MEF Dipartimento del Tesoro

Italy's Structural Reforms since October 2014

Ministry of Economy and Finance

February 2015

Ministero dell'Economia e delle Finanze

Government's Priorities in 2015

Policy Field	Done	In progress	Timetable
Institutions		Law on the electoral system	April 2015
Institutions		Reform of the Constitution	2015
Labour market	Youth Guarantee	Reinforcement of apprenticeship	First semester 2015
Labour market	Enabling law on labour market reform (L.183/2014)	Lgs. Decrees becoming Law on: standard open-end contract; new unemployment benefit scheme	February 2015
Labour market	Enabling law on labour market reform (L.183/2014)	Lgs. D. on: code of labour contracts; wage supplementation scheme; work-life balance; simplification of procedures. Lgs. D. on: National Employment Agency; National Agency for Safety and Health at Work	February 2015 May 2015

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Government's Priorities in 2015

Policy Field	Done	In progress	Time table
Education	Approved by Gov.t the Plan 'La buona scuola'	Reform package on plans for recruitment, vocational training, merit based approach on carriers.	February 2015
Competition		Annual law on competition	February 2015
Competition	Investment Compact Decree (D.L.3/2015)	To be converted into Law	March 2015
Public Administration	Simplification and PA efficiency (L.114/2014)	Draft Enabling Law on reforming the PA	June 2015
Business simplification	Approved the Simplification Agenda 2015-2017	Implementation of non legislative acts	2015
Public Finance	Delegating Law (L.89/2014)	Reform of the State budget	2015

Government's Priorities in 2015

Policy Field	Done	In progress	Timetable
Justice	Reform on civil justice (L.162/2014)	Bill on the responsibility of magistracy (under discussion at the Parliament)	February 2015
Justice	Self-laundry in the penal code (L.186/2014)	Bill on increased sanction against organized criminality (under discussion at the Parliament)	First semester 2015
Justice	Reform on criminal justice (L.117/2014)	Bill on revision of penal code (under discussion at the Parliament)	First semester 2015
Justice		Bill against falsification of financial statement	First semester 2015
Anticorruption		Bill increasing santions in case of corruption (under discussion at the Parliament)	First semester 2015

Government's Priorities in 2015

Policy Field	Done	In progress	Time table
Taxation	Enabling legislative decrees on fiscal simplification (Lgs.D.175/2014), tobacco products (Lgs. D. 188/2014), Cadastral committee (Lgs.D. 198/2014)	Lgs. decrees on: cadastral values; certainty of taxation; taxation of individual entrepreneurs; monitor and reduction tax evasion and tax expenditure; VAT electronic invoicing; collections procedures; measure for improving and simplifying taxation of international business; tax on gambling.	February 2015
		Lgs. decrees on: Auditing and assessment procedures, litigation procedures revision of administrative sanctions	June 2015 (in case of postponement of the expiration date of the enabling law)

Government's Priorities in 2015

Policy Field	Done	In progress	Time table
Infrastructure		Review of public procurement procedures (*codice degli appalti pubblici*)	2015
Privatisation	DPCM for Poste Italiane and ENAV	Privatisation of ENEL (5%), Poste Italiane (40%), Ferrovie dello Stato (subject to the related DPCMs), ENAV (49%), Grandi Stazioni.	2015 (2016 for FS only)
Environment		Green Act	First semester 2015

Implementation of the reforms since Feb. 2014

- The Government took office in February 22, 2014.
- From February 22 to December 29, the Government approved 121 pieces of legislation, including 54 draft laws, 25 decree laws, 42 legislative decrees.
- 59 pieces of legislation entered into force having been officially published.
- As for the initiatives of previous Governments (Monti and Letta), of the 889 pieces of secondary legislation required, 65% have been adopted.

The fiscal side (CSR 1)

"Ensure that the general **government debt** is on a sufficiently downward path; carry out the ambitious **privatisation plan**; implement a growth-friendly fiscal adjustment based on the announced significant savings coming from a durable improvement of the **efficiency and quality of public expenditure** at all levels of government, while preserving **growth-enhancing spending like R&D, innovation, education and essential infrastructure projects**. Guarantee the independence and full operationalisation of the **fiscal council** as soon as possible and no later than in September 2014, in time for the assessment of the 2015 Draft Budgetary Plan."

Stability Law 2015: going for growth (1/2)

- **Net borrowing/GDP:** at 3.0% in 2014 and 2.6% in 2015, close-to-balance in 2018; debt/GDP to decline from 2016.
- **Reduction in structural deficit**: 0.3pp of GDP in 2015, 0.2pp in 2016, 0.4pp in **2017** when balance budget is projected, i.e. temporary deviation from the MTO path.
- **Strategy**: i) permanent **reduction in tax wedge;** ii) **new spending** instrumental to support the reform process; iii) significant **spending cuts** to provide financing.
- The **tax wedge reduction** is estimated to be 17.6% (for a single worker with €20,000 gross wage earnings without children).

Stability Law 2015: going for growth (2/2)

- **Business environment**: deduction of the labour component from IRAP; tax breaks for self employed; hiring exemption from Social Security contributions; tax credit on private R&D investments and Patent box; Plan for the Made in Italy.
- **Public finance**: easing of the Domestic Stability Pact for investments and Health Plan 2014-2016.
- **Sustaining families and labour**: bonus for families with children; education system reform; tax break for permanent workers; financing the new labour market safety nets; possibility of receiving the severance pay in advance.

Spending Review

- The DBP sets cumulative savings targets up to 11.3 billion in 2015, 12.4 billion in 2016, 13.4 billion in 2017 and 15. 6 billion in 2018.
- The Spending Review has been increasingly integrated within the annual budget process.
- **The Stability Law 2015** calls for a deeper rationalisation of expenditure for Central Government, Regions, Provinces and metropolitan cities, as well as municipalities.
- **Strategy:** more responsibilities to line Ministers and local administrators in the **structural reorganisation of public expenditure**.

General government debt arrears

- Since 2013, the Government has taken **urgent actions** to speed up the payments of general government debts in arrears (D.L. 35/2013, D.L. 102/2013, D.L. 66/2014).
- For settling the payables, the Government authorised **€56.3bn over the period 2013-2014**.
- **As of January 2015**, 73% of these resources (i.e.€42.5bn) were made available for payment of arrears and 63% (i.e.€35.3bn) were effectively paid to private creditors.

Provinces

- Provinces are undergoing a process of **massive downsizing** which will end up transferring most of their functions to Regions and Municipalities.
- According to the D.L. 90/2014 the process of easy mobility aims at reducing territorial limitations, possibility of deskilling of redundant staff as an alternative of firing.
- Starting from Jan. 2015, the **mobility process** becomes effective: the redundant personnel is to be re-allocated among Regions, Municipalities and other public administrations.

Privatisation (1/2)

- **Expected income** from privatisation schemes and disposal of real estate assets: **0.7% GDP yearly from 2014-2017**.
- The Stability Law 2015 requires local authorities, Regions, universities and port authorities to set up a **rationalization plan for State owned enterprise(SOE).** The plans will have to include the provision for shutting down the so called 'micro-companies' and the duplicate companies.
- For more details, see Focus on 'SOE's rationalisation plan')
- In 2014, realized privatisation of a 30% stake of Fincantieri (initial share offering and capital increase of €350m), of a 30% stake of RAI Way (initial share offering of €300m) and of a 35% stake of CDP Reti worth €2.1 bn.

Privatisation (2/2)

- In 2015 the privatisation plan concern:

✓ minority equity stakes of some public services suppliers (i.e. Poste Italiane, ENAV,Ferrovie dello Stato);

✓ companies in which the Government has indirect shareholdings through Cassa Depositi e Prestiti (Sace, Fincantieri, CDP Reti, TAG), Ferrovie dello Stato (Grandi Stazioni, Cento Stazioni) and RAI (RAI Way);

✓ a further stake of the listed company ENEL;

✓ 50% stake owned in STMicorelectronics Holding;

✓ a portion of State-owned real estate.

The Health Pact 2014 - 2016

- **A 3-years Pact for a sustainable health care system**: €337bn of resources in 2014–2016 allocated taking into account **costs and needs standards**.
  - ✓ **Essential levels of care** and **pharmaceutical memorandum** to replace outdated and expensive treatments.
  - ✓ **Reorganisation of hospitals** to create a more efficient service network. Further **digitalisation** in the health sector.
  - ✓ Costs of **medicines and services** paid by citizens fixed according to income and household composition.
  - ✓ Improved **home care** especially for elderly and seriously ill or non-self-sufficient patients.
- The **Stability Law 2015 gives implementation** to the Pact.

Fiscal reforms (CSR 2)

"Further shift the **tax burden** from productive factors to consumption, property and the environment, in compliance with the budgetary targets. To this end, evaluate the effectiveness of the recent reduction in the **labour tax wedge** and ensure its financing for 2015, review the scope of direct tax expenditures and broaden the tax base, notably on consumption. Consider the alignment of **excise duties** on diesel to those on petrol and their indexation on inflation, and remove **environmentally harmful subsidies**. Implement the enabling law for tax reform by March 2015, including by adopting the decrees leading to the reform of the **cadastral system** to ensure the effectiveness of the reform of **immovable property taxation**. Further improve **tax compliance** by enhancing the predictability of the tax system, simplifying procedures, improving tax debt recovery and modernising tax administration. Pursue the fight against tax evasion and take additional steps against the shadow economy and undeclared work."

Shifting tax burden (1/3)

- **Reduction of the tax wedge for employees:** i) cuts in personal income tax for permanent employees earning less than €26,000 before taxes; ii) possibility, on experimental basis from March 2015 to June 2018, for employees in the private sector to receive their severance pay in advance (so called 'TFR') with a State guarantee on bank loans to companies.
- **Reduction in the cost of labour for employers**: i) deduction of the permanent labour cost from the taxable base of regional business tax (IRAP); ii) 36-month full exemption from Social Security contributions for new hiring on open-ended contracts.
- Abolition of the 10% cut of IRAP introduced by D.L. 66/2014

Shifting tax burden (2/3)

- **Tax simplification for minor self-employed**: the Stability Law 2015 introduced a new favourable tax regime for minor self-employed with revenues between €15.000 and €40.000. Old favourable existing tax regimes for minor self-employed are repealed.
- **Corporate tax-paying entities** without organizational autonomy – and without labor cost– receive a 10% tax credit on the regional business tax.
- Increased **taxation of returns on financial assets** from 20 to 26%, with an exemption for Government bonds and postal savings (taxed at 12.5%).

Shifting tax burden (3/3)

- **The Patent Box** allows firms to exclude from their taxable base 30% of the income generated by patents and licenses in 2015 (40% in 2016 and 50% from 2017 onwards).
- Firms investing in **R&D benefit from a tax credit equal to** 25% of **incremental investment** (50% for investments in university, research centers and start-ups). The measure is valid from 2015 up to 2019 (min €30,000 max €5 mln).
- 50% tax credit for private investment in **ultra-broadband network**, also in order to fulfill our digital agenda.
- The Gov.t presented a new **Investment Compact (Jan 2015)**, **introducing** a new category of **innovative SMEs** and extending **fiscal benefits for innovative startups**.

Implementing the enabling law on tax reform (1/2)

- The **enabling law no. 23/2014** empowers the Government to issue by March 2015 a number of legislative decrees to implement a fairer, more transparent and growth-friendly fiscal system.
- So far **three legislative decrees** (Simplifications, Cadastral Committees, Tobacco Products) into law. In the Stability Law 2015 the taxation of minor self-employed.
- **Fiscal simplification**: pre-filled tax returns for permanent employees and pensioners beginning 2015; simplification of tax repayment obligations; simplification of corporate tax obligations; abrogation of unnecessary obligations for firms and citizens.

Implementing the enabling law on tax reform (2/2)

- **Cadastral Committees**: redefining powers and functioning of the Cadastral Committees to ensure their functionality in the context of the revision of the cadastral estimate system.
- **Tobacco products**: revision of tobacco consumption and production taxation; shifting from 'ad valorem' to a 'specific' method of taxation for tobacco products; taxation on electronic cigarettes; elimination of excises on matches; liberalisation of production and sale of matches.
- Draft Lgs. decree on **'legal certainty in the relationship between tax administration and taxpayers'**: revision of penalties related to tax evasion; new framework for fiscal tutoring; extension of the concept of fiscal elusion.

International fight against tax evasion

- On October 2014, Italy signed a multilateral agreement to automatically exchange financial information based on **OECD standards**, beginning 2017.
- Agreement with **Switzerland** on fiscal cooperation**, Foreign Account Tax Compliance Act (FACTA)** between US and IT currently under discussion.
- **The Voluntary disclosure of financial information related to** undeclared taxable revenue or income held abroad or in Italy.

Voluntary disclosure

- In Dec. 2014, the Parliament approved the L.186/2014 to allow the **voluntary disclosure of undeclared assets** held abroad and undeclared income.
- Taxpayers that voluntary disclose and regularize their tax position by 30 September 2015 **for infringements committed up till 30 September 2014**, will benefit from a reduction of the otherwise applicable administrative sanctions and will not be prosecuted for most tax crimes.
- All **unpaid taxes plus interests** on the disclosed assets and income **are due** (contrary to previous tax shields).

Fight against tax evasion in the Stability Law 2015

- **Introduced the split-payment system** for goods and services supplied to Public Administration (PA). Under this system, suppliers will continue to charge Italian VAT to PA. The PA splits the payment of the invoice in two: i) the taxable amount to suppliers, ii) the VAT to a dedicated VAT bank account of the Treasury.
- The **reverse charge mechanism** in VAT extended to a number of productive activities: cleaning, demolition, equipment installation and completion services in relation to immovable property; supplies of gas and electricity to a taxable dealer energy sector; large distribution.

Fight to tax evasion

- The Stability Law 2015 introduced a new approach to tax assessment. By making use of new available information in transactions (the so called "spesometro") the Tax Administration will be able to **detect incongruences in supply chain between sellers' revenue and buyers' costs**.
- Provided that incongruences are detected, Tax Administration will send letters to **taxpayers asking them to explain** the anomalies.
- In the **field of sector studies** similar measures increase the deterrent effect and boost revenues from compliance.
- For 2014 results, see Focus on 'Tax Evasion'.

Modernising the Public Administration

- **Generational handover**: extending employment beyond pensionable age will no longer be possible after November 2014 (2015 for magistrates). Employees with maximum contributions and 62 years of age are forced to retire.
- **Retiring workers can be replaced** at increasing rates based on expenditure: 20% in 2014, 40% in 2015, 100% by 2018.
- **Five years before retirement,** employees can switch to **part-time employment**, with a commensurate wage reduction.
- **Reduction in management costs**: annual gross salaries for public administration directors can no longer exceed €240,000. Management compensation schemes are planned to link pay to performance.

Efficiency of Public Administration (CSR 3)

"As part of a wider effort to improve **the efficiency of public administration**, clarify competences at all levels of Government. Ensure better management of **EU funds** by taking decisive action to improve administrative capacity, transparency, evaluation and quality control at regional level, especially in southern regions. Further enhance the effectiveness of **anti-corruption** measures, including by revising the statute of limitations by the end of 2014, and strengthening the powers of the national anticorruption authority."

The Constitutional reform

- The Council of Ministers approved the **Draft Constitutional Reform Bill** in March. It will: i) improve stability by limiting 'balanced bicameralism'; ii) contain institutional costs also by reducing the number of senators; iii) rationalise the legislative procedure; iv) eliminate the National Economic and Labour Council; v) revise Title V of the Constitution.
- The Constitutional Bill, **approved by the Senate** in August, is under debate at the Chamber of Deputies. For more details, see 'Focus on Revision of the Constitution'.
- A draft Law on **electoral reform** is under discussion at the Parliament. For more details, see 'Focus on Electoral system'.

Public Administration

- **The Draft Law to reform public administrations** is currently being discussed in the First Committee on Constitutional Affairs of the Senate.
- The main areas addressed by the reform of public administration are: i) public employment including senior civil servants; ii) organization of Central government; iii) simplification for citizens and business; iv) digitalization.
- For more details on the draft law and on other recent measures, see 'Focus on Modernizing the Public Administration'.

Italian Cohesion Policy

- The **Partnership Agreement 2014–2020** identifies **expected results and specific actions** for the use of €42bn of **EU funding (ERDF, ESF, EARDF, EMFF)**, plus €20bn of **national co-funding**.
- As of January 2015, the **certified expenditure of EU Funds reached 77.9%** of total planned resources.
- The **Territorial Cohesion Agency is operational,** the Agency's Statute being approved last August.
- A new strategy for the **inner-areas development funded**, based on accessibility to basic services. For more details, see 'Focus Inner areas strategy'.

Anticorruption Authority (ANAC)

- **Supervision of public contracts: transparency and prevention of corruption**; powers of suppressed Authority for the Supervision of Public Contracts (AVCP) moved to ANAC.
- ANAC President can propose to local Prefects to grant **extraordinary and temporary management to a contracting company,** limited to the complete execution of the contract subject to criminal proceedings.
- For **Expo 2015,** high supervisory tasks and the guarantee of fairness and transparency of procedures under the responsability of **the President** and an '**ad hoc unit**' (which includes members of the Tax Police) to undertake inspections and ex-ante controls.

Justice (CSR 3)

"Timely monitor the impact of the reforms adopted to increase the efficiency of **civil justice** with a view to securing their effectiveness and adopting complementary action if needed."

Reforming civil justice

- D.L. 132/2014 cvt. by Parliament contains: **Out-of-court proceedings** enhanced and possibility of access to **Alternative Dispute Resolution (ADR) procedures** (so-called '*Arbitrato e Negoziazione Assistita*') expanded.
- For legal separation and divorce, easier access to out-of-court proceedings and other **simplifications for minor cases**.
- A pending **draft enabling law** contains: i) measures strengthening special courts for companies; ii) special courts for human rights and family-related issues; iii) increased certainty on length of proceedings.

Reforming criminal justice

- The L. 67/2014 contains: i) **provisions against economic crimes** (i.e. money laundering, etc.); ii) severe sanctions for accounting frauds.
- On procedures: i) partial revision of the **statute of limitations**; ii) provisions for compensatory actions in substitution of sentences.
- **Draft enabling laws** foreseeing: i) civil responsibility of magistrates according to the EU model; ii) a reform of honorary magistracy and justice of the peace officers.

Access to finance and capital markets (CSR 4)

"Reinforce the **resilience of the banking sector** and ensure its capacity to manage and dispose of impaired assets to revive lending to the real economy. Foster **non-bank access to finance** for firms, especially small and medium-sized businesses. Continue to promote and monitor efficient **corporate governance practices** in the whole banking sector, with particular attention to large cooperative banks (*'banche popolari'*) and foundations, with a view to improving the effectiveness of financial intermediation."

Finance for growth (1/3)

- The overall strategy aims at **easing lending constraints** to the economy, ensuring **access to capital markets** by fostering bonds issuing by unlisted companies and opening the credit market to new players (such as insurance companies and foreign investors).
- To support **investment activity: a tax credit provided to social security funds** (6%) **and pension funds** (9%), **in case they invest in the real economy,** so to balance out the increasing taxation (26 and 20 %).
- ACE and super-ACE are giving their results. For more details, see 'Focus on ACE'.

Finance for growth (2/3)

- **Incentives** to encourage companies to **upgrade machinery and equipment**.
- The new '**Sabatini Law**' offers financing to SMEs for investment in new equipment (min €20,000 max €2m, for 5 years). First Fund endowment of €2,5 bn has been fully booked and a new €2,5 bn plafond has been established.
- Covers investments on capital goods and new production use factory equipment, as well as investments in hardware, software and digital technology.
- In the first months of operation 3,681 applications have been approved, worth €1.048 bn in financing from CDP and over €74m of MiSE contributions.

Finance for growth (3/3)

- 15% tax credit (on IRES and IRAP) for additional **investment in production assets** made between 25th June 2014 and 30th June 2015.
- It applies for investments worth more than €10,000 and exceeding the firm's 5-year average investment record, being able to rule out the year with the greatest investment.
- For more details, see 'Focus on Finance for growth'.

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'Investment compact' Decree (1/2)

- The Gov.t recently approved the **'Investment compact' Decree**.
- The decree promotes the establishment of a **Service Company** for the renovation, financial recovery and industry consolidation of Italian enterprises with temporary capital and financial difficulties, but on the other hand with good economic and industrial prospects.
- **SACE** is authorized to provide direct credit (**acting as a bank**) in favour of the internationalization of Italian business.
- **'Sabatini' incentives** can be anticipated by banks and financial intermediaries.

'Investment compact' Decree (2/2)

- A **new category of innovative SMEs** is established: unlisted companies with audited financial statements and meeting at least two of the following requirements: i) at least 3% investment in R&D; ii) employing highly qualified staff up to at least 1/5 of the whole workforce; iii) hold, deposit or license a patent or software registered at the Italian SIAE.
- The **Patent Box** (introduced by Stability Law 2015) is **strengthened**, including trademarks among the activities receiving tax benefits.
- The **exemption of the withholding tax** is **extended** to revenues of funds entitled to provide direct credit to firms.

Banking sector back on track

- New **vigilance powers to Bank of Italy (enacting** EU CDR IV legislation): managers, administrators and Board members can be removed if necessary, decisions can be annulled. In case of financial abuses, sanctions raise to €5m or 10% of turnover (in case of companies).
- For more details, see also Competition and the 'Focus on Banking sector'.

The labour market (CSR 5)

"Evaluate, by the end of 2014, the impact of the **labour market and wage-setting** reforms on job creation, dismissals procedures, labour market duality and cost competitiveness, and assess the need for additional action. Work towards a more comprehensive **social protection** for the unemployed, while limiting the use of wage supplementation schemes to facilitate labour re-allocation. Strengthen the **link between active and passive labour market policies**, starting with a detailed roadmap for action by December 2014, and reinforce the coordination and performance of public employment services across the country. Adopt effective action to promote female employment, by adopting measures to reduce **fiscal disincentives for second earners** by March 2015 and providing adequate care services. Provide adequate services across the country to non-registered young people and ensure stronger private sector commitment to offering quality apprenticeships and traineeships by the end of 2014, in line with the objectives of a **youth guarantee**."

The Jobs Act (1/4)

- In Dec.2014 **Enabling Law for a comprehensive reform of labour market**, aiming at: i) a new **regulatory framework for entry flexibility**; ii) a more **inclusive social safety net**; iii) stronger **coordination between active and passive labour market policies**; iv) a rationalised and targeted system of tax incentives; v) procedural simplifications. For details, see Focus.
- The Stability Law 2015 provides resources for the implementation of the reform.
- **Two enabling decree already approved by the Gov.t,** currently under discussion at the Parliament, on: i) the new open-end contract with increasing level of protection; and ii) the new unemployment benefit scheme.

The Jobs Act (2/4)

- **Enabling decree on the new open-end contract with a level of protection increasing with seniority** (presented to the Parliament).

✓ **Minimum protection floor**: depending on the circumstances, the new contract ensures a stable level of protection for the first two years that increases with seniority up to a maximum level.

✓ **Revision of the dismissal rules**, both on an individual and on a collective basis: reinforced, quicker and more convenient conciliation procedure that reduces uncertainty and allows parties to quickly reach an extra-judicial settlement.

✓ Rules apply to all the **newly hired workers on open end basis** and to small firms that increase its workforce.

The Jobs Act (3/4)

- **Enabling decree on the new unemployment benefit scheme** (under discussion at the Parliament).

✓ The **new unemployment provision** (NASpI) replaces the current unemployment supplementation schemes (ASpI and mini-ASpI), targeting all employees working in the private sectors except workers in agriculture.

✓ All **involuntary unemployed** that paid at least 13 weeks of social contribution during the last four years and worked at least 18 days during the 12 months preceding the start of the unemployment spell.

The Jobs Act (4/4)

- ✓ The amount of the benefit is **correlated to the average wage** of the last four years and can't exceed €1,300.
- ✓ From 1st January 2017 onward unemployment duration will be limited to a **maximum of 78 weeks**.
- ✓ The provision of NASpI will be conditioned to the **participation to activation measures proposed by Employment Services.**
- ✓ The unemployed entitled to receive the NASpI support can claim for an anticipation of the entire amount of the benefit as a form of incentive to **self-employment initiative**.

The Youth Guarantee National Plan

- The plan, launched in May 2014, contains **9 initiatives** centered on vocational training and apprenticeships.
- Monitoring: as of January 2015, out of 361 thousand registered and 131 thousand were offered vocational services by PESs.
- Strong regional heterogeneity in the implementation.

Poverty and social exclusion (CSR 5 cont'd)

"To address exposure to **poverty and social exclusion**, scale-up the new pilot social assistance scheme, in compliance with budgetary targets, guaranteeing appropriate targeting, strict conditionality and territorial uniformity, and strengthening the link with activation measures. Improve the effectiveness of **family support schemes** and quality services favouring low-income households with children."

Measures for families

- A family is granted a €960 **check for three years for each child born** or adopted from Jan. 2015 to Dec. 2017. The household must have an index of economic condition (ISEE) lower than €25,000. In case the ISEE index is below €7,000, the check doubles.
- **Purchase vouchers for goods and services** are offered to families of four or more children with an ISEE index below €8,500.
- New resources are invested in local public nursery-schools or **kinder-gardens**.
- The Stability Law 2015 has devoted additional €250m for the '**social card**'.

Education (CSR 6)

"Implement the **National System for Evaluation of Schools** to improve school outcomes in turn and reduce rates of early school leaving. Increase the use of **work-based learning** in upper secondary vocational education and training and strengthen vocationally-oriented tertiary education. Create a **national register of qualifications** to ensure wide recognition of skills. Ensure that public funding better rewards the quality of higher education and research."

Reforming education

- The Gov.t launched the **Plan 'La buona scuola'** to the public consultation (Sept. – Nov. 2015). The Plan contains:

✓ An extraordinary **plan for recruitment** to hire 150,000 teachers within Sept. 2015 and a **public selection** for 40,000 teachers in 2016-2019.

✓ Improvement of **teachers' skills** also with permanent formation linked to career enhancement: teachers' careers will be based on merit instead of age. **Digital skills** introduced in primary school.

✓ **Reduction in administrative burden and greater transparency** (from 2015 budgets and projects financed by schools will be published online).

Reforming education

- Improvement in **digitalisation of schools** including for administrative services.
- **Strengthening the link between education and work** in upper secondary schools: compulsory for students in the last 3 years of Technical Schools and encouraged in high schools.
- **The National Assessment System** to be operational starting 2015, both for state and national schools.
- The Stability Law 2015 provides resources for i) **recruitment of teachers** and ii) **school-to-work alternation initiatives**.

Liberalisations and simplification (CSR 7)

"Approve the pending legislation aimed at simplifying the **regulatory environment for businesses and citizens** and address implementation gaps in existing legislation. Foster market opening and remove remaining barriers to, and restrictions on competition in the **professional and local public services, insurance, fuel distribution, retail and postal services sectors**. Enhance the efficiency of **public procurement**, especially by streamlining procedures including through the use of e-procurement, rationalising the central purchasing bodies and securing the proper application of pre-and post-award rules. In **local public services**, rigorously implement the legislation providing for the rectification of contracts that do not comply with the requirements on in-house awards by 31 December 2014."

Simplification and better legislation

- The **Simplification Agenda for 2015-2017** has been adopted (Dec. 2014).
- The Agenda focuses on five strategic action areas: digital citizenship, health and welfare, taxation, construction sector and businesses.
- Result-oriented approach: 37 simplification actions with expected results to be published on line (see Focus on Simplification).
- The Cabinet of Ministers and the institutional stakeholder conference shall periodically assess and update the Agenda.

Simplification and better legislation

- Italia **Start-up Visa Programme**: simplifications for innovative start-ups founded by extra-UE entrepreneurs.
- **Simplification** of **contract terms for leasing** commercial and touristic estates.
- **Regulatory simplification for 'project bonds'** to guarantee flexibility and transferability of bonds by investors.
- **Simplification** of procedures for **gas fields**.
- **Simplification** for public and private authorisations in the **construction sector.**
- New simplified code for **public tenders**. Simplification and tax incentives for SIIQ.

Improving energy regulation: cost of electricity reduced

- The Government introduced a comprehensive set of measures that is aimed at cutting electricity prices by about 10% for SMEs.
- The package will have full effect by late 2015 and implements a **substantial reduction of**: i) subsidies to power generators, including fossil fuels subsidies and windfall profits for specific renewable generators; ii) transfers to, or exemptions for, specific groups of energy consumers (energy-intensive consumers, railways, etc.); iii) system costs (or better allocation thereof).
- The package will result in a fairer distribution of cost among consumers as well as a cut of the cost of electricity for SMEs.

Competition (1/2)

- **Bank account portability** introduced in the Italian system (decree law approved by the Gov.t in Jan. 2015): banks are obliged to transfer accounts at no expenses for the customer within predefined terms. Any delay will be sanctioned.
- **Governance reforms for cooperative banks** (decree approved by the Gov.t in Jan. 2015). In 18 months, those with assets worth more than €8bn will have to transform into joint-stock companies, removing their 'one share one vote' governance rule. Enacting measures to be prepared by the Bank of Italy.
- **Multiple-voting shares** for SMEs and minimum capital requirement reduced.

Competition (2/2)

- **Annual Competition Draft Law** will be presented by Feb. 2015.
- **Policy objectives**: remove constraints and barriers that still hamper competition, removing unnecessary regulation of economic activities, following advocacy recommendations of the Italian Competition Authority.
- **Intervention in the following sectors and industries:** Insurance, Communication, Postal Services, Electricity Gas, Gasoline Distribution, Local Public Services, Airports and Ports, Legal Services, Banking, Healthcare, Simplification.
- The draft legislation is currently being developed under the coordination of the Ministry for Economic Development.

Public procurement (1/3)

- Currently there are about 30,000 contracting units in Italy.
- **Public contracting** will be **managed by a single public procurement company** (**CONSIP**) and a few other purchasing centers responsible for Regions and large cities.
- These identified centers will be **obliged to manage** purchases of a list of goods and services for over a certain amount of expenditure.
- New requirements will increase **the transparency** of payments by the administration to suppliers.
- **Public tenders** at national and local level will be published on line.

Public procurement (2/3)

- A **enabling law** on reforming infrastructure and construction tenders is under discussion, with the aim to **review the code of public contracts** in line with EU legislation.
- To contain rising costs in public works, any **variation during construction** must be **communicated to ANAC** for projects exceeding the EU threshold (€5.2m).
- To reduce the number of proceedings, **heavy sanctions apply to unfounded litigations** and, to speed them up, hearings and sentences are to be held within 30 days.
- **Formal but essential irregularities** in communications **can be corrected** by firms within 10 days.

Public procurement (3/3)

- Completion of **public works** is facilitated through: i) refinancing of Fund for Infrastructure by €3.9bn up to 2020; ii) procedural simplification, through the appointment of a Commissioner for railways infrastructure; iii) rationalization of highway concessions.
- Exclusion of 'uncompleted works' from the **Internal Stability Pact**, up to a limit of €250m.
- Broader mandate for **CDP** and incentives for project financing (see Focus on 'Unlock Italy' Decree).

National Plan for Export

- **The Stability Law 2015 financed the 'Made In Italy'** plan to: i) favour the internationalisation of Italian firms; and ii) seize opportunities linked to global demand.
- **Instruments** to: i) support a single brand for Italy's agrifood industry; ii) act against counterfeited goods; iii) help business innovation; vi) improve logistics and distribution channels.
- **Public investments** to: i) strengthen marketing events in Italy; ii) use temporary export managers through 'vouchers'; iii) introduce e-commerce platforms for SMEs; iv) help road-shows for SMEs; vi) access main foreign distributors and strategic markets.

Network industries (CSR 8)

"Ensure swift and full operationalisation of the **Transport Authority** by September 2014. Approve the list of **strategic infrastructure** in the energy sector and enhance port management and connections with the hinterland."

European task force for investment (1/2)

- The **EU TF for investment**, launched by ECOFIN in Oct. 2014, aims at identifying investment projects with European value added, across countries, currently facing obstacles to realization.
- The Italian task force is coordinated by MEF and involves several ministries (Education, Transport, Economic Development, Health, Agriculture, Environment), as well as CDP and relevant private companies.
- In Nov.2014 Italy presented a selection of **around 80 projects** worth over €40 bn of investments.

European task force for investment (2/2)

- Currently, the **Italian task force** is analysing the projects that were presented and verifying their compliance to EIB eligibility criteria, in order to submit formal request of financing to the EIB.
- **Projects are to of two types**: i) the ones requiring traditional EIB financing; ii) the ones which could attract private financing by generating a lever action, therefore, eventually eligible for EFSI.

Infrastructures (1/2)

- **The 'Unlock Italy' decree supports public works through**: i) administrative simplifications; ii) €4bn of public resources allocated to the kick-off of planned infrastructures; iii) €2.2bn of private resources invested in highways.
- **Large and ultra-large broadband**: 50% tax credit on IRAP and IRES for investment in ultra-broadband network.
- For more details, see 'Focus on The Unlock decree'.

Infrastructures (2/2)

- **Harbour infrastructures**: created a task force for the drafting of the national strategic plan for ports and logistics.
- In Jan.2015 the Gov.t is leading two task-forces for operationalise the 7-year Plan (worth €16bn) to tackle **geo-hydrological risks** at Regional level, and the Priority School Building Programme.
- The authorized **Plan for the renovation and rationalization of social housing stock** (worth €467m) is under implementation.

MEF Dipartimento del Tesoro

Thank You

Living document to be found on website:

http://www.dt.mef.gov.it/en/analisi_programmazione_economico_finanziaria/strategia_crescita/index.html

See Focus sections in the following pages

Focus on:

- REVISION OF THE CONSTITUTION
- ELECTORAL SYSTEM
- TAX EVASION
- MODERNISING THE PUBLIC ADMINISTRATION
- SOE'S RATIONALISATION PLAN
- SIMPLIFICATION
- THE JOBS ACT
- INNER AREAS STRATEGY
- FINANCE FOR GROWTH
- BANKING SECTOR
- 'UNLOCK ITALY' DECREE

Draft Constitutional Reform Bill (1/4)

- Introduces a **bicameral system** with different responsibilities whereby votes of confidence on Government will be the prerogative of the Chamber of Deputies only.
- The **Chamber of Deputies** will exercise policy setting as well as legislative powers (except, in particular, constitutional laws which will still also require the approval of the other Chamber) and will oversee Government performance.
- The **Senate of the Republic** is redefined as a body representing local institutions and exercising limited legislative functions. It ensures linkage between, the European Union, the State and the Regions, Metropolitan Cities and Municipalities.

Draft Constitutional Reform Bill (2/4)

- The new Senate also participates in decision making aimed at drafting and implementing EU legislative acts and, in line with its own rules, oversees implementation of State laws and evaluates the impact of public policies at different levels of government.
- **Strong rationalisation of legislative procedures**: except for cases of constitutional relevance and regional matters, all laws are approved by the Chamber of Deputies only.

Draft Constitutional Reform Bill (3/4)

- The **draft revision of Title V** outlines a smoother multilevel governance system.
- The **aim** is to ensure a balance between national, regional and local interests as well as guarantee a set of policies for territorial planning consistent with the wider strategic choices adopted at the national level.
- The **elimination of 'concurrent' legislative** competences. Definition of 'exclusive' State competences while 'residual' competences are attributed to Regions.

Draft Constitutional Reform Bill (4/4)

- Introduction of a **‘supremacy clause’** whereby the State, following upon a Government proposal, can legislate on matters or functions falling outside its exclusive legislative competences, if so required to protect the legal or economic unity of the Republic and the national interest.
- Introduction of the possibility for the State to give some form of autonomy to Regions in some matters falling under its exclusive competence.
- **Reorganisation of criteria** governing the distribution of power for issuing regulations.

Reforming the electoral law (*valid beginning July 2016*)

- **Basic proportional system**, with small electoral districts and short lists of candidates.
- **Exclusion threshold** of 3% (minimum number of votes) for a party to participate in the distribution of seats.
- **System of preferences**: the first candidate is automatically elected if the list wins the district; other candidates on the list chosen by voters through a double, gender-equal vote.
- **Majority premium**: the party (not the coalition) that gets more than 40% of the ballot will gain 55% of all the seats; if nobody goes above that threshold, there will be a run-off between the two parties that did best.

Results of the Fight against tax evasion

- The Government presented on Oct. 2014 an A**nnual report to the Parliament** (ex. art. 6 D.L 66/2014).
- As regards the direct effect, more than **€36.2 bn were collected during the period 2009-2012** and €13.1 bn in 2013, confirming the encouraging results in the efforts to curb tax evasion and tax fraud. Preliminary results for 2014 are also significant.
- As regards the indirect effect, the assessment of **revenue losses from non compliance** (the so called tax gap analysis) is estimated to be €91bn (**7% of GDP**).

Mobility and placement to the fore

- **Employees can be transferred** to positions with lower wages and **mobility becomes simpler** (administration consent no longer necessary for voluntary mobility; compulsory mobility within 50km).
- To facilitate supply/demand matching, **the Public Administration Department** will create a placement website.
- Existing Public Administration schools will be merged into one.
- Board members of independent Authorities cannot be reappointed for 5 years following the end of their term.
- Perks reduced by at least 20% for independent Authorities by July 2014.

Further steps (1/2)

- **Digitalisation** of administrative proceedings: almost all public administration documents available on line.
- **Rationalisation of front offices** to increase the efficiency of contact points with citizens and businesses.
- **New career paths for Directors and Unit Heads,** more closely linked to accountability criteria. Changes in recruitment criteria and creation of '*ruolo unico*'. Number of Unit Heads linked to staff size and standard needs.
- Streamlining ***Conferenza dei Servizi*** (inter-institutional planning body) so to shorten the authorisation process.
- New measures for **fighting corruption** in public offices.

Further steps (2/2)

- **Improve government decision making** by strengthening the steering power of the Prime Minister.
- **More efficient central government**: *i)* shared management of support services (ICT information services, payroll, etc.); *ii)* reduction of Minister's Cabinet staff; *iii)* elimination of overlappings in police services; *iv)* reorganisation of decentralised offices of central government: Prefectures will become State Territorial Offices.
- Reorganisation of **Chambers of Commerce**.
- **Best use of ICT** ensured to make digital citizenship effective and improve efficiency.

SOE’s rationalisation plan (1/3)

- Starting from 2015, local administrations (with more than 5.000 inhabitants) are due to **consolidate their budget** with the results of their owned companies.
- In **case of negative profits**, local administrations must put aside part of their funds in order to balance the SOE’s financial losses. This practice will be fully enforced by 2018.
- In **case of permanent losses**, the SOE’s management board is sanctioned with cuts in remunerations (by 2015).
- **By 2017**, local administrations will be forced **to sell SOEs** with negative profits registered in the last 4 years.
- **Revision of the disclipline** in the Draft Enabling law on PA.

SOE's rationalisation plan (2/3)

- A reorganisation of companies owned by local governments has started with the **Stability Law 2015**.
- A **rationalization plan** for subsidiary companies must be defined by March 2015 and implemented by Dec. 2015.
- As for local public services, municipalities must adhere within March 2015 to a **broader territorial entity** in charge of managing the service locally aggregating neighbouring communities.
- In case of non-compliance, Regions have substitutive powers.

SOE's rationalisation plan (3/3)

- The broader territorial entity must draft a report containing also the **economic and financial plan**. In case of in-house assignment, the economic and financial plan must specify the equity capital invested as well as the amount of debt.
- For the **in-house assignment**, local entities must set aside pro-quota in the first budget (and after each 3 year period) a sum equal to the equity capital needed for the period, as well as draft a **consolidated budget** (Stability Law 2015).

The Agenda for Simplification (1/3)

- The Agenda for Simplification 2015 – 2017 sets actions, responsibilities, deadlines and expected results for each of the 5 sector of interventions.
- **Digital citizenship**: make sure an increasing number of services are provided online and that information of interest for citizens and businesses is accessible via the internet using tablets and smartphones.
- **Health and welfare**: simplify obligations for disabled people; make sure all citizens can schedule their health appointments online or by phone and access medical reports on line or at pharmacies.

The Agenda for Simplification (2/3)

- **Taxation**:reduce time and administrative costs resulting from tax obligations, starting with the implementation of prefilled income tax returns (April 2015) and other recently adopted simplification measures.
- **Construction**: reduce time and costs of construction-related procedures though actions such as those aimed at ensuring that dedicated one-stop-shops are fully operational as well as assess the implementation of already adopted simplification measures.

The Agenda for Simplification (3/3)

- **Business**: reduce time and costs for starting and operating a business through a number of actions such as providing experts' help in dealing with complex procedures, making sure one-stop-shops provide assistance for productive activities and environmental procedures, reducing the time of conferences of services.

Enabling Law on reforming labour market (1/2)

- The enabling law on reforming the labour market contains five issues to be implemented by June 2015.
- **Strengthening ALMPs:** better coordination between active and passive labour market policies even through the creation of a National Agency and the strengthening of public private partnership; rationalisation of tax incentives to self-employment and employers.
- **Unemployment insurance and benefits**: unemployment benefits extended to all workers and conditioned to active labour search; tightened criteria for the wage supplementation schemes in case of firm shutdown.

Enabling Law on reforming labour market (2/2)

- **Rationalisation of contractual arrangements**: streamlining the labour code with a revision of employment contracts; introduction of a new open ended employment contract with increased flexibility and the sole economic indemnity in case of economic dismissal.
- **Simplification** and digitalisation of administrative procedures specifically related to hiring and employment.
- **Work-family conciliation**: enhanced childcare and eldercare services, extension of the maternity leave, improved work-life balance measures within the national collective agreements

Inner areas strategy (1/3)

- Financial contributions and coordination between cohesion policy and structural reforms:

✓ To reverse the tendency toward the abandonment of inner areas, the cohesion policy interventions for local development projects have been made consistent with structural reform action of essential services (Education, Health and Transport): i) endorsement Partnership Agreement (29 October 2014); ii) Stability Law 2014.

Inner areas strategy (1/3)

- **Project – areas selection**: 53 project – areas in 16 Italian regions are being selected on the basis of objective parameters (distance from essential services, demographic crisis, fragility of the territory) and on the ability to promote municipal associations; 19 have already been definitely selected.
- The **intervention will be focus** on about 3% of the national population which takes up about 15% of the national territory.
- 8 prototypal projects-areas whose intervention Strategy need immediately to be set up have been identified.

Inner areas strategy (3/3)

- **Project - areas Strategies**: Area Strategy Guide Lines have been approved and shared. **Local development projects funded by 2014-2020 European Structural and Investment Funds**: financial contributions have been allocated in operative regionals programmes and in rural development programmes. **Educational, health and transportation interventions**: potential actions have been identified in coherence with the structural reforms (i.e. *Patto per la Salute* July 2014, *La Buona Scuola* Sept.2014).
- **Implementation phase**: The Framework Programme Agreement will take placed by Sept. 2015 (Delibera CIPE *attuanda*).

New financing channels for SMEs

- **Insurance companies and Funds are highly involved** in expanding the **mini-bond market for SMEs**.
- **Insurance companies** can invest up to 3% of their technical reserves in: i) bonds issued by unlisted companies, including mini-bonds; ii) securitised mini-bonds (ceiling raised to 5%); iii) single alternative funds specialised in mini-bonds (up to 10% for the whole class ‘Alternative Investments’); iv) grant credit directly to firms.
- **Easier access by foreign investors**: the withholding tax on interest and revenues from medium-long term financing provided by foreign investors (banks, credit funds and insurance companies) is now abolished.

More institutional players

- Two **agreements signed with the EIB** to finance SMEs, infrastructure projects, education and employment.
- Extended to end of 2014 the **agreement with the banking association** (more than 25,000 requests for **debt renegotiation** considered for €9.6bn; €1.1bn estimated new liquidity for SMEs).
- ABI and CDP Protocol triggers further 5bn for the ‘Platform for Businesses’.

Support to credit

- Broader role for CDP for investment in the real economy (e.g. by managing a fund for firms in need of restructuring).
- The **Central Guarantee Fund** provides important State guarantees on bank loans to **SMEs**.
- **€100m of the Guarantee Fund devoted to cover the risk of first loss** in industrial innovation projects applies to all sizes of enterprises (from Large to SMEs), by which the EIB will trigger a loan portfolio of €500m.
- Fund investment policy expanded to include mini-bonds.

Easier access to capital markets

- Development of **capital markets** fostered by the 2012 launch of the "Alternative Investment Market" (AIM), a segment of the stock market offering faster listing procedures to SMEs.
- **Easier Stock Market Listing for SMEs**: i) multiple-voting shares; ii) minimum capital reduced; iii) threshold for disclosure of ownership increased from 2% to 5% of shares.
- **Enhanced access to capital markets**: i) elimination of withholding tax on interest and revenues from unlisted bonds in private placements; ii) extension of substitute tax to sales of guaranteed receivables; iii) reduction in taxes on collateral securities, in particular mortgages.

Fast growth of the ‘mini bond’ tool

- The use of **mini bonds** is growing fast among SMEs wishing to enter capital markets in the context of credit tightening.
- Over the two months between June and mid-August 2014, as many as **26 SMEs issued mini bonds** for an amount of about **€1bn**. Issuance amounts range from a minimum of €5m to a maximum of €200m.
- New rules introduced by the ‘Competiveness decree’ are expected to strengthen these results.

More incentives to recapitalise firms

- The **allowance for corporate equity** (ACE) was strengthened to further increase the tax deduction for new equity contributions to the capital structure of firms.
- **Further measures strengthening the ACE**: i) the tax deduction granted to new equity contributions is increased by 40% over 3 years to ease funding through the stock market ('super ACE'); ii) part of the notional yield that cannot be deducted from IRES can be transformed into a tax credit against IRAP due.
- In 2012 ACE's beneficiaries were **239,000** for a total amount of €4.2bn (doubled with respect to 2011).

ACE effects on Corporations leverage

- **Corporations** represent **63,6%** of all ACE beneficiaries and 77,5% of the overall ACE amount.
- Over the period 2010 – 2012, the number of corporations with a **sound financial structure** has **increased by 12%** and the corporations with **fiscal imbalance has declined** by 7%.
- Corporations **with revenues up to €50.000** show a reduction of leverage - i.e. (equity + debt)/equity - by 0.4 pp.
- Corporations exceeding this revenue are less affected by the measure: the leverage reduction lies between 0.15 and 0.22 pp.

Policy effects on innovative start-ups

- **3,208 innovative startups registered at January 27**, in the section of the Register of Companies, of which over 2,000 established after the entry into force of the D.L.179/2012 (20 October 2012). The certified incubators are 32.
- **Central Guarantee Fund**: 305 applications submitted in favour of 247 **innovative startups** (all accepted or being accepted). From September 2013 to November 2014, the Fund has granted €97.6m of guarantees for a total credit of about €124m.

Governance reform of cooperative banks

- The Gov.t decree envisages the **transformation into joint-stock** for: i) companies of Italian cooperative banks with assets worth more than €8 bn; ii) parent companies of banking groups with assets in their consolidate balance sheets worth more than €8 bn.
- Bigger banks with international exposure must **remove** by July 2016 **their 'one share one vote'** governance rule and become joint-stock companies.
- **If not**, the Bank of Italy will step in to prevent that the bank continue its activity and ask to revoke the banking license or seek the compulsory winding up of the bank.

Public procurement (1/3)

- €3.9bn financing for **Fund for Infrastructure** up to 2020 will be used for public works opening within 10 months.
- The appointment of a Commissioner for **railways infrastructure** will speed up procedures for the approval of infrastructure works bypassing approvals by MIT, CIPE and Corte dei Conti.
- **Broader mandate for CDP** to cover funds coming from the postal raising (‘*gestione separata*’). Use of resources is extended to intervention in the following sectors: energy, R&D, education, environment and real estate.

Public and private funds (2/3)

- **50% tax credit** on IRES and IRAP for all public works within the lower and upper thresholds €50–200bn.
- Measures have been introduced to broaden **the use of project bonds** and give greater flexibility to transfers among investors. Same fiscal treatment of government bonds made permanent.
- In case of **inertia of Public Administrations** in the implementation of plans and programmes related to EU Funds, the Prime Minister can propose to CIPE the **de-financing and reprogramming of resources**, also by attributing resources to another level of government.

Simplifications (3/3)

- Simplified communication for **building maintenance works**, provided that structural parts of the buildings are not involved.
- Duration and terms of rental contracts with **an annual rent of more than €150,000** for commercial and touristic locations are completely liberalised.
- **Public infrastructure projects** that exceed the minimum security standards set at the EU level must be accompanied by an economic and financial sustainability analysis.
- Procedural simplification for agreements (*Accordi di Programma*) for the re-use of public buildings.