Privatizzazioni all'italiana' (Linkiesta, 9 June 2014) <https://www.linkiesta.it/it/article/2014/06/09/privatizzazioni-allitaliana/21649/> [accessed 19 March 2021].

²⁰⁴ Interview with a senior consultant and defence expert, 2018.

²⁰⁵ Interview with a member of the Italian Chamber of Deputies, November 2018.

decree, the opinion of the competent parliamentary committees must be obtained.²⁰⁶ The MoD, after a reform under Law 244/2012, reports annually on arms programmes to the relevant committees via parliamentary hearings. Nevertheless, after the initial approvals, the formal oversight powers of the committees are limited, and regulations allow reallocation of financial resources in the subsequent years, which can be decided on solely by the MoD without any new parliamentary debate. This means that parliament has no effective oversight on financial changes that the MoD may make during these multi-annual procurement programmes.²⁰⁷ As a result, the cost and outcome of a procurement programme can look very different to what was originally approved by parliament.

Two large armament programmes from recent years illustrate how such initiatives can evolve after parliamentary approval of a specific proposal.

F-35

In 2009 parliament approved funding for the acquisition of 131 F35 aircraft worth 12.9 billion euro, including establishing a facility for the Final Assembly and Checkout (FACO) in Cameri Municipality, where domestic industry would be responsible for the final assembly of the aircraft which were destined for European countries.²⁰⁸

Over the years, the number of aircraft needed changed from 131 to 90, but this modification was not accompanied by a reduction of the associated programme's budget.²⁰⁹ In practice, this cut translated into higher unitary costs for the F-35s. Furthermore, the major assembly facility set-up for the purpose of this project that was attractive to local industry and politicians in the decision making phase generated only modest industrial returns in terms of new contract opportunities, transfer of know-how and jobs creation.²¹⁰

The Naval Law

In December 2014, parliament approved a sum of 844 million euro for a new Landing Helicopter Dock (LHD) vessel. By July 2015, the contract with Fincantieri amounted to more than 1.1 billion euro.²¹¹ In response to requests for clarification by MPs, the government specified that the increase was a result of "the progressive definition of technical specifications and the subsequent technical-economic analysis to determine the [...] cost of the acquisitions needed to meet the operational requirement".²¹² There was little MPs could do to limit such budget rises.

During the 2013 to 2018 XVII Parliamentary Legislature, a number of parliamentarians called for the establishment of an 'Authority for the Surveillance of Weapons Systems Acquisition and Compensation', but the proposals did not go beyond preliminary discussions.²¹³ There is no independent body or agency tasked with auditing the management and progress of arms acquisition programmes over time. Consequently, the defence industry and armed forces perform this function independently.

Industry interests and politics are closely intertwined when it comes to the common argument of employment creation as a benefit of armament programmes, as illustrated by the F-35 programme and Piaggio's P2HH drone programme. Decision-makers have consistently supported procurements with economic arguments. However, key defence acquisitions generated fewer employment benefits than announced. The ambition of the F-35 programme was to create 6,400 employment opportunities; yet, an independent 2017 study has revealed the reality to be closer to 3,586 jobs, almost half of the original projection.²¹⁴ Similarly, financial support to Piaggio Aerospace was partially motivated by the desire to preserve the existing 1,300-strong workforce at the Piaggio Aerospace plants in Genoa and Villanova in Albenga.²¹⁵ In the words of Chief of Staff of the Air Force, the development of P2HH drone could

²⁰⁶ Camera dei Deputati, Il controllo parlamentare sui programmi di acquisizione di sistemi d'arma, 16 March 2021, https://www.camera.it/temiap/documentazione/temi/pdf/1104639.pdf?_1610102490279 [accessed 22 March 2021].

²⁰⁷ Interview with a member of the Italian Chamber of Deputies, November 2018.

²⁰⁸ Camera dei Deputati, Il programma Joint Strike Fighter- F35 (Dossier n° 177 - Schede di lettura), 9 June 2015, <http://documenti.camera.it/leg17/dossier/pdf/DI0289.pdf> [accessed 19 March 2021]; Aeronautica Militare, 'F-35', <http://www.aeronautica.difesa.it/mezzi/mlinea/Pagine/F-35.aspx> [accessed 19 March 2021].

²⁰⁹ Giovanni Zagni, 'Costi e numero degli aerei, le ambiguità del governo sugli F-35' (Linkiesta, 24 May 2015), <https://www.linkiesta.it/it/article/2015/05/24/costi-e-numero-degli-aerei-le-ambiguita-del-governo-sugli-f-35/26034/> [accessed 19 March 2021]; Tom Kington, 'Italy defense minister commits to F-35 after calls to suspend program' (Defense News, 28 May 2020), <https://www.defensenews.com/global/europe/2020/05/28/italy-defense-minister-commits-to-f-35-after-calls-to-suspend-program/> [accessed 19 March 2021].

²¹⁰ Corte dei Conti [Court of Auditors], Deliberazione n. 15/2017 - Partecipazione italiana al Programma Joint Strike Fighter - F35 Lightning II, 2 August 2017, <https://www.osservatoriodiritti.it/wp-content/uploads/2018/06/droni-militari-corte-conti-f35-2017.pdf> [accessed 19 March 2021].

²¹¹ Camera dei Deputati, Schema di decreto ministeriale concernente le modalità di utilizzo dei contributi pluriennali relativi al programma navale per la tutela della capacità marittima della Difesa (128), 11 December 2014, <http://documenti.camera.it/apps/nuovovisito/attigoverno/Schedalavori/getTesto.ashx?file=0128.pdf&leg=XVII#pagemode=none> and <https://www.fincantieri.com/en/media/press-releases/2015/000657/> [accessed 19 March 2021].

²¹² Enrico Piovesana, 'Principali programmi di procurement' (Osservatorio MilEx, 15 February 2017), <http://milex.org/2017/02/15/procurement/> [accessed 19 March 2021]; Camera dei Deputati, 'Interrogazione a Risposta Immediata in Commissione 5/06174', 29 July 2015, <http://aic.camera.it/aic/scheda.html?numero=5/06174&ramo=CAMERA&leg=17> [accessed 19 March 2021].

²¹³ See in particular the Bill proposed by Paolo Bolognesi: Camera dei Deputati, 'Proposta di Legge n.1917', 22 December 2013, https://www.camera.it/leg17/995?sezione=documenti&tipoDoc=lavori_testo_pdl&idLegislatura=17&codice=17PDL0019291&back_to [accessed 19 March 2021]. See also the further discussion with the proposal made by Massimo Artini about parliamentary scrutiny on the implementation of investment programmes by the MoD: Camera dei Deputati, 'Lavori Preparatori dei Progetti di Legge, Atto Camera 2853', 28 January 2015, <https://www.camera.it/leg17/126?tab=&leg=17&idDocumento=2853&sede=&tipo=> [accessed 19 March 2021].

²¹⁴ Corte dei Conti, Deliberazione n. 15/2017 (cit. 210); 'F35, Corte dei conti: "Spese raddoppiate e occupazione inferiore ad aspettative, ma uscire dal progetto costerebbe troppo"' (Il Fatto Quotidiano, 7 August 2017), <https://www.ilfattoquotidiano.it/2017/08/07/f35-corte-dei-conti-costi-raddoppiati-e-occupazione-inferiore-ad-aspettative-ma-uscire-dal-progetto-costerebbe-troppo/3781024/> [accessed 19 March 2021].

²¹⁵ See, for example: 'Piaggio, Pd: "La maggioranza decida sui droni, in ballo 1.300 posti di lavoro"' (Il Vostro Giornale, 20 September 2018), <https://www.ivg.it/2018/09/piaggio-pd-la-maggioranza-decida-sui-droni-in-ballo-1-300-posti-di-lavoro/> [accessed 19 March 2021].

be “the assurance of the maintenance of employment which otherwise could not be ensured.”²¹⁶ The view of one sector expert is that “the Air Force had no immediate operational need for this type of UAV [unmanned aerial vehicle], nor was there a serious industrial strategy.”²¹⁷

Apart from the fact that the reality of employment creation often does not live up to projections and promises, the central question is: what is the impact of using these arguments on the alignment of defence policies and procurement with national security? The use of individual company, employment, and economic arguments to support procurement decisions that should be based on a clear national security and defence strategy. Instead, it often affords a greater role to industry voices and opportunity for ad-hoc decisions outside the parameters of the agreed national security strategy.

The role of exports

Export issues are often directly related to defence capability strategies, since only the sum of production for the armed forces and exports make arms production economically viable. If the MoD orders a quantity of weapons and weapons systems that respond to private industrial and commercial needs, and not to political and strategic public needs, the result is oversized and expensive acquisition programmes. This leads to the need for arms exports. It is an issue in many defence-producing countries, particularly in Europe where large producers cannot be wholly sustained by limited national markets, creating a need for governments to promote arms exports in return for national defence capability and domestic production capacity.²¹⁸ This in turn can influence domestic procurements, since external customers may wish to first see new systems and platforms used successfully domestically, or when larger initial domestic orders are needed to get production off the ground. This dynamic places pressure on governments to consider export sales as an important factor in their own defence investments and procurement.

Explicit reference to this can be found in the MoD’s request to obtain parliamentary approval for the purchase with MISE funds of the new “Centauro 2” tanks produced by the Iveco-Oto Melara consortium (Fiat-Leonardo). The MoD emphasised the need to order an “extensive” quantity of tanks to promote their sale abroad: “the extensive production of systems for the national customer is the essential prerequisite of reference for all sales opportunities abroad”.²¹⁹

Similarly in the case of the ill-fated P2HH UAV produced by Piaggio Aerospace, the document presented to parliament a clear reference to the fact that “extensive [emphasis added] domestic production is a prerequisite and element of reference for [increasing] exports opportunities.” The document adds that, “it is undeniable that the [P2HH] programme would significantly contribute to the technological development of the national [defence] industry, providing a portfolio of products [...] for an extremely competitive market”.²²⁰

These examples demonstrate that economic considerations play a role in the export process, and that national procurement is not independent of industry-friendly initiatives to motivate international buyers. This increases the risk of undue influence on both parliament, which passes the budget for domestic procurement, and government, which is responsible for approving exports.

²¹⁶ Di Stefano Pioppi, ‘Perché investire nel drone Made in Italy. Parola del generale Vecciarelli’ (Formiche, 8 May 2018), <https://formiche.net/2018/05/droni-piaggio-vecciarelli-audizione/> [accessed 19 March 2021].

²¹⁷ Interview with a senior consultant and defence expert, 2018.

²¹⁸ SIPRI, Special Treatment: UK Government Support for the Arms Industry and Trade, (SIPRI: Stockholm), 2016, <https://www.sipri.org/publications/2016/other-publications/special-treatment-uk-government-support-arms-industry-and-trade> [accessed 23 March 2021]; European Parliament, The extra-EU defence exports’ effects on European armaments, (European Union: Belgium) 2015, [https://www.europarl.europa.eu/RegData/etudes/STUD/2015/549043/EXPO_STU\(2015\)549043_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2015/549043/EXPO_STU(2015)549043_EN.pdf) [accessed 23 March 2021].

²¹⁹ Senato Della Repubblica, ‘Atto del Governo sottoposto a parere parlamentare n. 339’, <http://www.senato.it/leg/17/BGT/Schede/docnonleg/33188.htm> [accessed 23 March 2021].

²²⁰ Ministro della Difesa, Stato Maggiore Della Difesa, 2017, <http://milex.org/wp-content/uploads/2018/02/P2HH.pdf> [accessed 23 March 2021].

Legislative changes to export regulations

There have been multiple attempts to weaken the law that governs and controls the export, import and transit of weapons.²²¹ Law 185/90 introduced a series of transparency requirements. These include an obligation for ministries involved to produce a report on the import and export of Italian weapons systems, considering prohibitions of their sale to countries in conflict, or very poor/heavily indebted countries, and to governments “responsible for ascertained violations of international conventions on human rights”.²²² The President of the Council provides parliament with an annual report on the arms export, import and transit operations that have taken place during the previous year. The report is one of the few sources of information on the Italian arms trade, but exposes data in an increasingly aggregated form – thereby reducing its usefulness in terms of transparency.²²³

Legislative changes in 2003 provided for the entry into force of the so-called “global project licence”, a special authorisation for the most important intergovernmental projects that allows them to bypass national controls, and deprives parliament of the ability to oversee activities between entrepreneurs and countries party to the intergovernmental agreement. The 2003 legislative intervention also amended and weakened the prohibition of selling war material to countries that did not respect human rights by replacing wording of “ascertained” with “serious” violations, allowing a discretion of interpretation and burden of proof that would disempower the substance of the provision.²²⁴

Ultimately, the effective realisation of the basic principles of the law in managing and directing the Italian arms trade no longer respects the original legislative intent and is therefore less effective. Furthermore, the regulation grants wide discretion to the National Authority for the Armament Licensing and Controls (UAMA) of the Italian Ministry of Foreign Affairs regarding the annual report on the export of arms that the Government is required to send to Parliament. The result is a progressive loss of transparency, since the report does not provide all the data that would be necessary for parliamentarians and public to make an informed opinion. Such lack of transparency leads to a possible loss of trust with parliament and the public.

²²¹ Emilio Emmolo, *Le modifiche del 2012 alla disciplina sui controlli delle esportazioni di armi della legge 185 del 1990* (Istituto di Ricerche Internazionali Archivio Disarmo: Roma), 2013, <https://www.disarmo.org/rete/docs/4293.pdf> [accessed 23 March 2021].

²²² Legge 9 luglio 1990, n. 185, “Nuove norme sul controllo dell’esportazione, importazione e transito dei materiali di armamento” pubblicata sulla Gazzetta Ufficiale 14 luglio 1990, n. 163 (Con modifiche introdotte dalla legge 17 giugno 2003, n. 148) cfr. http://presidenza.governo.it/UCPMA/doc/legge185_90.pdf [accessed 16 February 2021].

²²³ See: Rete Italiana per il Disarmo, ‘30 anni della Legge 185/90 sull’export militare: dati ed analisi di tre decenni di vendita di armi italiane’, 9 July 2020, <https://www.disarmo.org/rete/a/47835.html> [accessed 23 March 2021].

²²⁴ Emilio Emmolo, *Le modifiche del 2012 alla disciplina sui controlli delle esportazioni di armi della legge 185 del 1990*, (cit. 221).

CONCLUSION & POLICY RECOMMENDATIONS

The current defence procurement process provides industry substantial opportunity to exert potentially undue influence. This risk is heightened by the structural and procedural flaws that exist from the determination of defence and security strategy, through to individual equipment procurement programmes.

The policy recommendations here respect executive privilege, the right to protect confidentiality of private information, the freedom of the parliamentary mandate, and the role of appropriate protection for the preservation of national security and business competitiveness. Equally, however, they are also offered in the belief that a balance between these considerations and transparency and accountability will benefit decision making better suited to serve national interests, use public funds for the common good, and build public trust in the formation of defence and security policy.

The recommendations provided can be grouped broadly into three categories: those that aim to strengthen the integrity of institutions and policy making processes to reduce their vulnerability to external influence; those that improve controls on external influence by fostering transparency and accountability; and, those that encourage best practice in this area within the defence industry.

Strengthening the integrity of institutions and policy processes

In this section, the recommendations focus on improving the ability of government, parliament, and other oversight bodies to provide adequate scrutiny of policies and acquisition decisions and to improve accountability for them. The principle underpinning these recommendations is that the staff of state institutions need adequate resourcing, expertise, time and access to information to perform their duties effectively. Furthermore, they seek to ensure that where full transparency cannot be achieved, suitable alternative arrangements are put in place to ensure that effective scrutiny is exercised on behalf of the general public.

Strategy

1. Establish a process to publish and review a regular, clear and comprehensive national defence strategy

The absence of a codified, long-term approach to strategic planning increases the opportunity for industry to influence the outcome of national security considerations, budgetary requirements, and prioritisation of acquisitions on an on-going basis. TI-DS suggests establishing a regular process for publishing a codified document comparable to a defence white paper, to be reviewed by the MoD on a bi-annual basis, and discussed and voted on in parliament. These reviews and their findings should be available in writing beyond military and government circles, and the findings should also be made available to the public. It should be mandatory for the relevant institutions (MoD, military and government) to provide a clear link between threat assessments, operational requirements and subsequent acquisitions, so that the prioritisation of expenditures can be fully assessed by MPs, and potentially the public.

Budget

2. Introduce clear approval and publication procedures for defence budget requests to facilitate parliamentary review by MPs

Decisions on the defence budget suffer from weak oversight, as MPs do not have adequate time and information to evaluate the budget. In addition, approved budgets for arms programmes receive regular and continuous financial injections, thereby undermining the initial vote in parliament.

Comprehensive rules should be established for the armed forces to bid for budgetary requests in a transparent and timely manner, with a requirement that any additional financial requests must be justified. The DPP constitutes a good starting base, but it should be updated and published at least four months ahead of the national budget law, in a user-friendly searchable format, and should include a detailed version in case MPs need more specific programme data. Defence funds should not be routinely approved by extra-budgetary governmental decrees, thereby circumventing parliament.

Arms procurement

3. Produce and publish a multi-year procurement plan, linked to the defence strategy

The Government should set up a long-term, multi-year budgeted procurement plan, closely linked to the general defence strategy. This should be presented in parliament and voted on after a debate, and should be decoupled from the approval of the General Budget Law, to provide a comprehensive, adequately detailed, but ultimately clear overview to inform decision making.

4. Create an independent body to scrutinise defence procurement programmes

At present, there is no effective oversight of defence acquisitions. To address this, an authority should be established to provide independent audit of defence sector procurement programmes, similar to the role of the Government Accountability Office in the United States.

This agency would be tasked with conducting regular reviews of key defence acquisitions, which would help generate accurate, analytical information for systematic debate in parliament and the media.

Arms exports

5. Ensure that export licensing decisions comply with the full spirit of national and international arms export regulations

Export licensing decisions should be made in line with foreign and national security policy and in accordance with the norms – both Italian, Law 185/90, and international ones such as the ATT Treaty and EU Common Position.

6. Improve transparency and participation in the arms export licensing process

Government should ensure more transparent stages in the licensing process, with the opportunity for MPs to access all the documents and debate and vote on selected licensing cases.

The licensing process should also specify clearly, and in advance, the set of rules and evaluation tools that are used by UAMA to establish compliance with the licensing criteria for blocking an export. This should include the international or (I) NGO bodies recognised as sources for evaluation, the list of type of weapons considered more sensitive, or the list of countries considered in conflict.²²⁵

Improve control and transparency of influence exerted through money, ideas and people

These policy recommendations are not opposed to the principles of lobbying, cross-sectoral employment or exchange of ideas. Rather, they seek to address the most egregious instances where self-interested behaviour by companies or individuals may adversely impact on policy outcomes. Furthermore, they aim to establish standards of best practice that help preserve the integrity of these vital exchanges and the trust the public places in them.

Some of these recommendations are not unique to the defence sector, but address issues that do occur in this area. It is necessary to make these recommendations here precisely because the defence sector is often treated with caution and exempted from transparency regulations that govern other sectors. The defence sector exemplifies the need to improve regulations across all sectors with appropriate alternative oversight provisions put in place when full transparency cannot be achieved.

1. Strengthen restrictions on political party financing

Legislators should amend the regulation on political financing for political parties to:

- a) Lower the current maximum cap of 100,000 euro on private donations;
- b) Expand the mandate and resources of the Committee for Transparency and Control of Political Parties Accounts to allow for more effective and meaningful oversight.

2. Establish clear and uniform procedures to regulate conflicts of interest at parliamentary level

Legislators and implementing bodies should ensure uniformity in conflict of interest controls and regulations for MPs and politically exposed persons across institutions by asking for the highest level of transparency of their relevant relationships and benefits. Regulations should include clear and enforceable conflict of interest rules for parliamentarians, including through a systematisation of the currently dispersed ineligibility and incompatibility regime; and streamlining of the process of verification of ineligibility/incompatibility so it can be performed in an effective and timely manner.²²⁶

The definition of conflicts of interest should be inclusive of all the elements that will characterise the issue of conflicts of interest, including those that are actual or perceived.

²²⁵ The 2003 legislative intervention amended the prohibition of selling war material to countries that did not respect human rights. This simply involved the replacement of “ascertained” with “serious”, alongside “violations”, to guarantee a discretion which would disempower the entire substance of that provision.

²²⁶ Recommendation based on advice issued by the Group of States against Corruption (GRECO), Council of Europe. See: GRECO, ‘Italy’, <https://www.coe.int/en/web/greco/evaluations/italy> [accessed 23 March 2021].

3. Create an independent body to monitor, review and enforce conflict of interest regulations

Legislators should delegate the control and sanctioning powers in relation to conflict of interest regulations to an independent authority and require that it is equipped with adequate human and economic resources for the purpose.

4. Widen the scope and applicability of ‘revolving door’ regulations to prevent conflicts of interest and reduce opportunities for undue influence

Legislators should modify ‘revolving door’ regulations and implementing bodies should work to:

- a) Provide a clearer definition of conflict of interest situations, so that decisions on ‘cooling off’ periods are less subjective and more consistently implemented;
- b) Expand the scope of the regulations to include all politically exposed persons, including MPs;
- c) Identify post-employment restrictions which might be required to avert conflicts of interests;
- d) Extend the minimum ‘cooling off’ period beyond 12 months, and specify circumstances that would require specific durations (for example, a lifetime ban on specific projects, longer periods for ministers, banned consultancies or double roles etc.), based on the US model.

5. Increase transparency in the nomination and appointment process of senior executives in defence companies where the state has a controlling interest

State ownership and involvement in industrial policy determine the extent and forms in which industry can influence policy making. Decisions like nominating executive level managers in defence companies should not remain the sole responsibility of the government and happen behind closed doors. Greater transparency and accountability is needed, for example on the process, selection criteria, shortlisted candidates, and final appointment decision, among other aspects. Parliament should be involved in this process, increasing their scrutiny power.

6. Introduce a new law to regulate lobbying and establish a register of lobbyists

Legislators should approve a law that regulates lobbying, with clear definitions of what constitutes lobbying. A mandatory stakeholder register should also be introduced – based on the EU Transparency Register and held by a single, national, dedicated agency – along with a public agenda of meetings between stakeholders and authorities.

A stakeholder register should cover both in-house and consultant lobbyists, and should require regulated individuals and organisations to provide the following details:

- the name of the lobbyists / their registered company name (if applicable);
- their company registration number (if applicable) to ensure there is clarity about which company is engaging in this activity;
- their registered address;
- details of the names of lobbyists who have lobbied on their behalf within the previous quarter;
- the details of the government policy, legislation etc. they have lobbied on during the preceding quarter;
- information on any public office held previously (during the past five years) by any employees who are engaged in lobbying;
- their expenditure on lobbying, including gifts and hospitality to public officials;
- details of any use of secondments or advisers placed within government to influence policy.

7. Create a decision-making footprint in the course of the defence strategy formulation and procurement process

Introduce a legislative footprint to facilitate monitoring of policy decisions, by requiring authorities to report which sources have been consulted, the content of consultation inputs, and the reasons why they came to their conclusions.

8. Conduct and publish regular Regulatory Impact Analysis (RIA) assessments

Implement and strengthen the existing legal requirement for government to conduct and publish a Regulatory Impact Analysis (RIA),²²⁷ and extend it to all relevant processes (at present, it is mandated only for general laws), namely:

- a. Ad-hoc government acts (legislative decrees);
- b. Parliamentary decisions.

These analyses would create the ability to generate a legislative footprint and increase accountability of public decisions.

9. Improve transparency of funding of political foundations and think tanks, as well as membership and involvement of any politically exposed persons

Think tanks should publish in full and in sufficient detail the financial donations they receive, their sources and their annual accounts. They should also publish clear information any involvement of politically exposed persons in the organisation, such as individuals in a board or executive function.

²²⁷ According to the OECD, Regulatory Impact Analysis (RIA) is a systemic approach to critically assessing the positive and negative effects of proposed and existing regulations and non-regulatory alternatives. The OECD produces best practice guidelines for governments. OECD, Regulatory Impact Analysis (OECD: Paris), February 2020, <https://www.oecd.org/gov/regulatory-policy/regulatory-impact-assessment-7a9638cb-en.htm> [accessed 23 March 2021].

Recommendations for companies active in the defence sector

The defence industry has an interest in preserving the legitimacy of its interactions with policy makers and avoiding any semblance of impropriety that can cause public mistrust. Rather than waiting for legally binding standards and controls, companies can and should take their own measures to improve the transparency and accountability of their actions and ultimately safeguard their reputations.

1. Improve controls on political contributions, charitable donations and lobbying

Companies that choose to make political contributions should only do so by exception, according to strict policies and procedures. Companies should introduce and strengthen policies on all corporate donations, with clearly stated criteria for making them, a strict approval process with senior-level sign-off, due diligence on recipients and provisions to ensure that they are only made to provide support for a genuine democratic process. Moreover, companies should implement and publish specific policies to regulate lobbying activities, which apply to internal, external and association lobbyists. These policies should establish appropriate standards of conduct, restrict or even prohibit the giving or receipt of gifts and hospitality to public officials, and outline procedures to identify and mitigate conflict of interest risks associated with lobbying.

2. Publish details and expenditure of all political contributions, charitable donations and lobbying activities

Companies should report their political contributions in every country where they operate, regardless of whether they are legally required to disclose this information in each country of operation. Alternatively, they should publish an accompanying statement that they only lobby in the country in which they are headquartered, if that is the case. Reporting of political contributions should include details of the recipient, amount, country, and the name of the corporate entity that made the contribution. Contributions should be updated on at least an annual basis. In addition, companies should publish details of their lobbying activities at least annually. This should include disclosing spending on lobbying activities for every country where they operate, the main topics on which they lobby and the ways in which lobbying is conducted. Where companies disclose this information in lobbying registers, they should publish details of the registers on which they are listed and ensure that this covers in-house, external and association lobbyists.

3. Implement policies and procedures to better regulate conflicts of interest with public sector clients

Companies should implement clear policies and procedures to prevent potential conflicts of interest or identify, detect and manage conflict of interest risks, especially for employees in roles that require interaction with the public sector such as sales or public affairs. These policies should require employees to disclose any family, government or financial relationships that may lead to actual, potential or perceived conflicts of interest and record these in a central register that is accessible to those responsible for oversight of the process. Companies should provide their employees with clear descriptions of the relationships or situations that could constitute a conflict of interest so that they can be appropriately managed, as well as with a description of the potential mitigations or punitive measures for breaches of this policy.

4. Improve controls to regulate exchanges of people with the public sector

Under existing regulations, companies are under no obligation to ensure that newly hired former and recently departed public officials, civil servants or service personnel abide by their post-employment restrictions. To better mitigate these risks, companies should:

- a) Require the approval of a senior compliance officer or equivalent individual before initiating any employment discussions with current or former public sector employees. This approval process should include an assessment of the actual, potential or perceived conflict of interest risks that may arise as a result of their employment.
- b) Adopt policies and procedures to implement a 'cooling off' period of between 12 months and three years before employees from the public sector are allowed to have any form of contact with their former organisation on the company's behalf. Such a policy should apply to all employees, contracted staff and consultants, and the length of a cooling-off period should account for the risk of the appointment, based on factors such as seniority of the individual before the move, the lifespan of any relevant public policy issues from their time in public office, and the nature of their new responsibilities.
- c) Publish details about secondments to and from the public sector, including information on the locations of secondments, the number of seconded staff and the purpose of particular secondments.

Transparency International Defence & Security

10 Queen Street Place,
London,
EC4R 1BE

ti-defence.org

[twitter.com/@TI_Defence](https://twitter.com/TI_Defence)

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