



Presidenza del Consiglio dei Ministri

Lisbon Strategy

National Reform Programme

Second Implementation Report

Rome, 23 October 2007



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This Report was prepared by the technical Committee of the Ministerial Committee for EU Affairs (“CIACE”) under the co-ordination of the Department for EU Policies, Presidency of the Council of Ministers.

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INTRODUCTION AND EXECUTIVE SUMMARY

This second report on progress made in implementing the NRP illustrates the progress made in action planned by the Italian government in implementing the Lisbon Strategy, and identifies strategic priorities for pursuing and strengthening economic policy action aimed at fostering growth.

As well as referring to the objectives described in the first report,¹ this second report introduces additional objectives based on comments from the European Council on 8-9 March 2007: on the one hand, European energy policy and commitment to climate change; on the other, ongoing improvement in the competitive scenario, including by reducing administrative charges facing companies.

Structure

This report follows the guidelines indicated by the European Commission, in that it is divided into sections dealing with macro-economics, micro-economics, and employment policies/social protection, and identifies specific sectors for action. In this way, the report structure aims to provide a framework that will facilitate the monitoring and assessment of the policies described in it.

Part 1 provides a review of trends in the Italian economy and public finances in 2007-2008, and describes the medium-term planning outlook with particular reference to the 2008 budget manoeuvre.

Given the strong, programmatic unity between macro-economic and cohesion policies, the latter have been analysed in the first part of the report, along with policies on justice and security, which are recognized as having an across-the-board impact in terms of the competitiveness and macro-economic scenario of the country. On the one hand, cohesion policy implemented with EU and national funds aimed at combining the objectives of reducing regional disparities with those of growth, generates significant synergies with policies for reform. On the other, conditions of legality do not merely improve citizens' quality of life, they are also vital ingredients for promoting social, cultural, economic and entrepreneurial activities.

Expanding the area of free choice for citizens and companies, research and technological innovation, improving provision of infrastructure, protecting the environment, and energy policies are the most important micro-economic areas requiring action, and accordingly are analysed individually in the second part of the report; the specific contribution made by the cohesion policies is highlighted for each sector, in order to demonstrate the synergies generated.

Policies on employment, training, education, and health are dealt with in part 3.

¹ While confirming the five intermediate objectives identified by the Plan for Innovation, Growth and Employment ("Piano per l'innovazione, la crescita e l'occupazione", or "PICO") in October 2005 to improve the functioning of markets, promote R&D, increase participation in employment, strengthen infrastructure and protect the environment, the first report nonetheless sought to bring about a "strategic discontinuity", by introducing, in line with the comments of the European Council in March 2006, four new priority areas with a view to accelerating and improving the quality of growth, i.e.: unlocking the potential of SMEs, investing in R&D, creating more jobs, and achieving an efficient, integrated energy market.

This second report, like the first, takes account of the measures aimed at implementing the Lisbon policies contained in the draft Budget Law for 2008, which was presented to Parliament at the end of September. The definitive version of the Budget Law, the procedure for approval of which goes beyond the date on which this report is due for submission to the Commission, may differ from the draft law as a result of amendments to be made at the parliamentary debate stage. Equally, the report reflects the economic policy sector measures provided for in the protocol on welfare, in the form in which they were submitted to the Parliament for discussion. This will also enable a subsequent update on the definitive content of the overall economic policy manoeuvre for 2008 to be provided more promptly, once the parliamentary process has been completed.

Regarding regional issues, this second report devotes a section specifically to “Regional Planning and Lisbon Strategy”, and provides an annex describing the individual contributions made by fifteen out of the twenty regions plus that of the autonomous province of Bolzano, in addition to the most significant instances of best practice, as was the case in the previous edition of this report.

Finally, an additional report is attached on the issue of “Women, Innovation and Growth”, with a view to launching an extraordinary channel to make government action in the area of female employment more effective, given the continuing low levels of participation by women in the labour market in Italy and the gap still to be closed vis-à-vis the Lisbon objectives in this area.

Governance

This second report has been drawn up consistent with the governance scheme adopted last year pursuant to Law 11/05, with many different central and regional administrations involved in accordance with the method of co-ordination required by the European Union. The role of providing policy direction on the Lisbon Strategy has been assigned to an inter-ministerial committee for EU affairs, or CIACE, chaired by the Minister for EU Policies, whereas the report has been drawn up in the course of numerous meetings by CIACE’s permanent technical committee, which is responsible for co-ordinating the competent administrations for this purpose.

Parliament has been kept informed of issues relating to Lisbon on a regular basis. The Minister for European Policies – and National Lisbon Co-ordinator – illustrated developments in the Strategy on two occasions, on 3 April and 31 July 2007, in speeches made to the XIV Commission of the Chamber of Deputies.

The national dimension of relations with the Commission and Council is complemented by the multi-level government dimension with reference to the regions, and with the involvement of social parties.

Contact with the regions and other local autonomies has been constant and non-formal. One opportunity for discussion and co-operation on issues relating to implementation of Lisbon was a hearing with the Minister for European Policies at the meeting of the State-Regions-Local Autonomies conference in its EU session on 1 August 2007.²

As a further witness to the involvement of the regions and autonomous provinces in finalizing the report on the state of progress made in implementing

² As provided under Article 5 of Law 11/05. In 2007 a first meeting of the State-Regions conference in EU session was held on 22 February.

the NRP, CIACE's extended permanent technical committee met on 12 September 2007, when the representatives of the regions and autonomous provinces expressed their satisfaction at their increasing level of participation in the Lisbon planning process, and the contributions of the individual regions on their planning strategies were collected on this occasion, along with their general observations on an initial draft for discussion which the regional representatives presented in unified, shared form. These contributions are attached as an annex to this report, as mentioned above.

Consultations with the social parties, through the institutional offices of the National Council for the Economy and Labour ("Consiglio Nazionale dell'Economia e del Lavoro", or "CNEL"), were held on two separate occasions: during the XI working session between the government and social parties held on 16 April 2007, when discussion focused on the issues of reforms for the single market, innovation, and energy; and during the visit of the European Commission country team to Italy on 6 July 2007, when the social objectives of the Strategy and reforms of the labour market and welfare system were given priority, with particular reference to the issue of flexicurity.

Finally, the report was discussed by the Inter-ministerial Committee for European Community Affairs, and approved by the Council of Ministers on 23 October 2007. The report will subsequently be sent to the Parliament and office of the President of the Republic, and presented at the State-Regions Conference.

Recommendations by the Council and policy responses

It is clear from the report that the planning choices and sector policies adopted by the Italian government are geared towards both the national priorities defined in the NRP and the priority areas established by the European Council: with the main objectives being economic growth, restoring the country's finances, achieving social equity and progress in opening markets, and action in the areas of research and development, education, provision of infrastructure, energy and the environment.

Taken together, the measures show that the government has acted in accordance with the co-ordinated guidelines for intervention, and also provide a dynamic framework and medium-term perspective within which to locate the effects of structural reforms. This unified strategy emerges clearly from a reading of the report, which monitors the policies being implemented, and analyses new action currently being reviewed by Parliament.

Analysis of the report shows that the Italian government's economic policy takes account of the comments made by the European Council on 27 March 2007. In giving a positive assessment of the progress made by Italy in implementing the NRP, the Council also made several recommendations, which the report seeks to respond to in detail.

The policy responses are summarized below, by way of an introduction to the more detailed analysis to be provided in later sections:

1. *Pursuing a rigorous fiscal recovery policy to ensure the public borrowing/GDP ratio begins to reduce, and fully enacting reforms to the pension system in order to guarantee sustainable public finances over the long term*

Recovery of finances is one of the three pillars of the Italian government's economic policy, along with growth and equity.

According to the planning framework, which was updated to end-September, the public administration's net borrowing in 2007 stood at around 2.4 percent of GDP, one-tenth of a percentage point lower than the figure estimated in the DPEF and better than the result posted for 2006. At the same time, the trend in the structural balance, i.e. adjusted for the present cycle and net of one-off measures, fully reflects the commitment entered into at European level to reduce the deficit in 2006-2007: the cumulative adjustment amounts to 1.8 percent of GDP, i.e. 0.2 percentage points more than required by the Ecofin recommendation in July 2005.

For 2008 and the subsequent years, despite growth estimates for the Italian economy having been revised downwards due to recent turbulence on financial markets, the government has confirmed the targets for public finances provided in the 2008-2011 DPEF. Such targets are in line with the commitments entered into with the European Union, which provide for gradual convergence towards breakeven by 2011. Public borrowing is expected to gradually decrease as a percentage of GDP reaching 95.1 percent by 2011.

To help improve the quality of spending and at the same time in order to pursue its financial objectives more quickly, the government has launched a long-term programme, the two key points of which are resuming the process of reforming state finances and carrying out a review of public spending. This programme is in line with the revised Stability and Growth Pact, which focuses not just on balances but also on the quality of public finances, as part of a wider-ranging process aimed at improving the efficiency and effectiveness of public spending.

Insofar as the pension reform is concerned, at the Council of Ministers held on 12 and 17 October 2007 a draft law was approved, enacting the welfare protocol signed by the government and social parties on 23 July 2007. In terms of content, the draft law tackles six major issues, one of which is pensions. To summarize, according to the method of estimating spending on pensions used by the state's general accounts department, from a financial viewpoint and with reference to spending on pensions as a percentage of GDP, the amendments together should lead to an increase in spending as a percentage of GDP in the short term, starting from 2009, and reach a high in 2011 (up approx. 0.1-0.15 percentage points of GDP) before gradually reducing to zero starting from 2030-2035.

(For more indepth analysis, cf. part 1 section 1, and part 3 section 2)

2. *Continuing on the road to reforms already announced, in order to increase market competition for products and goods*

Particular attention has been devoted to the services sector, which in Italy accounts for 70 percent of value added. The low levels of productivity in this sector have led to initiatives being taken to improve the competitiveness of companies and make them more productive.

The liberalization measures introduced under Laws 248/06 and 40/07 have abolished restrictions on competition, increased transparency in the market and competition between operators, eliminated useless bureaucratic procedures, and simplified the lives of businesses and citizens. The powers of antitrust authorities and sector watchdogs have also been strengthened.

The measures have affected the basic services of the country, such as banking and insurance, the regulated professions, commercial distribution, bread production, taxis, telephony, sale of medical products, transfer of ownership, fuel prices, air tariffs and mortgages; and further measures have been adopted to facilitate the launch of businesses and professions.

One year since the first package of liberalization laws was launched, and six months since the second, a preliminary assessment can be made of the measures launched by the government and their effects in economic terms. The overall picture reveals many aspects that are highly satisfactory. The individual measures have met with considerable success among consumers, and led to the start of a “virtuous” process of competition between operators, in particular in sectors such as third-party motor liability, mobile telephony, air tariffs, and banking service costs.

Still on the subject of unrestricted circulation on the internal market, the transposition phase for Directive 2005/36/CE has been completed regarding the recognition of professional qualifications. The Legislative Decree transposing the directive will be submitted to the Council of Ministers for final approval.

(For more indepth analysis, cf. part 2, section 1.6)

3. *Reducing regional disparities in terms of employment, tackling illegal labour, strengthening childcare services, and ensuring employment services throughout the country*

Reducing regional disparities in terms of employment is a priority for public policy with a view to overall growth in Southern Italy. The government has pursued this objective through action to tackle illegality, restore conditions for social development, and relaunch entrepreneurial activity and employment.

In this respect, the first action carried out by the government to support growth and reduce the gap between different regions has been to reduce social security charges for labour. The tax and social security burden has been cut by an aggregate five points as a percentage of total pay, with 60 percent of the benefits accruing to companies (three points) and 40 percent to workers (2 points).

Specific attention has been devoted to the issue of female employment in Southern Italy. A further reduction in the tax wedge has been provided,

for example, for companies employing women in regions where the net unemployment rate is more than 100% of the EU average, and where female unemployment is higher than male unemployment; this leads to a saving of between €150 and €170 per month for employers.

(For more indepth analysis, cf. part 3, section 1)

Female employment remains one of the government's main areas of priority action for the next few years.³ The measures provided for under the draft 2008 Budget Law, in addition to confirming increased subsidies for companies employing women in Southern Italy, include action to support flexible working arrangements, linked to the need to reconcile work and family commitments. The Directive for implementing, monitoring and assessing the government manifesto issued by the President of the Council of Ministers on 7 March 2007 devotes ample space to construction of an adequate and effective network of services and provisions diversified across the country, with particular attention to reducing the regional gap in terms of supply. Development of the network of services also represents a response to the objective to strengthen policies for families, in particular instruments for reconciling and supporting women in the workplace and seeking to encourage an increase in the birth rate.

(For more indepth analysis, cf. part 3, section 3)

The “Service targets” project also goes towards increasing the offering of services for infant childcare: this project occupies an important role for implementing the Lisbon strategy among the innovative objectives contained in the 2007-2013 national strategic framework (“Quadro strategico nazionale”, or “QSN”), i.e. removing the persistent difficulty in providing collective services in essential areas for citizens and companies. This has a horizontal impact, in the sense that it affects sectors included among different priorities.

(For more indepth analysis, cf. part 1, sections 3 and 4)

Government activity has also concentrated on the objective of renewing employment services (“Servizi per l’Impiego”, or “SPIs”) and making them more effective. The main purpose of this systemic action is to strengthen the role of SPIs in the labour market, and to open networks to other entities present locally, thus reducing the disparities between regions and improving the quality of services offered.

(For more indepth analysis, cf. part 3, section 2)

As part of attempts to bring black market and illegal labour to light, the government has issued measures concerning advance notice of commencement, cessation and alteration of working arrangements to the employment services, and has increased administrative sanctions. A national task force for uncovering black market labour and a fund for uncovering black market labour have been established, and committees for uncovering black market labour (“Comitati per l'emersione”, or

³ For more general information and indepth analysis of the issue of female employment and equal opportunities, see the document on these issues attached to this report (cf. additional report on “Women, innovation, growth: initiatives for employment and quality of work for women forming part of the Lisbon objectives”).

“CLES”) strengthened. Intensified inspections play a fundamental role in this area.

(For more indepth analysis, cf. part 3, section 1)

4. *Aiming at a strategy for lifelong learning, improving the quality of education and ensuring it is adequate for the labour market*

Italy has launched a strategy aimed at improving the quality of education and professional training, which at the same time should ensure a high degree of social cohesion. Adoption of professional, training, recognition and certification standards for skills consistent with the European Qualifications Framework (EQF) constitutes a priority axis in the PON drawn up by the Italian Ministry of Labour and financed by the European Social Fund for the 2007-2013 period. The national framework of qualifications should be finalized by end-June 2010, whereas operational transposition of the standards in the different regions should be complete within the following 12 months.

Current directions in education policy, most of which were adopted under the 2007 Budget Law, reflect various lines of action to bring about quality and equity in the system. Some of the most important include continuing compulsory education until the age of 16 (i.e. ten years' compulsory schooling), and expansion of pre-schooling offered to make the overall system fairer.

In the knowledge that education can make a decisive contribution to the resumption of the increase in productivity, and enhance the nation's social mobility as well as increasing the “welfare” of individuals, in the course of the year the Ministers of Education and of the Economy and finance have prepared a “White paper on schools” with a view to identifying action required to improve schools' results and pupils' skills, and the rationalization necessary in order to finance it.⁴

Finally, the sizeable contribution made by the European structural funds earmarked for schools in the Objective 1 regions to achieving the Lisbon objectives should be emphasized. The “School for Growth” PON for the 2000/2006 period, despite the limited financial resources available, has been entirely devoted to action aimed at achieving reductions in the number of pupils leaving school early, teacher training, development of a knowledge-based society and supporting a system of lifelong learning through wide-ranging intervention in adult education.

(For more indepth analysis, cf. part 3, section 3)

⁴ The White Paper was officially unveiled on 21 September 2007.

Along with the recommendations, this report also takes into account the “points to watch” identified by the Council for attention by Italy:

1. *Improving strategy in R&D, which, despite the progress made in specific areas, remains incomplete*

Research and development (R&D) activity is a priority among policies for growth. In order to bring correction to basic weaknesses in the system, the Italian government has implemented various structural measures: renewal and strengthening of the governance of the system and co-ordinating functions (reorganization of public research bodies, inter-ministerial agreement to support European research initiatives); approval to set up the national agency for assessment of university and research (“Agenzia Nazionale di Valutazione dell’Università e della Ricerca”, “ANVUR”); and introduction of an extraordinary plan to recruit researchers to work in universities and public research bodies.

Other measures were introduced with the 2007 Budget Law, to stimulate enhanced research and innovation activity: established of FIRST, the Fund for Investment in Scientific Research and Technology, with additional funding of €960m for 2007-2009; tax credit to be assigned to companies for the 2007-2009 period, up to 10 percent of the costs incurred, rising to 15 percent for contracts entered into with universities and public research entities, in accordance with EU provisions governing state aid in this area currently in force. The government has sought to strengthen this measure further in the draft 2008 Budget Law, by suggesting an increase in the tax credit from 15 percent to 40 percent, and raising the upper limit on spending from €15m to €50m.

Additional instruments that can contribute to empowering the country’s competitive capabilities are the strategic programmes and technological districts.

The strategic programmes were conceived as an integrated and organic set of measures for research, which feed each other in their respective pursuit of short-/medium-term objectives.

As at the deadline on 30 September 2005, a total of 744 project ideas worth a total of over €10m had been received. A total of 117 out of the 130 projects presented to date have been admitted to financing. Technological districts are newly-conceived operating models which enable large, small and medium-size businesses to co-operate in high-innovation fields. The objective is to make regional governments into promoters of research action for the social and economic growth of their regions. Districts have been launched or are being launched in 18 regions, and following specific tenders, 38 projects have qualified for funding.

The government has implemented a programme of industrial policy called “Industria 2015”, which it intends to use to launch a new strategy for industrial policy, the objective of which is to marry the need for overall strengthening in the business system, and that of SMEs in particular, with seeking to promote structural development in the productive system by favouring arrangements that are more compatible with the new competitive scenario.

Initiatives planned as part of regional policy are closely linked to overall policy for innovation and competition developed at national (and

regional) level with a view to complementing ordinary policy so as to provide a unified industrial policy strategy.

Of all the action undertaken to support the research and innovation priorities, action co-financed by the European structural funds as part of the National operating programme for the 2000-2006 period reflects an overall commitment in terms of funding amounting to more than €3bn. More emphasis will be put on this strategy for research, innovation and competition in the new consolidated programme of national and EU resources drawn up in the 2007-2013 QSN. Priority research for the regions of Southern Italy alone accounts for around €14bn.

(For more indepth analysis, cf. part 2, section 4)

2. *Adopting effective measures to provide greater sustainability in healthcare services*

For 2007, planning instruments for healthcare planning included in recent Budget Laws have made provision for: (i) use of plans to bring spending back into line; (ii) appointment of an external commissioner to execute deeds; (iii) possible application of sanctions in the form of automatically increasing tax rates up to the maximum amount, in the event of certified operating imbalances. The present year has thus benefited from measures adopted by the regions to cover shortfalls relating to 2005 and 2006 so as not to incur sanctions, and from shares in the revenue proceeds from the same period deriving from application of said sanctions. Above all benefit is being derived from measures to contain public spending launched under the 2007 Budget Law and from plans to cut spending agreed with regions in difficulty.

The total amount of funding made available to the national health service (“Servizio Sanitario Nazionale”, or “SSN”) was established in the context of the New Pact for Health initialled by the government and regions in September 2006. Following the above measures, growth in healthcare spending should slow for the present year to a rate of just over 2 percent and reduce by approx. two-tenths of a point as a percentage of GDP compared with the figure recorded in 2006.

(For more indepth analysis, cf. part 1, section 1)

3. *Promoting sustainable use of resources, an area in which it is vital to implement and strengthen further measures*

The 2008-2011 DPEF underscored the important role to be played by environmental sustainability and the strategic nature of work in the area of protecting nature and bio-diversity, reducing waste production levels, and providing incentives for integrated resource management.

Italy has also recently prepared its first progress report on implementation of the European strategy on sustainable development, adopted by the Council of Ministers on 15 June 2007 and sent to the European Commission. This report contains description of measures taken to conserve and manage natural resources, with reference in particular to water, land and integrated waste management.

The government is also finalizing the methods of operation for the three Funds through which new resources have been made available for sectors considered to be strategic:

- Fund for sustainable development: this will receive an injection of €25m per annum for the 2007-2009 period
- Fund for sustainable mobility: this will have €90m per annum for the 2007-2009 period
- Revolving fund for implementation of Kyoto Protocol: a total of €230m is to be set aside in 2007, €200m in 2008, and €200m in 2009.

Numerous measures for energy efficiency and use of renewable sources have also been initiated, and research and development projects launched. Finally, regarding system-impacting measures to protect the environment, a National Action Plan on Green Public Procurement has been drawn up, which makes provision for adopting measures aimed at integrated the need for environmental sustainability into procedures for sourcing goods and services of the competent administrations.

(For more indepth analysis, cf. part 2, section 7)

4. *Implementing restructuring plans for infrastructure*

Italy intends to continue in its efforts to step up the implementation of the priority projects identified in the 25-state EU European masterplan for transport infrastructure and the master plan for infrastructure to connect neighbouring countries.

The projects contained in the annex to the 2008-2012 DPEF refer in particular to the following priority projects identified under decision no. 884/2004/CE:

- Corridor 1: Berlin – Verona – Bologna – Rome – Naples - Reggio Calabria – Palermo railway axis
- Corridor 5: Lyons – Turin – Milan – Trieste – Ljubljana – Budapest railway axis
- Motorways of the Sea, which as far as Italy is concerned refers to the Western Mediterranean basin and the Eastern Mediterranean
- Two Seas corridor, with reference to the Genoa-Rotterdam railway axis.

Implementation of these projects will be pursued with both national and EU funding from the 2000-2006 and 2007-2013 programmes.

As part of the 2007-2013 programme of TEN-T funds, Italy has confirmed that its priorities for action were the sections it is responsible for out the projects listed above. The national strategic framework provides for two types of infrastructure: trans-border stretches with France, Austria and Slovenia; and national sections which would allow bottlenecks on the railway network to be removed.

For the first type, total investment over the 2007-2013 period amounts to €2,812.5m, €941.7m of which is to come from European funds. For the second, total expenditure for the 2007-2013 period is estimated at €8,275.5m.

For Southern Italy, the unified, Italian and European, regional policy in Southern Italy has the objective of increasing the region's

competitiveness, through strengthening its tangible transport infrastructure.

Funds made available through the 2000-2006 Community Support Framework (“Quadro Comunitario di Sostegno”, or “QCS”) and the Fund for Under-Utilized Areas have allowed significant results to be achieved in terms of improving the mobility of freight and passengers in the regions of Southern Italy. As part of the 2007-2013 National Strategic Framework, Italy is intending to pursue and strengthen this policy with a view to reducing the infrastructure divide between the north and south of the country.

(For more indepth analysis, cf. part 2, section 6)

5. *Strengthening and implementing a global assessment system for proposed regulations*

In order to improve the competitiveness of the economic system, and in line *inter alia* with action at EU level, government intervention will continue to focus on cutting red tape for citizens and companies. Accordingly, work has continued on codifying and simplifying substantial regulations in different sectors.

In 2007, government action to simplify and improve the quality of regulation was marked by a concrete initiative to launch an inter-ministerial Committee for direction and strategic policies to simplify and improve the quality of regulation, chaired by the President of the Council of Ministers himself or the Minister for Innovation and reform.

The Committee benefits from the technical support of the “Simplification Unit” (“Unità per la semplificazione”, or “USQR”) established on 12 September 2006.

The 2007 PAS, drawn up by the Committee with the help of the USQR, was approved in mid-June 2007.

The strategy outlined in the PAS focuses on six main areas of activity: i) reducing administrative expenses, ii) structural mechanisms to improve the quality of regulation; iii) control, review and update of regulation quality indicators; iv) reduced, clearer timescales; v) re-engineering of procedures; and vi) streamlining of regulatory and administrative activity by regional authorities and local institutions.

(For more indepth analysis, cf. part 2, section 1)

6. *Energy policy*

With reference to the priority areas identified by the Council, finally, action taken by Italy in the area of energy policy has been highlighted. Italian energy policy is aimed at relaunching and completing the liberalization process in the energy sector, and promoting energy efficiency and development of renewable sources with a view to ensuring security of energy provision and contributing to the fight against climate change. The Action plan for energy efficiency was presented in August 2007.

In the course of 2007 liberalization measures have been enacted that were introduced by Law 40/07, containing provisions for protecting consumers

and promoting competition. Italy is committed to implementing energy policies aimed at incentivizing use of renewable sources, including through the “Industria 2015” programme and a dedicated programme as part of the 2007-2013 national strategic framework.

Regional policy, in conjunction with the sizeable commitment made in terms of ordinary policy, plays an important role in supporting and qualifying investment in the energy sector, and makes a significant contribution to meeting the ambitious European objectives set in respect of renewable sources, energy savings and reduction of greenhouse gas emissions.

Given the commitments entered into by the European Council on 8-9 March 2007, and given the need to subdivide binding objectives adopted between member states, Italy has begun assessment of the national potential in terms of renewable sources and reduction of greenhouse gas emissions, and commenced a dialogue with the Commission in this area.

A wide-ranging dialogue between the central administrations involved, regions, private sector representatives and environmental associations has therefore been launched, which has led to a first document being adopted, setting out the government’s vision for issues linked to reaching the European objective on renewable sources, and contains a preliminary estimate of the maximum potential theoretically accessible for each renewable source.

(For more indepth analysis, cf. part 2, section 8)

Financial summary of reform policies and regional policy for priority Lisbon objectives

As in the previous report, the following two tables provide an overview of the various measures and funds set aside to finance them. The criteria according to which the measures have been organized reflect the national priorities under the NRP (table 1) and the priorities established by the European Council in Spring 2006 (table 2). This makes it possible to gain an overall idea of how Italian economic policies have been geared towards the Lisbon Strategy.

Both tables have been constructed on the basis of data contained in the assessment grid. The grid, again like last year, provides summary information of all the measures and projects geared towards Lisbon both in terms of anticipated impact and financing.

Clearly the level of detail in this assessment grid is very high, given that it illustrates a total of 217 different measures. This is why it is such a precious instrument, not just in terms of external reporting to the Commission, but also for internal purposes to enable ongoing monitoring of reform policies.

Alongside the assessment grid is another, smaller grid prepared in accordance with the new methodological framework put forward by the Lisbon Methodology Working Group (LIME WG) of the Economic Policy Committee, which will be submitted for review by Ecofin in December.

This second grid serves the purpose of providing an initial contribution to assessing the effects of the reform policies. For this reason it contains a selection and combination of the most significant measures from the point of view of the anticipated impact on certain key variables for growth and employment.

The overall amount set aside for the NRP priorities in 2008 is €63.5bn, representing a slight increase on the estimate made in last year's report.

Table 1
Funds earmarked for Lisbon Strategy until 2008 by NRP priority

	No. of measures	Funds set aside until 2008 (€m)
1. Extending area of free choice	40	2,507.94
2. Research and technological innovation	61	10,544.60
3. Increasing education, strengthening training and social inclusion, reducing disparities	75	14,914.89
4. Infrastructure	18	34,633.30
5. Environmental protection	20	923.37
Long-term fiscal sustainability	3	0.00
<i>Total</i>	217	63,524.10

Table 2
Funds earmarked until 2008 for priority action areas identified by Spring 2006 European Council

	No. of measures	Funds set aside until 2008 (€m)
1 Unlocking potential of businesses, in particular SMEs	29	222.10
2 Greater investment in knowledge and innovation	85	12,002.36
3 Increasing quality employment opportunities	53	14,437.13
4 Achieving an efficient, integrated EU energy market	7	123.70
<i>Total</i>	174	26,785.29
Protecting the environment	17	799.67
Infrastructure	20	34,713.30
<i>Total</i>	37	35,512.97
Others	6	1,225.84
Total	217	63,524.10

For 2007-08, estimated spending⁵ on investment programmes coinciding with the Lisbon priorities from the structural funds and the Fund for under-utilized areas for the country as a whole amounts to around €20bn, against a total volume of spending from the two sources of financing which amounts to €36.5bn.

A significant portion of the funding (around 75%) has been earmarked for Southern Italy.

⁵ The data contained in this paragraph refers to spending in the form of grants from the public administration, and hence differ from the figures shown in tables 1 and 2 which refer to amounts set aside in the state's accounts. Estimated spending for each NRP priority reflects the percentage of completion for infrastructure projects or production of services that go to make up the regional policy launched in 2000 and still being implemented, restated by sectors according to the five priorities. Around 70% is made up of programmes financed with structural funds, and 30% of action financed from the Fund for Under-Utilized Areas.

Action is aimed chiefly at upgrading tangible and intangible infrastructure and protecting the environment; around 35 percent is earmarked for training human capital, and policies for employment and social inclusion. Over 10 percent of funding is intended for the research and innovation sector (cf. table 3).

Table 3
Additional funding for 2007-2008, all Italy: estimated spending by priority

Priorities	Estimated spending	
	(€m)	% values
Extending area of free choice	684	3.5
Research and technological innovation	2,052	10.4
Education and training human capital	2,533	12.8
Infrastructure	6,009	30.5
Environmental protection	4,045	20.5
Policies for employment and social inclusion	4,397	22.3
Total Lisbon priorities	19,720	100

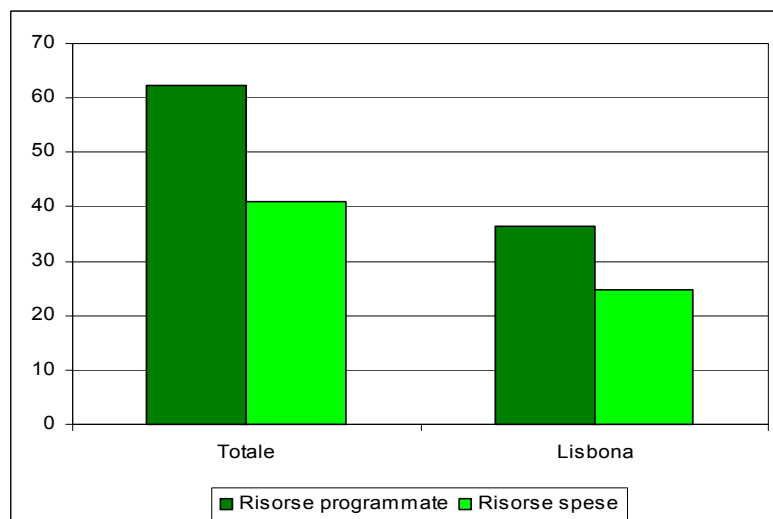
Source: Ministry for Economic development, Department for growth policies - Consolidated financial framework, 2008-2011 DPEF, and estimated monitoring data for structural funds/Fund for Under-Utilized Areas.

Note 1. For purposes of this compilation, total spending includes spending on training action, most of which is accounted for as current expenditure and hence is not included in the Consolidated Financial Framework.

The planning profile for spending from the structural funds shows a strong acceleration in 2007-2008, which is when the projects financed in 2000-2006 are due for completion. Around 30 percent of spending for the planning cycle is concentrated in the final stage, equal to approx. €30bn, around half of which is for action attributable to supporting the Lisbon objectives.

Figure 1

Planned funding and expenditure: total structural funds for Italy and funds earmarked for Lisbon, 2000-2006 (€bn)



Source: Ministry for Economic development, Department for growth policies based on Monit-IGRUE data. Structural funds comprise resources earmarked for objectives 1, 2 and 3 of EU planning for the 2000-2006 cycle.

As at year-end 2006, 60 percent of spending from the structural funds, including the 2000-2006 QCS, involved action attributable to the NRP priorities. In the 2000-06 period this involved €24.6bn, over €4.5bn of which in the final year, concentrated on infrastructure, training and action to support employment.

Table 4
Structural funds – payments in €m

	Earmarked at 31/12/06	Expenditure 2006
Extending area of free choice	828	155
Research and technological innovation	2,094	372
Education and training human capital	4,238	896
Infrastructure	7,108	1,458
Environmental protection	4,999	825
Policies for employment and social inclusion	5,380	860
Total Lisbon priorities	24,648	4,567
Total Structural funds 2000-2006	41,095	7,500

Source: Ministry for Economic development, Department for growth policies based on Monit-IGRUE data.

PART 1

MACRO-ECONOMIC POLICIES

1. TRENDS IN THE ITALIAN ECONOMY AND PUBLIC FINANCES IN 2007-2008 AND THE MEDIUM TERM

1.1 The Italian economy in 2007

In the first six months of 2007, the Italian economy showed relatively modest growth compared with the strong acceleration reported in the fourth quarter of 2006.

In the second quarter growth was driven by domestic demand, in particular by household consumption. Investment in production was driven by strong acceleration in investment in means of transport, up 9.9 percent, against a substantially flat year-on-year trend in investment in machinery, whereas investment in construction recorded a sharp downturn of 1.3 percent, after five consecutive years of expansion. In terms of external demand, exports and imports both fell for the second quarter in a row. Nonetheless, the prices of exports continue to reflect high values, as shown by the respective deflators.

For the second half of the year the most recent indicators remain positive. The degree of plant capacity usage is near its high, at 78.2 percent.

However, the result for the second quarter has led to growth estimates for 2007 being revised downwards slightly, by one-tenth of a percentage point, from 2.0 percent to 1.9 percent. Growth should continue to be driven by domestic demand in 2007. Consumption should speed up compared with 2006, growing at a rate of 2.0 percent, driven by positive trends in the labour market and boosted by an increase in real disposable income linked to the reduction in consumer inflation. In recent years there has also been marked expansion in the use of consumer credit by households. Investments in machinery will be less buoyant than last year, at 1.7 percent, as opposed to 2.6 percent, whereas investment in construction, on the strength of last year's healthy legacy, should continue to grow at a high rate of 3.4 percent, higher than the average recorded in the last five years.

As far as regards external demand, exports, which are expected to grow at 2 percent in terms of volumes, reflect a much more buoyant trend based on current values, of between 8 and 9 per cent, due to a strong increase in deflators which in part may reflect ongoing restructuring at Italian companies, with products being repositioned in higher brackets of the market. The net gain on exchange rates should produce a similarly positive effect on the current balance of payments, which has been declining progressively in recent years: indeed, the trade deficit should reduce significantly in 2007. Conversely, elements of caution persist in estimates for the present year due to the loss of competitiveness in terms of prices, and the ongoing decline in market shares on non-Italian markets in real terms. Against a slowdown in investment and in the light of the figure recorded for the second quarter, growth in imports also appears to have slowed compared with the previous year, from 4.3 percent to 1.8 percent. Increases in the price of raw materials for energy will impact on the prices of imports. On the supply side, growth will be driven by the private services and industry sectors.

With regard to the labour market, employment, as measured by standard units, should increase by 0.9 percent in 2007, slower than last year. This should be driven primarily by the services sector, up 2 percent, and the construction industry, up 4.2 percent. Units of labour employed in industry (in the narrow sense of the term) are expected to rise by 0.7 percent, which is high compared with the annual average recorded for the past five years, which reflects a decline

of approx. 0.3 percent. The unemployment rate should reduce compared to 2006, down to 6.0 percent. This reduction, equivalent to 7 tenths of a percentage point in just one quarter, is attributable to the increase in employment and a reduction in the supply of labour. However, this figure differs from region to region. Against an increase in the workforce in both Northern and Central Italy, of 0.4 percent and 0.9 percent respectively, the supply of labour reduced by 2.5 points in Southern Italy, with a 3.6 percent reduction in female labour and a 2.0 decrease in male employment. In the other macro-areas, the female component of the workforce was more dynamic than its male counterpart, growing by 0.7 percent compared with 0.4 percent, with the exception of North-East Italy, where it fell by 0.7 percent compared with the same period one year previously.

Labour costs should increase by 2.4 percent, while there should also be a recovery in terms of productivity due to strengthening of the productive system. The increase in the unit labour cost per product unit measured by GDP should be 1 percentage point lower than in 2006, at 1.3 percent as opposed to 2.3 percent in 2006.

Inflation as measured by the national index, or NIC, should show an increase of 1.8 percent, lower than the average for 2006 of 2.1 percent, helped among other things by the government's liberalization policies.

In the 2008-2011 DPEF presented on 28 June, the government had estimated its net borrowing for the current year at 2.5 percent of GDP, reflecting the effects of action finalized at the same time as the Document to support the weakest social categories and promote growth.¹

This new level represents an increase of two tenths of a percentage point compared with the estimate for 2007 contained in the Consolidated Report on the Economy and Public Finance ("Relazione Unificata sull'Economia e la Finanza Pubblica", or "RUEF") prepared in March, albeit without impacting on the recovery in public finances to which the government is committed.

The trend in public finances for the first eight months of the year has been positive. The state sector's requirements amounted to approx. €25.1bn, around €1.1bn below the figure for the equivalent period in 2006. This downward trend was borne out in the month of September, with an estimated state requirement for the first nine months of around €30bn, an approx. €14bn reduction compared to 2006. These lower requirements are due to changes in tax income being more favourable than had previously been estimated (with proceeds approximately €6bn higher than estimated in the DPEF), and trends in primary current spending being generally more contained than envisaged when the DPEF was prepared (approx. €2bn less in expenditure is expected).

With growth estimates being revised downwards, this improved performance bears out the trend witnessed last year of an expanding taxable base, attributable among other things to the effectiveness of action adopted by the government to combat tax evasion adopted by the government.

¹ Decree Law 81/07, converted into Law 127/07. This decree makes provision for ongoing intervention aimed at supporting the weakest social categories, by increasing low pensions, and non-permanent measures to promote growth. The latter in particular target railway, road and motorway infrastructure, protection of the environment, strengthening research, and more effective support for action by the public administration, with regard in particular to the areas of security, education and combatting tax evasion. This Decree Law is estimated to have an impact amounting to 0.4 percent of GDP in 2007 and 0.1 percent in the following years.

Net debt for the present year stands at around 2.4 percent of GDP, one-tenth of a percentage point lower than estimated in the DPEF, and down on the result recorded for 2006.²

The structural balance, adjusted to reflect the economic cycle and net of one-off measures, reflects a deficit equivalent to 2.3 percent of GDP. The anticipated trend fully reflects the commitment entered into at European level to reduce the deficit in 2006-2007: the cumulative adjustment for the period corrected to reflect the economic cycle and net of one off measures accordingly amounts to 1.8 percent of GDP, 0.2 percentage points more than required by the Ecofin recommendation issued in July 2005.

1.2 2008-2011 framework programme

The recent turbulence on financial markets has led to growth estimates in terms of GDP for 2008 being revised downwards, with a slight negative impact on subsequent years too. Growth in 2008 is expected to reach 1.5 percent (versus 1.9 percent estimated in the 2008-2011 DPEF). The growth profile over the medium term is also slightly lower than predicted in the July DPEF, with GDP growing at around 1.7 percent. Growth for the end of the 2008-2011 time horizon continues to be estimated at 1.8 percent.

In 2008 and the following three years, growth will continue to be driven by domestic demand, but will also be boosted by net external demand. Exports are expected to rise in real terms at rates of between 3 and 4 percent as an average for the period, whereas growth based on current values would be above 6 percent, benefiting from further gains on exchange rates and improving accounts with other countries.

Some prediction exercises suggest that the Italian economy has the potential for much higher growth than that underlying the framework programme, matched by a much more pronounced trend in terms of productivity. Such a scenario assumes the current reform process will be continued and strengthened along the lines indicated in this report, and against a backdrop of ongoing recovery in public finances.

1.3 Public finances

The framework programme for public finances outlined in the 2008-2011 DPEF confirms the commitments entered into with the European Union for gradual convergence on the objective of breakeven by 2011.

In view of the good performance by public finances during the present year, which is the result of a considerable effort made in terms of the structural adjustment already implemented by Italy, in the DPEF the government highlighted the fact that the tendential balance and the balance shown in the programming for 2008 were largely identical, meaning no corrective measure would be necessary for the present year in order to meet the recovery objectives.

At the same time, in order to ensure that state activity proceeds in regular fashion, the government identified a series of commitments and initiatives to be included in the Budget Law, subject to the necessary funds being raised to cover expenditure. Changes in the financial scenario have meant that the amount of

² In 2006 public debt amounted to 4.4 percent of GDP, reflecting extraordinary measures which had an estimated net impact equal to 1.2 percentage points of GDP on the nominal balance.

funds needed in order to finance commitments already entered into, consolidated practices and new initiatives outlined in the DPEF, is €10.9bn, without prejudice to the deficit objective of 2.2 percent of GDP in 2008.

The challenge which the government intends to tackle in keeping the country's accounts is to raise funds without any further increase in fiscal pressure, by acting insofar as is possible on spending, continuing the action undertaken in these months to increase effectiveness and efficiency in this area. Key issues in meeting this challenge are maintaining fiscal pressure at 2007 levels and then subsequently reducing it, and implementing a spending improvement programme to enable primary current spending to reduce gradually as a percentage of GDP starting from 2009, thus freeing up resources to promote growth and social equity.

The objectives for the following years have been confirmed: net debt will fall from 2.2 percent of GDP in 2008 to 1.5 percent in 2009 and 0.7 percent in 2010, with breakeven being achieved in 2011.

1.4 Sustainability of public finances

Italian public spending tends to grow in size and change only marginally in terms of composition.

The measures launched to rationalize spending are bringing about slight changes in the trends currently in progress. In 2006, growth in current primary spending slowed to 1.7 percent in real terms, from an annual average of 2.1 percent in the 2001-2005 period. A similar increase is anticipated for 2007.

Some sector indicators show that there are various areas of public activity where the amount of productive factors utilized (input) is not necessarily linked to the level of goods and services provided (output) and the results achieved (outcome). Two strategic sectors such as education and justice are emblematic this connection.

Spending review

To help improve the quality of spending and at the same time in order to pursue its financial objectives more quickly, the government has launched a long-term programme, the two key points of which are resuming the process of reforming state finances and carrying out a review of public spending. This programme is in line with the revised Stability and Growth Pact, which focuses not just on balances but also on the quality of public finances, as part of a wider-ranging process aimed at improving the efficiency and effectiveness of public spending.

A new accounting system has been established by the Ministry for the Economy and public finances in agreement with all ministries involved, helped by a technical commission for public finance involving several different institutions, including the International Monetary Fund which carried out a technical mission to Italy in March 2007. The new accounting system requires that public funds be reclassified according to two different groupings, i.e. "Missions" and "Programmes". Missions, of which there are 34, are the principal institutional functions and strategic objectives to be pursued using public funds. Such missions may be shared between more than one ministry. Each mission in practice is implemented through programmes. The 169 programmes identified under the new budget are grouped on a like-for-like basis within the individual ministries, and insofar as is possible, provide an indication of the outcomes which

the administration is bound to provide in its sector of reference, or at the very least an indication of the output expected in terms of goods and services to be provided.

This new classification, which may still be subject to improvements to be considered in the course of 2008, constitutes the first, vital step to enable the objective of improving the quality of public spending to be pursued more effectively, and is based on three different objectives: more efficient allocation of resources, due to budgets being more legible; more information on the contents of the budget, which should enable results to be monitored more easily; and more flexible and transparent management of funds.³

Among the initiatives launched by the government in the area of budget and allocation of funding, the “Green Paper on Public Spending” recently published provides a framework to support systematic review of spending. The “Pact for University and Research” recently signed by the government and universities goes in the same direction, and is intended to contain spending and provide incentives for sound management behaviour. Finally, an agreement has been reached between the government and regional entities governing the rules of the internal Stability Pact.

Welfare protocol signed on 23 July 2007: action involving the pension system

The protocol between the government and social parties, which was signed on 23 July 2007, deals with six major issues: pensions, welfare, labour market, competitiveness, young people, and women. On the issue of the former, the protocol contemplates raising low pensions, establishes the terms for early retirement, and governs treatment for jobs defined as demanding and the methods for updating transformation coefficients.

Provisions to increase low pensions have already been enacted under Law no. 127 issued on 3 August 2007, which amended and converted Decree Law 81 issued on 2 July 2007. For example, the new law establishes that pensioners aged 64 or above who receive income of no more than 1.5 times the minimum amount, i.e. €8,504 in 2007, will receive an additional payment with their thirteenth monthly payment of €420 in 2008 (€327 in 2007), to be reduced or increased by 20 percent for those with less than fifteen years’ contributions in the first instance or more than 25 in the second (18 and 28 years respectively for independent workers). Provision is also made for increases in assistance pensions starting from 2008 through the institution of social bonuses. The system for indexing pensions to trends in price rises will also be strengthened starting from 2008: for income brackets of between 3 and 5 times the minimum, pensions will be increased from 90 percent to 100 percent of the inflation rate.

Other action on pensions provided for under the protocol will be enacted through a specific draft government law attached to the Budget Law and approved by the Council of Ministers on 17 October 2007. In terms of content, the main measures provided for in the draft law impacting on the pension system are summarized below. For more detailed information, please see parts 3 and 4 of this report.

³ In April 2007 the President of the Council of Ministers identified the first 5 ministries to undergo the spending review, i.e.: Justice, Home Office, Infrastructure, Transport, and Education. The process will be co-ordinated by the technical commission for public finance mentioned above.

1. *Minimum requirements for early retirement.* Starting from 1 January 2008 until 30 June 2009, employees with 35 years' contributions and aged 58 or over (59 in the case of independent workers) may retire early, as opposed to aged 60 (61 for independent workers) as currently provided by regulations in force (Law 243/04). Thereafter, the requirements for early retirement will increase gradually to reach a minimum age of 61 (62 for independent workers) in 2013 with a minimum of 36 years' contributions, while with a minimum of 35 years' contributions the minimum age for early retirement for employees rises to 62 (63 for independent workers).
2. *Demanding jobs.* On this issue (a proxy law was added to the draft law for this purpose), the protocol has earmarked a total of €2.5bn in funds to allow workers employed in particularly demanding jobs to retire early in the course of the next ten years (with a reduction of up to three years in the requirement in terms of age, and without prejudice to the foregoing, not earlier than 57 years of age) compared with the new requirements for early retirement. Workers employed in demanding jobs are defined in a decree issued by the Ministry for Employment on 19 May 1999 as those who work night shifts, those employed on assembly lines, or who drive of heavy vehicles; such workers must be identified on the basis, among other things, of the period of time in which they are actually employed as such. The protocol establishes that a maximum of 5,000 workers per annum may qualify for this provision in connection with the planned funds, on the basis of retirement up to 3 years ahead of schedule.
3. *Recalculating transformation coefficients.* A commission will be set up to propose amendments to the criteria for calculating transformation coefficients by 31 December 2008, to reflect: (i) macro-economic, demographic and immigration trends; (ii) the proportion of irregular working arrangements, with a view to protecting the lowest pensions and proposing mechanisms to promote solidarity; (iii) the ratio between average life expectancy and that of the individual areas of activity. The commission may also propose active policies to promote reaching a replacement rate net of tax effects which is not lower than 60 percent with reference to the rate provided for employees. However, proposed amendments must also safeguard trends and equilibria in pension spending over the long term, in compliance with European procedures. It is also anticipated that as from 2010, transformation coefficients that have been recalculated based on the procedure provided for under Article 1, paragraph 6 of Law 335/95 will be applied, and that subsequent recalculations will take place every three years as opposed to ten years, with a simplified procedure qualifying entirely as administrative action, thus providing a greater degree of certainty in terms of meeting the deadlines set.
4. *Further measures.* Additional action involves increasing the rates for contributions and calculation for workers registered with the pension authority INPS under separate accounts (the increase being 3 percentage points for persons employed based on exclusive contracts), and strengthening protections for notional contributions, totalized contributions and the possibility of "redeeming" degrees. For 2008 alone, pensions amounting to more than 8 times the minimum shall not be indexed to prices. The regime of starting dates for early retirement for

persons with 40 years' contributions has also been reviewed for a limited period, and a system of starting dates for persons receiving old-age pensions has been introduced for the same period.

Medium-/long-term effects of the protocol

The financial cost of the three measures aimed at increasing low pensions enacted via Law 127/07 has been estimated to start at an aggregate €900m for 2007, then grow by approx. 0.1 percentage point of GDP for the entire estimate period until 2050. Such an effect would be covered by the estimate under regulations currently in force.

Financial valuations of the structural effects of the pension system measures contained in the draft law, which itself reflects the contents of the protocol dated 23 July 2007, have been made using the estimated pension spending model adopted by the general state accounting department, which uses the base national scenario as a benchmark⁴ which incorporates the population estimates compiled by ISTAT (central scenario).

The estimates reflect the update to the macro-economic framework for 2007 made in the Estimate and Planning Report for 2008.

Table 5

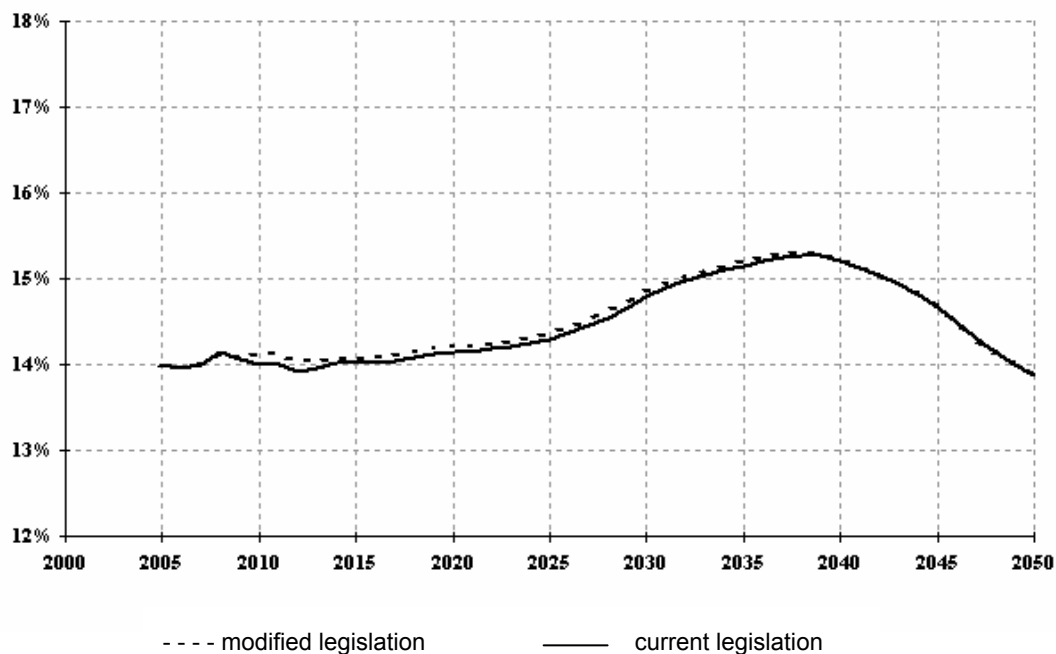
Changes in spending on pensions as a percentage of GDP in the medium/long term (%: minus figures indicate that pension spending outweighs GDP)

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025	2030	2035	2040	2045	2050
0,0	0,0	-0,1	-0,1	-0,1	-0,1	0,0	0,0	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1	0,0	0,0	0,0	0,0

Trends in pension spending as a percentage of GDP are shown in the diagram below based on both regulations currently in force and estimates following the combined action described above:

⁴ Based on the demographic and macro-economic assumptions adopted, the real trend in GDP should average 1.4-1.5 percent per annum over the entire estimate period. In order to reflect long-term trends that will impact on the structural equilibrium of the pension system, such as demographic changes, structural changes to rates of activity and employment, long-term trends in productivity, etc., for the 2008-2011 period the base national scenario assumes that real GDP will grow at a rate which is substantially in line with that recorded in the past 15-20 years, consistent with the choices made in previous estimates.

Figure 2
Expenditure as % of GDP at current and modified legislation



In brief, from a financial point of view and in terms of spending on pensions as a percentage of GDP, the amendments introduced taken together should lead to an increase in spending as a percentage of GDP in the short term starting from 2009 that will reach a high of around 0.1-0.15 percentage points in 2011, before gradually reducing to zero as from 2030-2035. Economies deriving from the reduction in recalculating transformation coefficients from every ten to three years should be sufficient to offset the effects of increasing the pension calculation rates in the medium term, strengthening protection measures for notional contributions, totalized contributions and the possibility of “redeeming” degrees, and expansion of the taxable base for contributions purposes provided for in the regulations currently under review to implement the Protocol dated 23 July 2007.

However, the trends described above are conditional upon the assumptions underlying the valuations actually materializing, in respect of exceptions for so-called demanding jobs with reference in particular to precise definition of individuals and certification procedures for workers benefiting from such exemptions vis-à-vis the general requisites for commencing retirement.

Healthcare spending

Regarding the sustainability of spending on healthcare, in the 2000-2006 period such spending rose by 1.2 points as a percentage of GDP. This upward trend, which affected all areas, was particularly marked in spending on labour and procurement of goods and services.

Table 6
Healthcare spending in 2000-2006 (in €m)

	2000	2001	2002	2003	2004	2005	2006
Staff	26.285	28.156	29.367	29.684	32.508	33.803	36.285
Goods & services	12.988	14.211	15.598	16.825	18.722	20.689	22.059
Benefits in kind	26.334	30.036	31.263	32.230	35.290	37.427	38.757
of which: general medicine	4.019	4.505	4.613	4.795	5.020	6.358	6.066
pharmaceutical	8.743	11.661	11.723	11.096	11.988	11.849	12.333
other benefits	13.572	13.870	14.927	16.339	18.282	19.220	20.358
Other expenditure	1.967	2.341	2.878	3.075	3.368	3.908	4.326
Expenditure as % GDP	5,7	6,0	6,1	6,1	6,5	6,7	6,9
Total expenditure	67.574	74.744	79.106	81.814	89.888	95.827	101.427

For 2007, planning instruments included in recent Budget Laws for healthcare spending have made provision for: (i) use of plans to bring spending back into line; (ii) appointment of an external commissioner to execute deeds; (iii) possible application of sanctions in the form of automatically increasing tax rates up to the maximum amount, in the event of certified operating imbalances. The present year has thus benefited from measures adopted by the regions to cover shortfalls relating to 2005 and 2006 so as not to incur sanctions, and from shares in the tax proceeds from the same period deriving from application of said sanctions. Above all benefit is being derived from measures to contain public spending launched under the 2007 Budget Law and from plans to cut spending agreed with regions in difficulty.

The total amount of funding made available to the national health service (“Servizio Sanitario Nazionale”, or “SSN”) was established as part of the New Pact for Health initialled by the government and regions in September 2006. The 2007 Budget Law has adjusted funding to reflect the guidelines provided by the Pact, increasing the finance ordinarily provided by the state by €6bn and providing increased certainty regarding funding made available for the 2007-2009 period. The Budget Law also increased funds available for co-financed programme agreements with the regions to build new healthcare facilities and introduce technological innovation by around €2.6bn, bringing the total to an aggregate €20bn. To this should be added the funds set aside for “health-economic growth” by the government and regions as part of the programme for the 2007-2013 European structural funds. Lastly, the Pact for Health and Budget Law have defined provisional three-year financing to support plans by regions that previously have reported large deficits to bring their finances back under control, which makes provision for strong accompanying procedures by the Ministry of Health and the Ministry for the Economy and finances and the Ministry for Regional co-ordination. The emergence of a debt which was hidden prior to 2005 has been addressed by additional support to restructure borrowings in such a way as to make interest repayments sustainable.

As a result of the above measures, growth in healthcare spending should slow for the present year to a rate of just over 2 percent, and reduce by approx. two-tenths of a point as a percentage of GDP compared with the figure recorded in 2006.

Consistent with the funding limits described above and in agreement with the regions, the government intends to strengthen reorganization measures

through: (i) revising the Essential Levels of Assistance (ELAs), with a view to abolishing obsolete services and strengthening high social relevance services; (ii) implementing a monitoring system through use of appropriate indicators; (iii) modernization of the healthcare system with a view to leveraging on human resources; (iv) reorganizing and strengthening the network of primary care, by promoting more sophisticated forms of association between doctors, and integration with healthcare districts' activities; (v) reorganization of the hospital network and rationalization of goods and services procurement systems; (vi) a programme for permanent promotion of quality in the SSN, through monitoring service satisfaction levels among citizens-users.

Public borrowing

The public borrowing/GDP ratio in 2006 stood at 106.8 percent, slightly higher than in 2005 when it reached 106.2 percent. Thus this indicator increased for the second year in a row, after a gradual decline starting in 1994.

Breakdown of this ratio shows growth in the local administration component, up from 6.3 percent in 2005 to 7.3 percent in 2006. In addition to increased borrowing from the market, such growth is attributable to mortgages from the Ministry for the Economy and finance, to loans from Cassa Depositi e Prestiti which since 2003 has been outside the scope of the public administration, and to impact of securitizations of healthcare receivables by various regions.

Borrowing should reduce gradually over the estimate period, to 95.1 percent of GDP by 2011.

The process of structural recovery is continuing. Borrowing adjusted to reflect the present cycle and net of one-off measures should reduce by 0.2 points in 2008, as shown in the DPEF, giving a total reduction of 2 points for the 2006-2008 period as a whole, with the deficit reducing from 4.1 percent in 2005 to 2.1 percent in 2008. This adjustment is substantially in line with European requirements in terms of overall amount, albeit spread across a slightly different time profile.

2. ECONOMIC POLICY ACTION FOR 2008

The draft budget law for 2008 forms part of the framework of guidelines established under the parliamentary resolutions approving the 2008-2011 DPEF and based on information provided in the update report to the DPEF.

At the centre of the government's action is promoting growth in the economy: the public sector will contribute to this objective through marked improvement in terms of efficiency and effectiveness of services, in a scenario where fiscal pressure cannot be increased further, and public borrowing is bound to comply with the recovery path agreed with the European Commission.

Funds to be raised in connection with the draft Budget Law are shown in the table below:

Table 7
2008-2010 measures: fund raising (€m)

Fund raising	Valuation in terms of net debt		
	2008	2009	2010
INCREASED REVENUE	6,350	4,400	4,600
EXPENDITURE	4,650	4,480	4,700
of which: 1 Improving public spending	3,720	3,890	4,050
<i>Improved management and maintenance of public buildings</i>	750	700	700
<i>Rationalizing state finances (amounts outstanding and reallocations)</i>	1,800	1,600	1,600
<i>Lower spending on procurement of goods and services</i>	520	840	1,200
<i>Savings from rationalization proposals by individual ministries</i>	650	750	550
2 Keeping spending by pension entities under control	400	420	450
3 Reducing flexible contract forms in public employment	150	170	200
4 Others	380	0	0
TOTAL	11,000	8,880	9,300

Source: RPP 2008

The main applications for such funds may be summarized as follows:

Table 8**2008-2010 measures: applications of funds (€m)**

Applications	2008	2009	2010
A TAX	3,200	3,200	3,200
Reduction in ICI housing tax and tax relief on rents	2,000	3,000	3,000
Extending tax breaks	1,000	-	-
Non-self-sufficient persons	200	200	200
B PUBLIC EMPLOYMENT CONTRACTS (school, law and order, 2006-2007 agreements)	1,850	650	650
C PENSIONS AND LABOUR	2,080	1,230	2,750
Protocol and revised early retirement provisions	1,200	1,150	2,650
Protocol on agriculture and asbestos	80	80	100
Fund for employment	800	-	-
D MINISTRIES	1,540	2,050	950
Expenses offset by improved spending	650	750	550
E MEASURES ALREADY BEFORE PARLIAMENT	330	410	450
Draft citizenship law	50	60	80
Proxy law on immigration	240	300	320
Safety in the workplace	40	50	50
F OTHERS (Kyoto, showbusiness, 5 per 1000, civil service, Umbria-Marche earthquake, women's rights, other)	2,000	1,350	960
TOTAL	11,000	9,000	9,000

Source: RPP 2008

Overall the budget targets investment, simplification, improved spending, and strengthening the social protection system. A brief description of the sector reform policies contained in the draft 2008 Budget Law is to be found in part 4 of the report.

3. 2007-2013 NATIONAL STRATEGIC FRAMEWORK

The 2007-2013 National Strategic Framework (“Quadro Strategico Nazionale”, or “QSN”) adopted by the European Commission on 13 July 2007, contains important choices aimed at marrying policy for economic, social and regional cohesion with the objectives for innovation and competition provided for under the Lisbon strategy, regarding in particular:

- improvement of human resources;
- promotion of processes of innovation and accumulation of knowledge, which appear to be among the most important success factors for global competition and at the same time potential tools for bringing about social cohesion;
- sustainable use of environmental resources, and a strong commitment to developing renewable energy and energy saving;
- production of public and network goods;
- upgrading services to promote quality of life and make regional areas more attractive;
- competitiveness of productive systems.

The framework has been structured in such a way as to reflect the relation between the objectives for cohesion and for growth, both of which are aimed at strengthening the country's competitiveness. Against a backdrop of persistent regional disparities, cohesion policy is aimed at reducing the under-utilization of resources in Southern Italy, and contributing to an upturn in productivity throughout the country, in particular the areas where global competition is fiercest.

The Framework identifies four Macro-objectives and ten Priority issues⁵ for improving the standard of living of citizens, and objectives for productivity, competitiveness and innovation to be pursued throughout the country, emphasizing the role of action to promote research and human capital, and initiatives for sustainable growth, strengthening routes to social inclusion and energy sourcing (cf. table 10). These are divided, with differing degrees of intensity, different methods of application, and according to the different potential, requirements and available resources, between the two Community reference objectives for 2007-2013 of "Convergence"⁶ and "Regional competitiveness and employment".⁷

For each Priority methods of integration with ordinary policy have been identified, in order to safeguard the necessarily "additional" strategic nature of regional policy.

In terms of cohesion, the Framework objectives aim to restore equilibrium between regions, and promote growth in the country through effective public investment action, which in many areas coincides with the policies to implement the Lisbon strategy or finds expression in it.

Integration between the two strategies has thus enabled funds for cohesion policies to be directed towards achieving shared objectives. Based on data from previous planning, the Framework establishes that the specific target for the regions included in the Regional competitiveness and employment objective should indicatively be near 80 percent of the overall structural funds for that macro-area (73 percent in 2000-2006), while the target for the Convergence objective could reach 68 percent of its respective funding (65 percent in 2000-2006). The QSN's actual commitment in implementing the rules of earmarking will be reconstructed in the spending category data for the final operating plans.

In compliance with the principle of unity between national and EU regional policy, the investment programme for growth has a seven-year time horizon and uses sources of funding, from state finances to EU funds, totalling

⁵ Cf. 2007-2013 National Strategic Framework chapter III – Objectives and Priorities of 2007-2013 National Strategic Framework, available at <http://www.dps.tesoro.it/qsn/qsn.asp>.

⁶ For Italy, the regional aggregate for the "Convergence" objective (i.e. regions with per capita GDP below 75 percent of the EU25 average) involves four regions, i.e. Campania, Apulia, Calabria and Sicily, plus Basilicata which is in a phasing-out situation.

⁷ The "Regional competitiveness and employment" objective covers all European regions not included in the "Convergence" objective, with the significant new feature for the 2007-2013 structural funds cycle vis-à-vis the previous Objective 2 of the 2000-2006 cycle that it is not "zoned *a priori*", meaning definition of the methods and location of work at regional level is left to the programming of operating detail. For Italy this involves the two autonomous provinces of Trento and Bolzano, and the regions of Piedmont, Valle d'Aosta, Lombardy, Liguria, Veneto, Friuli Venezia Giulia, Emilia Romagna, Tuscany, Umbria, Marche, Lazio, Abruzzo, Molise, and Sardinia, which is in a phasing-in situation.

€123bn. Over €100bn is earmarked for the regions of Southern Italy⁸ (cf. Table 9).

Table 9
2007-2013 National Strategic Framework funds (€bn)

Aree territoriali e obiettivi di riferimento	FONDI STRUTTURALI (contributo comunitario)	COFINANZIAMENTO NAZIONALE INDICATIVO ¹	FAS ²	TOTALE
Obiettivo Convergenza ³	21,6	21,4		
Obiettivo Competitività regionale e occupazione ³	6,3	9,5		
Obiettivo Cooperazione territoriale	0,8	0,26		
Totale QSN 2007-2013	28,7	31,16	63,3	123,16
<i>di cui:</i>				
Centro-Nord ⁴	4,9	7,5	9,7	
Mezzogiorno ⁴	23,0	23,4	54,7	

(1) Indicative amounts. Actual amounts will be finalized based on participation rates according to the axis of the various operating programmes co-financed.

(2) New resources from the Fund for Under-Utilized Areas (“Fondo per le Aree Sottoutilizzate”, “FAS”) awarded under Law 296/06 (2007 Budget Law). These amount to €64.4bn, €1.1bn of which has already been earmarked by CIPE to cover awards provided for under the same budget law. The net amount accordingly is €63.3bn. However, the breakdown is based on a total of €64.4bn.

(3) Objectives include regions being phased out.

(4) Does not include funds from Co-operation Objective.

Source: Ministry for Economic development, Department for growth policies based on data contained in 2007-2013 QSN, 2008-2011 DPEF, and CIPE resolutions.

Programming allocation of aggregate national and EU funds for the regions of Southern Italy in respect of the ten Priorities, which was finalized at the strategy setting stage, enables operating planning decisions to be taken in such a way as to be consistent with the objectives stated in the QSN (cf. Table 7).

⁸ A notable concentration of resources is destined in particular for regions which will remain in the Convergence Objective for the next round of EU cohesion policies owing to the fact that their per capita GDP is significantly below the EU25 average, namely: Campania, Calabria, Apulia, Sicily and Basilicata (which is being phased out).

Table 10

Macro-objectives, priorities and programming allocation of funds for 2007-2013 unified regional policy in Southern Italy*

Macro-Obiettivi	Priorità tematiche con indirizzi strategici e operativi		Mezzogiorno allocazione programmatica delle risorse della politica regionale nazionale e comunitaria (composizione percentuale)
Sviluppare i circuiti della conoscenza	1	Miglioramento e valorizzazione delle risorse umane <i>di cui: istruzione</i>	9,0 5,0
	2	Promozione, valorizzazione e diffusione della ricerca e dell'innovazione per la competitività	14,0
Accrescere la qualità della vita, la sicurezza e l'inclusione sociale nei territori	3	Energia e ambiente: uso sostenibile ed efficiente delle risorse per lo sviluppo <i>di cui: energia rinnovabile e risparmio energetico (interreg.)</i>	15,8 2,8
	4	Inclusione sociale e servizi per la qualità della vita e l'attrattività territoriale <i>di cui: sicurezza (PON)</i>	8,8 1,4
Potenziare le filiere produttive, i servizi e la concorrenza	5	Valorizzazione delle risorse naturali e culturali per l'attrattività e lo sviluppo <i>di cui: attrattori culturali, naturali e turismo (interreg.)</i>	9,0 2,3
	6	Reti e collegamenti per la mobilità	17,0
	7	Competitività dei sistemi produttivi e occupazione	16,0
	8	Competitività e attrattività delle città e dei sistemi urbani	7,2
Internazionalizzare e modernizzare	9	Apertura internazionale e attrazione di investimenti, consumi e risorse	1,2
	10	Governance, capacità istituzionali e mercati concorrenziali e efficaci	2,0
Totale			100,0

* Programming allocation includes all new funds, both from the Fund for Under-Utilized Areas (net of the reserve amounting to 30 percent of the total which is set aside for specific purposes) and from EU funds (including an estimate of national cofinancing).

Source: 2007-2013 QSN and 2008-2011 DPEF.

The majority of the strategy is implemented via regional programmes. National programmes in the areas of education, research and competitiveness, law and order, networks for mobility, governance and system action, financed both from the structural funds and the Fund for Under-Utilized Areas,⁹ are headed up by a central administration and linked to regional action. Inter-regional programmes in renewable energies and prominent action for cultural and natural attraction in Southern Italy with a view to increasing tourism flows are also provided for.

Definitive approval of the operating programmes by the European commission (50 out of 52 have already been sent) is scheduled for November

⁹ The national operating programmes ("Programmi operativi nazionali", or "PON") may also use resources from the Structural Funds for the regions included in the Convergence objective, whereas resources from the Fund for Under-Utilized Areas will enable action to be taken aimed at the priorities themselves with reference to the entire area of Southern Italy.

2007, which will conclude the preparatory stages and open the implementation phase for Italian regional policy.¹⁰

National measures are also underway to render the QSN fully operative. Following adoption on 15 June of the CIPE resolution which establishes the criteria for national public co-financing of the 2007-2013 programming with reference to the structural funds, a subsequent resolution on implementation of the QSN will establish the criteria and rules for drawing up the documents required for use of the Fund for Under-Utilized Areas in accordance with the guidelines contained in the QSN, in conformity with point no. 10 of CIPE resolution no. 174/06 approving the proposed Framework.

4. “SERVICE TARGETS” PROJECT

Among the innovative objectives contained in the 2007-2013 QSN, of particular importance in terms of implementing the Lisbon Strategy is the aim of to remove the persistent difficulty in providing collective services in essential areas in order to improve quality of life and equal opportunities for citizens, and to encourage companies to invest. Its impact is horizontal in nature with respect to the Lisbon Agenda, in that it involves sectors included in different priorities. As part of the QSN four significant objectives have been identified, with a view to assessing their actual ability to change living conditions and well-being in the areas affected, and of the requisite capability for “virtuous” integration between regional policy and ordinary policies.

These objectives are: raising the level of education among pupils and the population as a whole; increasing the supply of services for early childhood and social/healthcare services for non-self-sufficient persons, in particular the elderly (thus helping to ease the burden on families that weighs chiefly on women and compromises female participation in the workplace); improving water services; and improving urban waste management (against a backdrop of increased efforts to improve environmental quality). The objectives, indicators and target values have been identified and defined through lengthy partnerships with the regions of Southern Italy and the administrations of the sectors involved (i.e. the Ministry of Education, which is also directly involved in reaching objectives set in the field of education, plus the Ministry of Social solidarity, the Family Department of the Presidency of the Council of Ministers, the Ministry for the Environment, and the Ministry of Health).

Quantitative targets have been set for these objectives which each Southern Italian region has committed to meeting by 2013, based on a total of eleven statistical indicators (cf. Table 11). These constitute minimum standards for bridging the gap versus Central/Northern Italy and to ensure equity in terms of access to services, consistent with the regulatory objectives set by the laws or sector plans or co-ordination processes opened at European level. In addition to the eight regions of Southern Italy, the Ministry of Education also contributed to the reward mechanism but solely with reference to the three indicators for the education objective.

¹⁰ As at end-September 2007, the EU Commission had passed rulings on 16 operating programmes, 2 are pending adoption while the others are still at the negotiating stage.

Table 11

Service objectives, indicators and current values for Southern Italy, and targets for Southern Italian regions*

INDICATORS	CURRENT VALUE	2013 TARGET
OBJECTIVE I <i>Increasing pupils' skills and raising the population's capacity for learning</i>		
Young people who leave school early: percentage of population aged 18-24 with middle-school leaving certificate at most who have not completed a recognized regional professional training course lasting more than two years	26 per cent	10 per cent
Pupils with low reading skills: percentage of 15-year olds with at most first-level reading skills as measured by OECD PISA test scale	35 per cent	20 per cent
Pupils with low maths skills: percentage of 15-year olds with at most first-level mathematics skills as measured by OECD PISA test scale	47 per cent	21 per cent
OBJECTIVE II <i>Increasing childcare services and care for the elderly, to lighten the burden on families and improve the rate of female participation in the work market</i>		
Increasing childcare services: percentage of boroughs to launch childcare services (kindergarten, crèche, or integrated/innovative services) out of total boroughs in region	21 per cent	35 per cent
Childcare service users: percentage of children up to the age of three who have used childcare services (kindergarten, crèche, or integrated/innovative services) out of total reference population	4 per cent	12 per cent
Elderly persons receiving integrated home assistance ("assistenza domiciliare integrata", or "ADI"): percentage of elderly persons receiving ADI out of total elderly population (i.e. 65 or over)	2 per cent	3.50 per cent
OBJECTIVE III <i>Protecting and improving quality of environment in terms of urban waste management system</i>		
Urban waste treated in refuse centres: urban waste treated at tips in kg per inhabitant p.a.	395 kg	230 kg
Urban waste divided for recycling: percentage of urban waste divided for recycling out of total urban waste collected	9 per cent	40 per cent
Percentage of compost treated in specific facilities for production of quality compost: percentage of compost (biodegradable/garden waste) treated in specific composting facilities out of compost component of total urban waste	3 per cent	20 per cent
OBJECTIVE IV <i>Protecting and improving quality of environment in terms of integrated water service</i>		
Efficiency in distribution of water for human consumption: percentage of water provided out of total water piped into borough distribution networks	63 per cent	75 per cent
Percentage of population served by water purification facilities: equivalent effective inhabitants served by water purification facilities with secondary or tertiary treatment, out of the total urban population per region	56 per cent	70 per cent

Source: Ministry for Economic development, Department for growth policies, www.dps.tesoro.it/obiettivi_servizio/

* Education objectives also involve Ministry of Education.

Total rewards of €3bn have been established to come from resources in the 2007-2013 Fund for Under-Utilized Areas, to be awarded on the basis of criteria being met. The functioning of the mechanism, indicators and target

values, and funds for rewards were approved by CIPE on 3 August 2007 after the State-Regions Conference had expressed their consent.

To strengthen the visibility of the incentives system and increase mobilization throughout the country in order to achieve these objectives, the final audit in 2013 will be preceded by an intermediate audit scheduled for November 2009. Whereas in 2013 assessment will be made of whether or not the targets described have been met, at the intermediate audit the gap between the baseline value for an indicator in a region will be compared with the target value for that region by 2013. The 2009 audit therefore involves part of the financial reward which the regional administrations may utilize to provide incentives for entities providing the services to be granted; the part not thus awarded shall remain set aside for the 2013 audit.

5. POLICIES FOR JUSTICE, SECURITY AND LAW AND ORDER

The high costs involved in seeking justice and the long timescales required for settling disputes generate high losses every year for the economy, and make it more difficult for smaller companies in particular to survive by altering the competitive conditions of markets. Delays in completing trials penalize companies by depriving them of resources, and threaten the competitiveness of the economic system as a whole, in the same way that security and public law and order have a direct impact on investments and constitute a vital prerequisite for the healthy economic life of the country.

For several years now, one aspect peculiar to Italy has been the inclusion of government action in respect of security and legality issues among the priorities for regional policy.¹¹ This derives from the consideration that an ability to impact on levels of security and legality, real and perceived, makes a region more attractive for foreign capital, business activities and tourism flows.

The Italian paradigm involves increasing efforts to bring about integration between security measures, which seek to repress crime, and social inclusion measures, which seek to prevent it.

Italy's experience in this direction may be seen as a kind of experiment in integrated security policy, in the new relationships between institutions which it proposes and which, alongside the central administrations, assigns an increasingly active and growing role to the regions and especially the local entities.

In this light, the government is committed to a series of measures aimed at increasing the efficiency of the judicial machinery, and to guaranteeing standards of domestic security.

On the issue of justice, reform action is directed towards reducing judicial debt. The Ministry of Justice has submitted two draft laws regarding the rationalization and acceleration of both civil and criminal procedures. In the first

¹¹ As part of the policies to increase the country's competitiveness, the 2008-2011 DPEF pinpoints the need in particular to strengthen action for social inclusion and security in Southern Italy. The 2007-2013 QSN for regional growth policy brings together policies for social inclusion and security in tandem with the intention of improving living conditions and access to services and providing equal opportunities in all regions, thereby making them more attractive and competitive.

of these draft laws, provision is made in particular for strengthening the first-degree stage with a view to reducing the time required for procedure, exploiting the principle of reliable process, judicial conciliation and the conciliatory role of judges, and attenuating the system by which trials may lapse. For criminal trials, the draft law provides for rationalization of procedures in compliance with the principles of “just process” and reasonable duration.

The goal of reducing the timescales of justice appears to be feasible, including as a result of more widespread use of IT in trials,¹² and through administrative reorganizations (establishment of a Trials Office), aimed at rationalizing and facilitating the work of the magistrates, introducing mechanisms for selecting less complex trials and employing simplified forms of procedure.

Regarding domestic security, which is strongly marked by varying demand for advanced security services from the local administrations, the principle of inter-institutional co-operation is becoming more established, through development of an integrated security system which places the various levels of government on the same footing without prejudice to their individual competences.

In this light, major plans are at an advanced stage of development for specific segments of the criminal world and specific regions, such as the “Pact for security in Naples and province”, aimed at finalizing the adoption of a plan for urgent intervention to tackle the criminal threat currently posed and to guarantee security in the city and metropolitan area of Naples and its province.

Among the initiatives falling within the general relationship of subsidiarity between state bodies and local entities, a “Pact for security between the Home Office and A.N.C.I.” has been executed, which identified the guidelines to be followed by future agreements on urban security between the local prefects’ offices and government and trade unions, renewing the operating models for urban security and combining prevention with conflict mediation, control and repression.

Along the same line “Pacts for security in metropolitan areas” have since been executed in twelve other cities, which impact on different aspects of security through increased co-operation and sharing of responsibilities between state and local entities. Such pacts make provision for funding, organic increases in police forces, more effective forms of collaboration between state and local police, interconnected operations rooms, targeted security action, reorganization of coverage by the forces of order, developing and increasing the activities of the police, *carabinieri* and urban traffic police “on the beat”, tackling forms of “organized mendacity”, and pursuing every suitable solution for speeding up the procedures for making goods confiscated as a result of organized crime available to the general public. Provision has also been made for the Home Office to devote

¹² The following projects in particular are at an advanced stage of development: “Support for transparency and effectiveness in the individual and concurrent civil execution system”, “IT justice system for minors” (“Sistema Informativo Giustizia Minorile Informatizzato”, “SIGMA”), “Debating system for courts using audio or audio/video minuting equipment” (“Sistema Informativo Dibattimentale per le aule equipaggiate con dispositivi per audio o audio/videoverbalizzazione”, or “SIDIP”), “IT support for criminal justice system” (“Supporto informatico al sistema penale della giustizia”), “Infrastructure for strengthening technology in the increase in the justice system” (“Infrastruttura per il potenziamento tecnologico dell’incremento del sistema giustizia”), and “Implementation of AFIS” (“Implementazione AFIS”).

part of the “Rapid Response Force” to countering the rise and exacerbation of “instances of criminal aggression” at the request of the competent prefect.

Regarding financing, as part of the synergies between institutions in terms of logical, instrumental and financial contributions for purposes of increasing police services, urgent technical support and citizens’ security, provided for under Article 1 paragraph 439 of the Law issued on 27 December 2006 (the 2007 Budget Law), the pacts have generally made provision for a “Special Fund” to be established, to be funded by the local entities in connection with shared implementation of special and extraordinary programmes which involve both the state and local police forces, such as: extending the use of video surveillance systems, measures to tackle the issue of the Rom, action to counter prostitution, illegal trade, gender-related violence and urban degradation.

Along the same line but at regional level, as a prototype of inter-institutional agreement on the subject of integrated urban security policies, a protocol agreement has been executed between the Home Office and the Friuli Venezia Giulia region which is structured into four main axes: training and professional development, shared IT system, interconnected operations rooms between the police force and municipal police, and social prevention. Through this project the aim is to achieve a more profitable form of co-operation in the sector of integrated security, through executing specific agreements between the prefectures-local government offices and the local entities, with the objective of bringing together action involving the provincial public security authorities with social, situational and community prevention initiatives, plus a more rational distribution of police forces. Particular prominence is given to the “operating collaboration” between the police force and the municipal and provincial police corps, and to the concept of “integrated security”, with a view to bringing together the concepts of public security and social security by distinguishing them and at the same time combining them.

A special mention should also be made of the “Safe Calabria Pact”, which provides for a series of urgent measures to tackle crime, by strengthening the forces of order, implementing IT and technological equipment, assigning technical divisions to judicial offices through specific grants, with the aim of implementing a crime prevention strategy which is able to impact significantly on strengthening investigative action in respect of mafia infiltration in business and economic initiatives and rackets.

PART 2

MICRO-ECONOMIC POLICIES

1. EXPANDING THE AREAS OF FREE CHOICE FOR CITIZENS AND COMPANIES

1.1 Improving legislation

In order to improve the competitiveness of the Italian economy, and in line *inter alia* with action at EU level, government action will continue to focus on cutting red tape for citizens and companies. Accordingly, work has continued on codifying and simplifying substantial regulations in the different sectors identified by the third simplification law (Italian Law 229/03), including industrial property (Italian Legislative Decree 30/05), digital administration (Italian Legislative Decree 82/05), establishment of a public connectivity system and international network for the public administration (Italian Legislative Decree 30/05), consumer protection (Italian Legislative Decree 206/05), and insurance (Italian Legislative Decree 209/05).

In 2007, government action to simplify and improve the quality of regulation was marked by a concrete initiative to launch an interministerial Committee for direction and strategic policies to simplify and improve the quality of regulation, which is chaired by the President of the Council of Ministers himself or the Minister for reform and innovation in the public administration appointed by the President.

The Committee is responsible for direction and strategic guidance in respect of policies to simplify and improve the quality of regulation, and by 31 March each year draws up an action plan (“PAS”) for pursuing government objectives in the area of simplifying, reorganizing, and improving regulation for the coming year. Establishment of a focus of political responsibility such as the Committee is a response to the government’s intention to set out “strategic guidance” in the areas of quality regulation and regulatory/administrative simplification. Development of a unified directional policy constitutes an attempt to overcome the fragmented nature of previous action.

The Committee benefits from the technical support of the “Simplification Unit” (“Unità per la semplificazione”, or “USQR”) established on 12 September 2006 and chaired by the under-secretary to the President of the Council of Ministers. This unit’s activity is focused within the technical divisions of the Presidency of the Council of Ministers itself, and is co-ordinated by the Head of the Department of legal and legislative affairs. The Unit comprises twenty experts with specialist areas of expertise, and is aided by a permanent “conference” which includes the heads of the legislative offices of the ministries comprising the interministerial Committee, the head of the secretary’s office for the permanent conference of relations between the Italian state, the regions and the autonomous provinces of Trento and Bolzano, the legal counsel of the under-secretary to the President of the Council of Ministers/secretary to the Council of Ministers, and the Minister for reform and innovation in the public administration.

The 2007 PAS, drawn up by the Committee with the help of the USQR, was approved in mid-June 2007. The strategy outlined in the PAS focuses on six main areas of activity: i) reducing administrative expenses, ii) structural mechanisms to improve the quality of regulation; iii) control, review and update of regulation quality indicators; iv) reduced, clearer timescales; v) re-engineering of procedures; and vi) streamlining of regulatory and administrative activity by regional authorities and local institutions.

Key aspects of the PAS include:

- the fact that it is prepared on the basis of wide-ranging consultation, to ensure broad agreement on target results and action plans, with a view to establishing a pact, or shared programme, with the regions, the local autonomies and social parties.
- specific responsibilities are assigned in execution of each activity (thus giving sector administrations a sense of ownership and a role of initiative/co-ordination).
- expenses measured/results-driven: the success of a given action is measured by the effective reduction in terms of administrative expenses (in the case of companies) and procedure times (for citizens).
- adoption of a selective approach to identifying priority sectors for action, focusing attention on simplification in matters for which the state is competent, and at the same time providing indication of areas requiring co-operation at several levels.
- identifying a system of consultation/co-operation for the various national bodies involved, with a view to promoting improvement in the flow of data on the quality of regulation – i.e. data included in calculating the international indicators showing the results of action undertaken and the country's degree of competitiveness – and transmitting such data to the main national and international interlocutors, in a single format compatible with the methodologies deployed.
- action in training and communicating objectives, methods and results to recipients/public opinion, and permanent forms of interaction with companies and citizens with a view inter alia to collecting comments and suggestions.

Under action area 1 of the PAS, of particular note is the plan for measuring administrative costs incurred by companies as a result of requirements to provide information, which will be implemented through use of the EU Standard Cost Model measurement methodology, also the method adopted by the European Commission.

Given that administrative expenses generated by EU regulation are measured by the European Commission, the PAS has focused its programme on Italian state-originated and region-originated regulation, in implementation of the “Agreement between the State, Regions, Autonomous Provinces of Trento and Bolzano, Provinces, Boroughs and Mountain Communities in respect of simplifying and improving the quality of regulation” approved by the unified Conference on 29 March 2007. Moreover the PAS, with a view inter alia to quantifying and communicating benefits for/to companies, set an objective of an average reduction in expenses in priority areas for state regulation consistent with, and complementary to, the target of no less than a 25 percent reduction in EU regulation-originated administrative expenses by 2012. Areas of national regulation to be measured (the so-called “priority” areas) have been selected on the basis inter alia of the 13 priority EU regulation areas identified by the European Commission’s Action Programme, as well as comments from stakeholders. The Community’s programme for measuring administrative expenses in the EU will be implemented by the European Commission. In Italy a

person to head up co-ordination between the national administration and the Commission has been appointed from within the USQR.

Priority areas of regulation to be measured in 2007 (governed by state-originated regulations in force as at May 2007) have been selected on the basis, among other things, of their significance for companies' activities, and are as follows:

- Privacy (with a pilot project for measuring regulations for SMEs with up to 250 staff; measurement closed at April 2007). In particular requirements for information under Italian Legislative Decree 196/03 on protection of personal data were considered for purposes of measurement;
- Environment. In particular, requirements to provide information pursuant to the following regulations will be considered for measurement: i) Water Resources, under Italian Royal Decree 1775/33 (Consolidated Water and Electricity Systems Act); ii) Harmful Industries, under Italian Royal Decree 1265/34 (Consolidated Health Act); iii) Noise, under Italian Law 447/95 (framework law on noise pollution); iv) Electromog, under Italian Law 36/01 (framework law on electromagnetic pollution); v) Integrated environmental authorization – under Italian Legislative Decree 59/05; vi) Land, water, waste and atmosphere, under Italian Legislative Decree 152/06 (Consolidated Environmental Act);
- Landscape. Requirements to provide information under Italian Legislative Decree 42/04 (cultural heritage and landscape) were considered for measurement, with particular reference to the cultural heritage sector;
- Public safety (fire-fighting). In particular requirements to provide information pursuant to the following regulations were examined: i) internal ministerial decree issued on 16 February 1982, as amended by ministerial decree issued on 27 September 1965, concerning identification of activities subject to inspections in connection with fire prevention, as amended; ii) Italian Presidential Decree 37/98, Regulations governing procedures relating to fire prevention pursuant to Article 20 of Italian law 59/97; iii) Italian Legislative Decree 139/06, Overhaul of provisions governing functions and duties of national fire-fighting corps, pursuant to Article 11 of Italian Law 229/03; iv) internal ministerial decree issued on 4 May 1998, Provisions relating to method of submission and contents of applications for start of fire prevention procedures, and to standardization of related services provided by provincial heads of fire-fighting services; v) ministerial decree dated 9 May 2007, Instructions in respect of implementing an engineering-based approach to fire prevention and security;
- Pensions and social security contributions.

All measurement activity in the areas referred to above must be completed by year-end 2007, and the relevant proposals for simplification submitted by 31 March 2008.

Under action area 2 of the PAS, the need to make instruments for analysing the impact of regulation is particularly noteworthy (“analisi di impatto della regolazione”, or AIR”). This instrument involves pre-empting the effects on

activities of citizens, companies and public administrations potentially deriving from regulatory measures pending approval by the government. In line with the indications provided by annual directive by the President of the Council of Ministers for implementation, monitoring and evaluation of the government programme issued on 12 March 2007, the AIR process must be carried out thoroughly and the relevant report attached to all measures.

The 2007 PAS also sets the immediate target of making the AIR process more streamlined and easier to use, gradually extending its application over the medium term to become continuous. The procedure used to date to analyse the impact of regulation is indeed unduly complex and expensive. Accordingly, the USQR is planning a simplified, rapid, credible and thorough procedure which is suited to the timescales and aims of government action. This will involve significant simplification of the "AIR report" currently in use. Administrations proposing regulations will have to provide the minimum information required for measures to be processed.

The new, streamlined AIR will have to provide clear indication of at least the following points: a) consistency with the government's overall simplification activity, with particular reference to the "principle of precaution"; and b) compatibility with the priorities of the Government's programme.

1.2 Reform/innovation in public administration

In bringing the competences for reform and innovation in the public administration under the head of one ministry, the government's intention was to relaunch and reinforce its objective to modernize the public sector and increase innovation, in order to make the country more competitive. Priorities in achieving this aim identified from the outset were as follows:

- modernize the public administration, with particular reference to provision of services for citizens and companies (e-government);
- develop high innovation, high impact projects in areas such as schools, healthcare, tourism, info-mobility and electronic recognition;
- foster technological innovation in the production system, with particular reference to SMEs;
- reduce the digital divide.

Numerous key ventures have been launched in respect of these four priorities during the government's first year of activity.

Action has been taken to continue with and step up the modernization of public services, and transform them through the use of new technologies. The aim here is to make the public administration fully interoperative and provide services capable of meeting citizens' needs more efficiently and effectively. To this end a ministerial directive on the computerization of public offices was adopted on 20 February 2007.

To increase users' confidence in the public administration, enhanced capabilities in terms of response and quality of service provision have been targeted. In December 2006 a Directive for quality of public services was adopted, to be followed by a National quality plan.

Insofar as public sector staff are concerned, optimal employment of human resources, which is a key factor in meeting efficiency and quality objectives, will be aided by: the new contract for public sector employees, which

was finalized in 2007; adoption of measures to resolve the situations of public administration staff employed on a temporary basis; and improving management of diversities (cf. ministerial Directive on equal opportunities issued on 23 May 2007).

Numerous measures have been adopted to keep public sector staff spending under control with respect to appointments to management positions and introduction of caps on pay and remuneration.

The draft law submitted by the Ministry for reform and innovation in the public administration approved by the Council of Ministers in December 2006 should also be noted, which provides for immediate dismissal in the case of public sector staff convicted of bribery and corruption, extortion or embezzlement who have submitted plea bargains for two-year sentences.

Lastly, the Public function department, under the powers attributed to it by the Ministry to simplify relations between public administration, citizens and companies, has launched a major reform initiative that has involved submitting a draft law to modernize and increase the efficiency of the public administrations, and reduce bureaucratic expenses for citizens and companies, which was approved by the Council of Ministers on 22 September 2006. The measure introduces significant changes to Italian Law 241/90 in reducing the timescales for administrative procedures and making them clearer.

In order to ensure that lines of action are more widely shared and greater synergies generated, a “Nationwide Project” has been approved with a view to implementing a national e-Government system, to be shared between state, regions and local entities. The Project, which refers to the seven strategic guidelines for a national e-Government system established by the Ministry in March 2007, introduces a new model of “co-operative governance”: the central Administrations, Regions, Provinces and Boroughs, having shared strategies and identified priorities, undertake to focus planning choices and the relevant resources – be these state, EU or regional – towards designing an integrated e-government.

At an operating level, important e-government ventures have been launched in the course of the year, including those aimed at digitalizing procedures in the areas of justice, employment and consular data records, revising technical rules, and increasing circulation of electronic identity cards.

High-impact projects in strategic sectors have also been pushed, like the “Tourism Portal”, projects to promote digital innovation in schools and universities, and plans to develop electronic health records.

Regarding digital innovation in the country's production system, measures have been taken aimed at providing incentives and support, such as plans for training at SMEs, and simplifying the methods of access to the guarantee fund for technological innovation in SMEs, and the project to further develop “digital service centres” to support industrial districts in the textiles and agriculture/food sectors has gone forward.

In order to reduce the digital divide, a strategic plan has been drawn up for the development and roll-out of broad band (see section 2.8 for further details), and steps have been taken to overcome delays and disparities between regions and citizens for organizational, economic, cultural or generational reasons. In particular, initiatives are being finalized to promote the integration and inclusion of disadvantaged students through use of new technologies, with particular reference to disabled students, as well as initiatives to turn schools into

focal points in community terms, by developing workshops for developing digital content, ICT training courses, and Internet access points. Specific projects are also being implemented to develop digital content for use in supporting new social inclusion initiatives. Tenders are being reviewed to introduce home care models that will ensure greater continuity in terms of care, monitoring and emergency assistance, and to develop more intelligent living environments for the elderly and most vulnerable groups. Finally, the Accessibility Project enables application of the law on accessibility of public administration websites to be monitored and controlled, and public administration contracts to be checked for compliance with regulations on accessibility.

Regarding measures included in the NRP for the 2006-2008 period, a further two which were the responsibility of the Public function department have been completed that were previously in progress, i.e. “Simpliciter: simplification between state, regions and local autonomies – DPF07” and “Research on methodologies for measuring administrative expenses for companies – DPF08”. These projects, which have not yet been completed, have nonetheless reached the following stages: “Reform of the public sector staff training system – DFP10” has been approved and is currently pending implementation, whereas the “Programme of training and technical assistance for the regions and local entities of Southern Italy – DFP02” is now reaching its closing stages (due for completion in December 2007).

The Department of Innovation and Technologies' programme, which was updated last year with the initial number of 37 measures being cut to 11, has reached the anticipated stage of completion, with the exception of the “e-platform for info-mobility” measure, which is currently at a standstill. The eleven measures are as follows:

- e-Government: improving the efficiency of the Public Administration.
- e-Government: high impact initiatives.
- e-Platform for tourism.
- ICT and digital contents for schools.
- ICT @ University.
- National health platform (eHealth).
- Info-mobility platform.
- Action to facilitate process and product innovation at SMEs.
- Regional plans to strengthen the competitiveness of local industry.
- Extending the use of ICT.
- Improving access to education and training.

1.3 Simplifying administration for businesses

Single notification to set up new businesses

This is one of the most important simplification measures adopted in 2007, and follows on from an explicit request made by the European Council in spring 2006.

Accordingly companies will have a single institutional counterparty to dialogue with, while a single exchange of general and company data compiled in a single document (the “sole registration document”) will be used throughout the country to register new positions with all the competent public administrations.

Article 9 of Italian Decree Law 7/2007 as subsequently converted into Italian Law 40/07, which forms part of the urgent measures adopted by the government to develop economic activities, provides that for purposes of starting up a business, the interested party shall submit a single notification to fulfil all tax, pension and assistance formalities, to be sent electronically to the Companies' Register Office at the Chambers of Commerce. This sole communication may be delivered on either a computer device or sent electronically by the entrepreneurs themselves or by persons appointed by them.

The Companies' Register office thereupon issues a receipt, also electronically, which constitutes the authorization required in order to start business immediately. It is the Companies' Register office's responsibility to inform the other competent administrations (e.g. tax revenue authorities, pension authorities, INAIL etc.), that such notification has been forwarded. It will then be the administrations themselves that notify the interested party and the Companies' Register office electronically of the first identification data for the new position recorded, to be followed by the final, definitive data within seven days.

Decrees implementing the legal provision referred to above, one to identify the notification model, the other for the technical regulations required to make the sole notification operative, have been compiled and are currently being definitively formalized.

Another decree serves to recalculate the size of stamp duty payable, as an incentive to use of electronic channels by individual companies.

One-stop shop for productive activities

Reform of the one-stop shop for productive activities has become necessary in order to provide additional impetus to the creation of new businesses and encourage the restructuring of companies already in existence.

The measure being reviewed by Parliament¹ governs the construction and alteration of production facilities, with the local borough desk for productive activities being identified as the sole administrative body to contact in this connection.

¹ Cf. draft law A.C 2272 included in project law A.C. 1428, approved by the Chamber of Deputies on 24 April 2007 and by the Senate - X Commission (deed S 1532) on 11 July 2007, currently pending discussion in parliament.

The draft law provides for the main lines of the reform launched at the end of the 1990s to be continued.² Such reform introduced the sole borough desk for productive activities, which is now being repealed to make way for the new regulations. Despite providing significant innovation, the repealed regulations had to cope with low levels of administrative and legislative simplification and with major organizational difficulties.

The new instrument aims at bringing together the two different stages, often considered antithetical, of local marketing, information to entrepreneurs and assistance in starting up businesses on the one hand, and on the other, protection of health, the environment and countryside, entrusting reconciliation of the diverse interests to the borough council in accordance with the principle of subsidiarity as established under Article 117 of the new Constitution.

The government's attention is currently focused on simplifying legislation and reducing administrative expenses on the one hand, as described above, and identifying and removing all administrative requirements not justified by primary public interests on the other, in seeking to create value from the mutual responsibilities of both entrepreneur and Administration.

In particular, it provides that construction or alteration of production facilities may be launched immediately through a "single declaration" by the entrepreneur, to the effect that the requisites stipulated by law are duly possessed, along with the plans drawn up and a statement of conformity for the project, presented by the project manager (for building and planning, hygiene, health and safety aspects) or by a technical organization independent of the entrepreneur for other aspects that are self-certifiable.

Supplementing the provisions of Article 14 of Italian Law 241/90, provision has been made for the single borough branch office to convene an online "conference of services" for certain types of facility, which, with the help of electronic methods, can complete its work within 30 days, after which projects sworn by independent technical organizations may, as a rule, begin to be implemented. The foregoing without prejudice to assessment of the related environmental impact.

The new procedure is distinguished by widespread use of computerized and electronic methods, its completely public nature, and the chance for all interested parties to participate, including those who represent broader or collective interests. It also confirms the possibility of the conference of services proposing planning changes for the facility to be developed, which in turn speeds up the relevant procedure.

It governs notification of completion of works and testing (where necessary), which become the responsibility of the entrepreneur, and hence enable the facility to become operational immediately, without prejudice to the powers of control vested in the competent administrations.

Powers of supervision by the competent administrations are also governed as part of the procedure, which establishes that any immediate prohibition measures must be reviewed in the conference of services in order for them to be confirmed, and the timescales and methods required for the facilities in question revised, without prejudice to the possibility (in addition to other criminal and

² Cf. proxy-law 59/97, legislative decree 112/98, which transferred competences and resources to the regions and local entities, and regulation no. 447/98.

disciplinary consequences) of restoring the facility to its original state in the event of certified false representations being submitted in self-certifications.

Provisions governing controls of productive activities should also be noted, as these are also published via internet, along with the results, in accordance with methods and timescales compatible with the performance of business activities, inter alia to ensuring promptness and non-duplication where more than one office is competent.

1.4 Transposition of EU law

In 2007, the government has maintained the pace of transposition of EU law set in the previous year.

The 50 directives contained in the attachments to the 2004 Community Law have all been transposed. In particular, in order to implement directives 2002/15/CE on the organization of working hours for persons involved in operating means of transport, 2004/25/CE on public tender offers, and 2004/39/CE on markets for financial instruments, a new mandate was granted to the government under Italian Law 77/07, which set a deadline of the following 30 September; hence the legislative decrees implementing directives 2002/15/CE and 2004/25/CE have already been approved preliminarily by the Council of Ministers, while the legislative decree transposing directive 2004/39/CE was approved definitively by the Council of Ministers on 30 August 2007.

As for the three electricity and gas directives, i.e. 2003/54/CE, 2003/55/CE and 2004/67/CE, the new transposition mandate for the government is contained in a draft bill entitled “Mandate to the government to complete liberalization in the electricity and natural gas sectors and to relaunch energy savings and renewable sources, in implementation of Community directives 2003/54/CE, 2003/55/CE and 2004/67/CE” (a.s. 691), presented to the Senate on 28 June and assigned to the X Commission as the referring body, and currently under review by the Assembly. Pending approval of this draft bill, some of the provisions contained in the directives in question have been transposed in Italian Decree Law 73/07 “containing urgent measures to implement Community provisions in respect of the liberalization of the energy market”, converted with amendments by Italian Law 125/07 issued on 3 August 2007.

The mandates to the government to transpose the 34 directives contained in the annexes to the 2005 Community Law were also promptly exercised by the term set of 23 August 2007.

Indeed, four directives were transposed under the previous legislature, conformity with the Italian legal system has been certified for 2, 26 have been transposed under definitively approved measures, while for the other 2 the Council of Ministers has preliminarily approved the legislative decree for transposition.

On 17 January 2007, the 2006 Community Law (Italian Law 13 dated 3 February 2007) was approved by Parliament, which identified 87 directives to be implemented at administrative level; Parliament also issued a legislative mandate to the government to transpose 27 directives within a period of twelve months, or six months for directives whose term for transposition had either expired or was due to expire within six months of the date on which the law came into force, one of which (directive 2005/45/CE regarding the mutual recognition of certificates issued to seamen by member states) is to be implemented in deregulated form.

Of the 27 directives, two (2006/48/CE regarding access to bank activities and the exercise thereof, and 2006/49/CE relating to the capital adequacy of investment companies and banks) have been transposed under Italian Decree Law 297/06 dated 27 December 2006, converted into Law 15 of 23 February 2007.

Moreover, Italian Legislative Decree 94/07, which transposes part of the provisions contained in directive 2006/7/CE relating to the management of the quality of bathing waters, and a Ministerial Decree issued on 3 May 2007 to transpose – at an administrative level - directive 2005/64/CE on ratification of motor vehicles in respect of reutilization, recycling and recovery, have both been definitively approved.

As already mentioned, for directives whose term for transposition has already expired or expires within the next six months, the 2006 Community Law set a term for exercise of the government's mandate by 4 September 2007; this involved a further seven directives. For four of these the legislative decree to transpose them has already been definitively approved, whereas for two others the legislative decree has received preliminary approval, while directive 2005/94 in respect of Community measures to combat bird 'flu has still to be transposed in regulated form.

Regarding the 16 directives for which the government's mandate for transposition expires on 4 March 2008 – in addition to 2006/7/CE already transposed in part – it should be noted that for 2005/71/CE, which relates to a procedure specifically conceived for admission of citizens of other countries for purposes of scientific research, and 2005/85/CE, which contains the minimum regulations for procedures applied in member states for purposes of granting and withdrawing refugee status, preliminary approval for the legislative decree to transpose them has already been received from the Council of Ministers.

The draft 2007 Community Law was definitively approved by the Council of Ministers at its meeting held on 7 March 2007. The draft law was presented in Parliament on 30 March 2007, and approved at its first reading in the Senate on 25 September 2007. The draft 2007 Community Law is currently being reviewed by the Chamber of Deputies at the second reading.

The draft law largely retains the structure of previous Community Laws. However, it does also contain several important new provisions, which include the time reduction for exercise of the legislative mandate; indeed, with a view to adapting Italian regulations to obligations established at European level more quickly, it is envisaged that the term for exercise of such mandate shall usually coincide with the term for transposition of the directive, and that accordingly, for directives whose term for transposition has either already expired or is due to expire in the three months subsequent to the date on which the Community law comes into force, the government shall be bound to adopt implementation legislative decrees by and no later than ninety days following the date on which the Community Law comes into force. The measure comprises three chapters and two attachments.

Chapter I contains the provisions whereby the government is granted legislative mandates to implement directives listed under Annexes A and B, which are transposed by means of legislative decree. Chapter II contains provisions aimed at amending or repealing national provisions currently in force that conflict with EU legal arrangements, along with specific legislative mandate criteria. Chapter III contains provisions required to implement framework

decisions adopted as part of co-operation between the police and judiciary on criminal matters.

	Directives implemented through measures approved preliminarily	Directives implemented through measures approved definitively	Directives yet to be implemented
2005 Community Law	2	26	—
2006 Community Law	3	8	16

The two annexes (A and B) contain a list of the directives to be transposed by means of legislative decree; for those listed in Annex B, the outlines of the implementation legislative decrees are required to be reviewed by the competent parliamentary commissions (although this step is also required for outlines of legislative decrees implementing directives included in Annex A if they contain criminal sanctions). In the current version approved by the XIV Commission a total of 16 directives are listed in the annexes, 1 in Annex A and 15 in Annex B. Moreover, a regulation has been included in the draft which directly transposes directive 2006/138; while a total of 40 directives to be implemented at administrative level are listed in the report to the draft law, under Article 8 paragraph 5 letter b).

1.5 Infringement procedures

As mentioned last year, a task force has been set up at the Department for Co-ordination of EU Policies of the Presidency of the Council of Ministers to focus on infringement procedures. Harmonized management of this area has made dialogue with the Commission more ordered and straightforward, and the Commission in turn can count on a single interlocutor for contact with the various central and local administrations, while the latter increasingly recognize the Department as a useful point of reference, and of technical and institutional support, and an indispensable channel for contacts and meetings with the Commission.

The results achieved in 2006 and 2007 confirm the validity of this approach and reflect a very positive trend, with a clear and ongoing reduction in the overall number of cases involving Italy.

Infringement procedures have reduced by over 60 in the course of the year, with a particularly marked improvement in the number of procedures pending for breaches of EU law.

This is an important statistic: whereas failure to transpose directives is generally overcome in uncontested fashion through gradual implementation of the mandates provided for in EU laws, to identify and implement solutions that are actually able to eliminate areas of incompatibility with EU law and are subject to other infringement procedures requires much more demanding action by the Department of European Policies, in requesting and directing action from the national and regional administrations which are responsible for the breaches in question.

The number of new procedures opened has also reduced considerably, and has now reached very modest levels: only seven new cases were initiated on the occasion of the quarterly session of the College of Commissioners in June,

whereas a total of 23 such cases against Italy were pending at the same meeting last year.

The results reflect extensive preventative action carried out in managing such cases, on occasion even before procedures were formally opened; effective and timely intervention with the Commission has enabled a total of 101 claims to be shelved, enabling the same number of procedures to avoid being opened.

This dual trend whereby, on the one hand, an increasing number of cases are shelved, and on the other, a consistent reduction in the number of new procedures is recorded, has delivered tangible results: the number of infringement procedures in which Italy is involved is now at its lowest level since 2002.

1.6 Liberalizations

Policies to liberalize markets and protect the economic interests of consumers occupied a particularly prominent place in last year's report on implementation of the NRP.

In order to promote competition, the different initiatives taken, including of a regulatory nature, must produce a framework of stability aimed at making the market more dynamic and competitive, and eliminating the distortions that restrict its functioning correctly. They must also target increasing openness of markets and strengthening the consumer's position.

Particular attention has been devoted to the services sector, which in Italy accounts for 70 percent of value added. The low level of productivity in this area, which generates a competitive gap vis-à-vis the United States and other companies in the European Union, has led to initiatives to make the product offering more competitive by launching "virtuous" mechanisms able to make the services market more dynamic and competitive.

The liberalization measures introduced by Italian Laws 248/06 and 40/07 have led to restrictions on competition being eliminated, created greater transparency on markets and increased competition between operators, reduced superfluous bureaucratic requirements and simplified lives of companies and citizens. In addition, the powers of the antitrust and sector regulation authorities have been strengthened.

The measures have affected the basic services of the country, such as banking and insurance, the regulated professions, commercial distribution, bread production, taxis, telephony, sale of medical products, transfer of ownership, fuel prices, air tariffs and mortgages; and further measures have been adopted to facilitate the launch of businesses and professions.

One year since the first package of liberalization laws was launched, and six months since the second, a preliminary assessment can be made of the measures launched by the government and their effects in economic terms. The overall picture reveals many aspects that are highly satisfactory. The individual measures have met with considerable success among consumers, and led to the start of a "virtuous" process of competition between operators, in particular in sectors such as third-party motor liability, mobile telephony, air tariffs, and banking service costs. In some sectors the full effects of the measures have yet to be displayed owing to the fact that they have either only recently or not yet come into force.

Some liberalized services have shown significant reductions in prices.

For example, in the month of June 2007 a 14.2 percent decrease in the price of telephony services was recorded, due to top-up charges being abolished. The telecommunications watchdog AGCOM also issued provisions on implementation and launched its own specific supervisory activity, which includes monitoring the fairness of charges applied to customers wishing to withdraw from agreements, to ensure that these correspond to the requirements of the new regulations.

Air transport saw a 9.2 percent reduction in prices again in the month of June. The obligation to state the full price to be paid to acquire an air ticket on advertising and commercial offers has led to a significant change in operators' behaviour, making for greater transparency and bringing various fixed costs into the open which previously were hidden, such as supplements and sundry other charges. The European Parliament itself adopted a largely similar requirement in terms of price transparency at European level, under a resolution adopted on 11 July 2007 as part of new regulations being issued on air transport.

For over-the-counter medical products, as at 11 July 2007 a total of 1,148 commercial pharmacies had completed the registration procedure with the Italian Ministry of Health. Statistics recorded by ISTAT in June showed a 6.6 percent reduction in the general level of prices, including of traditional pharmaceutical products, with peaks of as much as 30 percent for specific products. The process has therefore had beneficial effects on households.

In banking services there has been a reversal of trend in terms of cost of services, which reflect no change or even slight reductions. Hence price changes are lower than the corresponding European averages.

The effect of liberalization measures adopted in the OTC medical product sector since last summer, and in the mobile telephony and air tariffs sectors operative since March 2007, has led to an estimated 0.23 percent reduction in the rate of inflation. Partial estimates suggest the annual consumer saving deriving from 5 of the more than 30 liberalization measures launched to date falls within a range of between €2.4bn and €2.8bn.³ Such savings, if confirmed even in part, will lead to additional funds being made available for further consumption by households.

With regard to the measures introduced under the liberalization regime, the provision to abolish charges for early repayment of mortgages is now fully operative. Application is guaranteed by an agreement between the Italian Bankers' Association (ABI) and the Consumers' Association signed on 2 May 2007, as provided by Italian Law 40/07, which established the criteria for reduction and/or abolition of charges due in the event of early repayment of mortgages on properties taken out prior to 2 February 2007. This is the first time that the legislator has entrusted the efficacy of a universally valid agreement to associations representing both parties in cause.

³ The reduction in the inflation rate as a result of liberalization measures introduced has been calculated by comparing the average value of the ISTAT consumer price index before and after the measures introduced under Italian Laws 248/06 and 40/07 concerning OTC medical products, air and air transport and mobile telephony services respectively. The annual saving for consumers has been estimated by including consumers' reduced spending as a result of the introduction of these measures in the following five sectors out of the over 30 involved: OTC medical products, air transport, mobile telephony, transfer of ownership of registered moveable property, and cancellation of mortgage registrations. The estimate is conservative and is limited to merely some of the measures introduced.

On 2 June 2007 new regulations on the cancellation of mortgage registrations on houses came into force (with the launch of measures implementing provisions contained in Italian Law 40), whereby it is now sufficient for the bank to notify the provincial office of the local Agency, and authentication by a notary public is no longer necessary.

For professional services, after the obligatory phase for upgrading all 27 ethical codes, which was completed on 31 December 2006, a second stage of amendment has been implemented in order to align the codes more effectively with the new rules.

The Regions have launched and in many cases completed the legislative procedure for aligning their legal arrangements with the new principles in respect of competition. Overall we may say that the degree of transposition has been satisfactory, although disparities remain in terms of how the various provisions have been applied.

Within the distribution sector, the long restructuring phase launched with reform of commerce in 1998 now appears to have stabilized. Small businesses, having gradually grown in number, are starting to benefit from increased room for manoeuvre due to the removal of many administrative restrictions on the opening and management of so-called neighbourhood businesses, as confirmed *inter alia* by data from ISTAT, which suggest that businesses with small surface areas are holding their own in terms of competition and posting growth rates in sales which are higher than those of large-scale distribution for the first time.

In July 2006 a new regulation came into force doing away with the obligation to have a licence, with the respective numerical quota, to start up a business producing bread. The result was an increase in the number of companies. Indeed, as at end-June 2007, of 5,024 bread-making facilities launched in the last year a total of 3,793, some 75 percent, were opened without a licence.

Starting from August 2007 companies were forced to state the expiry date for food products more legibly and visibly.

For taxi services, application of the new instruments provided for under Italian Law 248/06 still appears to be at inadequate levels. Many of the large borough councils, such as Rome, Florence and Milan, Bologna, Genoa, Siena and Turin have nonetheless increased their offerings, through more effective organization of shifts, and in limited cases through an increase in service licences. They have also amended their fare structure through adopting fixed fares for defined routes.

A regulation is now operative providing for concessionary companies operating roads and motorways to put up signs displaying the comparative fuel prices applied by the service stations.

Italian Law 248 extended the powers granted to the Italian authority for competition and the market, which has begun to use its new instruments in order to intervene as provided by law.

In those sectors where liberalization and consumer protection measures have been applied swiftly and easily, the response on the part of the consumers themselves and the market has been extremely positive, increasing their expectations of benefits anticipated from the measures introduced.

The government is committed through ongoing monitoring at the application stage to ensuring consumers receive adequate information, in order

to take full advantage of new opportunities, the actual operation of measures implemented and the anticipated results in economic terms.

A third law (AS 1644, or “Bersani-ter”), which is currently halfway through the parliamentary review stage, involves major new sectors such as fuel distribution, simplifying the launch of production facilities and the procedures for small co-operatives, and providing subsidies for the entertainment businesses, in addition to the provision added by the Chamber to ensure that the country has one new law per year on competition and consumer protection.

Such initiative in legislative terms has been enriched by additional sector-based proposals, such as those in respect of collective legal action to protect consumers, reorganization of independent authorities and the electricity and gas sectors, local public services and reform of the intellectual professions.

The draft law introducing collective compensatory action to protect consumers (AC 1495) makes provision for a collective judicial mechanism (the so-called “class” action) to be established in respect of compensation or damages, whereby damages paid to persons appearing before court who have their claims upheld may be extended to all other persons belonging to the same category who have not necessarily taken legal action themselves. It also supplements existing forms of protections for consumers provided in the Italian legal system, and legitimizes the action of all recognized consumers’ and users’ associations.

The draft law of “Mandate to the government to complete liberalization in the electricity and natural gas sectors and relaunch energy savings and renewable sources in implementation of directives 2003/54/CE, 2003/55/CE and 2004/67/CE” (currently under review by the Senate, AS 691), is intended to revise regulations on electricity, relaunch energy savings and renewable sources, to take action in respect of tax-related energy issues, and to foster the development of energy infrastructure throughout Italy (cf. section 8 [energy policies]).

The draft law on regulation and supervision of markets and the functioning of independent authorities instituted for markets (AS 1366) contains provisions in respect of the authorities regulating public utility services (e.g. establishment of a transport authority) and supervisory authorities for financial markets (with functions being attributed to the Bank of Italy and to Consob and entities such as ISVAP, COVIP, UIC and CICR being abolished), and makes provision for the authorities’ arrangements (amendments to methods of appointing members of the authorities and certain rules of organization and functioning).

The draft law of “Mandate to the government to reorganize local public services” (currently under review by the Senate, AS 772) provides for general recourse to public competitive procedures to select operators for new operations and renew existing management of economically significant local public services with the exception of water. Recourse to any other form of award for local public services must be exceptional, and must arise from particular market situations.

The draft law of “Mandate to the government in respect of the intellectual professions” (A.C. 2160) provides for introduction of regulation based on principles aimed at reorganizing the system of intellectual professions considered in their entirety, access to such professions without predetermined restrictions in terms of number, public recognition of professional associations entrusted with the duty of certifying qualifications for those registered with them, reorganizing

the existing professional orders, and combining those in affiliated areas with them.

The effects of the liberalizations thus introduced will be fully felt when the system is fully operative, with the new measures bringing about a change in culture, but the results achieved to date may be described as satisfactory, both in terms of contribution to growth in product and investment, and in terms of price increases below the EU average.

– *Services directive*

Correct and effective transposition of Directive 123/2006/CE on the internal services market will provide a fundamental contribution to the liberalization and simplification process.

The directive, which is based on the idea that it is necessary to remove the obstacles that continue to hinder the free exchange of services, establishes that by 28 December 2009, member states must take action to abolish, attenuate or amend all authorizatory regimes or, without prejudice to the foregoing, all prerequisites specified by their own legal system for access to or exercise of activities involving services.

In order to implement this EU directive, the Presidency of the Council of Ministers' Department for co-ordinating EU policies has already completed a methodological framework that will enable the entire body of national regulations to be screened as required. Moreover, given that most authorizatory regulations now fall within the jurisdiction of the regions, contact has been made via the Presidency's Department for regional affairs with a view to sharing this methodology with the regions and local entities.

This initial, "census" phase will be followed by assessment of the various authorizatory regimes and the requisites provided for in the legal system. The objective, along with the more general aim of simplifying regulations (co-ordination is ongoing between the exercises mentioned above), is to overhaul the existing regulations with a view to facilitate the provision of services as much as possible.

1.7 Industrial property and combating counterfeiting

With a view to increasing industrial competitiveness and safeguarding national wealth, the Italian government is implementing an active policy in favour of industrial property and to provide impetus for the battle against counterfeiting. The latter phenomenon in particular brings distortion effects to the market and impacts on companies' abilities to compete, which in turn leads to increased tax evasion. The government has therefore adopted a policy of combating this phenomenon, through regulations, suppression and raising awareness, in order to foster more normal market conditions with beneficial effects on investments, productivity and innovation.

Industrial property policy

As mentioned in the 2006 NRP, a legislative decree is being finalized to correct the code of industrial property and the regulations which enforce it. The decree involves assigning ownership of patents deriving from university research,

duration of the protection afforded by copyright in the case of cumulative design, and the reintroduction of ordinary rite, simplified and streamlined.

To strengthen and requalify national patents, the European Patents Office (“OEB”) has been given the task of researching the novelty of national inventions. The estimated period of time for this project is 18 months, at an estimated cost of €18m per annum. France and four other European countries already use the OEB in this way. At the same time a three-year programme to strengthen the UIBM is underway worth a total of €9m.

The other policies into which industrial property policy is divided involve: new arrangements for taxes on patents, automatic translation of patents, electronic filing, economic valuation of patents, and a skills data base.

New arrangements for taxes on patents. Exemption from payment for the first four years, i.e. the period in which the patent does not generate financial returns, and simplified management of the other requirements (letter of mandate). Universities exempt from tax on filing of patents and tax on registration, to give a signal to licensing and technological transfer. Taxes on filing aimed at rewarding clarity in claims and limiting jumbo patents.

Electronic filing, due to an assisted completion system and a reduction in the tax on filing if this method is used, is an instrument devised in part to bring companies and in particular small- and medium-size firms closer to industrial property.

Automatic translation of patents from English to Italian and vice versa is a project functionally linked to application of the convention with the OEB in the search for precedence. It consists of developing a dictionary for automatic translation from Italian to the working languages of the OEB, without the cost having to be incurred by the companies. For Italian SMEs this opens up the possibility of overcoming the main obstacle to developing an international industrial property strategy, i.e. the difference in languages, and will provide a competitive advantage by making available an instrument developed earlier than in other countries.

Development of a methodology for economic valuation of patents, to be shared between the public administration, the universe of public- and private-sector research, the companies and the banking system; this issue takes on particular importance in the light of the new criteria governing capital adequacy requirements for banks identified under Basel II, in that in order to value a company, the banks have to use internal rating systems, putting the ability to link financing to objectives in terms of the companies’ market position at the forefront of the bank-business relationship. One important effect of this project could be the emergence of innovation above all among SMEs present locally.

Creation of a skills data base, due to development of a specific software tool, should enable an integrated system of public research databases to be set up at regional level, and a computer system which is simple to search and enables search results to be selected on the basis of the company's profile and hence also its actual needs, thus avoiding problems of information being dispersed which can often lead to serious difficulties or even decisional incapacity for companies, especially if they are medium-sized or small.

Combating counterfeiting

Combating counterfeiting is vital in order to protect the national public and private wealth. Illicit production and sale of counterfeited or pirated goods

and services create a distortion in the market which damages innovation and investment and has serious economic repercussions for companies.

Moreover, clandestine, rather than just illicit, production and sale of counterfeited goods and services is damaging to the revenue authorities, as funds are kept out of the reach of public finances, both in terms of direct and indirect taxation. Funds which could be used for public works not just in the collective public interest, but also and in particular for the system of companies, through financing appropriate economic policies.

Furthermore, the fiscal damage caused by counterfeiting in the sense of lower tax revenues collected represents a major obstacle to every action being taken by this government to combat tax evasion, making the effort to recover increased funds in this way vain.

Inertia or inefficiency in the commitment to stand against counterfeiting thus constitutes a self-evident, blatant contradiction of the repeatedly announced plans to combat tax evasion.

Another serious effect that should not be undervalued is the burden on the pension system, in terms of lower income from contributions, the weight of which is then felt by the whole general public.

In the fight against counterfeiting, in addition to providing information and raising awareness among consumers, such as through communications campaigns in the media, training in schools, etc., one training activity that has been particularly important for companies and judges has been to co-operate with other administrations to set up a network of desks to provide assistance on industrial property in markets (e.g. China, India, Turkey, Russia, Korean Republic, Taiwan, Brazil, the U.S.) where the problem of protecting Italian entrepreneurs from counterfeiting is very real, and hard to tackle without a vision of a country system. A vast policy of bilateral agreements with national offices of other countries has been implemented. Some of the most significant include those with China, France and the United States. At the same time direct collaborations have been initiated between companies, customs authorities and the High Commission for the fight against counterfeit.

After the establishment of the High Commission in 2005, in 2006 a wide-ranging review of the system for tackling counterfeiting and identifying the best intervention strategies was developed. One of the High Commission's main objectives at an early stage was to involve the police forces, the finance police in particular, and to set up a freephone number and website in order to collect operators' requests and reports from interested parties. Thereafter the competent administrations shared ideas with a view to agreeing on priorities and acting accordingly in their own individual fields of action. At the same time it proved important to provide a unified response to the needs of the private sector, by creating a single point of reference to listen, examine the weak points of the system and put forward action proposals to safeguard the interests represented. Two round tables were set up to compare experiences in the public and private spheres: the permanent public institutions table, and the permanent businessmen, workers and consumers table.

The results of this activity made it possible to develop regulatory proposals with all the players involved in the course of 2007 on the subsequent issues:

- introduction of specific instances of crimes devoted to counterfeiting;

- introduction of new investigative instruments in the fight against counterfeiting;
- definition of penalties for knowing consumers;
- amendments on the issue of seizing counterfeited goods on suspicion of crime, to overcome the significant costs involved with custody.

Targets to reach in the fight against counterfeiting in the 2007-08 period may be grouped under the following strategic guidelines:

- to consolidate the activities and functions of the two permanent round tables;
- to set up a computerized system to analyse and collect data relating to action taken by police forces and customs authorities to counter such phenomena;
- to compile a technical manual for operators in the municipal police forces to bring together instructions and paperwork for seizure operations;
- to embed the best practices acquired in the research carried out by the working team to counter the sale of counterfeit goods in cities, established at the offices of the High Commission;
- to monitor the areas worst hit by the phenomenon, for purposes of developing specific strategies to counter the production and distribution of counterfeit merchandise on national territory;
- to open up channels of international collaboration in order to promote joint action as envisaged by the Declaration of Heiligendamm with the WIPO, WTO, WCO, WHO and OECD, and as a matter of priority with other European Union countries;
- to inform the private sector of the structure and aims of the High Commission, and to raise awareness among companies and consumers regarding the risk of products to health and safety to the economy of the country in general.

In any case, tackling counterfeiting is a social as well as an economic duty, and its success can be guaranteed with the full involvement of all institutions concerned but also of the consumers themselves.

2. TELECOMMUNICATIONS

2.1 Digital television

The Italian government's action to incentivize transition to digital TV has continued, with a switch-over phase, involving simultaneous broadcasting in both analogue and digital technologies, prior to switch-off, when only digital will be broadcast in Italy starting from 2012, against a backdrop of compatibility with EU regulations and the principle of technological neutrality. Development of digital TV, in addition to bringing benefits to users in terms of quality, will increasingly free up portions of the spectrum (the so-called “digital dividend”) and encourage the entry of new entities to expand the offering in terms of content and innovative services (mobile TV or IMT services).

Total investment in terrestrial digital for 2007-2009 amounts to €120m, plus the €40m provided for through reduced tax revenue due to incentives to acquire integrated digital decoders. As at June 2007 a total of 4,542,000 digital TV decoders had been acquired in Italy. The government has launched a series of technological, economic and social measures in order to support this important transition:

Fund for transition to digital (€40m per annum for 2007/2009)

A fund worth €40m has been set up at the Italian Ministry of Communications for each of the years 2007, 2008 and 2009 in order to:

- provide incentives to produce high-value content in digital technology;
- provide incentives to switch to digital for the incumbent obliged to provide universal coverage;
- promote planning, development and broadcast of interactive public utility services through a digital TV platform;
- encourage socially or economically disadvantaged families to switch to digital;
- provide incentives to raise awareness of digital technology among the population.

For 2007, the fund has been divided as follows (established by decrees issued by the Italian Minister for Communications):

- €33m for roll-out of digital technology over the national territory by the incumbent public radio and television broadcasting concessionaire responsible for providing universal coverage, through supporting new investment activities, both in terms of network construction and development of a new portfolio and revamped product offering. This support for RAI is intended to make television in digital format utilizable by the entire Italian population during the switch-over phase;
- €4m for work to complete the partial switch-off in the two “all-digital” areas of Sardinia and Valle d’Aosta;
- €750,000 for the “Digital Sardinia” and the “Digital Valle d’Aosta” consortiums.

In order to monitor transition and set down guidelines, a “Digital Italy” Committee has also been set up comprising the main players involved in the transition, including: public and private, local and national TV broadcasters, cable or satellite broadcasters, representatives of local and national institutions, associations, etc.

Switch-off in all-digital areas

On 1 March and 16 April 2007 respectively, two channels, RAI 2 and Rete 4 and other national and local channels were switched to digital terrestrial (and the analogue signal switched off) in the all-digital areas of Sardinia (Cagliari plus a total of 122 other borough councils) and Valle d'Aosta (Aosta and 16 other borough councils). As at end-June 2007, digital terrestrial broadcasting had reached approx. 82 percent of public TV subscribers in Sardinia and 81 percent of subscribers in Valle d'Aosta. Such action has been implemented in part with the help of a €4m loan made from the Digital Fund.

Incentives to acquire digital TV decoders

Action envisaged in the 2007 Budget Law, against a backdrop of compatibility with EU regulations as shown by European Commission Decision no. N107/2007, also includes provision for an incentive amounting to 20 percent of the cost incurred up to a maximum amount of €200, to be used in the form of a tax deduction, to acquire digital TV decoders (integrated or stand-alone) by 31 December 2007, without limits in terms of technology (satellite, terrestrial or cable), and hence in compliance with the principle of technological neutrality. The amount set aside for this incentive totals €40m for the 2008 financial year (i.e. the year in which the tax deduction will be operative).

Mobile television

After an initial experimental phase, DVB-H, i.e. the transmission and reception standard for television channels on mobile phones, has already been regulated and launched; other broadcasting methods are also present, albeit less widely-used. The government is in favour of developing the new applications, in compliance with the principle of technological neutrality.

Database of television frequencies and digital dividend

Update of the national database of television broadcasting frequencies was completed in June 2007 by the Italian Ministry of Communications and the communications sector authority. This is a key issue in providing a sure base from which to develop the National Frequency Plan with which to manage the electromagnetic spectrum (the “digital dividend”).

2.2 Broadband

In application of the provisions of the eEurope 2005 document, Italy has prepared a strategic plan to develop and roll out broadband internet access and in so doing respond to the increasing demand for services online, using public demand as the principal driver to stimulate private demand, and identifying minimum service levels for citizens. Broadband access in Italy as at July 2007 has reached around 8,500,000 individuals. The objective remains to reach and exceed the European average in terms of penetration by households and families through the following measures which are currently being implemented:

Network infrastructure

Infratel Italia S.p.A. has been set up to implement a programme for broadband infrastructure coverage in all the disadvantaged areas of the country (CIPE resolution no. 83/03 approved on 13 November 2003 and Article 7 of Italian Law 80/05). The Broadband Programme is aided by funds made available to the Ministry of Communications by CIPE, totalling €351m in the past three years, and State Budget Laws worth an overall €80m, €10m of which for 2007, €10m for 2008 and €60m for 2009. Additional funds have also been set aside for the Broadband Programme by the regional administrations, in joint financing for the investment required to carry out the work.

Under the terms of the Programme and based on the effective availability of funds, over a three-year period from 2006 to 2008, provision has been made for:

- over 3 million inhabitants in areas characterized by the digital divide to qualify for broadband access, i.e. over 40 percent of the population resident in areas hitherto excluded from broadband coverage;
- roll-out of over 2,000 km of new fibre optic infrastructure; executive projects to implement fibre optic telecommunications networks in around 170 borough areas have also been planned;
- development of executive projects for upgrading fibre optic infrastructure at over 180 switching stations in disadvantaged areas, through which telecommunications operators and providers will be able to supply advanced, innovative broadband services to citizens, companies and the public administration;
- development of wireless solution projects for more than a hundred other boroughs in Southern Italy, to continue and supplement the aforementioned development of fibre optic networks.

Establishment of Broadband Committee

The Interministerial Broadband Committee (Ministries of Communications, for Reform and innovation in the public administration, and for Regional affairs and local autonomies) is now operative, to co-ordinate, harmonize and monitor initiatives already undertaken, along with representatives of the local administrations, users and operators in the telecommunications sector with a view to identifying priority action to be taken in order to reach the essential technological levels throughout the country.

Tender for award of Wi-Max frequencies

An agreement has been reached with the Italian Ministry of Defence to release an initial batch of Wi-Max frequencies. The Ministry of Communications is set to announce the competition for award of these frequencies, based on terms and conditions issued by AGCOM, which will provide fresh stimulus to the development and roll-out of broadband in Italy, in particular in areas where cable has proved to be difficult to lay (for technical or economic reasons).

2.3 Regulatory framework

With a view to ensuring expansion of the area of free choice to citizens and companies in the telecommunications market, thereby favouring a stronger liberalized market and stronger competition, and promoting investments, several measures have been proposed or adopted:

Draft law to reform radio and television broadcasting sector

The aim of the draft law submitted in October 2006 currently being discussed in Parliament is to remove incompatibilities between the current regulations and provisions issued at EU level, to strengthen pluralism by countering the oligopolistic arrangement of the television system and removing barriers to entry for new operators on the market, such as limits on the raising of advertising funds by a single entity in the television sector, extension of the 20 percent limit of programmes to be broadcasted by an individual entity to include digital programmes as well, including those with conditional access and pay-as-you-view programmes. Other regulations are aimed at freeing up resources in terms of frequencies in an attempt to limit overlap and redundancy, and to ensure efficient management of frequencies according to criteria of objectivity, transparency, proportionality and non-discrimination, by promoting pluralism, competition, efficient use of the digital dividend, production and distribution of quality new content consistent with the regulatory framework and the European market.

Separation of functions

An amendment proposed by the government to the “Liberalizations” draft law in April 2007 is currently being reviewed by the Parliament. This is aimed at increasing the powers of the communications industry competition authority in the area of access networks, in particular for components required to use broadband services (the so-called “separation of functions”). The authority, in all circumstances not qualifying as exceptional, in order to administrate and manage an access network vis-à-vis an incumbent with notable market force, should be empowered to impose a *“regime developed, including via the most appropriate organizational measures, on the basis of criteria of independence, neutrality, and separation of function from the other activities, with full guarantee of equal treatment both internally and externally for all operators applying for access.”* This measure is intended to safeguard the asset represented by the access network on the grounds of its strategic value as national communications infrastructure, without affecting the dynamics of the liberalized market.

Abolition of mobile telephony top-up charges and reduction in international roaming tariffs

With a view to increasing the transparency and efficiency of the mobile telephony services market and encouraging competition as a result, the Italian government established, pursuant to Decree Law 7/07, that charges on mobile telephone top-ups should be abolished starting from 5 March 2007 (see also section 1.4), and played a key role at EU level in the adoption of the European Commission regulations to reduce international roaming tariffs and bring them closer to the actual costs incurred by the operators, thus favouring the consumer, against a backdrop of a fully functioning European market.

Transposition of European Decision on RFID

Radio frequency identification, or RFID, refers to new instruments which read identification information for a given product recorded on electronic support through radio waves, which then transfer the information to a data base for processing. RFID technology enables citizens, operators, institutions and companies to benefit from and provide new services, which are advantageous in terms of security (such as tracing foodstuffs, health services, and the fight against fake medicines), service efficiency and accessibility. All the above with due consideration for maintaining privacy.

In July 2007 a Ministerial Decree was signed whereby the radio frequencies for RFID technologies were completely liberalized, thus fully transposing Decision 2006/804/CE issued on 23 November 2006. This should help develop a European RFID systems market, thus fostering economic growth, employment and competition.

Liberalization of postal services

The new EU directive currently being discussed by the Parliament and the European Council intends to fully liberalize the postal services market by abolishing the reserve area for parcels weighing less than 50 grammes. The Directive may be adopted by the year-end, following the political agreement reached on 2 October 2007, and full liberalization should come into force on 31 December 2011 or 31 December 2013 (the latter for the limited number of countries for which exceptions have been provided). Italy is taking an active role in Community negotiations to ensure full liberalization of the postal market, against a backdrop of ensuring that a universally efficient and quality service is maintained at sustainable cost, with adequate mechanisms for financing and participation in Universal Service compensation funds.

3. ACTION FOR SMALL AND MEDIUM-SIZED COMPANIES (EUROPEAN CHARTER FOR SMES)

Italy is the country with the highest concentration of micro-companies in Europe, accounting for 94.9 percent of the total. Given this feature of the national economic system, it is clear that many of the policies described in the previous sections of the report have a significant impact on SMEs, even though they might not be directly concerned with them.

In view of this, certain measures implemented at state level will be described in this section which involve SMEs more directly (cf. also later sections on Scientific research and technological innovation, Competitiveness in the industrial system and Environmental protection), and given that the Constitution grants legislative powers to the regions in respect of industry, crafts, tourism and commerce, scientific and technological research, support for innovation in productive sectors, and other action to facilitate and promote local growth, the main lines of interest for the regions will also be indicated.

Among the action provided for thus far by the “Industry 2015” draft law currently being reviewed by Parliament⁴, attention should be drawn in particular to measures in respect of business networks and micro-finance. More specifically, the former provides for the creation of networks of firms among SMEs not looking to merge but rather to establish networks of relations. With the establishment of such networks, SMEs will acquire increased bargaining power vis-à-vis third parties, such as banks, suppliers, contractors, and in some cases also tax authorities despite not being controlled by a single entity. The second of the two provisions mandates the government to adopt legislative decrees with a view to overhauling regulations in a bid to foster growth in independent business and the activity of micro-enterprise, in compliance with two criteria: review and co-ordination of regulations in this area (i.e. streamlining the technical characteristics required of micro-finance operations), and definition of qualifications for entities authorized to exercise micro-finance activity.

In terms of embedding an entrepreneurial culture from the secondary school stage, the school-work relationship offers a wealth of educational opportunities to derive value from the training component of practical work experience, supplementing theoretical study with learning in actual operating environments, such as visits to companies, work placements, apprenticeships and alternate work-study arrangements. In particular the latter enable 15-18 year-olds to “complete all or part of their educational experience through alternating periods of study and work, under the responsibility of the school or training institution they attend, pursuant to conventions with the companies or the respective representative associations or chambers of commerce, industry, crafts and agriculture, or with public and private entities including those in the tertiary sector, which are willing to accept pupils for periods of apprenticeship that shall not constitute individual employment relationships” (Article 4, Italian Law 53/03).

In the 2005/2006 school year, a total of 642 senior schools instituted pilot projects, including in implementation of protocol agreements with bodies

⁴ Cf. AS 1644 and Italian Law 296/06.

such as Unioncamere, Confindustria, Confservizi, Confesercenti and Concooperative, which were attended by more than 20,000 pupils between the ages of 15 and 18. A total of 814 projects were implemented as part of the alternate school-work arrangements, and around 1,000 “business and education” projects were simulated. Learning in real work environments is facilitated by a series of instruments. Apprenticeships for purposes of career guidance and training enable the pupils to be fully involved in the activities of the company, and are aimed at enabling the pupils to acquire work experience. Between 2001 and 2004 the number of students involved in work experience of this kind rose from 210,000 to 270,000. For training apprenticeships the number of young people involved rose from 160,647 to 229,838.

A more extensive range of post-university courses seeks to tackle problems faced by operations at small and medium-sized companies, and develop instruments or approaches that can be used to resolve them.

Regarding measures initiated by business associations, such as CNA, Confindustria, CONFAPI, Confcommercio, Confartigianato, etc., in 2006 the “small business” initiatives launched by Confindustria stand out in particular. Activity geared towards increasing the international dimension of business promoted by Confindustria, ICE and ABI via missions to countries with emerging economies, such as China, India, Brazil, Africa and South East Asia, has been very intensive, and will continue to be so in view of the calendar of imminent events scheduled. SMEs have been heavily involved in such missions, with representatives of the companies taking part in business meetings with local partners.

A new, “tailor-made” instrument for SMEs is the alternative capital market (“Mercato Alternativo del Capitale”, or “MAC” for short). This is a market targeting SMEs in particular, operated by Borsa Italiana and designed for institutional and professional investors. Confindustria was involved in the setting up of this new financial environment as one of the founding partners of ProMAC S.p.A. (other partners include ABI, AIDAF, Assosim, IPI, Infocamere, Borsa Italiana and a total of 17 banks and SIMs), the company set up to promote development and awareness of the new market among firms and investors.⁵

In terms of employee recruitment systems, for some time now procedures have been geared towards administrative decentralization, liberalization and simplification, with a view to providing services that are useful and efficient as far as companies are concerned. Italian Legislative Decree 297/02 coming into force has also simplified procedures for employment by seeking to bring together supply and demand, in order to tackle unemployment and lighten the burden of charges on companies: persons seeking work now come to job centres to register that they are seeking employment, and hence receive priority treatment in terms of support services for ways of entering the workplace, e.g. through careers guidance, professional training courses, job offers, apprenticeships, etc., and databases are set up for the benefit of the companies which take the place of the old list system. From the point of view of the companies, the employer is now free to choose its employees and needs only to provide notification of the person being recruited.

Procedures in terms of starting work, which even in the past favoured SMEs with fewer than three employees, have been simplified further, in the sense

⁵ Cf. <http://www.mercatoalternativodelcapitale.it>.

that new employees no longer have to go to employment centres and provide their new employers with their employment cards (which have been abolished). Italian Law 30/03 and Legislative Decree 276/03 also extended the range of entities authorized to act as intermediaries between the supply and demand of labour, and made provision for them to be linked in a single network through the National Labour Exchange (private agencies, schools, universities, chambers of commerce and bilateral organizations representing the social parties). All these are obliged to provide data for the system known as the Permanent National Labour Exchange.

Moreover, the Employment Services Master Plan in 2000 stipulated that services to companies should be guaranteed as essential based on minimum working standards. Against this backdrop, experiments were carried out to favour the implementation of such service standards for companies, developing advanced services in particular to support recruitment of workers. In some cases provision was also made for consultants or operators to meet entrepreneurs' need for information and support. In order to turn such experiences into a system, the guidelines and objectives of SPIs are being revised through the new 2007-2013 Master Plan (cf. part 3), which sets as a priority the strengthening of services to companies and defining essential levels of service (ELP). In terms of services, three possible levels of need for companies have been identified which correspond to three service processes:

- need for information: regulations, contracts, forms of incentive for recruitment;
- need for professionalism: companies require more or less qualified staff;
- need for advice and support: companies have expressed the need for more complex forms of accompaniment through specialized and complementary services, such as crisis management, more complex employment programmes with fixed time limits, integrated preselection procedures, training, helping employees back to work, and recruitment.

Finally, Italian Law 296/06 (the 2007 Budget Law) extended the requirement for employers to notify employment centres of new working arrangements by the day prior to such arrangements commencing (rather than five days as was previously the case) to cover all sectors and employers, rather than just the construction industry, with a view to strengthening the conditions for legal working arrangements, improving workers' safety, and encouraging companies to carry out their activities legally.

The regional administrations' commitment has been geared towards SMEs and craft industry system, which represent the heart of many Italian regions' industrial systems.

The fundamental objectives identified by the Italian regions in the Planning Document to improve the conditions for competition, innovation and employment in their respective territories are largely the same as those highlighted for the relaunch of the Lisbon Strategy (cf. part 4 of this report). Policies implemented reflect the peculiar nature of the productive fabric of the regions, which often have a strong SME structure, and particular attention has

been paid to the preparation of measures which are effective for both the system as a whole and the smaller companies.

Regional industrial policies generally make provision for a body of measures focused on SMEs, which range from: subsidized access to loans for investment to incentives for research; from action to encourage transfer of technology, including through establishing networking between the business and education systems, to tax breaks; and from support for productive reconversion projects to innovative projects for area systems and hefty investments in training.

Within such policies, it should be noted that the regions themselves structure the guidelines for intervention and instruments to be used from time to time, in order to meet the particular needs of small and very small businesses more adequately.

In terms of method, the Italian regions have activated strong and ongoing collaboration with the economic and social forces and with local entities involved in the development of their territories, both at the stage of preparing the planning documents and of implementing them.

Dialogue with the various categories of production and territories has provided the stimulus for regional and local administrations to initiate specific action which clearly fits with the ten action lines identified by the European Charter for SMEs.

Further information on this subject may be found on the website for the Conference of Regions and Autonomous Provinces at www.regioni.it.

4. SCIENTIFIC RESEARCH AND TECHNOLOGICAL INNOVATION

4.1 National research policy

Research and development (R&D) activity is a priority among policies for growth. On the one hand it contributes to the cultural progress of the country, and is essential for training new researchers. On the other, it is a key factor in stimulating and promoting innovation processes and hence for increasing competitiveness in the economic and productive system.

Since the Lisbon Strategy was launched in 2000 and since its relaunch in 2005, progress towards the objective of 2.5 percent of GDP for use in R&D spending by 2010, with two-thirds to come from the private sector, has been affected by several factors that have impacted negatively on the economic growth of Italy.

The country has also been forced to comply with objectives to bring public finances back under control, as required under commitments entered into with the European Union. After five years of modest growth, a slight upturn was recorded in 2006. The emergency situation in public finances has now been averted, though they do still need to be brought under definitive control.

Relaunch of Italian R&D to reach average European standards is therefore to be viewed as a medium-/long-term project, which recognizes the need to ensure that the sector is equipped with adequate resources, but must also be based on solid reforms in the structural nature of the system. Compared with last year's report on progress made in implementing the NRP, this year action has focused largely on preparing and approving measures aimed at initiating a

process of correction in the main structural weaknesses in the Italian research system, i.e.: antiquated models of governance, inadequate culture of assessment, shortage of researchers, fragmented funding for research, and weak levels of intensity in terms of private investment.

The need to enhance capabilities and effectiveness in shaping research policies has led to action being identified to renew and strengthen the governance of the system at various levels. Firstly, in order to emphasize the strategic role research occupies in defining plans for the country to grow, the Italian Ministry for University and research has been included in the Inter-ministerial Committee for economic planning for the first time. In addition, the 2007 Budget Law introduced provisions to strengthen co-ordinated management of funds earmarked for research and innovation therein (more detail to follow shortly), for which three ministries are competent: the Ministry of University and research, the Ministry of Economic development, and the Ministry of Innovation and reform in the public administration. In a joint statement signed in June 2007, the three ministries undertook to support Italian participation in European R&D initiatives, with particular reference to the Joint Technological Initiatives and co-ordination of national research programmes pursuant to Article 169 of the EC treaty, through joint preparation by the three ministries of specific national plans to highlight objectives, strategies and methods for such involvement, and identify the regulatory instruments and financial resources required. The first round tables have already been launched following submission of the JTIs at the Competition Councils in May and June 2007.

Significant legislative innovation has also been introduced for universities and national research bodies. In December 2006, constitution of the national agency for assessment of university and research was approved (“Agenzia Nazionale di Valutazione dell’Università e della Ricerca”, “ANVUR”). The agency’s responsibilities are as follows: external assessment of the quality of universities’ and public research bodies’ activities; direction, co-ordination and monitoring of the assessment activities required of an internal assessment body; assessing the efficiency and effectiveness of state funding programmes; and incentives for research and innovation. The structure and functioning of the agency is currently under review by the competent parliamentary bodies, and ANVUR is expected to become fully operative early in 2008. A proxy-law was approved in September 2007, to launch reorganization of the national public research bodies, with the objective of granting them increased autonomy, efficiency and responsibility. Reference criteria in the new regulatory framework will involve: recognition of statutory autonomy for the bodies; assessment of quality of research results, to be carried out by ANVUR; criteria for funding research, to reflect the results of the aforementioned assessment; adoption of measures to promote the European and international dimension of research; identification of systems aimed at deriving value from the professional qualities of researchers; introduction of measures to encourage co-operation with the regions in the field of scientific and technological research; and support for innovation by productive sectors.

A further structural weakness in the Italian research system is the shortage of researchers. In Italy the number of researchers is far below that of the other leading European countries:⁶ there are around 72,000 researchers in Italy,

⁶ Source: OECD (2004), FTE unit; United Kingdom: 1998.

compared with 271,000 in Germany, 200,000 in France, 158,000 in the United Kingdom, and 101,000 in Spain. In relative terms this means that Italy is one of the lowest-ranking European countries, with a ratio of three researchers to every 1,000 employees, as against a EU-15 member state average of 6.2. Recruitment of new researchers is therefore vital to the research system as a whole, but it is equally important that such recruitment should be the result of a serious, open selection process based on criteria of merit. In order to launch this process, the 2007 Budget Law made provision for an extraordinary plan to recruit researchers to work in universities and public research bodies. For universities, a specific decree in the process of being issued establishes the methods of procedure for public examinations for researchers, with the aim, stated in the law, of ensuring swiftness and transparency in such procedures, in line with international standards. Funds of €20m have been set aside for 2007, €40m for 2008, and €80m as from 2009, which, once the system is fully operative, will translate to approx. 1,600 new posts for university researchers. For the national research bodies, recruitment procedures will be slightly different but shall be based on the same criteria of professionalism. Again once the new system is fully operative, around 600 new posts should become available.

The fragmentation of funding is another limit on the Italian system. With the aim of ensuring greater effectiveness, the 2007 Budget Law established a new fund, the Fund for Investment in Scientific Research and Technology, or FIRST. FIRST will enable resources to be managed organically, implementing the comments made in the 2008-2010 national research programme, to support both academic activity and research proposed by companies. The fund includes the annual resources from the funds previously managed by the Ministry for University and research, i.e.: University Research Projects of National Interest (“Progetti di ricerca di interesse nazionale delle Università”, “PRIN”); Fund for Research Incentives (“Fondo per le Agevolazioni alla Ricerca”, “FAR”); Fund for Investment in Basic Research (“Fondo per gli Investimenti della Ricerca di Base”, “FIRB”), and the share assigned by the Ministry for the Fund for Under-Utilized Areas (“Fondo per le Aree Sottoutilizzate”, “FAS”). In addition to these resources, the 2007 Budget Law increased FIRST by €300m for each of 2007 and 2008, and by €360m for 2009. Distribution of funds, criteria for accessing them, and methods of use and management of the Fund are currently being finalized by the Ministry for University and research, but approx. €150m has already been set aside for 2007 PRIN.

Objectives deriving from application of the Lisbon Strategy require that the share of private spending on R&D should be two-thirds of the total expenditure. In most industrialized countries, private spending is higher than public spending in this area, whereas in Italy the two components are largely similar. This reflects the low number of large Italian firms able to support wide-ranging research programmes, and the difficulties encountered by small and medium-sized companies in directing their growth priorities towards research. It should, however, be noted that the existence of a productive structure based on SMEs makes recording statistics on research spending by companies much more difficult, with significant potential for under-representation in this respect.

In order to stimulate research and innovation activity, the 2007 Budget Law made provision for a tax credit to be assigned to companies for the 2007-2009 period, up to 10 percent of the costs incurred in connection with pre-competitive industrial research and development activity, in accordance with EU provisions governing state aid in this area currently in force.

With a view to favouring interaction between public and private research activity in particular, such credit is raised to 15 percent when the R&D costs refer to contracts entered into with universities and public research entities. The upper limit for spending is €15m for each tax period.

A total of €86m has been set aside to subscribe for units in closed investment funds (i.e. mutual funds invested primarily in financial instruments) promoted and managed by one or more fund management companies (SGRs) to finance the creation, development and innovation of small and medium-sized enterprises in under-utilized areas throughout Italy. This is intended to encourage inflows of private capital towards small and medium-sized businesses located in Southern Italy and involved in process or product innovation using digital technologies.

The action is intended to promote investments in risk capital during the initial phase of a company's activity, including funding the analysis, valuation and development of the original business idea prior to the phase of launching the business. Investments may also be directed towards financing the development and first sales of a product.

The above does not constitute state aid: public involvement in each individual closed investment fund may not exceed 50% of the total assets of the fund in which said investment is being made, i.e. a lower percentage than that stated in the terms and conditions of operation. The duration of the public investment in each fund or segment does not exceed ten years, without prejudice to the time strictly required to complete disposal of the investments.

4.2 Implementation of measures provided for in the NRP

Strategic research programmes

The strategic programmes were conceived as an integrated and organic set of actions for basic research, industrial research, pre-competitive development, and training outstanding human capital, which feed each other in their respective pursuit of short-/medium-term objectives (in particular through industrial research activities) and medium-/long-term objectives (in particular basic research activity); in this way the strategic programmes are able to make an effective contribution to strengthening the sustainable productive capacity of the country.

Viewed in this light, the strategic programmes must comprise action providing for joint, systematic participation by companies, universities, public research bodies, and all other public and private entities involved in research and innovation; this with a view inter alia to establishing the grounds for developing stable platforms for organic, structural co-operation between the world of business and the public research system. As at the deadline on 30 September 2005, a total of 744 project ideas worth a total of over €10m had been received. After initial assessment of the project ideas, invitations to submit executive projects and their assessment in turn, a total of 117 out of the 130 projects presented have to date been admitted to financing, for a total cost of €894m (cf. table 12). Of the eligible cost, 90 percent is borne by the Ministry for University and research, which has introduced a combination of subsidized loans and grants in order to foster organic, systematic co-operation between business and the world of public research, with particular reference to Southern Italy. The other 10 percent is funded by loans at market rates.

Table 12:
12 strategic research programmes

SECTOR	Project ideas submitted	Total cost (€m)	Executive projects provisionally admitted to financing	Total eligible cost (€m)
1 – Men's health	42	536	8	61
2 – Relaunch of pharmaceutical industry	48	653	10	69
3 – New biomedical applications	86	1,074	12	97
4 – Advanced manufacturing systems	55	743	9	69
5 – Motor industry development	23	383	9	81
6 – Shipbuilding, aeronautics and helicopters	39	601	7	55
7 – Advanced materials	40	566	7	45
8 – Telecommunications systems	46	694	3	32
9 – Development of typical agricultural/food products	104	1,355	18	116
10 – Transport and logistics	76	1,139	15	138
11 – ICT and electronic components	98	1,431	14	102
12 – Energy saving	87	1,238	5	29
Total	744	10,413	117	894

Technological districts

Technological districts are newly-conceived operating models which enable large, small and medium-size businesses to co-operate in high-innovation fields, promote growth by outstanding companies, and facilitate development of small and medium-size firms towards establishing a higher value-added system. The objective is to make regional governments into promoters of research action for the social and economic growth of their regions. A total of €344m to date has been set aside by the Ministry for University and research for this purpose, with its involvement in individual projects varying according to the participation of other entities, but averaging around 50 percent of the total cost. Districts have been launched or are being launched in 18 regions, and following specific tenders, 38 projects have qualified for funding in the districts in Abruzzo, Basilicata, Campania, Calabria, Lazio, Lombardy, Piedmont, Apulia, Sardinia and Sicily with a Ministry commitment of €80m. A bio-sciences district is also planned in the Lazio region. This policy of seeking to grow technological districts was relaunched in July by the Ministry for University and research with an initiative aimed at setting up a round table to monitor, direct, assess and make plans with a view to strengthening the governance of the entire system of Italian technological districts on a shared basis.

A brief description of the projects grouped by region is provided hereunder. Data has been updated as at 31 August 2007.

Piedmont – “Torino Wireless”. On 30 May 2003, a programme agreement between MUR, the Piedmont region, and the province, borough council, and chamber of commerce, industry, agriculture and crafts of Turin was executed, to set up a technological district in the wireless technologies sector. Under the terms of the agreement MUR has committed a total of €26m over a time-span of three years. To date projects have been selected following the first public competition worth a total of €11m.

Veneto – “Veneto Nanotech”. A programme agreement was executed with the Veneto region on 17 March 2004 to set up a district specializing in nano-technologies. MUR’s commitment under the terms of this agreement amounted to €26m over three years. At end-July 2005 MUR published the first notice of competition for an amount of €11m, closing on 21 October 2005. Projects are now entering the final stages of the assessment process. The second notice of competition was announced on 28 November 2006 for a total amount of €15m, closing on 1 March 2007. The projects submitted are currently at the appraisal stage.

Emilia-Romagna – “Hi-Mech”. On 9 December 2003 a protocol agreement was executed with the Emilia-Romagna region to create a district operating in the advanced mechanics sector. A programme agreement was then signed on 13 May 2004, stipulating a commitment on the part of the Ministry of €25m for three years. The notice of competition for financing projects has been published, and was due to close on 28 February 2005. Projects are currently at the appraisal stage.

Lombardy – Biotechnologies/ICT/materials. On 22 December 2003 a protocol agreement was signed with the region of Lombardy to implement measures in the ICT, bio-technologies, and advanced materials sectors involving a total commitment of €30m by MUR for the 2004-2006 period. On 22 March 2004 a programme agreement was signed for the bio-technologies sector, providing for ministerial funding in an amount of €8m. Three projects qualified for funding, for a total commitment by the Ministry of €1.4m. Other projects are still at the appraisal stage. On 19 July 2004 the second programme agreement in respect of the ICT and materials sectors was initialled in Milan, providing for MUR funding of €22m. The relevant notices of competition are currently being prepared.

Lazio – Aerospace/defence. On 5 May 2004, a protocol agreement was entered into with the Lazio region to establish a technological district in the aerospace-defence sector. The framework programme agreement required under CIPE resolution 17/03 was signed in June, with a view to the region’s use of funds earmarked for this purpose under the aforementioned resolution. MUR’s commitment for the 2004-2006 period amounted to €30m. MUR launched the first competition for a total of €14m closing on 15 June 2005. To date a total of six projects have qualified for financing, for a total contribution by MUR of €12m.

Liguria – Integrated Intelligence Systems. On 27 September 2004 a protocol agreement was signed with Liguria region to develop an Integrated Intelligence Systems district. A framework programme agreement was then signed on 28 September 2005, which provides for a

funding commitment of €25m by MUR over the three years. The projects submitted are currently at the appraisal stage.

Friuli Venezia Giulia – Molecular Bio-medicine. On 5 October 2004 a programme agreement was executed with the Friuli Venezia Giulia region to establish a district in the molecular bio-medicine sector. MUR has committed €15m for the 2005-2006 period. Projects submitted in respect of the first notice of competition published in October 2006, for a total of €10m in funding, are currently at the appraisal stage.

Tuscany – ICT and security. A protocol agreement was signed on 14 December 2005 to set up a technological district proposed by the region in the ICT sector and technologies for process and product safety.

Umbria – Special metallurgic materials. A protocol agreement for the materials and micro-and nano-technologies sectors was signed on 23 February 2006, inter alia with reference to the iron and steel industry in the area around Terni. The programme framework agreement was then signed on 28 February 2006, providing for a commitment from MUR of €25m in three years. A public competition involving funding of €8m was launched in March 2007.

Independent province of Trento - Technologies for sustainable building. In February 2006 a protocol agreement was signed for the domotics and environmental technologies sectors.

Abruzzo. Preparatory action has been carried out with a view to setting up a technological district in the area of food safety and quality. The aim is to bring together competences and resources, in terms of scientific research and high-level training, in food and agriculture product and process quality existing at the various public and private centres to form a system. Funding: €6m.

Molise. Preparatory action has been carried out with a view to setting up a technological district in the area of agricultural industry: the objective is to link innovative ventures at some of the main agriculture/industry *filières* operating in the region (e.g. cereals, dairy/cheese produce, poultry, pig-farming, fruit and vegetables) to the objective of promoting high value-added products. Funding: €3.6m.

Campania. Consolidation of the technological district in engineering and polymer and compound materials and structures. Scientific research and pre-competition development initiatives will be launched, with impact in terms of innovation in the aeronautical-aerospace, automotive, biomedical, electronics, packaging, ship-building, textile and civil construction industries. Funding: €33.5m.

Apulia. Action to consolidate the technological district in the nano-sciences, bio-sciences and info-sciences sector. There are plans to strengthen the research and technology transfer infrastructure in the areas of materials, technologies and miniaturized equipment for applications in the photonics, electronics, bio-technologies and new-generation diagnostics industries, plus measures to consolidate an infrastructure platform for e-business management; development of a platform for high-performance grid calculations; and developing a platform for undergraduate and post-graduate training in scientific disciplines targeting the Euro-Mediterranean basin. Funding: €15m.

Apulia. Preparatory action has been carried out with a view to setting up a bio-technological district: steps will be taken to establish a public-private network of laboratories to promote innovation in key sectors for improving the region's quality of life (environment, healthcare, food and agriculture, etc.). Funding: €6m.

Apulia. Preparatory action has been carried out with a view to setting up an mechatronic district in the region: the aim is to stimulate and support innovation in the most important sectors of the regional economy, such as mechanics, textiles and furniture, plus a variety of emerging sectors, such as mechatronics, and nano-technologies applied to production, via development of technologies for use in all production systems (e.g. automation, robotics, controls, metrology) and sector technologies. Funding: €2m.

Basilicata. Preparatory action has carried out with a view to setting up a technological district in the area of innovative technologies for protection against hydro-geological, seismic and climatic risks: the aim here is to promote research, technological development and innovation in the fields of recording technologies, systems monitoring, reporting, prevention and protection from environmental risks and safeguarding human life in view of the hydro-geological, seismic and climatological conditions of the country. Funding: €6.2m.

Calabria. Preparatory action has been carried out with a view to setting up a technological district in logistics, and transforming the area around Gioia Tauro. The aim is to encourage integrated production processes for existing activities to move towards a district-type model, and increase the pole's ability to attract new, high-value added establishments. Funding: €11.8m.

Calabria. Preparatory action has been carried out with a view to setting up a technological district for cultural assets in the area around Crotona: there are plans to establish a regional centre for restoration, leveraging on existing skills and resources at both public entities and private organizations in this area. It should be possible to generate synergies including through the action provided for as part of the framework programme agreement which the regional administration has entered into with the Ministry of Cultural Heritage and Activities. Funding: €5.5m

Sicily. Consolidation of the technological district in micro and nano-systems: there are plans to develop technological applications for micro- and nano-manufacture in the electronics, optical, biological, chemical, mechanical and fluid management sectors, via development of micro-systems and multi-functional materials to be integrated on spatial scales of varying sizes. Innovative equipment to be produced has to be able to guarantee a high degree of reliability, reduced environmental interference, more rapid mechanical and thermal responses, and limited consumption of energy and materials. Funding: €8.5m.

Sicily. Preparatory action has been carried out with a view to setting up a technological district in the shipping, commercial craft and yachting sectors: research is aimed at identifying appropriate technological resources to enable innovations in shipping to converge with innovation in the sphere of port equipment for loading and unloading (automatic mooring systems; flatter access ramps on different levels; programmed

systems for access/stopping/outflow of vehicles; platforms for moving loading units). Funding: €2.9m.

Sicily. Preparatory action has been carried out with a view to setting up a technological district in the area of “bio” agriculture and eco-compatible fishing: advanced bio-technological applications for the food and agriculture sector will be developed, through use of living organisms and their components, in order to improve the characteristics of plants and animals in both qualitative and quantitative terms. Innovative methodologies will be studied, and new experimental techniques tested in order to reproduce and breed different species of fish in a protected marine environment. Funding: €22.2m.

Sardinia. Preparatory action has been carried out with a view to setting up a technological district in the bio-medicine sector and health technologies in the area around Cagliari-Pula: research activities and technological developments aimed at leveraging on possible co-operations and synergies existing in the metropolitan area of Cagliari are also planned. Funding: €16.8m.

Public-private laboratories

With this initiative the government intends to promote the development and/or empowerment of strong concentrations of specific scientific and technical competences with high potential for innovation, in specific strategic sectors distinguished by organic co-operation between industrial companies and the public research universe, throughout the country as a whole and in the regions of Southern Italy in particular. Such concentrations are defined as “laboratories” for our purposes. In particular action has been launched to promote the development and empowerment of research laboratories in the areas of nano- and micro-technologies applied to post-genomics, and advanced diagnostic systems; and also action in bio-informatics, structural biology, membrane receptors, advanced genomic diagnostics for animals and plants, anti-infection agents and molecular bases of neurological illnesses.

Action has also been taken to develop innovative technologies for genetic mapping in the cardiopathic sector, and study of antibiotics and resistance to bacterial substances. For Southern Italy, action has been devised to support research aimed at modernizing the manufacturing sector and advanced services present in the Southern Italian productive system, and to develop new economic activities with high technological content, in sectors such as biomedicine, biotechnology, innovative drugs, food and agriculture, micro-mechanics, transport, ICT platforms with priority applications in the development of new products, tourism, food and agriculture, and education. To date a total of 26 projects have qualified for MUR funding, amounting to a total of €212m for the Southern Italian workshops, in addition to the 21 projects in Central/Northern Italy, funding for which had been agreed previously and totalled €97m.

Industrial liaison offices

In order to strengthen action to valorize and embed the results of research, and to encourage its use in productive processes, the government is co-financing the setting up or support of industrial liaison offices at state universities (ILOs), as interconnecting structures to promote and develop universities’

capabilities to interact with industry and meet its requirements for research and innovation. The 12 ILO projects submitted are currently being enacted. The overall cost is €11.6m , co-financed by the Ministry for University and research in an amount of €5.8m, €2.8m of which has already been disbursed.

International agreements

Support for international scientific co-operation activities will favour the growth and networking of the main Italian public research centres operating in basic research, including on an international scale, and at the same time encourage convergence between work in different sectors and areas of technology, driving growth in the country system's sustainable competitiveness. The procedure for approving scientific collaboration projects with the United States, Israel and Japan has now been completed, with a total of 56 projects being approved, most of which are already operative. Scientific collaboration projects have been launched, with a view their being implemented with non-European countries in the Mediterranean, such as Egypt, Morocco, Tunisia, Jordan, Palestine and Turkey, and some of the projects with Canada and India. Other projects under agreements with the latter two countries are still at the stage of scientific assessment. Contact has also been initiated with Canada to strengthen co-operation in scientific research in the genomics sector.

Scientific degrees

The scientific degrees project aims at increasing the number of new students and graduates doing degrees in scientific disciplines, and helping them enter the workplace. The project involves thousands of teachers and students according to the different types of action: guidance, renewed teaching methods, use of workshops, work placements and apprenticeships. The project also makes provision for a sizeable number of grants to students enrolling on degree courses in mathematics, physics, chemistry and material sciences. Different types of action are being implemented: careers guidance and teacher training, for which €2m has been disbursed, and activities more strictly reserved to students, such as laboratories, work placements and workshops, in respect of which €6.17m has been set aside, with over 80 percent of this figure having already been disbursed.

Italian institute of technology

IIT is a foundation set up jointly by the Ministry for University and research and the Ministry for the Economy and finance, which is devoted to developing technologies and research in the humanoid technologies sector, at the interface between robotics, neurosciences and nano-biotechnologies. IIT's intention is to become a centre of international repute for high technology content research, through the contribution of researchers and experts within the research world. The Institute's scientific programme is based around the activities of four different interdisciplinary departments currently in the process of being established: robotics, cognitive/brain sciences, neurosciences and neurotechnologies, R&D into pharmaceutical products, and a nano-biotechnologies facility. In addition to the main campus at Genoa, which is designed to house one of the largest multi-disciplinary laboratories in the world, the IIT has a network of multi-disciplinary research through its nine external units. In the field of advanced research, a programme aimed at training young researchers is operated in partnership with six universities of excellence, offering Ph.D courses in disciplines of relevance to the Institute's activities. The technical

and scientific committee of the Institute commenced work in 2007, comprising a maximum of 20 permanent members from the scientific community and relevant industries, with pertinent experience and recognized credentials. Since its establishment the Institute has received a total of €181m under the Budget Laws for 2004, 2005, 2006 and 2007.

Networks to implement technological platforms set up on Italian initiative

The networks for implementing technological platforms set up on Italian initiative constitute an instrument for promoting synergies between universities and business and for transfer of technology to industry, via the development and/or empowerment of strong concentrations of scientific and technological competences within specific strategic sectors, as part of the public-private workshops described above. The procedure for networks in the following sectors is now nearing completion: bio-informatics; protection/defence of national territory from natural risks; tissue engineering; and chemical/pharmaceutical. As for nanosciences, the scientific assessment of the proposal phase is not yet complete. Funds set aside for this initiative amount to €43m.

National aerospace plan (PASN) for 2006-2008

The National aerospace plan, or PASN, for the 2006-2008 period is intended to consolidate Italy's presence in the space industry and to give priority to investing in sectors of excellence, such as earth observation, universe observation, and transport systems, and maintain the required levels of investment in order to develop innovative uses in mature sectors, such as telecommunications, satellite navigation, medicine and bio-technologies, and living in space. Of the total €2,490m available for the three years earmarked for the entity's own planned activities, to date €1,777m has been committed to the following disciplinary sectors: earth observation (€594m), space travel (€373m), universe observation (€254m), living in space (€245m), shipping (€100m), telecommunications (€82m), medicine and biotechnologies (€85m), and others (€44m). Of particular note is the successful launch of the first earth observation constellation satellite system COSMO SkyMed, developed jointly by the Ministry of Defence with the co-operation of CNES and the French Ministry of Defence, which took place on 7 June 2007, and the AGILE satellite for gamma ray and X ray astronomy which took place on 23 April 2007.

Action to support SMEs

Specific subsidies have been made available in 2006 and 2007 as well to SMEs which recruit research staff, commission research contracts from universities and/or public research bodies, and fund grants to attend PhD. courses. A total of 2,869 applications have been received in connection with this provision, for a total commitment of €321m in the 2001-2007 period.

Additional measures in connection with research and innovation activity are described as an integral part of environmental policies (section 7.2) – Kyoto protocol rolling fund, “research tenders”, work co-financed by the Ministries for University and research, the Economy and finance, and Implementation of the government's programme, as part of the Special Integrated Research Fund (“Fondo Integrativo Speciale Ricerca”, or “FISR”).

4.3 Research in the defence sector

The following initiatives should be noted for their wide-ranging interdisciplinary impact (e.g. aerodynamic, electronic, professional, new non-metallic materials, fine mechanics, new metal alloys, etc.), and the effects they have on SMEs participating at the first sub-contracting level:

- the FREMM European pilot programme for patrolling the seas, the financing for which has been arranged in fifteen-year tranches of €24m from 2006, another €24m from 2007, and another €60m per annum starting from 2008;
- the VBM 8X8 “Arrow” programme to produce a secure, quick, agile armoured vehicle, for which financing has been arranged in fifteen-year tranches of €6m from 2006, another €6m from 2007, and another €15m per annum starting from 2008;
- innovative production technologies and continuous engineering activities for Eurofighter programme batches, the financing for which has been arranged in fifteen-year contributions of €50m as from 2006.

Lastly, the Ministry of Defence has earmarked €69m of the investment fund (E.F. 2006) to finance technological research programmes, which especially if referred to dual-use technologies, are aimed at companies, SMEs, scientific institutions and universities and ensure a return on development and expertise that goes beyond the defence sector.

4.4 Medical and healthcare research

With the 2007 Budget Law, funds made available for medical and healthcare research by the national health service have risen to €339.4m, a net increase of €70m compared to 2006. The aim of the healthcare research policy is, through promotion and financing of high-quality scientific research in the biomedical and healthcare fields, to provide a scientific basis for planning targeted action to improve the state of the Italian population’s health. Hence research (divided into biomedical research and research aimed at improving health services) has essentially been targeted to promote projects to:

- produce new expertise that can rapidly be transferred to the national health service;
- assess the effectiveness and aptness of action in the diagnostic/therapeutic, rehabilitative and organizational/operational fields;
- develop networks of research co-operation throughout Italy;
- improve multi-disciplinary integration, continuity in healthcare assistance, and appropriate forms of communication with citizens.

With reference to cancer research in particular, the extraordinary national programme launched last year to promote the prevention of and cure and recovery from cancer has received an additional boost. Of the €100m set aside for this purpose, €30m has been earmarked for the Alliance against Cancer, an Italian network connecting scientific hospitals and respite centres (IRCCS) specializing in oncology. Specific loans have also been set aside for safety in food substances, research into rare diseases, use of staminal cells, and safety in the workplace. A share of 5 percent of the total funds will also be earmarked for

research projects submitted by researchers below the age of 40. With a view to developing IT platforms for sharing healthcare information, under a management decree issued on 20 February 2007 provision was made for a new medical equipment database to be set up, which would bring together all notifications required of producers and distributors of such products. The health service will only acquire medical equipment from firms registered in the archive instituted under the terms of this database.

4.5 Competitiveness in the industrial system: “Industria 2015”

At the current stage in the world economy cycle, the Italian productive structure appears to be weak when compared with the new challenges facing it as a result of globalization and the revolution in technology, and does not seem to be supported by an industrial policy capable of helping businesses to interpret and manage this change accordingly.

The competitive crisis facing the Italian productive system regards the industrial sector in particular, which, having ensured constant support for the growth of the country, now appears to be looking for its definitive position in the international division of labour emerging as a result of the faster process of globalization and the extraordinary growth in new competitors on international markets.

Many diagnoses have been made in these years, which converge in highlighting the rigidity of sector specialization and limited size of many Italian companies as the main causes of difficulty for the Italian productive system in leveraging all the opportunities offered by the technological cycle currently in progress, which is pervasive and long-term in nature.

In the absence of an increase in the pace of investment in research and development, more extensive take-up of new digital technologies by small and medium-sized companies in particular, and growth in the training levels of human resources, a strong downturn has been recorded in productivity trends, and a significant loss of market share registered on international markets.

Such analysis, which reveals a large gap between the critical issues faced by the system and the potential which Italy undoubtedly can realize, gave rise to the “Industria 2015” industrial policy programme which the government intends to use in order to launch a new strategy for industrial policy, the objective of which is to marry the need for overall strengthening in the business system, and that of SMEs in particular, with seeking to promote structural development in the productive system by favouring arrangements that are more compatible with the new competitive scenarios.

Several of the most important measures provided for in the original draft law were included in the 2007 Budget Law.⁷

A Fund for competitiveness and development has been set up, in which industrial innovation projects in particular have an important role in providing strong impetus to the productive apparatus, fostering investment in research and development, new production in high-technology content sectors, and requalifying/strengthening the SME system.

Five areas of action have been identified, in line with the objectives stated in the Italian NRP for the Lisbon Strategy, the VI and VII framework programme

⁷ Cf. AS 1644 and Italian Law 296/06.

for research and development and sector-based technological platforms: energy efficiency, sustainable mobility, new technologies for “made in Italy” products, new life technologies, and innovative technologies for cultural heritage and activities.

In the 2007 Budget Law, too, approx. €1bn in funds was set aside to finance these projects, which may also be eligible for other sources of funding, such as the Fund for under-utilized areas, the 2007-2013 plan, and regional resources. The intention is to turn the attention and commitment of central government, local administrations, the world of enterprise, universities and research bodies, and the financial system, towards these areas of technology/production and specific objectives in terms of industrial innovation.

Through the industrial innovation projects, the intention is to bring about a new model of industrial policy, to be characterized by:

- increasingly targeted intervention by the public sector in technological/productive areas considered to be strategic for the development of the country;
- reorganization of the model of supporting productive activities through the “project” method, with clear definition of the objectives to be pursued, public and private entities to be involved, and the action to be carried out;
- strong integration of all public instruments used in terms of granting incentives to businesses, e.g. for R&D and innovation or even to carry out new investment in productions, in terms of tangible and intangible infrastructure, and in terms of qualifying public and private demand.

The industrial innovation projects are at an advanced stage of execution.

Administrative procedures have been finalized, project managers have been appointed in three out of the five technological areas (energy efficiency, sustainable mobility, and new technologies for “made in Italy” products), and draft aid structures have been drawn up, one of which (concerning research, development and innovation) has already been notified to the offices of the EU Commission, whereas the others will be adopted on the basis of EU exemption regulations.

In the areas of energy efficiency and sustainable mobility, calls for ideas have been issued that will enable the scope of the two projects to be delineated more clearly, with a view to subsequently identifying initiatives to be financed, which will be accomplished through public tenders.

Another important component to this programme is the Fund to finance enterprise, for which provision is also made in the Budget Law, and which, like the industrial innovation project, is also at the enactment stage. The objective here is to support a process of financial strengthening in SMEs, in particular through the use of instruments facilitating access to credit, finance and the financial market.

Administrative procedures are currently being completed for the Fund to become fully operative. The EU Commission’s offices have been notified of the scheme to aid risk capital, an outline of the scheme to mitigate credit risk has been finalized, and a draft decree is currently being drawn up (in conjunction with the Ministry for Economics and finance, having consulted with the Bank of Italy), which will establish the Fund’s methods of operation.

The fund's provision will be €300m, as stated in the 2007 Budget Law, to which should be added sums still in the two other funds which will now be closed (Single guarantee fund, and Fund set up pursuant to Article 4, para. 106 of Italian Law 350/03).

4.6 Regional policy for research, innovation and competitiveness

Initiatives planned as part of regional policy are closely linked to overall policy for innovation and competition developed at national (and regional) level with a view to complementing ordinary policy so as to provide a unified industrial policy strategy.

Of all the action undertaken to support the research and innovation priorities, action co-financed by the European structural funds as part of the National operating programme for the 2000-2006 period reflects an overall commitment in terms of funding amounting to more than €3bn, €1bn of which in aid to the productive system for innovation and technology transfer, establishment of networks and co-operation with companies and research institutes, and approx. €800m for high-quality training. More than €300m has been committed to infrastructure for research and technological development. Seven technology centres and laboratories have also been financed, and 169 research projects at universities and research institutes funded for a total of around €30m. Throughout the country as a whole, €360m in funds has been committed from the Fund for under-utilized areas, corresponding to around 700 projects.

More emphasis will be put on this strategy for research, innovation and competition in the new consolidated programme of national and EU resources drawn up in the QSN 2007-2013 QSN. Priority research for just the regions of Southern Italy accounts for around €14bn (cf. Table 10). To this end, regional operating programmes have been drawn up for both the Convergence regions and those of the Regional competitiveness and employment objective.

Different analytical contributions have shown that increased investment in research and innovation on its own is not sufficient to bring about growth, as the macro- and micro-economic conditions must also be created for real development based on innovation to take place. This raises the need to establish an integrated regional policy for research, innovation and competition.

This is what has happened with the 2007-13 National operating programme, which targets the regions of the Convergence Area for "Research and Competition" and which, through huge volumes of funds, proposes:

- a significant change to the productive specializations of the territories, through high-impact initiatives both in terms of research production, and above all its assimilation into productive processes;
- widespread modernization of the productive structure in the areas requiring intervention, in line with the need to develop the local production fabric to higher and more efficient levels of competition.

The institutional methods by which the Programme will be implemented will lead to close collaboration between the administrations (the Ministry for University, which will primarily be responsible for action promoting research, draws up a programme strictly integrated with that of Economic Growth, which shall primarily be responsible for action to support and develop competitiveness, with the involvement of the Department for Technological innovation on various

initiatives dealing most directly with effects on the issue of a knowledge-based society.

The objective is to build up a strong critical mass for the planned action, linking it on the one hand to the priorities and options set in the national planning document on the issue of research (the National research plan), and on the other the new national industrial policy documents (Industria 2015, cf. next section).

In terms of research activity, the programme's ambition is summed up in the target indicators for 2015: to bring public and private R&D spending in the areas requiring intervention up from 0.84 percent to 1.36 percent of GDP; to increase private spending on R&D from 0.24 percent to 0.39 percent of GDP; and to bring the number of staff employed in research and development up from 1.6 to 2.66 per thousand inhabitants.

5. CULTURAL HERITAGE

Development of cultural policies in the broad sense falls fully within the remit of the Lisbon Strategy. In Italy the Ministry for Cultural heritage and activities is the main player in cultural co-operation at national and European levels. The Ministry has a series of projects underway, the general objectives of which are to improve the use, protection and management of the nation's cultural heritage through the deployment of technologically innovative instruments. The updated assessment grid for projects underway shows few major changes from those provided previously. Projects have proceeded in line with their respective programmes, with no particular variations.

- the MICHAELPLUS, MICHAEL, Italian Culture Portal, RFDI, Network of Sound, Data and Images, Cultural Heritage Risk Charter, MINERVA, MINERVA EC and MINERVA PLUS initiatives are all proceeding in line with their respective programmes;
- the date of completion for the ArtPast project, which initially was scheduled for the first half of 2007, has been delayed by around 6 months and will now be completed by the year-end;
- the Archeomar and CUSPIS projects have been completed and their set objectives accomplished.

Two e-gov projects have also been introduced, which are summarized below:

- *e.Mouseion*

The general aim of e.Mouseion is to provide the nation with a valid research instrument to make its cultural heritage more accessible both to the general public and to specialists. Its specific objective is to develop and increase the use of state-owned museum sites by designing, building and operating a web-based information technology application. The citizen-user will have a tool at his/her disposition that will enable him/her to communicate directly with the public administration, and an instrument of official information that is not disciplinary in nature. A web list will be created to contain all Italian state-owned museum institutions. The objective is to organize all information provided by the administration on the subject in a way that is structured and can be used by the web user, offering the citizen the chance to make requests, express opinions or offer suggestions directly to those responsible for the museum concerned. The environment which will house this application is the Ministry website, but within this e.Mouseion will have its own autonomous space, and will be configured as a genuine online service. The benefits anticipated from the action described above may be summarized as follows: abolition of paper correspondence between the public administration and the citizen, savings in terms of staffing and funds, reduction in timescale for each flow, and making a significant contribution towards achieving the institutional mission of promoting cultural heritage and activities. The Ministry of Cultural heritage and activities and the National centre for IT in the public administration will be involved in the project, both economically and financially.

- *Public administration notice board*

The General manager's office for technological innovation and promotion within the Ministry of Cultural heritage and activities has designed a web-based application named the Administration notice board, which is intended to publish and disseminate internal regulations. The software developed will enable documents, provisions and circulars to be viewed by staff online, and will enable the authorized user to act in publication of administrative deeds in complete autonomy and independence. In particular, the system implemented will allow the despatch and receipt of paper documents to be eliminated, to considerably reduce waiting times, and to use a reorganized database that may be consulted by means of a new interface. In the ways described above, the service provided should prove more flexible and efficient, and be proactive in informing users of the publication of deeds of interest to them through email alerts. The Ministry of Cultural Heritage and Activities and the National Centre for IT in the Public Administration will be involved in the project, both in economic and financial terms.

6. TANGIBLE AND INTANGIBLE INFRASTRUCTURE

The following paragraphs, including the part on transport, refer to a strategic and financial framework taken from the following documents:

- 2008-2012 DPEF, Annex on “Infrastructure”;
- 2007 Budget Law;
- 2000-2006 Community Support Framework, and related Operating Programmes: regional PORs and transport PON;
- 2007/2013 National Strategic Framework and related Programmes: National Operating Plan “Networks and Mobility” 2007-2013 and National Programme for Southern Italy “Networks and Mobility” 2007-2013.

6.1 State of progress on TEN-T networks

Italy intends to continue in its efforts to step up the implementation of the priority projects identified in the 25-state EU European master plan for transport infrastructure and the master plan for infrastructure to connect neighbouring countries drawn up by the working group on “Wider Europe” in November 2005.

The projects contained in the annex to the 2008-2012 DPEF refer in particular to the following priority projects identified under decision no. 884/2004/CE:

- Priority Project no. 1 (corridor 1): Berlin – Verona – Bologna – Rome – Naples - Reggio Calabria – Palermo railway axis;
- Priority Project no. 6 (corridor 5): Lyons – Turin – Milan – Trieste – Ljubljana – Budapest railway axis;
- Priority Project no. 21 “Motorways of the Sea”, which as far as Italy is concerned refers to the Western Mediterranean basin and the Eastern Mediterranean;
- Priority Project no. 24 (two seas corridor): Genoa – Rotterdam railway corridor, which as far as the Italian part is concerned will involve the third Dei Giovi crossing and the Simplon route.

Implementation of these projects will be pursued with both national and EU funding from the 2000-2006 and 2007-2013 programmes.

In response to the European tender published on 25 May 2007 in the Official Gazette of the European Union, and as part of the 2007-2013 programme of TEN-T funds, Italy confirmed that its priorities for action were the sections it is responsible for out the projects listed above, proposing a structured, strategic framework comprising two types of infrastructure:

- infrastructure relating to the trans-border stretches with France, Austria and Slovenia;
- infrastructure relating to national sections on which work has already begun or which would allow bottlenecks on the railway network to be removed.

The first type includes the Turin-Lyons connection, the Brenner base tunnel and the Trieste-Divača Italy-Slovenia link, for a total investment over the 2007-2013 period of €2,812.5m, €941.7m of which is to come from European funds.

Table 13
Works relating to cross-border stretches

<i>National funds for cross-border stretches</i>	National funds for 2007-2013 (€m)	European funds for 2007-2013 (€m)	Total 2007-2013 (€m)
Turin-Lyons	983.8	493.7	1,477.5
Brenner base tunnel	865.0	426.0	1,291.0
Trieste-Divača	22.0	22.0	44.0
Total	1,870.8	941.7	2,812.5

For these projects, which are still at the planning stage, timescales and construction costs are vouchsafed by work carried out at three inter-governmental conferences. Italy actively promoted the signing of new institutional agreements with partner countries during EU planning.

It should be emphasized that the recent setting up of an inter-governmental committee for the Trieste-Divača connection should enable enactment of the various technical, financial and institutional agreements between Italy and Slovenia to be accelerated, which have already been drawn up as part of the INTERREG-III A cross-border co-operation programme.

Similarly, the technical, financial and institutional agreements entered into in 2007 regarding the Brenner base tunnel will enable the project to be developed within the timescale envisaged by EU planning.

As for the Turin-Lyons link, pursuant to the decisions taken in June 2007 the high-speed, high capacity line route has been altered to take into account the amendments requested by the local communities. In preparing the European dossier submitted in July, Italy and France jointly re-established the timescales and costs for implementing the shared stretches.

The second type of work includes 16 projects for high-speed links and lines on the trans-European network, for a total outlay of €8,275.5m over the 2007-2013 period, as described below.

With the 2007 Budget Law, Italy has made the requisite national funds available for work on the Turin-Milan-Naples line, thus confirming its commitment to complete the project within the timescale foreseen by the Commission.

Italy has also entered into a commitment with the Presidency of the European Commission to make available further national resources through similar future legislative measures to complete the infrastructural work in question, which is included in the 2008-2012 DPEF.

Financing requested through European tenders will enable Italy to comply with the timescale envisaged to implement the projects presented in the following tables in line with the 2007-2013 National Strategic Framework.

In addition to the European TEN-T network, Italy is directly involved in the process of expanding the European Union in the Western Balkans, as it is already participating in development of the regional transport network through two projects: development of Corridor VIII, in accordance with the governments

of Albania, Macedonia, Bulgaria and Turkey, and strengthening the Bar-Belgrade railway line in Montenegro and Serbia.

Table 14
Work on national stretches

<i>A-Completion of Turin-Milan-Naples line</i>		
Stretch	Study (S) Works (W)	National and European funding 2007-2013 (€m)
Turin junction	W	666.7
Novara-Milan	W	974.5
Milan-Bologna	W	1,222.1
Bologna junction	W	521.2
Bologna-Florence	W	1,215.1
Florence junction	W	392.2
Rome junction	W	176.1
TOTAL A		5,167.9

<i>B-Removal of bottlenecks</i>		
Stretch	Study (S) Works (W)	National and European funding 2007-2013 (€m)
Third Dei Giovi pass	W	800.0
Fortezza-Verona	S+W	155.0
Trento ring road	S+W	267.1
Treviglio- Brescia	S+W	1,070.0
Ronchi South - Trieste	S	48.0
Mestre junction	W	65.6
Genoa junction: Voltri-Brignole	S+W	450.3
Milan junction	W	69.5
Verona-Bologna dual carriageway	W	182.1
TOTAL B		3,107.6

TOTAL A+B	8,275.5
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As lead-country Italy has promoted and financed two master plans to develop the corridor VIII road and railway project, to be published in 2007, for an amount of up to €800,000, and intends to continue supporting European policy to improve links between the trans-European and South-East European networks.

Figure 3

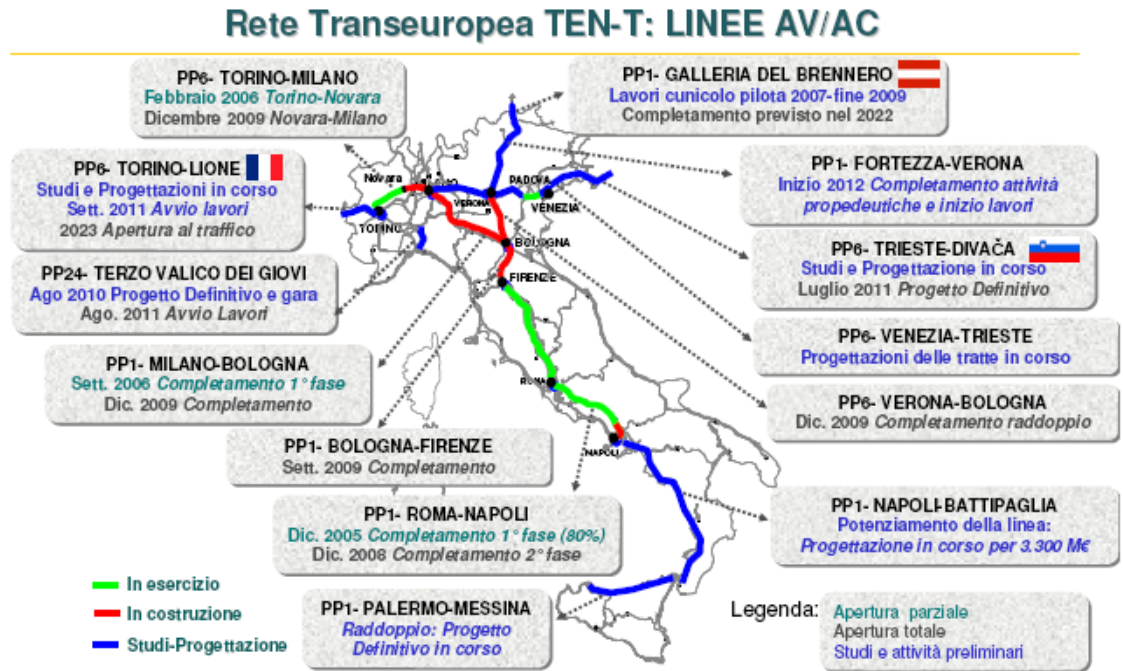
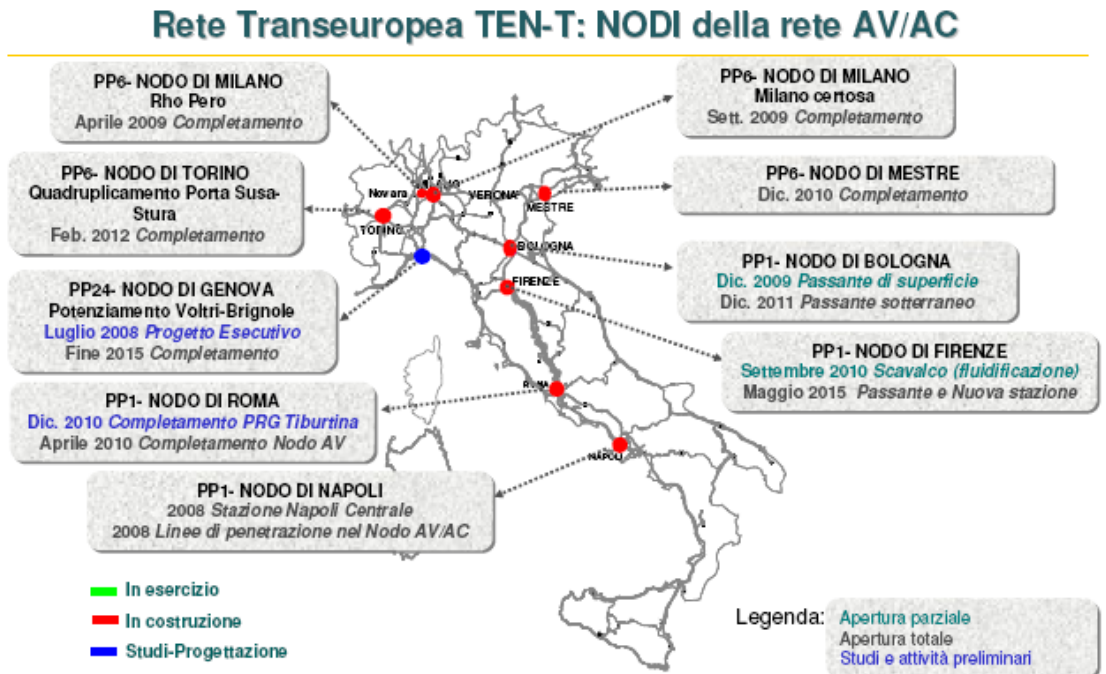


Figure 4



6.2 Transport network in Southern Italian regions

The unified, Italian and European, regional policy in Southern Italy has the objective of increasing the region's competitiveness, through strengthening its tangible transport infrastructure.

Funds made available through the 2000-2006 Community Support Framework ("Quadro Comunitario di Sostegno", or "QCS") and the Fund for Under-Utilized Areas have allowed significant results to be achieved in terms of improving the mobility of freight and passengers in the regions of Southern Italy. As part of the 2007-2013 National Strategic Framework, Italy is intending to pursue and strengthen this policy with a view to reducing the infrastructure divide between the north and south of the country.

2000-2006 period

For the 2000-2006 period, Italy set itself the objective of *"Implementing and upgrading junctions on the national and international networks"*. The *National Operating Programme* ("Programma Operativa Nazionale", or "PON") for Transport, and the *Regional Operating Programmes* ("Programma Operativa Regionale", or "POR") funded by the structural funds, and the *Framework Programme Agreements*, funded by the Fund for Under-Utilized Areas, are the tools by which this policy has been implemented.

The total amount earmarked for transport policies under the QCS is €4,520m for the transport PON (which involves 6 Objective 1 regions) and €3,480m for all the PORs of the 7 regions of Southern Italy (Objective 1 and transitory support).

As at year-end 2006, total funds of €8bn had been committed in connection with the QCS, €4.2bn of which for airports, railways and ports, and €3.7bn for motorways, national and regional roads. The Fund for Under-Utilized Areas, meanwhile, had earmarked €6.5bn for investment in transport and roads (€1.4bn for airports, railways and ports, and €5.1bn for roadworks: motorways, national, regional, provincial and country roads, etc.).

As indicated in the Report submitted last year, development and increase in the efficiency of the transport network in Southern Italy in the 2000-2006 period has largely involved implementing the 2000-2006 PON transport plan, which involves the six regions of Southern Italy/islands, i.e. Basilicata, Calabria, Campania, Apulia, Sardinia and Sicily. A total of €4,250m has been set aside for this programme, €1,905m of which from EU funds and the other €2,615m from national funds.

In 2006, Italy accelerated the completion of work on the railway system provided for under the 2000-2006 PON, having doubled the amount of documented spending in the twelve months. From approx. €600m certified at year-end 2005, spending by year-end 2006 had risen to €1,020m. Similarly, work on the road network worth a total of approx. €800m was completed.

The contribution made by the operating programmes to implementing and strengthening the TEN-T network in Southern Italy, in particular the PON transport plan, is considerable, in view among other things of the level of projects that are financed, some of which include:

- Priority project no. 1 "Berlin-Palermo" – Completion of the high speed Rome-Naples line, and laying of a second stretch of track on the Messina-Palermo line, with work carried out for a total of over €650m;

- Priority project no. 21 “Motorways of the Sea” – work relating to safety of navigation and improvement in port infrastructure, involving investment in excess of €500m and constructions worth approx. €250m;
- Works to link productive and urban systems with the main structure of the TEN-T network.

	Work	Eligible expense	Payments made as at 18/7/07	Payments certified as at 18/7/07
1	BARI-TARANTO	185,400,868.00	100,962,557.00	98,497.359.00
2	BOLOGNA-BARI-LECCE	231,783,194.00	193,120,292.00	77,614.176.00
3	CASERTA-FOGGIA	54,983,000.00	13,108,270.00	11,781.529.00
4	SARDINIA SPINE	174,940,000.00	129,457,360.00	129,457.360.00
5	BRINDISI - TARANTO	14,000,000.00	11,784,470.00	11,784.470.00
6	MESSINA-SIRACUSA	15,500,000.00	2,285,722.00	2,285.722.00
7	NAPLES-ROME (Campania stretch)	476,128,265.00	476,128,265.00	476,128,265.00
8	PALERMO-MESSINA	256,418,191.00	256,418,191.00	89,339,304.00
9	REGGIO CALABRIA-SIBARI-TARANTO	15,500,000.00	10,524,023.00	10,524,023.00
10	BRINDISI - TARANTO	14,000,000.00	11,784,470.00	11,784,470.00
11	LAMEZIA TERME -			
11	CATANZARO	45,000,000.00	18,965,663.00	0.00
2	TECHNOLOGICAL WORK	92,342,685.00	61,412,364.00	45,005,494.00
	SUNDRY IMPROVEMENTS			
	Basilicata	14,959,795.00	14,959,795.00	14,763,028.00
	Calabria	123,639,013.00	123,639,013.00	67,063,662.00
	Sardinia	29,866,238.00	28,776,264.00	19,287,310.00
	Sicity	132,746,389.00	132,746,389.00	70,176,000.00
	Removal of level crossings	40,669,368.00	27,273,499.00	0.00
	Total TEN-T Measure 1.1	1,902,877,006.00	1,601,562,137.00	1,123,707,702.00

Source: Italian Ministry of Infrastructure

2007-2013 period

Under the unified regional policy, total funding amounting to €17bn is expected to be allocated to the priority of “implementing a transport system which is efficient, flexible, safe and sustainable with a view to guaranteeing logistics and transport services required for growth”.

The main specific objective of the “Networks and mobility” policy has been established as “to contribute to developing a national logistics system, by supporting the construction of a national network of transport terminals and integrated, safe, interconnected, standardized logistics”, which the entire PON for “Networks and mobility” that constitutes the reference framework for the National Programme of the same name for Southern Italy will be devoted to. The PORs and Framework Programme Agreements also contribute to pursuit of this objective, complementary to and synergic with the national programmes.

The aforementioned operating programmes have already been submitted to the European Commission; as at the date of writing, only some of the operating programmes out of the nine affecting Southern Italy have been decisively adopted by the European Commission. The data shown hereunder should therefore be treated with due caution, as they may be subject to revision following the negotiating stage currently in progress.

2007-2013 PON, “Networks and Mobility”

As described previously, completion of the infrastructure network for domestic, inter-European and international connections in the regions of the convergence area (i.e. Campania, Calabria, Sicily and Apulia) for the 2007-2013 period has been assigned to the “Networks and Mobility” PON co-financed by the European Union.

This programme is based on a complex structure divided between:

- work of a strategic nature (motorways, railways, ports, airports and interports) with a “systemic” impact, i.e. which contribute to developing the framework of European connections and intermodal transport, and which enable value to be derived from Italy’s position as a bridgehead within the EU towards the southern Mediterranean;
- works to connect the productive and urban systems with the main structure, aimed at transforming strategic infrastructure works into effective instruments in terms of local growth and cohesion.

Given that works meeting the objectives set by the Lisbon Strategy account for 81 percent of the €2,216.2m in funds made available, the “Networks and Mobility” programme makes a significant contribution towards implementating the Strategy.

More specifically, the PON seeks to meet the dual objective of promoting transfer between modes of transport, and increasing the sustainability of transport in the Southern Italian area, by giving priority to railways, where 59 percent of the financing is concentrated, and ship transport, which receives 15 percent of the funds.

The following table provides a detailed list of the work expected to be financed under the PON according to the methods described above.

The programme also accounts for 74 percent of the funding for developing European corridors (corridor 1 from Berlin to Palermo) and the motorways of the sea, for a total amount of €2,964m.

Table 16**Work on the railway network and ports of Southern Italy provided for in the 2007-2013 “Networks and Mobility” National Operating Programme**

<i>Work on railway network</i>		PON funds (€m)
1	Upgrade of Tyrrhenic line from Scalea to Reggio Calabria	200.00
2	New Naples-Bari line: alteration to Cancellò-Naples line	480.00
3	High-speed/high-capacity interchange station Vesuvio Est	17.93
4	Bari-Santo Spirito-Palese railway junction	216.00
5	Bari-Bari Centrale-Bari San Giorgio railway junction	266.40
6	Completion of Bari-Bitritto railway line	17.10
7	Palermo railway junction- additions to plans	135.00
8	Catania-Siracusa-Tratta Bicocca-Targia	76.23
9	Palermo-Catania	120.00
10	Increase in speed on Catenanuova-Enna-Caltanissetta stretch	100.00
Total railway network		1,628.66

<i>Work on ports</i>		PON funds (€m)
1	Naples port hub – road and railway access	140.00
2	Salerno port hub – road and railway access	120.00
3	Port of Brindisi – Strengthening dams	62.00
4	Port of Taranto – Rail connection to national network	35.00
5	Port of Taranto - Dragging to lay deeper foundations	30.00
6	Port of Taranto – Work to protect port from waves	25.00
7	Port of Taranto – Multifunctional service centre	2.80
Total ports		414.80

An overview of the work is provided below:

Table 17**Type of work provided for under the “Networks and Mobility” national programme**

PON value (€m)	Funding by type of work			Meeting Lisbon Strategy criteria			Work involving European corridors/Motorways of the Sea		
	Type	€m	%	Region	€m	Percentage met		€m	Percentage met
2,749.5	Railways	1,628.66	59.2	Calabria	200.00	7	Corridor 1	1,727.23	63
	Ports	414.80	15.1	Campania	801.50	29			
	Motorways	112.57	4.1	Apulia	651.50	24	Motorways of the Sea	310.80	11
	Roads	491.45	17.9	Sicily	563.23	20			
	Interports	63.00	2.3						
Total		2,710.48	98.6		2,216.23	81		2,038.03	74

2007-2013 “Networks and Mobility” programme

The 2007-2013 National Programme for Southern Italy will finance work on infrastructure in the same regions as mentioned in the previous section and also in Abruzzo, Basilicata, Molise and Sardinia, using solely national funds. Such work is aimed at improving the competitiveness of the Southern Italian regions in view of the general and specific objectives of the EU Support Framework for networks and mobility.

A significant portion of the funds made available, i.e. €4,027.6m, will be earmarked for improving the competitiveness of the Southern Italian regions' productive system, by upgrading freight and passenger transport services by rail and sea.

6.3 Mobility and sustainable transport

The strategic direction adopted by the government on the subject of transport is outlined in the General Mobility Plan which is currently being drawn up, the basic objective of which is identified with the principle of environmentally sustainable mobility.

Action identified in the guidelines of the Plan involves reducing road transport, improving the quality of services, optimizing logistics chains, increasing energy efficiency, and reducing environmental pollution.

This is consistent with the guidelines for the trans-European TEN-T networks, the objective of which is to develop systems of sustainable transport and in particular with the motorways of the sea, the Marco Polo shipping and intermodal services plan and the Galileo programme.

These programmes receive financial backing with funds from the 2007/13 Community Balance Sheet, provided with the intention of integrating national networks with trans-European networks through the great railway and shipping axes: Berlin – Palermo, Lyons – Turin, Genoa – Rotterdam, and the Motorways of the Sea.

Action to transfer traffic from one mode of transport to another has found concrete expression in the following projects: the Alpine Motorway Railway (“Autostrada Ferroviaria Alpina”, “AFA”), whose services will operate on the Turin – Lyons line; the Motorways of the Sea, whereby road traffic will be directed towards shipping, in close co-operation with the Marco Polo European programme; and the Italian national railways’ business plan, to strengthen passenger services and logistics for freight transport.

The Mediterranean and the Motorways of the Sea

The objective here is to put Italy on the global market, by improving its international connections with Europe, the Mediterranean and the rest of the world. For Europe, the policy on passages policy must be consolidated, by reaching shared decisions with the inhabitants involved in land transport projects. As far as the Mediterranean is concerned, the need is to give expression to the comments emerging from the Barcelona process and to implement as a priority Motorways of the Sea project, in order to provide effective communications with the countries of North Africa, the Black Sea and the Eastern Mediterranean. Lastly, commercial relations with Asian countries must be developed as part of overall Italian policy. Within this framework, roles and functions must be defined for ports as hubs and gateways; similar and additional specification is also required for airports. Southern Italy is to be given a central role in the definition of gateways to the country, having shown signs of dynamism in this area but without having yet expressed its full potential. Gioia Tauro is an example of capabilities that are able to compete at an international level, and should be supported by action in terms of both infrastructure and regulation, heralding a new period of clear governance for the system.

Strategic objectives of this policy are:

- To acquire a central position in interchange for shipping, through development of the ports of Gioia Tauro, Cagliari, Taranto and Augusta, with a view to intercepting trans-oceanic freight transport; in this connection, agreements must be reached with the ports of the Mediterranean countries so that competition does not get out of hand.

- To support the process of intercontinental traffic penetrating Europe through Italian ports: corridor 24 (ports of Genoa, Savona, La Spezia and Livorno), the Adriatic port system (Trieste-Monfalcone-Venice-Ancona), and ports in Apulia (Bari- Brindisi).
- To strengthen exchanges and co-operation with the countries of the Maghreb and Mashrek in order to create a North-South flow and vice versa, and the possibility of intensifying connections between the Motorways of the Sea and the Tyrrhenian port system (Civitavecchia, Naples and Salerno in addition to those already mentioned).

The Motorways of the Sea programme has developed the following project lines.

At national level: development of the “National Motorways of the Sea Master Plan”, submitted to the Ministry in May 2005, and included in the 2006-2008 DPEF. This contains an initial list of urgent infrastructure work to be carried out worth a total €1,200m, new services and action to support regulations with a view to eliminating existing shortcomings and bottlenecks.

At regional level: the National Master Plan has been subjected to a process of control and analysis at regional level, with protocol agreements being signed with the Presidents of the Regions and working groups being set up to define and agree on Regional Master Plans. For example: a master plan has been agreed with the Liguria Region, and approved by the council, transposed in the protocol agreement signed by the Minister on 3 April 2007. The respective regional master plans have also been agreed with the regions of Apulia, Abruzzo and Veneto, which are pending transposition in a national agreement to be signed by the Minister.

At EU level: the experience acquired at national level has enabled Italy to take a leading role in the community programmes. Contracts worth an additional €3bn have been secured (equivalent to two years’ work for Rete Autostrade del Mare, “RAM”) to develop the Master Plan for the entire Mediterranean and the IT support system (ACCESS) in conjunction with the other Mediterranean member states.

These concern two TEN-T projects: the Motorways of the Sea Master Plan for the Eastern Mediterranean (SouthEastMed-MoS-MP between Italy, Malta, Cyprus, Slovenia and Greece as lead country), and the equivalent Master Plan for the Western Mediterranean (West-MED-Corridors between Spain, France, Malta and Italy as lead country), plus one Marco Polo project: the ACCESS IT system (with Spain and France) for online bookings for lorry passages on ships, a multi-language system (English, French, Spanish, Italian and soon also Arabic) geared towards vehicle transport. A total of 25 seminar/workshops have been organized on ACCESS in the most important cities in Italy, France, Spain, Slovenia, Greece and Malta to promote the system.

Current state of services

This involves 152 lines regularly operating in the Mediterranean made up as follows:

- 23 lines with Sicily
- 26 lines with Sardinia (not genuine MoS routes, as there is no alternative route via land in these cases)
- 48 lines with EU member states
- 55 lines with non-EU member states.

These lines meet the requirements in terms of quality and frequency for MoS routes: they operate regularly, on a daily basis or every two or three days. Only 25 operate weekly services, while 15 of them have two ships operating the same route each day, hence count effectively as double routes.

The number of lines has doubled in the past five years: lorry traffic taken off the roads has risen from 2 percent to 4.5 percent of total traffic, for a total of 1,400,000 car trains per annum off the roads.

Italy is considered the leader in this sector, along with the Baltic countries: RAM is the only public company in Europe dedicated entirely to the development of MoS, and the model has aroused considerable interest at EU level. Italian shippers believe in MoS, having invested considerable funds in building new ships: they are currently clear leaders at European level, and Italian shipyards now account for over 30 percent of the world market for Ro-Pax ships.

All the lines, save seasonal and weekly peaks, suffer from a load factor of less than 50 percent, which takes the annual average to less than 55 percent: profitability is marginal. It is vital to initiate support measures as soon as possible, such as ecological incentives and regulation of road transport (e.g. by more intensive controls, restrictions on driving times, etc.).

Growth estimates for MoS

Growth estimates for MoS are consistent with the guidelines contained in the General Mobility Plan and are structured along the following main lines:

- Strengthening existing lines and starting up “backbone” lines (i.e. lines which run up and down the Italian peninsula on the Tyrrhenian and Adriatic coasts). Such backbone lines are currently non-existent, as they are not profitable, but could make a substantial contribution to lightening traffic along the North/South routes. They would require additional incentives over and above the ecological bonuses.
- Implementing by-passes in critical areas of the country, where bottlenecks and congestion are anticipated (works at Bagnara Calabria on the Salerno – Reggio Calabria motorway, Mestre ring road, summer congestion on the Genoa – Ventimiglia motorway), with targeted action;
- Executing the Mediterranean Master Plan, putting the new international lines selected by the two projects to tender at EU level, in conjunction with European partners and in accordance with TEN-T procedures;

- Extending the Mediterranean Master Plan to other countries, in particular in North Africa and the Balkans/Turkey;
- Transforming the ACCESS system into a product, to be extended to the other countries in the Mediterranean area on a paying basis;
- Introducing eco-bonuses in accordance with the guidelines and under the direct control of the Ministry, hence being used not just as an incentive, but also as a tool for restructuring auto transport, to promote concentrations, agreements, and new technologies;
- Relaunching institutional relations with the Regions and shipping, port and auto transport associations on a new footing;
- Launching a promotional plan at national level with the aim of informing and winning over, auto transporters, logistics operators, and end-clients (loaders-receivers);
- Achieving complete financial autonomy for the company as from 2009; the EU projects and eco-bonus are already self-financing, and account for as much as 70 percent of costs.

Policies to develop sea routes

At the level of infrastructure, the following action must be implemented: road and railway inter-connections and logistics plants to link Ro-Ro ferry berthings with the larger national network; developing electronic management and control of traffic flows coming into and out of the port terminals; at the level of operations: launch a programme in the short-/medium term to provide financial support for road transport companies intending to use MoS services, discounting the long-term contributions being pledged, in order to make them spendable over the space of a three-year period, in line with the objectives and prescriptions set down by the European Commission.

Port systems and hubs

Here the objective to be achieved is to improve the efficiency and competitiveness of the Italian port systems, through planned intervention to be structured according to port clusters and according to a rationale of developing intermodality with the railway and road logistics chains. Action at the implementation stage provided for in the 2007 Budget Law involves:

- Measures to overhaul the provisions governing shipping taxes and duties;
- Grants to develop large-scale port infrastructure for which work can begin immediately (fifteen-year grant to secure mortgages, for a total activated investment of approx. €150m per annum);
- Financial autonomy for port authorities (calculation of share of VAT duties and excise to be devolved to port authorities);
- Work on large transshipment hubs, with funds of €150m to be committed in the 2007-2010 three-year period, 50 percent of which to go to Gioia Tauro and the remainder to be shared between the ports of Augusta, Cagliari and Taranto.

Sustainable transport

Sustainable transport, in line with the indications provided by the European Union in this respect, refers to action aimed at reducing the environmental, economic and social impact produced by the transport system in the country. More specifically, the main issues involved are: service reliability and passenger rights; increasing energy efficiency and eco-compatible propulsion; reducing the levels of environmental pollution generated by the transport system.

Action taken includes:

- Establishment and plan for division of the fund for commuter service mobility (home-work journeys). The state-owned companies are acquiring new trains to improve metropolitan and regional mobility for an amount of €300m);
- Intervention in the mass rapid transport systems sector (refinancing law 211/92 in respect of new underground railway lines). Fifteen-year fund set up for interest-bearing grants of €10m per annum;
- Provision for operation of local public services. Grants worth €231m per annum are being disbursed to providers of local public transport over the 2007-2009 three-year period to encourage them to improve the quality of urban services.

Safe mobility

- Implementation of national road safety plan, which has authorized expenditure of €53m per annum for the 2007-2010 three-year period;
- Work to improve safety on the railways, which has authorized expenditure of €15m per annum for three years;
- Port/coastal safety and controls. Financing infrastructure works and funds for goods and services of harbour offices. Authorized expenditure is €30m for 2007 and €15m per annum in 2008-2010.

Development of shipbuilding industry and liberalization measures for shipping.

Authorized expenditure for the first of these measures to provide support for the shipbuilding industry is €25m per annum for three years, and for the second €50m starting from 2009.

Logistics and intermodal freight transport

The European principle of co-modality aims at integration and combination between the different modes of transport and different services within the same mode, with a view to optimizing use of each mode of transport's potential capacities.

It is a case, then, of implementing a strategy to support logistics and intermodal transport, both in relation to the system of rules and incentives and to directing choices towards investing in railway, port and interport infrastructure

plus the related road and rail links. In addition, logistics distribution and points of interchange for freight in urban areas also have to be reorganized.

Action must be launched to support combined railway transport to enable transport companies' logistics chains to be reorganized, in order to transfer shares of traffic from the roads to railway services. Such support action could enable freight services on the Lyons-Turin line, and in general on trans-alpine intermodal railway services, to be strengthened as a matter of priority. Hence two-pronged financial support action will be launched for companies operating in the combined railway (support fund for inter-modal transport through refinancing pursuant to Italian Law 166/02) and shipping (full enactment of law for eco-bonuses for Motorways of Seas) sectors.

A further line of action is linked to consolidation of a system of interports aimed at transferring mode of transport and serving industrial districts and logistics chains, with a view to streamlining the transfer of freight from areas of production to areas of consumption by optimizing the distribution network. In short, the measures to develop the national logistics system and inter-modal subsystem must be based on:

- Development of property/inter-modal required for traffic flows to be concentrated at interports, so as to make inter-modal transport more economically viable with full trains;
- Support for inter-modal transport through action similar to that adopted in other European countries, with refinancing under Italian Law 166/02 essential;
- Support for system integration activities, with action aimed both at removing infrastructure bottle-necks and through use of advanced hardware/software structures and inter-operative services, with reference in particular to ports and interports (in the sense of "retroports" where possible).
- Development of advanced services by transport and logistics companies operating on the trans-European corridors. Work to standardize the logistics of manufacturing companies.
- Completion of Southern Italian inter-modal network, with particular reference to interports at: Gioia Tauro, Bari, Marcianise, Catania, Termini Imerese and Cagliari.
- Launch of new research and development projects to perfect hardware and software technologies able to guarantee the governance of the National Logistics System and its sub-systems including in the sense of homogeneous macro-regions.

Action taken:

Completion of intermodal logistics facilities and interports (€15.2m on logistics in 2006 and €35m on interport platforms in 2007).

Action to improve safety in auto transport (€127m in 2006-2007);

Restructuring auto transport for companies reconverting to inter-modal transport (€64.8m in 2006 and €170m in 2007);

Subsidies to acquire means and loading units for inter-modal transport (€70m in 2007);

The action has target the objectives of improving the quality of services for passenger transport and making companies more competitive through intervention in inter-modal logistics.

7. ENVIRONMENTAL PROTECTION

7.1 Sustainable use of resources

The government launched its 2008-2011 DPEF on 28 June: this programme document underscored the important role to be played by environmental sustainability and the strategic nature of work in the area of protecting nature and bio-diversity, reducing waste production levels, and providing incentives for integrated resource management.

Italy has also recently prepared its first progress report on implementation of the European strategy on sustainable development, adopted by the Council of Ministers on 15 June 2007 and sent to the European Commission. This report contains description of measures taken to protect and manage natural resources, with reference in particular to water, land and integrated waste management.

In the **water sector** in particular:

- in implementation of the EU principles established in Directive 2000/60/CE, the Wetland Project was launched in 2004 to select and co-finance specific action on a national scale in order to promote management and reconstruction of wetland areas in planning intervention on a basin scale. To date, a total of 18 projects have been co-financed for a total of approx. €10,222,282, some €2.5m of which was provided by the Ministry for Implementing the government's programme pursuant to CIPE resolution 36/02;
- specific action has been launched to protect surface and underground bodies of water through execution of a framework and supplementary agreements and sector agreements with the Regions. The Programme agreements contain the necessary instruments for a step forward to be taken in terms of quality of water management policy, and enact the EU obligations established under Directive 2000/60/CE and national obligations established under Italian Legislative Decree 152/06 in respect of water protection, through a strategy of solidarity and economic sustainability. The 38 Programme Agreements executed since 2002 to the present day provide for total funds of €16,245,301,717. Such resources, divided between the parties subscribing to the agreements, provide for a contribution by Ministry for Implementing the government's programme ("MATTM") amounting to €871,444,634 (updated to September 2005) comprising both funds immediately available and funds subject to specific measures.
- the so-called "Po task force" was set up in July 2003, as an instrument for vital consultation in development of the phase of analysis prior to the drawing up a valuation of the River Po basin. The task force's activities facilitate: resolution of internal disputes with territorial entities, exchange of information between roundtable participants, and more indepth study of the analysis phase. The experience has proved to

be most useful, both in situations of genuine emergency, enabling developments to be monitored in real time, and preventing water crises, by providing decision-makers with a clear framework for action to be taken in order to restore normal conditions;

- with a view to containing the impact of pollution and reusing clean waters deriving from various industrial segments through use of the “Best Available Technologies”, on 5 December 2005 and 29 July 2004 two supplementary agreements were entered into with the tanning industries in the Vicenza area and Tuscany, for which total funds of €90m (€30m of which MATTM funds) and €138m (€28m of which are MATTM funds) were made available respectively. On 29 July 2004, a similar agreement was entered into with the textile industry in Tuscany for an amount of €39m (€10m of which are MATTM funds), and agreements have been executed as part of environmental policy to help companies operating in the chlor/caustic soda production cycle of aimed at preventing mercury being released into the environment.

In the area of land defence and reclamation, with a view to moving from a policy aimed at redressing “emergency” situations towards one aimed at “preventing” hydro-geological disturbances, with the enactment of Italian Law 183 issued on 18 May 1989, planning and financing action was initiated to defend land and prevent hydro-geological disruption through the drawing up of Hydro-geological Disposition Plans (“Piani per l’Assetto Idrogeologico”, or “PAI”) by the Basin Authorities.

The PAIs identify areas at risk from landslides and flooding, and structural and non-structural work required to make these zones safe, and assesses costs and plans the work according to priorities.

The objective of the PAIs is twofold: to promote safe land development and reduce hydro-geological risk, i.e. to protect and improve the existing economic system and launch sustainable planning of new investment, through protection of economic activities and existing infrastructure located in areas at hydro-geological risk; and through targeted intervention, to launch new economic activities in areas that are recognized as being safe.

State funds set aside for the 2000-2006 period amount to a total of €3,352m, €1,263m of which under Italian Law 183/89, and for the 2000-2003 period, €1,401m pursuant to Decree Law 180/98 and €688m with CIPE funds.

Decontamination work plays a strategic and core role in the economic development of the country, in terms of production and employment (through decontamination of former industrial areas with a view to reuse for industrial purposes) and tourism (for sites included as prominent archaeological areas and “Nature 2000” sites). A total of 54 sites of national interest throughout Italy have been identified for decontamination, with funds of €1,959,158,353.66 assigned. For the Venice-Porto Marghera site alone, and in application of the principle that “he who pollutes, pays”, from 2001 to January 2007 a total of 19 settlement agreements with landowners have been reached, enabling the state administration to recover around €540m in private funds, to be used in further decontamination work. Another 8 such agreements are currently being prepared.

In the area of waste, a market for products deriving from recycling has been created, by directing the public sector towards purchasing products made from recycled raw materials. In implementation of Law 448/01, Article 52,

paragraph 56, which provides that the regions adopt the necessary measures for public entities and companies which are primarily publicly-owned meet a share of no less than 30 percent of their annual requirements for products and goods, under Ministerial Decree no. 203 issued on 8 May 2003 a national recycling inventory was established, as were the methodologies to be used to calculate and define recycled materials. In December 2006 the Agency for Protection of the environment and for technical services, (“Agenzia per la Protezione dell’ambiente e per i servizi tecnici”, or “APAT”) was mandated by the MATTM to provide concrete technical support in the preparation and maintenance of this Inventory, and to monitor the state of enactment for Ministerial Decree no. 203/03 through the purchase of goods and products included in the recycling inventory).

7.2 State of progress in implementing projects and measures to protect the environment provided in 2006-2008 NRP

The government is finalizing decrees to enact measures included in the 2007 Budget Law for the three Funds through which new resources have been made available for sectors considered to be strategic, namely:

Fund for sustainable development: this Fund, which will receive an injection of €25m per annum for the 2007-2009 period, proposes to pursue the following objectives as a matter of priority:

- promotion of sustainable development in sector policies and planning, with particular reference to training, information, management of natural resources, urban and territorial programmes, energy and transport;
- development and consolidation of research guidelines in environmental subjects, with particular reference to strengthening the programmes at national research bodies;
- strengthening and development of co-operation with multilateral institutions, as part of the United Nations’ Conventions and Protocols, with a view to developing a more incisive environmental policy through financing projects for environmental sustainability in economic/productive sectors or geographical areas, environmental education and information, and international plans for sustainable environmental co-operation.

Fund for sustainable mobility: this Fund, which will have €90m per annum for the 2007-2009 period, in agreement with the Italian Ministry of Transport, will be devoted to adopting the following measures: strengthening and increasing the efficiency of public transport, with reference in particular to those forms of transport which are the least polluting; incentives for inter-modal transport; introduction of a system of incentives and disincentives for sustainable mobility; developing mobility management and car sharing; introducing protected home-school routes; rationalizing urban distribution of goods with low environmental-impact vehicles; strengthening the methane gas, LPG, electricity and hydrogen distribution networks; and increasing cycle path networks in urban areas.

Revolving fund for implementation of Kyoto Protocol: this is an interest-bearing fund which accordingly facilitates action to reduce CO₂ on a revolving basis by exploiting an initial capital which is maintained, as the capital is repaid over the course of six years at a low rate of interest, and should

encourage new initiatives. An inter-ministerial decree to make the revolving fund operative is currently being agreed between the two ministries concerned (the Ministry for the Environment and the Ministry for Economic development), and is intended to be complementary to action already underway in the Budget Law and to other existing forms of subsidiary (e.g. energy account for photovoltaic energy, etc.).

A total of €230m is to be set aside in 2007, €200m in 2008, and €200m in 2009. The Kyoto Fund has been set up at Cassa Depositi e Prestiti S.p.A., and for applications is supported by a technical commission at the Ministry for the Environment and for all activities involved in management of the subsidized finance, by one or two banks.

Measures promoted by the Fund are as follows:

- installation of diffuse micro-co-generation facilities;
- installation of small-scale equipment to utilize renewable energy sources to generate electricity and heat;
- replacement of electric industrial motors above 45 KWe with high-efficiency equipment;
- increasing efficiency in the end-uses of energy in the civil and tertiary sectors;
- elimination of nitrogen protoxide emissions from industrial processes;
- research (pre-competitive research to develop innovative technologies to produce energy from renewable sources, for production, separation and storage of hydrogen, and for development of materials, components and innovative cell configurations for fuel).

The following **measures for energy efficiency and renewable sources** have also been initiated:

The **Small and medium-sized businesses** tender, published in the Official Gazette no. 12 on 16 January 2007, provides for grants to be paid to develop projects which lead to a reduction in consumption of energy from non-renewable sources, through installation of plants to produce electricity or heat from renewable sources. After this tender was published, a total of 1,180 applications for financing were received for a total amount of €81,342,066, and an overall investment of some €215m. Implementing this measure is expected to reduce CO₂ by around 420,000 tonnes per annum.

The **Solar power in public institutions** tender, published in the Official Gazette no. 126 on 1 June 2007, is aimed at the public administrations and public entities, and its purpose is to develop solar heating systems to produce heat at low temperatures for public buildings. The tender will be operated via a desk which will remain open until funds are exhausted, upon projects being approved by the competent technical commission. As at 31 August 2007 over a hundred projects had been submitted: the regions which had submitted most applications of all were Calabria and Sicily, which together account for over 50 percent of the total, followed by Tuscany, with 15 percent. A total of €10,334,422.17 has been provided for this measure.

The **Solar energy in schools** tender, published in the Official Gazette no. 126 on 1 June 2007, targets the boroughs and provinces which own buildings that house lower- or upper-middle schools, and is aimed at developing photovoltaic systems in those school buildings, and carrying out energy analysis and action to rationalize and save energy in these buildings by involving the pupils. As at 31 August 2007 over seven hundred applications had been received. The region that has expressed most interest to date is Sicily, with 80 schools, followed by Calabria, Abruzzo, Lazio and Apulia, each of which with around 60 schools. A total of €4,700,000 has been set aside for this measure.

The **High-prestige photovoltaic system** tender provides resources for public administrations and entities to develop solar photovoltaic systems to be fully integrated into building complexes according to criteria of replicability, which are functional to the region and area in which the system itself is to be built. A total of €2,628,559.85 has been committed in respect of this tender, and the final list of projects should be ready by the year-end.

The protocol agreement on **solar power in Italian prisons**, signed on 7 November 2001 between the Ministry of Justice and Ministry for the Environment and territorial protection, provides for a project to install solar power in Italian detention centres to be implemented through the development of 5,000 squ.m of solar equipment to produce hot water. Under the terms of the Programme, installation will be carried out by the inmates themselves, who will receive suitable training via courses for installation and maintenance of solar power equipment. A total of €774,685.35 has been committed for the project. Around 20 prisons have been identified for work to be carried out.

The **Research** tender is aimed at co-financing study and research projects featuring a high degree of replicability and with the possibility of rapid transfer of results to industry, aimed at implementing work in the sectors identified in the 2007 Budget Law. Three areas in particular have been identified:

- increasing energy efficiency in end-uses, and use of renewable energy, with particular reference to work to reduce pollution emissions in urban areas;
- production, storage and distribution of hydrogen from renewable energy sources;
- work on transport systems and infrastructure devoted to improvement of environmental quality in urban areas.

A total of €10m has been set aside for the Programme. The tender should be published by year-end 2007.

The **Protected natural areas** tender provides for grants for adoption of technological solutions in the energy field, and for sustainable development within protected natural areas. Technologies to receive incentives under the terms of the tender are: solar heating, biomass for heating and electricity, photovoltaic energy, wind power, energy savings activity and sustainable mobility. The second tender is currently being prepared (the first was issued in 2002).

The **Smaller islands** tender governs procedures for approving and disbursing public grants aimed at implementing projects for energy saving, use of renewable sources of energy and sustainable mobility in the smaller Italian islands. The projects will be co-financed up to a maximum amount of 80 percent of the cost of the eligible investment excluding VAT. The remainder will be payable by the beneficiary borough council, which may act in conjunction with other public and private entities as co-proposers and co-financers, provided their share in the project does not exceed 2 percent of the total value of the work. Funds of €6,197,482.79 have been committed in respect of this tender. The second tender is currently being finalized (the first was issued in 2002).

The **MATTM-CONI** protocol agreement provides for 50 percent co-financing of projects involving the use of renewable energy sources and energy efficiency projects. Activities envisaged are:

- launch of energy analysis of sporting facilities;
- launch of solar power for certain facilities.

Funds of €1,200,000.00 have been committed to the Convention.

The **Audit** tender aims to finance companies distributing electricity and companies operating in the energy services sector to carry out energy audits in the tertiary sector with a view to providing a detailed framework of energy performance in order to plan extraordinary maintenance work on both buildings and systems for the purpose among other things of generating energy savings. Funds of €1,500,000 have been committed to the programme. The tender should be drawn up by end-October 2007.

In the area of **R&D projects in renewable sources and hydrogen:**

Development of technologies to exploit hydrogen as an energy carrier

- Through funds from FISR (“Fondo integrativo speciale Ricerca”, or the integrated special research fund, co-financed by the Italian ministries for University and research, the Economy and finance, and MATTM), a total of 14 projects linked to the hydrogen carrier and combustible cells areas have been financed. Such projects involve the production of hydrogen from renewable sources, the development of integrated hydrogen production systems and its use in distributed generation, and the development of innovative technologies and new materials, and testing experimental equipment.
- Seven of the ten research and experimentation projects in hydrogen technologies contemplated under the programme agreement between MATTM and the Veneto Region in March 2005 to develop a hydrogen technological district in Marghera have now been implemented.
- A new line in hydrogen research has been launched for a period of three years, and in an amount of €492,400, for a project based at the “La Sapienza” University in Rome, to study three classes of solid state materials for storing hydrogen as an alternative ecological carrier of energy.

Development of alternative technologies to valorize solar energy

- A protocol agreement between Enel and Enea was initialled in March 2007 to build a pilot facility to produce and store at high temperatures heat derived from solar energy in Priolo Gargallo (“project Archimedes”); this 5 MWE facility will enable additional solar energy to be generated sufficient to meet the annual requirements of 4,500 households, for an equivalent saving of 2,400 tonnes of 7,300 tonnes of CO₂ emissions per annum. Work is expected to begin by year-end 2007.
- Construction work on a pre-industrial plant has begun at Lonate Pozzolo, co-financed by the Ministry for the Environment and the Lombardy region, to produce thin cadmium telluride film photovoltaic modules through an innovative process developed at the University of Parma; the plant is expected to be completed by year-end 2008.
- In the area of scientific and technological knowledge in climate change, lastly, the co-operation agreement between Italy and the United States for the 2006-2008 period was renewed on 25 September 2006. This agreement, which is co-ordinated by the European and Mediterranean Centre for Climate Change, or CMCC, has as its objective to strengthen scientific and technological relations, with reference among other things to assessing policy on and the economic effects of climate changes. The first year of this project’s activity has been completed, financed by MATFM in an amount of €3,052,500.

Finally, regarding **system-impacting measures to protect the environment**:

- a **National Action Plan on Green Public Procurement** has been drawn up. This document, which was prepared following consultation with the administrations and entities actively involved in this area and the economic and social parties, and shared with the Ministries for the Economy and finance and Economic development, and with Consip, will be approved under ministerial decree and shall have a duration of three years. The Plan makes provision for adopting measures aimed at integrated the needs for environmental sustainability into the procedures for sourcing goods and services of the competent administrations, with particular reference to certain categories of goods, such as furniture, building materials, lighting and heating. A total of €50,000 for 2007 was set aside to implement and monitor the Plan under the 2007 Budget Law.
- a draft proxy law was adopted by the Council of Ministers on 7 September 2007 to introduce environmental accounting into the financial reporting of local entities and the Italian state;
- the second and third decrees to amend Italian Legislative Decree 152/06 are being drawn up, which regard waste and the VIA and VAS procedures respectively. On 14 September 2007 the Council of Ministers adopted a new corrective decree which combined the two previous decrees on VIA and VAS and waste respectively. The deadline for exercise of the mandate for corrections to Legislative Decree 152/06 by the government is 29 April 2008.

7.3 Regional policy for protection of the environment and sustainable use of natural resources

Regional policy makes a significant contribution to the development, protection and efficient and sustainable use of natural and environmental resources, complementing ordinary policy in this respect.

Regional policy co-financed by the Community Structural Funds as part of the Community Support Framework (“Quadro Comunitario di Sostegno”, or “QCS”) for the Objective 1 regions for the 2000-2006 period has pursued institutional, organizational and planning objectives, and also objectives to build and modernize infrastructure for environmental services, chiefly water and waste management. Incentives and rules introduced by the QCS have speeded up the implementation of environmental regulations, improved operating efficiency in services, and led to institutional progress. Technical assistance and capacity building have also enabled the public administrations to be strengthened, including the regional environmental authorities and regional environmental protection agencies, to improve the state of environmental awareness and consolidate instruments used in environmental assessment.

From the start of the EU programme to 2006, investment has been launched or made in the following sectors:

- Integrated water cycle 1,491 projects for water services for a total commitment of around €3m, largely in connection with the disposal and treatment of effluent, and to a lesser degree, to abstraction and primary abstraction and abstraction to local networks. In 2006 over 700 measures were implemented. This impetus to reform provided by the QCS has enabled the regions of Southern Italy to overcome their critical situations, through the establishment of the relevant authorities.
- Waste and decontamination of contaminated sites: a total of approx. €615m has been committed. The 1,208 measures carried out have involved the construction of urban and special waste disposal facilities (cost: €275m), separate rubbish recycling (€120m), and recovery of unused or contaminated sites (over €60m).
- Land defence and protection of natural areas and bio-diversity: funds of approx. €2.1bn have been committed; such funds are earmarked for securing particular sites (72.2%), protecting coastlines (8.9%), protecting river banks (6.6%), recovering and renaturalizing sites and river beds (10%), and improving the environment (2.2%). Moreover, around €123m has been committed for land, forest and countryside conservation and improving conditions for animals.

Furthermore, with reference to the country as a whole, a total of around €4.6bn has been committed over the 2000-2006 period through Framework Programme Agreements financed by the Fund for Under-Utilized Areas. These are destined chiefly to support integrated water systems (approx. €3bn) and land defence (€1.1bn). The following have also been launched: projects to rearrange and recover urban and productive sites; work to protect, develop and use the environment (including natural protected areas); work to support differentiated waste collection and construction of waste disposal facilities.

Unified regional policy for 2007-2013, as defined in the QSN and financed with EU and national funding, will continue to promote efficient and sustainable

use of environmental resources with a view to growth. Quality of environmental services and the territory constitute an indispensable precondition for a better quality of life, and contributes towards creating opportunities for growth and employment linked above all to starting up productive *filières*, technological innovation in energy/environmental sectors, exploiting natural resources and improving services linked to sustainable tourism. Two specific priorities of the QSN are geared directly towards environmental issues, with approx. €21bn in funds being allocated to action in Southern Italy in the 2007-2013 period, equal to 24.8% of the total provision for the area (structural funds, including estimated national co-financing, and Fund for Under-Utilized Areas).⁸

Priority no. 3 “Energy and Environment: sustainable and efficient use of resources for growth” is aimed at sustaining an adequate, quality offering of eco-compatible energy services and at managing water resources and waste, and guaranteeing suitable conditions for the country in terms of safety and health through land defence and decontamination of polluted sites. In particular, the efficiency of the integrated water system and urban refuse management has been taken as one of the objectives for essential services to be provided to citizens, with binding targets and incentive mechanisms attached to them for the administrations (cf. Part 1).

Priority 5, “Development of natural and cultural resources for attractiveness and growth” is aimed at protecting and deriving value from natural and cultural resources as under-utilized assets for growth, by starting up productive *filières* and modernizing the offering of services in order to develop sustainable tourism. To make action more effective, the strategy will also be implemented through the Inter-regional Operating Programme for Southern Italy “Cultural and natural attractions for tourism”, with a total allocation (including national resources) of approx. €2bn. The main objective of the Inter-regional Programme is to support a strategic repositioning of Southern Italy on international tourist markets through action involving supra-regional natural and cultural attractions.

8. ENERGY POLICY

Italian energy policy is aimed at relaunching and completing the liberalization process in the energy sector, and promoting energy efficiency and development of alternative sources with a view to ensuring security of energy provision and helping to tackle climate change.⁹

8.1 Liberalizations

In the course of 2007 liberalization measures were implemented that were introduced by Decree Law 7/07, as converted into Law 40/07, and contained provisions for protecting consumers, promoting competition, development of

⁸ This allocation includes funds earmarked for action in renewable energy, energy saving, cultural resources and tourism sectors.

⁹ For more detail on national energy policy, see section 4.1.5 of the first update on progress of implementation of the National Reform Programme (October 2006); section 3.1 of the 2007 Report on European Strategy for Sustainable Growth (June 2007), and the draft proxy law being reviewed by Parliament (June 2006).

economic activities, development of technical and professional education, and the scrapping of vehicles (cf. section 1.3). In particular the new measures involve:

- fuel distribution and transparency in fuel prices (Article 2, paras. 2 and 3). The regulations stipulate that signs must be put up at the start and along the length of roads and motorways informing motorists of the prices of fuel charged at service stations;
- the gas market (Article 11). With a view to increasing natural gas trading on the domestic market and in order to facilitate access by small and medium-size operators, a Decree issued by the Ministry for Economic development (in consultation with the electricity and gas sector authority), will establish the methods by which concession holders will sell product units over the market which are due to the state.

Moreover, Decree Law 73/ 07, converted into Law 25/07 containing urgent measures to implement EU provisions on liberalization of energy markets, established:

- launch of the electricity market for domestic clients who have become eligible as from 1 July 2007.

Further regulations on fuel distribution are currently being approved in respect of abolishing restrictions on the opening of new points of sale, and abolition of the ban on selling non-oil products. With reference to LPG distribution, Parliament is currently reviewing the possible abolition of the obligatory formula for bailment for LPG tanks and the related exclusive restriction on supply (the tank will be leased and the user free to source LPG on the market).

8.2 Security of provision

To increase the security of provisioning, guarantee that companies are competitive, and at the same time generate benefits for consumers, are challenges that can be tackled by a functioning, inter-connected market.

For this reason, the problem of strengthening energy infrastructure in the gas sector in particular remains fundamental, as an ongoing increase in domestic demand has been met by no real change in the capacity of import channels. Constructing new LNG regasification terminals and new gas pipelines from outside Italy, strengthening existing ones and activating new underground gas supplies, with a view to avoiding the frequent, dangerous supply crises and reducing the price of gas is therefore very important.

It is equally important to pursue diversification of gas and supplying countries, to increase the security of supplies and improve the functioning of the system.

Applications are currently underway for ten LPG regasification terminals (two of which are subject to regional authorization). Construction of these facilities is conditional upon completion of assessment processes at environmental level. Applications are also pending re: six subterranean natural gas storage projects (cf. Table 18):

Table 18
Gas storage projects

Region	Project	Increase in capacity (cm millions)
Lombardy	Settala – strengthening	400
Lombardy	Cornegliano	590/1010
Emilia Romagna	San Potito and Cotignola	915
Emilia Romagna	Rivara (in deep aquifer)	3,000
Molise	Sinarca	324
Basilicata	Cugno Le Macine - Serra Pizzuta	742

8.3 Renewable sources

Italy is committed to implementing energy policies aimed at incentivizing the use of renewable sources.¹⁰

The system for promoting electricity from renewable sources underwent major reform with the launch in 2002 of a competitive market mechanism based on the so-called Green Certificates, or GCs, which are linked to the obligation on producers and importers of electricity to put a fixed quantity of energy from renewable sources into the transmission grid each year.¹¹ Growth in the supply of GCs on the market is evidence of the major contribution made to the system by penetration of renewable sources.

Italian Legislative Decree 387/03, which transposes Directive 2001/77/CE in respect of promoting renewable energies and the estimated national target contained in it, sets the framework for measuring promotion of energy from renewable sources, and introduces simplified authorization procedures.¹²

In view of the costs, which are still high, for solar photovoltaic energy alone, since 2005 an incentive has been in force through the “energy account”,

¹⁰ See 2007 report on European Strategy for Sustainable Development, section 3.1.3.

¹¹ The system was introduced under Italian Legislative Decree 79/99. The quota, which is based on generation and imports from conventional sources during the previous year, was initially fixed at 2 percent per annum, and increased by 0.35 percent per annum starting from 2004. Electricity producers and importers meet this obligation by holding a corresponding quota of GCs, which constitute securities to be traded on regulated markets, assigned for a period of twelve years to power stations which run off energy from renewable sources (which have become operative since 1 April 1999), in return for production of “green” energy. A longer period of ownership is provided for GCs in respect of power stations which run off bio-mass, in view of the cost of the raw material (Legislative Decree 387/03). For further information, see <http://www.gsel.it/ita/fontirinnovabili/certificativerdi.asp>.

¹² This decree simplifies the authorization procedures, for the electricity from renewable sources sector only, making provision for unified procedures and issue of a single authorization by the region or the institutional body delegated by it.

that is, through recognition of specific higher tariffs until given quotas of nominal power are reached.¹³ In just over six months, more than 12,400 systems have qualified for this incentive, for a nominal power of around 400 MW. In February 2007, the tariff incentives were altered slightly, with the objective of reaching a cumulative nominal power of 3,000 MW by 2016.

Energy systems using renewable sources also receive special treatment, in the shape of recognition in economic terms of energy put into the network, and systems with power of under 20 KW are entitled to what is known as “in situ exchange”, which abolishes the cost of acquiring electricity for a quantity equal to the amount produced, even if it is not auto-consumed immediately.

Heat from renewable sources is promoted under the white certificates mechanism. In this scenario, production of heat from renewable sources, such as bio-mass, geothermal, solar heating or co-generation from renewables, is recognized as being suitable for reducing consumption from primary energy sources.

To these incentives should be added: subsidized VAT (10 percent rather than 20 percent) on supplies of thermal energy produced from renewable sources, a 55 percent tax deduction over three years for solar heating and a tax credit on heating from geo-thermal sources and bio-mass used for district heating. A tender was also recently launched for small and medium-sized enterprises, with grants being paid in order to develop projects that lead to reductions in demand for energy from non renewable sources, through installation of systems powered by renewable sources for production of energy or heat.¹⁴ The projects submitted provide for an estimated total production capacity of over 55 TWh per annum, which would lead to a reduction of around 421 kt in CO₂ per annum.

Moreover, specific measures are dedicated to renewable sources of energy under the “Industria 2015” programme (cf. section 4.5) and a dedicated programme as part of the 2007-2013 national strategic framework, with the aim of creating productive *filières* that can foster growth and employment (cf. part 1, section 3). Such measures also facilitate local acceptance of facilities powered by alternative sources, which, as is well known, has constituted one of the main difficulties encountered thus far in the growth of renewable sources. For other initiatives, see section 8.4.

Measures introduced by the 2007 Budget Law:

- Government incentives only to genuine renewables;
- Mandate to government to revise provisions governing green certificates with a view to providing incentives for “short *filière*” biomasses;
- Obligation to use photovoltaic energy in new buildings;
- Promotion of integrated forest and agricultural energy filieres;
- Launch of a strategic project on the renewables technology and energy efficiency *filières*;

¹³ For this purpose a specific communications campaign with fliers and illustrative material is available at the following website: www.casarinnovabile.it.

¹⁴ www.incentivi.mcc.it/html/html/MCC_NAZIONALE/MCC_AG_NAZ_INC_AMBIENTE/section_new.html.

- Possibility for three years of finance at subsidized rates to install small systems using renewable sources (under the Revolving fund for greenhouse gas reduction)
- Drawing up a plan for environmental sustainability in consumption for the Public administration sector, through use of renewables.

Lastly, the draft energy sector law (AS 691) could provide an opportunity to introduce specific provisions to overhaul the incentives aimed at promoting synergies between national and regional policies and reducing the number of administrative obstacles.

8.4 “An energy policy for Europe”: objective for renewable sources

On 8 and 9 March 2007 the European Council reaffirmed its long-term commitment to the Community to promote growth in renewable energies throughout the Union starting from 2010, underlining the fact that every type of renewable energy, if used efficiently in terms of costs, contributes to improving the security of sourcing energy, competitiveness and sustainability, and shows that it is of capital importance to give a clear signal in this regard to industry, to investors, to innovators and researchers. For these reasons, and bearing in mind the differences in situations with regard to circumstances, starting points and potential, the Council adopted the following objectives:

- a binding objective of 20 percent of total energy demand from the EU to be met from renewable energies by 2020;
- a binding objective of a minimum of 10 percent of total consumption of petrol and diesel for auto traffic in the EU to come from bio-fuels by 2020. The binding nature of this objective shall be without prejudice to sustainable production, the possibility of sourcing second-generation bio-fuels on the market, and the subsequent amendment to the directive on fuel quality to allow for adequate levels of mixing.

The global objective in respect of renewable energies must give rise to general, differentiated national objectives, with the total participation of the member states and with due regard to fair and adequate division of responsibilities, bearing in mind the different starting points and potential of the various countries.

A wide-ranging dialogue between the central administrations involved, the regions, private sector representatives and environmental associations has therefore been launched, which has led to a first document being adopted,¹⁵ which sets out the government’s vision for issues linked to reaching the European objective on renewable sources, both in general terms and on issues specific to Italy.

8.5 Bio-fuels

Italy transposed Directive 2003/30/CE in 2005 through Legislative Decree 128/05), establishing estimated national objectives in respect of replacing oil-derived fuels with bio-fuels and/or other fuels from renewable sources. With later measures, these targets were gradually raised until they reached the level

¹⁵ Reference to position paper, which may be attached.

established by the EU Directive of 5.75 percent by 2010 in the 2007 Budget Law. The 2007 Budget Law confirms the obligation introduced in 2006 under Law 81/06 for bio-fuels¹⁶ to account for at least 1 percent of total consumption of petrol and diesel in 2007 and 2 percent in 2008, and establishes proportionate administrative penalties and disincentives for breaching such obligation. A series of measures are also provided for with a view to encouraging production of bio-fuels from national agricultural raw materials, and the setting up of a national industry and market for bio-diesel:

- €73m per annum set aside until 2010 to launch a programme to develop a bio-ethanol *filière*;
- preference to be given to bio-fuels covered by *filière*-wide agreements or agriculture/energy programme contracts for supply of public transport or heating;
- 20 percent reduction in tax on production of fuels (excise), up to a maximum of 250 KT in bio-diesel per annum¹⁷;
- pure vegetable oil for energy uses and auto-consumption in the agricultural sector to be exempt from excise, up to €1m for each year starting from 2007.

A first National Framework Contract on bio-fuels was also executed in January 2007 by and between the agricultural, seed and oil industry associations, to promote cultivation of oilseeds for energy purposes and integrate them into fuels, with an objective of reaching 240,000 hectares to be cultivated by 2010.¹⁸

In Italy a significant level of bio-diesel production was recorded in 2005, equal to 396,000, just over 188,000 of which for the domestic market. However, the estimated production capacity is much higher, at approx. 800,000-850,000 tonnes for 2006.¹⁹ On the other hand, there is no bio-ethanol *filière* in Italy.

Development of the bio-energy *filière* is also a key measure in the 2007-2013 rural development programme, in connection with the objectives to “promote and modernize and innovate industries and integrate them into a *filière*”, and to “maintain and create new opportunities for employment”²⁰.

8.6 Energy efficiency and reduced consumption

In recent years Italy has responded to the increasing attention being devoted by the European Union to this area, by identifying new regulatory instruments to improve efficiency in the energy *filière* and to saving energy.

A mechanism involving tradable securities was introduced in 2005 known as Energy Efficiency Securities (“Titoli di Efficienza Energetica”, or “TEE”) or white certificates, with a view to promoting energy efficiency in end uses, and with the objective of achieving a total primary energy saving equal to 5.8 million tonnes of oil in the 2005-2009 period, divided into increasing annual objectives, payable by the largest electricity and gas distributors. TEEs are issued to entities

¹⁶ I.e. biodiesel, bioethanol and derivatives, ETBE and bio-hydrogen only.

¹⁷ Reduction in excise replaces previous tax exemption, against an increase in the quota of bio-diesel eligible for subsidies.

¹⁸ Cf. http://www.governo.it/GovernoInforma/Dossier/contratto_biocarburanti.

¹⁹ Data source: European Biodiesel Board and Assobiodiesel, 2006.

²⁰ [Http://www.politicheagricole.gov.it/SviluppoRurale/default](http://www.politicheagricole.gov.it/SviluppoRurale/default).

which have achieved energy savings, and can be traded on their own market or via bilateral agreements.²¹ Distributors receive an annual contribution of €100 for every equivalent tonne of oil saved through improvements in efficiency in end uses.

This Italian experience is the first in the world to apply this instrument to the market. In the first year of application, all distributors thus obliged have achieved their own objectives, chiefly through projects implemented by the ESCos, and increases in energy efficiency equal to around 280,000 tonnes of oil have been certified, far above the objectives set. Over 550 ESCos have been accredited to take part in the system.

Energy saving in the domestic sector has been affected by a series of European directives in recent years, including those relating to labelling domestic appliances and to energy performance in the building sector, all of which have been transposed into Italian national legislation.²²

A series of subsidies have been in force since 2002 with a view to increasing efficiency in the energy production process, to promote co-generation of electricity and heat as priorities for despatch (after energy produced from renewable sources) and the possibility of obtaining white certificates.²³

The most recent intervention in terms of regulations consists of Legislative Decree 20/07 enacting European Parliament and Council Directive 2004/8/CE on promoting co-generation based on demand for useful heat on the domestic energy market, and which amends Directive 92/42/CEE. In transposing the European regulations, this measure also identifies other benefits that apply above all to small-scale co-generation: greater use of the white certificates mechanism, administrative and procedural simplifications for installing new systems, recognition of original warranty from co-generation, new regulations governing points of exchange for facilities with power of up to 200 KW.

In order to provide strong impetus to the programme of work to promote energy efficiency, a series of instruments have been initiated, such as: the 2007 Budget Law, definition of energy standards for the building industry, promotion of high performance co-generation, the Industria 2015 energy efficiency project, and a series of training programmes aimed at all categories of end-users (including the various sectors: residential, tertiary and industrial).

The 2007 Budget Law²⁴ in particular makes available a series of attractive incentives for saving energy, which are deserving of careful consideration from citizens, tradesmen and entrepreneurs. The modest outlays required in order to improve the energy efficiency of houses or workplaces may be adequately compensated not just by the reduction in future expenses, and the knowledge of having contributed to saving the environment, but also by tax deductions to

²¹ Distributors obliged to deliver specific energy saving objectives have to hold a number of TEEs equivalent to the objective established, obtained on the basis of work carried out in their own right or in conjunction with other parties, such as energy service companies, in favour of the end-users and/or acquired over the market. For further information, see <http://www.autorita.energia.it/ee/index.htm>.

²² For energy performance in the building sector, cf. Legislative Decrees 192/05 and 311/06.

²³ The subsidies are provided for under Legislative Decree 79/99 and have been implemented since 2002 under resolution no. 42/02 adopted by the electricity and gas authority.

²⁴ Law no. 296 issued on 27 December entitled "Provisions for preparation of annual and long-term accounts of the state".

provide benefits which in some cases cover more than half the costs we would have to incur.

Another important instrument launched by the Italian government is the Industria 2015 project (cf. section 4.5). The objective of the first Industrial Innovation Project launched in Genoa was to relaunch industrial competitiveness through improving the energy efficiency of companies at productive phases and in end uses.

Finally, a major role in reaching the objectives in terms of improvement in energy efficiency in end uses is played by strong, incisive and extensive action in the areas of training and information in the areas under discussion. To this end, the Ministry for Economic development, including in co-operation with the Ministry for the Environment and protection of land and sea, issued a ministerial decree on 20 July 2004 and initialled a series of conventions with specialist agencies with a view to launching integrated training programmes and information campaigns.

The Action plan for energy efficiency was presented in August 2007.²⁵

This Plan takes account of measures already taken under the 2007 Budget Law and other measures implemented in 2006-2007 (energy efficiency standards in building, promoting high-performance co-generation, etc.). Other measures are currently being explored in the industry, civil engineering and transport sectors, as part of transposing European directives on energy labelling, promoting co-generation, eco-compatible design of products, and efficiency in end uses of energy. Intervention in the area of technological innovation to improve energy efficiency launched as part of the Industria 2015 Programme to develop competition is also noteworthy in this regard.

The present situation is still changing and has not yet stabilized, but the proposed action and target set of 9.6 percent of savings by 2016 appears to be reasonably realistic in terms of maintaining already adopted measures at least for several years (e.g. requalification of building, transport, bio-fuels, domestic appliances, lighting and industrial motors), and consistent enactment of other measures currently being studied or pending transposition. Greater effectiveness could be derived from more incisive action in the urban and extra-urban mobility sector envisaged under the Plan not yet accounted for.

Regarding the operation of measures already launched by the government, the decision as to whether or not to extend their duration or make them structural will be monitored carefully during implementation, with a view to assessing their effectiveness and scope for enacting this Action Plan and above all the decisions taken by the European Council on 9 March 2007. The 2008-2011 DPEF also makes provision for tax measures providing for energy efficiency of buildings and equipment used for energy to continue and be extended. Furthermore, under Draft Law 691 currently being discussed by the Parliament, the government has been specifically mandated to relaunch energy saving and renewable sources.

In order to draw up the National action plan on energy efficiency, a process of consultation with the leading sector organizations has been launched, with a view to enabling priorities and objectives to be more widely shared. The proposed measures involve the leading technologies available for implementing

²⁵ Directive 2006/32/CE concerning the efficiency of end uses of energy and energy services requires that each member state prepare a national action plan on energy efficiency.

energy efficiency programmes, with an assessment of the savings that are actually achievable, bearing in mind the regulatory framework currently in force and its possible development.

8.7 Contribution of regional policy to energy policy objectives

Regional policy, in conjunction with the sizeable commitment made in terms of ordinary policy, plays an important role in supporting and qualifying investment in the energy sector, and makes a significant contribution to meeting the ambitious European objectives set in respect of renewable sources, energy savings and reduction of greenhouse gas emissions.

Regional policy co-financed from the EU structural funds under the QCS for Objective 1 regions for the 2000-2006 period has allocated around €665m for work in the energy sector. From the start of the planning to year-end 2006, just over €500m has been committed. Action has been concentrated in supporting renewable energy sources, chiefly solar energy, wind power and bio-mass (5,522 projects, equal to around 61 percent of total funds committed); 28 percent of funds has been earmarked for extending the methane gas distribution network, and 11 percent has been used for energy saving and control projects (including upgrade of the electricity distribution networks) and co-generation.

In addition, with reference to the entire national territory, a total of just over €160m was committed from the Fund for Under-Utilized Areas, intended chiefly for developing the gas methane distribution network and increasing the efficiency of the electricity distribution grid.

For the 2007-2013 period, the unified regional policy for the energy sector is geared towards supporting investments featuring a high degree of innovation, strong capability to bring about and consolidate industrial and technological *filières*, and high environmental sustainability. The 2007-2013 QSN ensures there is a significant concentration of EU and national funds for work on renewable energies and energy savings (equivalent to a total of approx. €4.4bn) as part of Priority 3 – “Energy and environment: sustainable and efficient use of resources for growth”, with a view to making energy resources more available also for installation, production and civil systems, hence also contributing to the reduction in greenhouse gas emissions and atmosphere-polluting emissions.

For work on renewable energies and energy savings, the regional operating programmes must ensure a significant concentration of resources, equal to 8 percent for the Convergence Objective regions and 12 percent for the regions included in the Regional competitiveness and employment objective from resources contained in the European Fund for Regional Development.

Action to provide incentives for energy efficiency and use of renewable resources is a primary tool for companies’ technological growth and innovation, in that it brings together needs and opportunities which are strictly linked to specific local, productive and environmental missions. The need to reconcile deriving value from the various local missions with the strategic nature of work in the energy sector, has led to an Inter-regional Programme for Southern Italy being drawn up with approx. €2.4bn allocated, in the intention of implementing a part of the Framework energy strategy, in synergy with the action provided for under the regional operating programmes. The Inter-regional Programme represents the framework within which the regions, in co-ordination with the central administrations concerned and the support of the national centres, can build inter-connections between initiatives developed or in the pipeline in the

different areas and the aim of removing common obstacles in order to improve energy efficiency and develop renewable sources.

PART 3

EMPLOYMENT, EDUCATION, HEALTH AND SOCIAL PROTECTION

1. LABOUR MARKET AND EMPLOYMENT POLICIES

The trend in employment during the 2002-2006 five-year period has been satisfactory, especially given the low rates of growth shown by the Italian economy. In the second quarter of 2007 employment grew by 111,000, up 0.5 percent, compared with the same period in 2006, albeit with considerable differences between regions. The increase in employment in Central and Northern Italy, of 0.7 percent and 2.0 percent respectively, was offset by the reduction of 0.9 percent in Southern Italy. These figures confirm the dualistic nature of the Italian labour market, and the urgent need for specific intervention in Southern Italy both in terms of stimulating demand and supply of labour.

Table 19
Employment rates in the 2000-2007 period

	2002	2003	2004	2005	2006	2007 2Q	2010 obj.
Total employment rate	55.5	56.1	57.6	57.5	58.4	58.9	70.0
Female employment rate	42.0	42.7	45.2	45.3	46.3	46.8	60.0
Employment rate for 55-64-year-olds	28.9	30.3	30.5	31.4	31.9	34.0	50.0

Source: ISTAT, labour force survey

The national unemployment rate has reduced further, to 5.7 percent, but this appears to be due in part to phenomena discouraging the supply of labour, concentrated in the regions of Southern Italy in particular. Female employment too, which has continued to grow in the past two years, reflects a less positive trend in Southern Italy.

Regional dualism is therefore the most obvious critical issue for employment in Italy, and has a decisive impact on national indicators. Regarding objectives to be pursued, the main challenges for the country as a whole concern the high rate of female unemployment, which is currently 13.7 percentage points below the Lisbon objective for 2010, the employment rate for 55-64-year-olds (17.5 percentage points below the 2010 objective), and reducing unemployment among young people (which is still high, despite low activity rates among 15-34-year-olds). Young people are also more affected by instability in working arrangements, often with wages that are insufficient to enable them to be fully independent of their families.

With reference to types of contract, there has been an increase in the number of permanent jobs, in particular in part-time positions. Subordinate employment has increased everywhere, with the exception of Southern Italy, where conversely there has been an increase in independent work, which would appear to be, at least in part, a response to the structural weakness in the demand for labour in the South. The strong growth in independent labour in the building industry in particular would appear to be linked to intensification of controls of building sites, which has led to

many employees previously paid cash-in-hand at last registering for work on a legal basis.

1.1 Regional disparities, priority categories and tackling undeclared work

The reduction in regional disparities in employment is a priority for public policy with a view to overall growth in Southern Italy. The government has pursued this objective – as well as through investing in the infrastructure sector – by action to tackle illegality, to restore conditions for social development, and relaunch entrepreneurial activity and employment.

In this respect, the first action carried out by the government to support growth and reduce the gap between different regions has been to reduce social security charges for labour. The tax and social security burden has been cut by an aggregate five points as a percentage of total pay, with 60 percent of the benefits accruing to companies (three points) and 40 percent to workers (2 points).

In terms of relief for companies, measures involving the so-called tax wedge make provision for part of the cost of labour to be deducted from the taxable base for purposes of IRAP (Italian regional production tax), through:

- a) deduction of all social security costs for workers employed permanently;
- b) a further deduction of €5,000 per employee, plus an extra €5,000 in the regions of Southern Italy (in compliance with the limits deriving from application of the *de minimis* rule pursuant to Regulation CE 1998/2006).

Specific attention has been devoted to the issue of female employment in Southern Italy. A further reduction in the tax wedge has been provided, for example, for companies employing women in regions where the net unemployment rate is more than 100 percent of the EU average, and where female unemployment is higher than male unemployment; this leads to a saving of between €150 and €170 per month for employers.

Female employment remains one of the government's main areas of priority action for the next few years. The measures provided for under the draft 2008 Budget Law (cf. Part 4 below), in addition to confirming increased subsidies for companies employing women in Southern Italy, include action to support flexible working arrangements, linked to the need to reconcile work and family commitments. To support female participation in the labour market, measures are being prepared to extend the possibility of using parental leave to include foster and adoptive parents and non-permanent employees, male and female, as well as measures to cover an increase in the corresponding indemnity for at least parental leave used up in the first three years of a child's life, bringing it up from the current 30 percent to 50 percent. Such measures would have the effect of increasing the use of this provision by women with low or medium incomes, and also encourage fathers to take a greater share of responsibility in the work of caring for their children.

On the issue of deriving value from female participation in the labour market, a project developed by the Ministry of labour and social security is worth noting,

launched upon the occasion of the “European year of equal opportunities for all” to promote action against wage discrimination in public and private companies and to stabilize employment for young people. In this connection, the Ministry of labour is developing a quality brand, known as the “Pink token SONO: Same Opportunities New Opportunities”, with a company quality system for equal wages and rewards for companies adopting non-discriminatory policies and policies to leverage female skills. In order to test this new form of certification, the Ministry will be aided by a select number of public and private companies chosen via a public notice of expression of interest. The system is expected to be implemented in 2008 and the certification extended to the whole country.

Female propensity to freelance work or entrepreneurialism has increased in the past decade; however, such propensity still presents marked differences from that for men, to the point where initiatives are required to support and adopt measures to promote women in business, in view of the fact that the dynamic growth potential of these forms of labour can also serve to grow women's capabilities and act as a vehicle for innovation within the economy.¹ Measures are also provided for to support establishment of new businesses by women, and to consolidate small and medium-sized firms run by women.²

More detailed information on female employment and equal opportunities is to be found in the document on these issues attached to this Report (cf. “Supplementary note” Women, innovation, growth: initiatives for employment and quality of female work in light of the Lisbon objectives).

As for action to promote employment for young people, this is primarily supported by major intervention in the area of professional training by the regions (cf. section 3.1 below), including by means of alternate work/school arrangements, apprenticeships, and personalized training schemes through education vouchers. Intervention provided for under the Protocol dated 23 July (cf. section 2 and part 4 below), which also serves to improve the quality and consistency of protection for young people, including in cases of unemployment, is aimed expressly at increasing employment among young people. In this scenario, among the various loan funds provided for, one will be for young independent workers to facilitate the generational transfer of small businesses, craft industries, and launch of new activities. With respect to the pension system, the reforms aim above all at strengthening the positions of young parasubordinate workers, through a gradual 3 percent increase in the rate for them (1 percentage point per year, starting from 2008), via measures to totalize contributions, redeem degrees, and ensure full short-term coverage in the event of unemployment or irregular work. Finally, between these measures an additional total €150m has been set aside for the National fund for youth policies, which promotes cultural and professional training and inclusion of young people in social life.

As part of attempts to bring black market and undeclared work to light, the government has issued measures concerning advance notice of commencement,

¹ The micro-credit fund provided for under the Protocol dated 23 July is also aimed at encouraging women in business.

² Article 32 of draft 2008 Budget Law.

cessation and alteration of working arrangements to the employment services,³ and has increased administrative sanctions for breaches of employment law, social security legislation, pensions and protection of health and safety in the workplace.

Table 21
Ordinary supervisory activities (all sectors of activity) - 1H 2007

	In absolute terms	As % on annual basis
Firms inspected	88,987	+ 38.28 percent
Unlawful firms	43,361	+ 48.21 percent
Staff employed illegally	74,439	+ 103.56 percent
Staff paid cash in hand	21,129	+ 35.32 percent
Contributions and premiums recovered	€121,001,069	+ 9.50 percent

Source: Ministry of Labour and social security

Table 22
Supervisory activity in the building sector from 12 August 2006 to 31 August 2007

<i>Monitoring application of Article 36 bis Decree Law 223/06 converted into Law no. 248/06</i>	
Building sites inspected	27,571
Firms operating on sites inspected	43,076
of which: unlawful	24,517
Suspension measures	2,224
Measures repealed due to companies regularizing positions	883
<i>Effects on building industry in terms of employment and contributions following application of Article 36 bis</i>	
Balance in employment terms (recruitments-terminations) (INAIL data)	+ 71,822
Balance in terms of contributions (INPS data)	+ € 43,356,000
Recruitment of individuals not recognized by INAIL	162,029
of which:	
Italian	74,138
- non-Italian	87,891

Source: Ministry of Labour and social security

³ To deal with the issue whereby workers' employment is notified on the day on which an accident is reported, cf. Law 296/06 paras. 1180-1184.

In terms of concrete action, a National task force for uncovering black market labour and the Fund for uncovering black market labour (“Fondo per l'emersione”, or “FELI”)⁴, have been established, the Committees for uncovering black market labour (“Comitati per l'emersione”, or “CLES”) have been strengthened, and measures have been introduced to encourage legal labour arrangements following agreements with the social parties.⁵ Intensified inspections play a fundamental role in this area.⁶

The government has also begun testing to identify and apply fairness indicators to promote adequate measurement of the relationship between goods and services produced by companies and the labour force employed to produce them, and in order to make inspection activity more effective. Such testing will involve the agriculture and building sectors to begin with.

On the issue of contracts, regulations have been issued in respect of tenders for public works, with a view to ensuring compliance with labour regulations, and measures to avoid excessive reductions based on unfavourable conditions for workers and exploitation of non-Italian workers employed illegally.⁷ With a view to stabilizing temporary employment situations, 22,000 call centre staff are being “stabilized” through their contracts being converted to permanent subordinate employment contracts, or contracts of no less than 2 years' duration.

1.2 Employment services

Government activity has also concentrated on the objective of renewing the network of employment services (“Servizi per l'Impiego”, or “SPIs”) and making them more effective, through the establishment of Public Employment Centres (“Centri per l'impiego pubblici”, or “CPIs”) and authorized intermediaries.⁸ The main purpose of this systemic action is to strengthen the role of SPIs in the labour market, and to open networks to other entities present locally, thus reducing the disparities between regions and improving the quality of services offered. Action provided for under the PONs has been complemented by action financed through FSE funds from the Regional Operations Programmes, which have further increased the average quality of services offered to the user.

Insofar as authorized intermediaries are concerned, according to data taken from the sole electronic register operated by the Ministry of Employment, these increased by 30 percent between 2002 (when the reform came into force) and 2006.

⁴ Law 296/06 para. 1156 letter a) and para. 1159.

⁵ Law 296/06 paras. 1192-1201.

⁶ This has led, among other things, to strengthening the number of employment inspectors, and the special corps of the *Carabinieri* for protection of labour.

⁷ Draft law approved by the Senate and currently being reviewed by the Chamber (AC 2784), in line with proposed European Directive on sanctions for employers who employ other countries' citizens illegally.

⁸ The universe of new entities authorized to operate on the labour market is particularly broad and fragmented, including labour agencies on the one hand (which are authorized to carry out administration, research, selection, outplacement and/or intermediation activities), and entities granted special authorization to operate pursuant to Article 6 of Decree no. 276/03 (University, Schools, Chambers of Commerce, Job Consultants, Social Parties and their bilateral counterparts).

This result was due to strong growth in research and selection agencies, up 48.8%, and administration agencies, up 15 percent, while there was a reduction in entities carrying out intermediation and replacement activities.

Table 22

Private operators prior to and post reform: changes in absolute and percentage terms

<i>Type of agency</i>	<i>Pre-reform (2002)</i>	<i>Post reform (2006)</i>	<i>Chg. (absolute)</i>	<i>Perc. chg.</i>
Administration (general and specialist)	73	84	+ 11	+ 15
Intermediation	25	15	- 8	-34.8
Research and selection	389	579	+ 190	+ 48.8
Replacement	43	19	-24	- 44
<i>Total</i>	<i>530</i>	<i>697</i>	<i>+ 169</i>	<i>+ 31.5</i>

Source: Ministry of Employment and social security, August 2007.

The most recent surveys conducted by ISFOL show that a high degree of complementarity between private operators in the narrow sense and employment services. As for the other intermediaries, approx. 75 percent of universities (including one foundation) say they carry out job placement activities (2006).

In the public employment services system, the organizational and functional levels designed by reforms in the past decade have gradually been reorganized. Employment centres (“Centri per l’Impiego”, or “CPIs”) have focused their institutional behaviour on mechanisms which involve “taking onboard” persons looking for work, and providing them with combined offerings of active policy services, thus abandoning the undifferentiated approach which used to categorize the old job centres. In 2006⁹, around 79 percent of CPIs made provision for interviews aimed at planning steps for unemployed people as they attempt to get back to work (compared with 30.2 percent in 2001), although only 4 out of 10 CPIs carried out checks and updates. There has been growth, albeit limited, in the number of centres carrying out activities to promote apprenticeships with young people and companies, up from 29.6 percent in 2001 to 63.6 percent (sometimes directly at the companies themselves, more often through traditional channels internal to CPIs), and growth in the number of CPIs which regularly call young people still in training for interviews in order to offer them career guidance (63.2 percent, compared with 18.3 percent in 2001). Similarly positive trends are visible in the area of intermediation, with 68.4 percent of CPIs carrying out pre-selection activity with or on behalf of companies on their own premises (as against 30.4 percent in 2001) and an increase in margins recorded during the reference period.

Despite the reduction in regional differences there is still disparity: project-type characteristics, construction of bespoke services and “pro-active” approach in

⁹ The following data has been taken from the 2006 ISFOL monitoring report.

Central and Northern Italy; compared with the preponderance of more traditional services and activity focused on administrative issues in Southern Italy. This reflects trends in different social pressure from local labour markets, and corresponds to the differing project and operational capabilities of the areas. With reference to establishing codified relations with users, for example, against an undoubted consolidation in “taking users on board” procedures (which have been initiated in 79 percent of provinces), adoption of Services charters at provincial level (29.7 percent of provinces) and “service pacts” (a “bespoke” instrument which records the user’s path to activity with the CPI, adopted in 58.4 percent of provinces and 46.4 percent of CPIs nationwide), there has been a marked difference in degree of take-up between the regions of Central/Northern Italy and Southern Italy.

The general growth trend in services provided by CPIs between 2001 and 2006 nonetheless shows a reduction in the differences between Central/Northern areas and Southern areas, with a gap of around 10 points recorded in the most recent measurement, compared with 18.3 points in the 2001 survey. With reference to advisory services to businesses on legal and administrative issues, which were provided by nearly 70percent of CPIs in 2006, there was a clear reduction in the difference between the two macro-areas, from 28 percent in 2001 to 20.5 percent in 2006. In Southern Italy there was a marked improvement in services to support apprenticeships targeting unemployed young people in particular: of the CPIs which promote such apprenticeships, some 77 percent also offer tutoring services. Another service offered more extensively by CPIs in Southern Italy than the rest of the country is promoting and supporting persons setting up their own businesses, with six centres out of ten structuring this service, compared to a national average of 50.8 percent.¹⁰ While 38 percent of CPIs nationwide has instituted geographical mobility services, locally in the regions of Southern Italy more than six Centres out of ten have set up mobility initiatives. With specific support also from national system action, such as “South-North-South” to begin with and “Work & growth” later on, the Southern Italian employment centres have developed good capabilities in making contact (including via video-conference links with centres in areas where it has been possible to place young geographical mobility candidates), providing information and support for transfer.

One strategic project for SPIs to take off fully is the Labour exchange project, which will enable information possessed by public and private players to be integrated, with a view to making information on supply and demand available and ensuring greater transparency. The Labour exchange is configured as an integrated system, able to bring different IT systems, public and private, into dialogue based on shared standards. Defining standards will be the responsibility of the public player, whereas provision of services and adoption of specific measures will continue to be the responsibility of the individual federated parties.

The project is distinguished by:

- 16 regions affiliated, with different systems configurations, 8 of which have already completed integration with the public service filière: from joining

¹⁰ The CPI in Bari has also set up a “pink branch” to encourage women setting up their own businesses, in association with the Enfap of Apulia and local employer associations.

the work network to operating systems for employment services (“servizi per l’impiego”, or “SIL”);

- 750 desks, considering the enlarged system for the project which in addition to the CPIs, includes universities, high schools, boroughs and authorized intermediaries, who provide different services: making the launch of active employment policies easier and swifter throughout the country, performing intermediation and guidance activities, collecting and managing graduates’ and soon-to-be graduates’ profiles, etc.

The widespread involvement of universities in particular is remarkable:

- 38 universities have adhered to the Labour exchange system;
- 25 are included in the network operationally;
- a total of 20,000 CVs have been sent in to date (at full capacity, there should be a user base of around 40,000 CVs included in the system).

Integration has also been developed with EURES, which is now functioning and which involves several regions (Piedmont, Veneto and Marche) on an experimental basis.

Regarding development of the network of services, the following results may be highlighted:

- 70 employment centres operative and networked, with co-operation launched between services in different regions (e.g. Tourism Exchange), to facilitate access to demand and launch “virtuous” processes to realign different territories
- over 300 authorized operators linked
- 500 Exchange Points now active (branches to provide information)

Reform of employment services pursuant to protocol dated 23 July 2007

The strategy for reforming employment services provided under a protocol dated 23 July 2007 is based on additions and amendments to Legislative Decree 276/03 and on strengthening public services, which are a critical nexus for proactive reform of social welfare, that is, reform which seeks to establish a global welfare-to-work approach. The IT system operating at full capacity, advance notice of recruitment, and revision of administrative procedures are all intended to further improve the operations of SPIs, including through simplifying the procedures for transmitting data to be used in global management of the labour market to all parties to the public services network. Funds provided in respect of this reform total around €128m for the 2007-2009 period.

Against this backdrop, the Ministry for Employment, in accordance with the regions and provinces, is preparing a new Employment Services Masterplan aimed at redefining the services’ objectives and mission, inter alia in line with the conclusions of Lahti in December 2006. The Masterplan, both at national and regional level, aims at establishing the methods for monitoring the different stages of progress made in SPIs, indicating what action might be taken to make up for any local shortcomings, including through embedding best practices. The Employment Services Masterplan provides for specific commitments regarding the range

and quality of services to be provided to workers and companies, including the methods and timescales for actual fruition. The government, regions and social parties have agreed on the need to improve the link between action by employment centres and by entities responsible for planning training at the local level.

1.3 Care services and reconciliation policies

As part of the growth, development and recuperation policies launched by the government immediately following its establishment, a great deal of attention was focused on policies for social inclusion and strengthening the conditions for greater equity and social justice. Commitment in this regard was confirmed with the Directive for implementing, monitoring and assessing the government manifesto issued by the President of the Council of Ministers on 7 March 2007, which devotes ample space to construction of a new form of welfare, closely linked to the growth objectives for the country, with a view to guaranteeing citizens a more secure system of social rights, and an adequate and effective network of services and provisions diversified across the country, with particular attention to the issue of reducing the regional gap in terms of supply. Development of the network of services also represents a response to the objective to strengthen policies for families, in particular instruments for reconciling and supporting women in the workplace and seeking to encourage an increase in the birth rate. In this connection, a total of €40m has been set aside to finance reconciliation action from the Fund for family policies.

The objective of developing the care services system, which was one of the priority areas of action for the government, is shared strongly by the regions and local autonomies: adequate provision of local care services is a key element in constructing a system of social and civic rights, and is thus closely linked to establishment of essential levels of service. This is the commitment which the government is implementing, against a backdrop of renewed inter-institutional co-operation through developing a process which starts by determining the levels of essential services for early childhood and treatment of those who are not self-sufficient.

In this respect, in a scenario of sharing competences between state and regions, and with regard to implementing social services and services in support of the family, agreements have been entered into between central and local government based on strong convergence on the objectives to be achieved, among which certain priorities have been identified, such as testing initiatives to reduce costs of services for families with four or more children, reorganizing family advice bureaux, and qualifying the work of family assistants, in respect of which it has been decided to invest almost half the national Fund for the family, which altogether amounts to a total of €210m for 2007-2009.

Such commitment also provides a response to the objective reiterated several times at EU level of making care services available, with a view to strengthening instruments for reconciling care and professional commitments, thus sustaining the increase in employment rates for women in particular.

Among personal care services, the government intends to strengthen provision of childcare services in particular, to reduce the gap versus the European

target of 33 percent and improve accessibility and quality of services offered, in order to correct and gradually overcome the current regional inequalities between the different areas of the country.

To this end, a detailed plan of action has been launched in 2007, backed by a strong financing commitment and co-ordinated at the inter-institutional level by the competent administrations, with regions and local entities strongly integrated. In particular, the 2007 Budget Law has provided for investment to develop the services system, partly by finalizing an extraordinary plan to develop the system of services for infants drawn up by the government, regions and boroughs, which defines a national strategy to develop an integrated network of social and educational services for infants: kindergartens, integrated services, and services in the workplace. The plan defines the criteria for increasing the offering of services, launches a process for establishing what constitutes essential service levels, and strengthens co-ordination and co-operation between the different levels of government, in order to give concrete enactment to the rights of children.

In particular, funds made available total €340m, €250m of which is to be shared between all regions with a view to increasing the global offering; €90m earmarked for the eleven regions with a coverage rate below the national average in order to equalize them (i.e. all Southern Italian regions, plus Veneto, Friuli and Lazio). The other Northern Italian regions contribute to the plan with 30 percent co-financing, which translates to an additional €53m. To these funds should be added a further €211m which the Southern Italian regions¹¹, under the QSN, commit to the development of social and educational structures, in order to reach the objectives and targets required by the QSN for service objectives (cf. Part 1, Section 4). The Service Objectives project is a major priority for the 2007-2013 planning, and is strengthened by the reward mechanism defined to incentivize regional administrations to reach quantified targets by 2013. Central administrations in agreement with the regions have finalized technical assistance projects to support Southern Italian regions in the process of developing a services system. The target for the Southern Italian regions for 2013 is to reach 12 percent of the population up to three years of age.¹²

The “Spring sections” project has also been approved and launched with effect from 1 September 2007, through an agreement between state, regions and boroughs, the aim of which is to integrate the offering of services for infants. The Spring sections offering is to target approximately 15,000-20,000 children aged between 24 and 36 months (i.e. midway between crèche and kindergarten facilities). Spring sections will be implemented at infant schools on the basis of quality teaching and flexibility and originality in the area of organization solutions. The state has earmarked funds of around €30m for this initiative, and approximately 2,000

¹¹ Cf. Agreement in Unified Conference on 26 September 2007 on the subject of social and educational services for infants, pursuant to Article 1 para. 1259 of Law 296 dated 27 December 2006. The agreement also contains an indication of the government’s commitment to propose the necessary amendments to regulations in order to participate in financing the highest current expenses to be incurred starting from 2007-2009.

¹² The amount of resources available for this sector in the Southern Italian regions if the objectives set for 2013 are met is another €375m.

projects have been selected from the applications submitted by public institutions (boroughs) and eligible private schools (the majority).

Of equal importance to these measures is the development of innovative services in caring for persons who are not self-sufficient, i.e. the elderly in particular, and their families, based on integrated social/health care and home help. This commitment by the government, which is also shared strongly with the regions and local autonomies, provides a response to what is a crucial need in Italy today in view of the ageing population, which leads, albeit against an overall improvement in the living conditions of elderly people, to an increase in the number of persons among them who are not in condition to be self-sufficient.

The government is committed to implementing regulations contained in the 2007 Budget Law, with reference to establishing essential levels of services to be guaranteed to persons not self-sufficient across the entire country. To this end, a draft proxy law is currently at an advanced stage of preparation, which will be submitted in Parliament, to define a complete, uniform system of action and services for non-self-sufficient persons. At the same time, a measure is being drawn up to assign €100m from the Fund for non-self-sufficiencies to the regions for 2007. This transfer of funds will be linked to precise objectives, to be achieved at regional level in respect of non-self-sufficient persons, such as: establishment of single points for access to services; and development of innovative assistance services locally for caring for non-self-sufficient persons, with particular attention to development of home care services.

With reference to the total funds of over €400m assigned for 2008 and 2009, it is the government's intention to assess the possibility of increasing these funds on the occasion of the next budget manoeuvre.

Moreover, the "Service Objectives" project (cf. Part 1, Section 4 above) includes development of care services for elderly, non-self-sufficient persons and their families. This project makes provision for a significant allocation of financial resources to the 8 regions of Southern Italy, and for recourse to a reward mechanism linked to reaching agreed targets: by 2013 an increase should be achieved in the percentage of elderly people benefiting from integrated home care ("assistenza domiciliare integrata", or "ADI"), from the current level of 1.6 percent to 3.5 percent.¹³

In this scenario, with reference to assistance for elderly, non-self-sufficient persons, which is largely provided by non-Italian home helps, it has been decided to try out new, safer and more transparent methods for bringing together demand for and supply of care work, promoting the implementation of experimental projects to qualify and derive value from the care provided by home helps, including through training action, to ensure they are in possession of the requisite capabilities for providing personal and domestic assistance to persons who are partially or totally non-self-sufficient.

This act of government direction devotes considerable attention to the issue of integrating immigrants, given the anticipated growth in the number of non-Italian

¹³ In order to reach the objectives set, the regions of Southern Italy may have access to bonus funds amounting to a further €375m.

citizens in Italy, the fundamental contribution they are able to make to the employment sector, their strong presence in the caring industry, and the priority need arising from this situation for new system for guarantees and recognition of rights, clear paths to social inclusion, and incisive policies to be put in place to counter illegality and exploitation.

2. FLEXIBILITY AND SECURITY AT WORK

Italy's policies on employment are inspired by the indications provided under point 21 of the Integrated Guidelines of the Lisbon Strategy. Initiatives have been undertaken with a view to ensuring that flexibility is effectively matched by safety for workers. Emphasis has been placed in particular on measures to improve protections in the labour market and policies to accompany professional transition and irregular work. The Italian government believes that adopting such safeguards will give rise to a balanced, shared strategy of flexicurity. Before describing public policies regarding the external dimension of flexicurity, it should be noted that Italy, according to the most recent OECD statistics, is also one of the top-ranking countries in terms of flexibility within companies, with particular reference to working hours and changing duties.

In order to develop an Italian approach to flexicurity, the government has finalized a wide-ranging agreement initialled with the social parties on 23 July 2007 and entitled *Protocol on pensions, work and competitiveness. Towards equity and sustainable growth*, in which strengthening welfare occupies a central role, with particular reference to increasing protections, and extending them to persons currently excluded from them, according to a rationale of universality. The Protocol seeks to tackle the combined issues of pensions, social protections and the labour market in organic fashion (see box below and Part 4 of this report).

The government has prepared the regulatory instruments based on which the protocol will be transposed into law. Its objective is to maintain the unity of the subject matter and its links with the Budget Law, both in terms of parliamentary approval times and the framework of funding required.

Protocol on Pensions, Labour and Competitiveness, for Equity and Sustainable Growth 23 July 2007

PENSIONS Increase of €302 for lowest treatments; specific measures for work involving usury; introduction of gradual increase in retirement age; abolition of specific privileges under special regimes; specific measures for demanding jobs; rationalization of pension entities; improvement in pension provision for "atypical workers".

WELFARE (full and reduced indemnities). Increase in amounts and duration; extended to workers in all sectors and sizes of company and all types of contract; combination and extension of various state-funded lay-off schemes; pension coverage for period of indemnity, and provision based on specific active policies (e.g. training, updating, requalifying, etc.).

TYPES OF CONTRACT Apprenticeship: improved governance, definition of national standards for professional profiles and training courses with a view to establishing a system and encouraging geographical mobility, certifying results and recognizing credits; Short-term

contracts: review of regulations in force; Part-time work: review of regulations in force, incentives for particular forms of part-time employment; Staff-leasing, Work on call and Accessory labour: repeal of regulations.

EMPLOYMENT SERVICES Strengthening and computerizing services, review of administrative procedures, and diffusion of good practice.

INCENTIVES TO WORK Overhaul of incentives to target the priorities of women, young people and the over-50s in employment.

COMPETITIVENESS Reduction in the cost of labour for second-level contracting to support competitiveness and improve performance-related pay; performance-related not subject to taxation/pension contributions; abolition of additional contributions for hours worked overtime.

YOUNG PEOPLE In addition to measures for social protection and to aid in the fight against temporary employment the following measures have been provided for: access to credit for para-subordinate and freelance workers; micro-credit to encourage entrepreneurialism; notional coverage for periods of unemployment; possibility of accumulating periods of contributions for irregular careers; possibility of redeeming degrees.

WOMEN Increase and improvement in child care services; access to credit; training; reconciling work and family times.

With a view to providing full pension coverage during periods of unemployment, notional contributions will be guaranteed for the entire period during which unemployment benefit is received, on the basis of wages previously paid.¹⁴ The government also intends to continue harmonizing the rates of contributions for the various categories of insured persons.

Pension contribution relief amounting to €480m for the 2008-2010 period is also provided for, with a view to revising regulations in respect of performance-related pay becoming exempt from contributions and no longer subject to pension regimes.¹⁵

Active participation in job-seeking programmes, which is an essential prerequisite of a welfare-to-work policy, is based on a “service pact” to be entered into between employment centres and job-seekers. To make synergies between active policies and money transfers more effective, actual provision of benefits will be conditional upon participation in training or back-to-work programmes or upon accepting appropriate job opportunities. Measures are provided for to take effect immediately, which anticipate overall reform of the welfare system, such as

¹⁴ Measures for income support and employment provided for in the Protocol include:

- setting up a loan fund for parasubordinate workers to grant loans of up to €600 per month for 12 months, in order to cover any periods of unemployment;
- setting up a micro-credit fund to provide incentives for young people and women to develop innovative businesses, leading on from the experience of “loans of honour”;
- increase in the amount of grants for research at universities.

¹⁵ Companies will receive contributions relief at a fixed rate of 25% of the payment eligible for such relief. The maximum limit on eligible payments will be 5% (compared with the current upper limit of 3%). Workers will receive relief equal to the pension contribution payable by them, calculated on the basis of the eligible performance-related bonus identified under second-level bargaining, the increase from three to five percentage points in decontribution of earnings increases following integrated contract bargaining (company or local), and full coverage of notional contributions for pension purposes for workers on sums paid.

extending unemployment indemnity from six to eight months (12 months for the over-50s) and increasing it to 60 percent of the person's pay in the last six months on a decreasing scale (50 percent for months 7 and 8, 40 percent thereafter). The reduced unemployment indemnity is also confirmed,¹⁶ which will increase from 30 percent to 35 percent for the first 120 days and to 40 percent thereafter, up to a maximum of 180 days. In any case, notional pension coverage for the entire period of the indemnity is confirmed, based on salary received, which translates to annual expense of €700m.

The most significant social protection measures include launch of requalification and back-to-work programmes for workers employed on a contract basis at companies in financial difficulties, and a support fund has been set up for the families of uninsured victims of accidents at work (Law 296/06, para. 1187), with a total of €2.5m provided for each of the years 2007, 2008 and 2009. The need to guarantee greater health and safety in the workplace has led to measures to increase insurance coverage for instances of invalidity deriving from domestic incidents, revaluation of amounts paid by INAIL to persons handicapped or rendered invalid through work, new provisions to protect workers from risks associated with asbestos, and workers' rights to information and consultation.¹⁷ Organic action to revise regulations on health and safety in the workplace through Law no. 123 issued on 3 August 2007 is also worth noting. This law mandated the government to enact a consolidated law to overhaul the entire area, and specified the most urgent regulations, that came into force on 25 August. In addition, a daily ill-health indemnity has been introduced for contract workers and apprentices, and tax deductions for permanent employees.

Finally, the government recognizes that reform of the employment process is a key issue to eliminating inequalities in terms of working opportunities. In this scenario, plans for reform have been drawn up¹⁸ for guaranteeing speed and certainty in resolving disputes regarding dismissals and transfers, and also to solve issues relating to the pensions process, especially regarding health controls linked to pension disputes. Such objectives go alongside overall reform of technical regulations for composition and solution of individual labour disputes, through intervening in conciliation, arbitration, training in respect of these latter two activities, and funding.

3. EDUCATION AND TRAINING

Italy has launched a strategy aimed at improving the quality of education and professional training, which at the same time should ensure a high degree of social cohesion. This strategy is clearly outlined in the programme documents, the 2007 Budget Law, PICO and the 2007-2013 QSN, where the priority of raising the level of

¹⁶ Income support for those who have short-term employment contracts.

¹⁷ The legal sources for such measures are: Law 296/06 para. 1257, Law 296/06 paras. 778-782, Legislative Decree no. 257/06, transposition of directive CE 2002/14/CE through Legislative Decree no. 25/07.

¹⁸ Draft law currently being reviewed by the Senate (AS 1047).

qualifications is underlined with a view to the acquisition, certification and spendability of capabilities and contents, methods and timescales of training, and confirming the choice of the life-long learning model as an essential component of Italian flexicurity strategy.¹⁹

Adoption of professional, training, recognition and certification standards for skills consistent with the European Qualifications Framework (EQF) constitutes a priority axis in the PON drawn up by the Italian Ministry of Labour and financed by the European Social Fund for the 2007-2013 period. The national framework of qualifications should be finalized by end-June 2010, whereas operational transposition of the standards in the different regions should be complete within the following 12 months. The working plan, to be shared between all competent institutional entities and social parties, will be followed by a Framework Agreement to be drawn up and submitted to the State-Regions Conference.²⁰

The government considers ongoing training to be a key investment. In pursuance of Law 236/93 and Law 53/00, an amount equal to approximately €50-60m per annum will be transferred to the regions; whereas the inter-professional parity Funds established under Law 388/00 will have an annual provision of around €300m. In 2005-2006 the inter-professional funds financed around 2,400 training schemes, involving more than 18,500 firms and nearly 350,000 workers.²¹

¹⁹ In order to strengthen this strategy, the government has approved a draft law containing measures to promote lifelong learning. The most important profiles among these measures include:

- a) identification and validation of learning in formal and informal contexts
- b) certification of skills, however they may have been acquired
- c) accreditation of structures providing informal training, as an instrument for ensuring quality of services
- d) measures to support learning of workers
- e) reorganization of existing institutes (e.g. regulations governing leave for training purposes)
- f) development of register of professions instituted at the Ministry of Labour, as a tool for providing a national framework of reference to identify (unregulated) professional figures and related professional, training and certification standards for skills.

²⁰ The European Social Fund will play a vital role in this respect. The *Human Capital* axis of the two Operating Programmes headed up by the Ministry of Labour will have €93m available under the Convergence Objective and €21.6m under the regional competitiveness and employment Objective. A significant share of the funds will be devoted to constructing the national framework of qualifications and titles.

²¹ Established under Article 118 of Law 388/00 as amended by Article 48 of Law 289/02.

Table 23

Position of Italy relative to five “Education and Training” benchmarks – Lisbon 2010

Indicatore	2000			2006			2010 objective
	EU25*	Italy	EU25	Italy	Central/ Northern Italy	Southern Italy	
1. Young people leaving school early: Percentage of population aged 18-24 with at most lower secondary school-leaving qualification who take no further part in education or training	17.3	25.3	15.1	20.6	16.8	25.5	No more than 10%
2. Key competences: Percentage of students aged 15 with at most first grade reading skills	**19.4	18.9	**19.8	23.9	14.7	34.7	Reduction of 20% compared with 2000 levels
3. Rate of senior school attendance: Percentage of population aged 20-24 with at least upper secondary school diploma	76.6	67.3	77.7	74.8	78.8	69.5	At least 85%
4. Graduates in mathematics, sciences and technology: No. of graduates in mathematics, sciences and technology expressed in thousands per 1,000 inhabitants aged 20-29	10.6	5.7	***13.2	12.2	14.8	8.4	Increase of 15% compared with 2000 levels
5. . Life-long learning: Percentage of adults aged 25-64 years who participate in life-long learning	7.5	5.5	10.1	6.9	7.2	6.2	At least 12.5%

Notes: * Estimate including 25 EU member states for 2000.
 ** Data regards 16 EU member states for which comparable data exists.
 *** Data refers to 2005.

Source: ISTAT, Eurostat, OECD PISA 2003.

Current directions in education policy, most of which were adopted under the 2007 Budget Law, reflect the following lines of action to bring about quality and equity in the system: on the one hand defining the levels of learning for the different education cycles, on the other drawing up measures and guidelines to implement compulsory schooling:

- compulsory education to continue until age 16 (i.e. ten years' compulsory schooling), and expansion of pre-schooling offered to make the overall system fairer;
- increased weight given to independence for schools, through application of Article 8 of Italian Presidential Decree 275/99, with particular regard to general training objectives, specific objectives relating to pupils' skills, flexible hours and curricula, and standards in terms of quality of school service, etc.;
- establishment of a National agency to develop independence for schools, with a view to supporting innovation and research processes on the part of the schools themselves, and encouraging integration with other local

- entities. The agency will take over the roles and duties of the current IRRE and INDIRE, which will cease to exist;
- locating adult education within the national education system, by setting up Provincial centres for life-long learning, in the aim of developing an organic offering of training services for adults;
 - strengthening the national assessment system through empowering the national institute for school system assessment (“Istituto Nazionale Valutazione Sistema Scolastico”, or “INVALSI”), to equip the system with an instrument for improving the quality of training offered, and raising the levels of learning;
 - support for technological innovation in schools;
 - deriving value from the professionalism of teachers and head teachers who give concrete form to possibilities of improving the quality of education;
 - action to carry out building work and improve safety in schools in a bid to solve long-standing problems, in partnership with the regions, provinces and boroughs;
 - reform of final maturità exams which gives prominence to coursework results;
 - developing technical and professional instruction; technical and professional instruction has been included in the national education system under Law 40 dated 2 April 2007. This law also provides for the setting up of “technical/professional poles”, i.e. networks of technical and professional institutes and accredited professional training structures. Such poles are to be set up based on the planned educational offering of the regions contributing to their development (including senior technical training), in relation to their involvement in regional-based training structures. Their purpose is to promote the diffusion of scientific and technical culture in stable and organic fashion, and to support measures for the social, economic and productive growth of the country (cf. Law no. 40 dated 2 April 2007).

In relation to the scenario outlined above, it should be noted that insofar as regards upper secondary school in particular, raising the age for compulsory schooling involves changes to the directions for secondary schooling and those of professional training, which are the competence of the regions, subsequent to completion of the requirement to attend school until the age of sixteen. The objective is for all to gain their maturità or a recognized professional qualification. The levels of learning for each of the different education cycles are also now being finalized, as are the guidelines for enforcing compulsory schooling, which define methods for completing compulsory education and the relevant levels of learning involved.

With the agreement initialled by the Ministries of Education, University and research, Economics, and Reform and innovation in the public administration with the confederations of trade unions “for public action in favour of knowledge” on 27 June, a plan was agreed for achieving the primary objective of improving the levels of quality, efficiency and fairness in the public education and training system. Among

the most significant points of the agreement with regard to the school sector specifically, the following in particular should be noted:

- guarantee of long-term stability among teaching staff, through acknowledging their professional commitment and developing incentive schemes;
- constructing a national, external and independent assessment system, to direct school institutions in improving the effectiveness of their teaching and educational activity.

In the knowledge that education can make a decisive contribution to the upturn in growth productivity, and enhance the nation's social mobility as well as increasing the “welfare” of individuals, in the course of the year the Ministers of Education and of the Economy and finance have prepared a “White paper on schools” with a view to identifying, based on a shared system of data and a common diagnosis, the action required to improve schools' results and pupils' skills, and the rationalization necessary in order to finance it. This white paper, which was officially unveiled on 21 September 2007, contains proposals regarding the technical and institutional instruments that can make a positive impact on improving schools' quality, developing their strengths and helping them make up lost ground, in line with the guidelines set forth previously in the Agreement for public action to support knowledge, reached between the government and trade union organizations in June 2007 and outlined in the 2008-2011 DPEF.

Amendments to the portfolio of skills demanded of workers (adaptability) require targeted training activity. To define this, knowledge and ability to interpret trends in economic systems (adaptation of technologies and organization of labour) are fundamental. It is no coincidence, then, that in recent years, increasing use has been made of analysis of training requirements as preparation for intervention contemplated in the Training Plans financed by the Fund for Inter-professional Parity for Lifelong Learning.

In order to tackle the complex structure of the problem, Italy has equipped itself with a national system for permanent observation of professional and training requirements. This system is configured as the interface to enable communication between the economic/productive system and labour market on the one hand, and the education/professional training system on the other. Through this it is proposed to create a channel connecting the two poles, with a view to generating synergies in order to promote enactment of integrated labour and training policies. It therefore qualifies as an “instrument to support policy decisions” for programming and planning, aimed at increasing the possibilities of employment for persons entering the labour market and encouraging those already in jobs to remain employed.

The system is chiefly geared towards supporting choice processes in respect of:

- planning the supply of training and education (information on the growth prospects of the various sectors of economic activity, and qualitative/quantitative information on requirements, which is useful for

- purposes of defining the quantity and quality of policies in respect of provision of education and training);
- designing the supply of training and education (developments in the content of work, and developments in knowledge and skills);
 - guidance in choosing education/training paths, and guidance in respect of professional choices.

In addition to the three aims referred to above, the system of permanent observation of professional requirements assumes the general purpose of being a knowledge resource for all institutional, economic and social players interested in understanding the nature of, and changes in, the labour market. An information system has been set up to act as a communications interface between the national permanent observation system of professional and training requirements, which provides data on requirements (grouped according to profession and sector of economic activity) to be matched to employment prospects over a short-term and medium-term time horizon.

3.1 Regional education policy

The sizeable contribution made by the European structural funds earmarked for schools in the Objective 1 regions to achieving the Lisbon objectives should be emphasized. The “School for Growth” PON for the 2000/2006 period, despite the limited financial resources available, has been entirely devoted to action aimed at achieving reductions in the number of pupils leaving school early, teacher training, development of a knowledge-based society and supporting a system of lifelong learning through wide-ranging intervention in adult education. In addition to the significant number of users involved over the seven years (around one million), some important results have been achieved in terms of reducing the numbers of pupils leaving school early and the consequent gap between the regions of Central/Northern Italy (for the first cycle of schooling the gap is presently 0.6 percent, compared with 3.6 percent at the start of the programming), and increasing the number of computers available per student, now one for every eleven.

For the 2007-2013 period Southern Italy should benefit from additional EU and national funding and a special programme devoted to education, with an increase of approximately four times in funds from the previous seven-year period (partly due to the positive results in scholastic dispersion highlighted in assessments for the previous seven years carried out as part of the EU programme).

Under the QSN, education in the regions of Southern Italy has been assigned a funding of around 5 percent of the total additional funds planned for 2007-2013 (cf. Part 1, section 3). Approx. €3.6bn has been earmarked for the National Education Programme for the eight regions of Southern Italy, and a further €600m flows in to the PORs. Compared to previous intervention from growth policies for schools, the 2007-2013 National Education Programme assigned to the Ministry for Education is more ambitious, and, in view of the size of its funding, more clearly geared towards achieving its results with respect to:

1. increasing and extending skills and capabilities as part of lifelong learning, to be achieved by strengthening the ordinary national strategy

- for schools with action in favour of increasing skills of pupils and teaching capabilities;
2. reduction in numbers of pupils leaving school early, enhancing the attractiveness of school, its role as driver of social inclusion and for tackling illegality, and its ability to serve the local region, to be realized through leveraging on the previous experience of the 2000-2006 schools PON, and via strong links with the region itself and the players operating in it;
 3. developing instruments to support the previous objectives and improve the quality of schools service and education in general up to full capacity (assessment, certification, etc.).

For some of these objectives, which contribute directly to the path of approaching the goals in respect of education and training shared at European level as part of the Lisbon Strategy, it has been deemed appropriate to set indicators with binding targets, with a view to providing focus for achieving visible results in the sector and to mobilize the players involved and public debate. The percentage of young people aged 18-24 with qualifications lower than upper secondary school diplomas and who take no further part in education or training, and the percentage of fifteen-year-olds with skills below the first level, shall be subject to monitoring over the coming years; for both, target figures will be set by the end of the planning period, upon achievement of which an incentive mechanism will be triggered to include a financial reward for the regional administrations and the Ministry of Education (cf. Part 1, Section 4).

Lifelong learning and the Lisbon Strategy

Examples from different regions

The system of education and training today is required to perform ever more complex duties, to meet differentiated demand for training in connection with formal and informal training paths. Learning must be based on cultural, pedagogical, social and professional values. This requires a series of measures linked to the need to improve the competitiveness of the productive system, which can and must translate to an increase in the professional capabilities and productivity of individuals, as part of a new way of understanding work as being structured around skills, but also based on willingness to change.

The EU's strategic objective announced at Lisbon urges developing economic and social cohesion through shared policies in the education and training sector. The Union is intervening more decisively, promoting action to develop co-operation between member states and to strengthen the education system. This suggests that member states should define their own training systems with a view to being able to put clearer and better-qualified skills on the market, also in the sense of the European market.

Employability is attainable to the degree in which training systems are able to connect with the European labour markets. In Italy direction of the education and training system's development is the responsibility, on a shared competency and exclusive basis, of the regions, which are involved in reaching specific objectives in close conjunction with the education and businesses systems.

LIGURIA

The permanent Ligurian training programme chiefly favours the business system; candidates are vested with high skills in technology which enable stable relationships to be developed between research centres and companies and to know the production and distribution process as well as marketing and communications strategies.

Permanent training is aimed chiefly at companies through specific training, which provides teaching applicable to the specific position occupied by employees in their company, and general training, with teaching not just applicable to employees' individual positions but which improves inter-company training and is transferable to other companies.

Permanent training processes involve the following areas:

- globalization of markets
- technological innovation
- organizational innovation
- quality, safety, environment
- training for business (marketing, accounting, tax regulations, technical communications management)

Training activities are implemented in part from the ESF and in part with public funding.

MARCHE

The Marche region has identified the sectors which require strengthening in its productive system of rural areas, proposing to strengthen the professional skills of rural development agents, by developing improved knowledge of strategies of economic operation for the agricultural sector. Activities in this specific area must be located within an integrated training programme to include the local markets and enterprise system, thus responding to the need to transform and change the region's socio-economic fabric.

The intention is to create an environment which is favourable to innovation and competitiveness, in order to bring about a more competitive economy, in view of the growing challenges to which domestic market economies are subject, with more selective control of spending aimed at competitiveness, encouraging the region to be included in a network of relations that is international in reach, and enabling the specific requirements of the agricultural productive system of the Marche to be better defined.

Permanent training action for rural development agents and agricultural entrepreneurs target:

- improving the capacity and technical and business skills in the agricultural sector, through learning new production methods
- improving the management of businesses
- adoption of techniques for environmental protection and well-being in compliance with regulations in force
- learning marketing principles

In order to implement this permanent training offering, activities have been implemented with the FSE/POR.

EMILIA ROMAGNA

Emilia Romagna is currently engaged in a crucial time of reflection in the area of European growth processes as defined by the Lisbon Strategy to promote innovation, business and growth in the knowledge-based economy, including the new information and communications technologies. Both the regions and local entities (boroughs, mountain communities and provinces) have already tried, tested and derived value from training activities for lifelong

learning, making both structures and funds available for this purpose. Lifelong learning in the region of Emilia Romagna includes activities provided by institutions and public and private associations, but the most important role is played by the local entities most sensitive to developing activities for international promotion and the competitiveness of local businesses, by promoting improvement in the professional capabilities of adults faced with life and work tasks which require them to grow.

The programme is aimed at achieving the following objectives:

- promoting creativity, employment and development of entrepreneurial spirit
- promoting language learning
- embedding and use of action sustained in the exchange of good practice and based on use of ITC.

In this respect, the commitment of the borough and province of Modena should be recognized, which promotes language and social teaching for immigrant citizens as well as promoting and valorizing innovation in its various actions, as should the integrated system promoted by the borough and province of Parma.

Intervention has been carried out using the remaining finance available from the 2000/2006 POR.

SARDINIA

Consistent with the Lisbon objectives of developing competitive economic and social cohesion, the autonomous region of Sardinia has made provision for work in the area of lifelong training, linked to new content strengthening linguistic, technological and social skills with particular reference to the female part of the population, aimed at encouraging specific action to reconcile family and professional lives and tutoring actions.

To achieve these objectives, various project activities have qualified for funding and been carried out with EU/State/Regional quotas.

Achieving these objectives is intended to:

- offer educational opportunities to adults, with particular reference to women, with the aim of improving their employment prospects by raising their level of language, technological, mathematical and social skills;
- strengthen adults' capabilities to adapt to technological and economic changes, with particular attention to access to and integration in the knowledge-based society;
- strengthen knowledge to make access to and participation in the opportunities and entitlements of social life more effective, making full exercise of the right to citizenship more effective
- developing the core capabilities required to carry out practices and procedures that enable fundamental rights to be enjoyed concretely.

The various types of action have been implemented with an overall provision established at €6,209,000.00. Following assessment of proposals a total of 123 projects have been approved and awarded financing amounting to €3,703,896.69. Such amount is equal to 90% of the overall eligible cost of the European, national and regional financing quota.

MOLISE

The Molise region's choice in implementing relaunch of the Lisbon Strategy consistent with the integrated lines, is to concentrate its activity on those brackets of the population currently least represented, such as women, young people and the elderly, and to improve work in

terms of quality, stability, safety, protection and career opportunities by investing in human capital.

Implementation of such initiatives is being promoted in order to improve the education and training system, with new requisites in terms of skills aimed at consolidating a regional community operating in sectors such as micro-enterprise and SMEs, which provide competition and derive value from humanistic, scientific and technological resources, improving the needs of the work market and developing new forms of knowledge.

The Molise region encourages and promotes the following objectives in particular with reference to implementing the National Reform Programme:

- greater investment in human capital, aimed at increasing the quality of work
- developing lifelong training, with a view to improving the effectiveness of the education system
- research and innovation, with initiatives to provide incentives aimed at public-private partnerships

In more detail, regional strategy is located primarily within the priority area for strengthening education and training human capital, with broad convergence for enacting inclusion processes and involving weaker citizens in education, training and labour, commitment to guaranteeing lifelong learning and reducing the digital divide, and support for paths to technical and scientific education.

Bearing in mind the distinctive needs and peculiar features of the region and the productive system of its labour market, the Molise region has outlined a new path in which human resources are part of an overall design for growth policies, with the primary objective being to strengthen the economic system and make it more competitive, and relate it to technical innovations, knowledge and research, by valorizing areas of excellence.

Action has been launched using the 2000 -2006 POR funds, as part of research action promoted to develop the economic growth of the Molise region.

LOMBARDY

The region of Lombardy seeks to measure up to the new process of globalization by aiming to become increasingly competitive through making its labour system more effective. For Lombardy, the objective is to create better quality professional occupations, in line with European strategy, by leveraging on stronger competition in the regional economy and sharing with the leading companies a process implying the convergence of social and institutional entities in action involving workers and companies. The choice of sectors aimed at strengthening high-quality training focuses on deriving value from activities involving the advanced information technology and ICT communication sectors.

The Lombardy region has identified the ICT industrial sector, defining strategic guidelines for governance able to guarantee and co-ordinate the involvement of all productive, scientific and technological forces present locally, with a view to achieving growth and development by identifying the following priority areas:

- action aimed at developing relational integration with suppliers, clients, banks and end-users, with a view to improving the entire production/distribution chain and the global quality of the product/service offered
- networking services provided to SMEs by qualified private centres
- company requalification processes launched by firms to establish an e-business model

Training courses are aimed at professional figures in sectors with a strong industrial, technological or entrepreneurial innovation component.

It has been possible to finalize shared strategic priorities for action plans aimed at improving growth and high technological development using funds in application of European Social Fund objective 3.

TUSCANY

In order to pursue the Lisbon objectives more effectively, the Tuscany region has decided to follow initiatives aimed at improving its education and training systems, encouraging mobility among citizens, investing in high-class training, research and lifelong learning for adults.

In line with the recommendations of the European Parliament, the region of Tuscany has highlighted the important role played by lifelong learning, promoting the embedding of best practices in this field.

Such commitment has involved national and regional institutions, local authorities, and also the business system and social parties, initiating collaborations for lifelong learning which have brought public resources and inter-professional funds together for the first time, proposing training programmes for all types of workers in companies. The projects, already approved and financed by the European Commission, involve the fields of education, qualified professional training and research.

The initiatives have been undertaken with the contribution of the European Social Fund.

4. HEALTH

As part of the priority commitment to stabilizing spending on healthcare (cf. Part 1, Section 1.4 above), and within the limits of the national and regional competencies in this respect, Italy is pursuing the objectives of increased efficiency and quality in provision of healthcare services, and directing health policies towards more general goals in terms of social and economic growth. One important example of this is the government's commitment to scientific research for the healthcare sector, described above (cf. Part 2, Section 4.4).

Also of significance, as a result of the effects that are expected to derive from integrating policies and action, is the Protocol Agreement dated 17 April 2007 for a "Strategic Framework of Action for Health, Growth and Safety in Southern Italy" signed by the Ministries of Health and Economic development and the regions of Southern Italy. With this Protocol, development of healthcare services in Southern Italy becomes part of the objectives of the 2007-2013 QSN, through allocation of dedicated resources²² to promote investments in the health sector which can constitute drivers for growth, and contribute to eliminating the gaps in terms of provision compared with Central/Northern Italy. Protection of health becomes a factor in promoting a social/economic and infrastructural context which is more conducive to development of Southern Italy. Funds to be accessed under the Protocol Agreement could be earmarked by the regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily to improve their own network of

²² The Special Health Project has dedicated funds from the reserve for Southern Italy under the Fund for Under-Utilized Areas planning for 2007-2013, plus funds identified for this purpose by the regions' planning.

healthcare assistance, in addition to the ordinary resources available under the national health service (in total a further €2.5bn in 2007-2009, between funds to implement the national health plan in Southern Italy and the programme for health sector building work and technology modernization provided for in the 2007 Budget Law).

There are six operating guidelines of reference which the regions may adhere to in order to define plans, which must meet the preconditions of having supra-regional value, quality, excellence and visibility of initiatives, and concentration of resources:

- intensifying, complementary to ordinary activity, technological investment and innovation in service models, through “Health Plans”, and specific solutions such as “Health Homes” and community hospitals, in order to promote integration between healthcare assistance and hospital and local assistance;
- speeding up the level of computerization of regional healthcare services, which is key to improving accessibility and local use of services, in line with the plans for e-government;
- optimizing access to services and use of diagnosis, e.g. regional and inter-regional CUP booking centres, tele-consultation, tele-reporting, tele-radiology, satellite radio links for the emergency network, tele-ticketing, etc., with a view to improving accessibility and punctuality of services (reduction in waiting lists), reducing costs (fewer tests repeated) and reducing inconvenience for citizens (less mobility required for cycles of diagnosis and therapy);
- activating inter-regional centres of reference, in order to accumulate and disseminate knowledge of the best demonstrative and transferable practices for innovation, and to strengthen efficacy and efficiency factors in the levels of assistance provided in the Southern Italian regions;
- developing long-term co-operation and partnership projects between inter-regional and regional centres of reference in Southern Italy and centres of excellence in Central/Northern Italy or outside the country, in order for good practices to be transferred between regions and universities, putting the excellent experiences of companies and institutions into networks through developing advanced connection platforms with adequate technological and structural provision at all points, and extensive recourse to the potential offered by the instruments of a knowledge-based society;
- other investments in structures of excellence, including hospitals, which are of inter-regional value and able to improve the availability and quality of services from a technical/health standpoint and in terms of comfort, and which can position themselves as inter-regional reference points on the strength of the quality of services they offer, for their ability to meet the demand for mobile health care services, and their innovation in the scientific and technological content of the services they provide and energy efficiency.

The Ministry of Health will be responsible for providing technical assistance and support for the eight regions which go to make up Southern Italy in implementing the various projects which each of the regions will consider as part of their own programmes, in order to reach the objectives agreed in the Memorandum.

Health impact assessment

The increasing awareness that all public policies, not just those strictly linked to health, have important consequences for a multiplicity of issues – environmental, social, economic – that combine to determine the health and well-being of the population, makes a multi-sector-based approach necessary in order to ensure due account is taken of health in the preparation of policies not strictly aimed at healthcare particularly. The potential it offers as an approach to collective policy problems, the support it can give to modern forms of governance, and the contribution it can make to improving health and equity, mean that Italy is devoting increasing attention to the tool of Health Impact Assessment (HIA). Although experiences have been recorded of this tool being applied for some years now, these have basically involved fairly disparate episodes which were different in nature and for the most part the fruit of local initiatives or individuals. Thus, only recently have efforts been made to formulate an organic strategy for implementing HIA which is national in character, by proceeding in a variety of directions: recognition of experiments carried out and the individuals most involved or most easy to involve in it; more indepth use of appropriate indicators and methodology; critical analysis of the potential, limitations and critical issues of HIA. The first concrete step has been to set up a working group to include representatives of central and regional levels, as well as nationally-renowned technical experts.

5. SOCIAL INCLUSION

The 2006 NRP monitoring report duly noted the government's intention to launch a major renewal and relaunch of policies for social inclusion, aimed at achieving increased social equity and justice, in a scenario of closer co-ordination of growth and development policies, re-establishment of public finances, and social inclusion and cohesion policies. This approach, which was defined from the first DPEF launched after the government took office, found full expression in the National report for protection and social inclusion 2006-2008, built on the new shared objectives and intended to achieve certain priorities, including: reducing poverty levels to nearer the European average (Italy currently has a poverty rate which is around three points higher than the average, at 19% compared with 16%); and reducing disparities, with a view to restoring conditions of greater social justice, helping emigrants become better integrated, and strengthening protection for persons who are not self-sufficient.

This overall strategy has been constructed from a new relationship between the different levels of institutions, with co-operations being launched through co-ordination round tables with the regions and local autonomies, and above the active

participation of all social forces: service industries, social parties, voluntary organizations, and social formations in general. Initiatives to strengthen dialogue and social participation on a large scale include drawing up a regular social “balance sheet” for the country, with a view to providing an update on the body of social and cultural mechanisms, most widespread in today's society, which produce, along with new opportunities, insecurity, uncertainty and risks that in some cases may give rise to extreme hardship. The ultimate goal here is to make a participative instrument available in order to provide guidance in selecting social policy.

Implementing strategy for social inclusion, according to the provisions of the Constitution, is to start from defining the system of social rights by determining essential levels of assistance, which in local terms translates to developing a system of innovative and differentiated services able to meet the various needs of the community. The first commitment – in enactment of the provisions of the 2007 Budget Law – is to define essential levels of assistance for people who are not self-sufficient, awarding resources from the relevant Fund (€500m for the three years), and establishing essential levels of services for early childhood and allocation of relating funding.

The government's commitment to tackling poverty and inequality was made tangible from as early as the 2007 Budget Law, with the launch of tax reforms and restructuring of income support measures, aimed at families in particular with children under the age of 16 in a manoeuvre worth over €7bn. In this connection, mention should be made of the increase in child benefit, as well as the overhaul of tax rates. No less important in tackling marginal situations is action to reduce difficult housing conditions, which is a particularly acute issue at national level and can have a decisive impact on the well-being of individuals and families. Alongside regulations approved to postpone evictions in favour of the most disadvantaged categories, the government, in conjunction with the regions and social formations, has finalized a National action plan to reduce difficult housing conditions.

Strengthening social inclusion programmes for target groups is another fundamental element of the overall strategy, with specific attention being devoted to immigrant families (an ad hoc fund of €50m has been set up for this purpose) and for persons with disabilities, through several projects and initiatives under the new UN convention for disabled peoples' rights and the European year of equal opportunities.

Furthermore, it should be noted that the National fund for social policies for 2007 has been established in an amount of over €1.6bn, around €900m of which is earmarked for the regions.

Lastly, as far as the gap between different areas of the country is concerned, this has been taken as a general priority for public policies, aiming overall development of Southern Italy through investment in the infrastructure sector, action to tackle unlawfulness and restore the conditions for social development, to relaunch women in business and employment, with attention being paid in particular to the issue of female employment. In reaching the objectives indicated of tackling poverty – which, as has been mentioned, focuses chiefly on Southern Italy – and developing the system of services (which are deficient above all in the under-utilized areas of the country), action to reduce the gap between regions takes on particular importance. In this sense the allocation of specific resources is fundamental, such as

the Structural funds and the Fund for Under-Utilized Areas as part of the new planning for 2007-2013.

5.1 Policies for social inclusion of immigrants

The phenomenon of migration has become increasingly relevant in Italy as a result of its increase in size, with immigrants coming from around 200 different countries. Based on ISTAT data as at 31 December 2005, there was a total of 2,670,514 non-Italian citizens resident in Italy, an increase of approx. 11.25 percent on the previous year. This presence, which in part is due to new foreigners arriving (187,000) and in part to children being born to non-Italian citizens (52,000), is becoming stronger, bearing in mind inter alia new migration flows brought about through the most recent measures (during 2006 approx. 500,000 applications were submitted for employment, whereas in early 2007 some 80,000 seasonal workers were authorized to enter the country). Non-Italians in employment at 31 December 2005 totalled 1,213,000, or 5.4% of the total number of employed persons. This figure ranks Italy as one of the countries welcoming the largest number of immigrants, which include Germany with 7,287,980, Spain with 3,371,394, France with 3,263,186, and Great Britain with 2,857,000.

Immigrant communities are showing an increasing tendency towards stable establishment, as demonstrated by different indicators: non-Italian children attending Italian schools, for example, reached 500,000 in 2006-2007.

Action undertaken therefore takes into account the quantitative and qualitative trends of the phenomenon of immigration in Italy, which involves families, young people and second generations. The action accordingly targets all areas: recognition and realization of rights (families, housing, education, health, citizenship, etc.); promoting measures against all forms of discrimination and exploitation; establishing a culture of welcoming and recognizing "diversity" in integration processes. Moreover, to foster collaboration and convergence between national and local levels, Focal Points have been established (as local branches of the National Anti-Racial Discrimination Office) through which to ensure direct and immediate support for the victims of discrimination and a Contact Centre to collect and review possible cases of racial discrimination and abuse reported by persons, offices or private social entities.

In 2006 the Ministry of Social Solidarity set aside approx. €17m in the Fund for migration policies, which was used to strengthen the programme agreements with the regions in order to test good social inclusion practices for immigrants, to increase their knowledge of the Italian language, to empower cultural mediation services at single immigration desks, to experience training outside Italy for persons looking to emigrate, and to implement programme agreements with eight regional capitals in metropolitan areas to implement action aimed at second generation immigrants.

Starting in 2007, the Italian government has launched an indepth reform of the existing regulatory arrangements. A draft law revising existing regulations in the area of entry and residence, which is intended to promote legal immigration and bring together demand and supply of labour, focuses on the following points:

- introduction of a three-year planning system of entry flows for work-related reasons;
- provision of different entry channels for work-related reasons (ranging from recruitment by name, to entry for purposes of seeking work, both self-sponsored and sponsored by an individual or group sponsor providing references); giving value to the role of countries of origin and international agreements for drawing up lists outside Italy of workers available to work in Italy; expanding the types of workers who may be recruited over and above quotas in place; simplifying procedures and requirements for legal entry and residence; extending the duration of residence permits; active and passive electorates for administrative elections for non-Italian citizens with EU permits who are long-term residents; access to provision of social assistance for non-Italians legally resident for at least two years; and facilitated access to residence permits and citizenship for long-term residents.

PART 4

ACTION PROVIDED FOR UNDER 2008 DRAFT BUDGET LAW AND ENACTMENT OF WELFARE PROTOCOL

1. 2008 BUDGET LAW

The draft budget law for 2008 provides for action in many different sectors, which together serve to strengthen the policies for growth initiated as part of the reform process outlined in the NRP.

Security and legality. The budget makes provision for an additional over €200m to be earmarked for the security area. On the justice side, particularly noteworthy is the launch of an extraordinary prison building programme, with approx. €70m set aside for the next three years to this end, aimed at meeting the emergency situation in this sector.

Schools. Action will be launch to help make schools more independent in practice, restore a coherent system of learning objectives, provide guidelines on curricula for infant and primary schools, increase the age for compulsory schooling, reorganize the national assessment system, and gradually start solving the long-standing issue of short-term employment in schools, with a three-year plan for giving 150,000 teachers and 20,000 other staff permanent contracts.

University and research. Provision has been made for an increase of €400m for the research (€80m) and university sectors (€320m). In particular, €300m will be used through adoption of a programme aimed at developing the efficiency of the university system, and to support the quality of studying and research. The plan will be finalized in conjunction with the universities themselves. The other €20m will go to increase the existing funds for grants. In addition, tax credits for pre-competitive industrial research and development activities introduced under the 2007 Budget law has been strengthened via an increase in the share of costs incurred in respect of contracts executed with universities and research centres for which credit can be claimed, up from 15 to 40 percent, and a rise in the spending threshold, from €15m to €50m. Lastly, a fund has been set up to promote the creation, development and innovation of SMEs in under-utilized areas for process or product innovation using digital technologies.

Infrastructure. With this budget, the government has confirmed its commitment to provide the country with an infrastructure network that is able to keep pace with the times. Approx. €2.5bn are to be earmarked under the “investments” chapter in respect of work to be completed for the present year. Of this sum, over €1bn will be granted to the state railways group, while €215m have been set aside for ANAS for work on the road network. Lastly, around €1bn is intended for work to improve mobility in Milan, Rome, Naples, and the MOSE water barrier system in Venice. To this should be added a total of €7bn set aside for investment in infrastructure, partly due to refinancing of work envisaged under the Objective Law for the 2008-2010 three-year period, plus another over €3bn provided under the previous Budget Law.

Tax. Intensified controls must be matched by an increased effort to make the tax system simpler and less onerous in terms of administrative requirements. The Budget Law puts forward various simplification measures: the first innovation consists of preparing a special tax regime for so-called “marginal” tax payers; the second involves simplifying calculation of the tax base.

Energy and environment. In terms of environmental policies, the budget should strengthen attempts to combat climate change, to save energy and improve the quality of life of Italian citizens. Some of the most significant measures include: confirmation of amounts set aside to the Fund for Kyoto (€600m), over €150m to be used for new urban park areas, and as much as €530m for tackling the country’s hydro-geological problems; tax breaks on spending to renovate homes according to eco-efficiency criteria (i.e. to reduce heat loss and install solar panels) will be increased to 55 percent of the outlay for the 2008-2010 period.

Equity. The budget, in conjunction with the measures that have preceded it and those provided for in the “related law” accompanying it, contains a large number of initiatives involving a series of sectors which are crucial for the life of Italian society. Maternity and parental leave has been introduced for adopted and foster parents; policies to counter violence against women have been stepped up, with a significant increase in the amount of funding set aside for this purpose; a tax reduction of approx. €300 per annum will be introduced for young people aged 20-30 living in rented accommodation, and the discount for university students renting will be increased.

Housing. In the budget, the government has devoted an organic set of measures to this issue: from ICI housing tax to rent, from housing for less privileged social classes to young people still living with their parents. As from 2008 there will be a permanent reduction in amounts taxed by way of ICI on main homes, to the benefit of home-owners who live in such properties.

Pensions. The budget comprises regulations which enact the Protocol on pensions, employment and competitiveness which was signed in July. Overall funding for this purpose is substantial: more than €5bn for the 2008-2010 period, plus €900m for 2007 and €1.5bn starting from 2008, which were set aside at the start of July.

Employment. In the area of employment, efforts have been concentrated on increasing the effectiveness of market regulation, by encouraging an ever increasing participation in the workforce and providing adequate safeguards against the risk of periods of unemployment.

Health. In the area of healthcare, work will continue along the same lines as the major successes achieved through the Pact for health, through government action to improve both the quality and efficiency of the services provided. In terms of controlling spending, the possibility of introducing external commissioners for regions with high healthcare spending deficits which fail to comply with the obligations agreed under the terms of the plans to bring spending back under control.

2. DRAFT LAW ENACTING PROTOCOL SIGNED ON 23 JULY 2007

The Italian government has focused its employment policies on tackling temporary forms of labour and promoting stability and quality of employment. Such objectives have been pursued through action to tackle black-market and unlawful forms of employment and to improve protections on the labour market. Such measures, along with the estimated gradual increase in the retirement age, are aimed at building and strengthening social cohesion. The scenario for establishing reforms in this area cannot fail to include dialogue with the social parties, which has been initiated by the government in the conviction that social dialogue and consensus are essential steps in constructing shared policies.

Following the process of negotiation on the combined measures in the areas of pensions, employment and competitiveness for sustainable social equity and growth, the government signed the Protocol with the social parties on 23 July 2007 (cf. above, part 3 sections 1 and 2), and commenced enactment of these policies in the form of regulatory instruments, with a draft law to introduce the Protocol and introduce further measures in respect of social security and pensions being approved by the Council of Ministers on 12 and 17 October 2007.

The most important points of the draft law are as follows:

a) Completion of the pension reform

A new retirement age system will be finalized, by abolishing the increase in the pensionable age to 60 starting from 1 January 2008 (the so-called “scalone”), and establishing a gradual progression towards increasing the requirements for being able to retire.

Regulation of demanding employment: funding has been identified (ten-year fund of not less than €2bn) to enable workers employed in jobs defined as demanding under the Salvi decree issued on 19 May 1999 to retire three years ahead of schedule, i.e. those working night shifts, on production lines, and drivers of heavy vehicles for transport of persons.

Strengthening the contributions system introduced by the reform in 1995 (Law 335/95), by applying the new transformation coefficients defined in 2005 starting from 2010 (and then on a three-yearly basis), and by setting up a commission to check and propose amendments to reflect changes in economic conditions and the labour market, with a view to protecting the lowest pensions and possible disruption to young people’s careers.

Future definition action on “exit windows” for old-age pensions, which will be increased to 4 for workers with 40 years’ contributions.

Improving young people's pensions, by action to totalize contributions, redeem degrees, and notional contributions for instances of unemployment and irregular employment.

Work on funding imbalances: application of a solidarity contribution for funds which generate significant financial imbalances.

Definition of various forms of solidaristic intervention, such as blocking equalization of high pensions and increases in the contribution rates for special accounts of persons already registered for other forms of pensions.

Improving pension provision for young, para-subordinate workers by a one percent per annum increase up to three points of the contribution (with an increasing share payable by the contractor) entitling them to a pension.

Reorganization and rationalization of pension entities.

Partial detaxation for workers of performance-related bonuses, to be implemented with €150m for 2008.

b) Welfare

The reform project will be developed over time with the objective of combining unemployment and mobility benefits and making instruments for income support universal (with gradual extension and unification of ordinary and extraordinary layoff schemes).

Immediate action will involve improving unemployment benefit in terms of duration (from six to eight months, and 12 months for the over 50s) and amount (60 percent of final salary for six months, 50 percent from months 7 to 8, 40 percent thereafter).

Unemployment benefit with reduced requirements (i.e. income support for those with short-term working contracts) will increase from 30 to 35 percent for the first 120 days and to 40 percent thereafter, up to a maximum of 180 days. Notional pension coverage for the entire period in which unemployment benefit is drawn is also guaranteed with reference to wages earned.

c) Labour market

The essential point consists of regulatory changes to be introduced, with a view to countering temporary forms of employment, and to improve the quality of employment as part of a modern, flexible labour market through revising the regulations that govern non-permanent working arrangements provided for by Law 30/03 and other regulations.

The most significant measures involve: regulation of short-term contracts, part-time contracts, abolition of intermittent work as provided under Legislative Decree 276/03, and strengthening public employment services, which are essential aspects of the project to reform the welfare system.

Improvement in regulations for disabled people are also provided, especially the conventions regime, and the contribution subsidy will be confirmed at 11.5 percent for the building sector will be confirmed and be made structural in order to promote the use of permanent working contracts.

d) *Competitiveness*

Work here will include incentives for second-level bargaining, with a view to supporting the competitiveness of firms and improving performance-based pay for workers.

Taxation for companies and workers who negotiate performance-related payments will be improved, both by raising the tax relief on companies to 25 percent, and by raising the upper limit on the bonus eligible for tax relief from 3 to 5 percent gross of the payment. Under the same measures workers will also be granted relief from social security contributions, and bonuses will be fully pensionable (not the case today).

Shares of performance-related payments for 2008 will be detaxed.

Additional contributions for overtime payable by companies, which were introduced with the 1996 Budget Law, will be abolished.

e) *Young people*

A series of measures to support income and pensions for young people with irregular career profiles has been provided. In particular these include:

- notional coverage for periods of unemployment;

- totalized contributions and “redemption” of degrees;

- improving pensions for para-subordinate workers;

- three revolving funds will be established for para-subordinate workers, micro-finance, and young independent workers, in an amount of €150m.

f) *Women*

In order to encourage female participation in the workplace, the draft law provides for action aimed at incentivizing working arrangements which reflect the need to reconcile work and family life, and strengthening action already envisaged under Article 9 of Law 53/00 in respect of avoiding forms of discrimination in terms of employment, wages and career prospects. Support initiatives will be strengthened for childcare services and elderly persons who are not self-sufficient. EU fund planning will be geared specifically to accompanying, training and helping women back to work. A particular priority will be young women in connection with the micro-finance fund referred to above.

PART 5

REGIONAL PLANNING AND LISBON STRATEGY

The regional approach to the Lisbon Strategy is key for the reform policies to succeed, given the need to integrate knowledge and skills at the national level with the local knowledge required to structure the overall strategy on the basis of the specific potential and opportunities of the different regions.

Such direction assumes additional prominence in the light of the new regulations provided for under Section V of the Constitutional Charter, pursuant to constitutional law 3/01, which brings many of the issues raised by the Lisbon Strategy under the concurrent legislation of the regions, such as: education; scientific and technological research, and support for innovation; local government; large transport and shipping networks; communications; generation, transport and distribution of energy; complementary and supplementary pension schemes; and development of cultural and environmental assets.¹

Last year, the best regional practices deemed most significant in order to underline the importance of the different levels of government working together were described in the first progress Report.

Now, in this Second Report, regional issues are developed further: the contributions of thirteen regions plus the autonomous province of Bolzano are set out in the annexes hereto, with reference to the planning directions they have adopted.

Such documents testify to the regions' growing involvement in the governance of the Lisbon Strategy, and demonstrate the fact that a clear process of osmosis has been set in motion between the objectives of the National Reform Programme and the regional planning.

Indeed, the regions' co-financed operating programmes, part of which are still being negotiated with the European Commission, reflect a largely unified direction, which aims at ensuring action undertaken at local level is consistent with the Lisbon strategy. Regional planning, obviously with differences from region to region, is responsible for pursuing these objectives.

Conversely, the regions' commitment in terms of planning forms part of an overall development strategy aimed at reducing disparities between regions as a key policy for increasing the country's potential for growth. Italy is marked by significant divides between regions which are structural in nature, as shown by per capita GDP and employment rates which are significantly lower than the European averages in some regions.² The 2007-2013 National Strategic Framework (QSN) presented by Italy and approved by the European Commission on 13 July 2007 aims at implementing a unified regional policy, which brings together the structural funds and national funds for under-utilized areas.³ The QSN aims to eliminate overlap between different rules for each source of

¹ In matters pertaining to concurrent legislation, legislative power is vested in the regions, save for establishment of the fundamental principles which is reserved to legislation by the state.

² In the most developed regions, such as Lombardy and Emilia Romagna, the employment rate is in line with those in the most advanced regions of France and Germany, whereas in the Southern Italian regions the employment situation is one of the most backward in 27-nation Europe. Indeed, employment in the regions of Southern Italy is on average 20 percentage points lower than in the regions of Central/Northern Italy. The regional divide is even greater when seen in the light of the gender gap. Compared with an average European female employment rate of 56.3%, the Italian average is 46.8%, with 31% in Southern Italy against 55.7% in the Central/Northern regions.

³ Approx. €123bn from 2007 to 2013. Cf. introduction, and part 1 section 3.

financing, through strong complementarity with national economic policy and increasing consistency between the different levels of responsibility.

It is within this overall context, then, that growth policies and re-establishment of regional equilibrium have been integrated with policies linked to the Lisbon Strategy, as emerges clearly from the analysis contained in this Report.⁴

Equally, the regions, after the planning commitment set forth in preparation of the 2007-2013 QSN based on a method of consultation between the different levels of government, in their current choices are now seeking to develop a single programme for growth, in view of changes required inter alia as a result of some regions in Southern Italy moving out of the “convergence” (CONV) objective category into the “competitiveness and employment” (CRO) objective category.⁵

The regions’ operating programming is thus only part of the overall planning, which in addition to EU funds and their co-financing, also commits national resources from the fund for under-utilized areas, as well as programming of additional regional resources in view of the whole. Accordingly, the Strategic Regional Document and the Single Programming Document, with their various operational sub-documents, channel funds, earmarked for use in connection with Lisbon in this direction, i.e. the structural and other funds, i.e. FAS and such further resources which the regions decided to use for growth.

The drive towards co-ordination, consistency of timing and above all breadth of vision displayed by such a planning strategy represents the most significant contribution at regional level to moving in the direction of the Lisbon objectives. The new regional approach to planning also contributes to embedding a culture of monitoring and assessing economic policies, with a view to making the different levels of planning increasingly coherent and integrated. This is revolutionary for the regions in terms of perspective, a strengthening of method, a decision which has consequences at the operating level that have not yet been weighed in fully but will certainly be crucial in setting strategic directional vision for regional policy choices.

The positive contribution made by regional planning in the direction set in the National Reform Programme for reaching the Lisbon objectives also emerges from a summary of the priority action identified by the individual regions.⁶

Firstly, action to promote innovation and research, for developing a knowledge-based economy in all the regional programming strategies (cf. Annexes) represents the fundamental axis for committing resources and implementing measures, both for regions pursuing the competitiveness objective and for those involved in the path towards convergence. In Southern Italy in general, constructing a scenario which is more favourable to innovative

⁴ Individual sections in part 2 are devoted to the role cohesion policies play in terms of micro-economic measures. Integration between the Lisbon objectives and cohesion policies is also demonstrated by the fact that, as at year-end 2006, some 60% of spending from the structural funds as attributable to the Lisbon priorities (cf. section. 2).

⁵ One of the most significant commitments involves ensuring that a fixed percentage of funding – at least 68 percent of EU funds for regions in the Convergence objective and 80% of EU funds for regions in the Competitiveness objective – is reserved for the Lisbon Strategy objectives (cf. section 1.4).

⁶ A full view of the strategic guidelines for each individual region is provided in the regional contributions attached as an annex.

entrepreneurialism and growing investments in research and innovation are considered the new key points in a strategy of development consistent with EU guidelines (this is the case, for example, with Sicily), whereas in regions which are already not far off achieving the Lisbon objectives, innovation is the mandatory requirement for maintaining a competitive profile which is able to support the standards of development achieved thus far and capable of delivering others (as is the case with Emilia Romagna or Tuscany). In some cases it is also necessary to intervene in the area of “bottlenecks” to growth and relaunch and reconvert systems and productive environments, such as in Piedmont, Lombardy and Veneto.

Closely linked to the issue of innovation is that of training and investment in human capital, which constitutes the second axis of intervention where it is possible to detect strong commitment on the part of the regions across the board. The main objective here is to accompany the construction of a competitive economy able to ensure full, good-quality employment, providing incentives for the accumulation of human capital by acting both on those generations currently involved in training, and hence the ordinary education system within the regions’ own spheres of competence, and also on the adult education system and lifelong learning, where the regions are fully responsible. Construction of an adequate permanent training system is absolutely one of the biggest priorities which the Lisbon Strategy has set for Italy.⁷

A third area of action deemed to be priority in the vast majority of the regions is environmental policies for sustainable growth and energy efficiency.⁸

Here too it is possible to detect different regional “nuances”. In Southern Italy (but in Lazio, too, for example), the issue is dealt with primarily with a view to growth, sustainable exploitation of environmental resources, and development of economies based on energy (e.g. in Basilicata), certain local priorities receiving particularly strong consideration, such as the water cycle and water storage (as in Sicily). In Central/Northern Italy, meanwhile, the issue of energy efficiency is pre-eminent (as in the Marche), and also that of protecting the local environment, which is especially the case in areas with environmental particular features or exposed to particular environmental risks, such as Valle d’Aosta.

Issues regarding the social aspects of the Lisbon Strategy also receive across-the-board attention from the Italian regions. In areas where employment rates are highest, but where the demographic deterioration factors are also most advanced (i.e. ageing population) and immigration most intense, action is aimed at governing the processes of change which threaten to undermine the social cohesion acquired in the course of generations. Regions such as Friuli-Venezia Giulia and Emilia-Romagna have devoted particular attention to these issues. In other cases, chiefly in the Southern Italian regions, it is support for employment in priority categories which has been given priority, such as Basilicata, where

⁷ In this area regional programming appears to have accepted the challenge in full, in Southern Italy as much as in Central/Northern Italy: in the case of Piedmont, for example, the link between lifelong training and the employment services system from an integration standpoint is seen as key, whereas in Molise priority attention has been given to the “flexicurity” perspective.

⁸ On the issues of renewable energies and energy saving, the QSN has made an important contribution to achieving European objectives, by fixing a fund allocation *a priori* in the PORs (to be taken from the FESR) equal to 8 percent for the Convergence objective regions and to 12 percent for the Regional competitiveness and employment objective regions (cf. 10.).

particular attention has been given to the issue of female employment, or Molise, but also in a mixed region such as Lazio.

Other large areas of action involve strengthening infrastructure, particularly in regions which must free their productive systems from the creation of bottlenecks on the supply side, such as in Veneto, Lombardy and Piedmont. In all cases, moreover, not just the transport sector is considered, in the sense of network hardware for mobility of persons and freight, but also the new technologies for communication and diffusion of information (ICT).

Last but not least is the centrality given by many regions to the issue of simplifying bureaucracy, better regulation, and in general more general terms extending the area of free choice for citizens and companies, consistent with the basic arrangement of the Lisbon Strategy.