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*Presidenza del Consiglio dei Ministri*  
*Department for European Affairs*

## Lisbon Strategy for Growth and Jobs

National Reform Programme 2008-2010

Implementation report and  
response to the economic crisis

The annual report on the implementation of the Lisbon Strategy in Italy has been prepared, by the Permanent Technical Committee of the Ministerial Committee for European Affairs (CIACE). The work of the Technical committee has been coordinated by the CIACE Secretariat, at the Department for European Affairs of the Presidenza del Consiglio dei Ministri.

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## 1. Executive summary

The crisis that began in the U.S. property markets and extended to every financial market worldwide has struck the real economy, influencing consumption, investment and production decisions. Europe has considered rapid and decisive action necessary to combat the crisis; such action must be capable of combining monetary and credit aspects, budget policy, and the measures outlined in the Lisbon Strategy for growth and employment.

The greatest challenge for Italy as well as for other countries is to come up with immediate policy responses, however, without placing the priority on short-term needs that could dampen the momentum of the reform processes already under way for some time. These processes require time to manifest tangible results but the effects thereof are already starting to be seen, as acknowledged by the European Commission and the European Council in assessments of preceding reports on the status of the implementation of the Lisbon Strategy in Italy. It has therefore been important in these months to reaffirm the need for reform by implementing a coordinated and rational set of policies that will continue in the direction already outlined last year, when the crisis had only begun to wield its effects.

The challenges and the priorities that lie ahead of Italy and its Government represent on the one hand a response to the current economic crisis and on the other hand, the national implementation of the Lisbon Strategy objectives as set out in the country recommendations for 2009. Such objectives refer in particular to fiscal consolidation and the sustainability of public finance, the simplification of administrative procedures, the deregulation of the markets, and the efficiency of the labour market. There are still many things to be done. The Government intends to carry out the Lisbon Strategy with conviction, and this report is the proof thereof.

As in years past, this report has been prepared with the participation and input of local authorities, unions and employers. Then again, the governance procedures contemplated within the Lisbon process have assigned much importance to partnership with unions, employers, local authorities and other members of society. The contribution of thoughts, ideas and suggestions considered useful by the parties involved has likewise represented an important impulse to the government ministries which, through the coordination of the Department for the Coordination of EU Policies, have taken an active part in the drafting and preparation of this report.

The principal areas of reform are summarised below.

1. The slowdown of the economy has required initiatives for reviving confidence and demand, taking into account Italy's situation. This has made it necessary to put in place short-term initiatives to respond to the crisis alongside the measures for reform over the medium-/long-term. Although faced with more stringent budget constraints than in other nations, the Government has acted within the framework of the action coordinated at a European level and in respect of the Stability and Growth Pact. The strategy adopted is that of maximising the effectiveness of the initiatives guaranteeing conditions of stability for public finance. Timely, targeted and temporary measures have been adopted across the board, with a particular focus on: enterprise activities; the revival of private and public investment; support to employment; actions to defend the purchasing power of consumers; and aid to the banking sector. With the exclusion of these last measures, the crisis-containment plan appropriated gross resources of approximately €35.5 billion for the 2008-2011 four-year period, or the equivalent of around 2.3 per cent of GDP.

For the years thereafter, the Government, taking into account the uncertainty about the economic outlook, has assessed the possibility of adopting a rigorous, but gradual, policy, in line with a more pronounced consolidation of the economic recovery. The correction of the year-on-year trends in line with that already indicated in the Economic and Financial Planning Document (DPEF) can be resumed as of 2011.

With reference to public finance indicators, the level of net borrowing is pegged at 5.3 per cent of GDP for 2009 and 5.0 per cent for 2010, whereas the objectives for the years thereafter (2011-2013) decline, with the ratio of net borrowing to GDP falling by more than half to reach 2.2 per cent in 2013. The primary surplus gradually increases going from 0.2 per cent of GDP in 2010 to 3.4 per cent of 2013. Taking into account the year-on-year trend, the new financial targets imply measures designed to correct the primary balance which are equal in cumulative terms to around 1.2 per cent of GDP during the 2011-2013 three-year period.

Budget policy for the next few years will be aimed at supporting the recovery and growth of productivity, the maintenance of public finance balances, and the adoption of policies to emerge from the economic crisis with the timing and content thereof to be coordinated with the other Member States.

Based on the data and analyses produced by the spending reviews, the Government will proceed in re-programming expenditure toward select initiatives that channel the public financial resources toward more productive, more efficient and more effective uses which are also able to favour growth.

The adoption of the law on fiscal federalism vested the Government with the authority to regulate the financial autonomy of regional, provincial and local entities. Federalism will make it possible to combine autonomy and responsibility, spending decisions and decisions related to financing, and equity and social justice. The implementation of federalism will be compatible with the commitments undertaken by Italy with the Stability and Growth Pact and will not entail new or higher charges or reductions of revenues for public finance.

The Government's action has continued in the implementation of the regional policy whose initiatives are complementary to the Lisbon Strategy. During 2000-2008, more than €40 billion, or 69 per cent of the EU funds spent regarded the Lisbon priorities."

2. From a microeconomic perspective, the Government's action stands out for the significant progress made in the **deregulation** of the markets and the creation of a clear regulatory framework. Article 47 of Law n. 99/2009 has provided for an annual law for the market and competition. A discreet and necessary government initiative, this tool is aimed at removing regulatory or administrative obstacles to the opening of the markets, promoting the development of competition, and guaranteeing consumer protection.

The ratification of the Directive 2006/123/EC regarding the deregulation of the services will make a decisive contribution to deregulation and simplification. The ratification of the directive will also pave the way to an important phase of simplification of relationships between businesses and government entities, while making government more modern via the elimination of constraints for accessing services and enhancements and further automation of the system of single service centres. Italy has assigned great importance to the Services Directive and, as detailed in this report, is activating all of the initiatives needed to ensure its transposition.

The regulations governing local public services of economic importance have also been further modified, including pursuant to the recommendations of the European Commission. The changes adjust the regulations to the EU guidelines and provide for a more pronounced emphasis on deregulation within a certain and clear regulatory framework, that provides incentives for the initiative of the private sectors, reduces the costs for the public administrations, and guarantees the better quality of services to the users.

3. The Government is strongly committed to improving the **quality of regulation**. The quality of rules determines the competitive differential between one nation and another, and improving the quality of regulation can lead to greater efficiency, broader based innovation and the better competitive positioning of markets and businesses. The principal mechanisms used are regulatory and administrative simplification, the Technical-Regulatory Analysis (ATN) and the Analysis of the Impact of Regulation (AIR).

The Government's effort to streamline regulation has been intensified in 2009. The continuing use of "law-cutting" provisions has made it possible to abolish more than 36,000 obsolete state laws to date. Upon conclusion, the law-cutting campaign will put the total **number of laws in force** (those passed before and after 1970) at **just over 14,000**. This effort thus offers an important contribution to streamlining the legal system, and to ensuring the effectiveness of laws and better functioning of the market. Excess regulation and regulatory disorder cause difficulty in identifying the rules to be applied to concrete cases, often facilitating ambiguity in administrative action.

The Government has reinforced the discipline of the Technical-Regulatory Analysis (ATN) and the Analysis of the Impact of Regulation (AIR), providing that the competitive impact of new regulation must be checked both (i) at the time when the regulation is being adopted as part of the legal system, and (ii) when assessing the effects of the regulatory initiative.

4. The Government has carried on with the process of reforming and modernising the public-sector work force and the **administrative organisation** with a view toward giving the sector the efficiency needed for contributing to the revival of the overall growth of the economy. A legislative bill and related decree-law for implementation were approved for the purpose of reforming the governance of the public-sector labour force. The new regulations regard collective bargaining, personnel performance evaluation, senior management, responsibility for discipline, and an emphasis on the fundamental principle of reward for merit. The specific objectives of this effort are to ensure better organisation of the work, and to allow for the achievement of high economic and qualitative standards in carrying out administrative functions and in supply services to citizens. In line with the posture taken by other OECD nations, the philosophy behind the new regulations is based on improving the quality of job performance, encouraging the recruitment of the best talent, and increasing the value of capacities and results in the assignment of senior management responsibility, including for the purpose of increasing the independence and powers of the senior managers.

5. **Small- and medium-sized firms** represent the backbone of the Italian economy. As part of the implementation of EU policies and with a view to coming up as quickly as possible with concrete proposals for improving the conditions in which SMEs operate, a panel was set up for the planning and development of the commitments provided by the Small Business Act. In both addressing the economic crisis and identifying development objectives, the panel's proposals have been incorporated into the measures adopted in late 2008 and in 2009 for crisis containment and economic recovery.

6. The new policy for **innovation** based on industrial property rights essentially involves three initiatives: the business-financial valuation of patents, the National Innovation Fund, the databank for university and public research centre patents. The three initiatives have the common characteristics of a medium-/long-term impact and involvement of major private institutions (research institutes, businesses, banks) for the purpose of achieving a more efficient relationship between the market and government policies, which is essential within an innovation process having a complex and systematic nature

The "Industria 2015" **industrial-policy programme** continued through the adoption of the Industrial Innovation Projects related to the technological areas of energy efficiency, sustainable mobility, and technologies for Made-in-Italy products and the implementation of the related strategic actions through which tenders could be organised for the granting of subsidies in favour of research, development and innovation programmes

7. **Research** remains one of the essential bases for improving Italy's competitiveness. At an advanced state in terms of its definition, the 2009-2013 National Research Programme acknowledges the critical factors that have made the development of a research policy in Italy difficult, and proposes an array of actions dedicated to removing

those critical factors, while also taking into account the nation's distinct characteristics and the characteristics of its productive structure.

Significant improvements have been made to the methods for evaluating and financing both research activity and the efficiency/effectiveness of instruction. In the latter case, a peer review system will be used on the basis of qualitative standards at an international level. The evaluations will be made partially for the purpose of distributing a part of ordinary financing to institutions achieving the best results.

Italy continues to participate actively in all of the EU initiatives within the framework of the European Research Area, with the conviction that European collaboration is essential in the area of research activity. As a tangible demonstration of this conviction, Italy made an increase of over 30 per cent in 2009 in the budget available for the European Research Area activity. Italy has also strengthened its participation in various ERA-NET projects, and is now preparing proposals for areas covered by joint programming initiatives.

Human capital obviously has a central role for research, and its development is a priority focus, including via continuing efforts to support training and to get the most value out of excellence. As part of the Senate's VII Commission, work is under way to study the European indications for guaranteeing better careers and mobility for researchers. The aim is to approve a resolution with which the Government commits to follow up before year end to the action plan requested by the EU.

8. With respect to **infrastructures**, the Government has confirmed the intention to commit a part of the Funds for Underutilised Areas (FAS) to the design and construction of infrastructures. With the 2010-2014 DPEF, the Italian Government approved measures entailing approximately €30 billion of investments in infrastructures. By the end of 2009, new construction sites will be opened for works with a value of roughly €14 billion. These works translate into GDP growth of around 2.3 per cent, and they also mean the maintenance of roughly 120,000 jobs in the construction business, with that total likely to rise to around 360,000 over the next two years

9. In 2008, total **GHG emissions** were 4.7 per cent higher than 1990 levels (against a 7.1 per cent increase reported as of 2007 and a 9.0 per cent increase as of 2006). The reduction in the rate of the growth also reflects to a large extent the effects of the current economic crisis.

Though scaling back the appropriations to reconcile the environmental protection objective with the objective of relaunching the economy, the 2009 Budget Law has essentially reaffirmed the measures outlined in the 2007 and 2008 Budget Laws in terms of provisions to intensify the efforts for reaching the Kyoto objective. The more important measures include a €600 million appropriation for the revolving fund to finance the initiatives for the implementation of the Kyoto Protocol (Kyoto Fund).

10. The enactment of Law n. 99/2009 is noted with reference to **energy**. This legislation provides for: the return to nuclear energy; additional incentives for production of wind energy (with particular reference off-shore plants) and biomass energy; measures for the efficiency of the energy sector; and measures for the simplification of the design and construction of energy infrastructures. Measures have also been introduced to streamline the installation and operation of micro co-generation and small combined-cycle plants. Finally, important changes have been made to the procedures for providing incentives for the production of electricity.

11. With reference to the efficiency of the **labour market**, Italy is continuing its commitment toward medium-term structural reform, consistent with the recommendations received. Such effort is rounded out by short-term measures in response to the crisis, which incorporate initiatives to support of the more vulnerable classes of society, and the use of social safety nets, combined with active policies in favour of persons not covered



by income-support measures provided by ordinary legislation the social securities system which plays his role of

Employment policy during the economic contraction has been concentrated on two priorities: the application of an integrated flexicurity approach, and the development and improvement of skills. In attempting to achieve a balance between flexibility and security, the aforementioned integrated approach is not only an objective in and of itself, but it is also an instrument to the horizontal objective of full employment, or, even better, to the possibility of employment (employability). In aiming to increase the adaptability of workers and businesses, this instrument is perceived as one of the elements that will make it possible to adjust the labour markets to changes caused by profound changes in the structure of the economy.

The objective is to facilitate and protect professional transition not only within but also towards the labour market, thereby simultaneously guaranteeing adequate networks of security and minimum wage systems. Another goal is to improve the efficiency of the public services for employment and active labour market policies.

At a time when unemployment is growing, it is essential to guarantee better matching between the skills offered by persons seeking employment and the skills requested by the job market, and this represents not only one of the essential aspects of the flexicurity policy, but also a pivotal point for other employment-related priorities and the development and improvement of skills.

This approach aims to close the gaps in qualifications in order to improve employability and augment the opportunities for finding and maintaining a job. This approach relies on educational programmes and initiatives that use a common database at a European level, and in particular, continuous lifelong learning that allows all citizens to participate in society, by keeping their skills and knowledge continually updated.

The development of a system of lifelong-learning opportunities over and above the worker's fundamental right is a decisive response to profound changes affecting the labour market from a worker's perspective (lack of continuity in employment, a longer active lifetime, the need for updating the skills possessed, etc.), and contributes to the formation of a new right to active citizenship and to employability. The Government thus focuses on achieving the best match between professional training initiatives and the needs of the productive system, by enhancing the role of businesses and developing synergies with the education system. The revision of the educational system and organisation are continuing in this regard in order to put Italy in line with OECD parameters.

12. In view of the exceptional nature of the economic situation, the Government has also adopted a series of **measures for employment**, strengthening tools to maintain employment levels, such as the exceptional long-term unemployment benefits programme (CIG) and occupational mobility schemes. The use of these tools has turned out to be key in managing the crisis, making it possible to avoid mass dismissals. A National Council for Economics and Labour (CNEL) report estimated that 800,000 jobs have been saved in the current year.

The income-support measures applicable to full-time workers employed under contracts without expiration dates have been extended on a trial basis to contract workers, apprentices and other non-full-time personnel, with the view toward gradually creating an unemployment compensation system to cover all types of workers. A State-regions accord finalised early 2009 and worth €8 billion for the 2009-2010 period, has laid the foundations for the more effective governance of the measures and for real integration between income-support measures and active policies. The objective is to create a consistent system of rules, incentives, and protection mechanisms that will promote the employment and employability, by taking account of the considerable changes that have taken place in recent years in the ways that workers interact with the labour market and by continuing to accent the value of the role of trade unions.

13. Italy identifies with the common principles of **flexicurity** approved by the Council of Europe at the end of 2007. The 2010-2013 DPEF draws attention to the demand to guarantee three fundamental rights for workers: "health and safety, the opportunity for life-long learning and fair pay". At the start of the legislature, provisions were introduced to promote flexibility through the simplification of the regulations in relation to several types of work, including: contract work, apprenticeships, on-call work, and accessory work.

14. Action to fight **irregular labour** remains a Government priority and is demonstrated by the results of inspection activities. The strategy adopted is to improve the mix between prevention, public-awareness actions and punitive measures, thereby lightening the administrative load on firms and rewarding virtuous behaviour. Between August 2008 and June 2009, more than 30,000 workers consisting of pensioners, young people in the under 25 age bracket, housewives and unemployed persons benefited from the coupons for providing casual and accessory work. The existence of robust demand and the ease of use of the coupons have led to the success of the initiative.

New rules on the bundling of pensions and income from employment and the introduction of a single timesheet are other measures for simplifying the labour market and making it more transparent.

15. The Italian Parliament recently passed legislation providing for a process to get under way on 1 January 2010 in order to make the **retirement age** equal for men and women working in the public sector.

16. The Government attributes great importance to the Lisbon commitment to raising **female employment rates**. The Government also intends to promote access by women to higher career levels and to implement welfare policies from a gender viewpoint which promote reconciliation between work and private life. The achievement of these objectives will be facilitated by the existence of incentives to make the organisation of labour in firms more flexible, by measures to favour career advancement, by action to close the pay gap and by micro-credit programmes.

The Government intends to support access to parental leave, and to implement a plan to stimulate the demand and supply of integrated public-private services for families by using a voucher system as a simplified way of paying for services

With regard to social-educational services for pre-school children, the substantial commitment involved in the "Extraordinary Plan of Measures for the Development of the National System of Social/Educational Services for Preschoolers" is continuing with an allocation of more than €747 million for the 2007-2009 three-year period.

19. The matching of **labour supply and demand** continues to be regulated by a public/private integrated system. Changes were recently made so as to reinforce the choice of the welfare-to-work model. The gaps between levels of service provided in different areas of the country are small even if there are strong differences between central/northern Italy and areas in southern Italy in signing service agreements, due largely to the difference in job opportunities between the two areas.

The Government approved the White Book entitled "Quality life in active society" regarding the future social model, with the purpose of sharing stability and growth objectives, and increasing the value at an individual level of the different aspects of life: health, work, sentiments, and leisure time.

20. The Government has paid genuine attention to **action to fight poverty**, pursuing economic-support measures to benefit pensioners and low-income households. More than 595,000 individuals (two-thirds of them in Southern Italy) benefited from the "Purchases Card" programme in the period running from 1 December 2008 to 30 June 2009. Forty percent of the beneficiaries consisted of children in the under-3 age bracket and the remaining 60 per cent of over-65 elderly people.

As in past years, the preparation of this report has required close cooperation between the Government and the regions. The report is a document summarising Italy's commitment to the achievement of the Lisbon objectives. The different aspects of the economic-policy actions of the central government and the other levels of government are thus considered from a single perspective for the reinforcement of the reforms placed into effect or to be placed into effect.

In order to understand fully the synergy of the actions for the implementation of the reforms, one needs to consider that the amendment of Title V of the Constitution reinforced the Italian regions' governance, thereby giving the preference to a polycentric legal structure and a new way of joining centralised system with the role of regional and subregional authorities.

Italy thus has a composite system: It is exclusively up to the regions to pass laws with respect to any matters over which the State does not have exclusive competence. The regions may therefore continue to exert concurrent legislative power over another group of issues, in the framework of the determination of general principles by the central government.

It should be noted that the distribution of power as delineated is very different from a system that operates vertically as in competition between legislators. Italy's lawmakers instead operate horizontally, in other words, by providing different levels of institutional bodies with an horizontal competence across the same issue. Taking education for example, Article 33 of the Constitution (reiterated by Article 117, Paragraph 2, letter n) gives to the State the exclusive competence for legislating about "general rules for education" whereas Article 117, Paragraph 3 assigns to regions concurrent legislative power on education, "save the autonomy of the school institutions, and with the exclusion of professional education and training". Therefore, on the subject of education, the State's general rules are combined with the State's fundamental principles (which form a framework for regional laws, within the context of concurrent competence (and this occurs, even leaving aside the "independent decisions of scholastic institutions" which constitute another category of documents).

14. A synopsis of the national measures included in the reporting table is provided below.

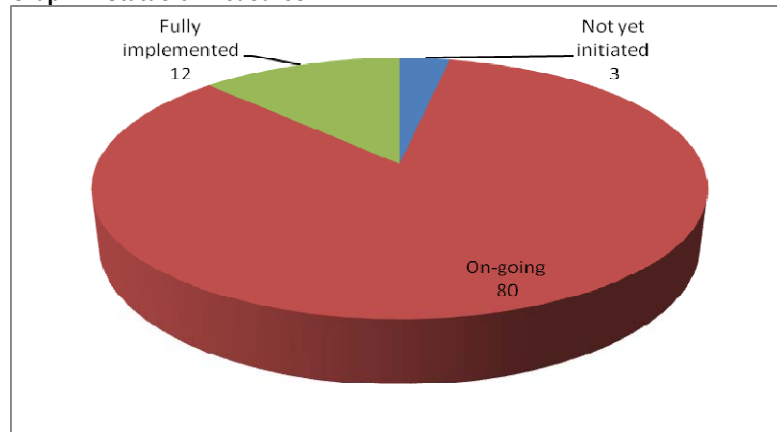
There are 95 measures in the reporting table for 2009, an increase of 35 with respect to 2008. The relative weight of the Macro, Micro, and Employment pillars of the Strategy is practically unchanged. More than half of the measures are related to the Micro pillar, where there is the biggest increase (+26); 12 of the measures are fully implemented, 80 are on-going, 3 have not been initiated yet (see graph 1).

**Table 1. Measures according the three pillars of Lisbon Strategy.**

YEAR	MACRO	MICRO	EMPLOYMENT	TOTAL
2008	20	33	7	60
2009	24	59	12	95

Source: Analyses by Department for European Affairs

Graph 1. Status of measures



Source: Analyses by Department for European Affairs

In adopting the measures, Italy has followed the Country-specific recommendations endorsed by the Council in March: below there is a classification of the measures according to the CSRs.

Table 2. Measures adopted in response to the country specific recommendations

Country specific recommendations	Number of measures	Financial resources(mln €)
Fiscal consolidation, growth and efficiency of expenditure, fiscal federalism framework	6	-
Competition in products and service markets, simplify legislation, administrative burden.	45	9.603,00
Employment services, LLL, comprehensive unemployment insurance system, undeclared work, education system.	22	2.487,00
<b>TOTAL</b>	<b>73</b>	<b>12.090,00</b>

Note: Some measures respond to more than one recommendation. Source: Analyses by Department for European Affairs

Although this year the “Points to watch” have no formal role, below there is a classification of the measures following the PTWs. Research, Infrastructures and GHGs have the largest share of financial resources and the greatest number of measures, together with the reform of the Public Administration.

Table 3. Measures adopted in response to the points to watch.

Point to watch	Number of measures	Financial resources (mln €)
R&D efficiency and spending	15	4.930,00
Greenhouse gas emission targets	10	1.583,00
Quality of regulation	5	-
Effectiveness and efficiency of public administration	10	-
Infrastructures	13	9.848,00
Labour market participation women	2	7,00
Employment older workers	1	-
Wage developments in line with productivity	2	-
<b>TOTAL</b>	<b>58</b>	<b>16.368,00</b>

Note: Some measures respond to more than one points to watch

Source: Analyses by Department for European Affairs

## 2. Introduction and financial framework

The economic-financial crisis that began in the United States rapidly extended to the rest of the world because of the global economy's high degree of integration. The indirect impact of the financial crisis on the real economy has also been significant.

In Italy, where productive activity is marked by a high propensity to exports and the manufacturing sector accounts for a significant percentage of value added, businesses have suffered considerably from the collapse of world trade and the sharp reduction of capital spending.

The international economic climate dramatically improved during the summer months, with initial signs of stabilisation followed by indications of a gradual recovery, particularly with regard to the Asian economies. There seems to be consensus among the indicators in suggesting a recovery of economic activity in the main geographic areas, including for the effect of the economic-policy measures adopted by various governments. The tensions on the financial markets have sharply subsided in comparison with the acute phase of the crisis.

In line with the improvement of the international economy, encouraging signs of a recovery in the summer months were also seen for Italy, in terms of both real and qualitative indicators. Stock prices tended to rebound and tensions on the financial markets abated, with the differentials between the yields on the public debt falling with respect to the securities of reference.

The ongoing rebound in the confidence of manufacturing businesses starting in April was stronger in Italy's case than in the Euro Area as a whole, particularly with reference to the outlook for orders. Consumer confidence progressively rebounded. The fall in industrial production began to subside in April, and by August, the index was showing a 7.0 per cent recovery over July, with an upward revision for the previous months.

In the second quarter, GDP in Italy performed better than expected, contracting by 0.5 per cent compared with the preceding quarter, with the rate of decline falling markedly. It is estimated that GDP will contract by 4.8 per cent for the full year of 2009. In 2010, the Italian economy looks poised to grow by 0.7 per cent. The estimate for the two-year period is slightly more favourable than that indicated in the Economic and Financial Planning Document (DPEF) published in July. The risks to the forecast are more balanced at present, and it now appears possible that the rebound of economic activity in the next quarters may be significantly stronger than expected. During the 2011-2013 period, the growth of GDP is likely to remain at 2.0 per cent on average, or unchanged with respect to the DPEF. The recovery will likely be sustained by the expected revival of international trade, a moderate expansion of consumption, and the effect of the fiscal measures adopted by the Government to support investments in machinery.

The effects of the crisis began to be seen in the labour market in the second half of 2008, even though the impact has been more moderate than in other European countries. For the year of 2009, employment measured in terms of full-time equivalent (FTE) units of labour should fall by 2.5 per cent, while it can be expected to increase on average by 0.8 per cent per annum in the years thereafter. The unemployment rate is pegged at around 8.5 per cent in 2009, and should rise slightly in 2010 before falling to 7.5 per cent in 2013.

In 2009, inflation as measured by the harmonised index of consumer prices should range around 0.7 per cent, while the consumption deflator is expected to experience a more modest increase. In 2010, harmonised inflation is projected to be 1.3 per cent, or slightly below the private consumption deflator. The consumption deflator should stand below 2.0 per cent for the 2011-2013 period.

**Table 4. Macroeconomic framework: principal indicators**

	2008	2009	2010	2011	2012	2013
Real GDP	-1.0	-4.8	0.7	2.0	2.0	2.0
<b>CONTRIBUTIONS TO GDP GROWTH (1)</b>						
Net exports	0.3	-1.0	0.1	0.1	0.0	0.0
Inventories	-0.3	-0.4	0.0	0.0	0.0	0.0
National demand, net of inventories	-1.0	-3.4	0.7	1.9	2.0	2.0
<b>PRICES</b>						
GDP deflator	2.8	2.3	1.5	1.7	1.8	1.9
Consumption deflator	3.2	0.1	1.5	1.7	1.8	1.9
<b>LABOUR MARKET</b>						
Employment (FTE)	-0.1	-2.5	-0.1	1.1	1.1	1.1
Full-time employment (FTE)	0.5	-2.4	0.2	1.5	1.2	1.2
Unemployment rate	6.7	8.5	8.8	8.3	7.9	7.5
Unemployment rate (15-64 years old)	58.7	57.9	57.8	58.5	59.3	60.1

1) Figures may not add up due to rounding

Source: Analyses by the Ministry of Economy and Finance

### 2.1. Regional policy: implementation and perspectives for 2009-2010

The implementation of the regional development policies has continued over the past year with the aid of additional financing from the EU and Italy's central government. While remaining focused on infrastructure enhancement and improving competitiveness, regional policy was recalibrated with respect to national issues as part of the anti-cyclical programmes developed to deal with the socioeconomic emergency related to the financial crisis.

The structural nature of the cohesion-policy objectives and the strong connection with the Lisbon Strategy priorities have been confirmed by the financial results of the operating programmes designed and developed in the past eight years.

At the end of 2008, more than 69 per cent of the expenditure for initiatives covered by two planning cycles for structural funds (2000-2006 and 2007-2013) regarded the Lisbon Strategy priorities, and more than one-half of the investments were earmarked for infrastructures and environmental protection.

**Table 5. Structural funds: payments by priority during the 2000-2008 period (in € mn)**

National priorities (2008-2010)	Cumulative expenditure to 31.12.08	Expenditure for 2008
Extending the area of free choice for citizens and companies	1.147	147
Incentives for scientific research and innovation	2.936	307
Education and training for strengthening human capital	5.754	770
Adjusting tangible and intangible infrastructures	10.690	1.155
Environmental protection	12.854	1.656
Policies for employment and social inclusion	7.152	583
<b>Total Lisbon priorities</b>	<b>40.534</b>	<b>4.617</b>
<b>Total 2000-2008 Structural Funds</b>	<b>58.371</b>	<b>6.688</b>

Source: Analyses using data compiled by Monit-IGRUE are inclusive of resources earmarked for the first, second and third objectives of the 2000-2006 and 2007-2013 EU planning cycles. N.B. The energy sector containing initiatives for energy production and for design and construction of the physical distribution networks has been included in the priority entitled "Adjustment of tangible and intangible infrastructures".

The 2007-2013 National Strategic Plan includes objectives essential for the quality of life and the well-being of southern Italy<sup>1</sup>, related to incentives for achievement of

quantifiable objectives, with reference to four areas: waste treatment, water, quality of education and services of the care of small children and the elderly.

A total of €3 billion allocated to the bonus mechanism for the achievement of service objectives<sup>2</sup> is to be assigned to the 8 regions of the southern Italy and the Ministry of the Education, of the Universities and of the Research in relation to the progress made in achieving the targets set for 11 indicators within four important areas. A portion of the bonus is to be allocated as of November 2009, upon an assessment of the interim results<sup>3</sup>.

### 3. The response to the crisis

#### 3.1. *The fiscal stimulus package*

As the financial crisis worsened, the Government took action in concert with the other nations of the European Union in order to deal with the recession; such action includes both measures to support the financial services sector and fiscal-stimulus measures.

The use of budget policy as an anti-cyclical mechanism has had to take into account the continuing substantial burden of the public debt and the need to avoid negative effects of a potential increase in the interest rates applied to the debt.

In line with such needs, the measures have been devised so as to ensure a fiscal impact which is as neutral as possible, with the financing coming from the measures themselves, and namely, via an overall restructuring of the funds available with a view toward containing the crisis.

In accordance with the principles agreed with the countries of the European Union<sup>4</sup>, the measures have been timely, focused and temporary. Both the European Commission<sup>5</sup> and the Council of the European Union<sup>6</sup> are of the opinion that the Government's policy has been a proper and adequate response to the economic slowdown:

Activated with numerous instruments and developed in subsequent and coordinated phases, the crisis-containment plan is based on:

- initiatives to safeguard the credit and savings system and to avoid liquidity problems for household and businesses<sup>7</sup>;
- measures for the real economy that were adopted immediately after the European Economic Recovery Plan, sector-specific measures and measures to stimulate consumption during the 2009-2011 three-year period<sup>8</sup>;
- provisions for enhancing income support, via the integration and modification of the social safety nets, with national, regional and EU funds being concentrated for this purpose<sup>9</sup>;
- acceleration of public investments through the speeding up of administrative and procedural work, and the use of project-financing tools<sup>10</sup>;
- further initiatives to sustain employment and relaunch business investments<sup>11</sup>.

In financial terms, excluding the initiatives in favour of the banking sector, the crisis-containment plan sets aside gross resources of roughly €35.5 billion for the 2008-2011 four-year period (€2.7 billion in 2008, €14.1 billion in 2009, €10.1 billion in 2010 and €8.7 billion in 2011), with such amount corresponding to 2.3 per cent of GDP.

The following is noted in relation to the analysis of (i) the financial impact of the measures adopted with the crisis-containment decree-laws<sup>12</sup>, (ii) the commitments of the agreement about the social safety nets<sup>13</sup>, and (iii) several initiatives outlined in the 2008 National Reform Programme which, although classified as part of the reforms in process, can make an immediate contribution to the support effort because of their nature<sup>14</sup>:

- Considered altogether, the measures adopted for stimulating the economy have favoured increases in spending in the near term.
- Almost one-half of the measures are applicable to businesses, with the commitment of resources therefor equal to approximately 38 per cent of the total in 2009, 57 per cent in 2010 and 85 per cent in 2011; the measures are aimed at facilitating access to credit, easing liquidity constraints for businesses (in particular, for small- and medium-sized firms), and directly sustaining specific productive sectors<sup>15</sup>.
- Next, the commitment of resources for the measures addressed to programmes for the labour market is equal to approximately 19 per cent of the total in 2009, 37 per cent in 2010 and 8 per cent in 2011. The resources have been earmarked for financing social safety nets and support active labour policies.
- The structural measures to support public-sector investments mostly come from the 2008 National Reform Programme. These measures, which absorb approximately 23



per cent of the resources in 2009, 2 per cent in 2010 and 3.0 per cent in 2011, are focused on reviving infrastructures and stimulating research and development<sup>16</sup>.

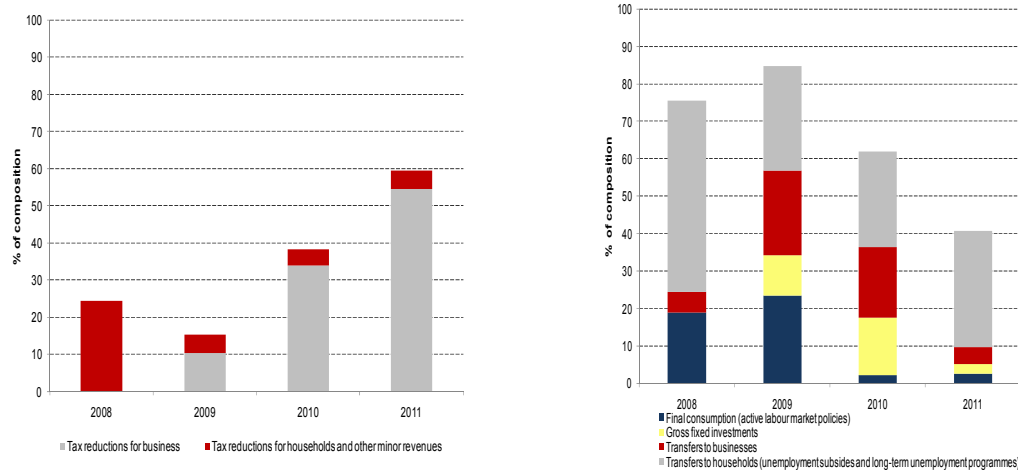
- The measures to provide immediate support to the purchasing power of households are concentrated in 2009, with a commitment of approximately 20 per cent of the total resources, inclusive of the payment in 2009 of an extraordinary bonus for low-income families.

Table 6. Crisis-containment measures by type

	2008	2009	2010	2011	2008	2009	2010	2011
	in € mn				as % of GDP			
<b>SUPPORT TO INDUSTRIAL SECTOR AND BUSINESSES</b>	1,359	5,288	5,713	7,430	0.09	0.35	0.37	0.46
Facilitating access to credit; easing of liquidity constraints for businesses and SMEs	0	3,338	5,570	7,430	0.00	0.22	0.36	0.46
Support to demand for specific productive sectors	0	1,086	0	0	0.00	0.07	0.00	0.00
Direct subsidies for specific productive sectors	1,359	864	143	0	0.09	0.06	0.01	0.00
<b>MEASURE TO IMPROVE THE WAY IN WHICH THE LABOUR MARKET WORKS</b>	800	2,647	3,768	707	0.05	0.17	0.24	0.04
Temporary reduction of the hours worked partially covered by public subsidies	150	25	0	0	0.01	0.00	0.00	0.00
Reduction of taxes on income from employment	650	417	405	402	0.04	0.03	0.03	0.03
Reinforcement of the system of unemployment subsidies, and social assistance	0	856	1,885	305	0.00	0.06	0.12	0.02
Reinforcement of flexibility on the labour market (training, intermediation in job search activity)	0	1,349	1,479	0	0.00	0.09	0.10	0.00
<b>SUPPORT TO INVESTMENTS</b>	500	3,281	219	221	0.03	0.22	0.01	0.01
Infrastructures	0	2,708	219	221	0.00	0.18	0.01	0.01
Innovation; research and development activity	500	573	0	0	0.03	0.04	0.00	0.00
<b>SUPPORT TO PURCHASING POWER OF HOUSEHOLDS</b>	0	2,859	352	351	0.00	0.19	0.02	0.02
Income support, general	0	136	88	88	0.00	0.01	0.01	0.01
Income support, for specific types of workers/ income	0	2,723	264	263	0.00	0.18	0.02	0.02
<b>TOTAL EFFECT OF THE MEASURES</b>	<b>2.659</b>	<b>14.075</b>	<b>10.052</b>	<b>8.709</b>	<b>0,17</b>	<b>0,93</b>	<b>0,65</b>	<b>0,54</b>

Note: The effects are indicated in gross terms.  
Source: Analyses by the Ministry of Economy and Finance

Chart 2. Breakdown of measures included in fiscal stimulus package



Source: Ministry of Economy and Finance

The effects of the crisis-containment strategy on the real economy have been evaluated as follows<sup>17</sup>.

**Table 7. Macroeconomic impact of the crisis-containment measures (% changes versus baseline scenario)**

	GDP (1)			Private Consumption (1)		
	2009	2010	2011	2009	2010	2011
<b>LOWER REVENUES</b>						
Tax reductions for businesses	0.08	0.20	0.06	0.09	0.18	0.07
Tax reductions for households and other lower revenues	0.03	0.04	0.02	0.06	0.06	0.07
<b>INCREMENTAL EXPENSES</b>						
Incremental transfers to businesses	0.32	0.15	0.12	0.99	0.07	0.08
Incremental transfers to households (unemployment subsidies and long-term unemployment benefit programmes)	0.06	0.11	0.07	0.19	0.24	0.19
Incremental expenditure for final consumption (active labour market policies)	0.08	0.08	0.04	0.01	0.03	0.04
Incremental expenditure for gross fixed investments	0.13	0.11	0.01	0.01	0.04	0.05
<b>TOTAL EFFECTS</b>	<b>0.71</b>	<b>0.69</b>	<b>0.33</b>	<b>1.35</b>	<b>0.62</b>	<b>0.50</b>

Source: Analyses prepared by Ministry of Economy and Finance

1) The percentage change is calculated with respect to the baseline scenario. Figures may not add up due to rounding.

Note: The tax cutting measure to foster investments contemplated by Decree-Law n 78/2009 (classified as tax-cuts for businesses) implies a rise in machinery investments during the period July 2009-June 2010, while the effects on tax revenues will materialise with a one-year delay because the higher investment expenditure can be deducted only when the final tax payment is due for a given year. Moreover, given the temporary feature of this stimulus measure, it is assumed that firms will benefit from the fiscal incentive by anticipating the purchases of investment goods; therefore, the long-run effects on investments are concentrated in the quarters when the tax benefit is actually in place.

In particular:

- In terms of timing, the greatest impact would be seen in 2009-2010: the aggregate of the measures translates into an increase of GDP equal to about 0.7 percent in 2009 compared with the baseline simulation that assumes the absence of the measures.
- In terms of principal macroeconomic aggregates, the impact looks more significant in the case of private consumption, which is roughly 1.35 percentage points higher in 2009, partly due to the incentives for auto purchases and the measures to support households. Thereafter, private consumption rises by about 0.5 per cent in 2010-2011 per year, meaning GDP is higher than the baseline scenario by about 0.7 per cent in 2010 and 0.3 per cent in 2011. The impact on employment is also favourable, with a more pronounced increase for 2010-2011, with the indicator growing by about 0.5 percentage points versus the baseline scenario in 2010 and 0.43 percentage points in 2011.

### 3.2. *The trend of public finance*

The 2010-2013 DPEF revised the deficit-to-GDP ratio for 2009 and for the four-year period thereafter as a result of the deteriorating macroeconomic framework. The estimates are substantially confirmed in the Update Note to 2010-2013 DPEF presented in September. The new scenario indicates a deficit-to-GDP ratio of 5.3 per cent, clearly much higher than the objective projected in the 2008 NRP (2.1 per cent). This gap, equivalent to 3.2 percentage points of GDP, is mainly due to the significant lower estimate of GDP<sup>18</sup>, to less total revenues<sup>19</sup> and, to a lesser extent, social-welfare contributions. The total expenditure reflects a moderate increase as a main result of lower interest expenditure and, to a lesser extent, less employee compensation<sup>20</sup> and capital expenditure.

Public account balances have been under pressure as a result of the economic crisis. During the crisis the Government has taken targeted action to promote the stability of public finances, support the economy and ensure social cohesion. Massive concentration

and reallocation of funds from one budget item to another has also freed up resources for a series of programmes aimed at countering the crisis.

The new estimates incorporate (i) the effects of such provisions which, considering the prudent fiscal strategy adopted by the Government, caused a change in the mix of the aggregates within the general government account affecting the balance only marginally, and (ii) the effects of the urgent measures adopted by the Government following the earthquake that hit the Abruzzo territory, which also have had a neutral impact in terms of the budget balance. The estimates also include the impact of the 2009 budget-balancing provision that causes an increase in the net balance to be financed (net of payables settlements) of about €37 billion, with most of the change attributable to the adjustment of the original revenue forecast<sup>21</sup>. This deterioration is partially due to the Government's commitment to speed up the settlement of the public administration payables, with such move to be offset by an improvement in the years ahead.

For the years thereafter, the Government, taking into account the uncertainty about the economic outlook, has assessed the possibility of adopting a rigorous, but gradual, policy, in line with a more pronounced consolidation of the economic recovery. The correction of the year-on-year trends in line with that already indicated in the DPEF can be resumed as of 2011.

For 2010, the level of borrowing is thus confirmed at 5.0 per cent of GDP, whereas the objectives for the years thereafter (2011-2013) decline, with the ratio of net borrowing to GDP falling by more than half to reach 2.2 per cent in 2013. The primary surplus gradually increases going from 0.2 per cent of GDP in 2010 to 3.4 per cent of 2013.

Considering the trend of the accounts based on unchanged legislation, the new financial objectives point to a limited package of corrective measures with respect to the primary balance, namely, measures amounting in total to around 1.2 per cent of GDP for the 2011-2013 three-year period.

### 3.3. *Regional policy: the principal crisis-containment measures*

As the economic and financial crisis has grown more acute, regional policy has also been refocused<sup>22</sup> in line with the European Economic Recovery Plan and has contributed to financing actions designed to revive economic activity.

In order to contend with the social effects of the crisis, several measures have been partially or totally funded through the use of the Funds for Underutilised Areas:

- Projects aimed at fortifying of the national infrastructure network for a total of €12,356 million, including €1,000 million for school buildings and €200 million for prisons;
- The creation of the Strategic Fund for the Nation in Support of the Real Economy for €9.05 billion (inclusive of approximately €4 billion projects for the repair of damages caused by the earthquake in Abruzzo)<sup>23</sup>;
- The increase of the Social Fund for Employment and Training as income support for the unemployed, in the amount of €4 billion.

With reference to the last of the three initiatives, the Government, following the agreement between the State and the regions, has extended long-term unemployment benefit programmes to businesses and sectors that were previously excluded, setting aside approximately 8 billion for the 2009-2010 two-year period, inclusive of €2,650 million earmarked for the regions that contribute in relation to their regional programmes within the framework of the European Social Fund and €5,350 million coming from national resources, including the Funds for Underutilised Areas.

In order to facilitate the recovery of businesses, various measures have been adopted to streamline and accelerate the procedures for accessing credit and a Guarantee Fund was created in order to ensure that small- and medium-sized firms can get financing from banks. It should also be noted that the new law to support productive activity, which provides for reorganising the governance of the main aid to businesses, is designed to simplify procedures and is highly focused on supporting projects in favour of innovation.

The crisis-containment measures that specifically regard the cohesion policy approved at a European level will have an impact on various fronts: extension of the deadline for closing out the 2000-2006 planning<sup>24</sup>; projects to streamline the procedures for improving the 2007-2013 legislative framework, in order to accelerate the implementation of co-financed programmes.

#### 3.4. *Regional action*

The initiatives implemented by the regions and autonomous provinces are aimed overall at creating favourable conditions for the growth and the competitiveness of the small- and medium-sized firms (which play a key role for Italy's economic growth) and the creation of jobs, through the formulation of policies and the identification of practical measures for their implementation.

In line with the Lisbon Strategy, it is recognised that a consistent political framework is needed for guiding actions in favour of small- and medium-sized firms (SMEs), an initiative that has recently appeared even more critical in light of the need to respond to the challenge of the serious global economic crisis.

More specifically, efforts have been focused on helping to ensure the financial stabilisation of the firms during the current, difficult economic cycle so as to promote the firms' development. With the implementation of various crisis-containment measures financed with their own funds, numerous regions and autonomous provinces have committed to supporting the enterprise system, with the objective of improving conditions for accessing capital and credit through the support to investments made by the SMEs or groupings of the same.

The Emilia-Romagna Region has made available €1 billion for the implementation of an agreement for credit to businesses, signing a special accord with the banks. The Marche Region has provided two tenders, one related to the creation and management of a financial engineering fund and another in relation to the fashion business, which provides support and incentives for innovative projects/programmes specifically directed toward design, development, marketing and sale of new collections of products.

The Lombardy Region has created two specific funds for the new innovative firms involved in the initial phase or experimentation of the project, the Seed Fund, with funding of €10 million to govern a segment not supported by the financial intermediaries who normally are active during the more advanced phases (venture capital firms, private-equity firms, banks, etc.), and the guarantee fund, the Next Fund, inaugurated with the most recent legislature, with resources of €37 million for developing the venture-capital market dedicated to innovative SMEs.

In April 2009, the Autonomous Province of Bolzano approved a crisis-containment package entailing 23 measures for relaunching the economy and safeguarding jobs in Alto Adige. The seventh measure in the package provides for increasing the intensity of relief available to businesses, and earmarks a total of €5.8 million of innovation subsidies in favour of firms in crisis to be charged to the provincial budget.

With the Piedmont SME Reinsurance Fund, the Piedmont Region has committed to improving the conditions for the firms to access credit, offering them an increased guarantee, made possible by a sizeable reinsurance provision rendered by a special fund. Potential beneficiaries include cottage-industry firms and industrial and commercial firms which, though they have a sound business history, may be experiencing financial tensions due to decreases in sales or orders. With the reinsurance protection, the €40 million fund can reach a total capacity of generating financing equivalent to approximately €960 million.

In dealing with the financial emergency, the Molise Region has dedicated its efforts to a series of projects that first and foremost included the creation of special crisis-containment committees which, through coordinated action and directives, put together a series of crisis-containment measures flanking resources from the European Social Fund, the European Regional Development Fund and the Funds for Underutilised Areas (FAS).

Later, the region set up a Single Crisis-Containment Fund of more than €50 million, which includes flexible support packages with reference to capitalisation, guarantee funds, debt consolidation (from short- to medium-/long-term facilities) and the splitting of levels of guarantees.

In relation to the economic crisis and the problems for SMEs in accessing credit, on 30 July 2009, the Veneto Region signed a protocol of intent with representatives of various financial institutions; the various measures contained in the protocol cover: relief for the liquidation of receivables claimed by businesses with respect to the government; the activation of a €1 million fund to cover advances in favour of firms having employees on extraordinary long-term unemployment benefit plans (*Cassa Integrazione Guadagni Straordinaria*); and the temporary suspension of non-subsidised financial instalment payments due to banks for investments in capital goods, with the simultaneous advance of amounts to cover interest payments. On 22 September 2009, the region approved Resolution 2754 "Extraordinary plan of regional financial measures for crisis containment. Measure number 1 - Introduction of incremental cash liquidity. Ratification of the provisions on the subject of the internal stability pact", and Resolution 2758 "Extraordinary plan of regional financial measures for crisis containment. Measure number 2 – Transfer without recourse of receivables for supplies, services and tenders". This effort was reinforced in terms of a more structural approach, including through major appropriations provided for three projects within the Regional Operating Programme (ROP) 2007-2013 (European Regional Development Fund part) in relation to financial engineering; such projects paved the way for a tender for the creation and management of risk funds, a tender for adjudication of the service involved in setting up and managing a revolving fund for subsidised financing of innovative investments made by SMEs, a tender for adjudication of the service involved in setting up and managing a risk capital fund to be used for responding to the financial needs of SMEs allowing for the acquisition of minority and temporary investments in the risk capital of the beneficiary companies having high growth potential but not having sufficient access to the capital markets during the initial phases of the life cycle or the innovation cycle.

With the approval of a package of crisis-containment measures, the Lombardy Region will concentrate its efforts on implementing additional measures to counteract the crisis, including extraordinary projects involving businesses (more than €1 billion of appropriations in 2009), workers, and households, which are designed to promote a rapid economic recovery while safeguarding human capital and the quality of life for the region's citizens.

The Apulia Region approved measures providing for the development of productive (more than €1.4 billion) and drawing on bank loans (for another €1 billion). The measures entail approximately €695 million to be charged to the resources of the 2007-2013 European Regional Development Fund Operating Programme (one-half of which comes from the European Regional Development Fund); such funding will be addressed to the entire economic system, including large, medium and small businesses, workers on long-term unemployment programmes, women, young people, the unemployed, individuals working without regular, legally binding employment, and commercial businesses in troubled areas. The general objective is to avoid, to the extent possible, involving the Apulia productive system in the global recession. The Sicily Region has come up with procedures to reinforce the system of guarantees for business loans, with three types of initiatives: the supplementation of the risk fund in support of investments of businesses which are members of collective loan-guarantee consortiums (Confidi), the activation of a counterguarantee fund and the supplementation of the risk fund used for supporting aggregation for which total financial resources of €160 million have been allocated (though currently only 70 per cent of the funding is available). The proposed measure is to be added to the guarantee transactions, thereby reducing the cost of interest for the SMEs which are members of the Confidi.

As part of a series of measures to support businesses, the Basilicata Region has set up a guarantee fund to be used in relation to reinforcing the capital and financial structure of businesses. Some €20 million was allocated to the fund for 2009, and is to be charged against the resources coming from income earned on oilfields in Basilicata (Article 21, Regional Law 31/2008). The region has also provided industrial development plans for the Val Basento and Val d'Agri areas, in implementation of Regional Law n. 1 for "Development and competitiveness" approved on 16 February 2009.

The regions and autonomous provinces have pursued other objectives, including: developing an enterprise-friendly environment so as to facilitate the creation of SMEs (in particular through the creation of business networks and the sharing of expertise); qualifying and fortifying the competitiveness of the regional productive system so as to attract exogenous productive initiatives, to offer the local system higher levels of productive infrastructure and thus higher external economies, and to compete successfully in the international and national markets within the framework of an increasingly aggressive global marketplace.

From this perspective, the regions and autonomous provinces have implemented various initiatives that include: support to SMEs for the acquisition of sophisticated services so as to improve strategic business functions, including the respect of the principles of environmental sustainability; support to SMEs for the acquisition of high-level assistance and consulting services in the areas of management and technology; strategic marketing initiatives so as to identify the conditions for attracting companies and investments; and the promotion of access to information and communications technology (ICT) through supporting the introduction and use of new information technologies on the part of SMEs and through support to territorial coverage with broadband and new ICT.

With reference to rural development policies, Italy has invested efforts in 2009 in the reprogramming of the policies, and thus the reformatting of the National Strategic Plan (NSP) in light of both the new challenges for farming in Europe, and the European Economic Recovery Plan (in the following sectors: climate change, renewable energy, water resources, biodiversity, innovation and broadband technology).

The financial resources related to the European Fund for Rural Development employed by Italian regions amount to approximately €370 million for the first five challenges outlined above (to be assigned as of 2010) and roughly €96 million (assigned in 2009) for the dissemination of the broadband. Such sums are added to those already planned and partly allocated to the challenges set out above, in the respective amounts of roughly €8 billion and €300 million.

## 4. The implementation of the National Reform Programme

### 4.1. *Budget stability and fiscal federalism*

#### 4.1.1. Budget policy in the medium term

As in the case of 2008, the preparation of the budget for the next three years was partly moved ahead, with various revenue and spending measures being ratified in a legislative package as early as the summer. The package was designed to update the three-year budget prepared in 2008 and to provide a new impulse to the economy, while keeping control over the public accounts<sup>25</sup>. At present, the uncertainty about the economy's prospects is greater than what it was in similar situations in the past. As a result, substantial caution is needed so as to prevent defining budget measures for the next three years that might end up hampering new impulses to growth. Based on this orientation, a decision was made to proceed with the work of maintaining the public accounts, in advance of a more pronounced consolidation of the economic recovery.

The Budget Law which the Government presented to Parliament pursues this logic of fiscal conservatism, through measures designed to have a fiscal impact that is as neutral as possible

This posture is in line with the positions emerging in the European debate, where the Member States have been asked to implement policies for coming out of the economic crisis that are harmonised from the standpoint of their timing and content. The challenge to the countries is that of maximising the stabilisation effects of the policies while minimising the negative repercussions on potential long-term growth, financial sustainability, and inflation prospects

In line with such needs, the budget policy for the coming years will be geared toward three main pillars:

- supporting growth and the recovery of productivity;
- maintaining equilibrium with respect to public finance;
- continuing to provide temporary support to households and businesses.

The nation's development potential depends on its capacity for substituting and upgrading capital, whether physical or human, on the quantity and quality of intangible infrastructure and on the solidity of its social institutions, in a framework where the distribution of the tax burden does not impede the productive capacities of the system.

#### 4.1.2. The quality of public finance

Redeploying expenditure implies selective action to reallocate funds towards more productive, efficient and effective uses. It also requires evaluating implications on both the well-being of the public at large and the growth potential of the economy, and an assessment of the means with which public resources are used for producing such effects. The Ministry of the Economy and Finance (MEF) has initiated activity in this direction, which is to going to be continued on a structured basis with the involvement of the other ministries. The final objective is to ensure that the policymaker will have the information and analyses available in order to make the appropriate choices in terms of improving the level of efficiency and effectiveness of public expenditure. In particular, the MEF (through the State General Accounting Department) is continuing to spearhead the spending review. The review has been extended to all State administrations. In this initial phase, the work has been concentrated on (i) the quality of the information with regard to the State budget, with a view towards improving interpretability, transparency and significance, and (ii) recognition of the indicators aimed at measuring the results and the ministries present in the preliminary notes attached to the respective forecasts positions.

#### 4.1.3. The reform of public accounting and public finance law

In June the Senate approved a proposed “Public accounting and public finance law” (A.C. 2555), which is currently under debate in the Chamber of Deputies. The draft law reforms the law in force on public accounting (Law No. 468/1978 and subsequent modifications thereto) in order to bring public-finance governance in line with European fiscal rules, and recently approved Constitutional arrangements among State and lower levels of government. The reform reviews the financial planning process, prescribing a planning horizon at least of three years and extending this horizon to the corrective measures to be passed each year. The new sequence of planning acts and documents is as follows:

- 1) Report on the Economy and the Public Finance (the current Combined Report on the Economy and Public Finance), to be presented by the Government to the Parliament by 15 April of each year;
- 2) Public Finance Decision (PFD), to be presented by 15 September; it represents the main planning document (the current Economic and Financial Planning Document of June) and covers a planning horizon of at least three years; the PFD sets out the programmed objectives and the forecast of the economic accounts based on unchanged legislation, the cash balance, the public debt, and the corrective measures for both the general government and its sub-sectors which are needed to achieve the objectives (with evidence of the contribution of each sub-sector);
- 3) Stability Law Proposal (the current Budget Law Proposal) and Budget Law Proposal, to be presented by 15 October; they constitute the three-year correction of public accounts;
- 4) Stability-Law Related Decrees, to be presented by the end of February;
- 5) Stability Program Update, to be submitted to the European Commission within the deadlines established at the European level.

The reform proposal also substantially modifies the State's annual budget process by making permanent the changes adopted in the last two financial years, and by introducing provisions in order to improve planning by the ministries (by indicating the resources available on a triennial basis) and to increase flexibility in resources management. Measures are provided to strengthen control over the public-finance trend and public spending and to ensure the transparency of the criteria for constructing the public accounts and greater evidence about the means for using the resources - conditions that are necessary for improving the quality and the efficiency of public expenditure.

In this regard, there are plans to build up the units responsible for monitoring and evaluating expenditure. The proposed law also provides for the preparation of three documents by the State General Accounting Department (SGAD):

- a Monthly Report on the Consolidated Cash Accounts of Central Government, which uses also the information recorded by the Public Administration Operations Data System (SIOPE);
- a Report on the Consolidated Cash Accounts of General Government, to be submitted to the Chamber of Deputies in the first three quarters of the year (like the current Quarterly Report on the Borrowing Requirement), which indicates possible updates of the estimates of the public finance accounts, including in relation to the magnitude of the public debt;
- a Report on the Expenditure of the State Administrations, to be presented every three years by 20 July, which gives an account of the spending review activity.

In addition, the draft law empowers the Government to issue decrees on four issues: the harmonisation of the accounting schemes and systems of the different administrations, the capital expenditure procedures, the completion of the reform of the State budget, and the reform of the controls system.



#### 4.1.4. Federalist reform

Law No. 42/2009 on fiscal federalism, approved in May, implements constitutional provisions on local government funding (Article 119). The Government is empowered to regulate the financial autonomy of territorial entities, and to issue decrees on the coordination of public finance, the tax-raising powers of local government bodies and equalisation of financial resources.

The new funding system is predicated on principles of revenue and expenditure autonomy of local government bodies and greater accountability on their part. For services for which constitutional provisions require the regional authorities to comply with minimum service levels (healthcare, care and administrative functions of education) and for services linked to the core functions of local government bodies, total funding is ensured within expenditure ceilings assessed on the basis of standard criteria. Budget coverage is ensured by equalisation transfers to bridge the gap between the standard spending requirements (directly calculated on current standard spending for local government bodies and based on the application of standard costs for minimum standards of services provided by the regional authorities) and the tax revenues linked to the above-mentioned functions, which are also assessed on the basis of standards. The budget coverage of other functions is provided through the local authorities' own tax-raising powers while equalisation must reduce the differences in taxable capacities, without undermining the taxation effort. Exception has been made for a number of specific programmes. Local transport services are partly considered as services requiring minimum levels. In the allotment of equalisation funds earmarked for local government bodies, the regional authorities have the power to actually change allocations to the various local government bodies, but always on the basis of the same criteria.

By express legislative provision, the implementation of fiscal federalism must be compatible with the financial commitments set out in the Stability and Growth Pact, and will not entail financial charges considering that the implementation is based on Treasury transfers to the regions and local entities being transformed into tax revenues and on the institution of equalisation funds in favour of the areas with less taxation power.

In addition, an increase in the tax revenues of regions and local entities is to be offset by a reduction of tax revenues to the Treasury, without resulting in an increase in the tax burden. Upon the preparation of the Budget Law, the enabling act provides, in agreement with the Unified Conference of the State and Regions, for the adoption of public-finance coordination rules whereby each level of government will: set the targets for budget balances, the tax burden and reliance on borrowing; define the arrangements to achieve convergence of standard costs and requirements; and establish the means for the convergence of the service targets and minimum service levels and core functions.

These requirements are linked to the content of the Public Accounting and Public Finance draft law, which prescribes that the Government, as part of the PFD process, has to communicate the guidelines for the breakdown of the financial targets to the Unified Conference by 20 July. The Conference is then to express an opinion thereon by 10 September. The guidelines are then transmitted to Parliament.

Such a plan requires a harmonisation of public accounting that can ensure that the budgets of the various local government bodies are prepared on the basis of predefined and standard criteria. The key principles will be elaborated in a special decree to be issued within a year. The enabling act requires that local government bodies that show significant deviations from the targets should draw up plans to achieve the convergence target so as to check the extent of the deviation and to define ways to achieve the necessary correction.

The enabling act envisages a transitional period during which the system shall gradually converge towards the new funding structure<sup>26</sup> and acquire the means that are necessary for the new system to function.

Finally, it is noted that the enabling act provides for the creation of special bodies involving the State and local government bodies that will oversee the new system: 1) the

Joint Technical Commission for Implementation of Fiscal Federalism, with the responsibility of procuring and processing information for the preparation of the contents of the decree-laws; 2) the Permanent Conference for Coordination of Public Finance in order to check on the functioning of the new system; and 3) the Parliamentary Commission for Implementation of Fiscal Federalism with a planning and control function.

## 4.2. *Deregulation*

### 4.2.1. State and new initiatives

The process of market deregulation in Italy began some years ago, and has contributed to both opening numerous sectors of the economy to competition, and streamlining the regulatory framework.

Recently enacted legislation has provided another stimulus to this process: Law n. 99/2009 (the so-called Development Law) and Law n. 102/2009, containing numerous crisis-containment measures that will be explained below.

- Annual law for the market and competition.

Law n. 99/2009 provides for the adoption of an annual law for the market and competition. The annual law is aimed at removing regulatory or administrative obstacles to the opening of the markets, promoting the development of competition, and guaranteeing consumer protection, while also taking into account the indications of antitrust authority. Such a stable and periodic legislative tool will bring important benefits in terms of further deregulation.

When presented, the bill will be accompanied by a report containing: the verification of the status of conformity of the domestic system with the principle of competition and EU policies on the opening of the markets; the justification of any of the authorities' indications not ratified; and the verification of the effects produced by preceding annual laws.

- Overdraft limit fees

Law n. 2/2009 stipulates that any contractual clauses covering overdraft limit fees are null and void if the customer has a debt balance of less than 30 days or if the overdraft is incurred in the absence of a credit facility.

In addition, with a view toward accelerating and making effective the benefits arising from the prohibition against overdraft limit fees, Law n. 102/2009 establishes that the amount of the all-inclusive fee cannot exceed 0.5 per cent per quarter of the amount of the credit facility, otherwise the agreement for compensation is to be considered null and void. The Minister of the Economy and Finance is charged with the oversight of the regulation.

- EU Directive 2006/123/EC regarding deregulation of services.

Article 41 of Law n. 88/2009 (2008 EU Law) has dictated additional criteria and principles for the ratification of the EU Directive 2006/123/EC (Services Directive), which must be implemented by 28 December 2009. Such delegating principles have been presented beforehand to the regions, which have exclusive responsibility for many of the services falling within the scope of application of the directive.

As far as the State is concerned, the directive will be ratified through a single legislative decree containing general principles and regulations that will apply across the entire nation, and a part containing amendments by sector of activity.

The proper and effective transposition of the directive will provide a fundamental contribution to deregulation and market transparency, considering all services rendered against economic consideration must be open to competition. A state may maintain its

current authorisation systems or impose requirements on accessing or exercising services only if justified by imperative reasons of general interest. Moreover, in order to impose requisites with regard to temporary, occasional and cross-border services, the requisites may only be justified by considerations regarding public order, public security, public health, and protection of the environment.

The ratification of the directive can serve to open up a new, important phase for deregulation and the streamlining of relationships between businesses and government entities, with the elimination of additional constraints for accessing services. It can also be an occasion for reinforcing the system of single service centres provided by municipalities. It will undoubtedly also be a chance for improving government administration.

The state administrations completed the survey of the authorisation systems and the requisites for accessing and exercising the services for which they are responsible, and after an evaluation of the findings, completed the listing of the amendments by sector of activity to be included with the legislative decree to ratify the directive. A special Technical Panel including representatives of government and the unions will contribute to the prompt review of the legislative decree for the amendments deemed appropriate.

The state administrations are working closely with the regions in order to conclude the regional screening as soon as possible. A priority-processing procedure has also been created to facilitate the online completion of the European Commission's report on the outcome of the screening (as provided by Article 39 of the directive), and to allow the regions to participate in the IMI administrative cooperation network between the authorities of the different Member States having responsibility for the directive's implementation. The Department for the Coordination of EU Policies is acting as the national coordinator of the IMI network and the "trainer" for the various authorities responsible.

- Class action

The most substantial change to date in the regulations governing class action was made with Law n. 99/2009, which supersedes the provisions of Article 140-bis of the Consumer Code, providing that the uniform individual rights of consumers and service users can also be safeguarded through class action, without defending counsel. For this purpose, each party, including through associations, may take legal action for ascertaining liability and obtaining judgment for the payment of damages and restitution. In addition, Law 102/99 extends the term for taking legal action from 18 months to 24 months.

- Substitution of mortgages

Law n. 102/1999 stipulates that whenever the substitution of a mortgage is not perfected within 30 days from the date of the request, the assignee bank may embark upon an interbank collaboration procedure with respect to the assignor bank, and the assignor bank is required to compensate the customer in an amount equal to 1 per cent of the mortgage for each month, or fraction of month of delay.

- Authority for price surveillance

Law n. 133/2008 has enhanced the responsibilities of the authority, empowering it to effect information surveys aimed at verifying the trend of the prices of products and services, making use of data gathered by ISTAT, the input of the ministries with the responsibility therefor, ISMEA, the Italian Union of Chambers of Commerce, the chambers of commerce, and the operational support of the tax police for the completion of the information surveys.

Law n. 99/2009 has vested the tax police with investigative powers which are used for the assessment of value-added taxes and direct taxes.

Recent checks have been initiated with regard to fuel prices and the costs of mobile-phone text messaging in Italy.

#### 4.2.2. Local public services

Law n. 133/2008 has amended previous regulations on the subject of local public services in order to favour the competition, establishing that the award of contracts for the management of local public services is to occur through competitive procedures transparent to the public.

The award of contracts may take place on a different basis only when there are particular business, social, environmental and geo-morphological characteristics that warrant it, and subject to the prior procurement of the opinion of the antitrust authority.

Several critical aspects of Law n. 133/2008 were eliminated through Article 15 of Decree-Law n. 135/2009, which added the so-called "dual tender" among the ordinary procedures for awarding contracts; the addition is in line with the interpretation of the European Commission of 5 February 2008 on the application of EU law on the subject of public tenders and public-private institutionalised partnerships. The interpretation specifies, in a coherent and definitive manner, the transitory system for contract awards not conforming to the new rules for adjusting to the EU system, and clarifies the preventive nature of the opinion rendered by the antitrust authority, introducing the principle of tacit approval in this regard.

In addition, the possibility of incorporating a public-private company is dependent on the "dual tender" entailing not only the award of a service contract and selection of an "operational" partner, but also a provision whereby the private partner's investment may not be less than 40 per cent.

Within the framework of the new transitory system provided by these rules, publicly traded companies must progressively reduce the public investment to no more than 30 per cent, or they risk the expiration as of 31 December 2012 of the direct contract awards in effect.

The new regulations are to be rounded out by the end of 2009, with the implementation provisions already delineated; the new regulations aim to augment the thrust toward deregulation within a certain and clear regulatory context, facilitating the initiative of private enterprise, reducing the costs for the government, and guaranteeing the best quality of services rendered to the users.

#### 4.2.3. Energy market

With Decree-Law n. 185/2008 and the subsequent Decree of the Ministry of Economic Development dated 29 April 2009, the Italian electricity market was reconfigured, with a provision for the establishment of an infra-day market so as to allow a greater number of operating companies to participate in the Italian Power Exchange (IPEX) with a view toward stimulating greater competition.

With reference to natural gas, Law n. 99/2009 containing "Provisions for the development and international expansion of businesses, and the subject of energy" has turned over the economic management of the natural gas market to the manager of the electricity market which is organising the gas market on the basis of criteria of neutrality, transparency, objectivity, and competition (Article 30, Paragraph 1).

Finally, Article 3, Paragraph 10 of Decree-Law n.185/2008 provides for the introduction of reporting on the operation of the energy markets; the reports are to be drawn up by the sector authority and presented to the Ministry of Economic Development by 30 September of each year (the first reports were recently presented). The reporting, which may contain proposals aimed at the adoption of measures to improve market operation, has created a working relationship between the sector regulatory authorities to the potential benefit of competition and prices; the reports may then be used by the Ministry of Economic Development for formulating decrees by the end of January of the year

thereafter so as to develop forward markets and promote the integration of regional exchanges.

#### 4.2.4. Deregulation of postal service

Italy is currently ratifying the third postal directive in order to achieve complete deregulation of the postal market by 31 December 2010. Public consultation with the sector's main stakeholders (Poste Italiane, TNT, UPS, trade unions, and consumer associations) is currently in process for the purpose of realising this strategic objective.

### 4.3. *Simplification, reduction of administrative burden, government reform*

#### 4.3.1. Simplification

Simplification is a Government priority that has been intensified this year through the implementation of new legislative measures aimed at reducing the existing body of regulations.

Regulatory simplification is the responsibility of the Minister of the Regulatory Simplification, who operates in close collaboration with the other ministries and with stakeholders; the activity is aimed at (i) reordering and standardising legislation in effect, and (ii) the simplification of proceedings, the deregulation of sectors and the reorganisation of structures.

A key part of this effort is represented by the reduction of the existing body of law (so-called "law cutting"). The activity was initially undertaken through Decree-Law n. 112/2008, which cut approximately 7,000 laws, and continued with Decree-Law n. 200/2008, which has concentrated on legislation enacted prior to Italy's constitution and has entailed the abolition of another 28,000 laws. The third law-cutting initiative, which is in the process of being approved, entails the abolition of approximately another 3,000 pieces of legislation and will result in the number of laws enacted before 1970 and still in effect being reduced to approximately 2,700. With reference instead to the issue of access to the law, Decree-Law n. 200/2008 provided for the start-up of a project known as "Normattiva", which is aimed at making it possible for citizens to search and consult free of charge the various pieces of legislation in effect, and to create a public service that supplies basic technology infrastructure (considered essential for upgrading government service) for the process of reordering legislation. Among its various provisions, Law n. 69/2009 contains several important measures, referring both to simplification of legislation and to the clarity and legibility of the text of the laws, with the expectation that every piece of legislation contain the express indication of the provisions substituted, amended, or abolished, and those referenced or to which reference is made.

In addition, it has been possible to quantify both the costs of regulation (and not only the strictly administrative costs) and the time spent by citizens and businesses in various processes and areas of regulation for completion of administrative procedures. Since this quantification, numerous simplification measures have been adopted. For example, Decree-Law n. 112/2008 and Decree-Law n. 185/2008 contain provisions to cut bureaucratic compliance matters regarding the processing of personal data, to extend the validity of ID cards from five to ten years, and to abolish or reorganise certain non-profitable public entities.

Additional measures have regarded: payment instruments (with the maximum ceiling for using cash elevated from €5,000 to €12,500); the governance of electrical and other system installation within buildings; the transfer of equity investments; the abolition of shareholder registers for companies with limited liability; and the freeze and reduction of electricity rates. Finally, Decree-Law n. 78/2009 presents a series of simplification measures with reference to the containment of the cost of commissions charged by banks, the reduction of the cost of the energy for businesses and households, and the simplification of procedures with regard to the production of electric energy.

Law n. 133/2008 facilitates the efforts of telecommunications service providers at a procedural and administrative level, simplifying authorisation formalities, reducing the costs of the installation of electronic communications networks, and allowing service providers to use existing civil infrastructures and to lay the fibre underground on public property without the need for any specific authorisation and on private property without the prior consent of the owners.

The Government has also further simplified the procedures for starting and carrying out business activity, through the reorganising the governance of the single service centre for productive activity and the requisites and means for accreditation of the agencies for businesses (the so-called "business in one day"), through the Council of Ministers' approval on 26 June 2009 of two specific regulatory schemes, with the average waiting time expected to fall by 50 per cent. The other measures for the simplification of procedures involving businesses are outlined in Section 3.2. Altogether, to date, it is estimated that the simplification measures have produced more than €4 billion of actual annual savings for the public, businesses and the government.

#### 4.3.2. Analysis of the impact of regulation and the quality of the Government's regulating activity

The Analysis of the Impact of Regulation (AIR) is a fundamental tool for ensuring quality and consistency in regulations, and supporting transparency in the procedural formalities and participation of the parties affected by regulation.

Since the start of the legislature, the Government has made a specific commitment with reference to the AIR and, more in general, to the quality of the regulating activity of the executive branch of the government.

The ministries are in charge of the planning and execution of the AIR with reference to regulatory activity that is the responsibility of the State, while the coordination and control are handled by the Legislative and Legal Affairs Department of the Presidency of the Council of Ministers.

At a legislative level, the establishment of the AIR necessitated implementation regulations which, considering the priority thereof at the start of the legislature, were adopted through the Decree of the President of the Council of Ministers n. 170/2008 that went into effect on 18 November 2008.

At almost the same time, the rules related to the Technical-Regulatory Analysis (ATN) (which must accompany the Government's regulatory proceedings) were revised with the directive of the President of the Council of Ministers dated 28 September 2008. The new ATN rules place a special emphasis on improving the quality of the regulation and the relationships between national laws and EU laws.

The Government has reinforced the governance of the ATN and AIR, establishing that both tools also provide an account of competitive impact. The analyses must evaluate the extent to which regulation has an impact on the proper competitive functioning of the market, the broadening of the freedom of the parties in the legal system, and deregulation processes. Considering that the full and effective start-up of the AIR system is closely linked to planning-oriented regulating activity of the ministries (since the AIR cannot be acted upon in the absence of a consistent period of time needed for preliminary examination), the directive of the President of the Council of Ministers dated 28 February 2009 and referring to the preliminary examination of the Government's regulatory acts has placed a special emphasis on all of the reports related to the regulatory acts, and has stressed the principle of regulatory planning which is preparatory to those reports. The ministries are required to plan the regulation for which they are responsible on a quarterly basis so as to be able to have an adequate period of time for effecting the AIR, likewise carrying out the necessary consultation with the parties to be affected by the regulation.

#### 4.3.3. Reduction of administrative burden

With the introduction of legislation to cut administrative burden (Decree-Law n. 112/2008), the Government has sharply accelerated the process of quantifying and reducing the burden, with a view toward a rapid recovery of the nation's competitiveness. The Government has equipped itself with the tools needed for reaching the objective of a 25 per cent reduction by 2012, in line with the EU strategy.

On the basis of a quantification of administrative burden that was put together by the Department for Public Function in collaboration with the simplification unit and the sector administrations, it has been possible to identify the most burdensome procedures to cut and the procedures to simplify. Each ministry, acting in concert with the Minister for the Public Administration and Innovation and the Minister for Regulatory Simplification, is required to adopt its own plan for reducing the burden; the plans are to contain the organisational, technological and regulatory measures for guaranteeing a reduction of at least 25 per cent of the burden, and to define the timing and responsibilities for the achievement thereof along with the tools for checking and evaluating the implementation of the reduction measures and the actual impact on businesses.

Once they are completely on stream, the initiatives to cut the burden already adopted entail savings of for small- and medium-sized firms an estimated €5.3 billion per year or 33 per cent of the burden measured to date. In the meantime, the measurement and preparation of reduction plans for other key sectors continues.

#### 4.3.4. Reordering of regulation and simplification of compliance formalities for businesses

These provisions are particularly important for businesses, since they will streamline and reorder regulations with which the businesses must comply. In particular:

- Article 5 of Law 99/2009 provides for adoption of one or more decree-laws within one year to be used for proceeding with the reordering and coordination of the compliance regulations for businesses with regard to planning and construction of productive plants and to carrying out business activity;
- Article 6 of Law 99/2009 contemplates the possibility of businesses to supply self-certification in place of official certifications for the purpose of securing authorisations or concessions and participating in publicly disclosed proceedings, and to authorise the public administration to procure any data needed directly from other administrations; the identification of the certifications that may be substituted by self-certification is left up to a special decree of the President of the Council of Ministers.

#### 4.3.5. Reform of the public administration and innovation

During its first year of activity, the Government inaugurated a process of reforming and modernising the public-sector work force and the administrative organisation. The project promoted by the Government to reform and modernise the public administration is based on four pillars: meritocracy, efficiency, transparency and innovation. The principal objectives are in line with those of the Lisbon Strategy - growth of productivity, reduction of administrative burden, improvement of public services - and aim to give public sector the efficiency needed for contributing to reviving the overall growth of the nation's economy. The strategy is being pursued in three directions: a) modernisation of the public administration; b) relationship between the public administration, citizens and businesses; and c) innovation and digitalisation of the public administration and the nation.

- a) Reform and modernisation of the public administration and the public-sector work force

A major revision of all aspects of the governance of the public-sector labour force was achieved through the legislative bill n. 15/2009 and the decree-law for implementation approved on 9 October 2009. The revision is aimed at optimising labour productivity and

the efficiency and transparency of the public administrations. The decree calls for actions with respect to five areas:

- **Evaluation:** A high degree of selectivity is contemplated in attributing economic and career incentives; the focus is on rewarding capacity and merits, encouraging commitment to the job, and discouraging the opposite type of conduct. Salary increases are to be achieved exclusively through selected testing and not as a result of seniority.
- **Performance:** A performance-measurement system has been introduced, and urges the various administrations to organise their work from the perspective of results and improvement. Customer satisfaction, transparency and performance-related bonuses are the cornerstones of the system. The regulation introduces a prohibition against the payment of bonuses in the absence of a performance-evaluation system and in the absence of performance certification.
- **Collective bargaining:** Substantial convergence with the private sector is the established target. In particular, the requirement for decentralised contracting has been reinforced, as has the requirement for accessory compensation, which is linked to the actual achievement of programmed results and operational savings. With reference to the portion of the collective contracts for which an exception is made by the law, it is not possible to intervene with subsequent collective bargaining, unless provided by the law itself.
- **Senior management:** The role of the senior manager has been enhanced. Senior managers will have the availability of concrete tools with which to work, and will be penalised (including economically) for not effectively carrying out their jobs. New procedures have also been established for accessing senior management positions.
- **Discipline:** The proceedings have been streamlined, and a listing of particularly serious infractions involving employment termination has been defined.

In addition, a decree-law is planned regarding collective action against the inefficiencies of the administrations or concessionaires of public services.

Given the plan for a central evaluation commission and independent evaluation entities within each administration, the reform will also be accompanied by measures for assisting with the implementation of the changes, and by an awareness campaign for the use of information systems dedicated to management control. In addition, the action plan for improving transparency is to be further developed with the dissemination of data regarding: absences, compensation to directors of consortiums and companies in which the government holds investments, mandates to external consultants, paid mandates to employees of the public administration, union assignments and permits, employee compensation, curricula vitae, and electronic mail addresses and telephone numbers of senior managers and secretaries for municipalities and provinces. Finally, action will be taken for the prevention of corruption so as to promote a widespread culture of legality and transparency and to develop measures in favour of integrity.

#### b) Relationship between the public administration, citizens and businesses

The improvement of the relationship between the public administration, citizens and businesses will be ensured through several regulatory initiatives that are currently in the process of being adopted, and a series of projects already fully operational and functional, specifically aimed at making the citizens-public administration dialogue easier, systematically getting beyond situations of red tape, and streamlining compliance matters that complicate life for the more vulnerable members of society (the disabled and their families).

The objective is to plan and construct a new digital-administration model - a public administration 2.0 - that aspires to be more capable of assisting its "customers" by getting the customers more involved in decision-making processes. The concept is to have



citizens participate and share in the democratic process, as they are the centre of democracy.

The principal regulatory initiative being prepared is the introduction of a "Charter of Public Administration Duties" as part of the national body of law. The charter is aimed at: making citizens' rights and the obligations of the public administrations a reality; ensuring a public administration which is really operating in order to serve citizens and businesses; and creating channels for collaboration and communications. This initiative is part of a process of changing the relationships between the public administration and citizens that is by now firmly in place with respect to two fundamental juridical disciplines: the precepts of the Constitution of the Republic of Italy and the principles of EU law.

With reference to the projects already under way, further development is planned for the "Linea Amica" initiative that is bringing together almost 500 offices for relations with the public and is handling more than one million contacts per week, with the services of the portal to be further expanded and further training to be given to the operating personnel. The "Friends Networks" initiative is to witness a gradual expansion of access points (100,000 are planned by the end of 2009), and will be progressively extended to private companies ("Friends Networks on the Job") which will allow for creating a new channel of communications between the public administration and citizens at their places of work. Enhancements are also planned for the "Let's Put a Face on It" initiative which entails the gathering of customer satisfaction data on services received from the public administrations via the use of emoticons; this initiative is basically aimed at favouring progressive and constant improvement of services. Finally, mention is made of (i) the initiative for expanding use of "certified electronic mail" in the relationships between the public administration, businesses, free-lance professionals and citizens, and (ii) the "Smart Inclusion" project for establishing multimedia links between schools and paediatric patients receiving long-term care, which is designed to allow the children to continue with their school work and to get in touch with their families during the day.

#### c) Innovation and digitalisation of the public administration and the nation

A long-term plan ("i2012 – Strategies for Innovation 2012") has been prepared with regard to two focal points: the public administration (e-government) and the economic and social sector (e-economy/e-society).

The "e-Government 2012" plan embraces a series of digital-innovation projects (with the priorities assigned to the justice system, the healthcare system, schools and universities, as well as the "dematerialisation" of the public administration). The projects are designed to make the public administration more modern, more efficient and more transparent, thereby improving the quality of the services supplied to citizens and businesses.

The "e-Economy/e-Society" plan has the objectives of: facilitating the adoption and expanded use of innovations; improving the public-private cross-fertilisation processes; eliminating the obstacles to technology transfer; intensifying technological scouting; and identifying areas of excellence and talent and enhancing their value. The priority areas for the plan implementation will be energy efficiency, ICT, the media and digital contents, information mobility, design and the biomedical field.

The Agency for the Spreading of Technologies for Innovation will play a critical role in this regard. The institution is charged with providing technical/scientific support in the preliminary examination and evaluation of industrial innovation projects (such as "Industria 2015") and the promotion of new initiatives that favour technology transfer.

#### 4.3.6. Initiatives of the regions

With regard to the issues of e-government and broadband technology, the Basilicata Region has activated a project entitled "Regional General Records Circularity and Applications Cooperation" with the objective of improving data exchange and the development and more widespread use of an e-government system at local entities

situated in marginal areas and areas at risk of isolation. The Calabria Region has inaugurated the planning and development of a new regional healthcare information system in order to promote the regional system of e-government in the healthcare field. The Campania Region put out the call for bids to large and medium-sized municipalities for the presentation of e-government projects to be planned and developed according to an interoperability logic and aimed at improving both the internal organisation of the entities as well as the supply of services to the public and other areas of government. The Sardinia Region has activated a programme to round out the territorial network of the local public administration. The Sicily Region has embarked on a project to upgrade the Regional Charter of Services in order to allow for enjoyment of services through the regional charter already distributed to the public and enhancements to the regional information system for managing services to businesses and other areas of government. Broadband projects have also been undertaken by the Basilicata Region (Network Accessibility Improvement Project), and the Calabria Region (actions for planning, developing and enhancing broadband services and public broadband networks).

#### 4.4. *Small and medium-sized businesses and Small Business Act*

As part of the implementation of EU policies and with a view to coming up as quickly as possible with concrete proposals for improving the conditions in which SMEs operate, the Ministry of Economic Development set up a panel on 18 March 2009 which is dedicated to planning and developing compliance-related matters of the Small Business Act. The act contains a package of measures and proposals to be put into effect at a European level and at the level of the individual Member States, with the objective of enhancing the value of the SMEs in Europe and their sustainable growth potential. The package is based on the think-small-first principle which acknowledges the crucial role of Europe's 23 million SMEs.

In both addressing the economic crisis and identifying development objectives, the panel set up six special-theme sub-panels which have tackled issues fundamental to the viability of SMEs, including: access to credit; supply payment terms; tools for tackling business crisis; the presence in foreign markets; growth aspirations; the aggregation and transmission of enterprise; and administrative simplification. The proposals have been incorporated into the measures adopted in late 2008 and in 2009 for crisis containment and economic recovery.

In order to favour access to credit, the Ministry of the Economy and Finance issued a decree on 25 February 2009 with provisions in relation to the procedures and conditions for public subscription of special bank bonds as provided by Law 2/2009. The so-called "Tremonti Bonds" are an instrument through which the bank issuers obtain funding to be dedicated to granting loans to businesses (the control over the banking system's actual use of such funding is left up to the prefectures). At present, only one bank has requested and obtained these facilities, and another two have applied for them.

In another move to provide small and medium-sized firms with improved access to financial resources, the balance of the Guarantee Fund<sup>27</sup> was increased to €1.6 billion, while maximum amount for any given transaction was tripled (from €500,000 to €1.5 million), State guarantees were introduced and zero-weighting has been applied. From January to July 2009, more than 16,000 applications were submitted (with the volume in July alone increasing by 169.3 per cent year on year). The increase in applications was followed by an increase in the applications approved: those entailing guarantees numbered almost 12,300, with the total volume of financing disbursed equal to €2,153.4 million (+56.7 per cent year on year) and the guaranteed amount equalling €1,159.5 million (+69.9 per cent).

In order to guarantee the integrity of the credit and to exclude charges to be borne by businesses, a decree implementing Decree-Law 185/2008 was issued to sanction the obligation of any administration to certify its debt at any time; a second measure outlined

in Law 2/2009 regards the guarantee of the receivables that businesses claim from the public administration via insurance company guarantees and SACE guarantees.

The provisions of Decree-Law n. 78/2009 have an even greater impact with reference to relationships between businesses and the public administration, inasmuch they call for making sizeable amounts of resources available during the next budgeting session for the purpose of covering past-due payments on the part of the central government. In addition, Law 99/2009 provides vesting broad-based powers with the Government for developing within one year a reordering of the compliance regulations for businesses.

In order to augment SME competitiveness and in consideration of the strategic importance of the introduction and dissemination of innovation (and not only technological innovation), a total of €700 million has initially been made available to support the innovative investments of SMEs (Ministerial Decree of August 2009).

In order to facilitate experimental development programmes<sup>28</sup> (also with regard to activity that is not predominantly industrial research) regarding product and/or process innovation aimed at substituting and/or eliminating chemical substances defined by the EU to be of "extreme concern", the resources made available for the implementation of the programmes amount to €80 million to be charged to the Special Revolving Fund for Technological Innovation.

From a more broader based development perspective, the plans to improve the economic environment in which the SMEs operate have provided for the creation of an "inventory exchange" so as to favour the enlargement of the market for businesses encountering difficulties due to order slowdowns, to facilitate matching of supply and demand (and subsequent sales) with regard to unsold inventories. In order to guarantee adequate support to businesses in crisis, a plan has been drafted to set up "service and connection points" at various chambers of commerce in order to supply information, guide services, consulting and support, and possibly to become one of the locations where "network contracts" come to life. These service points will be set up in connection with the system of trade associations, thereby making use of the professional skills and experience supplied by business organisations, the credit system and local government entities.

The proposals that can be translated into pilot projects include a plan to set up a territorial monitoring system capable of the real-time gathering and integration of socioeconomic data and information coming from various institutions and levels of government (e.g. provinces, local entities, and chambers of commerce), with the objective of promptly supplying information designed to detect possible states of crisis of businesses, so as to point the businesses in the direction of appropriate actions of support.

#### 4.4.1. Young entrepreneurs

In accordance with the fund for the development of the young entrepreneurship in agriculture (instituted with the 2007 Budget Law, and implemented by virtue of the provisions of Article 1, Paragraph 1074 of said law), Italy sustains and promotes measures to encourage the spirit and culture of enterprise, specifically through: a series of awards to new businesses owned and operated by young people; incentives for disseminating substitution services for businesses owned and operated by young people; and incentives for research and innovation.

During 2009, scholarships were awarded to young people for enrolment in university master degree programmes specialising in agriculture. Advanced training was provided to 20 university graduates and 40 upper secondary school graduates at the Centre for Training in Economics and Rural Development Policy. Another 14 awards were given out in relation to a public tender for farming businesses run by young people for excellence in innovation. As part of incentives for research and development activity within businesses owned and operated by young people, a public tender was conducted for selecting research projects proposed by small- and medium-sized agricultural firms run by young

entrepreneurs, to be realised in collaboration with public research institutes with respect to two efforts: research and experimentation, with a maximum public subsidy of €400,000 per project; research and development, with a maximum public subsidy of €30,000 per project.

The table below summarises the status of the financing by the type of measure as of 30 June 2009 (2007 funds), reported in absolute values of each individual measure:

**Table 8. Status of financing as of 30 June 2009**

<b>INITIATIVES PROVIDED BY MINISTERIAL DECREE 9089 OF 6 JULY 2007</b>	<b>FINANCIAL RESOURCES AVAILABLE</b>	<b>SUBSIDIES COMMITTED</b>	<b>SUBSIDIES DISBURSED</b>
Promote the spirit and culture of enterprise - of which:			
<i>Study grants</i>	€200,000.00	€59,400.00	€59,400.00
<i>Advanced education</i>	€1,100,000.00	€1,100,000.00	€550,000.00
Bonuses for new business owned and operated by young people	€400,000.00	€400,000.00	-
Incentives for research and the development within businesses owned and operated by young people	€8,100,000.00	€8,100,000.00	-
Incentives for disseminating substitution services for businesses owned and operated by young people	€200,000.00	€90,381.11	€54,389.91
<b>TOTAL MEASURES</b>	<b>€10,000,000.00</b>	<b>€9,749,781.11</b>	<b>€663,789.91</b>

Source: Ministry of Education, University and Research

- Regional action and youth-oriented policies

With regard to youth-oriented policies, the Apulia Region has promoted and adopted several innovative measures to get the most value out of the project capacities of the region's young people and, through these measures, to increase the young people's entrepreneurial skills and to improve their chances of employment. Accordingly, the strategic decisions at a regional level have been concentrated on supporting the creation of businesses. Worth mention among the specific initiatives is the "Active Principles" programme which has promoted planning, creative and enterprise skills of young people in the region through the concession of subsidies for planning and developing or testing innovative ideas. The region thus made available approximately €7.5 million to finance 305 projects deemed appropriate in relation to the specifications outlined in the related public tender. Also worth mention is the growing importance of the Apulia Start Cup, an annual regional competition for innovative business ideas that honours the best three start-ups based on research, development and technological activity. Instead, the measures aimed at development of qualified human resources include the financing of research grants and a cooperation programme between the Apulia Region and the Government of South Australia, focusing on the creation of initiatives involving incentives for student, researcher and teacher exchanges and for supporting joint research projects in strategic areas of common interest.

#### 4.5. *Research policies*

##### 4.5.1. Innovation and industrial property

The new policy for innovation based on industrial property rights essentially involves three initiatives: the business-financial valuation of patents, the National Innovation Fund, the databank for university and public research centre patents.

The three initiatives have the common characteristics of a medium-/long-term impact and involvement of major private institutions (research institutes, businesses, banks) for the purpose of achieving a more efficient relationship between the market and government policies, which is essential within an innovation process having a complex and systematic nature.

- The business-financial valuation of patents

The circulation of knowledge within a market becomes easier the more the method of assigning its value is standardised and shared, and the more the different market participants share in the body of rules and laws that govern innovation transactions.

On 21 October 2008, a protocol of intent was signed by the Government, the Italian Banking Association (ABI), Italian Manufacturers' Association (Confindustria) and the Conference of Italian University Chancellors (CRUI) with regard to the business-financial valuation of patents. The protocol has formalised the conclusion of the first phase of work of a joint group of experts that developed a valuation method capable of relating the patent and the market, thus supplying a tool to help financial intermediaries in defining ratings of businesses by linking the rating to the capacity of the businesses to innovate, and opening up new options for the use of the Basle II capital regulations.

The valuation method may also be applied to the results of research, thereby facilitating the transfer of knowledge to the market.

The work group committed to organising a first series of seminars starting at end of September in order to help with the target users' understanding of the method and the capacity to employ it. The seminars are targeted without distinction to banks, financial intermediaries, productive businesses, and research centres. Work is simultaneously under way to extend the valuation grid to industrial design so as to have its value emerge within the productive process and to make possible its full use in competitive play.

- National Innovation Fund

The fund is a tool that falls within the framework of the system to support corporate finance because it is able to impact directly the innovative capacity of Italian companies, opening up access to credit and to risk capital for businesses involved in business development of innovation related to industrial property rights. The Fund<sup>29</sup> has €60 million of financing and serves as a tool for the sharing and mitigation of credit risk and private capital investment of banks and financial intermediaries that participate in financing the projects.

The decree for running the fund was signed by Minister of Economic Development on 10 March 2009 and published in the Official Gazette of the Republic of Italy n. 107 on 11 May 2009. The fund was slated to become operational as of the autumn 2009, with the publication of the first calls for bids already under way. The call for bids will include detail on the objectives which are to be pursued, including with reference to SMEs' access to financing.

- Patiris databank for university and public research centre patents

Created by the University of Bologna in collaboration with the Counterfeiting-Prevention Department of the Italian Patents and Trademarks Office, the databank is a tool to facilitate the transfer of the results of public research to the market and to increase demand for innovation on the part of businesses, particularly SMEs.

The databank provides for online access ([www.patiris.unibo.it](http://www.patiris.unibo.it)) to patented production of Italian universities and public research centres, supplying updated information that can easily be consulted.

The premise for this policy of innovation was the requalification of national patents with the introduction of priority research which allows for issuing certifications capable of representing the innovative assets of businesses. The research report for national patent applications is drawn on the basis of an accord signed on 18 June 2008, by the European Patents Office (EPO). The application of this accord is functionally related to the project for the automatic translation of the patents. Accordingly, on 30 June 2009, an executive accord was signed covering the digitalisation and automatic translation into English of the Italian description included in any application for a patent filed in Italy.

#### 4.5.2. "Industria 2015" programme

Analysed in prior reports, the strategic "Industria 2015" programme was inaugurated with the 2007 Budget Law<sup>30</sup> and further expanded upon with Law n. 99/2009<sup>31</sup>. The programme covers Industrial Innovation Projects that represent tools for complex and detailed projects to be planned and developed in technological areas deemed strategic for reviving the competitiveness of the economic system.

The implementation in 2008 regarding the adoption of the Industrial Innovation Projects related to the technological areas of energy efficiency, sustainable mobility, and technologies for Made-in-Italy products<sup>32</sup>, and the implementation of the related strategic actions through which tenders could be organised<sup>33</sup> for the granting of subsidies in favour of research, development and innovation programmes; during 2009, the tender procedures were carried out and the ranking of the projects eligible for the benefits was approved.

The energy efficiency tender covers subsidies on 30 projects involving 229 businesses and 90 proposing research entities, and the use of approximately €500 million of investments in research and development activities. The subsidised activities are diverse, going from the development of highly energy efficient household appliances to innovative materials for building and bioclimatic architecture, industrial engines with low energy consumption, the transformation of plastic waste materials into hydrocarbons for the production of electricity, innovations in wind energy, photovoltaic energy, and energy from biomasses and waste materials. Over 20 per cent of the investments will be made in southern Italy.

The sustainable mobility tender covers financing for 25 projects involving 359 businesses and 95 proposing research entities. The projects will lead to investments worth around €500 million. The planned innovations range from the "ecological steamboat" powered with hydrogen cells and photovoltaic panels, a new multi-modal and ergonomic four-wheel vehicle, intermodal port systems, remotely activated mobility management systems, low-emissions buses and flexible trains.

Finally, the tender covering Made-in-Italy products covers 237 definitive projects involving 443 large businesses, 362 medium-sized businesses and 1,041 small or micro businesses. The programmes admitted are representative of the productive districts spanning the nation, but also of new hubs that are supplementing the skills of various areas. The projects range from the customisation of the post-sale assistance services for high fashion accessories to virtual fitting rooms, yarn traceability systems; from pilot plant for innovative production of pasta to innovative formats for excelling in promotion and the distribution of wine-making products; from systems for activation of electromechanical devices applied to helicopter pilots to innovative integrated-logistics systems; from new nano materials structure for improvement of air and water quality in homes to domotici systems for improving the level of independence of movement and security for the disabled and the elderly.

The formalities for the interministerial decree to start up the Industrial Innovation Projects for life technologies are currently in process, whereas revisions have been made

to the technological productive objectives for the Industrial Innovation Projects regarding cultural and tourism goods and activities and the related decree should be adopted before the end of 2009.

Finally, with reference to the related actions (the second operational instrument of the Industrial Innovation Projects), six priority areas have been currently identified in collaboration with the regions and will be the subject of programme accords between the Ministry of Economic Development and the areas of the central and regional governments involved. The six areas are: marine technologies, the food production/distribution chain, the automotive sector, sustainable building, renewable energy, and the factory of factories (i.e. innovation of machinery in typical Made-in-Italy sectors: home design, fashion, food, and mechanical sectors).

The following programmes in the defence sector have been confirmed:

- development of the EF/EUROFIGHTER aircraft (€918 million for 2009 and 2010, €1,100 million for 2011);
- development of the FREMM class naval units and VBM vehicles (€280 million for 2009, which is added to the residual €20 million from 2008, €375 million for 2010 and 2011);
- sophisticated electronics and the aerospace sector (€45 million for 2009 and €25 million for 2010).

The Minister of Defence has also set aside €51.6 million in 2009 to finance dual-use technological research programmes, addressed to businesses, SMEs, scientific institutions and universities, having developed military and civil applications, with broad repercussions in terms of know-how and productive capacity for the nation's industrial sector.

#### 4.5.3. The 2009-2013 National Research Programme

Decree-Law n. 85/2008 (converted into law on 14 July 2008) was implemented during 2008 and the first half of 2009. The decree brought together the Ministry of Universities and Research and the Ministry of Public Education. The institutional reorganisation was flanked by the start-up of important activities for the research system, and in particular, the drafting of the 2009-2013 National Research Programme.

The programme provides the national framework for research activity carried out in Italy. Considered within Italy's and the EU's institutional and planning frameworks, the new National Research Programme is a major departure from the past, acknowledging the increasing importance of certain developments affecting the world of research (all-encompassing nature of the global economy, the non-linear nature of the innovative process, and the overlap between different scientific disciplines).

The 2009-2013 National Research Programme assigns strategic value to public-private partnership for development of the products and processes needed to maintain and improve the nation's competitiveness and level of exports, and to reduce national, economic and political dependence in sectors such as energy, environment and healthcare. The development of the productive system is the premise for increasing employment levels and adjusting welfare policies. In consideration thereof, the programme assigns a role of supporting the nation's development to universities and research entities.

The programme (which is still being finalised) acknowledges the critical factors that made the development of a research policy in Italy difficult in the past, especially when compared with leading industrialised nations, and proposes an array of actions dedicated to removing those critical factors; among such actions are projects aimed at coordinating the efforts of the various public- and private-sector players operating in the field of research.

In general, the programme is being structured on the basis of key concepts:

- The roles and the responsibilities of the various levels of government accountable for the research system can be defined and coordinated. The Ministry of Education, Universities and Research is the party to coordinate and integrate the skills and the initiatives.
- Human capital has a central role, and will get priority attention. The continuing effort to support training and getting the most value out of top-quality human capital is fundamental in the new National Research Programme.
- The regulatory changes within the university system and public research entities are essential premises for the process of implementing the 2009-2013 National Research Programme and the actions contained therein.
- A new vision of research activity has been embraced whereby initiatives exclusively dedicated to advancing knowledge are to be flanked by fundamental and industrial research oriented to economic and social applications over the short and long run.
- The actions proposed in the programme are differentiated by time horizon. The Ministry of Education, Universities and Research will spearhead the development of the curiosity-driven research, the technologies of a pervasive/enabling nature and their penetration in programmes aimed at industrial innovation. The other institutions supporting national research will develop projects more directly related to the demands of the market and will be developed over the short/medium term.
- The link between public research structures and business is a strategic necessity that contributes to orienting national and local projects.
- The research for the innovation of industrial businesses, whether internal or carried out in collaboration with the world of public research, presupposes the use of the fiscal lever, flanked by instruments for selection of projects regarding priority themes for the nation.
- The national research activities have a scope and size similar to international activities, such as to favour their inclusion in networks of excellence, including for the purpose of better use of EU funds.
- The aggregation of institutions located in Italy and dedicated to research are to be supported to the extent to which they are capable of competing at an international level and of attracting the top skills from abroad.
- The strengthening and upgrade of infrastructures for the entire national research system is taking place not only in consideration of Italy's specific circumstances and priorities, but also in relation to the more significant initiatives developed at an EU and global level.
- The priority areas are to be defined also on the basis of a system for gathering data and analyses of the R&D skills and areas of excellence within the public and private system. The related instruments are described by the plan and where activated, allow for perfecting strategic decisions and the priority of actions during the course of the research.
- The National Research Programme's success is strictly dependent on the improvements of the methods for evaluating and financing the research activities, with the best practices existing at an international level to be adopted in this regard.

The principles listed will have priority and specific roles with reference to the use of the EU resources allocated to the areas of the southern Italy.

#### 4.5.4. Agency for Assessment of the University and Research System (ANVUR)

On 24 July 2009, the Council of Ministers approved the first draft of the rules for the structuring and running of the Agency for Assessment of the University and Research System (ANVUR).

The new agency will evaluate the quality of universities and research entities. The findings produced will be determinant for distribution of a part of the funds for the ordinary financing of universities and research entities that achieve the best results.



Compared with the framework set out by the preceding legislature, ANVUR is now given greater autonomy, with the chairman and selection committee who appoint the members of the executive council now nominated by the President of the Republic of Italy and no longer by the Government.

The new agency substitutes and combines two assessment committees: the CNVSU (which assesses universities) and the CIVR (which assesses research).

The ANVUR will assess:

- The efficiency and the effectiveness of the educational activity based on international qualitative standard, including with reference to levels of student knowledge and their entry into the business world;
- The structures of universities and research entities, the university courses, research doctorates, university master degree programmes, and specialisation schools;
- The quality and the results of the research projects;
- The acquisition of external financing, the activation of working relationship, and the exchange of researchers with public and private entities;
- The quality and the results of the research with the use of international criteria; the methodology of reference will thus be the peer review system.

ANVUR is also charged with other tasks, including:

- Preparing and submitting to the Minister the quantitative and qualitative requisites for institution of new universities or campuses, the activation of all university degree programmes, research doctorates, university master degree programmes and specialisation schools;
- Evaluating the results of programme accords and their contribution to the improvement of the overall quality of the university and research system;
- Evaluating the efficiency and the effectiveness of the public financing programmes and incentives for educational, research and innovation activities.
- Each year, the ANVUR will draw up a report on the status of the university and research system that will be presented to Minister and forwarded to the President of the Council of Ministers, Interdepartmental Committee for Economic Planning (CIPE) and Parliament.

The agency will be made up of a chairman, a management board, and a board of auditors. All of the officers will serve a term of office of four years and may not be reappointed. The management board will determine the agency's activity, and the assessment criteria and methods. The officers will be appointed by the President of the Republic of Italy, upon the proposal of the Minister on the basis of a list drawn up by a selection committee (whose members include the Minister, the general secretary of the OECD, the president of the Accademia dei Lincei, a representative of the European Research Council, and a representative of National Council of Students).

The Steering Committee for Assessment of Research (CIVR) and the National Committee for Assessment of the University System (CNVSU) will continue with their activity until ANVUR becomes operative. The CIVR in particular has embarked on the second year of a three-year assessment of research that will conclude in 2010. The results of the project will be considered in the merit-based award of 7 per cent of the ordinary financing funds to the universities.

#### 4.5.5. Merit-based award of 7 per cent of the Ordinary Financing Fund for universities

The measures for streamlining the university system include the first-time merit-based award of 7 per cent of the Ordinary Financing Fund, which is equal to €530 million. In addition, new parameters have been identified the qualitative assessment of teaching and research activity.

The Ministry of Education, Universities and Research has established a web site (<https://ateneo.cineca.it/ffo>) where universities can view the information in relation to the

indicators that contribute to the computation of 7 per cent of the Ordinary Financing Fund for 2009.

The indicators refer to the quality of scientific research (which accounts for 66 per cent of the percentage indicated above), and to the quality of educational programmes offered and the results of the educational processes (which account for the remaining 34 per cent).

The indicators employed for the quality of the research refer to:

- the CIVR's findings from the 2001-2003 three-year assessment project,
- projects of national interest for the 2005-2007 period that earned high marks,
- financing obtained by universities under the Fourth EU Framework Programme;

The indicators employed for teaching refer to:

- the ratio between the number of professors and the number of courses for the 2008-2009 academic year;
- the ratio between the number of students registered during the second year, having earned two-thirds of the required credits and the number of students registered during the preceding year;
- the ratio between the credits earned and the credits required;
- the ratio between the number of teachers for which the opinion of students has been requested and the total number of teachers for the 2007-2008 academic year;
- the percentages of 2004 graduates who are employed, as of three years from the date when they earned their degrees (as basis on a survey conducted by ISTAT).

#### 4.5.6. Technological districts

Italy had pursued the implementation of policy to support technological districts. Of a total of 373 projects presented overall in response to the initiative of the districts, 90 projects were admitted for total funding of more than €176 million. At the end of 2008, 76 proposals were at a preliminary stage, for a total cost requested of more than €147 million.

#### 4.5.7. Fund for Investment in Basic Research's tender for projects by young researchers

In December 2008, the Fund for Investment in Basic Research organised a call for bids from young researchers in relation to the "Future in Research" programme with total funding of €50 million.

The programme provides for engaging young researchers as national scientific coordinators or local unit managers in basic research products to run for at least three years.

With the completion of the reorganisation of the Ministries, it has been possible to embark on a series of important initiatives that are structurally significant for the nation's system of research and advanced education.

#### 4.5.8. University recruiting and crisis-containment provisions

Among its provisions, Law n. 102/2009 stipulates the exclusion of universities and research from the hiring freeze, an extension until 31 December 2010 of deadline for hiring personnel within research entities and universities with respect to the employment terminations occurring in 2008, and an extension to the National Committee for Assessment of the University System until the earlier of actual start-up of the ANVUR and 31 December 2009.

#### 4.5.9. European Research Area

Italy actively participates in all of the EU initiatives within the framework of the European Research Area.

Italy has contributed to designing and putting together new initiatives based on Articles 169 and 171 of the Maastricht Treaty.

With reference to the AAL and EUROSTARS programmes (promoted pursuant to Article 169), and the JTI ARTEMIS and ENIAC programmes, Italy first contributed to the success of the 2008 solicitations for bids by making available a budget of €25.5 million. In 2009, Italy increased its commitment elevating the budget to €34 million. The 33.3 per cent increase in absolute terms is important on its own, but is even more significant during the global economic crisis, and serves to underscore the nation's interest in the full realisation of the European Research Area.

Because of certain administrative difficulties, the financing of the Italian partners involved has been a difficult and long process. National laws will thus need to be revised in this regard so that they are full compatible with the needs of these new EU initiatives.

For the joint initiatives, Italy has strengthened its participation in various ERA-NET projects in process, and is actively committed to the creation of new projects. One example is an ERA-NET known as NET HERITAGE for the protection of tangible cultural heritage in which Italy has the leadership of the project through the Ministry for the Arts, and the leadership of a work package on the definition of strategic activity through the Ministry of Education, Universities and Research.

Italy has taken great interest in the Joint Programming Initiatives recently activated by the European Union. A working group has been established for identifying the strategically important themes for Italy and the Europe. The activities under way should lead to identification of three or four proposals for joint-planning themes to be discussed with other nations.

#### 4.5.10. European partnership for researchers

As part of the Senate's VII Commission, work is under way to study the European indications for guaranteeing better careers and mobility for researchers. The analysis covers four key areas proposed by the European Parliament for increasing competitiveness in terms of attracting, training and retaining top-quality talent: open orderly recruiting of researchers and individual transportability of grants; social security and supplemental welfare benefits for "mobile" researchers; improvement of the conditions in the workplace; and finally, improvement of the researchers' training, cross-sector skills and expertise.

The analysis in process is expected lead to the approval of a resolution in which the Government commits to following up on the action plan solicited by Europe at least by year end.

#### 4.5.11. Instruments for rural development projects

The National Strategic Plan on the subject emphasises the role of the transfer of innovation as a strategic development tool. This means promoting key actions for technological and/or an organisational innovation because they will innovate the framework within which they are applied or because they are related to projects for the cooperation for the development of new products, processes, and technologies in the farming, food and forestry sectors.

The additional financial resources for this challenge add up to approximately €491,000, including approximately €295,000 from the EU and €196,000 of national funding. The administered research entities (CRA, INEA) are also involved in the financing of the planning and development of the research and experimentation programmes as part of themes consistent with the scientific priorities of the National Research Programme and the planning documents of the Government, the regions and autonomous provinces.

During 2009, research projects have been activated in different sectors, focusing the attention on strategic sectors such as: vegetable and animal genetics, defence of

cultures, quality of the farming/food products, agro-environmental systems for the safeguarding and the sustainability of the farm and farm/forestry products.

The table below provides information on the selection procedures activated and completed during 2008/09 for the financing of the research projects.

In addition, in 2008, Italy participated in transnational research tenders regarding the defence of plant life (with particular reference to quarantined organisms and micro-organisms) for a total sum of €90 million. Another €100 million has been appropriated for 2009 for research referring to the same themes.

**Table 9. Selection procedures for the financing of the research projects**

REFERENCE LEGISLATION	SECTOR OF ACTIVITY	FINANCIAL RESOURCES PLANNED
2007 Budget Law	Nursery Gardening	5,000,000.00
2007 Budget Law	Bioenergy	15,000,000.00
Law 38/03	Biology	4,000,000.00
2006 Budget Law Paragraph 1074	(OIGA)* *see "young entrepreneurs in agriculture"	8,100,000.00
<b>TOTAL</b>		<b>24,000,000.00</b>

Source: Ministry of Education, University and Research

#### 4.5.12. Regional policy

Following the European Commission's approval of the 2007-2013 National Operating Programme for Research and Competitiveness (National Operating Programme R&C) for the Target Convergence regions (Campania, Apulia, Calabria and Sicily), the programme got under way in 2008. In making use of EU and national resources in the total amount of €6.2 billion, the programme specifies the ways and means with which the target regions can expand their capacities to produce and use quality research and innovation in order to trigger a process of long-term and sustainable development.

The essential activities for getting the National Operating Programme R&C started have been completed, and included the creation of a supervisory committee and a steering committee, the implementation formalities provided by the 2007-2013 National Strategic Framework, the signing by the Ministry of Education, Universities and Research (managing authority) and of the Ministry for Economic Development (intermediary) of an interministerial act for the management and implementation of the programme, the preparation of a communications plan, and the adoption of the plan for the assessment of the single regional policy.

Several initial strategic actions have also been undertaken with reference to certain operational objectives of the programme (e.g. Scientific-technological areas of strategic value, Measures aimed at the competitive repositioning of the productive system); these actions are consistent with the sector programmes (in particular, the National Research Programme) and have been undertaken in application of laws supporting research initiatives (Decree-Law 297/99) and re-industrialisation projects (Law n. 181/89). These efforts made it possible to put together a portfolio of 90 initiatives as of 31 December 2008, with the resources employed and the expenses in relation thereto set at €487 million and €76 million, respectively.

In 2008, the Ministry of Education, Universities and Research undertook activities in partnership with the regions, other ministries, businesses and unions in order to lay the foundation for actively designing and developing a multi-level governance system for the National Operating Programme R&C. Dialogue between institutions was also undertaken

in order to determine the priorities and needs within the Target Convergence regions, and measures in relation thereto. This led to the signing of a protocol of intent on 24 June 2009 by the Minister of the Education, Universities and Research and the presidents of the four regions. The protocol is aimed at defining the planned framework for the Summary Programme Agreements (APQ), which have been identified as the priority tools for the implementation of the National Operating Programme R&C.

On 31 July 2009, the first three APQs were signed with Calabria, Apulia, and Campania for the implementation of the measures spelled out in the National Operating Programme R&C, and on 8 October 2009, the APQ with Sicily was signed. The total funding involved in the APQ amounts to €3,232 million; the funding for the first three years comes to €1,600 million between EU resources (European Fund for Regional Development) and national resources (Revolving Fund). The funding will be assigned to projects headed by the Ministry of Education, Universities and Research, that are fully respondent to the operational objectives contemplated by the National Operating Programme R&C. The projects are focused on: supporting the regions' potential for industrial research and innovation in areas having scientific-technological strategic importance for the economy of the Target Convergence regions; promotion of public-private networks of excellence (public-private labs, high-technology districts); enhancement of superregional structures of excellence; and a group of integrated actions capable of leading to a meaningful exchange of scientific and technological knowledge between nation's southern and central/northern regions.

The current year has also seen the continuation of the commitment in relation to the closing procedures for projects covered by the 2000-2006 National Operating Programme for Scientific Research, Technological Development and Advanced Education. The project portfolio covers 2,350 initiatives (2,032 of which have been concluded), for expenditure of €2,093.2 million which amounts to 92.3 per cent of the total funding

The R&D projects in industry and in the strategic sectors of southern Italy involved over 1,100 businesses as beneficiaries and 188 research centres and/or universities that worked with businesses in preparing and carrying out the projects.

With reference to the efforts to open up and expand the scientific and advanced education system, it is noted that 42 new public entities were equipped with advanced broadband network structures. More than 30,000 researchers and technicians were surveyed through the 165 projects concluded, and more than 400,000 students were provided with state-of-the-art equipment.

With reference to projects for the development of top-quality human capital, advanced education programmes involved more than 34,000 students, while another 57,000 individuals were involved in university orientation programmes. The initiatives covered the supply of more than 47 million of hours of training and the assignment of approximately 6,600 study grants. In consideration of the strategic importance of research and innovation within the 2007-2013 National Strategic Framework and the urgent need for relaunching investments, the Department for Development and Economic Cohesion inaugurated an accompanying initiative for the purpose of improving planning policies and processes<sup>34</sup>. More specifically, efforts have been dedicated to several crucial aspects of the planning, including: the forecasting of procedures at various stages; a clearer, more transparent and objective prior assessment for the purpose of the application of the conditionality principle; and monitoring on the part of independent external bodies during the planning process.

#### 4.5.13. Regional action

The regional actions for developing research and reinforcing innovation potential can be divided into two groups: first, efforts to create and strengthen the ties between the productive system and the research world (university institutions and excellence centres); and second, initiatives to promote innovation and industrial research, technology transfer,

and pre-competitive development, that are able to have a positive impact on regional economic systems.

From this perspective, the Tuscany Region is taking steps to bring together tradition, innovation, excellence and sustainability within a network open to relationships with Europe and the rest of the world via a discerning use of culture, organisation and enabling technologies. The programmes range from healthcare to the environment, from economic development to technology transfer to agriculture, and are considered a priority within the regional development plan and the general integrated strategy plan.

Other regional initiatives worth mention include: the Marche Region's creation of an innovation portal ([www.marcheinnovazione.it](http://www.marcheinnovazione.it)) with the main objective of serving as a clearinghouse for the collection and dissemination of information about key aspects of research and innovation activity; the Emilia Romagna Region's recruitment of 700 temporary managers for innovation, who will work with local businesses in following projects entailing innovation, reorganisation and international expansion; Emilia Romagna has also activated regional programmes to support investments in technological innovation (SMEs), energy innovation (SMEs) and research, with €200 million of financing, and an extraordinary investment programme for research and experimentation in the farming sector. The Lombardy Region has activated numerous projects to support excellence, promoting advanced research centres with regard to key areas of the region's economy. Such facilities include the Centre for Biomedical Research, the Centre for Nanomedicine, and the signing of the Lombardy Region-National Institute of Health accord. The number of labs and research centres accredited by the Ministry of Education, Universities and Research for the Veneto Region went from 119 to 123 in 2009; in addition, considering the importance of the four universities in the region and Padua-based National Research Centre, the region has co-financed the promotion, development and enhancement of research facilities at those institutions.

The regions and autonomous provinces have emphasised policies to promote adjustment of the competitiveness conditions of the main regional production-distribution hubs through the integration of the programmes co-financed by the European Union for the 2007-2013 period and within a standard planning framework to be used for encouraging and sustaining the planning and execution of consistent, coordinated and integrated investments.

The regions are continuing to use districts and hubs for innovation, with respect to both traditional sectors of production (e.g. textiles, furniture), and recently developing sectors (design, aerospace, biotechnologies). For example, the Autonomous Province of Trento has a technological district operating in the energy and environmental sector; the Veneto Region has 44 district/metadistricts as of 2009; and the Latium Region has concentrated on the development of technological districts in the fields of aerospace, biosciences and culture. The Lombardy Region, which started in 2004 with four technological districts accredited by Ministry of Research in 2004 (biotechnologies, ICT, new materials and agricultural/food products, which was accredited in 2006), has given the preference to supporting "demand" for research, identifying priority issues to be resolved in the areas of healthcare, energy and environment, food and the manufacturing system; the region has organised a series of tenders to support of industrial research and experimental development projects, and it has become a party to institutional agreements for the planning and implementation of research and development programmes. The Tuscany Region has developed a regional integrated district, which promotes innovative policies that are closely linked to the national and European framework for industrial policies; with this initiative, the region is enhancing the value of local roots through selective and concentrated efforts, focusing significant attention on production-distribution policies, supporting the highly specialised local productive systems, and improving the capacity to attract investments as well as the growth and technological development of the businesses.

Another event worth mention is the creation of the aerospace industry metadistrict covering various productive structures and services. The metadistrict is a reflection of the joint intentions of the Campania, Lombardy, Piedmont and Apulia Regions together with Ministry for Economic Development and the Ministry of Education, Universities and Research. The commitment has been made for developing the most appropriate forms of coordination of support to industrial development, scientific research and technological innovation in the aerospace field within the regional territories having a traditional presence in the sector.

Conceived as instruments for coordinating the different players in the innovative process (aggregations of independent businesses including innovative start-ups, small, medium and large businesses, and research bodies) within specific sectors, innovation hubs have been especially promoted by the Piedmont Region (agricultural/food products, biotechnologies and biomedicine, sustainable chemicals, new materials, digital creativity and multimedia, hydrogen and sustainable architecture, renewable energy and biofuels, plant engineering, systems and components for renewable energy, renewable and mini-hydro energy, ICT, mechatronics and advanced production systems, textiles, small-/medium-sized retailers), and the Umbria Region (advanced mechanics, mechatronics, micro and nanotechnologies and special metallurgical materials).

The Apulia Region is promoting a process of reorienting the region's industrial system through projects to support transition from a model based on traditional production by small- and medium-sized firms that are sensitive to prices and international competition to a system based on knowledge, products and services with a greater innovative content turned out by more highly trained personnel and less exposed to the competition of emerging nations. This approach has entailed development of high-technology links via enhancement of the region's three technological districts (agricultural/food products, mechatronics, high technology and nanotechnologies) and the productive districts (especially those for energy and aerospace), and support to the interaction between the various players within the system. The preference has gone to the projects involving collaboration between EPR and businesses (strategic and exploration projects, public-private lab networks). In addition, the projects entailing reinforcement of technological transfer from the EPR to industry have also proven effective (Network of the Industrial Liaison Offices, Responsibility Centres); such projects have enhanced the value of the research findings already available (intellectual property and innovative, research-based spin-offs). The region has also awarded 18-month research grants to young university graduates who have carried out R&D programmes within businesses.

Similarly, certain regions and autonomous provinces have expanded innovative platforms (strategic projects on issues of regional or superregional interest) conceived as integrated, coordinated and standard vehicles for industrial research and experimental development. This has been the case for the Piedmont Region's platforms for biotechnology, agricultural/food products and information mobility, and the Valle d'Aosta Region's platforms for technologies for monitoring and safeguarding the region, renewable energy and energy savings, technologies for environmental protection and the restoration of ecosystems, and electronics, microelectronics, microrobotics and mechatronics. The Tuscany Region has planned and executed such activity within the 2007-2010 regional environmental action plan covering in four priority areas (climate change, nature, biodiversity and defence of the soil, environment and healthcare, sustainable use of natural resources, and waste management) within each of which priority objectives to be reached have been defined.

The regions and autonomous provinces have pursued their objectives and planned and executed the projects indicated by making available huge amounts of their own resources, (including via approval of specific regional strategic plans for research, technological development and innovation, as in the case of the Veneto Region which implemented its plan in December 2008), and through EU funding for 2007-2013.

With reference to the Funds for Underutilised Areas, even though many PAR have been approved by CIPE, a decree is still pending to free up the resources for use. As such, some regions have already arranged to provide resources in advance so as to allow for the start-up of the initiatives considered most urgent, with the preference going to those that provide an anti-cyclical stimulus (so as to sidestep some of the consequences of the financial crisis on the real economy).

With the intention of possibly drawing on EU funds for promoting business innovation, the Calabria Region conducted a tender for the creation of initiatives to spin off assets from universities and research centres and the creation of innovative micro businesses by recent university graduates and candidates for research doctorates, a tender for attracting innovative businesses from outside of the region, and two tenders for the planning and development of the company and inter-company innovation plans (integrated subsidy packages and investment contracts). With an accent on expanding use of ICT in businesses, Calabria also conducted a tender for the adoption of technological innovation by businesses, while Campania has embarked on three projects linked to the activation of digital service centres to support development and management of IT services within production/distribution chains and a "de minimis" tender for the organisational process/product innovation through information technologies. Apulia has started on a tender for expanding the use of ICT in SMEs. With the idea of consolidating and expanding use of digital contents for cultural purposes, Sardinia is promoting research projects for design and development of technological tools for the digital contents industry.

In attempting to stimulate research, Basilicata entered into a collaboration agreement with the AREA Science Park of Trieste covering the "Basilicata Innovation" project. The project will supply the Lucania territory with various services that favour product development and process innovation and create new businesses by extracting value from the results of the research. Basilicata is also promoting instructional research and experimental development as part of the Campus Research and Advanced Education Project. The Apulia Region has finalised a tender for the reinforcement of the region's scientific-technological potential in support of demand from businesses, and a call for bids that directly supports the activity of research by businesses. Calabria has published a tender covering activity to bolster the regional infrastructures of innovation hubs, and another as part of the Integrated Project for Regional Development of the Strategic Value of the Regional Innovation Network.

#### 4.6. *Infrastructures*

##### 4.6.1. The re-programming framework

With Decree-Law n. 112/2008, the Government ordered the re-programming of the 2007-2015 national resources of the Funds for Underutilised Areas (FAS), providing a fund as of 2009 for the financing of projects to upgrade national infrastructure networks of strategic importance. Such fund has tapped the FAS resources assigned by virtue of CIPE Resolution n. 166 of 21 December 2007 for implementation of the 2007-2013 National Strategic Framework.

The re-programming has affected the national FAS programmes not approved by CIPE prior to 31 May 2008, for a total amount of approximately €12.7 billion. The re-programming concerns in particular the programmes entitled "Networks and services for mobility" for southern Italy and "Infrastructures" for northern/central Italy for which the CIPE resolution dated 21 December 2007 had assigned a total of €4,848 million (€4,028 million and €820 million, respectively).

The total amount of the programmes revoked by Decree-Law n. 112/2008 was €4,848 million, broken down as follows:



Southern Italy "Networks and services for mobility"	€4,028 million
Central/northern Italy: "Infrastructures"	€820 million
TOTAL	€4,848 million

Decree-Law n.185/2008 confirmed the Government intention to earmark a part of the resources from the FAS for the planning and development of infrastructures.

With CIPE resolutions n. 112/2008 and n. 3/2009, resources amounting to €12,356 million were assigned to the Infrastructures Fund.

#### 4.6.2. Macroeconomic effects of investments in infrastructures

With the 2010-2014 DPEF, the Italian Government approved measures entailing approximately €30 billion of investments in infrastructures.

Italy is committed to approving projects by the end of 2009 that entail investment for about 80 per cent of that amount.

This will make it possible to open new construction sites for works with a value of roughly €14 billion. These works translate into GDP growth of around 2.3 per cent, and they also mean the maintenance of roughly 120,000 jobs in the construction business, with that total likely to rise to around 360,000 over the next two years. The logistics sector can expect to see a reduction of costs due to improvement of the quality of the services of transportation, with an improvement of the margin of competitiveness of the national industrial production.

#### 4.6.3. International activity

Agreements were signed in 2009 with EU and non-EU nations. The agreements between Italy and France were consummated with the joint declaration about the Turin-Lyon project, which entail the Tenda and Frejus road tunnels; another accord refers to the railway/highway through the Alps which will entails guidelines for managing the territory and sustainable transport (via promotion of the railway transport as a means of transport complementary to road transport).

The agreements between Italy, Austria and Germany include an accord for a tunnel at the base of the Brenner Pass which provides for the construction of a railway tunnel linking Innsbruck (Austria) and Fortezza (Italy) along the Berlin-Verona/Milan-Bologna-Naples-Messina-Palermo axis that represents Priority Project n.1 of the TEN-T Networks.

In May 2009, Italy, the Netherlands, Belgium, Germany, France and Switzerland signed a joint statement that obligates the signatory countries to the planning and development of the Priority Project 24 "Genoa-Rotterdam", within the framework of a renewed financial commitment from the European Union.

An agreement was also reached between the governments of Italy and Spain for determining the conditions for the design, development and management of the sea highway between the two countries so as to allow for reduction of road congestion, while also improving the efficiency of land/sea network that links the two countries' main ports and logistics hubs.

Italy and Slovenia are in the process of firming up an agreement to increase the capacity of the current railway Corridor V - EU Priority Project n. 6 - through the design and execution of a study and project for a railway link between Trieste and Divaccia. The agreement should also lead to actions aimed at developing accessibility through light-rail link for passenger transport around the border between the two countries.

With reference, instead, to bilateral relations with non-EU nations, and in particular, the nations bordering the Mediterranean Sea, agreements are in place with Egypt for the development of maritime relationships and collaboration for a study to analyse the feasibility of a Cairo-Alexandria high-speed railway line.

Agreements between Italy and Algeria are also expected to be signed before year end.

#### 4.6.4. Priority works plan

Considering the foregoing, on 26 June 2009, CIPE approved a resolution to acknowledge the priority works plan for 2009 to be financed through the infrastructure funding indicated above, with the total amount of investment coming to €7,596 million, including €6,381.6 million earmarked for works in southern Italy.

During the same meeting, CIPE rendered a favourable opinion on the 2009 update to the programme contract between the Ministry of Infrastructures and Transportation and ANAS S.p.A., which provides for investments in the amount of €1,144 million for works to be tendered in 2009 and a services plan for €269.8 million.

- TEN-T networks

The Ministry of Infrastructures and Transportation has begun monitoring the development of the TEN-T networks. This activity is part of an overall strategy, the most important parts of which are represented by procedures for activating resources appropriated in the National and Regional Operating Programmes of the 2007-2013 National Strategic Framework.

Key regulatory measures in this regard cover incentives for the changeover to rail transport for a portion of the freight currently transported by road (including in consideration of existing links between the multimodal hubs and spokes of the network present along the corridor) and the introduction of standard environmental monitoring along each TEN-T Corridor.

- Corridor 1 (Priority Project 1)

Corridor 1 (Berlin-Palermo) entails works for approximately €59 billion, including €27 billion for road works and €32 billion for railway works. Up until four years ago, a link had been planned between two logistics hubs: the intermodal hub of Verona and that of Munich. Today, the economic infrastructure extends to Palermo with a high degree of rail/road integration, thereby directly involving all of the partners in the areas concerned (local governments, railway companies, road companies, etc.).

The CIPE-approved works for Corridor 1 include the Verona hub, the quadrupling of the Fortezza-Verona railway line (the CIPE resolution has not yet received the registration stamp from by the State Audit Court), and the railway tunnel at the base of the Brenner Pass. The aggregate cost of the planned works is €38 billion, including €23 billion of works already completed. The works not yet completed are at an advanced planning stage.

- Corridor 5 (Priority Project 6)

Along the Corridor 5 (Lisbon-Kiev), CIPE ha approved works with a cost of approximately €38 billion (€10.8 billion for road works and €27.1 billion for railway works), inclusive €11 billion related to works already finalised or in process. The Milan-Verona and Verona-Padua high-speed rail links are among the works approved by CIPE.

- Corridor 24 (Priority Project 24)

Corridor 24 (Rotterdam-Genoa) has been dubbed "the two-seas corridor" as it links the North Sea and the Mediterranean. With the project, Genoa and Rotterdam can expect to become two large terminal hubs for a straight channel capable of maximising logistics processes. To date, the CIPE-approved railway projects entail a total value of €7 billion, and cover various initiatives, including the third high-speed rail line through the Giovi pass and the Voltri-Brignole link.

In addition to the work on the corridors cited above, Italy is involved in Corridor 8 (Bari-Varna) and the transeuropean sea highway project.

- Corridor 8

Corridor 8 was not classified as a main corridor of the TEN-T network inasmuch as it was crossing nations that were not yet part of the EU. Following Bulgaria's entry into the EU and in consideration of the EU Mediterranean project, Italy requested that Corridor 8 be included as part of the TEN-T network, and the European Commission is assessing the proposal as part of the update of the prior classification. Corridor 8 covers the road and rail infrastructures for east-west traffic across the Adriatic and port traffic related to the cities of Bari, Taranto and Brindisi. The projects entails a total cost of €5.9 billion, including €0.4 billion of projects already approved by CIPE.

The planning and execution of the works related to this corridor will be facilitated by the initiatives adopted by the Government for the implementation of the "Sea highway" project; the availability and use of the Ecobonus and the numerous infrastructures under construction backing up to the port areas will make it possible to lower the costs and the last-mile inefficiencies.

Table 9 presents a summary of the costs of the road and railway works for the Corridors 1, 5, 24 and 8 which involve Italy.

**Table 10. Corridors European – costs of the works which involve Italy (billions €)**

Corridor	Works	Total cost	Aggregate cost of planned works	Completed works
1 Berlino-Palermo	Road works	27,2	18,0	10,0
	Railway works	32,0	20,0	13,0
	<b>Road and railway works</b>	<b>59,2</b>	-	-
5 Lisbona - Kiev	Road works	10,8	-	-
	Railway works	27,1	7,2	4,2
	<b>Road and railway works</b>	<b>37,9</b>	-	-
24 Rotterdam - Genova	<b>Railway works</b>	<b>7,0</b>	-	-
8 Bari -Varna	<b>Road and railway works</b>	<b>5,9</b>	-	-

Source: Ministry of Infrastructures and Transportation

#### 4.6.5. The technological projects: Galileo, ERTMS

The TEN-T network projects are flanked by technological projects: GALILEO (PP15) and the related downstream activity (applications repercussions of interest for domestic businesses), the sea highway (PP 21), the European Rail Traffic Management System (ERTMS) and the Intelligent Traffic System (ITS). The technological projects entail aspects of managing air, maritime, road and railway transportation, and the responsibility for their development is thus vested with the Ministry of Infrastructures and Transportation.

In 2009, the European Union reached a critical phase in the design and development of the Galileo Satellite Programme. The programme incorporates strategic and economic aspects in relation to the opening of new commercial prospects and the development of innovative services.

With a sizeable investment of €310 million funded by Law n. 10/2001, Italy has demonstrated that it is not sidetracking from this major opportunity, even at this time of economic crisis. The programme has political/strategic, economic and operational prospects, and in view thereof, the Italian Government has refinanced the law with another €150 million in order to meet inevitable extra costs involved.

The Galileo Satellite Programme thus represents the largest European infrastructure project to date, a technological and political challenge that requires massive investment but that will also allow Europe to occupy an important position in the space industry, with significant benefits in terms of employment.

The intrinsic potential of the Galileo Programme and the other satellite programmes (Cosmos, Copernicus, Eumetsat and so forth) will no doubt allow for enjoying the "direct" products thereof as well as the related services which refer to the infrastructures and transportation sectors, with specific reference to maritime and land transport security, projects related to the control and monitoring of the infrastructures in synergy with the civil protection authorities.

A return of at least €50 billion for the EU is contemplated in no less than 10 years. This return covers economic and social benefits arising from the end markets for the applications: incremental revenues from sales of receivers and services, advantages for the use of the technology, savings on fuel and other resources, and increased security. More than 50 per cent of the benefits regards road transport and the services for mobility.

As to ERTMS, the European Commission has assigned a subsidy of €40 million to Italy (€7 million for Trenitalia's onboard systems and €33 million for RFI's infrastructure network systems). The funding to Italy is flanked by another €27 million assigned to various EU countries for horizontal projects (€21.04 million to Italy, Spain, France and Slovenia for the ERTMS Corridor "D" between Valencia, Lyon, Turin and Ljubjana, and €7 million to be split between all European countries).

The total EU subsidies assigned as part of the 2007-2013 TEN-T projects in relation to the Italian part of the TEN-T network was €1,180 million as of June 2009.

#### 4.6.6. The sea highway

During 2008 and 2009, the work mainly concerned development of the lines along the Tyrrhenian Sea (links with France and Spain and numerous national north/south lines).

There are nonetheless margins for important development with respect to the fortification of existing lines, the activation of other lines along the peninsula with the effect of reducing road network and by-passing severely critical situations (e.g. the growing bottlenecks along the Salerno-Reggio Calabria toll highway and the increasing congestion on the Livorno-Genoa-Ventimiglia toll highway).

Three stakeholders need to be actively involved in this development: the maritime shipping industry, which needs to invest major resources in the latest generation ro-ro ships; the port authorities who need to invest in special infrastructures (docks, parking, facilitated points of access, road linking the highway system) which will allow for rapid outflow of traffic; and finally, the road transport industry that should get significant support and incentives for using maritime routes.

In this regard, the Ecobonus is certainly an important incentive. Though the tool has thus far only been adopted by Italy, other EU nations are looking at it with increasing interest and acknowledging Italy as the model for best practice. Outlined by Law n. 265/2002, the Ecobonus uses financial resources (€241 million for 2007-2009) made available by the 2008 Budget Law.

The incentive is directed to all auto transport entities that use marine transport as an alternative to road transport; the objective is accordingly to provide incentives to auto transport companies to use maritime routes, so as to transfer an increasing percentage of freight transport from the roads to the more economical transport via sea. To date, RAM S.p.A. has almost completed the work referring to 2007 (for an estimated total of

subsidies of approximately €55 million) and was to start up work in September on the preliminary review of the applications referring to 2008.

The principal projects in the process of implementation refer to two quadrants of the Mediterranean. The "East Med Mos" project which concludes at year end with the design and development of an master plan is defining a plan for the sea highway in the eastern Mediterranean. Italy is working on the project with Greece, Cyprus, Malta and Slovenia, and it is the promoter and key partner through the MIT and RAM S.p.A.

The "West Med Corridors" project involves participation of France, Spain, Malta and Italy, with Italy being the coordinator nation through RAM S.p.A. The purpose is to plan and execute a series of studies and a master plan that will define and implement the sea highway for Western Mediterranean. The studies involve various points: definition of demand, selection of ports or port clusters, quality requisites for services necessary, priorities for activation of the new lines in the area, and assessment of incentives needed in relation to the corridors, with the objective of coming up with tender procedures for opening new lines.

Considering European financing policies and the additional national resources, the availability of targeted incentives (such as the Ecobonus) and the involvement of public and private stakeholders, it is not unthinkable to imagine the doubling of the current commercial traffic figure of 4.5 per cent along the sea highway in a matter of a few years.

- The laws of financing per the sea highway

With Laws n. 488/1999, n. 388/2000 and n. 166/2002, the State provided for the adoption and financing of a programme for the planning and execution of infrastructure works to expand and upgrade ports, to be carried out as part of the three-year planning by port authorities and special agencies, with a part of the funding to be earmarked for the design and construction of the sea highway:

Laws n. 488/1999 and n. 388/2000 appropriated total resources of €1,246,912,962.

Article 36 of Law n. 166/2002 authorised two 15-year commitment limits, the first in relation to €34 million for the year of 2003, and the second in relation to €64 million for the year of 2004.

The infrastructure works programme for Italian ports was approved in June 2004 and updated as of June 2008; the programme provides for the sharing of resources in the amount of €1,425,900,000. The table below shows the list of the main port authorities who have undertaken initiatives for the sea highway and related amounts.

**Table 11. List of main port authorities involved in sea highways**

Port Authority	Value of Initiatives
Ancona	63,059,387.38
Bari	8,709,040.56
Brindisi	8,072,746.00
Catania	108,470,963.89
Chioggia Special Agency	10,612,225.15
Civitavecchia	9,290,067.24
Leghorn	39,973,022.48
Messina	11,794,906.71
Monfalcone Special Agency	9,373,397.80
Naples	41,546,544.95
Palermo	23,396,774.17
Ravenna	32,651,547.17

Port Authority	Value of Initiatives
Salerno	147,979,745.04
Savona	16,342,865.00
Trieste	27,619,152.66
<b>TOTAL</b>	<b>558,892,386.20</b>

Source: Ministry of Infrastructures and Transportation

#### 4.6.7. Regional policy

As part of the 2007-2013 National Strategic Framework, the National Operating Programme for Networks and Mobility makes available €2.75 billion (50 per cent European Regional Development Fund and 50 per cent National Revolving Fund). The National Operating Programme is directed toward the Target Convergence regions (Campania, Calabria, Apulia and Sicily) and aims to contribute to enhancing the value of the nation's strategic position, through works to develop a logistics platform for links with the southern Mediterranean areas.

The Programme, approved with Decision C(2007) 6318 of 7 December 2007, defines the grid of the criteria for identifying the works on the basis of two distinct "Axes" reported in the table below.

**Table 12. 2007-2013 National Operating Programme - Transportation– Strategic aspects**

Axis I	Axis II
Development of the nodal transportation and logistics infrastructures	Enhancement of connections between local systems and higher infrastructural system.
<b>I.1</b> Promotion of the logistics system with reference to European priority projects 1 "Berlin-Brenner-Palermo" and 21 "Sea Highway";	<b>II.1</b> Strengthening of the connections within the logistics system and between the system and productive hubs;
<b>I.2</b> Enhancement of the logistics junctions complementary to the main system for development of the intermodal transport;	<b>II.2</b> Improvement of the quality of the supply of transportation services.
<b>I.3</b> Creation of a technological and information system oriented toward inter-operability in order to improve service quality and the quality of security;	
<b>I.4</b> Support and incentives to the demand of the private-sector market participants.	

Source: Ministry of Infrastructures and Transportation

In order to further sustainable transport and thus the modal rebalancing, the National Operating Programme has set aside no less than 70 per cent of the resources to sustainable transport means (railway and maritime), and a maximum of 30 per cent to air transport means (freight only) and roads. Considering the works provided by the National Operating Programme in response to the objectives set by the Lisbon Strategy correspond to 81 per cent of the financing made available, the National Operating Programme for Networks and Mobility contributes significantly to the implementation of the Lisbon Strategy. Consistent with the provisions of prevailing EU regulations governing the use of the European structural funds, the entire amount of resources available must be spent by 2015 and the completed works must be in operation in the two years thereafter.

The main areas of work are reviewed below.

- Railway system

The National Operating Programme aims to reinforce logistics shell for the Mediterranean and to strengthen the ties between the principal European infrastructures (Corridors 1 and 21) and national infrastructures, so as to enhance competitiveness conditions and the capacity to use the logistics system, with the Target Convergence areas having a strategic role.

The principal actions promoted by the Programme focus on:

- removing bottlenecks (e.g. through the design and construction of bypasses);
- adjusting tracts of Corridor 1 in order to obtain standard characteristics with respect to clearance, weight per axle, train length for freight transport;
- speeding up freight traffic, so as to achieve functional circulation, increased margins of security, more fluid circulation and increased haulable weight;
- renewing the fleet of rolling stock.

With a view toward making a stronger link between the core logistics system and the local hubs, the Programme also contemplates the design and construction/adjustment of the railway links between Corridor 1 and the port system of Corridor 21 and the link between such strategic axes and the main nodal logistics infrastructures of the Target Convergence areas (ports, airports, rail/road distribution hubs, main railway stations), thereby promoting the increase of the extent of the connection and synergistic collaboration between the principal logistics and productive junctions.

The National Operating Programme allocates resources of approximately €1.6 billion to the railway sector, with most of the work being carried out through major projects. The projects regarding Corridor 1 are: the "New Naples-Bari high-speed train line: modification of Cancellò-Naples line" and "Adjustment of the Battipaglia-Reggio Calabria railway line, running alongside the Tyrrhenian Sea" and "Palermo railway junction"; the projects in support of Corridor 21 are: "Bari railway junction" and "Enhancement of Gioia Tauro-Taranto railway line".

- Port system

The National Operating Programme has placed the priority in the port sector on support to the development of the nodal infrastructures that will service the sea highway, through actions to execute and/or expand works in the individual ports and to adjust the network of cabotage terminals. Such actions are accompanied by completion, consolidation and security measures, with particular reference to the main transshipment hubs located in the Target Convergence areas.

From a strategic perspective, Italy's Mediterranean ports are considered pivotal for many transnational trade shipment routes. The planning of the port works to be financed through the National Operating Programme Networks is thus fully consistent with this perspective. The principal objective is to pursue the following results:

- securing a central position in trade flows through the Mediterranean, through enhancing the value of the ports of Gioia Tauro, Taranto and Augusta so as to intercept transoceanic freight traffic;
- supporting the process of penetrating intercontinental traffic in Europe through the Italian ports located along the Adriatic, with a particular focus on the Apulian port of Brindisi;
- strengthening trade and cooperation with the EU nations in the Mediterranean area and intensifying the sea-highway links.

The Programme spells out other measures for the port sector, providing a total investment of approximately €500 million for the ports of Salerno, Naples and Messina, which are also considered junctions vital to Mediterranean routes. In the case of the ports

which are also included in projects developed within the context of Regional Operating Programmes, the National Operating Programme will step in (consistent with the tone of the specific objective 6.1.1 of the National Strategic Framework) with measures oriented toward the upgrade of port infrastructures and the strengthening of the links between these ports and national networks.

- Airport system

The National Operating Programme for Networks and Mobility promotes the development of the cargo service, with the specific objective of strengthening logistics hubs complementary to the principal system for further growth of intermodal transport. The initiatives include:

- improvement of roads to and from airports and reinforcement of airport infrastructures dedicated to freight traffic (taxi ways, landing strips, aircraft parking space, etc.);
- reinforcement, expansion and restructuring of airport infrastructures with specific reference to making them better equipped to handle and expand freight traffic;
- increase of the quality of the services offered to shippers and logistics service providers.

The Programme also earmarks financing of approximately €82 million for the airport sector, and specifically planned works at main airports within the Target Convergence areas, namely, Palermo, Naples, Brindisi and Taranto.

- Road system

The Programme provides the financing of measures to guarantee adequate road and highway links to the main logistics hubs (Corridors 1 and 21), to develop road links between the main logistics hubs and local logistics-productive hubs in order to put an end to critical functional conditions (degree of saturation) and to ensure greater levels of security for the road and highway network (levels of potential danger), including in relation to the development of the combined rail/road transport.

The National Operating Programme earmarks financing of approximately €560 million for the road sector, funding projects such as the SS 106 mega lot 4 - SA-RC link (Firmo) - SS106 (Sibari).

- Multimodal transport and intelligent transport systems

The programme has set aside roughly €63 million to finance a series of actions aimed at developing and harmonising the network of the intermodal infrastructures located in Target Convergence areas through the design and construction, enhancement or completion of rail/road distribution hubs and rail/road interchange centres, with the objective of strengthening the logistics hubs complementary to the main system.

In addition, in order to support and stimulate demand from private companies in the logistics sector, the National Operating Programme provides forms of aid for the design and construction of logistics infrastructures and related instrumental devices, with reference to important superregional logistics hubs.

At the same time, the Programme allocates financing of approximately €82 million to promoting development of the intelligent transport systems with a view toward creating a technological and information system oriented toward inter-operability, so as to improve the quality of the transport services offered, the security standards and operating practices. This funding spans across all areas of transport covered by the Programme.



#### 4.6.8. Negotiated planning

The Summary Programme Agreements (APQ) signed by the Ministry of Infrastructures and Transportation are the tools used for implementing projects in the mobility sectors (roads, railroads, airports, ports, rail/road distribution hubs) and in urban renewal.

The APQs delineate the projects to be realised through the use of national and regional resources earmarked for territorial development (Law n. 662/1996, Article 2, Paragraph 203).

The signatories to the APQs are the ministries, the regions and the autonomous provinces as well as the companies and entities that actually operate the infrastructures in the national territory (for example, ANAS, RFI, ENAC, ENAV, port authorities). The parties responsible for implementing the projects include not only the signatories to the APQs, but also local entities, other public-sector bodies, and in some cases, private-sector concerns.

From 1999 to 2009, the Ministry of Infrastructures and Transportation signed 202 APQs with respect to the sectors for which it is responsible; the APQs refer to total funding of €47 billion, including €7.7 billion to be charged to the resources of the Funds for Underutilised Areas (FAS).

During 2009, a preliminary review was made of the planned APQ to be signed with reference to the integrated system of transport infrastructures for the Calabria Region, whose funding amounts to €6.8 million. A preliminary review was also conducted with respect to the re-programming of 31 APQs signed in prior years, whose total resources amount to approximately €207 million.

#### 4.6.9. Regional action

Through strategic policies and operating programmes, the regions and autonomous provinces have addressed the strengthening and requalification of the existing infrastructure system and the services in relation thereto. Undertaken for the benefit of the productive system and the public at large, these initiatives represent not only a conditioning factor for balanced and sustainable development, but also a strategic element for improving the competitiveness of the system.

The planning and implementation of the single regional policy make it possible for the central/northern regions and autonomous provinces to include transport projects within their PAR which (i) are smaller in size and require less financing than those planned for the Target Convergence areas, and (ii) even though they are urgent, may not be funded by the European Regional Development Fund.

The projects provided in the Axes and spelled out in the ROP European Regional Development Fund and those in the PARs as an addition or alternative thereto are all focused on strengthening highway and railway networks via expansion, upgrade, adjustment of existing tracts and construction and completion of new tracts.

With reference to the highway system, the Piedmont Region teamed up with ANAS to set up a public/private concessionaire company, CAP – Concessioni Autostradali Piemontesi S.p.A., that will be charged with planning and carrying out works to round out the highway network in Piedmont. Five infrastructures have already been identified, with particular reference to the Biella-A4 and Biella A26 link, and the east Turin ring road. The initiative will start off with the planning of a feasibility study that will be followed by the search for a financial promoter for the project's completion.

Instead, with regard to the railway system, the Valle d'Aosta Region and the Piedmont Region signed an inter-regional APQ in April 2008 to finance additional improvements to the Aosta/Ivrea railway line. The accord also calls for further work on Aosta/Chivasso and Aosta/Pré-Saint-Didier rail lines in relation to projects initiated under prior APQs, so as to improve connections with Piedmont. As part of the implementation of the Territorial Strategic Plan, the Umbria Region has two APQs covering upgrades to three railway lines: Orte-Falconara; Foligno-Terontola; and the central Umbrian railroad.

Special effort has also gone into the process of deregulating rail transportation in Piedmont. The region is aiming to introduce more competition in the market so as to obtain better service quality, particularly with regard to commuter services. The tender procedures slated to get under way in September 2009 will be managed by a regional purchasing company, and will cover the various lots, such as the metropolitan lot, northeast Piedmont, southwest Piedmont, southeast Piedmont, and a service linking the main cities of the provinces within the region.

Many regions and autonomous provinces have set the objective of stimulating growth and development, enhancing the value of the business system and, in particular, the transportation/logistics sector, through the design and construction of infrastructures functional to increasing the competitiveness of the sector (a strategic growth element for the Italy's economy). Examples of the considerable commitments made in this regard can be seen in the Abruzzo Region, whose Regional Development Programme has emphasised the intermodal network as a key tool in modernising the regional transport system. The Umbria Region is planning work at the Port of Ancona so as to ensure efficient and economic loading and unloading services, with a view toward handling more volume of intermodal freight; the region has also planned the design and development of three logistics platforms near the cities of Castello, Terni and Foligno, and works at the Jesi rail/road distribution hub, which is a major hub for the east coast of Italy. The last initiative was undertaken on the basis of a regional administrative act, and is expected to take on a strategic role within the framework of the national and international transport networks.

Many regions and autonomous provinces have set the operating objective of promoting sustainable mobility through the design and development of clean and sustainable local public transport in principal urban areas. The intention is to favour the adoption of eco-compatible public transport systems able to contribute to reducing atmospheric and acoustic pollution and energy consumption. In the Umbria Region, for example, the City of Perugia has designed and developed a sustainable mobility system ("minimetro" electric-powered cable transport), the first of its kind in Europe. In implementing European, national and regional norms for local public transport, the Piedmont Region has developed a framework for outsourcing local public bus transportation, thereby initiating a new type of public transit service; the objective is to safeguard the interests of the public and to promote service quality, while also taking care of protecting the interests of workers in the transport sector.

With a view toward responding to commuters' needs and eliminating rail service inefficiencies, a new company, Spa Trenitalia - Le NORD, has been set up in order to carry out investments for upgrading rolling stock and making it more secure, to plan and develop the integrated operation of the RFI and Ferrovie Nord lines around Milan, and to continue with the planning and execution of the infrastructure works in the greater Milan area. In addition to the €267 million budgeted to the Italian State Railways and the €76.9 million budgeted to Le Ferrovie Nord, the Lombardy Region will spend €40 million of its own funds in 2009-2010 for the creation of new services and enhancements to existing services.

#### 4.6.10. Irrigation infrastructures

The Italian State approved the National Irrigation Plan through CIPE resolution n. 74 of 27 May 2005.

The National Irrigation Plan provides for total investments of around €1,122.4 million, including €770.0 million for the initiatives headed up by central/northern regions and €352.4 million for those headed by the southern regions.

Most of the present projects refer to structural and technological adjustment of the irrigation networks; other works refer to the completion of schemes and some new initiatives, designed to improve resource management through interconnections. In any

event, the improvements and the planning and execution of new works do not entail any increase of the irrigated surfaces at a national level.

Infrastructure and irrigation initiatives implemented in 2009 covered resources of €84,228,000 as shown in the summary table reported below.

**Table 13. Infrastructure and irrigation projects (values in € 000's)**

LAW	TYPE OF PROJECT	PURPOSE	AMOUNT SETTLED IN 2009
L135(1997) L140(1992)	Adjustment and restructuring works already completed	Irrigation improvement works	37,14
L350(2003) L388(2000) L178(2002)	Completion of works started up	Completion of irrigation works	27,95
	Planning and development new initiatives	Planning and development of irrigation systems	19,15
<b>TOTAL</b>			<b>84,23</b>

Source: Ministry of Infrastructures and Transportation

In addition, by virtue of a decree drawn up in concert with the Ministry of the Economy and Finance on 18 February 2008, concessions were awarded for additional projects for the adjustment, restructuring and completion of the works already developed, with commitment of expenditure of €4.578,000 for which no payments have been made in 2009.

#### 4.7. *Broadband*

##### 4.7.1. Italy 20mb/s project

During 2009, the Italian Government continued to pursue its commitment to broadband with decision and resolve. The activity this year is a follow-up to the project delineated in 2008. The digital divide in Italy is a problem that must be urgently resolved because it affects some 13 per cent of the population, namely, 7.8 million Italians who do not have an Internet connection or whose Internet connection is insufficient (below 640 kb/s). For this reason, the Government has detailed a project for planning and developing a broadband electronic communications network to run at 20mb/s nationwide.

**Table 14. Detail of human resources and initiatives for Italy 20 mb/s**

Planned Investments (in € mn)	No. Engineers	No. Technicians and Assistants	No. of Specialists / Qualified Manual Labourers	No. of Regular Manual Labourers	No. of Clerical Staff
€1,471	4267	11,189	13,073	15,185	6,008

Total human resources involved in project over four years **49,772**

PROJECTS	LAYING OF OPTIC FIBRE	WIRELESS SYSTEMS	EXTERNAL COMPONENTS	PLANT ENGINEERING	TOTAL
	5,145	5,994	9,642	12,286	33,067

Source: Ministry of Infrastructures and Transportation

The ambitious project whose value totals €1,471 million will be financed from public resources now being examined by Interdepartmental Committee for Economic Planning (CIPE). It is expected that the project will be allocated €800 million as approved with Law 69 of 2009 to be charged to the Funds for Underutilised Areas. With this magnitude of resources, it will be possible to attract private investments. The resources will be disbursed via project-financing mechanisms after public tenders for open networks to supply advanced communications services across the nation. The design and development of the project entails over 33,000 different projects which will have benefits for all of small suppliers involved.

The appropriation is added to the amounts provided by "Programme for broadband infrastructure coverage" coordinated by the Communications Department of the Ministry of Economic Development, and implemented by the company, Infratel Italia, through Regional Programme Accords. Given the close coordination between the Government and the regions, it will be possible to obtain economies of scale and more streamlined operation and to make better final decisions about objectives across the territory, thereby making it possible to get beyond many of the problems that have hindered the development of the nation's network to date.

The Italy 20 mb/s project can also count on another €160 million, 60 per cent of which are to be derived from EU resources for rural development (European Economic Recovery Plan) and 40 per cent from the Ministry of the Economy and Finance, as illustrated in the next section. The funding reflects the conviction of both the European Commission and the Italian State that design and construction of the broadband infrastructures in all areas of a nation represents an essential condition for socio-economic development, particularly during times of crisis.

The sourcing of these funds is being coordinated by the Ministry for Farming and Forestry Policies and the Communications Department of the Ministry of Economic Development, the latter of which will also handle implementation via its company, Infratel Italia S.p.A.

#### 4.7.2. Rural development, broadband and European Economic Recovery Plan

Using extraordinary funds related to the European Economic Recovery Plan, Italy has reinforced the planning of initiatives to support ICT in rural areas, with a special emphasis on getting beyond the digital divide in rural areas. Italy is thus pursuing the European objective achieving fast Internet connections for 100 per cent of the territory by 2010.

Thus, with regard to this strategic priority, the new version of the 2007-2013 National Strategic Plan promotes not only actions to support ICT demand, but also a public project to activate broadband service in rural areas with greater development difficulties or where areas where there have been market failures, in other words, where broadband service for businesses and citizens do not exist or are not sufficiently widespread, and where the market would not supply the infrastructures without state intervention. The project expects to leverage the dissemination of ICT so as to improve the competitiveness of the business system and to overcome isolating the population by facilitating access at increasingly essential electronic services.

Shared with all of the regions, the project has been designed to complement with the national plan to get rid of the digital divide, in order to accelerate the extension and upgrade of the broadband network and to ensure effective enactment of all ICT-related actions in the 2007-2013 Regional Strategic Plans that have not yet been included in a standard group of initiatives.

The additional financial resources for this challenge add up to approximately €160 million, including about €96 million from the EU and €64 million of national co-financing.

#### 4.7.3. Digital television

By 2012, all television programmes transmitted in Italy will occur exclusively through the use of digital technology. The changeover to digital technology is occurring according to a national calendar approved with ministerial decree dated 10 September 2008. Following the successful transition to digital in Sardinia in 2008, the changeover to the new technology was made in 2009 in the following areas: Valle d'Aosta, Trentino and the western part of Piedmont. Other areas slated to convert this year are Alto Adige, Latium and Campania.

The transition plan will continue, ensuring broadcasting continuity in the different areas and a balanced process of change between the nation's northern, central and southern areas.

The technical solution adopted (SFN – Single Frequency Network) paired with planning and pre-selected assignment procedures will allow for maximising the spectrum of radio frequencies, and will open the sector to new players, from an information-sharing perspective.

#### 4.8. *Transition toward an eco-efficient economy*

The recent economic crisis has highlighted the role of environmental policies not only for reducing pressure on the environment and combating environmental degradation, but also for reinforcing competitiveness and creating new jobs, thus laying the foundation for the changeover for a CO<sub>2</sub>-emissions-based economy to an economy that makes efficient use of resources.

As pointed out in Chapter 3, the Government has adopted "green" measures in a manner conforming to the European Economic Recovery Plan, and has done so through two crisis-containment decrees which:

- have affirmed for 2009 and 2010 initiatives to support consumption with a low environmental impact; the initiatives are beneficial for numerous sectors, first and foremost, the construction sector [confirmation of tax deduction (55 per cent) for energy requalification initiatives], and then, household appliances, plant engineering, automation and energy;
- have extended tax incentives to home renovation, including the purchase of furnishings and highly energy efficient household appliances (refrigerators, stoves, washing machines, dishwashers, televisions, etc.) with a possible deduction of 20 per cent of the expenses sustained up to maximum of €10,000;
- have renewed and reinforced the incentives for scrapping auto vehicles, and for purchasing vehicles with a low environmental impact and low CO<sub>2</sub> emissions;
- have set aside €11 million for extraordinary funding for the installation of devices to lower gas exhaust particle emissions for certain types of vehicles belonging to the local public transport networks.

Moreover, subsidies for renewable energy, energy efficiency, and construction were already in place in Italy even before the adoption of the crisis-containment packages, and the "green" measures thus reflect the continuity of the Government's efforts, over and above the modest technical changes and changes in priority.

##### 4.8.1. The measures in relation to the Kyoto objectives

In line with the European Council indications aimed at both encouraging the "transition toward a low-CO<sub>2</sub> emissions-based economy and reinforcing long-term growth potential", a process has begun for the updating of CIPE Resolutions 123/2002 and 135/2007 setting out the "national strategy for the achievement of the Kyoto objectives".

The institutional framework of reference has been made stronger through the revival of the interministerial committee (GHG Emissions Technical Committee<sup>35</sup>), instituted with CIPE Resolution 123/2002. The committee is vested with the responsibility of monitoring the trend of GHG emissions, the status of implementation of the measures for their

reduction and the identification of "additional measures" to be activated with respect to the Kyoto objective.

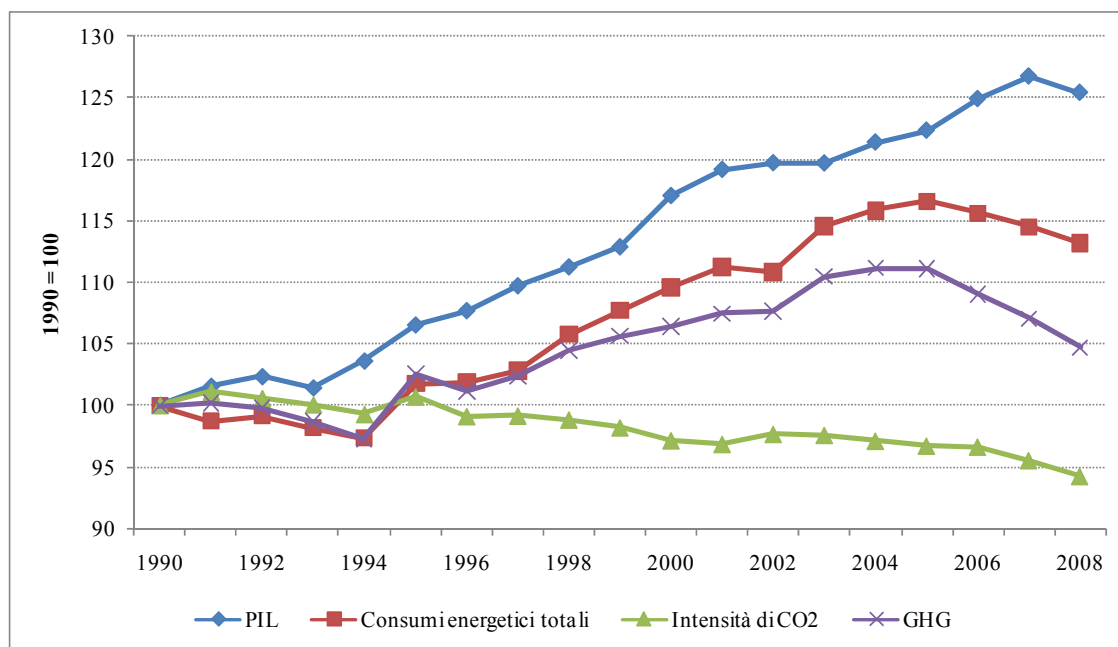
On 8 May 2009, CIPE approved Resolution n. 16 which revives the executive committee and supplements it with two additional members of the Presidency of the Council of Ministers (one from the Department for the Planning and Coordination of Economic Policy who will serve as vice chairman and one from the Department for the Coordination of EU Policies).

In terms of monitoring of the trend of emissions, the preparation of a national inventory of GHG emissions has been assured. The inventory will be sent to all EU institutions and to the UN Secretary for the Framework Convention on Climate Change. Italy is also preparing the Climate Policy Progress Report to be sent to the EU Commission; the report contains updated information about emission scenarios and the status of implementation of the policies and measures for reducing GHG emissions.

The progress made in the continuing decarbonisation of the nation's economy is summarised in Chart 1. In 2008, total GHG emissions were 4.7 per cent higher than 1990 levels (against a 7.1 per cent increase reported as of 2007 and a 9.0 per cent increase as of 2006). The reduction in the rate of the growth also reflects to a large extent the effects of the current economic crisis.

Though scaling back the appropriations to reconcile the environmental protection objective with the objective of relaunching the economy, the 2009 Budget Law has essentially reaffirmed the measures outlined in the 2007 and 2008 Budget Laws in terms of provisions to intensify the efforts for reaching the Kyoto objective. The more important measures include a €600 million appropriation for the revolving fund to finance the initiatives for the implementation of the Kyoto Protocol (Kyoto Fund) (to be charged to the budget of the Ministry for the Environment and Territory).

Chart 3. Progress in the decarbonisation of Italy's economy



Source: Ministry of Environment and Territory

With the publication of the implementation decree dated 25 November 2008 in the Official Gazette of the Republic of Italy on 21 April 2009, the Kyoto Fund became operational with respect to 2007.

This fund will make subsidised financing available for projects in the areas of diffused microgeneration, renewable energy, substitution of electrical industrial engines, final applications, nitrogen protoxide, research, and sustainable forestry management.

This is an important instrument of economic policy aimed at the development and more widespread adoption of environmentally compatible actions and an occasion for technological innovation. The subsidised financing is expected to be used for investments of around €3 million.

In addition to the aforementioned fund, two other funds (Fund for Sustainable Mobility and Fund for Sustainable Development) were made operational under the 2007 Budget Law for allocating new resources to sectors deemed strategic for achieving the objectives of reducing GHG emissions and improving air quality, mobility and sustainable development.

With reference to the 2007-2009 Fund for Sustainable Mobility, the Ministry for the Environment and Protection of the Territory and the Sea set up a co-financing programme for sustainable mobility addressed to local entities, making available €239 million. The programme's implementation will take place through specific tenders and programme accords. During the years of 2007 and 2009, programme accords were finalised with 14 major cities.

The resources of the same fund were also tapped in 2009 for refinancing a programme accord between the Ministry for the Environment and Protection of the Territory and the Sea and trade association covering the payment of incentives for bicycles, and ecological motorcycles and motor scooters. Two distinct incentive campaigns have been undertaken for €8.7 million and €14 million, respectively.

With the adoption of the interministerial decree of 16 January 2008, the Fund for Sustainable Development established with the 2007 Budget Law became operational with respect to 2007. The Ministry for the Environment and Protection of the Territory and the Sea draws on this fund for the further development a series of initiatives already under way. Such initiatives refer to European and international programmes of scientific research, development and technological transfer with respect to climate change, and the definition and more broad-based adoption of good practices for local sustainability.

More specifically, the funding has been used for strengthening technological research and development programmes inaugurated by European Topic Centre on Air and Climate Change.

The Ministry for the Environment and Protection of the Territory and the Sea has also continued pursuing effort focused on energy savings, the expansion the use of the renewable energies, and sustainable mobility. These activities are planned and carried out through the issuance, management and monitoring of the tenders, programme accords and conventions outlined in the 2008-2010 National Reform Plan, which were ongoing in 2009. The status of implementation of the main tenders is outlined below; the total appropriations are in parentheses:

- SMEs - Incentives for renewable sources (€26 million): some 260 projects are being co-finance with this programme.
- Solar energy for public entities (€12,3 million): the tender refers to the design and installation of more than 400 solar thermal energy plants (more than 22,000 square metres of solar collector surface) equal to 15,000 KWth for possible energy production of 17 million KWh/year, thanks to which it will be possible to avoid emitting approximately 23,000 tons of CO<sub>2</sub> the year.
- Solar power in schools (€9.7 million): As a result of the financing of the first tender, it will be possible to design and install 485 photovoltaic plans for roughly 1300 KWp, for possible annual production of 1,600 KWh for an expected reduction of CO<sub>2</sub> of 800 tons/year. A decree authorising the financing of another 500 plants is near publication.
- Photovoltaic technology in architecture (€3.6 million): Of 64 applications submitted, some 48 have been approved for co-financing. The equipment installed at the 48 local entities participating in the programme will result in roughly 900 KW of photovoltaic applications for possible annual production of 1,100,000 KWh thanks to which it will be possible to avoid emitting approximately 600 tons of CO<sub>2</sub> the year.

- Solar power in Italian prisons (€0.8 million): The programme is leading to the installation of 5,000 square meters of solar collector surface in 15 prisons; the labour force for the installation consists of prisoners who have participated in a training course about the installation and maintenance of solar energy plants.
- Audit (electricity distribution companies and ESCO) (€1.5 million): The programme refers to capital subsidies for financing energy analysis for definition of potential energy savings in the services sector and the government. Some 89 projects presented by 26 applicants have been admitted to co-financing.
- Protected natural areas (€2.0 million): The programme covers capital subsidies for initiatives with reference to renewable sources, energy savings and sustainable mobility in protected natural areas. The technical assessment commission is examining 56 applications presented by 51 entities.
- Small islands (€3.5 million): The programme covers capital subsidies for initiatives with reference to renewable sources, energy savings and sustainable mobility for the nation's smaller islands. The technical assessment commission is examining 14 applications presented by 13 entities.
- Research tender (€10 million): The tender covers the co-financing of up to 50 per cent of the costs for studies and research with reference to the environment and renewable energy sources to be used for public transport and improving environmental quality in cities. The technical assessment commission is examining the more than 150 projects submitted.

Considering the significant number of projects presented with regard to various tenders (Solar energy for public entities, Protected natural areas, Small islands and research), the financing of those areas is to be increased through committing part of the resources to be charged to the fund for promotion of renewable energy sources, energy efficiency and production of thermodynamic solar energy (set up under the 2008 Budget Law, Article 2, Paragraph 321, with current funding of €31 million). It is also expected that fund will be tapped in relation to programme accords with the nation's southern regions for the purpose of designing and building thermodynamic solar energy plants.

Finally, various information, communications and public-awareness campaigns are noted. In October 2008, a communications campaign known as "Solar Cities" was planned and staged in Rome; the campaign is to be extended to other Italian cities, and entails the installation of two stands with images and information for educating the public about renewable energies.

With reference to good practices, Italy has implemented the "Sustainable Energy Europe" (SEE) conceived by the European Commission in 2005. The campaign has entailed the activation of partnerships (to date, 103) to ensure active involvement of stakeholders for the promoting sustainable use of the energy.

The campaign, coordinated by the Ministry for the Environment and Protection of the Territory and the Sea, promotes more intelligent use of energy through implementation of specific projects in five macro-areas:

1. Energetically sustainable community - promotion of projects in communities that are state of the art in every field of production or use of sustainable energy so as to enhance their value and to encourage the adoption of similar practices in other European regions;
2. Market transformation - promotion of products and technologies for energy efficiency and disclosures aimed at informing the public and orienting market toward products with a life cycle having a low environmental impact;
3. Promotion, communications and training - creation of a communications and cooperation network to support the exchange between different market participants (local entities, regions, industrial sector, including SMEs, research sector) of expertise gained through projects completed or in process across Europe;
4. Demos and dissemination - activity of expanding know-how for the sustainable use of energy;



5. Cooperation projects - in line with the global strategy for sustainable development sustainable (WSSD), incentives for projects of cooperation with developing countries.

The more than 100 partnerships set up between public- and private-sector parties in Italy represent a success in Europe, and reflect the high quality of the proposals presented.

As part of the SEE campaign, the Ministry for the Environment and Protection of the Territory and the Sea is acting as the coordinator for the initiative launched by the European Commission in 2008 (The Pact of European Mayors) so as to get cities committed to achieving and even surpassing the 2020 objectives for reduction of CO<sub>2</sub> emissions. At present, more than 80 Italian cities have made a commitment to The Pact of European Mayors, approving special resolutions through their city councils.

The Government has put in place other energy policies and measures significant for reduction of GHG emissions. With the enactment of Law n. 99/2009, the Government's focus has shifted from emergency measures to contain the crisis to structural reforms for helping the nation and the productive system emerge from difficult circumstances, by setting in motion processes of competitiveness, modernisation and efficiency.

This legislation provides for: the return to nuclear energy; additional incentives for production of wind energy (with particular reference off-shore plants) and biomass energy; measures for the efficiency of the energy sector; and measures for the simplification of the design and construction of energy infrastructures. Measures have also been introduced to streamline the installation and operation of micro co-generation and small combined-cycle plants as defined in Article 2, Paragraph 1 of Decree Law n. 20/2007.

With reference to energy production from alternative sources, the provisions in Article 1, Paragraph 240 of the 2008 Budget Law have been confirmed (provisions regarding tax relief for biomass-powered or geothermic heating networks). In addition, the decree of the Ministry of Economic Development of 18 December 2008 as part of the implementation of the 2008 Budget Law introduced changes to the procedures for providing incentives for the production of electricity through plants using renewable sources (essentially, the "green certificates" mechanism was changed, and an all-inclusive tariff to replace the green certificates was introduced for small-sized plants).

With reference to energy savings:

- Fiscal incentives have been confirmed for energy savings for lighting and air conditioning in new buildings or new building complexes with total volume of more than 10,000 square metres (even though with reduction of approximately €12 million).
- Confirmation was also given for 2009 for the fund to be used for covering initiatives referring to energy efficiency and the reduction of the costs of energy supplied for social purposes (even though with reduction of approximately €38.6 million).
- Extensions were granted to the tax incentives (personal income tax and VAT) for building renovation (Law 203/2008, Article 2, Paragraph 15). More specifically, there is a 36 per cent personal income tax deduction for expenses of up to €48,000 per property unit for works invoiced through 31 December 2011. An extension was granted in the case of the incentives admitted for buyers or assignees of properties belonging to buildings entirely restructure by construction companies or building renovation companies or building cooperatives which then put the property up for sale<sup>36</sup> (36 per cent deduction calculated with respect to 25 per cent of the recorded sale price up to a limit of €48,000 for initiatives carried out between 1 January 2008 al 31 December 2011). The 10 per cent VAT remains in effect until 31 December 2010 for building recovery work with respect to buildings used primarily for housing. These provisions flank those outlined by Decree-Law n. 185/2008 (crisis-containment decree), which is part of the 2009 Budget Law.

- A 55 per cent deduction for the energy requalification of buildings (Decree-Law n. 185/2008, converted into Law n. 189/2009) has been reaffirmed for the 2009 tax year, though contingent upon the authorisation of the revenue authorities. The deduction for the 2009-2010 period is expected to be revised, with a different breakdown of the reduction of the amount.
- A personal income tax deduction was introduced covering up to 20 per cent of the cost of furnishings, computers, televisions and highly energy efficient household appliances (Decree-Law n. 5/2009 converted into Law n. 33/2009).

With reference to mobility and energy efficiency initiatives:

- Enhancements were made to incentives for the introduction of low CO2 emissions auto vehicles and the scrapping of old vehicles (Decree-Law n. 5/2009, converted into Law n. 33/2009).
- An extraordinary appropriation (€11 million for the year 2009) has been provided for the installation of devices to cut gas exhaust particle emissions for certain types of vehicles belonging to the public transport networks (Decree-Law n. 5/2009, converted into Law n. 33/2009). The subsidies granted amount to 25 per cent of the expenses for the purchase and the installation of the devices, up to an amount of €1,000 euro per device.
- Approximately €2.3 billion has been set aside for the design and construction of the "strategic infrastructures" such as toll highways and high-speed railway lines .
- Roughly €1.5 million has been assigned to the Ministry for the Environment and Protection of the Territory and the Sea for mobility and energy efficiency initiatives.

#### 4.8.2. Projects with reference to rural development instruments

The National Strategic Plan (NSP) has made "climate change" an even more pressing priority, promoting a greater effort to limit GHG emissions and the harnessing of carbon. The plan has key actions to support investments for energy savings and the production of alternative energies, so as to favour the reduction of the emissions, decarbonisation and the investments in renewable energies.

The additional financial resources for this challenge amount to approximately €141 million, including around €85 million of EU funds and €56 million of national co-financing.

An analytical document has been drawn up in order to check the impact of the 2007-2013 Rural Development Plans on climate change. In addition, the Council for Research and Experimentation in Agriculture (CRA) is coordinating the planning and execution a multi-year research programme aimed at defining and quantifying how the farming sector can contribute to mitigating climate change.

In addition, the National Strategic Plan has placed a strong emphasis on the EU strategy for renewable energies, stressing the transversal role of the same in terms of the security of energy supply, the fight against climate change, the improvement of business efficiency and the diversification of the sources of income in rural areas. In particular, renewable energies from vegetal and animal biomass (including water flows and sub-products) have been considered inasmuch as they guarantee a positive energy balance and negative or zero emissions; the related incentives are as follows:

*Business investments* (design and construction of renewable energy generation plants for processing biomasses and biogas, individually or collectively, and plants with other renewable sources, etc.);

*Infrastructure investments* (design and construction of plants for production of renewable energy and the re-use of heat for co-generation purposes; investments in transport networks, technology and logistics networks for the power produced, etc.);

*New employment and income opportunities in rural areas* (investments of micro businesses for processing and operational logistics with respect to renewable energy

sources, production and/or installation of boilers and equipment used for energy production starting from the biomass produced on the premises, etc.).

The total additional financial resources for this challenge amount to roughly €61,000,000, including around €36 million of EU funds and €25 million of national co-financing.

In addition, since 2008 Italy has been committed to ratifying the EU recommendations for stimulating production of biofuels and electric energy from agricultural biomasses. In particular:

- In the case of biofuels, a system of penalties has been introduced for persons not complying with the obligation of inputting into consumption a certain quota of non-fossil energy produced.
- In the case of the electricity sector, several changes have been made to national regulations for recognition of the inputting of energy from renewable sources into the energy network. The changes take into account the peculiarity of the production coming from vegetal biomass vis-à-vis other renewable sources. In addition, regulations have been finalised to encourage more widespread development in rural areas of microgeneration plants fuelled by animal and vegetal biomasses and other renewable sources.
- With reference to highly innovative microgeneration plants, an effort has begun to gather feasibility studies for experimental plants so to make available to the target users a series of innovative projects that are nonetheless rapidly realisable.

#### 4.8.3. Water, reclamation, waste materials, biodiversity

These are the four main areas for action identified in the 2008-2010 NRP.

- Water resource management

The Ministry of the Environment initiated activities to ensure progressive compliance with EU obligations by making significant progress in the implementation of Directive 2000/60/EC. The Directive, implemented in national legislation by Decree-Law n. 152/2006, creates a framework for EU action designed to protect all water resources, including both surface water (lakes, tributaries and rivers, coastal marines) and groundwater, with the objective of achieving “good status” by 2015. One of the main principles of the directive is integrated resource water management on a hydrographic district scale.

Recent legislation (Law n. 13/2009) has created the conditions for the start of training activities for Hydrographic District Management Plans which, on the basis of the directive cited, each Member State is required to publish by 22 December 2009. Responsibility for the co-ordination of that activity was assigned to national water authorities, called upon to work in co-operation with regions. The measures identified in the plans will constitute a reference framework in future years for protection and remediation initiatives designed to provide all citizens with adequate supplies of cleaner water. Specific legislation was put in place (Decree-Law n. 30/2009 for the protection of groundwater, Decree-Law n. 56/2009 on monitoring criteria, Ministerial Decree of 17 July 2009 on the exchange of information on the implementation of the directive) to ensure proper coordination in drawing up the plans.

With reference to measures for rural development, a greater emphasis has been placed on the sustainable management of water resources, based on water resource savings and on greater rationalisation and efficiency in their use, which involves generally promoting initiatives to pursue the objectives contained in Directive 2000/60/EC (e.g. investments in water savings systems and in industrial wastewater treatment).

Additional financial resources totalled approximately €174 million, of which approximately €104 million from the EU.

Italian regional development policies include the “Service objectives” project which promotes and monitors the increase in the water delivered through municipal water mains

in southern regions and the increase in the number of users served by wastewater treatment plants.

- Land reclamation

The Ministry of the Environment and Protection of the Territory and the Sea continued work on compliance with the priority objective of completing land safety and reclamation projects in public areas, commencing with Sites of National Interest. This included signing special programme accords, which reflect central and regional government policies to pursue synergies through integrated action in contexts such as the Piombino and Priolo Sites of National Interest. In these areas, programmed improvements to the environment are preliminary to and part of industrial and port development that the regions intend to pursue in the same area.

The main priority is to perform public works to intercept and remediate polluted groundwater, thereby keep pollutants from industrial areas from flowing into bodies of surface water and further compromising them.

The valued added of the accords lies in the shared aims of public- and private-sector entities, where private-sector entities are parties to accords and subsequently sign settlement agreements with joint participation in groundwater remediation and landslide-prevention projects.

The Ministry of the Environment and Protection of the Territory and the Sea is currently working on a means to involve private-sector entities through implementation of Article 2 of Law n. 13/2009 which concerns environmental damage. It empowers the Ministry to sign “general settlement” agreements with one or more public- or private-sector enterprises over claims for damages made by the State or by local authorities where there is a risk of “broad-based dispute”. The settlements preclude any further action to reimburse expenses for land reclamation and action to claim compensation. The aim of the measure is to speed up initiatives to repair environmental damage and revive production in polluted areas that lie within NISs, by imposing a settlement agreement, where possible, to solve the problems of legal disputes which often paralyse reclamation projects.

- Waste materials

It is important to highlight the considerable efforts that were made to solve the emergencies that occurred in areas of southern Italy.

Action was undertaken in this respect by the Ministry of the Environment and Protection of the Territory and the Sea in co-operation with the Under Secretary of State to the Presidency of the Council of Ministers for the refuse emergency, the Campania Region, and the Commissioner for Water and Land Reclamation in the Campania Region and with the agreement of 40 municipalities involved in the activities pursuant to Law n. 123/2008). A strategic programme was formulated which involved environmental compensation for communities in areas affected by the disposal facilities that were needed to solve the refuse emergency in the Campania Region. This activity facilitated the work of the Under Secretary of State to the Presidency of the Council of Ministers in introducing measures to deal with the refuse emergency. Action has also been undertaken for the construction of additional incinerator plants, which would give Campania a normal integrated waste disposal system, together with specific initiatives designed to improve waste recycling standards.

These positive experiences, in which the major strength was without doubt the common goals and close co-operation between central and local governments, may in future years be transferred to other parts of the country to solve problems in this sector.

Italian regional development policies include the project “Service objectives” project which stimulates and monitors, in southern regions, the increase in the quantities of urban

refuse disposed of at waste disposal sites, the increase in the quantities of waste collected for recycling and the increase in the proportion of organic waste treated in composting plants.

- Protection and conservation of biodiversity

In March 2009, the Fourth National Report on the Implementation of the Convention on Biological Diversity (CBD)<sup>37</sup> was completed, in compliance with Article 26 of that convention. Those involved included other central government departments, regional governments, environmentalist associations, research institutes, scientific societies and the Institute for Environmental Protection and Research, which provided technical and scientific support. It provided an up-to-date report on the action undertaken to meet the “2010 target” along with data on the state of biodiversity in Italy, not just from the viewpoint of the information available, but also in terms of organisation and legislation.

When Italy hosted the G8 summit, the Ministry of the Environment organised a G8 environmental summit (a meeting of the Environment Ministers) at Syracuse from 22 to 24 April 2009, with an entire session dedicated to biodiversity. The intention was for the G8 to make a contribution to global debate, policies and objectives for post 2010, to underline the key role played by biodiversity in the economy and in climate change and to agree the resulting priorities for policies and action. The Syracuse meeting produced a document signed by all the countries participating, “The Syracuse Charter on Biodiversity”, which defines major issues in terms of 24 objectives which also constitute the national working programme in Italy for the National Strategy on Biodiversity. There is a strong awareness in this process that education, information, communication and public opinion awareness constitute essential tools for involving local communities and all stakeholders in programmes and policies. Three publications were therefore produced at the G8 (one on the national strategy for biodiversity and two specialist documents on “Important Plant Areas” and on the problem of alien species). The Syracuse Charter is also designed to achieve all the Millennium Development Objectives and not just the strictly environmental objectives. It therefore highlights the essential connection between the protection of biodiversity, the sustainable use of natural resources and sustainable development. The Syracuse Charter also emphasises the connection between the environment and the economy and the importance, in that context, of completing and promoting the use of the results of the international project “The Economics of Ecosystems and Biodiversity” (TEEB), which will be completed in 2010. It is a European project designed to quantify both the economic costs of the loss of ecosystems and biodiversity and also what would be required to conserve them.

The formulation of the National Biodiversity Strategy is currently in progress, and is scheduled for completion during the course of 2010, the Year of Biodiversity and the COP10 CBD. The strategy will also constitute the Italian part of the international process to formulate a post-2010 biodiversity strategy.

With regard to the full implementation of the habitat directives, the last phase of the process is in progress in co-operation with regional governments. It will conclude with the designation of special conservation zones which, together with the special protection zones created in compliance with the Birds Directive, constitute the Italian section of the European Nature 2000 network. In 2009, the Government developed technical and scientific tools with the assistance of scientific societies and experts in the field to support that process. They included a manual for habitat interpretation, a methodology for defining the state of conservation of Italian avifauna and a preliminary survey to identify marine sites and “important plant areas”.

- Initiatives for rural development

The most important initiatives involved the role of the Nature 2000 network for the protection of biodiversity, based on the types of species and habitats of EU interest. In

order to achieve this, all those measures designed to protect biodiversity were put in place in the Nature 2000 areas, in protected areas and in agricultural and forestry areas in general, with particular reference to the creation and management of particularly important habitats (biotopes).

The additional financial resources allocated to meet this challenge totalled approximately €158 million, of which €95 million from the EU and €63 million consisting of national co-financing.

Activities also commenced in 2009 as part of the National Plan on Biodiversity, approved in 2008 by the State-Regions Conference, designed to identify minimum common and shared means to create a “National database of national genetic resources” and to draw up guidelines to conserve and enhance them. Activities for the “2007-2009 three-year programme for the conservation, characterisation, use and enhancement of vegetal genetic resources for food and agriculture” were also refinanced with a total allocation of €1,000,000.

With regard to forestry, in 2009, the State-Regions Conference approved the “Framework Programme for the Forestry Sector”, which defines national and international guidelines on forestry, in compliance with and complementary to those already defined and implemented by regions. This programme is designed to improve the effectiveness of initiatives in the sector, by strengthening the role of forests as a development factor and a land protection resource.

The ministerial decrees n. 19461 and n. 19463 of 22/12/2008 and 23/12/2008 approved and allocated €353,000 and €1,000,000 for the special projects, “The Camaldolese forestry code, the search for roots for sustainable development” and “The multi-functionality of forests and the sustainable use of renewably resources in rural areas” respectively.

Finally, Ministerial Decree n. 19366 of 22/12/2008 refinanced activities for extraordinary programmes with an allocation of €359,303 to support the “National Pedology Observatory” (created by Ministerial Decree n. 10052 of 25 March 2003 to study, advise on and produce practical proposals, in the context of an educational service, to preserve, restore and increase the productivity of soils in agriculture and forestry both quantitatively and qualitatively).

The activities conducted as part of the “Soil Data Bank” inter-regional programme were continued in 2009 with the preparation of a report on soil strategies and with participation in the formulation of an EU Directive on soil.

- Actions by Regions

The EU has represented an important point of reference in the development of regional and provincial policies for sustainable development and the relative actions undertaken, in compliance with the quantitative targets set by the EU on environmental sustainability, energy security and the reliability of the energy production and distribution chain.

Many regions and autonomous provinces have made changes to their regulations in the light of the objectives and challenges contained in the Kyoto Protocol, with the approval of sector laws and the implementation of energy and environmental plans. These consist mainly of initiatives designed to: reduce atmospheric GHG emissions ; increase energy savings; produce clean energy; improve energy efficiency; reduce the overall environmental impact of the energy sector; and encourage the diversification of energy sources by increasing the proportion of energy produced from renewable sources.

Many actions were undertaken to improve environmental sustainability. Examples include the approval in June 2008 by the Region of Tuscany of a 2008-2010 plan to improve and maintain standards of air quality, and compliance by the Region of Umbria with EU regulations on aid for the protection of the environment (2008/C 82/01), when it started to support the introduction of ecological innovation in SMEs. These included technologies and production processes with low environmental impact on air, water and

soil designed to make significant improvements to environmental protection and sustainability, by reducing the environmental impacts of production processes and pollution or other negative effects on the use of resources. Important investments were also made in the EU programme activities for the 2007-2013 period in the Regions of Campania and Sicily with the allocation of approximately €70 million for direct implementation of the “Regional Plan to Improve and Maintain Air Quality Standards”. Other initiatives consisted of sustainable transport or improvement to public transport systems which have a substantial impact on air quality.

A further objective set in most regions consists of increasing the national and international competitiveness of firms by: promoting basic and applied research in the clean energy sector; technological innovation; and the integration of energy facilities in communities. The inter-regional programme for renewable energy and energy savings, co-financed by the European Social Fund for Regional Development and by the Fund for Underutilised Areas for All southern Italian regions, moves in that direction. The intention is to allocate €2 billion primarily to create supra-regional centres for innovation and supply chains for instruments and components in the renewable energy and energy savings sectors. One example is provided by the project planned by the Region of Umbria as part of the 2007-2013 European Fund for Regional Development-Regional Operating Programme (ESFRD-ROP), designed to create energy centres partly through supporting awareness and research activities to that end. Other examples: the Region of Piedmont which has invested in technology centres for sustainable architecture and hydrogen fuel, renewable energy and biofuels, plant engineering, renewable energy systems and components, renewable energy and mini-hydro generation; the Region of Valle d'Aosta which has promoted the following platforms: technologies for monitoring security in the community; renewable energy and energy savings; technologies to protect the environment and to restore eco-systems.

Finally some regional initiatives are designed to encourage energy savings in urban and industrial areas through active promotion of best practices and behaviour in the energy savings area, both in the public-sector and in industry in regions. Examples in this respect include the Region of Piedmont which passed a regional law on “Provisions relating to energy efficiency in building” and action taken as part of the ESFRD-ROP to increase energy efficiency in public buildings. The latter has been performed in hospitals and universities and in “post-Olympic” facilities and by the Autonomous Province of Trento and the Marches and Molise regions, which, again by means of the ESFRD-ROP, have financed energy savings projects in buildings by introducing new eco-efficient technologies and by promoting the use of bio-materials in the bio-building sector. Significant action was undertaken by the Region of Veneto which promoted the introduction of environmental energy sustainability principles and technologies with Regional Law n. 4 of 9<sup>th</sup> March 2009, “Regional initiatives for sustainable building”.

These objectives are being achieved through environmental energy plans implemented by most regions and autonomous provinces and through other means financed by regional, national and European funds. They include the 2007-2013 ESFRD-ROPs which dedicate entire efforts to the promotion of sustainable development with specific measures that address the exploitation of renewable energy and the promotion of energy efficiency. Examples include the following: (i) the Region of Piedmont made an initial investment of €140 million (the total allocation under the ESF for Regional Development for the “sustainability and energy efficiency” objective was €270 million), which it considers will generate further investment to total more than €700 million; (ii) the Region of Apulia which has launched an incisive policy on the basis of its environmental energy plan to diversify energy resources and to introduce energy savings practices with the aim of significantly increasing the production of energy from renewable sources in the region (it has allocated €134 million under the ESFRD ROP alone for these purposes); (iii) the Region of Valle d'Aosta plans to construct a co-generation power plant under the ESFRD ROP and to recover heat from industrial processes to provide district heating for the town

of Aosta. It has also created a centre for the advanced observation of flow and grid energy in the Region of the Valle d'Aosta, to perform the following: conduct monitoring and specialist study activities; inform and educate the public in the energy efficiency field; provide consulting services to conduct feasibility studies and implement pilot projects in the energy and environmental fields; and finally to perform activities to improve the energy efficiency of buildings.

#### 4.9. *Education and professional training*

Consistent with the Recommendations received, Italy remains committed to increasingly integrated implementation of the European strategy of lifelong learning. Accordingly, Italy is ensuring its citizens will have the possibility of learning over their entire lifetime, and enhancing the value of their experience and skills regardless of how acquired (from schooling and training, or even from work and everyday life) as key elements of a new right to active citizenship and to employability.

##### 4.9.1. School reform

The measures related to new instruction models need to be outlined alongside the initiatives aimed at making better use of expenditure<sup>38</sup>.

In the planning of the educational programmes offered, the effort at both a national and regional level has continued to focus on enhancing the availability and organisation of programmes aimed at an increasingly broader spectrum of the population, from pre-nursery school to nursery school to professional education and training programmes and upper technical training and education, and from apprenticeships to continuous training. For example, the pre-nursery school programmes for children between 24 and 36 months old have been expanded by introducing special regional resources alongside state resources

##### 4.9.2. Reform of upper secondary school

With the revision of the educational, organisational and regulatory framework for upper secondary school<sup>39</sup>, roughly 400 test courses were whittled down to six upper secondary curricula (classical studies, scientific studies, artistic studies, musical and choral studies, linguistic studies, and human sciences studies). As a result, it has been possible to provide the schools with more autonomy, make a stronger bond between upper secondary schools and the business/university world, and to streamline study plans. The new framework is to go into effect gradually, with the first and second classes involved as from the 2010-2011 academic year. The changeover is to be completed in 2013.

The upper secondary school system is a single system that provides the cultural and methodological tools for an in-depth understanding of issues related to the individual and to society in the contemporary world, thereby making it possible to the student to face the world with a rational, creative, project-oriented and critical approach. The upper secondary schools are diversified in relation to specific studies which guarantee a single upper-secondary school culture<sup>40</sup>. The programmes include mandatory subjects for all students as well as subjects which students can request to study<sup>41</sup>. The mandatory subjects cannot be waived. The other subjects make it possible to personalise the curriculum. The schools may likewise plan and implement optional activities and course programmes within the limits of their budgets. The study of the English language is required in all of the upper secondary schools<sup>42</sup>.

The organisation of the upper secondary schools is as follows:

- 27 hours per week of mandatory class time for all students in the first and second classes of the upper secondary schools for classical, scientific, linguistic and human



sciences studies and 31 hours for the upper classes in classical studies and 30 hours for the upper classes in scientific, linguistic and human sciences studies;

- 32 hours per week of mandatory class time for all students in the first and second classes of the upper secondary schools for musical and choral studies, with two sections (musical and choral);
- 34 hours per week of mandatory class time for all students in the first and second year and 35 hours per week of mandatory class time for all students in the third, fourth and fifth year of upper secondary school for artistic studies. The first two years of the upper secondary school for artistic studies are the same for all three programmes. During the last three years, the school offers three programmes: 1) Figurative Arts; 2) Architecture, Design, Environment; and 3) Audiovisual, Multimedia and Stage Design.

The upper secondary school in classics is aimed at the study of civilisation.

The upper secondary school in science is aimed at the study of the relationship between the humanistic tradition and scientific knowledge, developing the methods of mathematics and experimental sciences<sup>43</sup>.

The upper secondary school in artistic studies is dedicated to aesthetic elements, providing students with the tools used for expressing creativity and planning, especially through lab activities<sup>44</sup>.

The upper secondary school in musical and choral studies is split into two sections (musical studies and choral studies); it approaches the materials from a musical/choral perspective<sup>45</sup>.

The upper secondary school in linguistic studies is designed to result in the student's coordinated understanding of various linguistic and cultural systems<sup>46</sup>.

The upper secondary school of human sciences takes the place of the training school (which was eliminated some years ago) and related experimentations<sup>47</sup>.

Through the revision of both the systems and curricula for various degrees of education and the reduction of the number of hours that students spend in class each week (some of which was redundant), it has been possible to reduce the work force within the school system. For the 2009-2010 academic year, the reduction covered 42,100 teachers and 15,000 administrative-technical-auxiliary staff (ATA)<sup>48</sup>.

Another achievement is the reduction of the independent scholastic offices (headmasterships and secretaries) and the elimination of school complexes and isolated sections with a very limited student bodies.

#### 4.9.3. Student assessment

Given the common recognition that assessment of the quality of education is a central to the education system, the national debate and practices are still oriented toward a dual approach: the assessment of the process and the assessment of the results. With reference to assessment of results, there is a growing emphasis on evaluating what students learn, as an indicator of the quality of the educational and professional-training systems. More specifically, periodic learning-assessment reports are widespread within the education system, whereas a similar experimental initiative has been undertaken for the application of a similar methodology within the lifelong-learning system. The assessment is the school's direct responsibility, and is prepared in accordance with the means and criteria assumed independently by the governing bodies of the individual scholastic institutions. In this regard, international and national findings about key skills (and in particular, reading skills, the understanding of one's mother tongue, and mathematics) have represented for many schools a point of reference in their decisions regarding instruction, and therefore, to some extent, also the targets of the assessment<sup>49</sup>.

Starting in the 2008-2009 scholastic year, a national survey regarding the second and fifth grades of elementary school (ISCED 1) has been effected, in addition to the national exam already tested in the preceding academic year (see preceding footnote).

More in general, it is noted that Italy is currently developing skills-focused "national standards"; these standards are consistent with a learning-outcomes approach, as are the measures that are being implemented within the single areas of education<sup>50</sup>.

#### 4.9.4. Ensuring an up-to-date academic staff

A major debate has been in process for some time in Italy with regard to (i) the means for recruiting and initially training teachers, and keeping them trained in the years thereafter, and (ii) the development of a system that provides for career progression, which establishes teacher rankings in recognition not only of years of service, but also and more importantly, in recognition of commitment, proven professionalism, and merit<sup>51</sup>. Within the same context, the role of the headmaster has likewise been enhanced so as to support the processes of school improvement within the framework of the autonomy granted to the individual scholastic institutions. The accent has been placed on the need for headmasters not only to handle the administrative management of schools, but also to recover their role as "leaders in teaching and education"<sup>52</sup>.

#### 4.9.5. Other reforms

In line with the reform initiatives adopted in previous years, the guidance function of the two-year period of upper secondary school has been enhanced by new educational approaches so as to make learning more interesting. Important among these approaches are methods based on lab activities and on alternating school/work programmes for students from age 15<sup>53</sup>.

With reference to the single areas of education, the upper technical training and education system represents the main conduit in Italy for the development of fundamental skills. With this type of education<sup>54</sup>, both young people and adults, whether employed or unemployed, are able to achieve a high level of fundamental skills (basic skills and skills that span various areas, according to the designation adopted within the upper technical training and education system) along with targeted and in-depth professional and technical training. The reorganisation currently under way within the upper technical training and education system<sup>55</sup> and the ensuing process will favour the development of the fundamental skills in line with the European strategy: the group of basic and transversal standards will be reformulated according to the European Qualifications Framework format and thus, by adopting the learning-outcomes approach.

#### 4.10. *Lifelong learning*

During past planning, joint interprofessional funds were established in relation to both lifelong learning and apprenticeships. As outlined in the 2008 NRP, these are important funds that contribute to improving the synergies and relationships between the actions undertaken by the regions (which have pursued the development of the related educational programmes) and initiatives of a bilateral nature.

The development of a system of lifelong-learning opportunities over and above the worker's fundamental right is a decisive response to profound changes affecting the labour market from a worker's perspective (lack of continuity in employment, a longer active lifetime, the need for updating the skills possessed, etc.). From this perspective and considering the positive results achieved thus far, the personalised approach based on a voucher system is to be further enhanced.

The activity of the Technical Panel for the construction of the "National system of minimum professional standards for recognition and certification of skills and educational standards" is part of the logic of the integrated implementation of the lifelong learning strategy. The panel's main objective is to develop the future National Qualifications Framework; by 2011, all of the qualifications, certifications and titles within the national framework will need to be linked to the European Qualifications Framework.

Spanning the educational/professional-training systems and the labour market, the issue of creating a national system for the certification of skills has remained a priority in terms of both national and regional policy in 2009, with the start-up of a new inter-regional project entitled "Moving toward a national system for the certification of skills." This project is a continuation of the implementation plans developed previously, and, more in general, it touches upon all of the activities related to the issue of the standards, including in individual territories, via definition of indices and regional systems of certification.

#### 4.10.1. Regional policy

The operational strategy of the Ministry of Education, Universities and Research's National Operating Programmes to be funded with resources from the 2007-2013 European Social Fund and European Regional Development Fund is based on two priorities:

- Increasing the breadth and depth of skills and the capacity to learn for young people and adults, to be achieved in a manner consistent with the strategy of the ordinary policy for education;
- Increasing the attractiveness of school by ensuring environments that well equipped for teaching, secure and user friendly, in order to prevent school dropouts and to attenuate the effects of those factors inside and outside of school that influence the motivation, commitment and expectations of the young people and their families.

Accordingly, consistent with the specific missions of the European Social Fund and European Regional Development Fund, the efforts will be concentrated on human resources and on the outcome of basic learning; at the same time, the National Operating Programme "Environments for learning" (European Regional Development Fund) is designed to influence the quality of the school infrastructures and their adjustment for the educational purposes, so as to make school accessible, attractive and functional to learning<sup>56</sup>.

It is important to emphasise that this strategy has been shared with the regions which are striving for the achievement of the same objectives through their Regional Operating Programmes (ROP)<sup>57</sup>.

Considering that 100 per cent of the schools in the southern Italian regions are to be reached with the Operating Programmes for education, it is useful to present some quantitative data that provide a snapshot of the schools' situation prior to the start-up of new round of planning so as to quantify the number of expected beneficiaries.

Consistent with the European policies of the Lisbon Strategy, the National Operating Programmes funded with the European Social Fund and European Regional Development Fund, and aimed at Italy's four Target Convergence regions (Calabria, Campania, Apulia, and Sicily), are committed to guaranteeing minimum school service quality standards through two strategic objectives: the first objective is to enhance the students' knowledge and the public's capacity to learn; the second objective, which is highly correlated to the first, is to reduce the number of school dropouts.

In order to achieve concrete results in the short/medium term, it is necessary to take action with respect to all of those factors that directly or indirectly influence the quality of the system in general and the achievement of the "service objectives"<sup>58</sup> in particular; accordingly, the priorities are to be pursued through several fundamental actions<sup>59</sup> as indicated hereunder:

##### Direct actions

- improvement of the teaching staff's skills
- improvement of the young people's basic skills
- promotion of scholastic success

#### Indirect actions

- enhanced use of information society in school
- lifelong learning
- improvement of school infrastructures

The intention is to offer schools the opportunities for benefiting from system initiatives regarding the different aspects of the educational service:

- teacher training;
- student learning activities;
- tools and space for school autonomy for expanding educational programmes.

The following are among the centrally planned actions<sup>60</sup>, which are aimed at maximising the effectiveness of new planning.

- National training programmes for teaching staff (Poseidon, M@t.abel and ForTic), which are designed to facilitate acquisition of teaching/methodological functional skills in order to increase the students' comprehension of language studies, mathematics and information technology;
- Information initiatives with regard to the OECD-PISA tests, so as to increase teachers' awareness of the need to guarantee a methodological/instructional orientation focused on the students' acquisition of key skills, in particular in fields covered by international surveys;
- "SOS Students National Operating Programme", which is aimed at helping students learn key skills by offering them opportunities to take the tests proposed in the OECD-PISA surveys with the use of digital study materials;
- Quality and Merit project for improving the teaching/learning process in the logic-mathematics area, with instructional enhancement plans that also contemplate a more targeted measurement of the results achieved by the students, in view of the international surveys (OCSE-PISA, TMMS);
- Initiatives for the improvement of adult education, aimed at the planning and execution of studies and research with respect to the adult population in order to understand the educational needs and to guarantee the design and implementation of programmes targeted to responding to the needs of the community and the potential student body.

#### 4.11. *Flexicurity and labour market measures*

##### 4.11.1. Labour policies

Italy identifies with the common principles of flexicurity approved by the Council of Europe at the end of 2007, even if the ingredients of the model will have to be mixed carefully with consideration given to the country's priorities. At the outset of the legislature, measures were introduced to promote flexibility by simplifying legislation in some areas.

The employment measures in the 2009 NRP consist firstly of action taken to counter the current economic crisis<sup>61</sup>. In view of the urgency of the matter, the Government strengthened existing provisions ("exceptional long-term unemployment benefits programme - CIG - and occupational mobility schemes") designed to maintain levels of employment. The objective is to guarantee overall cover by providing adequate support and incentives to workers during transitions in the labour market.

Experimental income-support measures have already been launched, which extend measures in force for workers on contract work, apprentices and associate workers. The intention is to create a consistent system of rules, incentives and protection to promote employment and employability, by taking account of the considerable changes that have taken place in recent years in the ways that workers interact with the labour market and

by continuing to accent the value of the role of trade unions. The system must also be carefully calibrated to capitalise on the experience acquired in dealing with the current crisis.

The 2010-2013 DPEF draws attention to the demand to guarantee three fundamental rights for workers: “health and safety, the opportunity for life-long learning and fair pay”. These rights form part of a framework of progressive protection built by using variable modules on the basis of a worker’s length of service and degree of economic dependence and they involve an increasing role on the part of trade unions, in a context of full subsidiarity.

In continuation with the labour-policy priorities reported in previous years, co-operation between central and regional governments on action to combine security with flexibility in the labour market continued along two lines: (i) action designed to improve the employability of workers and the quality of work, and (ii) by means of activities designed to conserve employment, where possible, and also to protect the income of workers in companies that are in difficulty.

Ongoing efforts within this framework include: activity to increase occupational skills; initiatives to stabilise employment and promote regular, legally binding employment; the introduction of specialist employment services for flexible work in regional systems; and the creation of a system of protection by integrating existing policies with welfare measures. In this respect, the regions and central government have made a joint commitment to introduce occupational retraining and reintegration programmes for “project workers” in order to implement provisions already contained in the previous Budget Law. More specifically, in the light of the difficult economic situation and following the provisions introduced by Law 2/2009, a State-Regions Accord was signed on 12 February 2009 for the use of exceptional social safety nets, combined with active policies in favour of persons not covered by income-support measures provided by ordinary legislation, i.e. those who have already used all their periods of recourse to income supplements. The accord, which is worth €8 billion for the 2009-2010 period, has laid the foundations for the more effective governance of the measures and for real integration between income-support measures and active policies. CIG has played an important role in Italy in the past – e.g. the restructuring in industry in the 1980s and the economic crisis in 1993 – and it is now playing a key part in the management of the current crisis. The use of CIG in combination with “exceptional” intervention has prevented mass dismissals. A National Council for Economics and Labour (CNEL) report estimated that 800,000 jobs have been saved in the current year. The accord, with the agreement with EU authorities, identified procedures for the combined use of national resources and the European Social Fund in order to ensure the integration between forms of income protection and measures to increase the skills of the workers involved, and to employ flexible and personalised logic in doing so. In order to implement the accord, all regions and autonomous provinces signed agreements with the Government to quantify the resources allocated to exceptional social-safety nets for the year 2009. At the same time, all the administrations concluded local agreements with trade unions identifying sectors, beneficiaries and procedures for the management of intervention, in co-ordination with active policies. Furthermore, local agreements were signed with the National Insurance Institute (INPS) designed to regulate cash and information flows. Finally, the regions and autonomous provinces are currently adopting administrative measures to organise active-policy initiatives, in co-operation with local labour and training services networks. An integrated plan was therefore drawn up, in which the maintenance of employment levels and of minimum income standards is accompanied by a broad array of actions designed to improve skills and therefore the employability of workers, making the job- and career-change processes easier and more fluid.

#### 4.11.2. Fixed term contract<sup>62</sup>

Recourse to contract workers is now also possible where justified by the employer's ordinary activity. The maximum term of 36 successive months of employment with the same employer may be subject to exceptions settled by collective bargaining. Collective bargaining regulate also the right of way for the engagement of workers who have performed fixed term contracts previously..

#### 4.11.3. Apprenticeships<sup>63</sup>

The changes introduced by Decree-Law 112/2008 are designed to facilitate the use of apprenticeships by firms by providing a "corporate" channel for recruiting workers where the accent is placed mainly on "on-the-job" training. In order to fully exploit the potential of apprenticeships, the previous clause concerning the minimum duration of contracts has been eliminated and decisions concerning the training content of "qualifying" apprenticeships have been left to national, local and company-specific collective bargaining.

#### 4.11.4. Job On-call

The previous legislation concerning on-call or intermittent work was reinstated in order to increase the employability of the work force and to exploit existing flexible job opportunities to the maximum.

#### 4.11.5. Job - Voucher

The Job Voucher scheme is used for marginal services payed by vouchers incorporating social contributions. Innovations have been introduced in the field of application of accessory work (sectors, types of person concerned in accordance with Art. 2 of Law 2/2009 which makes explicit reference to workers receiving CIG and laid-off workers and it identifies concessionaries in order to favour the full take-off of this type of contract – Art. 2 of Decree-Law 112/2009 and Art. 7 *ter* of Decree-Law 5/2009). Experimentation in progress is producing positive results in terms of both the new job opportunities created and the the detection of employment relationships that were previously "irregular", with particular regard to agriculture: between August 2008 and June 2009, the fees amounted to €6.5 million against INPS contributions of €1.1 million and National Accident Insurance Institute (INAIL) contributions of € 600,000. Just under 900,000 vouchers were acquired during the period, 827,000 of which were cashed by more than 30,000 workers mainly in the over-60 age bracket.

#### 4.11.6. Occupational training

The Government intends to match the occupational training provided as closely as possible to fit the requirements of the economy, making maximum use of the role of firms and developing synergies with training institutes. On conclusion of the work of the Training Investigation Commission, the Government will propose guidelines to the regions to change funding criteria and for a new strategy which underlines the value of on-the-job training, the central role of firms as places for training, and the importance of the certification of knowledge and skills possessed, however they may have been acquired by workers<sup>64</sup>.

Learning on transfer from compulsory schooling is defined in terms of skills, knowledge and abilities in accordance with the European Qualification Framework (EQF). Regional occupational training is performed through three-year qualification programmes, which will become official education programmes for qualification and educational obligations/rights purposes, when the experimentation phase for the year 2008-2009 is complete.

#### 4.12. *Fight against illegal and unregistered labour*

Action to fight irregular labour remains a Government priority and is demonstrated by the results of inspection activities. The objective is to improve the mix between prevention, public-awareness actions and punitive measures, thereby lightening the administrative load on firms, rewarding virtuous behaviour and simplifying the overall effort to fight irregular labour (the dropping of adequate income indices is to be interpreted in this context). The fight against illegal and unregistered labour is also conducted by means of minor measures such as the “accessory work” introduced by Legislative Decree 276/2003. More than 30,000 workers consisting of pensioners, young people in the under 25 age bracket, housewives and unemployed persons have benefited from the coupons for providing casual and accessory work. The existence of less-than-negligible demand and the ease of use of the coupons have led to the success of the initiative.

#### 4.13. *Equal retirement ages for men and women in public sector employment*

In 2008, the European Court of Justice<sup>65</sup> ruled against Italy for the nation's failure to comply with obligations under Article 141 of the founding EC treaty which forbids any discrimination between male and female workers. This ruling resulted from Italy's maintaining regulations in force concerning the old age pension treatment for public-sector employees, with a different pensionable age for women (allowing them to meet the relative pension requirements at the age of 60, five years before men). In order to comply with the Court's ruling<sup>66</sup>, the Italian Parliament legislated for a gradual increase in the pensionable age requirements for female workers, which begins from 1 January 2010 until a pensionable age of 65 years is reached by 2018. The savings resulting from the implementation of the reform of the pensionable age of female public-sector employees (€2.3 billion over 10 years) will be paid into a fund to finance social and family policy measures. Part of these savings (approximately 20% per year on average) will be used to fund a public-sector pre-school programme.

#### 4.14. *Active ageing and adequacy of pensions*

New rules on the bundling of pension and income from employment and the introduction of a single timesheet are designed to simplify the labour market and make it more transparent. The combined effect of the two measures should result in appreciable advantages for the legalisation of illegal and unregistered work and more generally for conduct on the labour supply side.

#### 4.15. *Female employment, reconciling work/leisure time*

The Government attributes great importance to the Lisbon commitment to raising female employment rates<sup>67</sup>. The Government also intends to promote access by women to higher career levels and to implement welfare policies from a gender viewpoint which promote reconciliation between work and private life. The achievement of these objectives will be facilitated by the existence of incentives to make the organisation of labour in firms more flexible, by measures to favour career advancement, by action to close the pay gap and by micro-credit programmes. An amount of €1.5 million per year has been allocated to the Pension, Labour, Fair Competition and Sustainable Growth Fund for female employment for the three year period 2009-2011 and €1.9 million for subsequent years. The Committee for Female Entrepreneurship was revived at the beginning of 2009, with the task of directing and programming action to support female entrepreneurship<sup>68</sup>.

The Government intends to support access to parental leave, introduce the family ratio as a fiscal tool, and implement a plan to stimulate the demand and supply of integrated public-private services for families by using a voucher system as a simplified way of paying for services.

With reference to the issue of reconciling employment with leisure time and in particular, the access to contributions for private-sector employers who intend to introduce

measures at the work place for different types of reconciliation (flexible working-hours and labour organisation, return-to-work programmes, the planning and development of Web-based initiatives and services), Law 69/2009 has introduced amendments to the current legislation (L53/2000) that will simplify procedures for gaining access to the funds and broaden the range of groups and actions that can be funded. The new regulations are designed to stimulate the adoption of innovative systems for assessing services and results and to favour interaction between public- and private-sector entities, employers and trade unions. The Equal Opportunities Ministry intends to draw up a national plan for the reconciliation employment with the need to raise a family and to submit a bill for a general law to Parliament on the the subject. In the future the national reconciliation plan, designed to fund national, regional and local initiatives, will therefore be intended to consider new welfare provisions which will also drive Italian economic growth, by offering a package of measures to favour greater flexibility in working hours in line with European standards. As part of the Lisbon recommended objective ("ratio of child places to the population of 33%"), the introduction of a series of services for infants will be supported so as to guarantee an increase in company-sponsored crèches and traditional infant nurseries, together with the introduction of new figures such as *tagesmutter*, i.e. childcare staff within condominium buildings .

With regard to social-educational services for pre-school children, the substantial commitment involved in the "Extraordinary Plan of Measures for the Development of the National System of Social/Educational Services for Preschoolers" is continuing with an allocation of more than €747 million<sup>69</sup> in the three year period 2007-2009.

Moreover, the Italian policy for regional development includes a "Service Objectives" programme to stimulate and monitor, in the southern regions, increases in the percentage of municipalities with child services, increases in the percentages of children who use childcare services and increases in the percentage of elderly persons benefiting from integrated care in the home (ADI).

#### 4.16. *Employment services and the welfare-to-work model*

The Italian system is based on public- and private-sector employment services. Increasingly more frequently job seekers make use of both channels. Making labour market rules more flexible and introducing temporary agency work (now known as "personnel leasing") have certainly favoured the acquisition of job experience by young people and this clearly emerges from the data on unemployment trends. By exploiting their network organisation, private-sector services have in many cases made it easier for supply to meet demand by promoting geographical mobility, even if an overall picture emerges of less interest in operating in areas where there is weak structural demand for labour. Law 2/2009 introduced innovations which reinforced the choice of the welfare-to-work model<sup>70</sup>. The gaps between levels of service provided in different areas of the country are small even if there are strong differences between central/northern Italy and areas in southern Italy in signing service agreements, due largely to the difference in job opportunities between the two areas (Employment Services Monitoring 2008).

#### 4.17. *Social policies*

The White Book presented on 6 May 2009 by the Minister Sacconi presents a "values and visions" framework with methodological indications. "Selective universalism"<sup>71</sup> provides a good example of the need to combine effective policies with economic sustainability by means of carefully designed protection measures<sup>72</sup>. The Government has paid genuine attention to action to fight poverty. Law 2/2009 contains economic-support measures to benefit pensioners and low-income households. More than 595,000 individuals (two-thirds of them in Southern Italy) benefited from the "Purchases Card" programme in the period running from 1 December 2008 to 30 June 2009. Forty percent of the beneficiaries consisted of children in the under-3 age bracket and the remaining



60% of over-65 elderly persons, even if the distribution by age was not uniform throughout the country. As concerns the extraordinary bonus, this benefit, which varied between €200 and €1,000 depending on the composition of the household and income (2007 or 2008), was a one-off payment made to residents in Italy.

The Government considers that full and up-to-date information on the supply and demand for labour together with monitoring of the initiatives is a determining factor in the formulation and maintenance of labour and social policies. The Ministry directive to the INPS of the summer of 2008 falls within this context. It concerned the following: the construction of a databank on the recipients of allowances and financial assistance; the creation of a directory of current contributors; greater use of existing data acquired through the Compulsory Communications System; the potential of the new INPS archives, greater use, in agreement with regions, of administrative data from employment services; and also the redefinition of the mission of the Job Exchange (“Borsa Lavoro”). The commitment made by the Government is demonstrated finally by the provision contained in Article 11 of Decree-Law 78/2009 concerning the co-ordinated use of databases by the Ministry of the Economy and the Ministry of Labour.

#### 4.18. *Health*

The Government aims at raising standards in health services and achieving more careful control of spending by improving quality controls<sup>73</sup>. Restoring balance to the accounts and the reorganisation of regional health systems are to be achieved by improving and implementing plans to eliminate health budget deficits, by monitoring the implementation of those plans and by reconsidering the role of general medicine, as the main channel through which all resources and activities present in a given area pass.

Research and innovation are of particular importance. Action to unify and rationalise resources allocated to medical and pharmacological research will continue along with training in order to ensure greater results through the unified management of common objectives across institutions. A particular commitment will be made to organisational research to ensure that all citizens benefit from medical advances.

5. Appendix

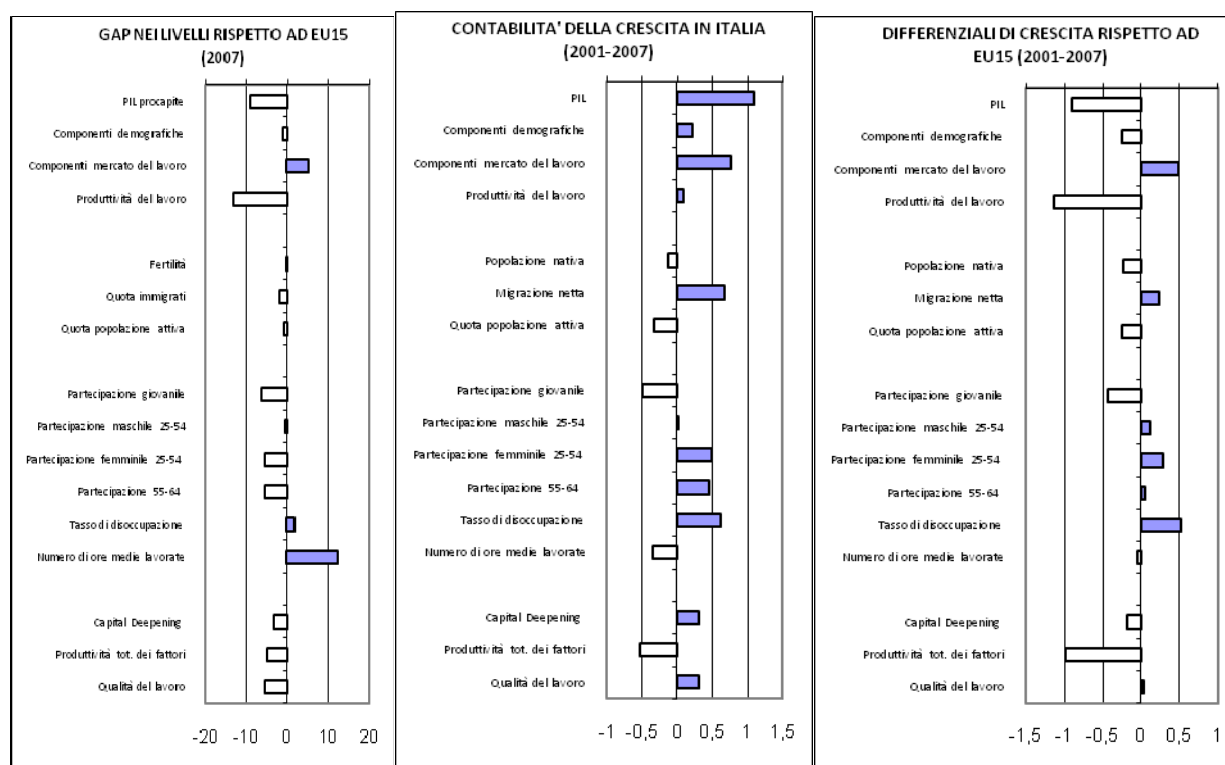
**Lisbon Assessment Framework for Italy 2001-2007**

During the period 2001-2007, Italy made substantial progress in the process of structural reforms set by the Lisbon Agenda. Nevertheless the growth rate, in terms of GDP, was significantly weaker than the average for European countries (EU15<sup>74</sup>). By looking at the growth accounting figures and structural indicators, it is possible to identify the weaknesses on the supply side which play a key role in Italy's performance, thereby highlighting potential areas for intervention. The approach used is based on the LAF<sup>75</sup> (Lisbon Assessment Framework) method, which provides a framework for evaluation of reforms based on structural indicators. It summarises the links between individual components of growth and reform policies and ensures comparability between member states.

**Growth accounting**

As shown in Figure 1 and Table 1, Italy recorded average annual growth in GDP of almost one percentage point lower than the European average during the 2001-2007 period, thereby producing a gap in level of approximately 9 percentage points at the end of that period.

**Chart 4. Gross domestic product, growth and components gaps<sup>76</sup>**



Source: AMECO, with data provided principally by the Italian National Office for Statistics (ISTAT).

Table 15. Relative performance of GDP components compared to the EU15<sup>77</sup>

Components of GDP	Level	Growth rate	Absolute contribution to annual growth
<b>Demographic components</b>	<b>-8</b>	<b>-4</b>	<b>0.2</b>
Fertility / Native Population	-9	-10	-0.1
Share of foreign population / Net Migration	-8	6	0.7
Share of working age population	-5	-10	-0.3
<b>Labour market components</b>	<b>6</b>	<b>11</b>	<b>0.8</b>
Youth Participation	-14	-20	-0.5
25-54 Male Participation	-15	9	0
25-54 Female Participation	-20	11	0.5
55-64 Participation	-15	2	0.5
Unemployment Rate	5	18	0.6
Average Hours Worked	13	-2	-0.3
<b>Labour productivity components</b>	<b>-9</b>	<b>-17</b>	<b>0.1</b>
Capital Deepening	-6	-11	0.3
Total Factor Productivity	-6	-15	-0.5
Initial education of labour (Labour quality)	-17	2	0.3
<b>GDP per capita (level) / GDP (growth)</b>	<b>-8</b>	<b>-10</b>	<b>1.1</b>

Italy's weak performance is explained almost exclusively by the labour productivity components. More specifically, Total Factor Productivity (TFP measures a set of factors such as technological progress, organisation, market regulation, etc.) fell annually by 0.5% between 2001 and 2007, and capital deepening grew at a lower rate than the EU15 average and stood below the average European level in 2007 (labour probably became a more economical and flexible factor of production than capital). Although slight growth was recorded during the period in the quality of labour (measured by the initial level of education of the work force), it still remained below the average level for Europe in 2007 (probably because of Italian specialisation in medium- to low-technology products).

It is also noted that demographic trends for Italy were very unfavourable in terms of fertility and the working age population, with considerable consequences for the rate of youth participation in the labour market.

If labour market components are examined on the other hand, Italy was above the European average both in terms of workers in the 25- to 54-age bracket (partly the result of immigration) and the fall in the unemployment rate, while participation by older workers (55-64) grew a little faster than the European average. However, those improvements were partially neutralised by the reduction in the number of hours worked, probably due to the increase in number of "atypical" workers and the number of immigrant workers who were put on official payrolls (probable causes of the reduction in TFP starting in 2005).

- Performance assessment by policy area

When considering policy areas (labour market, product and capital market regulation, innovation and knowledge and macroeconomics), each furnished with a set of quantitative indicators, Table 2 gives an aggregate score for each indicator in terms of the current position (level) and change (growth rate) compared to the EU15: Italy did in fact make considerable progress in the 2001-2007 period in terms of reforms, but it was not sufficient to reach the average European level.

Most of the indicators for the labour market are close to the average. More specifically, substantial progress was made with active labour-market policies in the period 2001 and 2007, with indicators one standard deviation above the European average, while Italy remains slightly below the EU15 in terms of levels.

This growth is due mainly to youth and long-term unemployment (since the improvement in youth unemployment is accompanied by a low growth rate for the participation of young people in the labour market as recorded in growth accounting, it follows that this progress may be the result of changes in the university system).

Improvements can also be observed in the field of wage bargaining and wage-setting policies (the result primarily of the reduction in the tax wedge for labour), together with relatively marginal progress for policies to increase numbers of hours worked (slightly greater progress than the European average, although many indicators have a negative sign). That is in line with preceding growth accounting figures because the average hours worked served as a driver for growth in GDP between 2001 and 2007, both for Italy and for the EU15. On the other hand, in terms of level, the average hours worked made a substantial contribution to GDP per capita when compared to the EU15, in line with the positive score for the structural level indicator.

An examination is now given of policy areas which deteriorated compared to the European average.

Making work pay indicators increased quite modestly due to unemployment and inactivity traps.

Scores for job protection and labour market segmentation/division were slightly negative compared to the EU15 both for level and change.

Substantially negative scores were also reported for the employment rate and the female activity rate.

A low participation rate was also recorded for older workers, similar to that reported previously for growth accounting.

Immigration and integration policy indicators were negative for level and even lower for change: immigrant worker integration deteriorated considerably between 2001 and 2007. It is worth noting in this respect that the indicator for the proportion of total immigrants in possession of upper secondary school education is negative.

Table 16. Performance in each policy area at aggregate level<sup>78</sup>

Policy areas -- Aggregate scores for Italy	Indicator-based assessment		Number of indicators <-4		Number of indicators
	Level	Growth rate	Level	Growth rate	
<b>Labour market</b>					
Active labour market policies**	-3	10	3	0	6
Making work-pay:interplay of tax and benefit system***	0	-5	2	7	10
Labour taxation to stimulate labour demand ***	-4	8	1	0	4
Job protection and labour market segmentation/division**	-5	-3	3	3	5
Policies to increase working hours ***	13	3	0	1	3
Policies for female workers ***	-3	-1	7	4	12
Policies for older workers ***	-5	2	6	4	8
Wage bargaining and wage-setting policies**	0	6	1	0	4
Immigration and integration policies***	-2	-7	3	3	6
Labour mobility **	-6	2	2	1	4
<b>Product and capital market regulations</b>					
Competition policies *	-1	1	1	0	5
Sector specific regulation (telecom, energy)**	-2	3	4	4	10
Market integration - Openness to trade and investment**	-2	2	2	1	5
Business environment - barriers to entrepreneurship**	-8	3	5	2	8
Business Dynamics – Start-up conditions***	-11	-5	3	2	4
Financial markets and access to finance**	-4	0	8	0	20
<b>Innovation and knowledge</b>					
R&D and Innovation***	-8	9	3	0	4
ICT **	-1	1	2	1	5
Education and life-long learning***	-8	2	9	2	11
<b>Macroeconomics</b>					
Orientation and sustainability of public finances ***	-4	-1	2	0	6

Labour mobility policies recorded a negative result for level but improved slightly during the period considered. The regional division of Italy is reflected in the indicator for the regional dispersion of unemployment which then has the effect of bringing down the indicator for labour mobility in terms of level.

An examination of the product market shows that all indicators are negative in terms of level, but most of them recorded modest relative progress, because Italy has undertaken various initiatives to deregulate and open up markets and also to reduce administrative burdens. Nevertheless in terms of level, Italy was positioned slightly below the European average at the end of the period considered.

In detail, competition policies developed in line with the European average, with a low degree of dispersion (apart from rare exceptions, the indicators lie within one standard deviation from the EU15): in terms of level, the positive exceptions are in relation to the law on competition and to policy indicators, while the negative indicators relate to the average impact of regulation on non-manufacturing sectors at the level of final household consumer prices and at the level of mark-up for industry as a whole (the indicator was strongly negative).

The results for sector-specific regulation were slightly negative in terms of level, but showed improvements for change. Nevertheless the indicator is heavily penalised by the price of telecommunications and electricity (due mainly to a high production cost and not to a competition problem).

The indicators for market integration and openness to trade and investment were in line with the European average apart from the following exceptions (in level): 1) border trade, times and costs for imports (probably due more to the geographical and logistics structure

of Italy than to problems of openness to trade and investment); 2) number of investigations for violation of internal market rules (but improvements were recorded); and 3) export performance.

Some progress was reported for the business environment, but it remained below the EU15 in 2007. It is heavily affected by indicators for the management of licences and contract compliance/performance (two standard deviations below the EU15, partly due to inefficiencies in the legal system and in government), but many of these indicators have recorded improvements.

The indicators for business dynamics and start-up conditions were also heavily negative for level, especially with regard to business start-up and shutdown costs, but improvements were recorded here too, except for times required to close down businesses. The indicator for financial markets was slightly negative for level and flat for change, while the sub-indicators for the right to credit and access to financial services were heavily negative for level.

Significant progress was made in the area of R&D and innovation in the 2001-2007 period, although not sufficient to close the gap between the European average (this progress did not produce the desired effects even in terms of productivity). This area therefore remains a “key challenge” for Italy.

Education and occupational training also represent critical areas: improvement was meagre in these fields (very little public and private sector spending in terms of GDP on education and a low percentage of workers with upper secondary school diplomas) and it produced no significant impacts on initial levels.

The score for ICT was in line with the European average both for level and change. More specifically, the indicator for university degrees in science and technology (in terms of percentage of the population) was below the European average, although significant progress was observed. Venture capital is not yet developed and the percentage of high-tech exports is lower than that of the EU15. Spending on ICT was rather low along with access by households to the Internet, e-commerce and digital administration. Nevertheless, once again, the improvements made were substantial for most of the preceding indicators.

## 6. Notes

<sup>1</sup> See Section III.4 of the National Strategic Framework 2007-2013.

<sup>2</sup> CIPE resolution n. 82/2007

<sup>3</sup> The regions must present the annual report on service objectives by October 2009. The report is used for summarising achievements with respect to the actions implemented, with the possibility of making adjustments if deemed necessary for impacting the manner in which the targets can be most effectively achieved.

<sup>4</sup> COM (2008) 800

<sup>5</sup> "Italy: Macro Fiscal Assessment, An analysis of the February 2009 Update of the Stability Programme" ECFIN/F1/REP 50719/09\_EN, 11 March 2009.

<sup>6</sup> Opinion of the European Council on the Stability Programme Update, 10 March 2009.

<sup>7</sup> Decree Law No. 155/2008 and Decree Law No. 157/2008, subsequently combined upon conversion into Law No. 190/2008.

<sup>8</sup> Decree Law No. 185/2008 (converted into Law No. 2/2009) and Decree Law No. 5/2009 (converted into Law No. 33/2009). The first group of measures (for roughly €15 billion) is earmarked for providing support to social groups having the greatest exposure to the crisis, reviving consumption and supporting the productive system through tax relief and financing mechanisms. The second group (for another roughly €1.8 billion) is aimed at tackling the crisis in the hardest hit industrial sectors, with the use of measures to prop up demand and to steer consumer choices towards products with a low environmental impact, in line with the Kyoto objectives.

<sup>9</sup> The State-Regions accord signed on 13 February 2009 provides for spending of around €8 billion during the 2009-2010 two-year period through the use of national resources in the amount of €5.35 billion and regional funds in the amount of €2.65 billion charged against the European Social Fund.

<sup>10</sup> With a resolution dated 6 March 2009, CIPE (Interdepartmental Committee for Economic Planning) assigned €18 billion of the Fund for Underutilised Areas to three national funds: the Social Fund for Employment and Training (€4 billion to be used for financing the exceptional social safety nets), the Infrastructures Fund (€5 billion, including €1.2 billion for building of schools and prisons) and Strategic Fund for the Nation in Support of the Real Economy (more than €9 billion managed by the Prime Minister's office). With a resolution dated 26 June 2009, CIPE appropriated roughly €4 billion of Strategic Fund for the Nation in Support of the Real Economy to projects for the repair of damages caused by the earthquake in Abruzzo.

<sup>11</sup> Decree Law No. 78/2009 (converted into Law No.102/2009) meets two objectives: it updates the revenue and spending measures for the 2010-2012 three-year period, and it sets out additional crisis-containment measures while maintaining control of the public accounts. The crisis-containment measures have a financial impact amounting to about €8.2 billion. The specific measures aimed at sustaining employment provide for greater flexibility in the use of social safety nets via the possibility of the early return of workers on long-term unemployment benefits programmes (*cassa integrazione*) for the purposes of training; the early lump-sum disbursement of the bonus also for self-employment purposes; the extension to 24 months of the period of the long-term unemployment benefits programme (*cassa integrazione*) in the event of a business's termination of activity; and the experimental increase for 2009 and 2010 of wage supplements for solidarity contracts. The decree's provisions in support of businesses include: the exclusion from taxation on business income of 50 per cent of the value of investment in equipment and machinery made between the effective date of the decree and 30 June 2010; more rapid depreciation of capital goods and new procedures for the writedown of non-performing loans and receivables for tax purposes and less measures sustaining microcredits. The crisis-containment measures also include the regularisation of homecare workers; this will allow for increasing the spending of FAS resources in favour of Abruzzo and the exceptions to the Internal Stability Pact.

<sup>12</sup> With reference Decree-Law n. 78/2009, the schedule includes only the crisis-containment measures.

<sup>13</sup> The Decree Law No. 112/2008, converted into Law No. 133/2008, increased the Fund for Employment by €700 million for 2009. With reference to social safety nets, the table considers the resources identified in the accord, net of the non-cash contribution, in addition to the amount already appropriated with the budget package put together in the summer of 2008. The fund thus includes the sums set aside for extending income protection in the event of an employment lay-off as provided by Decree Law No. 185/2008 and by the agreement, as well as the resources set aside for the implementation of active labour market policies, through the use of regional funds.

<sup>14</sup> These are measures aimed at sustaining demand, supporting employment, tackling problems of competitiveness, and protecting the most disadvantaged social groups, for a total of roughly €4 billion over the 2008-2013 period.

<sup>15</sup> The measures to facilitate access to credit include the financing of the Guarantee Fund, the reduction of the tax burden with respect to the regional tax on productive activity (IRAP), and the tax exemption of earnings reinvested in machinery and equipment; the measures to ease liquidity constraints include a bonus for automobile purchases.

<sup>16</sup> Another important impulse to investment spending comes from Decree-Law n. 78/2009 which allows local entities to exclude capital expenditure from computation of the Internal Stability Pact target balance in 2009.

<sup>17</sup> The simulation was done with the Treasury's econometric model (ITEM). The exercise first places the measures into standard groupings, each of which is associated with a specific type of policy. Then, the gross amount of the measures, as represented by the resources set aside for each of the years from 2008 to 2011, was reconstructed by policy type and the impact on the key macroeconomic aggregates (GDP, consumption and employment).

<sup>18</sup> In comparison with the 2008 NRP, the Update Note to 2010-2013 DPEF lowered the estimate of nominal GDP by 6.7 per cent.

<sup>19</sup> The worsening of the economic cycle has led to a major decrease in tax revenues (especially, indirect taxes).

<sup>20</sup> The lower expenditure on interest and employee compensation has offset most of the growth of intermediate consumption and welfare benefits.

<sup>21</sup> The balancing provision incorporates: (i) the adjustment of the original revenue forecast (roughly €32 billion); (ii) the proposals of the ministries for the portion subject to approval; (iii) the supplementation of funds for obligatory and unforeseen expenditures; (iv) the supplementation of funds for the reassignment of residual lapsed liabilities (roughly €5 billion, mostly earmarked for accelerating settlement of receivables claimed by businesses with respect to the central government); and (v) fewer charges for interest (roughly €3.5 billion). In view of the needs for increased spending, the cash authorisations have been supplemented by roughly €18 billion so as to allow for the settlement of a significant portion of the residual liabilities, which also refer to receivables claimed with respect to the public administration.

<sup>22</sup> Three decree-laws converted into laws represent the body of legislation containing urgent provisions to tackle the economic crisis: Decree-Law 112/2008 converted into Law n. 133/2008, Decree-Law n. 185/2008 converted into Law n. 2/2009 and Decree-Law n.78/2009 converted into Law n. 102/2009.

<sup>23</sup> CIPE resolution dated 26 June 2009.

<sup>24</sup> With the Decision of the Commission C(2009)1112 handed down on 18 February 2009, the final deadline for the payments against the 2000-2006 planning was extended to 30 June 2009, with positive effects on the implementation of the programmes and the complete absorption of the EU resources assigned.

<sup>25</sup> Decree-Law n. 78/2009 converted into Law n. 102/2009.

<sup>26</sup> The new equalisation arrangements will take full effect five years after the expenditure figures linked to minimum standards of essential services and core functions are set. The effective date will be determined by decree laws addressing the implementation.

<sup>27</sup> As provided by Law n. 662 of 23 December 1996 and Law n. 266 of 7 August 1997.

<sup>28</sup> Ministerial Decree dated 13 March 2009 (REACH Regulations), published in the Official Gazette of the Republic of Italy, general series n. 82 on 08 April 2009.

<sup>29</sup> Set up on the basis of Article 1, Paragraph 851 of Law n. 296 of 27 December 2006 (2007 Budget Law)

<sup>30</sup> Article 1, Paragraphs 842-846 of Law n. 296 of 27 December institutes industrial innovation projects and defines the means for their adoption; it indicates the five technological areas in which the projects are to be realised (energy efficiency, sustainable mobility, new technologies for Made-in-Italy products, new technologies for cultural/tourism goods and activities, and new life technologies). The total resources set aside for these projects went from the initial €990 million to the current level of €576.8 million.

<sup>31</sup> For the purpose of ensuring the growth and competitiveness of the productive system, in respect of the Lisbon Strategy objectives, Article 2, Paragraph 13 identifies the following additional technological areas: ICT, aerospace industry, and land and environment observation.

<sup>32</sup> Each Industrial Innovation Project is prepared by a manager appointed by the Minister of Economic Development, and adopted, subject to approval of the State-Regions Conference, with an interministerial decree that involves the various ministries impacted. With the Industrial Innovation Projects, the specific technological-productive objectives are identified, and the plan of measures, the resources allocated to them, and the means for implementation are defined. Each Industrial Innovation Project adopted entails two types of action: strategic action (incentives to businesses via tenders), and related actions (enhancement of impact of the strategic action via infrastructural initiatives, regulation, or measures affecting the productive context) co-financed by the regions and/or central government.

<sup>33</sup> Following are the tenders published to date: energy efficiency tender (Ministerial Decree dated 5 March 2008), with €200 million appropriated; sustainable mobility tender (Ministerial Decree dated 19 March 2008), with €180 million appropriated; Made-in-Italy tender (Ministerial Decree dated 10 July 2008), with €190 million appropriated.

<sup>34</sup> See Ministry of Economic Development - Department for Development and Economic Cohesion - Report entitled "Improving research and innovation policies for the Regions", available online: [http://www.dps.tesoro.it/documentazione/docs/all/DPS\\_Rapporto\\_Research\\_e\\_Innovazione.pdf](http://www.dps.tesoro.it/documentazione/docs/all/DPS_Rapporto_Research_e_Innovazione.pdf)

<sup>35</sup> The Emissions Technical Committee is chaired by a representative of the Ministry for the Environment and Territory, and its members include representatives of the following ministries: Economy and Finance; Economic Development, Infrastructures and Transportation; Farming, Food and Forestry Policies; Education, Universities and Research; Foreign Affairs. The Department of Regional Affairs within the Presidency of the Council of Ministers and the State-Regions Conference also have members on the committee.

<sup>36</sup> The deadline within which the initiatives must be executed was extended to 31 December 2011; the deadline for the signing of the act was extended to 30 June 2012.



<sup>37</sup> [www.minambiente.it/www.cbd.int](http://www.minambiente.it/www.cbd.int)

<sup>38</sup> See 2008-2010 NRP for the determination of the consequent savings.

<sup>39</sup> Rules approved by the Council of Ministers on 12 June 2009 containing the reform of the upper secondary school.

<sup>40</sup> The fundamental disciplines (Italian, history, philosophy, English, and mathematics) are integrated and/or reinforced to differing extents depending on the upper secondary school programme chosen (Latin and Greek are taught in the upper secondary school in classical studies; mathematics, physics and sciences are taught in the upper secondary school in scientific studies; English and two other foreign languages are taught in the upper secondary school in linguistic studies and so forth).

<sup>41</sup> In every upper secondary school, the hours dedicated to the study of mandatory subjects are rounded out by instruction in other subjects requested; the latter instruction depends on teaching staff assigned to the schools, and normally refers to music, law and business. Alternately, the schools may reinforce the teaching of mandatory subjects.

<sup>42</sup> With the exception of the classical studies and scientific studies (which entail the intensive study of one or two classic languages), the study of a second modern foreign language is required in all of the upper secondary schools (students in classical studies and scientific studies may nonetheless request instruction in a second foreign language). In comparison with the traditional classical upper secondary school, the new classical studies programme proposes the study of English and art history for all years. It furthermore considerably reinforces the study of mathematics and science. The study of Latin continues to fall within the mandatory subjects.

<sup>43</sup> In comparison with the traditional scientific upper secondary school, the study of mathematics and science has been reinforced. Mathematics is studied for five hours per week from the first to the fifth year, while physics is studied for two hours per week from the first to the fifth year, and the sciences are studied for three hours per week from the first to the fifth year. Latin is also mandatory in the upper secondary school in scientific studies, from the first to the fifth year.

<sup>44</sup> The lab instruction and the study of a second foreign language in addition to English represent the new features of this course of study. The acquisition of the musical and choral language is achieved with respect to composition, interpretation, execution and representation. The upper secondary school has closed the gap that was created when the musical conservatories and the National Dance Academy were elevated to university status.

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<sup>46</sup> With this course, the student will acquire the command of English and two other foreign languages, thereby giving the student the possibility of relating to other cultures through a critical and dialectical perspective. The study of Latin will make it possible to compare and contrast classical and modern languages.

<sup>47</sup> The programme is aimed at the understanding of phenomena related to the construction of personal identity and of human and social relations. It allows for studying training methods and techniques. It focuses on the dialogue between human sciences within a framework of respecting the needs for different types of knowledge (linguistic, literary, scientific, and artistic-musical knowledge).

<sup>48</sup> The first serious initiative undertaken to reduce the work force within the school system was seen with the 2002 Budget Law which provided for an overall reduction of more than 30,000 teaching positions during the 2002-2005 three-year period, in order to elevate the student/teacher ratio by one point inasmuch as the ratio in Italy was at least three points lower than that in other OECD nations. The 2003 Budget Law provided for a reduction of 6 per cent in the number of self-employed personnel working on a regular basis with the school system, to a total of 9,600. The reduction, even though not complete for the teaching staff (approximately 17,000), was achieved through the application of the reform contemplated by Law n. 53/2003 and through greater attention to the formation of classes and the reduction of undersized school complexes. Other reductions were planned with the 2007 Budget Law: 49,000 teachers and 7,000 administrative-technical-auxiliary personnel. The aforementioned reductions needed to ensure that the national average of the number of students per class would rise by 0.4 from 20.6 to 21. Law n. 133 of 6 August 2008 provided for a total reduction of 67,400 teaching positions and 42,500 administrative-technical-auxiliary personnel, to be achieved during the 2009-2012 three-year period. Added to these are the 22,000 positions still to be eliminated pursuant to the 2007 Budget Law.

<sup>49</sup> During the 2007-2008 school year, a national test was given as part of the state exam for the third year of lower secondary school (ISCED 2). The national test covers the Italian language and mathematics, and it has helped many regions of the country in the organisation of educational activities for the teachers of the aforementioned areas of study.

<sup>50</sup> See section entitled "Other reforms" with reference to the reorganisation in process within the Education and Upper Technical Training System.

<sup>51</sup> Rules proposed on 28/08/2009 for the "Definition of the governance of initial training of teaching staff of the education and training system"- pursuant to Article 2, Paragraph 416, Law n. 244 of 24/12/2007.

<sup>52</sup> Headmasters will be called upon to handle the coordination of active apprenticeships for teaching positions that will be organised in collaboration with universities. Italy's regions and autonomous provinces have proceeded in make available educational programmes within their territories; these programmes have been increasingly characterised by the need for integration with the other parties in the territory, and in particular, with the Joint Interprofessional Funds.

<sup>53</sup> Article 4, Law n. 52/2003 and Decree-Law n. 77/2005

<sup>54</sup> Established with Law 144/99 in order to develop professionals beyond secondary school, and to respond to demand coming from productive sectors affected by technological innovation.

<sup>55</sup> Decree of the President of the Council of Ministers of 25 January 2008

<sup>56</sup> The two National Operating Programmes entitled "Skills for development" (European Social Fund) and "Environments for learning" (European Regional Development Fund) both entail the presentation of a framework of reference that analyzes all developmental aspects of the education system in Italy, with a focus on southern Italy and the Target Convergence regions (Calabria, Campania, Apulia and Sicily). At a regional level, Calabria has started up a programme for the planning/development, recovery, security upgrade and requalification of school buildings, and has published a public notice in order to favour the access by disabled students to school infrastructures and the participation of such students in school activities. The Basilicata Region has developed the first guidelines for activities designed to co-finance measures to cover the use of school premises for various purposes and the lengthening of the hours when schools are open.

<sup>57</sup> On 28 January 2009, the State and the Regions signed an agreement about the measures to be taken to prevent and to deal with possible situations of risk related to the vulnerability of elements, including non-structural elements, of school buildings. The objective is to come up with a national reporting system aimed at identifying potential situations of risk related to the vulnerability of non-structural elements present in school buildings of any type. The initiatives, which are still being developed, are being undertaken on the basis of special "priority lists" for the inspections to be carried out according to the indicators identified by the agreement. Once the project is completed, it will be possible to conduct special searches in the national records of school buildings. The agreement led to the creation (at each region and autonomous province that is responsible for coordination) of special work groups consisting of representatives from Regional Education Offices, Inter-regional Superintendents of Public Works, ANCI, UPI and UNCEM, with the task of establishing special technical teams charged with carrying out the inspections of the school buildings in the respective territories, and the completion of special forms, whose content is to be used later in the construction of school buildings.

<sup>58</sup> Italy's policy for regional development also makes the quality and widespread availability of education a priority via the "Service objectives" project that monitors the following in the southern regions: the reduction of the percentage of young people who drop out of school, the students who are 15 years old and who have limited reading skills, and the students who are 15 years old and have limited skills in mathematics.

<sup>59</sup> It should be noted that some of the actions set out above are centrally planned actions, promoted by the Management Authority and aimed at supporting the planning and implementation of the Operating Programmes and the initiatives therein contemplated for the improvement of the quality of education in the schools in the Target Convergence regions.

<sup>60</sup> In addition to the possibility of participating in national projects inaugurated at a central level as system initiatives, schools may also request projects. The Management Authority uses implementation circulars for identifying and contracting the projects that the schools may request, and that are thus treated as "requested projects" which may be selected by individual schools. Thus, it is possible to apply for assignment of resources allocated with the 2007-2013 planning session, drawing up an integrated plan of initiatives that outlines the objectives and the projects considered priorities for the individual school.

Developed by a team and serving as a supplement to the educational plan, the integrated plan entails a series of proposed projects with which the school intends to tackle its critical issues (as identified through a careful self-assessment of the scholastic framework of reference). The examination phase prior to the development of the integrated plan is essential inasmuch as it allows for the proper prior assessment that needs to become a normal part of the planning process for scholastic institutions.

All scholastic institutions that wish to participate in the new National Operating Programmes for education are required to compile the "System assessment questionnaire" prepared by the National Institute for Assessment of the Education System, as a essential tool not only for understanding the school system at a national level, but also for tracking over time the impact of initiatives realised with respect to the objectives to be achieved.

Similarly, a self-assessment form has been prepared as the initial diagnostic tool in order to encourage the schools participating in the 2007-2013 National Operating Programme to carry out an analysis of their strengths and weaknesses so as to guarantee planning consistent with local needs and thus, planning that is functional to overcoming the critical issues detected.

The completion of the aforementioned documents is mandatory in order to be able to access the financing requested. The contribution of the regions is deemed decisive in (i) ensuring the schools participate in the national assessment system by filling out the aforementioned questionnaire, and (ii) contributing toward the implementation of the entire assessment process, so as to ensure that the information gathered can be used for supporting and piloting regional initiatives.

<sup>61</sup> One of the measures to deal with the crisis was Decree-Law 185/2008 converted into Law 2/2009 which involved the payment of what has been termed "exceptional" CIG in cases of reductions in the numbers of hours worked for workers in firms not covered by the measure and extension of the protection where work is lacking to cover contract workers, apprentices and, as a one-off measure, project workers. The measures are designed to support income and consumption and to prevent local economies from tightening dangerously.

<sup>62</sup> Decree-Law 112 converted into Law 133 of 2008 amended (Art. 21) the general regulations provided under Decree-Law 368 of 2001.

<sup>63</sup> Decree cited, Art. 23.

<sup>64</sup> Work is continuing by a group of experts for the construction of a national system of minimum occupational standards and for the recognition and certification of skills and training standards. The objective of this group is to build a National Qualifications Framework (NQF) through which all qualifications and certifications will be linked to the European Qualifications Framework (EQF) by 2011.

<sup>65</sup> Case C-46/07 of 13/11/2008

<sup>66</sup> Law n. 102/2009 which amended Law n. 335/1995.

<sup>67</sup> The 2007 Budget Law (Law 244/ 2007) provides tax incentives for firms which recruit women and it also provides funding for the creation of new businesses by women and the consolidation of small to medium sized female enterprises located in disadvantaged areas.

<sup>68</sup> It is worth noting that the Equal Opportunities Department in conjunction with the Ministry for Economic Development and Unioncamere is preparing a report on female entrepreneurship.

<sup>69</sup> Funding for the nursery programme has created an additional supply overall of 41,000 places, to which 24,000 must be added resulting from the creation of the “pre-nursery school sections” for very young infants. The Government also intends to promote the introduction of new positions such as *tagesmutter*, i.e. childcare staff in condominium buildings.

<sup>70</sup> Article 19, Paragraph 10 of Law n. 2/2009 affirms the conditional principle whereby workers who refuse to accept appropriate work or a retraining course lose their rights to unemployment treatment and income supplements.

<sup>71</sup> White Book, page 60.

<sup>72</sup> A total of €3 million was allocated by the 2008 Budget Law for the years 2009 and 2010 for the organisation and functioning of socio-educational services for pre-schoolers under the age of 36 months, at departments and units of the Ministry of Defence. This funding enabled programmes to be implemented to support the families with children of military and civil personnel in the Ministry.

<sup>73</sup> On 25 March 2009, the State-Regions Conference approved an accord to implement priority plan objectives for 2009. The accord extends the National Prevention Plan to 2009, maintaining the objectives and means of funding unchanged, in view of the formulation of a new plan for the following three-year period.

<sup>74</sup> The EU15 countries are: Germany, France, Italy, Spain, Holland, Belgium, Finland, Portugal, Austria, Greece, Ireland, Luxembourg, Sweden, Denmark and United Kingdom.

<sup>75</sup> The methodology was developed by the Lisbon Methodology (LIME) working group a part of the Economic Policy Committee (EPC).

<sup>76</sup> The chart on the left shows the gap for Italy in terms of GDP per capita and components of GDP, compared with the EU15 in 2007. Each component of GDP is broken down into sub-components. The X-axis shows the gap compared to the EU15 in percentage points. The centre chart gives the composition of absolute growth in GDP in its (sub) components between 2001 and 2007. The X-axis shows the respective contribution to growth. The chart on the right also gives the composition of growth in GDP, but in relative terms compared to the EU15. The horizontal axis therefore gives the percentage points that each (sub) component contributed to growth being higher/lower compared to the EU15 average.

<sup>77</sup> The table summarises the data contained in the charts on the right and left of Figure 1, providing information on the relative importance of the single (sub) components of growth. The scores are calculated as follows:  $\text{score} = 10 \times (\text{component} - \text{average EU15 component}) / \text{EU15 standard deviation}$ . The scores are truncated at -30 and +30 (+/- 3 standard deviations) to prevent distortions resulting from inconsistent data.

<sup>78</sup> The overall statistical quality is given for each policy area together with the extent to which indicators are covered: \*\*\* indicates full cover, \*\* medium cover and \* limited cover. The score given for each policy area is the weighted average of the indicator values. The scores for individual indicators are calculated as follows:  $\text{score} = 10 \times (\text{indicator} - \text{average EU15 indicator}) / \text{EU15 standard deviation}$ . The results indicate the levels for the latest available year and the progress (rate of change). Consequently a score of 10 means that the value of the indicator is one standard deviation above the EU15 average. A policy area is considered unsatisfactory if the aggregate score is below -4. The table also gives the number of unsatisfactory indicators (with a score of less than -4) both for level and for growth, together with the total number for each policy area.