



LISBON STRATEGY
FOR GROWTH AND JOBS
NATIONAL REFORM PROGRAMME
2008-2010

ROME, 06 NOVEMBER 2008

Courtesy Translation

Prepared by the Interministerial Committee for EU Affairs ("CIACE"),
under the coordination of the Department for EU Policies, Presidency of the Council of Ministers.

Contents

1	INTRODUCTION – EXECUTIVE SUMMARY	5
2	ANALYSIS.....	11
2.1	INTRODUCTION	11
2.2	THE CHANGE IN GDP ON THE SUPPLY SIDE: GROWTH ACCOUNTING.....	11
2.3	CRITICAL ASPECTS EMERGING FROM THE ANALYSIS AND THEIR INITIAL INTERPRETATION.....	14
2.4	SECTORS AND REGIONS.....	14
2.5	IDENTIFICATION OF CRITICAL AREAS.....	18
2.6	THE ITALIAN ECONOMY'S STRUCTURAL WEAKNESSES.....	18
2.7	PARTICIPATION RATES STILL UNSATISFACTORY.....	18
2.8	THE GAP IN PRODUCTIVITY	19
3	MACROECONOMIC REFORM POLICIES.....	21
3.1	ITALY: MACROECONOMIC OVERVIEW.....	21
3.2	PUBLIC FINANCE	21
3.2.1.	<i>Fiscal consolidation</i>	<i>21</i>
3.2.2.	<i>Healthcare spending.....</i>	<i>23</i>
3.2.3.	<i>Pension reform - update.....</i>	<i>25</i>
3.2.4.	<i>Quality of the public finances.....</i>	<i>26</i>
3.3	ALIGNING THE GROWTH OF WAGES AND PRODUCTIVITY	28
3.4	ROLE OF THE REGIONS	29
3.5	REGIONAL POLICY.....	29
4	MICROECONOMIC POLICIES	31
4.1	DEREGULATION	31
4.1.1.	<i>Telecommunications, auto-liability insurance, pharmacies, banks, fuel distribution.....</i>	<i>31</i>
4.1.2.	<i>Professional services.....</i>	<i>32</i>
4.1.3.	<i>Market for electric energy and gas.....</i>	<i>33</i>
4.1.4.	<i>Local public services</i>	<i>35</i>
4.2	SIMPLIFICATION AND BETTER REGULATION.....	36
4.2.1	<i>Simplification strategy.....</i>	<i>36</i>
4.2.2	<i>New legislation for starting a business</i>	<i>37</i>
4.2.3	<i>Civil justice measures.....</i>	<i>38</i>
4.2.4	<i>Security and development</i>	<i>39</i>
4.3	REFORM AND MODERNISATION OF THE PUBLIC ADMINISTRATION	40
4.4	POLICY FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs).....	41
4.4.1.	<i>Application of the "think-small-first" principle.....</i>	<i>41</i>
4.4.2.	<i>Business education and training for SMEs.....</i>	<i>43</i>
4.4.3.	<i>Policies for young entrepreneurs.....</i>	<i>44</i>
4.4.4.	<i>SMEs' access to financing: regional initiatives.....</i>	<i>45</i>
4.5	RESEARCH AND INNOVATION	47
4.5.1.	<i>Critical issues in Italy.....</i>	<i>47</i>
4.5.2.	<i>The contribution of regional policy.....</i>	<i>47</i>
4.5.3.	<i>Strategic research programmes</i>	<i>49</i>
4.5.4.	<i>Technological districts</i>	<i>50</i>
4.5.5.	<i>Italian Technology Institute.....</i>	<i>50</i>
4.5.6.	<i>Implementation of the "Industry 2015" programme</i>	<i>50</i>
4.5.7.	<i>Defence technologies and research.....</i>	<i>51</i>
4.5.8.	<i>Corporate Finance Fund.....</i>	<i>51</i>
4.5.9.	<i>Fiscal benefits for research</i>	<i>52</i>
4.5.10.	<i>Fund for investments in basic research (FIRB).....</i>	<i>53</i>
4.5.11.	<i>Agency for Assessment of the University and Research System (ANVUR)</i>	<i>53</i>
4.5.12.	<i>Agency for the Spreading of the Technologies for Innovation</i>	<i>54</i>
4.5.13.	<i>Healthcare research</i>	<i>54</i>
4.5.14.	<i>Patents and intellectual property</i>	<i>55</i>
4.5.15.	<i>Reform of the university competitions and researcher recruitment.....</i>	<i>55</i>
4.5.16.	<i>European Space Research</i>	<i>55</i>
4.5.17.	<i>Regions' policy for research and innovation.....</i>	<i>56</i>
4.6	INFRASTRUCTURES.....	62
4.6.1.	<i>Financial instruments: 2009 budget package.....</i>	<i>62</i>

4.6.2.	<i>Financial instruments: DPEF and infrastructures</i>	63
4.6.3.	<i>Financial instruments: Fund for Infrastructure Enhancement and Funds for Underutilised Areas (FAS)</i>	63
4.6.4.	<i>State of the TEN-T projects</i>	63
4.6.5.	<i>Relationships with the Balkans</i>	67
4.6.6.	<i>Regional policy at a national and EU level</i>	67
4.6.7.	<i>Initiatives in southern Italy: the 2000-2006 National Operational Programme - Transportation</i>	67
4.6.8.	<i>Initiatives in southern Italy: 2007-2013 National Operational Programme - Networks and Mobility - Convergence Objective</i>	69
4.6.9.	<i>Initiatives in southern Italy: 2007-2013 National Programme - Networks and Mobility</i>	70
4.6.10.	<i>Regions' policies for infrastructures</i>	70
4.6.11.	<i>Broadband and development of the new-generation networks</i>	75
4.6.12.	<i>Transition to digital TV</i>	76
4.7	PROTECTION OF THE ENVIRONMENT	76
4.7.1.	<i>Management of water resources</i>	76
4.7.2.	<i>Clean-up</i>	77
4.7.3.	<i>Waste materials</i>	77
4.7.4.	<i>Protection and conservation of biodiversity</i>	78
4.7.5.	<i>Air quality and clean energy. The measures in relation to the Kyoto objectives</i>	79
4.7.6.	<i>The contribution of regional policy to energy-policy objectives</i>	84
4.7.7.	<i>Renewable energy – Regional policies</i>	84
5	REFORM POLICIES IN THE AREA OF EMPLOYMENT	89
5.1.	EDUCATION AND TRAINING	89
5.1.1.	<i>Reform guidelines</i>	93
5.1.2.	<i>Cohesion policy initiatives</i>	95
5.1.3.	<i>Continuous training</i>	96
5.2.	TRAINING AND PLACEMENT OF YOUNG PEOPLE IN THE LABOUR MARKET	98
5.3.	LABOUR POLICIES	99
5.4.	FIGHT AGAINST ILLEGAL AND UNREGISTERED LABOUR.....	101
5.5.	ACTIVE LABOUR POLICIES AND EMPLOYMENT SERVICES	103
5.6.	CONCILIATION POLICIES AND CHILDCARE SERVICES	104
5.7.	ACTIVE AGEING AND ADEQUACY OF PENSIONS	106
5.8.	POLICIES FOR SOCIAL INCLUSION.....	107
	ANNEX. LISBON REPORTING TABLE	109

1 Introduction – Executive Summary

Delineated in 2005 after thorough deliberations, the new approach to the Lisbon Strategy has led to a clearer definition of its objectives: growth and employment. Italy, like other Member States, spelled out the priorities and tools in the National Reform Programme (NRP) of 2005. The NRP and its annual updates have been evaluated by the Commission, while the European Council has approved specific recommendations for improving the coordination of the reform policies and increasing their effectiveness.

The change in the governance of the reforms process has been perhaps the most important of the changes made. It has improved the working relationships between the Commission and the Member States; it has made us more aware of the fact that profound reforms of Europe's economic and social systems are needed for guaranteeing competitiveness; and it has established a system of coordination that allows for having a common direction for policies, without compromising national sovereignty. The assessment of these three years is therefore positive.

The growing attention focused on competitiveness and the challenges posed by globalisation has enriched the array of the policies adopted or to be adopted. The European Council has defined four "priority areas" – energy, research and innovation, simplification, and flexicurity – urging the Member States to adopt national policies consistent with the same, and the EU to come up with common policies.

If an observation can be made, it probably regards the number of existing priorities (with another 24 supplemental guidelines added to those mentioned above) which sometimes make the orientation and communication of the strategy difficult. The communication aspect is extremely significant if we want to convey the meaning of the reform policies to the general public. In the debate about what the Lisbon Strategy should be after 2010, we thus believe that space needs to be found for the "simplification of the priorities".

The NRP presented by the Italian Government in 2005 identified five priorities: deregulation, simplification, research and innovation, human capital, and infrastructures. These were flanked, partly due to the thrust at European level, by more explicit inclusion of both budget-stabilisation policies and active labour market policies.

During the three years since then, the policies contained in the 2005 NRP have been implemented and have had positive effects, as also shown by the assessments and recommendations of the Commission and the Council: in March of this year, it was acknowledged that Italy had made "good progress" in the implementation of the strategy.

However, the Italian economy is still contending with a significant fundamental problem, namely, the low growth of productivity made worse by high regional disparities.

Analysis carried out using growth accountability method and following a methodology agreed with European Commission, points out the low growth determinants: an overstayed labour market rigidity, a low competition level in the good market and a insufficient level of investment in research and development. Moreover, on macroeconomic side, the endured high debit level and the demographic prospective, due to continue implementing an adjustment fiscal policy.

There is fundamental compliance between the Commission's and the Council's assessments and those of the Government, with regard to both the determinants of the low growth and policy formulas to be adopted. The Government accordingly intends to make essentially no changes to the national priorities, as supplemented after the first assessment of the NRP:

- stability of the public finances;
- expansion of the area of free choice for the public and for businesses;
- incentives for scientific research and technological innovation;
- adjustment of tangible and intangible infrastructures;
- environmental protection;
- strengthening of education and of the training of human capital;
- labour policies (common flexicurity principles).

Compared with the previous Government, the PNR contains discontinuity elements, especially in labour area.

Following is a summary description of the strategies for policy reforms that the Government intends to pursue in the next three years with regard to these priority areas.

1. Since taking office, the Government has essentially confirmed the public-finance objectives previously agreed, with a view toward ensuring the continuity vis-à-vis the commitments previously assumed with regard to the EU. Such objectives contemplate the achievement of a balanced budget in structural terms by 2011. The net debt compatible with the medium-term objective has been pegged at 2.1% in 2009, 1.2% in 2010, and 0.3% in 2011, with further declines projected for the 2012-2013 two-year period.

By now there is general consensus at the European level that budget discipline and the sustainability of the public finances are elements essential for the creation of a sound economic environment capable of fostering growth. From an economic/financial perspective, the budget reform (which went into effect with the 2008 Budget Law) and the spending review (inaugurated in 2007) have made the accounting management more flexible and results-oriented, increasing the transparency of processes and providing for more efficient allocation of resources.

The budget package for 2009-2011 provides additional measures for streamlining public spending at the level of central government (through spending reductions at the ministries) and local government (through mechanisms to sanction violations of the internal stability pact, rewards for model Local Entities, and containment of the use of derivatives instruments).

A higher quality of fiscal governance will furthermore make it possible to achieve greater effectiveness in the effort to fight tax evasion. The budget package for 2009-2011 reiterates the firm stance that the Government has taken in the fight against tax evasion and the underground economy, with the introduction of a series of detailed measures.

In order to fulfil this commitment, the Government has adopted a highly innovative strategy with respect to both the timing and substance of its action, moving up the approval of the budget package to the summer months. Alongside the Economic and Financial Planning Document (DPEF), a three-year plan has been adopted for public-finance stabilisation; the plan will make it possible to achieve complete convergence between the planning and implementation processes, in line with the budget standards typical of the other European countries. With the approval of the budget package during the summer months, the Government will be able to proceed within a stable framework of reference in order to implement its planned reforms, including, first and foremost, the implementation of fiscal federalism.

The State's reform in the direction of federalism will make it possible to match autonomy and responsibility, decisions about spending and the financing in relation thereto, and equity and social justice. By increasing accountability, the responsibilities vested with the levels of government, and the transparency in managing public goods and services, such reform should make it possible to achieve increased efficiency in the supply of the goods and services, greater awareness of consumer/user preferences, respect for specific regional characteristics, and furthermore, a reduction of fiscal pressure over the medium/long term. Fiscal decentralisation represents an important occasion for correcting incentives to decentralised entities, and steering those incentives in the direction of recovering efficiency and in this regard, it can represent an important possibility for regions of southern Italy.

2. The deregulation and simplification process remains one of the majority priorities. A more dynamic market means more innovation, more competitiveness, better quality, and lower prices for goods and services. At the same time, the streamlining of regulations and administrative procedures and significant improvement of the quality of the services rendered by the Public Administration can lead to tangible gains for both consumers and businesses.

The initiatives regard three main sectors: private services, the energy sector, and the services of local public administrations.

In the private services sector, the initiatives to change the regulations have been, and will continue to be, oriented toward removing a series of constraints that were mostly "protecting" market participants from the competition. The action taken in two closely related spheres has been aimed, on the one hand, at reinforcing the rights of consumers and on the other hand, at the outright deregulation of access to certain markets, primarily

through measures to simplify regulatory compliance on the part of businesses and the professional services rationalization.

In the energy sector, the measures to date have regarded both electricity and gas demand and supply, with the objective of opening up the markets completely and developing real competition within the sectors, while simultaneously creating the instruments for adequate consumer protection in the deregulated market. Besides the complete market deregulation, it will also be necessary in the future to improve the protection of customers who are not yet capable of taking advantage of the opportunities offered by a competitive market. Market monitoring and supervision activities will also be very important in order to prevent practices to undermine competition. Finally, in the gas sector in particular, it will be necessary to take action to reduce system risks and to promote structural measures.

The Law 133/08 has revised the regulation of local public services in order to favour competition and the freedom of establishing and rendering services, to ensure that users have the right to accessing the entire range of services, and to guarantee an essential level of service quality and an adequate level of protection.

The new regulations establish that the award of service contracts on an ordinary basis must be done through publicly documented competitive procedures, and that such procedures are to be carried out in respect of the principles of the Treaty, the general principles in relation to public contracts, as well as the principles of cost consciousness, effectiveness, impartiality, transparency, adequate disclosure, non-discrimination, equality of treatment, mutual recognition and proportionality.

Streamlining regulations and reducing administrative costs are among the new Government's priorities, so much so that it was deemed appropriate to delegate the process of simplifying regulations to an ad hoc minister. Over 3,000 obsolete laws have recently been rescinded, and a programme for quantifying administrative charges is currently under way in order to obtain a 25% reduction thereof by 2012. Alongside the other initiatives, the significant streamlining of procedures for launching a new business is part of an effort to cut the administrative burden of small- and medium-sized businesses (SMEs).

The programme for reforming and modernising the Public Administration aims at optimising the productivity of labour by recognizing merit; accelerating the processes of administrative reorganisation and innovation; and augmenting the transparency of the running of the administration and the accessibility to public services.

3. Italy intends to continue adopting policies that stimulate research and innovation, which are considered decisive for long-term development. Such policies will need to take into account the peculiarities of Italy's manufacturing system and its productive structure. These peculiarities contribute to explaining why Italy, despite the initiatives undertaken in recent years, is still a long way from achieving a research-spending target of 2.5% of GDP.

An international comparison shows that the mix of R&D investment in Italy is characterised by a lower percentage of expenditures covered by businesses. As mentioned, the structure of Italy's productive system is one of the factors causing this situation: businesses with less than 10 employees account for 95% of the total businesses, whereas total corporate R&D spending can be attributed for the most part (74%) to the larger productive units (with more than 50 employees). It should also be noted that the spending by the SMEs is not counted for two reasons: it is recorded under various types of expense; and businesses with less than 10 employees are not included in the sample used for reporting purposes.

A very significant contribution to the growth of spending on research is to come from the 2007-2013 National Strategic Framework (QSN), which has earmarked resources of more than €20 billion for research and innovation. Other initiatives such as "Industria 2015", strategic research programmes, technological districts, and a series of important tax benefits, and the increase of the number of researchers will also be able to contribute significantly in gradually getting Italy to the 2.5% target. At the same time, an adequate system to evaluate university research with the use of an independent agency will also allow for improving quality of such research.

4. Italy's strategy for the infrastructures sector provides a series of innovative initiatives, including the employment of the Fund for Underutilised Areas in strategic sectors, such as

energy, with reference, amongst other things, to infrastructures, (telecommunications networks, and transportation services. The commitment to the TEN-T projects remains firm, and within the framework of the same, it should be noted that the revocation of the high-speed train (TAV) concessions has been rescinded.

Potential growth in the southern regions continues to be suppressed, partly due to the fact that there are fewer functioning infrastructures available and a lower quality of public services offered to the public and businesses. For this reason, the focus on investing in this area remains strong, as shown by both the initiatives outlined during the recently concluded Community Programming (with the levels of activation considered particularly satisfactory) and the planning that took place with regard to the 2007-2013 period.

Italy is furthermore implementing an ambitious plan for improving the broadband data transmission network, through both cable and WI-MAX technology.

5. Though an effort is ongoing to reduce the economy's emissions intensity, the scenario, as developed by including the policies implemented through May 2007, indicates that the GHG emissions as of 2010 will amount to 576 MtCO₂/eq, meaning Italy's gap vis-à-vis the Kyoto target will be equal to 93 MtCO₂/per year. For this reason, the 2008 budget package included additional provisions aimed at intensifying the efforts to hit the Kyoto target, with particular regard to the renewable energy sector and to energy efficiency.

It should also be noted that the budget package contemplates a National Conference for Energy and the Environment will be convened for coming up with a proposed "National Energy Strategy" that will identify short- and long-term priorities and is to be adopted by the Government by February 2009.

6. Italy intends to pursue a thorough reform of global Italian education system. Such review is addressing the entire regulatory, legal, organisational and operational framework, also taking into account the long-term trend of a decrease in the school population.

Initiatives aimed at the rational and effective use of the economic resources - within the broader based framework of an overall restructuring of public spending - are focused on the planning and implementation of new, territorial governance of education/training which is to be achieved by capitalising on the independence of the scholastic institutions and through the full involvement of Regions and the Autonomous institutions.

Such initiatives are flanked by a programmatic plan that identifies the following macro areas for the activities to be undertaken for the purpose of revising the education system's legal, organisational and instructional framework. Training, with its methods, timing and content having been revised, plays a central role in the implementation of Italy's flexicurity model, and the Government intends to prepare an extraordinary Plan in order to get the greatest value from the training.

In addition, the initiatives for training the work force (continuous training) represent a fundamental part of the Italian lifelong-learning strategy. As far as the financial instruments that, - in an integrated point of view - feed the system are concerned, the priority goes to the categories of workers most exposed to the risk of expulsion from the labour market and to workers encountering the greatest difficulty in gaining access to refresher, training and retraining courses.

7. Italy acknowledges the common flexicurity principles approved by the Employment, Social Policy, Health and Consumer Affairs Council. The Green Paper on the future of the social model published in July 2008 (about which a public consultation is currently open) emphasises that the objective is to create a welfare system whose opportunities will not only ensure the necessary protections but will also contemplate proactive conduct and responsibility on the part of the persons who benefit from them. The fundamental concept is that the model based purely on indemnification is no longer adequate or sustainable: it is necessary to construct a much more complex and compelling welfare system, that places the accent on anticipating needs and on prevention over a person's entire life span, thus contributing toward improving the quality of life of individuals and making for a society that is simultaneously competitive and inclusive.

In consideration of the insufficient trend of wages and the low productivity seen in Italy in recent, the Government has provided tax relief on a test basis for a six-month period in relation to payments for bonuses and overtime, thereby adding to the provisions for

eliminating the social-welfare contributions on the variable elements of compensation that were introduced with the Budget Law for 2008 (Law 244/2007). In order to promote productivity appropriately, the Government is guaranteeing the support necessary to the independent initiative of the unions on the subject of the reform of collective bargaining.

The following table indicates, as in the past, a financial summary of the national measures present in the attached Monitoring Grid.

Table 1 - National appropriations for the Lisbon Strategy through 2011. Breakdown by the priorities set out in the NRP

National Priorities (2008)	Number of Measures	Appropriations through 2011 (in € mn)
Expanding the area of free choice for the public and for businesses	19	1.453,00
Incentives for research and innovation	10	3.959,00
Education and training for strengthening human capital	6	246,00
Adjusting tangible and intangible infrastructures	9	9.838,26
Environmental protection	5	942,00
Policies for employment and social inclusion	7	1.123,00
<i>Total</i>		17.561,26
Improving the long-term sustainability of the public finances	6	-30.925,00
<i>Total</i>	62*	

* **There are 60 total measures.** The figure reported above is due to the fact that several measures are applicable to two or more national priorities.

<i>Including:</i>	
Measures implemented	5
Measures whose implementation is in process	48
Measures not yet inaugurated	7
Total	60

The National Strategic Framework 2007-2013 and the operational programmes for the EU Structural Funds already approved by the European Commission show an increasing convergence between the Lisbon objectives and those of the Cohesion Policy. Some 68% of the resources earmarked for the "convergence" objective and 82% of the those earmarked for the "competitiveness" objective are aimed at financing initiatives consistent with the Lisbon Strategy priorities.

Two summary tables are presented below: the first illustrates the additional resources available for the 2008-2010 period, while the second shows the payments made against the 2000-2006 structural funds, with both tables reporting the amounts in aggregates reflecting the national priorities of the NRP

Table 2 - Additional resources for 2008-2010 regional policy. Forecasts of expenditures subdivided by the national priorities set out in the NRP.

Priorities	Forecast Expenditures (in € mn)	%
Expanding the area of free choice for the public and for businesses	845	3,2
Incentives for research and innovation	2.928	11,1
Education and training for strengthening human capital	3.002	11,4
Adjusting tangible and intangible infrastructures	8.555	32,4
Environmental protection	6.117	23,2
Policies for employment and social inclusion	4.946	18,7
Total Lisbon priorities	26.393	100

Source: MSE – DPS .

Table 3 –2000-2006 Structural funds. Payments according to the national priorities set out in the NRP.

Priorities	Cumulative Expenditure to 31/12/2007	Expenditure for 2007
Expanding the area of free choice for the public and for businesses	999	174
Incentives for research and innovation	2.690	321
Education and training for strengthening human capital	5.017	791
Adjusting tangible and intangible infrastructures	9.142	1.492
Environmental protection	10.790	1.814
Policies for employment and social inclusion	6.609	1.175
Total Lisbon priorities	35.248	5.767
Total 2000-2007 Structural Funds	51.199	8.221

Source: Analyses using Monit-IGRUE

2 Analysis

2.1 Introduction

Italy's economy started to experience a significant slowdown in its rate of growth as of the mid-nineties. Although a similar trend was taking shape in most European countries, Italy's performance was worse in relative terms¹. Indeed, with reference to the 2001-2006 period, the growth rate of the Italian economy was about one percentage point per year lower than the average growth rate of the EU-15 (around 2.0 per cent).² Even when expanding the time horizon for comparison, the results do not vary significantly: the gap in growth with the EU-15 average for the ten-year period from 1998 to 2007 remains around one percentage point.

This report aims to contribute to identifying the factors adversely impacting Italy's performance during the periods examined, so that obstacles to development can be urgently addressed. The approach used is predominantly based on methodologies developed by technical work groups set up at European level and working together with the Commission, and in particular, the Lisbon Methodology Working Group (LIME). However, since such methodologies are a work in progress and do not cover all significant areas for the purposes of the Lisbon Strategy, the analysis herein is also based on contributions and considerations derived from other sources.

The analysis identifies the components of gross domestic product (GDP) that made a negative contribution to growth, both in absolute terms and in relation to the corresponding average values for the EU-15. It looks at medium- and long-term performance of the economy, and examines the key variables on the supply side. The behaviour of labour and the capital stock (via employment and investment flows increase), and the progress in technology and in the organisation of labour (which affect total factor productivity) are the latest determinants in driving GDP growth.

The analysis will then focus on policy areas which the economic literature has identified as being related to the GDP components previously identified as underperforming, assessing whether or not they are marked by deficiencies in terms of legislation, administrative action and measurable results. An improvement in the quality of the policies in these areas would contribute to loosening the structural constraints that are slowing the Italian economy. The analysis is based on Italy's absolute and relative performance in the various areas, on the basis of indicators selected within the LIME's framework and interpreted in light of Italy's specific economic and institutional situation.

2.2 *The change in GDP on the supply side: growth accounting*³

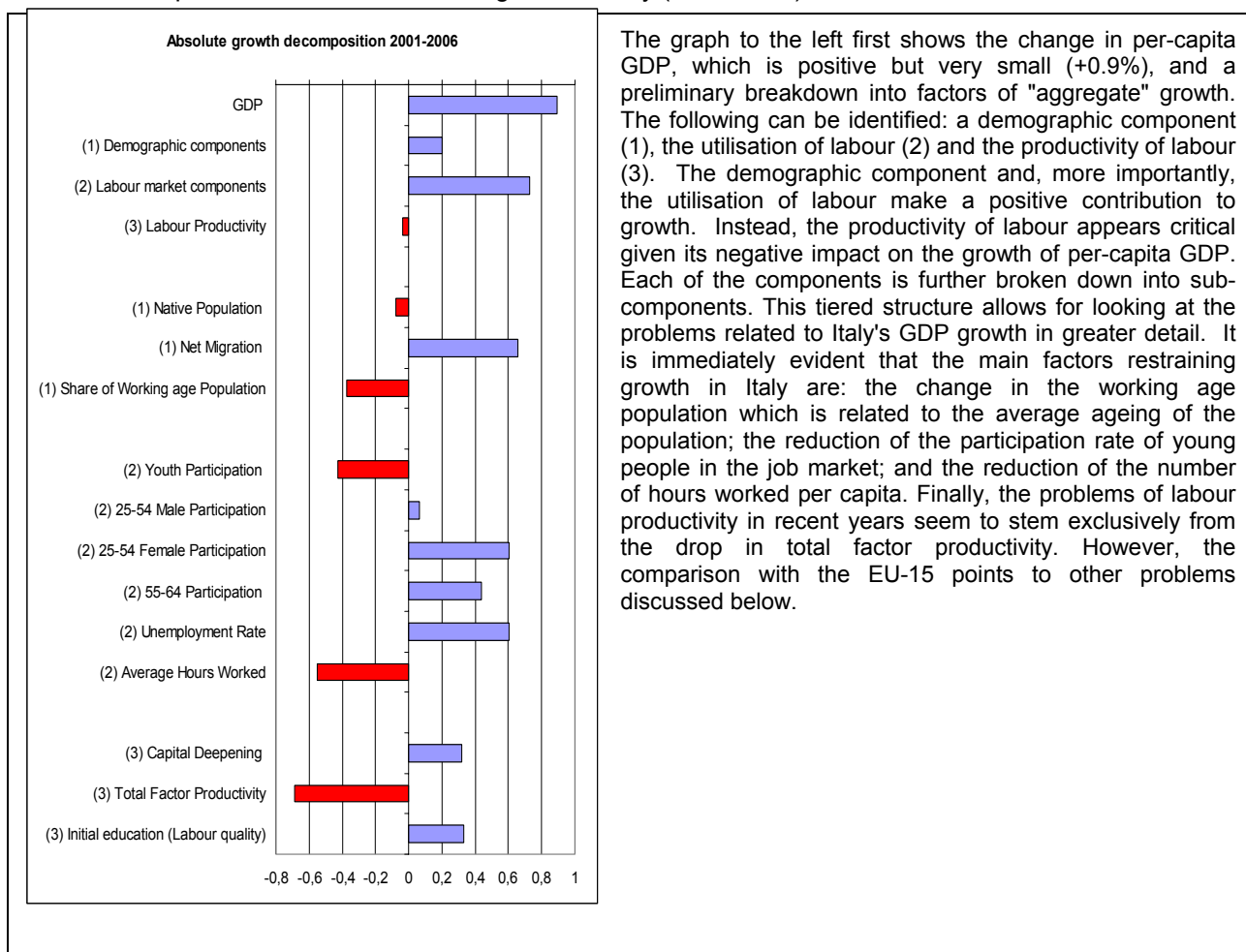
Growth accounting exercises explain the trend (and level) of GDP by studying the behaviour of production factors. As a first approximation, the change in GDP will be equal to the sum of the contributions of labour, the capital stock, and the change in total factor productivity (namely, the component associated with technological progress and better organisation of production). It is, however, possible to obtain a more detailed breakdown such as that shown in Graph 1. In this case, we look at the change in per-capita GDP, which is the welfare indicator commonly used at the international level. The data analysed regard the 2001-2006 period.

1 The fact that a reform process was initiated during this time period and may not yet have yielded the full extent of the expected results, may depend on two factors: (i) other European countries moved ahead in a more decisive manner (thus, it goes back to the issue of behaviour in relative terms) and (ii) the effect of the reforms is not immediate, i.e. the impact of the reforms are often realized with a delay.

2 The EU-15 includes the 15 countries that were members of the European Union before the penultimate expansion that occurred in 2004. Including the newest Member States in the average would provide even more unfavourable evidence, but it would not be correct since the new Member States, starting off with very low per-capita income levels, have experienced faster growth, also due to the convergence process.

3 This section and the next two use the results of the analysis carried out by the European Commission (DG-ECFIN Country Case Study for Italy). The interpretation of such evidence in this section may differ from the Commission's interpretation.

Graph 1: Absolute annual GDP growth in Italy (2001-2006)



The graph to the left first shows the change in per-capita GDP, which is positive but very small (+0.9%), and a preliminary breakdown into factors of "aggregate" growth. The following can be identified: a demographic component (1), the utilisation of labour (2) and the productivity of labour (3). The demographic component and, more importantly, the utilisation of labour make a positive contribution to growth. Instead, the productivity of labour appears critical given its negative impact on the growth of per-capita GDP. Each of the components is further broken down into sub-components. This tiered structure allows for looking at the problems related to Italy's GDP growth in greater detail. It is immediately evident that the main factors restraining growth in Italy are: the change in the working age population which is related to the average ageing of the population; the reduction of the participation rate of young people in the job market; and the reduction of the number of hours worked per capita. Finally, the problems of labour productivity in recent years seem to stem exclusively from the drop in total factor productivity. However, the comparison with the EU-15 points to other problems discussed below.

The analysis carried out by using Italy's data alone allows for identifying the components which have contributed to poor growth performance. From this perspective, in addition to the known problems of the ageing of the Italian population and the low productivity, specific components of the supply of labour are to be noted: in particular, hours worked per person and youth participation in the job market. This latest element, however, should be seen in parallel with an increased participation of younger people in tertiary education⁴ that could be a potential growth factor in short-medium term.

It is more meaningful to compare Italy with the subset of countries of the European Union that operate in a similar economic environment and represent Italy's largest trading partners.⁵ For this purpose, reference has been made to the results of a benchmarking exercise recently carried out by the European Commission (and developed by the LIME). Per-capita GDP is compared both in absolute terms (expressed on the basis of purchasing power parity), and with regard to its relative growth vis-à-vis the EU-15 values. The methodology used leaves aside factors related to Italy's economic cycle, although they were significant in the early years of the current decade. The short-term considerations become less significant because the data are examined in comparison with the average values for the EU-15 and for five-year time intervals.

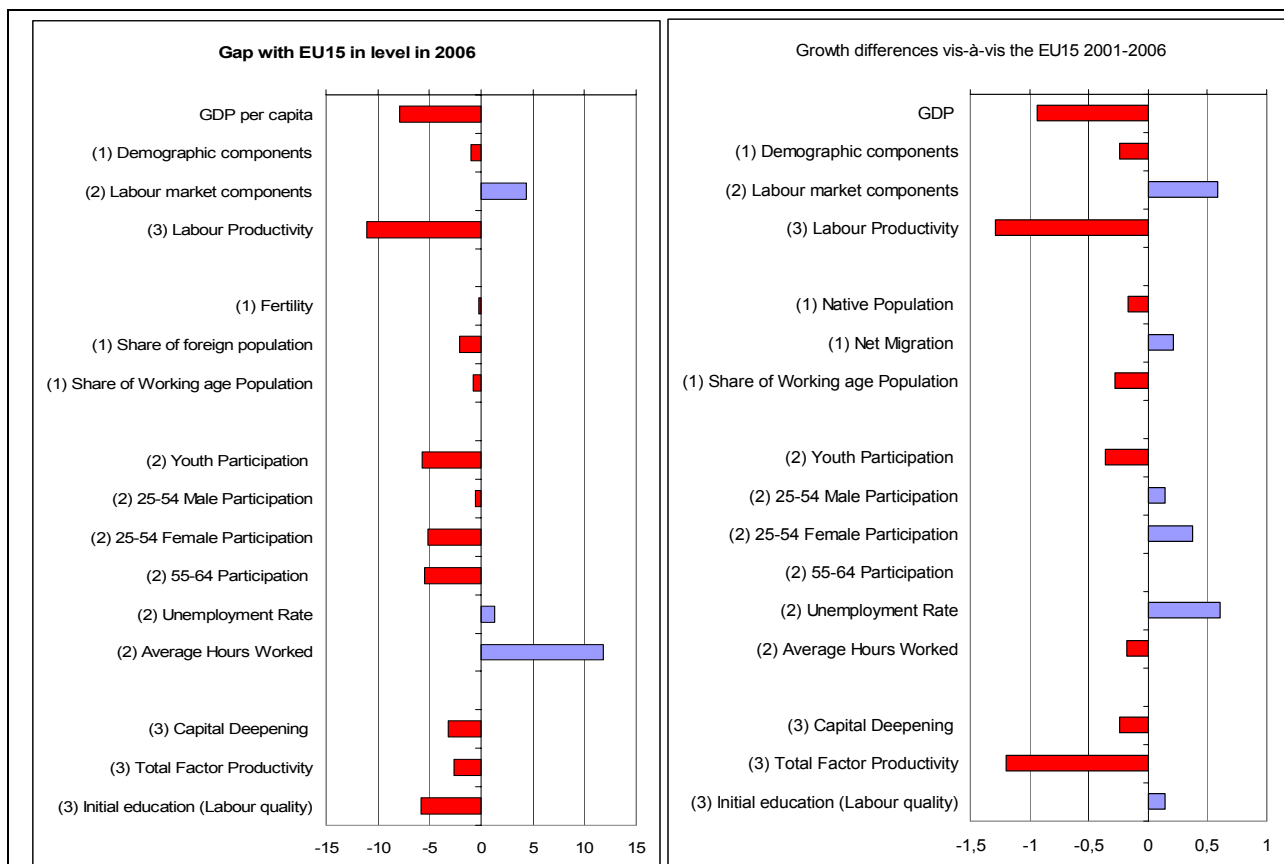
The results of the growth accounting exercise are reported in Graphs 2a and 2b, which show the breakdown of the gap in the level of real GDP per-capita for 2006 compared with the EU-15

4 Source Istat.

5 For the reasons given, the European benchmark is surely significant, however, it is not always exhaustive. Often another comparison would be appropriate; for example, with another leading country (almost always the United States) that has higher growth than the European average or, with the Lisbon targets in the case of many labour market variables.

average and the gap in growth during the 2001-2006 period⁶. The performance of Italy's economy turns out to be rather weak. In 2006, the per capita GDP gap with the EU-15 is around 8 percentage points. Italy accumulated this gap with an average annual GDP growth rate about 1 percentage point below the EU-15 average. The disparity is almost completely explained by a negative differential in productivity that has widened in recent years.

Graphs 2a and 2b: Italy's per-capita GDP compared with EU-15, levels and changes



Graph 2a shows that the negative gap in the level of GDP is mainly due to the low productivity of labour, with Italy logging below-average levels in all sub-components. By contrast, the level of utilisation of labour is better than the European average, although this 'advantage' is explained mainly by the greater number of hours worked. Negative gaps are seen for all of the other labour market variables, and specifically, for the rates of participation of the categories of 'less advantaged' workers (young people, women and elderly people). The demographic aspect, though not favourable in terms of projection, has not had a significant impact in the recent past, if compared with other European countries. Graph 2b shows the trends for the 2001-2006 period, highlighting which GDP components have favoured either a reduction and which an increase of the gap in real GDP per capita relative to the EU-15 average. The latter factors prevailed, as Italy's GDP grew on average by 0.9 percentage points less per year due to both the demographic component and the productivity performance. A strong negative gap is noted between the trend of total factor productivity in Italy and that in the rest of Europe.

Capital deepening grew at a rate below the European average, and continues to be the lowest in Europe. In addition, the use of capital as a productive factor in Italy has shown a tendency to contract. With regard to the quality of labour (as measured by the initial level of education of the work force), some progress can be noted. There are various positive signals coming from the labour market, with a reduction in the negative gap for the rate of participation

6 The analysis developed by the European Commission using its own database (mostly with EUROSTAT data) has been constructed so as to ensure the comparability between the results of the EU countries. The breakdown of growth has always completely aligned with the analyses done by the national statistics institutes of the individual Member States. One consideration derived from the ISTAT data and analyses is that the trend of total factor productivity was different during the 2001-2003 and 2004-2006 periods, with it becoming slightly positive in the latter period.

of women and a significant decline in the unemployment rate. Nonetheless, this progress was partially offset by the contraction in the average hours worked per employed person, that - although still higher than the EU-15 in level - grew less than in the rest of Europe in the period considered. The rate of participation of elderly workers grew in line with the EU-15 average. The further deterioration in the rate of participation of young people in the work force contributed to drive Italy further away from the European average.

2.3 *Critical aspects emerging from the analysis and their initial interpretation*

The current demographic trends (which would be difficult to change, except in the long run) indicate the prolonged ageing of the population with a consequent increase of the dependency ratio, i.e. the number of the pensioners vis-à-vis the working age population. Within this framework, the productivity of labour and, at the same time, the number of employed, must increase so as to increase Italy's per-capita income and avoid deepening the gap with the rest of Europe. The growth accounting analysis outlined above indicates several areas where action could be taken. With regard to the productivity of labour, the aspect of least concern seems to be capital intensity. The Italian economy does not appear particularly undercapitalised and the slightly negative performance (again in relative terms vis-à-vis the European average) can be explained by the greater use of labour vis-à-vis capital as a consequence of the labour market reforms introduced during the past 15 years. The resulting increase in employment could be one of the causes of the fall of productivity⁷. However, it is widely believed that the low level of productivity is predominantly due to structural factors that will be analysed in the next section of this report. At this point, it can be noted that the growth accounting analysis is not capable of isolating specific factors that determine the productivity of labour (if not the subdivision between the three elements: quality of labour, total factor productivity, and capital intensity). More detailed indications can be inferred regarding the labour market performance. The need to reduce the unemployment rate seems to have become less urgent (at least looking at the aggregate value at a national level), although further reductions are still desirable. More important seems to be the need to increase the rate of participation of all of the different categories other than the category of male adults who are at around the mid-point of their working lives. Though some progress has been made, the delay remains significant both in relative terms (i.e. when compared with the European Union) and with respect to the Lisbon objectives.

2.4 *Sectors and regions*

The analysis above has considered only the Italian economy as a whole, and has thus not considered sectors and regions which are extremely relevant.

Several open questions remain with respect to the former. First, could the setback in terms of total factor productivity be mostly attributed to unfavourable trends in one or more sectors? More detailed analyses carried out at a sector level⁸ (at a macro sector level) have shown that the decrease, with only a few exceptions, concerned the Italian economy as whole. Furthermore, changes in the mix of employment by sector, with employment shifting away from sectors with higher productivity to sectors with lower productivity (the typical run-off of employment from the manufacturing sector to the services sector), had only a limited impact in relative terms.

As part of the Lisbon process and with a view of highlighting sector trends at EU and international level, the European Commission sponsored a project for the construction of database known as EU KLEMS⁹. Various research centres were involved in the project. The

7 The decline in both total factor productivity and the number of hours worked are reflective of the favourable developments in the labour market. It is a known fact that the more intense use of part-time contracts and to a lesser extent, temporary contracts, has led to a reduction in the number of hours worked per capita. The greater flexibility resulting in the labour market thanks to the new types of contracts has made it possible to hire a large number of people, thereby favouring a sizeable drop in the unemployment rate. At the same time, however, new employees joining companies have often been placed into positions which require low professional qualifications. Furthermore, in general, the productivity of the "marginal worker" tends to be lower than that of the "average worker". This would help explain the decline in total factor productivity.

8 See, for example, Daveri, Jona-Lasinio (2005) "Italy's decline: getting the facts right" *Il Giornale degli Economisti e Annali di Economia*. Similar evidence can be obtained by using international comparisons made possible by the EU-KLEMS database (<http://www.euklems.net/>).

9 The objective is to set up a database for analysing the sector productivity for the EU Member States, with a breakdown for capital contributions of capital (K), labour (L), energy (E), material (M) and service inputs (S).

version of the database published in March 2008 is very detailed in terms of its breakdown (up to 60 sectors) and covers almost 30 countries.

However, thus far, the database contains only data through 2005 and these data are still subject to quality screening on the part of national statistics institutes. Even bearing in mind this caveat, the EU KLEMS data can help providing some preliminary indications on Italy's performance vis-à-vis the rest of Europe.

More specifically, Italy's growth dynamics have been measured with respect to the EU-15ex aggregate¹⁰ between 1995 and 2005. The magnitude of the growth components can be different with respect to the previous analysis both due to the different time interval considered and the aforementioned differences between the databases underlying the two types of analysis. The breakdown of the growth figures supplied by EU KLEMS is outlined below. The contribution of labour as a production factor is subdivided into a component related to the number of hours worked and another component for labour quality (as determined by age and level of education). The contribution of the capital factor is expressed by an ICT component and a non-ICT component. The contribution to growth due to the change in total factor productivity is proxied by the residual.

A first level of analysis regards the entire economy and six macro sectors - manufacturing, private services, financial services, distribution, electrical machinery and other industrial goods. Table 1 shows the breakdown for Italy and for the average of the EU-15ex. Results at the aggregate level are consistent with the preceding analyses. During the period examined, Italy had lower growth of around 0.8 percentage points in terms of value added. This performance can be linked to a productivity gap. The capital factor's contribution to growth is essentially in line with the European average. There was thus no investment 'deficit'. Compared to the EU-15ex Italy presents a greater accumulation of the component of traditional capital goods (non-ICT), in line with the country's productive specialisation. The negative performance in terms of productivity involved all of the macro sectors examined except for financial services. The gap is particularly accentuated for the manufacturing sector (-1.9 percentage points) and the distribution sector (-1.5 percentage points). Repeating the analysis with detail of 31 sectors, thereby directly showing the shifts in terms of the gap vis-à-vis the EU-15ex for the added value and contribution to growth of each production factor, provides additional feedback. In particular, it is noted that Italy's growth gap in added value growth can be attributed to four sectors: real estate services, retail sales, optical and electrical equipment, and financial intermediation. By contrast, the construction sector reduced the growth gap vis-à-vis the European average. It should also be noted that the total factor productivity diminishes vis-à-vis the European average across the board for almost all the sectors examined. Particularly negative, again in relative terms, are the real estate sector, wholesale sales, and retail sales. Instead, some efficiency gains are seen in the public administration, healthcare and the rental of machinery and equipment, and services to businesses. As far as the contribution of the labour factor is concerned, lower growth than the EU-15ex average is noted for the healthcare, public administration and education sectors, whereas the use of the labour factor appears to increase in the following sectors: mechanical industry (in general), services to businesses, and wholesaling. Sectors with the best performance vis-à-vis the EU-15ex average in terms of the labour factor's contribution to growth achieved this result almost exclusively due to a higher number of hours worked instead of a better qualitative mix of labour. A better performance was seen in several segments of the manufacturing sector, in wholesaling, in construction and in services to businesses. Some sectors (e.g. the public administration, healthcare, education, retailing and farming and fishing) experienced a relative decline both in terms of the number of hours worked and in terms of the change in the mix of labour. The only sectors that showed a qualitative improvement in labour, albeit a very minor one, vis-à-vis the European average are construction, chemicals, rubber and plastic, mining and transportation supply.

10 These are the countries for which there are data on the capital stock that allow for breaking down growth. The group includes all of the EU-15 countries, except for Ireland, Greece, Luxembourg, Portugal and Sweden.

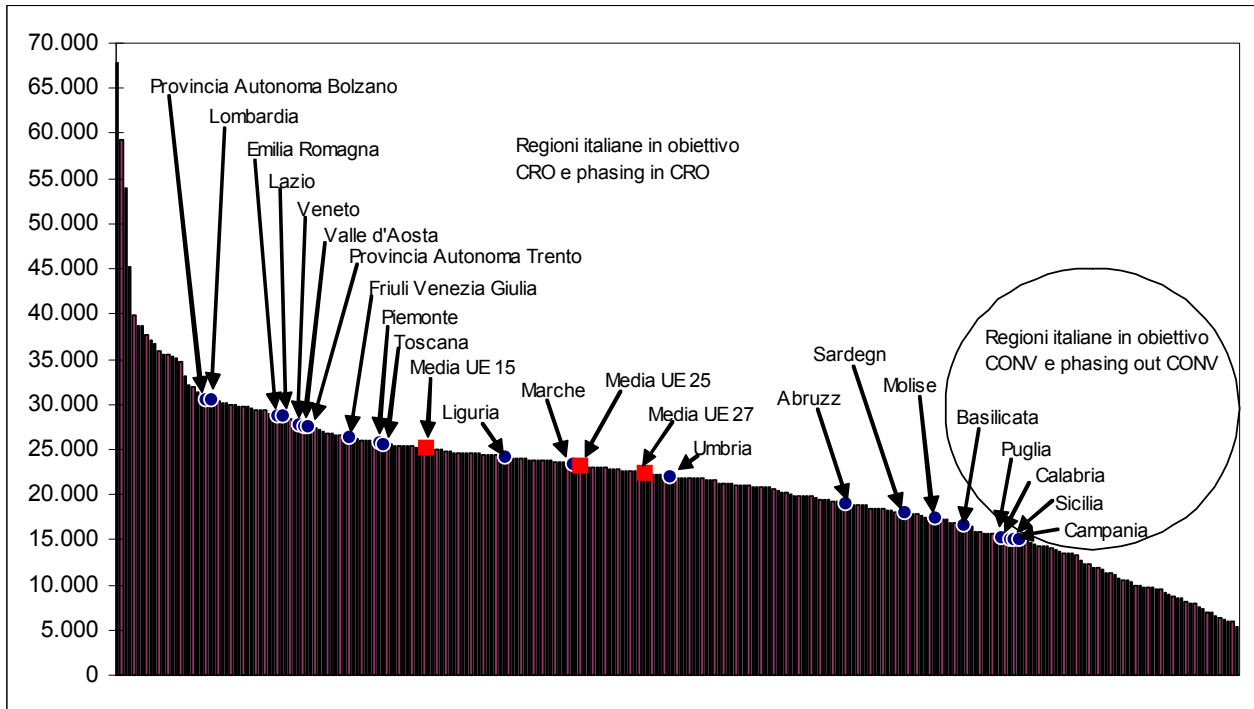
Table A1: Value added & contribution of the factors, 1995-2005

(annual growth rates, in %)								
	VA	L	H	LC	K	KIT	KNIT	MFP
	(1)=(2)+(5)+(8)	(2)=(3)+(4)	(3)	(4)	(5)=(6)+(7)	(6)	(7)	(8)
Italy								
MARKET SECTOR*	1.2	0.8	0.7	0.2	1.0	0.3	0.8	-0.7
Electric. machin., post/telecom.	4.4	-0.2	-0.2	0.1	1.9	0.5	1.4	2.7
Manufacturing, excl. electric. machin.	-0.7	-0.3	-0.4	0.1	0.7	0.2	0.6	-1.2
Other industrial goods*	1.3	0.4	0.2	0.2	1.1	0.1	1.0	-0.1
Distribution	1.2	0.8	0.4	0.3	1.3	0.3	1.1	-0.9
Financial services	2.9	2.6	2.4	0.2	0.7	0.6	0.2	-0.4
Social services **	0.9	1.7	1.6	0.1	1.2	0.3	1.0	-2.0
EU 15								
MARKET SECTOR*	2.2	0.6	0.4	0.2	1.2	0.6	0.6	0.4
Electric. machin., post/telecom.	5.5	-0.4	-0.6	0.2	1.7	1.2	0.5	4.1
Manufacturing, excl. electric. machin.	0.8	-0.4	-0.7	0.3	0.6	0.3	0.3	0.7
Other industrial goods*	1.1	0.0	-0.1	0.2	0.7	0.1	0.6	0.4
Distribution	2.3	0.6	0.5	0.1	1.1	0.4	0.7	0.6
Financial services	3.6	2.2	1.9	0.3	2.2	1.3	0.9	-0.8
Social services **	1.7	1.5	1.4	0.1	1.0	0.3	0.7	-0.8
* excluding agriculture, ** excluding production by family-owned businesses *** Information and Communications Technology								
VA= Value added, L= Contribution of the labour factor, H= Contribution of the total hours worked, LC=Contribution of the mix of labour, K= Contribution of the capital factor, KIT=Contribution of the capital factor ICT***, KNIT= Contribution of the capital factor Non-ICT***, MFP= Contribution of productivity								

In terms of the capital factor contribution, a gap opened up vis-à-vis the European average for two sectors: rental of machinery and equipment and financial intermediation. By contrast, the wholesaling and real estate sectors improved their performance. Capital is mostly concentrated on non-ICT investments, thus showing that technological investment in Italian sectors is still weak when compared with other countries. The only exception seems to be real estate activity.

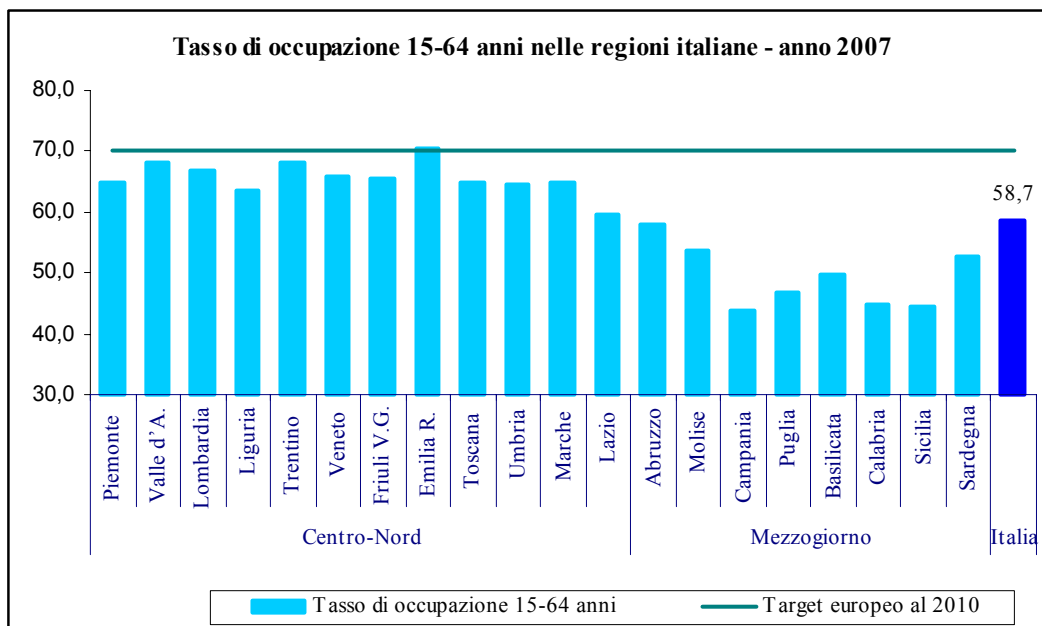
With regard to the second aspect, the regional one, it should be noted that Italy's performance is not even across the country. In 2006, the north-central regions achieved per-capita income above the EU-15 average, while the southern regions had a level of per-capita income that was about 40% below the European average. The levels of regional development have historically been dramatically different from region to region in Italy. Within the same national economy there are regions with the highest as well as with the lowest development in Europe. This fact is clearly evidenced in Graph 3 which reports the distribution of per-capita GDP for the 268 regions of the EU-27.

Graph 3 - Per-capita GDP in purchasing power standard as distributed among the European regions (NUTS 2) of the EU-27 in 2005



The differences in per-capita GDP growth compared to the EU-15 countries during the 2000-2006 period are more accentuated in the central/northern regions due to demographic components. Meanwhile, the negative differential in productivity is partly attributable to the differences in performance from region to region. The gap in labour productivity is actually more pronounced in the southern regions vis-à-vis what the rest of Italy. The differences in per-capita income growth are nonetheless negative for both territorial distributions. By contrast, the better performance in terms of the rate of participation in the labour market concerns the central/northern regions only (where the employment rate is in some cases close to the Lisbon target for 2010). See graph 4 below.

Graph 4 - Employment rate by Italian region in 2007 and target for 2010



Source: analyses on ISTAT data (Rilevazione sulle forze di lavoro).

2.5 Identification of critical areas

By examining from the supply side how the different components of GDP contribute to growth, it has been possible to pinpoint two fundamental areas where Italy has lagged behind more dynamic countries either historically or in the recent past. As shown by the analysis, the low rate of participation in the labour market of important – in terms of size and social significance - segments of the population and lower average productivity are the main factors impeding economic growth. Measures are needed to stimulate these factors and bring them back into line with the European average, and thus the sectors where economic policy could act must be identified.

2.6 The Italian economy's structural weaknesses

It is by now widely acknowledged that "structural" factors have played a major role in causing Italy's disappointing performance. Such factors include, among others, the persistence of certain rigid mechanisms in the labour market, the low degree of competition in the product market, and an insufficient level of investments in research and development. For some time, the most authoritative institutions in Italy and leading international organisations agree that these factors are among the Italian economy's main weaknesses.

Evaluating the quality and effectiveness of economic policy is an extremely difficult task which is less straightforward and more subject to interpretation than the growth accounting exercise. This section offers an analytical contribution in this direction, by systematically analysing and highlighting the structural weaknesses that are adversely affecting the growth of GDP, with a special focus on those policies that are more likely to influence the results in terms of participation rate and productivity growth. For the purposes of the analysis, the weaknesses are identified as "critical areas" of economic policy, i.e. the areas¹¹ in which reforms are more urgent and also potentially more beneficial. The approach adopted is to check for the simultaneous presence of the negative contribution of a specific growth component and an unsatisfactory evaluation of the economic policies which influence this component.

The links, also known as transmission channels, through which economic policies influence the components of growth, have been identified on the basis of a literature survey carried out at international level¹². The classification of the different areas and the comparison between the quality of Italy's economic policy and the "average" level of the policies of the other European countries in each sector is once again performed by using an analytical methodology developed at an EU level¹³.

The functional classification covers 20 economic-policy areas divided in three macro groups: policies for employment, microeconomic policies, and orientation and sustainability of public finance. The indicators used for evaluating the quality of the policy in each area are principally taken from the databases developed by EUROSTAT, the European Commission and the OECD¹⁴.

The methodology offers broad coverage in terms of areas examined and indicators used, capturing the key elements of growth. However, there are several areas and objectives of the Lisbon Strategy that remain outside of the context of analysis for the approach adopted (e.g. material infrastructure, social integration, environmental aspects and quality at work and fostering of better jobs). It should also be noted that many indicators may not correctly reflect the impact of the most recent reforms due to the inevitable time-lags between the time the reforms are implemented and the time when the statistical effects of the reforms are reported.

2.7 Participation rates still unsatisfactory

As far as employment policies are concerned, the reforms implemented in recent years have stimulated job creation and contributed to a sizeable reduction in the unemployment rate. However, the success has been limited inasmuch as the rate of participation of all segments of

11 Examples of economic-policy areas are active labour market policies, or policies to support research and development.

12 The European Commission has produced a general working document that provides a well organised summary of the transmission channels.

13 This methodology has characteristics similar to those developed by the OECD in its Going for Growth Project, but was developed with the technical contribution of national delegates of EU Member States.

14 This classification system also allows for mapping the reforms undertaken by Member States which are reported in the National Reform Programmes.

the population other than average-aged males is still low due to the fact that some policies are not yet up to the European standards.

An important obstacle to raising the participation rate is the limited mobility of workers across the country. One variable exemplifying this situation is the high regional dispersion in the unemployment rate. Finally, there is the potentially unfavourable impact of vocational training and life-long learning policies (classified as microeconomic policies) which are less developed than in the rest of Europe.

The low rate of participation of women in the work force is partly due to the same issues impeding a higher participation rate for young people, but is also influenced by critical elements of targeted policies. While the overall assessment of such policies is not negative, there are some unsatisfactory results for several significant indicators, such as the low level of coverage of childcare services, the limited involvement of women in life-long learning, and not fully adequate financial incentives (e.g. a second wage in a household may not be that advantageous if it is at the low end of the wage-salary spectrum). It should be noted that it is possible that the available indicators available do not fully capture the range and effectiveness of the policies in place to support families and of other policies aimed at raising the rate of participation of women in the work force.

Finally, the participation of workers over 55 years is also low. Almost all of the indicators used point to poor performance both in terms of results and in the adequacy of the specific policies adopted. Among the key weaknesses identified are the possible existence of fiscal disincentives to stay in the labour market and a low rate of participation of adult workers in training and life-long learning. In this regard, the OECD recommends reducing the weight of taxes and social security contributions especially for lesser skilled workers who are generally associated with lower incomes.

2.8 *The gap in productivity*

Labour productivity is the other factor that has caused Italy's per-capita GDP to remain below the EU-15 average. The growth accounting analysis has shown the existence of a previous gap related to the "quality" of labour and a gap that has widened in recent years in terms of total factor productivity. The quality of labour, as captured by the analysis, reflects the average level of education of the work force; it is normally associated with Italy's specialisation (which is not related to technologically advanced products) and it may nonetheless be influenced by specific policies.

In general, the comparison with the policy actions undertaken within the EU highlights a substantially unfavourable scenario for Italy. This is not so much due to the lack of progress in Italy, but to the fact that reforms in the rest of Europe have proceeded at a more rapid pace.

With regard to the various components of labour productivity, a positive development in recent years is the improvement in the quality of labour¹⁵. For example, the number of university graduates has risen, while the school drop out rate has fallen. But the negative gap with Europe has only marginally changed. The comparison shows that the indicators are almost evenly negative across the board for the policy areas intended to address this underperformance. More specifically, the negative indicators include those that cover the investment in physical and human capital in high-technology sectors (R&D spending, number of researchers and patents) and those related to professional training of workers. In particular, the OECD's PISA surveys show that the quality of Italy's education system is below that of most industrialised countries.

The decrease in total factor productivity in absolute terms is the component most difficult to evaluate both due to the economic significance of the variable (which incorporates aspects of technological progress and the organisation of production) and the vast set of microeconomic policies that can influence the behaviour of the component. Over and above the specific impact, the policies are in any case fundamental for shaping the economic environment in which businesses operate and in making the behaviour of businesses more or less 'virtuous'. The comparison with Europe shows some inadequacies of the quality of the policies in several areas.

Even though the policies that favour competition do not show negative values overall, prices in the telecommunications and energy sectors are much higher than the European average. Nonetheless, the comparison for the former sector does not take into account the price of

15 The OECD also emphasises the importance of the education factor, highlighting the need for improving the educational system (both in terms of schooling and universities) and encouraging the pursuit of quality in teaching.

telephone calls on which roaming charges apply, whereas the higher prices in the latter sector are mostly conditioned by the productive structure¹⁶. It should furthermore be emphasised that the comparative sectoral analysis of the policies aimed at promoting competition that has been carried out at EU level does not currently include some very important sectors (e.g. commercial distribution)¹⁷.

The policies for regulating and supporting the business environment and the creation of businesses also look problematic¹⁸. In this regard, Italy is at a disadvantage mostly because of legal and administrative procedures for the normal running of business activity (the periods of time required for the registration of ownership, license procurement, and contract enforcement) and the opening or closing of businesses. As for the prospects of international trade and international investment, Italy's market integration with is still impeded, mostly by the large amount of time and the high costs associated with customs transactions.

With regard to macroeconomic policies, the analysis shows the need to continue the pursuit of fiscal consolidation given the country's high debt and demographic prospects.

16 The IMF points out the need to accelerate the reforms aimed at stimulating competitiveness and favouring a more flexible and efficient economy. In particular, it believes that simplification, improved governance and better regulation should be pursued in the product market, thereby removing obstacles to reforms posed by vested interests.

17 In this regard, the anti-trust authorities have shown how prices in Italy have remained particularly high and the quality of services has remained low on average for essential sectors such as electricity, gas and transportation, due first and foremost to insufficient infrastructure. The process of renewing the country's infrastructure has often been slowed down by the lack of a strategy for a general reorganisation of the infrastructure, that should have accompanied the liberalisation process. The sectors on the priority list for further liberalisation reforms are: postal services (which are still dominated by Poste Italiane) and the local public services (transportation, garbage collection, and gas, electricity and water supply).

18 In order to increase the productivity of labour, the OECD recommends proceeding with the process of market liberalisation reforms. Such reforms should contribute to reducing administrative costs, lowering market entry barriers for new businesses, and guaranteeing greater protection for consumers, partially due to greater powers to be vested with the relevant Authorities.

3 Macroeconomic reform policies

3.1 Italy: macroeconomic overview

Year 2008 has been marked by the slowdown of the global economy on account of the worsening of the effects of the financial crisis that has involved several large financial institutions and led to the credit crunch, and the continuation of inflationary tensions. Such destabilizing factors were partially offset at the start of the year by the dynamic performance of Asia's emerging economies. The GDP in the Euro Area contracted by 0.2% year on year during the second quarter of 2008 as a consequence of the weakness registered by the larger countries, such as Germany (-0.5%), France (-0.3%), and Italy (-0.3%). In light of this result, the growth forecasts for the Euro Area and for Italy for the years of 2008 and 2009 are at risk of being downgraded. The trend of the economy remains marked by a high degree of uncertainty in general.

The performance of the Italian economy in 2008 has appeared weak and volatile, mostly for the effect of exogenous factors (such as the appreciation of the euro and rising oil prices). The national accounting data for the second quarter of the year have confirmed the sluggishness of domestic demand, with the addition of weak demand from abroad, while inventories made a positive contribution to GDP growth. Inflationary tensions remain strong (particularly for food products) despite some recent moderation prompted by the decrease in the price of oil. The labour market has logged an increase in the unemployment rate given a trend in employment that has been weaker than the trend in the labour force¹⁹.

The official estimates for 2008 point to a sharp slowdown for the Italian economy vis-à-vis the previous Report on the state of implementation of the National Reform Programme (NRP): 0.1% according to the 2009 Forecast and Planning Report (RPP)²⁰ versus the 1.5% contained in the 2007 NRP²¹. In the official projections, the expansion of GDP is driven by net exports (0.4 percentage points) whereas the contribution of domestic demand is negative. Domestic inflation as measured by the GDP deflator shows a strong trend (3.7%), as does the consumption deflator (3.8%). The unit labour cost rises significantly (4.7%), as a result of the 4.0% increase in the unit labour cost resulting from the contractual renewals provided for the public and private sectors, and an unfavourable trend in productivity. The forecasts for 2009 put the growth of the GDP at 0.5% (versus 1.6% on the basis of the previous NRP). Domestic demand makes a positive contribution to growth of 0.5 percentage points (inclusive of 0.1 points for fixed investment and 0.3 points for households consumption spending). The contribution from the foreign accounts is nil.

In comparison with prior estimates, the growth figures have been revised downward for the 2010-2011 two-year period, whereas they have remained unchanged for the 2012-2013 period (1.5%). The annual growth of GDP for the 2010-2013 four-year period averages just under 1.3%²², and is driven by domestic demand. Investments in machinery and equipment are projected to gain new momentum, with growth rates averaging around 2.2%. Investments in construction can instead be expected to slow compared with the 2006-2007 two-year period, for the effect of the dampening of the residential building cycle. Household consumption is projected to rise on average by 1.5% due to the positive trend of real disposable income. Employment is estimated to grow by an average of 0.6-0.7% per year.

3.2 Public finance

3.2.1. Fiscal consolidation

In view of the changes in growth prospects, the Update to the 2009-2013 Economic and Financial Planning Document (DPEF) revised the public finance estimates for the current year and the subsequent five-year period. The new framework indicates a deficit-to-GDP ratio of

19 The unemployment rate for the second quarter of 2008 stood at 6.7%. Employment for the quarter rose by 1.2% year on year versus a higher 2.3% increase in the supply of labour.

20 Forecast and Planning Report (RPP), available at: <http://www.tesoro.it/doc-finanza-public/dfp.rpp.asp?idr=19841>.

21 The 2008 forecasts contained in the Forecast and Planning Report (RPP) reflect another downward revision vis-à-vis the forecasts contained in the 2009-2013 Economic and Financial Planning Document (DPEF) (0.5%).

22 The aggregate had been projected at 1.5% in the 2009-2013 Economic and Financial Planning Document (DPEF) and at 1.7% in 2007 NRP (for the 2010-2011 forecast period).

2.5% for 2008, which is slightly higher than the objective set out in the NRP presented in October 2007 (2.2%).²³ This shift (equal to 0.3 percentage points of GDP) is due to a smaller net revenue stream resulting from a slowdown in value-added tax revenue, partially offset by higher direct taxes, and an accompanying reduction in social-welfare contributions²⁴. On the expenditure side, the higher outlays for interest expense are to be offset by economies achieved with regard to other current expenditures, and in particular, wage income compensation.

The new estimates incorporate the effects of the measures which the Government adopted during the first days of the legislature in order to prop up demand and increase productivity²⁵, and the action taken to move forward to 2008 the approval of the revenue and spending measures planned for 2009-2013²⁶. As a result of both initiatives, the mix of the aggregates within the account shifted, though without affecting, except only modestly, the value of the balances.

As to the subsequent years, the Government since taking office has essentially confirmed the public-finance objectives previously agreed, in order to ensure the continuity of the commitments previously assumed with regard to the EU. Such objectives contemplate the achievement of a balanced budget in structural terms by 2011. The net debt compatible with the medium-term objective has been pegged at 2.1% in 2009, 1.2% in 2010, and 0.3% in 2011, with further declines projected for the 2012-2013 two-year period.

In order to fulfil this budget commitment, the Government has adopted a highly innovative strategy with respect to both timing and substance of its action, moving up the approval of the economic and financial measures to the summer months²⁷. Alongside the Economic and Financial Planning Document (DPEF), a three-year plan has been adopted for the public-finance stabilisation; the plan will allow for complete convergence between the planning and implementation processes, in line with the budget standards typical of the other European countries. With the approval of the budget package during the summer months, the Government will be able to proceed within a stable framework of reference in order to implement its planned reforms, including, first and foremost, the implementation of fiscal federalism.²⁸

Altogether, the budget policy will tap resources (incremental revenues and spending cuts) amounting to €36.7 billion, with an increasing portion thereof being earmarked for fiscal consolidation (which will ultimately account for around 84%, or roughly €31 billion, of the total amount).

The net accumulated correction against the balance as a percentage of GDP is equal to roughly 0.6% in 2009, rising to around 1.0% in 2010 and reaching roughly 1.8% in 2011. The corrective measures are mainly concentrated on the containment of primary public expenditure through the application of a preventive limit on growth which is focused on missions, programmes and operating expenses. This tool, provided in general for all public spending, is supplemented by other mechanisms for budget flexibility, part of which have already been

23 The target was later revised, first to 2.4% (Combined Report on the Economy and Public Finance (RUEF) presented in March 2008) and then to 2.5% (2009-2013 Economic and Financial Planning Document (DPEF) presented in June 2008) in order to take into account the downward revision of the growth estimates and the more up-to-date projections of the trend of the public accounts.

24 The downward revision of the 2006 statistical base made by ISTAT at the beginning of 2008 has an impact on the result for the year. The revision entailed a downward adjustment of the revenue from social-welfare contributions in 2006, which also has an impact on the years thereafter.

25 Decree-Law 93/2008 concerning "Urgent provisions for safeguarding the purchasing power of households", converted, with amendments, by Law 24 July of 2008 n. 126, provided for: the exclusion of the municipal real estate tax (ICI) on properties used as principal residences as from 2008; tax relief for overtime pay in the private sector for a test period from 1 July to 31 December 2008; and the definition of new provisions for renegotiating mortgage loans for the purchase and restructuring of properties used as principal residences.. See also below the comments on the "growth of wages and productivity".

26 Decree-Law n. 112/2008 ("Urgent measures to provide for economic development, simplification, and competitiveness, the stabilisation of public finance and tax equalization"), converted with amendments by Law n. 133 of 6 August 2008, constitutes the legislative instrument which the Government has relied upon for the correction of the public accounts.

27 In addition to Decree-Law n.112/2008, the revenue and spending measures are spelled out in other legislative instruments: (i) two draft bills incorporating the regulations needed for rounding out the initiatives that will contribute to the achievement of the targets indicated by 2011; and (ii) three bills of law respectively aimed at the implementation of fiscal federalism, the optimisation of the productivity of the public-sector labour force, and the restructuring of regulations on the subject of strenuous work, public-sector labour and labour disputes.

28 In addition, the preliminary reform of the public budget effected at the start of the summer has increased its credibility and stability, and has been flanked by efforts for making the Minister of the Economy's role stronger and by continuing the budget review process undertaken in recent years.

introduced by previous budget laws, and have been aimed at gradually activating a systematic spending review process. The Decree-Law 93/2008 introduced other flexibility mechanisms, thereby strengthening the margins for discretion for the programmes within each spending mission, with the exception of expenditures of a mandatory nature, expenditures with annual instalments, and expenditures involving deferred payment, up to the limit of 10% of the resources contemplated by the individual programme. Other initiatives are concentrated (as will be shown below) on the containment of spending in the areas of public-sector employment, decentralised finance, healthcare, and social security. Once implemented, all of the measures can be expected to lead to net savings of around €25.5 billion.

The fiscal package contributes modestly to the correction of the public accounts (equal to around €5.5 billion in 2011), and is aimed at the reconfiguration of the taxable income base of credit institutions, insurance companies and industrial companies operating in the energy sector, including through the introduction of an additional tax (which, when added to the ordinary taxation rate of 27.5%, will put the overall corporate income tax rate at 33%). Similarly, the strong efforts to fight tax evasion have been continued through changes to the system for tax assessment and measures to make the financial administration stronger.

Aimed at achievement of budget breakeven by 2011, the public-finance stabilisation plan makes the pursuit of the medium-term objectives more credible.

After an abrupt interruption expected for 2008 (a year in which the cyclically adjusted budget balance net of the one-off measures is projected to deteriorate by 0.6%), the public finance consolidation process can be expected to be back on track as of next year, moving toward the medium-term objectives provided by the Stability and Growth Pact. The adjustments of the structural budget balance for the 2009-2011 three-year period are projected to equal 0.8% during the first year and around 1.0% in the two years thereafter.

3.2.2. Healthcare spending

The shifting of the country's demographic and epidemiological profile strongly influences the determination of healthcare requirements. Ageing-related illnesses, and in particular, chronic illnesses, have increased by 50% in the past ten years. The consumption of social/healthcare resources for people over the age of 75 is 11 times higher than the comparable level for individuals in the 25-34 age bracket. Patients with chronic illnesses represent 25% of the population and account for 70% of the expenditure.

Including the initiative contemplated by the three-year public-finance stabilisation plan²⁹, the estimate of spending on healthcare reported in the Update to the 2009-2013 Economic and Financial Planning Document (DPEF) and in the 2009 Forecast and Planning Report (RPP) incorporates anomalous development of the trend in 2008, with respect to both the average values recorded in prior periods and the expected trend for the years ahead. Indeed, the year-on-year growth goes from 0.9% for 2007 to 8.0% for 2008, and then falls back to 2.5% for 2009. Taking into account that the average annual growth over the three-year period is 3.8%, the deviation in 2008 is essentially attributable to accounting factors (as already pointed out in the Combined Report on the Economy and Public Finance (RUEF)³⁰), including, for example, the deferral of amounts that should have been charged to prior years. In particular, the current charges related to the renewal of the 2006-2007 two-year contract (around €1.5 billion, which is grossed up by a similar amount to account for additional charges for payments in arrears) have

29 The projections of healthcare spending as from 2010 have been computed on the premise that the containment measures are entirely and exclusively related to expenditure, inasmuch as the Regions may elect to step in with other measures, e.g. budget coverage from outside of the healthcare sector. The forecast included in the Update to the 2009-2013 Economic and Financial Planning Document (DPEF) and in 2009 Forecast and Planning Report (RPP) takes into account not only the incremental charges arising from contract renewals and the agreements contemplated within the framework of the three-year public-finance stabilisation plan, but also the effects of the suppression of the tickets (introduced with Law 133/2008) for incremental expenditure of €834 million on an annual basis for the 2009-2011 three-year period. Such incremental expenditure is offset partly by the Regions' expected adoption of measures to streamline spending and/or the reduced application of the tickets themselves (for an amount of roughly €350-360 million), partly by incremental state transfers (€400 million on an annual basis), and in the case of the residual amount, by the adoption of other regional measures aimed at reducing the costs for political and administrative bodies and the compensation to healthcare directors, administrative directors, and the members of the boards of statutory auditors serving: local healthcare units (ASL), hospitals, university hospitals, IRCSS, and zooprophyllactic institutions.

30 Combined Report on the Economy and Public Finance, available at: http://www.dt.tesoro.it/Aree-Docum/Analisi-Pr/Documenti-/RElazione-3/ RUEF/Ruef-2008.txt_cvt.htm.

been booked to 2008, whereas another roughly €0.7 billion relates to the reallocation of several accounting items between 2007 and 2008 in relation to timing differences³¹.

For the 2009-2013 period, the year-on-year trend estimated in the Economic and Financial Planning Document (DPEF) points to average growth of around 3.3%, without taking into account the measures provided by the three-year public-finance stabilisation plan; the 3.3% figure incorporates the following projections of the individual expenditure items: an average 1.3% increase in spending on personnel³², average 5.0% growth in spending on the purchases of goods and services, and an average 3.65 increase in spending on services supplied by producers operating in the market. The forecast incorporates the effects of the measures to contain spending that were included in previous Budget Laws as well as the effects of the revenue and spending measures contained in the Healthcare Deficit Reduction Plans. The full-scale implementation of the budget package in terms of expenditure³³ allows for limiting the trend to an average annual increase of around 3% during the 2009-2013 period, and to reduce the ratio of healthcare spending to GDP to a figure in the range of 6.8% to 6.9%.

The three-year public-finance stabilisation plan provides that the healthcare sector contribute to the consolidation effort as from 2010, ultimately achieving roughly €3 billion of savings compared with the year-on-year trends estimated in the 2009-2013 Economic and Financial Planning Document (DPEF) (inclusive of the incremental charges arising from contractual renewals and for the agreements as contemplated within the framework of the three-year public-finance stabilisation plan)³⁴. The corrective measures provide for the start-up of a digitalisation project based on the introduction of a screen-based system for prescribing specialist services and medications, and for the circulation of patient medical records. This project aims to enhance the monitoring of the spending and to measure the appropriateness of the treatments prescribed.

With regard to the measures adopted, the efforts to contain and to streamline the spending that were initiated with previous budget laws have been confirmed with Law 133/2008 which has pegged the State's ordinary financing of the National Healthcare Service at €102.7 billion for 2009, €103.9 billion for 2010 and €106.2 billion for 2011. The level of financing has been increased by €184 million for the year of 2009 and by €69 million as from 2010, in order to factor in both the renewal of the collective bargaining contracts with the personnel under agreement with the National Health Service and the activation of the Healthcare ID Card Project³⁵.

Law n. 133/2008 has introduced another type of "precautionary" measure: while 70% of the portion of the National Healthcare Fund earmarked for the achievement of the priority objectives indicated in the National Healthcare Plan due to each region is to be paid as an advance, the remaining 30% is subject to the approval by the State-Regions Conference,³⁶ and barring such approval, the 70% advanced is also to be recovered.

31 See Combined Report on the Economy and Public Finance (RUEF) 2008, page 70.

32 Law n. 133/2008 has nonetheless provided for a 20% decrease in the total compensation due to the general directors, healthcare directors, and administrative directors, as well as the compensation to members of the boards of statutory auditors serving: local healthcare units (ASL), hospitals, university hospitals, rehabilitation institutes, institutes providing scientific treatments, and zooprophyllactic institutions.

33 Decree-law n. 93/2008, converted with amendments by law n. 126/2008 suspended (until the content of the new Internal Stability Pact is defined as part of the implementation of fiscal federalism) the power of the Regions to approve tax increases, additional taxes, tax rates, or increases in tax rates. The tax lever may thus only be activated in the event of deficits ascertained by the monitoring tables at the time of the annual audit.

34 Always based on the premise that the containment measures are entirely and exclusively related to expenditure (see note 11).

35 For the years of 2010 and 2011, the access to the supplemental financing to be provided by the State (compared with that provided for the year of 2009) is subordinated to the execution of a specific agreement between the State, the Regions and the Autonomous Provinces of Trento and Bolzano, that contemplates a commitment by the Regions to streamline the expenditure. The agreement, which is to be signed on or before 31 October 2008, will need to include the following specific provisions: a) a reduction of the standard for the number of beds, aimed at promoting the changeover from in-patient to day-patient recovery and from day-patient recovery to out-patient treatment; b) the commitment of the Regions, in connection with the reorganisation processes (including therein the processes to streamline the hospital network and make it more efficient), to reduce the expenses for the personnel serving the entities of the National Healthcare Service; and c) the Regions' commitment to implement, in the event of imbalances in the healthcare sector budget, mechanisms that will entail the public's direct participation in covering the costs of the healthcare services.

36 Upon the proposal of the Minister of Labour, Healthcare and Social Policies, of the projects presented by the Regions, inclusive of a report illustrating the results achieved in the previous year.

Additional measures to contain expenses will be adopted with the ministerial order covering the classification of the services and the maximum fees³⁷. The maximum prices will be used as a reference for evaluating the suitability of the National Healthcare Service's resources. Fees set by the individual regions in excess of the maximum fees will be charged to the regional budgets.

The more general measures defined on the subject of controlling healthcare spending (starting from the State-Regions Accord of 8 August 2001 through to the Healthcare Pact of October 2007) are flanked by specific provisions applicable to several regions providing for the possible appointment of commissioners *ad acta* for the purpose of balancing the accounts. Given their structural deficits, such regions (Latium, Campania, Sicily, Molise, Abruzzo, and Liguria) have committed to three-year Healthcare Deficit Reduction Plans; the plans provide for the implementation of a substitute central power in the event in which the regions fail to abide by the commitments undertaken for the containment of expenditure and the streamlining of the healthcare networks. The efforts to balance the healthcare accounts are aimed at zeroing out the deficit in these regions by 2010.

Within the framework of the Second Implementation Report, there had been much discussion of the memorandum which the Minister of Health and the Minister of Economic Development signed on 17 April 2007 with the Regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily, for the effects that one might presume could be derived from the integration of policies and actions. With the Interministerial Committee for Economic Planning (CIPE) resolution n. 166 of 21 December 2007, a total of €1,500 million was earmarked for the implementation of the memorandum.

Finally, in order to achieve the profit-and-loss objectives in the use of the resources and in the verifying the quality of the service supplied, according to the criteria of suitability, the regions have ensured, for each disbursing entity, a detailed annual audit of at least 10% of the patient case records and the corresponding discharge records, all of which shall be identified through rigorous random sampling.³⁸

3.2.3. Pension reform - update

The initiatives provided in the Welfare Protocol of 23 July 2007 have been implemented with respect to pensions³⁹. More specifically, with Law 127/2007, "small" pensions were increased through the payment of an additional sum to pensioners of age 64 or older and persons drawing no more than 1.5 times the minimum pension. As of 2008, welfare pensions were also increased through additional welfare provisions. Law 247/2007 provides for the implementation of the remaining part of the Welfare Protocol. In the first place, compared with the provisions of Law 243/2004, the law provides for a more gradual increase in the minimum age to be attained for early retirement with contributions made for at least 35 years⁴⁰. A second measure regards exceptions that allow for certain categories of workers (those involved in strenuous work) to retire even earlier, namely at an age that is three years less than that provided for workers in general (though not less than age 57, with 35 years of contributions, and within the limits of the

37 The measure, to be approved with the agreement of the State-Regions Conference, will specifically need to take into account the following (including as an alternative): a) standard costs of the services calculated with reference to units selected in advance on the basis of criteria of the efficiency, appropriateness and quality of the service, as shown by data in the National Healthcare Services information system; b) standard costs of the services already available through the Regions and the Autonomous Provinces; and c) regional rates and different means for remuneration of the care functions implemented in the Regions and in the Autonomous Provinces.

38 With the continuing aim of guaranteeing the effectiveness and the efficiency of the National Healthcare Service, a commission of inquiry was set up by Parliamentary order for the purpose of acquiring all information in relation to the organisational conditions and productive models of public and private healthcare units, hospitals or outpatient clinics. In particular, the commission is verifying the status of the implementation of healthcare and social/healthcare policies across the entire nation, checking on the quality of the services supplied to the public and the standard of the conditions for accessing essential levels of care and gathering data in order to evaluate the trends of healthcare spending at a regional level, including for the purpose of verifying the appropriateness of the services and the existence of any wastage.

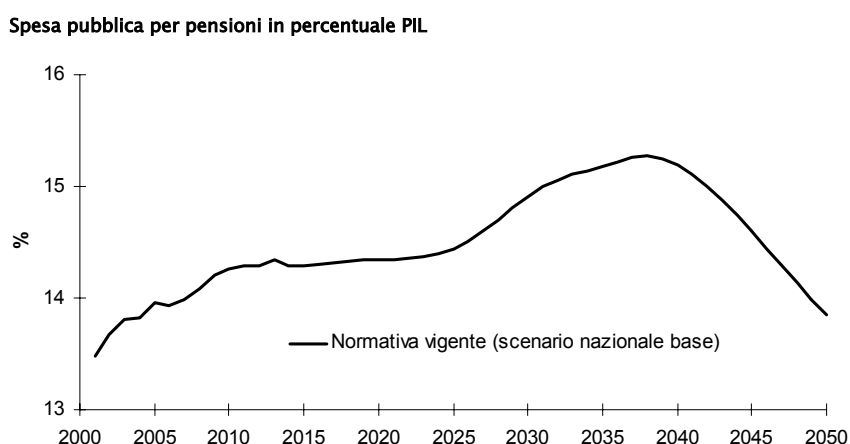
39 Protocol between the Government and the unions, as contained in the government bill of 17th October 2007, partly implemented by Law 127/2007 and partly by Law 247/2007.

40 It should be noted, however, that once the provisions of the law have been completely phased in (as of 2013), the age requirements for early retirement with 35 years of pension contributions remain equal to those originally provided by Law 243/2004 (as of 2014). In addition, it is also possible to retire at an age which is one year less than that provided for persons having made a minimum of 35 years of pension contributions, provided the younger person has made a minimum of 36 years of pension contributions.

resources of a special fund). Finally, the law confirms the revision of the transformation coefficients in relation to demographic trends, a crucial factor for the long-term sustainability of the pension system and thus, the sustainability of Italy's public finances. On the basis of Law 247/2007, the new coefficients computed according to the procedures outlined by Law 335/2005 (Article 1, Paragraph 11) are to be adopted in 2010 and the updates thereafter will occur every three years on the basis of proceedings that fall fully within the administrative sphere. (See below for additional details).

The projections⁴¹ of the trend of the spending-to-GDP ratio indicate virtual stability between 2010 and 2023, for the effect of the cited provisions of the law for increasing the minimum requisites and the phasing in of the system for the calculation of contributions. The expenditure for pensions starts to grow again as a percentage of GDP because of an adverse demographic trend whose financial effects are limited in part by the raising of the requisites needed for early retirement, as provided by the aforementioned laws in the mixed and defined-contribution system, in addition to the system based on an individual's earnings. The curve reaches a peak of 15.3% around 2038, and then decelerates to stand at 13.9% in 2050. The improvement of the ratio during the final years of the forecast period is essentially due to the changeover from the mixed system to a defined-contribution system, and the gradually diminishing percentage of pensions paid to the baby-boomer generations.

GRAFICO: Public expenditure on pensions as percentage of GDP



3.2.4. Quality of the public finances

By now there is general consensus at the European level that budget discipline and the sustainability of the public finances are elements essential for the creation of a sound economic environment capable of fostering growth. From an economic/financial perspective, the budget reform (which went into effect with the 2008 Budget Law) and the spending review (inaugurated in 2007) have made the accounting management more flexible and results-oriented, increasing the transparency of processes and a more efficient allocation of resources.

The budget package for 2009-2011 provides additional measures for streamlining public spending at the level of central government (through spending reductions at the ministries) and local government (through mechanisms to sanction non-compliance with the internal stability pact, rewards for model Local Entities, and containment of the use of derivatives instruments). The mechanisms for streamlining expenditure have been previously mentioned.

Anticipating the budget process to the end of June constitutes an important achievement in terms of the quality of fiscal governance, thereby making it possible to draft the three-year budget package on the basis of the objectives set out in the Economic and Financial Planning

41 The forecast, which was published in the 2009-2013 Economic and Financial Planning Document (DPEF), does not incorporate ISTAT's updating of the demographic framework released at the end of June 2008. In addition, the forecast does not include the effects of the measures in relation to the pension system contained in Decree-Law n.112/2008, converted in Law 133/2008, on the subject of the abolition of the combined limits between pensions and income from employment. It should be noted, however, that the effect of the latter is estimated to be negligible.

Document (DPEF), and to achieve, for the first time, the convergence of the planning and implementation processes (based on current legislation). Opting for the "decree-law" instrument, has made it possible to immediately outline the public-finance stabilisation measures deemed essential for sustainability, and to abandon the use of the "omnibus laws" that often characterized past laws. In addition, accompanying bills⁴² have identified the institutional reforms and the measures re-launching industry, thereby completing the budget package with indispensable measures for growth and development.

A better quality of fiscal governance will allow for more effective action in fighting tax evasion. The 2009-2011 budget package confirms the Government's firm action to fight tax evasion and the underground economy, with the introduction of a series of detailed measures, including: (i) a 10% increase over the 2007-2008 period in operating capacity dedicated to fighting tax evasion; (ii) the preparation of an extraordinary controls plan; (iii) involvement of municipalities in the fight against tax evasion; (iv) regulations to fight evasion arising as a result of fictitious foreign residence; (v) control of the tax and social-welfare obligations of non-EU citizens and non residents; and (vi) the application of the tax-assessment tool, also in the reports of findings in relation to partial assessments. The complete implementation of fiscal federalism will represent a further stimulus to the fight against tax evasion.

The effective definition of an institutional framework for the financial relationships between various government levels is included in a legislative bill approved in early October in relation to fiscal federalism. The legislative bill, which provides for delegating powers to the Government, disciplines and defines various crucial aspects of decentralising taxation in Italy, including: (i) the independence and the financial accountability of all levels of government; in particular, the definition of their own taxes based on decentralised governments, mainly based on the principle of the benefit, and capable of ensuring the flexibility, control and territoriality of the tax revenues; (ii) the setting of tax revenue-sharing arrangements for the Regions and Local Entities referring to their areas, in order to finance the expenses arising from their functions; (iii) the introduction of the standard-expenditure (or cost) criterion in place of the historical-expenditure criterion, (iv) the equalisation of the financial resources for the areas with less fiscal capacity; (v) rules for the State's disbursement of additional resources so as to remove economic and social imbalances; and (vi) general principles regarding the coordination of public finance between the central government and local governments.

The reform of the State in the direction of federalism will make it possible to match autonomy and responsibility, decisions about spending and financing, equity and social justice. By increasing accountability, the responsibilities vested with the levels of government, and with the transparency in managing the public sector, such reform should make it possible to achieve increased efficiency in the supply of the goods and services, greater awareness of consumer/user preferences, respect for specific regional characteristics, and furthermore, a reduction of fiscal pressure over the medium/long term. Fiscal decentralisation represents an important occasion for correcting incentives to decentralised entities, and steering them in the direction of recovering efficiency and in this regard, it can represent an important possibility for regions of southern Italy.

Upgrading the Public Administration to make it more modern represents another key factor for the quality of public finance and development.

In accordance with the guidelines of the ECOFIN Council⁴³, the strategies for reform spelled out by the Ministry for the Public Administration and Innovation call for: standardised and integrated measures designed to optimise the productivity of public-sector labour market and to reorganise the Public Administration in a more efficient manner; initiatives to support changes to bureaucracy; and actions to promote greater transparency of, and accessibility to, the Public Administration in satisfying the needs of public and businesses⁴⁴. It is estimated that this effort overall will translate during the 2009-2011 three-year period into savings on public expenditure equal to around one percentage point of GDP per annum.

42 Bills n. 1441-bis, n. 1441-ter, n. 1441-quater.

43 The ECOFIN Council (Luxembourg, 9 October 2007, ref. 13571/0 43) encouraged the Member States to implement the reform process through: (i) the widespread use of new technologies and improvements in the systems for managing human resources; (ii) the improvement in the efficiency of public expenditure (especially expenditure for research and development, education and healthcare) and in the structure of revenues; (iii) the quality of fiscal governance in terms of rules, institutions and procedures; and (iv) the reorganisation of the roles and responsibilities within the Public Administration.

44 See below for additional discussion about the subject.

3.3 *Aligning the growth of wages and productivity*

The trend of actual wages in Italy since the early nineties has been moderate. The growth of unit labour costs has therefore reflected the trend of productivity, which appears disappointing when compared with the main competitor economies. The return of inflationary tensions in recent years has prompted fears of the emergence of a wage/price spiral, mainly in light of the simultaneous expiration of a number of important national labour contracts. The contract renewals finalised since the end of 2007 have affected roughly five million workers in the manufacturing and services sectors, and have shown that, thus far, there has not been a run-up between prices and salaries.

Within this framework, the priority must go not only to generating greater wealth, but simultaneously to ensuring that wage increases are closely linked to the trend of productivity. Indeed, it is only in this manner that it will be possible to combine the revival of competitiveness of businesses (a prerequisite for growth and new job creation) with the legitimate right to adequate remuneration. Aligning wage growth to productivity growth appears particularly important in view of a sharp regional divide, with the southern regions of the country marked by the combination of low productivity, high unemployment and a lower cost of living. A level of labour costs which is not fully proportionate to the effective output can cause erratic performances in the execution of productive activity.

In May 2008, the Government also ratified Decree-Law n. 93 in order to provide tax relief for: overtime pay; sums disbursed in relation to productivity increases, innovation and organisational efficiency; and other factors of competitiveness and profitability related to the financial performance of businesses.⁴⁵ The measure is aimed at stimulating demand and increasing labour productivity and the purchasing power of households; it should also provide incentives to the marginal labour supply, with more flexible participation of workers already employed in the productive process. The benefits of this measure are in addition to those eliminating the social-welfare contributions that were introduced by the Welfare Protocol. In the chapter of the Welfare Protocol on government/union competitiveness for 2007, there are relief measures for businesses and workers in relation to productivity-related wage increases and to corporate earnings results, as defined within the framework of the company-specific contracts that supplement the national contracts. In particular, the Protocol provides for including all performance bonuses for the purpose computing pensions, while it raises the ceiling of the bonus eligible for tax relief from 3% to 5% of gross annual income; the relief granted to companies has been raised to 25% of the bonus, while workers are exempt from having to pay social-welfare contributions on the bonus. Furthermore, the additional social-welfare contribution to be paid by companies on overtime and introduced by Law n. 549/1995 (1996 Budget Law) has been abolished.

The additional relief in terms of taxation and social-welfare contributions provided for the performance-based and company-specific components of wages should contribute to the development of company-specific contracting, which in supplementing the national contracts, is essentially designed for protecting the purchasing power of minimum wages. Discussions are currently underway with the unions for the purpose of reforming the contracting model developed as a result of the agreements reached in 1993. The restructuring of the contracting process needs to be focused on a more flexible structure and on coming up with an appropriate differentiation of wages, in order to reflect factors specific to professions, companies and geographic areas, and to favour efficient allocation of the resources. Furthermore, considering the presence of many small-sized businesses within Italy's industrial fabric, the accent needs to be placed on coming up with alternatives to company-specific contracts in situations where union representation is weak or lacking.

The initiatives to reduce labour costs with reference to results-based compensation and, hopefully, the positive outcome of the discussions for revising the 1993 accords are undertakings to help incentivate the recovery of productivity, with expected benefits for both businesses and workers. At the same time, the Government intends to move ahead with its efforts to close the gaps of a structural nature which Italy has accumulated in many areas crucial for supporting productivity, as detailed in the chapter of the NRP dedicated to microeconomic reform.

⁴⁵ These variable wage components are subject to a fixed tax rate of 10% and are not included in the computation of total income used for computing income taxes, for up to €3,000. The benefit is available only to workers in the private sector earning less than €30,000 in total income from full-time employment during 2007, and is applied on a test basis to earnings referring to the July-December 2008 period.

3.4 *Role of the Regions*

The Government and the Regions have closely and profitably cooperated in drafting this National Reform Programme, which constitutes the document summarising Italy's commitment to achieve the Lisbon Strategy objectives.

The Government and the Regions intend to intensify this cooperation in the future in order to amplify the increased relevance of the regional contributions, in the perspective of better highlighting those regional initiatives that are not only in conformity with the Lisbon Strategy, but that are also in line with an increasingly pronounced process of identifying with the EU objectives. The different aspects of the central government's and local governments' policy actions are therefore considered altogether, in order to reinforce the reforms put into effect and those to still be carried out.

The structure of Italy's legislative system needs to be considered in order to fully appreciate the synergy of the efforts. The system in terms of institutions is objectively complex; there are: issues under exclusive national jurisdiction (exclusive legislation and the determination of fundamental principles regarding subjects of competing legislation); issues for which the Regions have exclusive jurisdiction (in many economic sectors not under state's exclusive jurisdiction); and issues of competing regional jurisdiction. The system is likewise flanked by the legislative instruments in Europe.

The complexity is the tangible manifestation of an "abundance of institutions" operating within such environments, to be associated with a constant simplification effort based on a fundamental premise: successfully combining the principle of subsidiarity with a functional system of governance.

The system of regional self-government is fully committed to the Lisbon objectives, and is working with the State to achieve those objectives, in line with the revised style of governance that makes the Lisbon agenda a point of encounter for all of the interested parties, from the EU level to the regional level to the unions.

From this perspective, the Lisbon principles have been translated into regional policies concerning labour, infrastructures, renewable energy and research, development and innovation, as tools for growth and employment.

The main governance initiatives and the most significant projects in the process of being implemented are summarised in the tables provided as exhibits to each section, it being understood that the Regions' contribution to growth goes beyond what has been represented in this NRP and has not been fully outlined here due to space constraints.

3.5 *Regional policy*

The effects of the standstill in growth and the measures to correct the public finance have differed impact from region to region, also in consideration of the role which the investment programmes play in the different areas. The budget package contemplates a general reduction of the policy-scenario estimates regarding the Public Administration's capital expenditure and, in particular, a reduction and reconfiguration of the funds earmarked for territorial rebalancing⁴⁶. At the same time, the Government has outlined a strategy for institutional reforms and for relaunching the economy that is driven by criteria for concentrating public funds in the development of several sectors (infrastructures, research, and energy) and major projects⁴⁷.

The new direction of economic policy requires a strong commitment of the persons responsible for the regional-policy programmes, both in defining the means with which to manage the more limited availability of resources in relation to the individual initiatives and in tackling the trade-off between the need to ensure the completion of those initiatives already begun (or, at any rate, formally approved) and the start-up of the new works. The quantitative aspects cannot be considered without also considering the improvement of the quality of the expenditure and the increase commitment required of the many officials involved at the central and local government levels. The recent provisions directed at upgrading the Public

46 Article 60, List 1, Decree-Law 112 of 2008 converted by Law 133/2008; Article 17, Decree-Law n. 90 of 2008; Article 4-bis, Paragraphs 8 and 9, Decree-Law 97 of 2008

47 Decree-Law n.112/2008 converted by Law 133/2008 introduces two significant provisions for the planning of regional policy: Article 6-quater in relation to the concentration of FUA resources still available as part of the 2000-2006 planning cycle; Article 6-quinquies in relation to the institution of a new fund to be handled by the Ministry of Economic Development that will concentrate the resources for the 2007-2013 planning of infrastructure projects of significant national interest (including projects in the telecommunications and energy sectors).

Administration to make it more modern (Business Plan for the Public Administration) will be able to play a significant role in this regard.

The measures contained in the 2009-2011 three-year development programme were actually developed at the time when the 2007-2013 National Strategic Framework (QSN) had been completely defined and was going into effect⁴⁸.

The National Strategic Framework (QSN) addresses issues regarding ten priorities⁴⁹ that have been assigned resources coming from Structural Funds and the Fund for Underutilised Areas (see 2007-2009 NRP). The support to the ordinary missions for public action which coincide with the Lisbon Strategy priorities is explained in the Framework, constituting the essential premises for development initiatives. The Education Programme is dedicated to this aim, with the objective of closing the skills gap for students in southern Italy; similarly, major financing is addressed to research and innovation policies, not only in the more developed areas of the country, but also in those that are the weakest. The single regional policy for 2007-2013 is also committed to giving significant support to investments in the energy field, so as to consolidate the progress achieved in renewable energies, transforming it into occasions for innovation, construction of production chains and knowledge enhancement, and in so doing, increasing competitiveness and employment opportunities. Operations in the sector in southern Italy will be conducted through an inter-regional programme.

With reference to adjustments to infrastructure⁵⁰ and other urban services, the National Strategic Framework (QSN) provides resources for the transport system in southern Italy, urging more additionality compared to the state intervention than in past years.

In order to improve the quality and availability of essential services which are fundamentally important for public well-being and for regional-policy action, the 2007-2013 National Strategic Framework (QSN) includes explicit targets for the regions of southern Italy in areas such as the quality of education, childcare and care for the elderly, urban waste management and integrated water service. Targets have been set for these areas on the basis of representative indicators⁵¹ and incentive mechanisms for their achievement, which have been reaffirmed by recent regulatory provisions⁵².

Despite the reduction of the additional national funds assigned to territorial rebalancing, some 85% of the resources earmarked for the development remain reserved for southern Italy.

48 The Interministerial I Committee for Economic Planning (CIPE) resolution 166/2007 approved the rules for the running of the single regional policy; as of April 2008, the CIPE approved several national implementation programmes financed with the Fund for Underutilised Areas.

49 The strategy general of the National Strategic Framework (QSN) is illustrated in detail in Chapter III of the document, available on the DPS web site: http://www.dps.tesoro.it/documentazione/QSN/docs/QSN2007-2013_giu_07.pdf.

50 In addition, with the 2009 budget package (Decree-Law 112/2008, converted by Law 133/2008, Article 1, Paragraph 6-quinquies), a fund has been set up for priority financing of projects aimed at strengthening the infrastructure network at a national level, the strategic value of which has been acknowledged for the purpose of the nation's competitiveness and cohesiveness. The fund is financed with national appropriations to programmes of national strategic interest, special projects, and incentive reserves (with the implementation of the 2007-2013 National Strategic Framework (QSN)). The fund will also receive the €1,500 million provided by the Interministerial Committee for Economic Planning (CIPE) resolution 166/2007. The distribution of the fund will be done by taking into account the restriction that at least 85% of the national appropriations for the implementation of the 2007-2013 National Strategic Framework (QSN) must be concentrated in the regions of southern Italy. As another fundamental principle, the Regions must concentrate the resources of the 2007-2013 National Strategic Framework (QSN) in infrastructures of strategic regional interest when planning the programmes financed by the Fund for Underutilised Areas (pursuant to Article 61 of Law n. 289 of 27 December 2002), and when re-defining the programmes financed by EU Structural Funds.

51 Consistent with the Lisbon Strategy, the indicators of the quality of education are "reducing the percentage of youths who drop out of school (from 26% to 10%)", "reducing the percentage of 15-year old students having poor reading skills (from 35% to 20%)", and "reducing the percentage of 15-year old students having poor math skills (from 48% to 21%)", while those for childcare services and services for the elderly are "increasing the percentage of municipalities with childcare services (from the current level of 21% to 35%)", "increasing the percentage of children who benefit from childcare services (from the current level of 4% to 12%)", and "increasing the percentage of elderly people who benefit from integrated home care (from the current level of 1.6% to 3.5%)".

52 Direct resources of €3 billion within those available for the overall planning and incentive mechanisms are dedicated to the service objectives, a modest part of which is to be initially allocated in 2009, with the more substantial portion to be assigned upon certification in 2013 (Interdepartmental Committee for Economic Planning (CIPE) resolution n. 82/2007).

4 Microeconomic policies

4.1 Deregulation

The Government intends to continue to favour the opening of the markets and the creation of a transparent regulatory framework, in order to eliminate factors that distort or impede the proper functioning of competition and that reduce the competitiveness of the Italian economy.

The reforms will be directed to three main sectors: private services, energy, and local public services.

The measures for amending the regulation of the private-services sector have been oriented toward removing a series of limitations that were mostly "protecting" market participants from the competition, with action taken on two closely related fronts, in relation to:

- i) directly reinforcing the rights of consumers in segments of the sector that are known to have weak competition;
- ii) deregulation of the access to several markets, primarily through measures to simplify the compliance of businesses.

A summary of the principal results achieved by each sector follows.

4.1.1. Telecommunications, auto-liability insurance, pharmacies, banks, fuel distribution.

Law 40/2007 abolished the fixed costs of prepaid cards for mobile telephone services, inasmuch as such costs were charged in addition to the cost of the telephone traffic or the service requested. Such law furthermore prohibited provisions imposing limitations on the time within which the traffic or service purchased had to be used, and established that all components of the service offered must be delineated in the pricing offered by the different telecommunications providers. The Government is committed to overseeing the sector, in collaboration with the antitrust authorities, in order to ensure that the abolition of the fixed costs for the prepaid cards will not cause changes in the pricing structure that would thus impede the consumer's choice of the optimal rate.

The latest regulatory provisions in the auto-liability insurance business have rescinded the limitation of an exclusive in contractual relationships between insurance companies and insurance agents, and have introduced a new system for direct compensation of loss claims. Finally, as of October 2008, insurance companies and intermediaries will be subject to new regulations regarding disclosure obligations, and the obligation to supply a free price quote either at a sales office or through the Internet⁵³. In order to facilitate the policyholder's changing from one insurer to another and to get beyond the disclosure problems on the demand side (that are partly related to the complexity of the product offered), the Ministry of Economic Development may use the rate system organised by the insurance regulatory authority (ISVAP) in order to come up with an information service that allows the consumer to compare the prices applied by the various companies. The provisions adopted in recent years have translated into an improvement of the performance of the sector, with positive development of underwriting results; in addition, the rate of increase in premiums has eased since 2002, amounting to 1.5% in 2007 compared with a Euro Area average of 2.5%.

The provisions in relation to the sale of medications have yielded the most evident results in terms of improvement in supply and downward pressure on prices⁵⁴. The opening up of alternative channels for distribution of the over-the-counter (OTC) medications and the elimination of the pharmacies' former exclusive to the sales have triggered savings of roughly €50 per household per year. The ISTAT basic index of prices for medications reflected a 5.8% year-on-year decline in prices as of June 2008.

The trend toward lower pricing for retail banking and financial services is continuing. As of June 2008, the ISTAT basic index showed a 1% year-on-year reduction. The oversight of the sector is ongoing in order to ensure that the new regulations have been fully applied. New regulations on the portability of mortgages and on opening and closing banking relationships without charge are also worth noting.

53 The regulations regard "the governance of the transparency of premiums and the contractual conditions for mandatory insurance of motor vehicles and watercraft" and reflect the implementation of Article 131 of Decree-Law n. 209 of 7 September 2005 (Private Insurance Code).

54 OECD, Regulatory Reform 2008, "Monitoring review of competition and regulatory reforms in professional services in Italy".

The portability of the mortgages may be requested for mortgages in relation to the purchase of the primary residence, or the construction or renovation of the primary residence, and entails the possibility for the debtor to transfer the loan from one bank to another, without charges and without losing the fiscal benefits that may have been enjoyed. The portability of the mortgage offers the customer the possibility of obtaining better conditions from the new bank, as well as being able to lengthen the term of the loan. The customer furthermore has the right to have an outstanding mortgage renegotiated: if party to a contract whose date precedes 28 May 2008, the mortgagor can now request free of charge to change the interest rate of the mortgage loan for the primary residence from variable to fixed rate. A permanent "observatory" has been set up at the Ministry of the Economy and Finance in order to verify the full-scale implementation of the legislation on the subject of the portability and renegotiation of mortgages; representatives of the Bank of Italy and consumer associations are part of the observatory.

With regard to switching payment accounts, the emphasis has instead been placed on ensuring consumers get the most out of the self-governance initiatives put into effect by the banking industry: The "Cambia Conto" [Account Change] programme implemented by the Pattichiari [Clear Pact] Consortium facilitates the option for the customer to change the bank at which he maintains his current account, through the automatic transfer free of charge of all services settled through the current account. A customer's decision to change banks has also been facilitated by the recognition of the right to recede from the current account contract in effect without any expenses or penalties.

Other actions have been taken with regard to consumer credit, including through new regulation of the distribution channels and initiatives to guarantee greater transparency of the contractual conditions, through the progressive abolition of the use of value dates and maximum commissions for exceeding credit limits.

Law 133/2008 has eliminated all constraints that were impeding the entry of new participants in the business of fuel distributing networks in Italy. The law has rescinded all regulations that imposed minimum distances between plants, between plants and retail establishments, and with regard to minimum commercial floor space, or which placed restrictions or obligations on the possibility of offering non-fuel products and services in the same facility or in the same area. It is furthermore contemplated that the Regions and the Autonomous Provinces will promote, as part of their territorial planning powers, the improvement of the fuel distribution network and increased distribution of eco-compatible fuels, according to criteria of non-discrimination, efficiency and quality of the service to the public.

4.1.2. Professional services

The reforms implemented to date in this sector have required lengthy legislative procedures. A first step toward greater transparency in access to the sector has been represented by:

- the obligation of aspiring attorneys to pass the bar at the Court of Appeals in the jurisdiction in which they carried out most of their internship⁵⁵;
- the introduction of the principle of free circulation within the professional services sector, with the regulations regarding the marketing and sale of services via the Internet⁵⁶;
- the abolition of minimum rates and of the bans on informative advertising and the creation of inter-professional societies⁵⁷.
- the elimination of the notaries' exclusive for the execution of deeds for the transfer of title of registered personal property (e.g. automobiles) and deeds for the cancellation of mortgages recorded to guarantee mortgage loan contracts for the purchase or restructuring of the primary residence or professional office.

These reforms will favour increased competition between the service providers: it may furthermore result not only in lower prices, but also in better quality and selection of the service supplied.

With Decree-Law 206/2007, the Directive 2005/36/EC in relation to the recognition of the professional titles was implemented in Italy. Later, on 28 April 2008, the Minister of Justice issued a decree identifying the associations at a national level representative of the regulated professions for which there are no associations, registers, or boards; non-intellectual services; and non-regulated professions. The decree's content represents a significant development in

55 Law 180/2003, "Urgent changes to the discipline of the examinations for qualifying for the practice of law".

56 Law-Decree 70/2003, for the implementation of Directive 2000/31/EC.

57 Decree-Law 223/2006, converted by Law 248/2006.

that it will trigger the process of streamlining the system of professions not founded on associations, but spontaneously organised at an association level, thereby producing a considerable degree of deregulation of the professional services sector as broadly defined. The ratification activity has been carried out in close cooperation with the Conference of Regions, which also approved "Strategies for extracting the maximum value from professional resources in the arts, business trades and professions. Indications for regional policies."

4.1.3. Market for electric energy and gas

The reform measures implemented have regarded both electric energy and gas demand and supply, with the objective of inaugurating the complete opening up of the energy markets and the development of true competition within the sectors, simultaneously creating the tools for adequate protection of consumers in the deregulated market.

Within the framework of complete market deregulation, and together with the promotion of the freedom of choice among various suppliers, it will also be necessary in the future to improve the protection of customers who are not yet capable of taking advantage of the opportunities offered by a competitive market. Market monitoring and supervision activities will also be very important in order to prevent practices to undermine competition. In addition, in the gas sector in particular (where the natural development of the competition is still impeded), it will be necessary to take action to reduce system risks and to promote structural measures

The electricity market – demand.

The demand side of the market for electric energy was completely deregulated as of 1 July 2007 (Law 125/2007), with the implementation of Directive 2003/54/EC. In the electric energy market, all customers may freely choose their supplier. The change in 2007 represented the further opening of the market following an initial phase of deregulation of demand in 2004 that involved wholesale consumers only.

In order to ensure the concrete possibility of changing supplier, the law grants the final retail consumers the right to withdraw from the supply contract as customers under restrictions, in accordance with the terms and conditions established by the regulatory authority, and to choose a new distributor of electric energy. In addition, the law introduces forms of protection in order to ensure adequate assistance to the final user during the phase of transition to the free-market system as of the complete transposition of the Directive 2003/54/EC. It approves the changeover, in the case of retail customers and small businesses, from the rates set by the regulators to "reference prices" to be established by the electric energy/gas regulators. The price of the energy will thus be freely determined by the market, through supplies made available by different selling companies. The rates set by the regulatory authorities will remain in place for items such as: transmission services, the distribution and measurement of energy (which necessitate infrastructures and cannot be carried out in competition) and the general system charges. In addition, the reform has introduced two new systems for selling electric energy and measures aimed at protecting users with particular health issues or economic disadvantages:

- greater protection contemplated for retail customers and small businesses that have not exercised the right of withdrawal by going to the market, changing provider or executing a supply contract in the free market; the objective of the service is to ensure the same economic and supply conditions established by the electric energy/gas regulators for the restricted market to those customers that have reduced bargaining power;
- the safeguarding service (planned for all electric energy customers that do not qualify for the service outlined immediately above) guarantees a more limited form of protection; it provides for the activation of a supplier of last resort for a customer who, for various reasons, may have been abandoned by his current supplier⁵⁸; in this case, the prices of the safeguarding service consist of the price quoted on the electric energy exchange and the price for the service as provided through a bid in a tender.
- the possibility of rate relief

58 The safeguarding service is to be awarded through a market instrument, with bidding procedures detailed for territorial areas. The implementation of the referenced Decree-Law entailed the adoption of a decree of the Minister of Economic Development issued on 23 November 2007, with regard to the means and criteria for ensuring the safeguarding service, pursuant to which the bidding procedures for territorial areas were officially published in relation to the award of the service.

Finally, Law n. 125/2007 introduces changes in the reporting obligations of businesses, with the aim of promoting transparency and competition and getting beyond the information asymmetries existing in the sector. For this purpose, the guarantee of timely and non-discriminatory access to the data has been ordered to the extent the data relate to consumption by final consumers of gas and electricity, which are needed for the formulation of business bids and the management of the supply contracts. The law furthermore obligates businesses selling electric energy to supply their customers with precise, definitive information about the make-up of the energy mix used for the production of the electric energy during the most recent two-year period, indications about the environmental impact of production, and information useful for saving energy. The decree for the implementation of the law is now being drafted.

The electric energy/gas regulatory authority has introduced measures that are designed to make it easier to compare the products, services and prices offered by electric energy suppliers, and thus to facilitate the choice of the consumer and the carrying out of possible controls.

Among the indicators used for evaluating the extent to which the market has actually been opened up to competition, the percentage of users changing suppliers is used as a gauge for determining the existence or non-existence of a relatively open market. In 2004, the opening of the market to all wholesale customers involved more than 7 million points of supply (i.e. customers potentially free to select their supplier). The option of electing to choose their positioning on the market and to source power from the free market was exercised somewhat gradually by the wholesale consumers: the amount of energy taken by eligible customers amounted to 60.4% of the potential market in 2004, and shifted to 67.6% by the end of 2006.

With regard to the effects of the complete deregulation of the demand that became effective as of July 2007, a recent survey commissioned by the sector's regulatory authority shows awareness of the opening of the market on the part of 72% of the retail customers, and a change in supplier by 3%⁵⁹.

The electricity market – supply

The total opening of the market on the demand side was matched by the complete opening on the supply side. The above-mentioned Law 125/2007 provided that electric energy companies servicing more than 100,000 final customers must split up the selling and distribution activity by 1 July 2007.

On the supply side, the structure of the power generation market has gradually changed in recent years, with the dominant player losing market share in favour of an increasingly larger number of businesses⁶⁰. Taken altogether, the degree of concentration of the market for generation for consumption has been reduced: in its most recent annual report, the electric energy/gas regulatory authority made known that the Herfindal-Hirschmann Index (HHI) used for measuring sector concentration had gone from a value of 1,891 in 2006 to 1,639 in 2007: a reduction of the index indicates an increase in the level of competition.

The incumbent's contribution to gross national production also fell, whereas all other companies in the market reported increases. As a rule, the presence of a greater number of businesses supplying electricity denotes a higher degree of deregulation.

The gas market – demand and supply

The gas sector was completely deregulated as of January 2003. As of January 2002, the transportation, distribution and selling activities were legally separated and the access to all of the infrastructures of the system (transportation and distribution networks, storage facilities, and LNG terminals) is regulated.

In spite of these changes, the relatively advanced regulatory framework (also with respect to other leading countries within the European Union) has not yet been matched by any real competition on the supply side. In particular, from the standpoint of the infrastructures, the market's liquidity is not at a level sufficient enough to promote competitiveness, and places the security of supply at risk. In any event, the initiatives planned for the 2008-2010 three-year

59 In terms of the shift of consumers from the restricted market to the free market, the monitoring activity recently initiated has shown that around 100,000 retail customers (about 3.7% of the total) and about 852,000 small- and medium-sized businesses (15.3% of the total) had shifted to the free market. The effects on prices of the opening of the markets to competition are difficult to assess because of the sharp increases in the prices of the combustible fuels used for electricity generation.

60 Between 2003 and 2005, the number of businesses that represent at least 95% of net generation went from 79 to 88, and is among the highest in the European Union. The number of businesses which command market share of more than 5% in the generation business went from 3 in 2002 to 5 in 2006, while the percentage of production attributable to the top three companies decreased from 70.7% in 2001 to 57.1% in 2006, and then to 54.9% in 2007.

period should mitigate this situation of scarcity of supply; such initiatives focus on building up the gas pipeline network and placing regassification units into operation (with the opening of the one in Rovigo planned for the end of 2008).

Management of the national infrastructures in the electric and gas sector

The preparation of new regulations on unbundling supply represents additional progress in strengthening the processes of deregulating the energy markets (in accordance with the indications of EU directives).

In implementing the EU directives, the energy authority approved a resolution in 2007 on the subject of the unbundling of functions and accounts for the energy companies that are managing the national infrastructures.

The resolution establishes rules for the separation of functions:

- guaranteeing the neutrality in the management of infrastructures essential for the development of a free energy market;
- impeding discrimination in the access to commercially sensitive information;
- impeding the cross transfer of resources between the segments of the production-distribution chain;

and rules for the separation of accounts:

- ensuring a certain, uniform and detailed information flow about the earnings, capital and financial position of businesses operating in the electric energy and gas sectors;
- impeding discrimination, cross transfer of resources between activities and between segments.

The regulations are aimed at bolstering competition, increasing the transparency of costs and guaranteeing neutral management of the infrastructures. In addition, Law n. 125/2007 has vested the electric energy/gas regulatory authority with the powers to adopt, through a resolution, the *"Provisions for the separation of functions, including for the storage of gas, according to the EU Directives 2003/54/EC and 2003/55/EC"*.

4.1.4. Local public services

Article 23-bis of Law 133/2008 has changed the regulation of local public services in order to favour competition and the freedom of establishment and offer of services, ensure users the right to the universality and accessibility of the services, and guarantee an essential level of service quality and an adequate level of protection.

The new regulations establish that the award of service contracts on an ordinary basis must be done through publicly documented competitive procedures, and that such procedures are to be carried out in respect of the principles of the Treaty on European Union, the general principles in relation to public contracts, as well as the principles of cost consciousness, effectiveness, impartiality, transparency, adequate disclosure, non-discrimination, equality of treatment, mutual recognition and proportionality.

In cases where the peculiar economic, social, environmental and/or geomorphological characteristics of a given area make recourse to the market ineffective and impractical, the award of the contracts may occur with means other than those used on an ordinary basis, provided that EU regulations are respected. In such cases, the entity awarding the contract must give adequate public disclosure of its decision, explaining the decision on the basis of a market analysis and must simultaneously transmit a report containing the outcome of the aforementioned verification to the antitrust authority and to the sector regulatory authority (if established) for the purpose of the issuance of an opinion on the questions for which the authority is responsible.

In the event in which the contracting entity is able to demonstrate that it is economically more advantageous to award a series of services simultaneously through a tender, the entity may elect to do so provided that the duration of the contract is not greater than the average as based on the basis of the duration of the contracts indicated by governance practices in the sector.

In order to favour greater effectiveness of the services and integration of services for which there is little demand and those that are more profitable, the Regions and the local entities, acting within the limits of their respective authority and sector regulations, and with the agreement of the Unified Conference, may define the tender parameters for the different services.

The governance of economically significant local public services is slated to change further in view of the Government's plan to issue one or more regulations within 180 days of the date on which the above-mentioned article goes into effect; such regulations are expected to:

- provide that the persons awarded contracts for local public services shall be subject to the internal stability pact and the in-house companies and the companies in which the private and public sectors hold investments shall observe the procedures for publicly documenting purchases of goods and services and the hiring of personnel;
- provide that the municipalities with a limited number of residents may carry out in the form of partnerships the functions in relation to the management of the local public services;
- provide a clear-cut distinction between the regulation and the management of the local public services, including through the revision of the rules about incompatibilities;
- harmonise the new regulations and the sector regulations applicable to the different local public services, identifying the regulations applicable in general for the contracting of all economically significant local public services with regard to waste management, transportation, electric energy and gas, and water;
- govern, for the sectors other than the water sector, without prejudice to the maximum limit established at a sector level for the termination of the contracts awarded with procedures other than those publicly documented or the procedures referenced in Paragraph 3 of the aforementioned article, the transitory phase, for the purpose of gradually aligning the operations in effect with the provisions of the aforementioned article, providing differentiated phases and that the direct contracts in effect must be terminated at their expiration dates, with the exclusion of any extension or renewal;
- provide for the application of the principle of reciprocity for the purpose of admitting foreign companies to the tenders;
- limit, according to criteria of proportionality, horizontal subsidiarity and economic rationality, exclusive contracts for managing local public services, liberalizing the other economic activities of rendering services of general interest in local environments compatible with the guarantees of universality and accessibility of local public service;
- incorporate into the rules for contract awards suitable formulas for the amortisation of investments and contract terms that are strictly proportional to, and never in excess of, the time periods for the recovery of the investments;
- regulate, in any case of substitution, the transfer of the assets held by the previous manager, and necessary for the continuation of the service;
- provide for adequate instruments of non-jurisdictional protection including with regard to the users of the services;
- expressly identify the rescinded regulations.

4.2 *Simplification and better regulation.*

4.2.1 Simplification strategy

Streamlining regulations and reducing administrative costs are among the new Government's priorities, so much so that it was deemed appropriate to strengthen the pre-existing institutional structure and to designate a special minister for simplifying regulations. The minister will make use of a *Struttura di missione* (an ad hoc task force for reducing infringements) of a general managerial level and the unit for the simplification and quality of regulations, chaired by the minister and coordinated by the secretary-general of the Italian Presidency of the Council of Ministers. A Secretariat will supply technical and administrative support to the aforementioned unit.

In 2007, the Government came up with an Action Plan for the Simplification and Quality of Regulations (PAS 2007), as part of the implementation of the better-regulation policy. The plan spells out strategic objectives and actions to be taken in the main target areas (regulatory simplification and reduction of the number of laws, measurement and reduction of the bureaucratic costs, analysis of the impact of regulations, indicators of the quality of regulations, monitoring and reduction of the time required for administrative proceedings, consultation with

the unions and relationships with the Regions and Autonomous Provinces). The status of the PAS implementation has been checked through monitoring on a six-month basis.

In particular, the initial activities of measuring administrative charges were carried out by using the methodology adopted by the European Commission (EU-SCM) in view of the objective of reducing bureaucratic costs by 25% by 2012; on the basis of those activities, it is possible to estimate that SMEs spend an average of €16 billion per year in five areas of regulation (privacy, environment, fire prevention, landscape and cultural properties, social security and labour-related issues). These results have already prompted action in the form of the recent simplification initiatives adopted by the Government: the measures aimed at reducing the bureaucratic costs of labour-related issues that have already been placed into effect are estimated to have prompted savings of more than €4 billion - or 59% versus the prior procedures.

An important initial tranche of simplification measures was approved with Law 133/2008. A "Guillotine Mechanism" instrument (Article 24) was applied for the first time, thanks to which more than 3,000 obsolete laws were rescinded. Another application of the Guillotine Mechanism is planned and is aimed at reducing the existing body of regulations, in order to establish the basis for regulatory restructuring focused on the adoption of consolidated acts and on the simplification of the remaining regulations.

Another change worth mentioning is the introduction of a "cost-cutting" mechanism (Article 25), with which the Government has sharply accelerated the process of measuring and reducing the costs of the bureaucracy, adopting instruments essential for guaranteeing achievement of a 25% reduction of such costs. Current plans call for the adoption of a measurement programme and efficient system of cost reduction that will be based on vesting responsibility with the administrations, consultation of the stakeholders and the planning and implementation of the measurement and reduction actions with specific objectives and timetables. Vesting responsibility with the administrations and adopting rigorous public and transparent mechanisms for checking on results represent a fundamental wedge of the new system. The picture is rounded out by the Government's power to reduce or cancel, through delegating regulations, the charges contemplated by law.

Other measures introduced with Law 133/2008 regard: decreasing the charges of disclosure borne by businesses and resulting from regulations on the subject of privacy; the simplification of the administrative controls to be paid by businesses subject to certification; and the simplification of several compliance issues in relation to the start-up of business activity and the maintenance of the labour records.

Another offensive regards the "entity-cutting" (Article 26), which is designed to do away with all non economical public entities that are no longer functioning. Certain entities have already been abolished, others will be eliminated should special restructuring regulations not be approved by 31 March 2009.

Additional measures for streamlining regulations will be contained in a new bill that is currently being drafted, and will mainly focus on reducing the time periods needed for the conclusion of administrative proceedings and charges borne by businesses.

Finally, a new Action Plan for the Simplification is being prepared and will be based on feedback received from extensive consultations, also online, in March 2008.

4.2.2 New legislation for starting a business

Article 38 of Law 133/2008 affirms the principle that a new business activity can be initiated by simply presenting the statement of the start-up of activity to the Single Point of Access (Sportello Unico), and it makes reference to subsequent regulations that, in referring to various types of productive plants, will simplify procedures and restructure the governance of the Single Point of Access for productive activities in respect of several principles outlined in detail in the regulations⁶¹. The regulations will thus establish that the Single Point of Access constitutes the applicant's only point of access in relation to all administrative matters regarding the applicant's productive activity and will supply a single and timely response for all of the public administrations involved in the provision⁶². The regulations likewise provide for the acceleration

61 In also anticipating some of the effects contemplated from Directive 123/2006/EC on the services of the domestic market, the principles for making the protection of economic initiative effective as of the presentation of the statement of the start-up of activity or as of the request for the certificate of authorization have been introduced into Italian law.

62 Accredited private parties may certify the requisites provided by the law for the realisation, transformation, transfer and termination of the exercise of the business activity. In the event of a positive outcome to the preliminary activity, such persons will issue a statement of conformity that constitutes the certificate of authorization for the exercise of the activity. In the event of proceedings that entail the public administration's discretionary activity, the accredited private

of procedures for organising and presenting service conferences, so as to ensure the certain conclusion of the proceedings, including in cases where there is opposition or inactivity on the part of administrations in charge of protecting the environment, landscapes, and historical/artistic properties or safeguarding public health and safety.

The simplification measures also extend to self-generating electricity plants and plants that use renewable energy sources. Finally, a monitoring system is to be adopted, and a training program for public-sector employees is planned.

Significant progress has been logged in the past 12 months at a regional level, with the introduction of new governance mechanisms for the Provincial and Regional Commissions for the cottage industries, the definition of guidelines with trade associations in order to favour greater uniformity between laws at a state level and regional law. Abruzzo and Veneto can be cited as examples in this regard.

4.2.3 Civil justice measures.

Further progress has been made on the project aimed at the introduction of the E-Justice (Civil Procedure), previously described in the 2005-2008 NRP and included among the best practices at a national level. With the E-Justice initiatives, the Ministry of Justice aspires to plan and achieve the innovation of the entire judicial system through the introduction of the modern information technologies; this project should allow for efficiency and productivity gains for all parties to the process (judges, attorneys, administrative personnel, notaries) and the development of a new judicial culture capable of bringing together technological innovation, organisational models and regulatory aspects, in the implementation of the constitutional principle of the reasonable term of the process (Article 111 of the Constitution).

The E-Justice has been tested in several pilot locations (Bari, Bergamo, Bologna, Catania, Genoa, Lamezia Terme, and Padua) and has been implemented at the Milan Court, with the inauguration of the electronic processing of injunctions.

The results obtained with the Milan Courts since 2007 have been significant in terms of the reduction of the timing required for injunction proceedings, the recovery of human resources, the increased productivity of the court clerks for other proceedings, and cost savings on paper. The project inaugurated at the Milan Court ranked in 2008 as one of the 5 finalists among 38 candidates for the "Crystal Scales of Justice" award, as part of a competition organised each year by the Council of Europe and the European Commission in order to reward the best innovative and efficient practices used in European courts that contribute to improving the quality of the civil justice system. The E-Justice received a special mention at the awards ceremony held in Catania on 24 October 2008.

The technical progress has been accompanied by important regulatory changes, that have led to the creation of digital files and to the obligation to have all notices between the parties to the process in relation to the proceedings exchanged via certified electronic mail.

In this regard, it is noted that:

- the Decree of the Minister of Justice of 17 July 2008 has dictated updated and new "Technical-operational rules for the use of information technology tools in the civil process, in substitution of the decree of the Minister of Justice of 14 October 2004";
- Law 133/2008 has provided that all notices and communications in the civil process are effected electronically at the electronic mail address of the attorneys.

In line with the reform of bankruptcy law effected through Decree-Law 5/2006, cited in the previous implementation report, the Ministry of Justice is currently reviewing a legislative bill about civil insolvencies, and namely, cases of excessive indebtedness on the part of consumers or businesses to which the regulations for bankruptcy proceedings are not applicable (for reasons of the quantitative thresholds of the industrial or financial transactions). Based on one of the fundamental reasons for the reform of 2006, the bill aims to settle efficiently and rapidly the exposure towards creditors (by taking a single vision of the pending relationships that would not be feasible from splitting the individual executive proceedings), in order to facilitate the

parties may only carry out the preliminary activity. Some of the main changes are as follows: the Single Point of Access will issue a receipt which, in the case of the statement of the start-up of construction activity (DIA), constitutes the certificate of authorization; municipalities may exercise the functions inherent to the Single Point of Access, including by taking advantage of the Chamber of Commerce system; the business activity may be started up immediately in cases in which the statement of the start-up of activity is sufficient.

indebted party's return fully and as soon as possible to production and consumption, with evident benefits for the indebted party and for the market.

As part of the budget package presented through Law 133/2008, a Single Judicial Fund has been set up for the deposit of all sums seized as part of penal and administrative proceedings, as well as all the sums that constitute earnings on the assets confiscated.

With the subsequent Decree-Law 143/2008, the management of such resources has been turned over to a joint-stock company that is 100% controlled by the Ministry of the Economy and Finance and the National Institute of Social Security.

There are two purposes for the provision:

- to increase the profitability of the often-confiscated huge stocks of resources in relation to administrative and penal proceedings, by turning them over to an external private-sector company that, even though under the control of the Ministry of Economy and the Ministry of Justice, can conduct its business in the credit market from an entrepreneurial perspective;
- to lighten the workload of the courts, which can thus simplify their activity and rely on the aforementioned private-sector company as a single point of reference for the activity of managing the confiscated resources.

4.2.4 Security and development

The National Operating Programme "Security for Development – Convergence Objective 2007–2013", co-financed by the European Regional Development Fund (which supplements national funding), is contributing, as far as the issues of security and law-abidance are concerned, to the implementation of the 2007-2013 National Strategic Framework for Regional Development Policy. The aforementioned programme is aimed at elevating the standards of security for individuals and businesses, and calls for the use of targeted law-enforcement efforts in order to redefine those areas of the country exposed to greater infiltration of organised crime, thereby contributing to increasing individuals' and businesses' confidence in state institutions, with positive repercussions on economic development.

The first strategic guideline of the National Operating Programme - Security contemplates the planning and implementation of initiatives to improve the business environment; such initiatives will be designed to put an end to (i) types of aggression to productive structures and communications infrastructures planned by organised crime, and (ii) phenomena distorting free competition between firms.

The second strategy, which is directly related to the security strategy, is designed to promote better law-abidance in the Convergence Target Regions (Apulia, Campania, Calabria and Sicily). The various activities are focused on achieving: greater compliance with the rules in a socio-economic context, including with reference to public tenders; greater transparency with regard to the actions of the public administrations; more stringent control and monitoring of the various procedures for the allocation of resources for territorial development; a reduction of the various types of marginalisation that can cause a greater propensity toward criminal activity; and a more efficient use of seized assets.

In this regard, actions have been undertaken to fight those criminal phenomena that influence the free market and legitimate productive activity, and namely, forms of illegal competition with particular reference to the counterfeiting of brands and products, the extortion racket, and usury. The effort has involved the employment of certain types of surveillance technologies, and the strengthening of prevention and security mechanisms with regard to physical transmission channels (roads, highways, railroads, stations, ports, airports and border crossing stations) and electronic channels. The action aimed at protecting the environment from criminal aggression has likewise entailed the experimentation with innovative tools, such as sensor techniques and non-invasive closed-circuit monitoring integrated with network systems - tools that have already been used by entities in charge of controls. Innovative systems have likewise been used in the fight against unauthorised building and the related production of cement.

Initiatives for promoting better law-abidance throughout the country also embrace actions to contend with the underground economy. In undertaking this effort, the various institutions involved (including the police) have shared databanks and used technological monitoring and control systems to support inspection activities.

Other fundamental actions are directed at improving the management and the use of assets confiscated from criminal organisations. In this regard, the use of such assets for social purposes yields two results: the arrangement benefits the weaker classes of society, and contributes to increasing the respect of the law.

Ensuring better law-abidance can also be achieved through projects to recover portions of urban areas and by means of planning and creating law-abidance itineraries within the recovered areas. In such cases, integrated training activity will be realised through specific training courses and accompanying actions addressed to a public- and private-sector audience which has an interest in contributing to the design and implementation of projects to increase public awareness of the issues and spread a law-abidance culture.

The National Operating Programme "Security for Development – Convergence Objective 2007-2013" is tackling the first phase of implementation.

The total resources for the programme come to €1,158,080,874, which are subdivided among three axes as follows:

Axis 1 – Security for economic freedom and freedom of enterprise	€573,250,034
Axis 2 – Increasing law-abidance	€538,507,606
Axis 3 – Technical assistance	€46,323,234

Specific spending targets have been assigned for each Operating Objective, in view of the achievement of a certified expenditure level of €97,871,680 by 31 December 2009.

Following the start-up of the proposal and project-selection phase, the so-called "system projects" were developed at a central level, mostly in relation to the Axis 1 technological sector, whereas the preliminary projects coming from the "territory" (prefectures, municipalities, associations) are taking shape at the same time and mainly regard the "social" initiatives provided by Axis 2.

At present, financing has been approved for projects accounting for €421,259,724, subdivided as follows:

Axis 1 - €355,376,724 (11 technological and closed-circuit surveillance projects; 4 technological projects for channels of communication; 1 environmental protection project; 2 projects to fight illegal activities; and 1 police training project).

Axis 2 - €53,883,000 (1 project centering on the protection of regular labour; 1 public-tender transparency project; 2 projects to fight extortion rackets and usury).

Axis 3 - €12,000,000 (1 technical assistance project; 1 valuation project).

Following the approval formalities, the tenders for some of the projects were initiated, and to date, contracts for a total of €101,000,000 have been awarded. The preliminary phases of other projects are now in process and are focusing on the use of confiscated assets for social purposes, improving the transparency of the public administration's activity, and spreading the law-abidance culture.

4.3 Reform and modernisation of the public administration

It is widely agreed that Italy is encountering growth difficulty because of the current competitiveness differential vis-à-vis principal international competitors and that this differential is largely attributable to serious structural shortcomings within important segments of the economy. First and foremost of these segments is the public administration which continues to be marked by inadequate levels of productivity in relative terms.

This produces inefficiencies, lengthy periods of time, excessive bureaucratic costs, and returns that weigh upon the quality and quantity of the services offered to the public, as well as on the earnings and productivity of businesses. The situation signals the need for a rapid change of course, if Italy is to succeed in avoiding an unsustainable delay vis-à-vis other international partners.

The project promoted by the Government to reform and modernise the public administration is based on four pillars that represent the support structure for the new public administration: meritocracy, efficiency, transparency and innovation. In addition, mechanisms to guarantee the interests of the citizen-users and to measure customer satisfaction will be used for supplying the public with tools for control and protection.

Three programmes have been outlined for meeting these objectives:

The business plan for the public administration is aimed at improving the quality of collective bargaining, introducing merit increases and modern and transparent rules for employee performance evaluation, redefining the rights and obligations of employees, improving training and re-evaluating the role and responsibilities of managers. These objectives are to be realised through the reform of the regulations covering public-sector employment and by using collective and supplemental bargaining, including for the purpose of making the reorganisation of work locations possible, in accordance with models for organising high-performance work. The effort to streamline the collective bargaining system entails simplifying the organisation of the contracts through their unification, cancelling out the delays in defining national contracts, and defining the resources to be dedicated to decentralised contracting on the basis of certain

criteria that are based on actual results achieved. The streamlining of the contracting system can yield significant savings, and more importantly, the introduction of a proper incentive for the continuous improvement of processes and services. In this regard, more restrictive rules and monitoring have been introduced with respect to the absenteeism of public-sector employees, with the objective of reducing the private-/public-sector differential in absenteeism rates over a three-year period. At the same time, an initiative has been launched for recognising excellence within the public administration through bonus and incentive mechanisms.

The business plan for innovation places the priority on ensuring consumers and businesses greater effectiveness of public action (including via reduction of operating times), cost savings and better service quality. This priority is flanked by the objective of contributing, through public demand for products and services with highly innovative contents, to the entire country's push toward innovation. From this standpoint, efforts have been undertaken to streamline and coordinate the process of making the public administration more modern, making the most use of the tools available in terms of regulations (Digital Administration Code), infrastructures and technology. Particular attention has been paid to designing and building systems and procedures that are interoperable at the national and European levels, for the purpose of concretely and effectively developing the EU Internal Market favoured by shared standards. In this regard, framework agreements will be defined with the Regions, the capitals of the Provinces and the central administrations so as to identify, based on demand-driven logic, the programmes and the technological and digital innovation projects that should take the priority in terms of their realisation. As far as the reduction of the public administration's costs is concerned, efforts have been intensified for measuring and cutting the bureaucratic costs shouldered mostly by small- and medium-sized businesses; such efforts will conclude in 2011 in line with the European objective of cutting the bureaucratic costs by 25% by 2012. The entire process will see the involvement of stakeholders via public consultation, and the results of the process will be subject to continuous monitoring.

The action plan for transparency and accessibility represents the third programme underlying the reformation of the public administration. Indeed, if the public sector is created for satisfying the needs of businesses and consumers, then it is necessary that businesses and consumers are increasingly aware, on the one hand, of the operating mechanisms and costs of the administrations and, on the other hand, can access the services with increasingly simple, rapid, functional and low-cost means. "Operation transparency" has been inaugurated in this regard and is designed to make public (as an initial step toward more transparent management of the administrative system) the data on management and operating units (telephone numbers, electronic mail addresses, credentials, salaries/wages, responsibilities, off-site assignments, expectations, union permits, and permits for the fulfilment of elected public offices) and data about advisory services. The *Reti Amiche* (Friends Networks) project has been launched to improve access to the service; linking existing networks to the public administration network, the project will make it possible to increase the number of points offering services, thus also setting in motion a competitive virtuous process.

The reform of the public sector's training system is also worth mention inasmuch as it has strategic value for the broader based objective of the modernising the public administration. Increasing the productivity of the public sector needs to be done by retraining the human resources employed at different levels within the administration, while also considering that technological innovation can make an important contribution in terms system productivity.

From this perspective, the training system will need to flank the reform effort via reorganisation of Italy's system for training public-sector managers around a "hub-and-spoke" model that ensures the possibility of bringing together around a central hub all of the national and international excellencies that can be used for training purpose.

At the same time, an international training programme, similar to the ERASMUS programme for university students, will be inaugurated for all employees of the public administration and will be aimed at improving employee qualifications via direct and continuous involvement with international entities, practices and methods.

4.4 Policy for Small and Medium-Sized Enterprises (SMEs)

4.4.1. Application of the "think-small-first" principle

The "think-small-first" principle is the basis for the European Charter for Small Enterprises, and was recently rounded out by the European Commission's adoption of the Small Business Act on 25 June 2008. The principle can be nothing but essential for Italian industry, considering

the country's economic fabric. From a quantitative standpoint, official data (source: EUROSTAT) confirm that there are roughly 24 million businesses within the EU 27 that employ an average of seven people. The micro, small- and medium-sized businesses (in essence, all businesses with less than 250 employees, as based on the EU definition) represent more than 98% of the total in terms of number, roughly two-thirds of the total in terms of employees, less than one-half of the total in terms of added value.

The same source points out that Italy accounts for 25% of the total (roughly six million businesses), with an average size that is one-half that for Europe (3.5 employees per company).

In order to provide a clearer idea of the phenomenon, it is sufficient to note that the second-ranking country after Italy is France, with 12% (less than three million businesses), but with an average size equal to the European average; Germany has a much smaller number of small businesses whose size is nonetheless double the EU average.

Accordingly, there is awareness at an institutional level of having to represent the demands of the SME productive base, by placing legislative measures into effect dedicated to those businesses, with the use of a strategy that attributes effectiveness to a system relying on harmonising and reinforcing relationships between institutions.

The Government's attention to small businesses has been recently highlighted through the Ministry of Economic Development's commitment to inaugurating a national roundtable for the purpose of implementing the principles of the "Small Business Act" and has furthermore been made explicit through the revision and implementation of the measures outlined below.

In order to accelerate the start-up of new businesses, Law 133/2008 included changes to the regulations on the Single Point of Access for productive activities which provide for:

- the immediate start-up of business activity with the simple presentation of the statement of the start-up of activity by referencing the regulations, and in the case of only several types of productive plants, the adoption of further provisions for the simplification of the procedures;
- the acceleration of procedures for organising and presenting service conferences, so as to ensure the certain conclusion of the proceedings, including in cases where there is opposition or inactivity on the part of administrations in charge of protecting the environment, landscapes, and historical/artistic properties or safeguarding public health and safety.

The regulations also call for the adoption of several interministerial rules (Ministry of Economic Development, Ministry for Regulatory Simplification), after consultation with the Unified Conference and the Parliamentary Commissions responsible, on the basis of a series of criteria; the rules will make the procedures simpler, yield a more streamlined organisation (including by taking advantage of the Chamber of Commerce system), and extend the measures to self-generating electricity plants and plants that use renewable energy sources. Finally, a monitoring system is to be adopted, and a training program for public-sector employees is planned.

On the labour market front, a single timesheet has been introduced that will significantly simplify procedures for businesses. The single timesheet substitutes the registration book and the payroll book as well as the attendance register, business register, and the records of work done at home and auto-transport schedules. The measure is immediately effective, even though payroll and attendance books may still be used on a transitional basis through 16 January 2009, after which the changeover to the single timesheet will be definitive.

A concrete example of the attention dedicated to the SMEs is Italy's model for the implementation of the Single Euro Payments Area (SEPA). In supporting the process of migration to SEPA and the preparation of the National Migration Plan, Italy has defined an organisation structure, bearing in mind that payment systems have particular repercussions on SMEs. In two years of activity, the structure has proven efficient and especially transparent since it is based on the consultation with, and the involvement of, all persons interested.

This has made it possible for authorities and the public administrations to identify regulatory and legislative measures aimed at eliminating impediments and barriers that could delay implementation of the SEPA or diminish its effectiveness and the ratification of the Payment Services Directive.

Finally, in order to facilitate international expansion of the SMEs, the Government has worked with *Confindustria* in intensifying the nation's missions in emerging economies. The involvement of government institutions, banks, and businesspeople has proven a winning formula that has included numerous small entrepreneurs, giving them the opportunity of being placed directly in contact with possible foreign partners through the meeting venues organised. Some 21 missions abroad have been organised in the past four years, with involvement of more than 7,300

businesses (98% of which were SMEs) which have participated in more than 36,000 business meetings arranged in various countries (including China, Brazil, Mexico, Kazakhstan, Egypt, Algeria, Tunisia, South Africa, and India).

4.4.2. Business education and training for SMEs

Many measures aimed at developing entrepreneurial capacities have taken shape in response to the awareness of the strong corporate need for human resources having adequate training to meet the challenge of integration in the Single European Market and the general globalisation of trade.

The promotion of business culture is one of the pivotal points of the project entitled the "Simulated Training Services Network". Academic institutions, with the support of the Ministry of Education, Universities and Research, put together a simulated training service model that has involved hundreds of schools and thousands of students for more than a decade, allowing the students to learn about a corporate operating and organisational structure in the classroom.

Laboratory settings in which it is possible to represent and act out the actual functions of a company are set up inside of schools with the support of a real business or a corporate sponsor. The simulated businesses communicate with one another and effect transactions through an electronic network, abiding by the rules as if they were real companies. A national simulation centre (SIMUCENTER) manages the information system, based on an electronic portal (www.ifsnetwork.it) that connects all of the simulated businesses via the Web.

The "learning by doing" instructional activity makes it possible for young people to learn while they work, and makes them the key players in a learning process that allows for improving the quality of their training, by operating in a job/instructional setting in which theory and practice are blended, thereby transforming the work into learning and the learning into work. The lab activity is rounded out by a period spent in a real work environment in which the students use the skills they have acquired and verify the correlation between the simulation model and the actual situation on the job.

The Simulated Training Service Network also operates internationally, doing business with simulation networks present in other countries, including Austria, Hungary, Germany, Croatia, and Russia. There are currently more than 1,350 Simulated Training Services nationwide (involving more than 30,000 students). In addition to the national simulation coordinating centre, which has technical tutoring functions, the network relies on the support of regional coordinating centres present in almost all of the Regions.

In addition, all of the Regions, as part of the measures to support employment and training, have programmes designed to support entrepreneurial undertakings in their various forms, whether initiated by women or young people or entailing new business endeavours, developing in the form of start-ups at the university level. Several examples of good practices can be seen with The Marches where honour loans were granted for financing the young people's entrepreneurial projects, some of which were identified through competitive procedures, whereas the Emilia-Romagna Region has embraced a project entitled SPINNER (Services for the Promotion of the Innovation and Research), aimed at supporting innovation in business and the transfer of skills from research to businesses, thereby making the most of the know-how of individuals researching and studying in the region.

Promoted by the National Operational Programme - Local Entrepreneurial Development 2000-2006, various initiatives are being finalised for the purpose of strengthening the integration between industrial relief tools and tools for enhancing the value of human capital.

Another project based on the principle of school-work alternation and linking businesses and training systems is POLARIS, which is sponsored by the Chambers of Commerce, Industry, Craft Trade and Agriculture, and designed to facilitate the link between training systems and the business world. Considering its proximity to local communities, the Chamber system is using the project for setting up a network of access points to be used for offering services for orientation, internships, the promotion of school-work alternation, and other initiatives aimed at helping young people to make the changeover from school to work. The POLARIS portal thus represents the point of contact between students, schools, universities, businesses and Chamber members, and offers services that are capable of facilitating the meeting of supply and demand in the case of training internships, with student CVs and corporate internship positions both being input into the databanks; the portal also offers tools for job orientation and training; supplies news, manuals, regulatory reference for orientation and school-work alternation; constitutes a virtual marketplace for exchanging ideas, suggestions and communications between the Chamber members involved in the management of the projects.

"Open factors" and the "Premiums for training firms" are instead two projects for small businesses that are sponsored by Confindustria.

Close collaboration between leading trade associations (Confartigianato, CNA (Confederazione Nazionale dell'Artigianato), Casartigiani and CLAAI (Confederazione delle Libere Associazioni Artigiane Italiane)), and the Regions and Provinces of certain areas led to the creation in 2007 of the "Artisans Project", that created 1,500 new jobs. Promoted by the Ministry of Labour, the project was tested in 10 Provinces, distributed across 8 Regions, and was aimed at supporting cottage industry business in their development and modernisation and creating new employment opportunities in the industry. The project offered workers internships for training with businesses in the sector.

4.4.3. Policies for young entrepreneurs

The policies for young people include measures aimed at: developing innovative activities and entrepreneurs; promoting the right of young people to cultural and professional training and social inclusion; favouring the right of young people to housing; and facilitating access to credit for the purchase and use of goods and services. The financial resources outlined in the following table have been earmarked for such measures.

<i>Fund Name</i>	<i>Source and Description</i>	<i>Financial Resources</i>
National fund for youth communities	<p>Article 1, Paragraph 556, Law 266/2005, as subsequently amended, entails actions to promote safety, to prevent unsafe conduct, and to favour participation of young people in programmes to prevent drug/alcohol dependency and to build awareness to the same.</p> <p>On 1 August 2008, the Council of Ministers approved the text of a government bill for review by the State-Regions Conference; the bill amends the purposes of the fund, accenting the aim to support the creation and growth of youth communities.</p>	€5 million for years of 2008 and 2009.
<p>Credit fund for supporting intermittent activity of project workers;</p> <p>Microcredit fund for supporting young people's activity</p> <p>Fund for credit to young self-employed workers as a measure to support small businesses.</p>	<p>Article 1, Paragraphs 72, 73 and 74 of Law 247/2007, on the subject of subsidized financing in order to provide for needs arising from special types of work, to develop innovative and entrepreneurial activities.</p> <p>On 1 August 2008, the Council of Ministers approved the text of a government bill for review by the State-Regions Conference; the bill unites the three funds, and changes the beneficiaries, increasing their age to 35.</p>	€150 million for 2009
Fund for youth policies	<p>Article 19, Paragraph 2, Decree-Law 223/2006, converted by Law 248/2006, aimed at promoting the right of young people to cultural and professional training and social inclusion; favouring the right of young people to housing; and facilitating access to credit for the purchase and use of goods and services.</p>	<p>The government bill for the 2009 Budget Law appropriates the following resources:</p> <p>€79 million for the year of 2009;</p> <p>€81 million for the year of 2010;</p> <p>€62 million for the year of 2011.</p>
Special guarantee fund for purchase of first home by couples or single-parent families with minor children.	<p>Article 13 of Decree-Law 112/2008 converted by Law 133/2008 designed to make it possible for young couples to tap subsidised financing in order to support expenses related to the purchase of their first home.</p>	<p>€4 million for the year of 2008;</p> <p>€10 million for the year of 2009;</p> <p>€10 million for the year of 2010</p>

4.4.4. SMEs' access to financing: regional initiatives

The issue of access to credit is covered in regional programmes, through the use of traditional instruments (such as the support to system of consortia for subsidised credit), and the testing of innovative financing instruments (such as district bonds and medium-term loans funded by banks and other lenders that allow the lenders to participate in the borrower's earnings). A review is currently under way to evaluate and to revise the strategies for

supporting the businesses, with the aim of achieving greater integration with the banking system (which will need to share in the strategies for supporting the investments of the businesses from the standpoint of the relaunching the competitiveness of the economy overall).

Working with regional lenders, the Emilia-Romagna Region facilitates the SMEs' access to credit (Regional Law n. 3 of 21 April 1999), via the establishment of guarantees with the Region's own dedicated funds (including possibly on a revolving basis) in collaboration with the regional borrowing consortiums representing industry, the craft trade and cooperatives. The regional guarantee funds are used for creating and growing businesses, including through types of capitalisation of the same, and assisting SMEs in the region in their international expansion. The Region also enhances and supports the regional borrowing consortiums representing industry, the craft trade and cooperatives, by setting up a regional counterguarantee fund to be used for increasing the regional consortium system's capacity. The Region is also pushing for the decentralisation of the Central Guarantee Fund created by Law 662/1996. Where provided by the rules governing the establishment of the funds, the Region gives the priority to businesses owned and operated by women (as identified using the criteria set out in Law 215/92) and to businesses owned and operated by young people (as identified using the criteria set out in Law 44/85).

Another support measure is the Ingenium Fund which is designed to stimulate the creation of venture-capital funds focusing on areas of the Region that are less developed but that offer significant potential in light of the presence of universities, research centres or industrial districts. The initiative entails participation in the creation of a risk capital fund in partnership with the private sector, with the aim of supporting the start-up and development of projects arising from academic and research spin-offs, or entailing innovative activity, with minority investments made in the share capital of small- and medium-sized businesses.

With Regional Law n. 12/2007, the Campania Region has outlined special regional aid schemes to finance the development of businesses operating in the region; the schemes differ according to whether the aid is provided under contract, on an automatic basis or on the basis of an evaluation. More specifically:

- the incentives for complex projects to be awarded through contract procedures refer to the regional programme contract, which is designed to favour the implementation of complex territorial and sector development projects carried out by a single business or by groups of businesses within a concerted planning framework and aimed at getting the most out of programmed contracting at a regional level;
- the incentives for new investments to be awarded through automatic procedures refer to the regional tax credit for new productive investments, which is aimed at streamlining and specialising the instrumentation used for the support and development of the businesses in the region and for addressing economic situations and the tax credit for increasing employment, designed to facilitate an increase in stable employment and the creation of new opportunities for long-term job placement in the business world;
- the aid to investments to be awarded on the basis of an evaluation refers to incentives for innovation and development, with the aim of promoting processes to innovate and develop the region's business fabric via structural measures that will have long-term effects on the competitiveness of the regional productive system.

In addition, incentives for consolidating short-term liabilities and transforming them into medium-/long-term debt are planned to achieve improvement of the capital structure of businesses and to facilitate relationships with bank credit system.

As part of the 2007-2013 Regional Operational Programme, the Veneto Region has spelled out a series of actions to facilitate SMEs' access to credit, and to supply customised financial services that will enable the SMEs to adapt in a rapid and timely manner to changes in the markets and to augment the propensity to invest in research and innovation.

In particular, the following have been provided:

- a system of guarantees for investments in innovation and entrepreneurial undertakings, with the objective of favouring the access to credit by SMEs or consortiums of SMEs, through the granting of guarantees on financing for investments in innovation and for the development of the entrepreneurial undertakings and the consolidation of the borrowing consortiums;
- minority and temporary investments in the risk capital of innovative enterprises;
- the creation of a revolving fund for the subsidised financing of innovative investments made by SMEs.

4.5 Research and innovation

4.5.1. Critical issues in Italy

Between 2002 and 2005, Italy witnessed a significant increase of the percentage of research-and-development (R&D) investments covered by businesses, which went from 49.6% to 52.5% of the total. Despite this progress, the level of spending on research attributable to businesses is still well below the levels recorded in countries such as Germany, France and the UK.

The subdivision of the spending by type of research shows that: basic research accounts for 27.7% of the total and is 62% funded by universities; applied research accounts for 44.4% and 53.8% covered by businesses; and testing accounts for the final 27.9% and is 84.8% covered by companies.

One of the main factors to explain the distribution of the expenditure is the structure of Italy's productive system, which incorporates a large percentage of very small businesses; businesses with less than 10 employees account for 95% of the total businesses, whereas businesses with at least 250 employees account for only 0.1% of the total.

The contribution of businesses to total R&D spending is mostly made by the larger productive units: businesses with at least 500 employees account for 73.8% of the total R&D spending of businesses, whereas the percentage covered by businesses with less than 100 employees is roughly 10%.

The typical size of Italian companies thus partly explains the low level of R&D spending in comparison with other European countries.

Some statistical measurement problems also need to be considered. R&D spending by SMEs is not included in official statistics inasmuch as it is recorded (for accounting purposes) as different types of expenditure. In addition, the Italian National Institute of Statistics (ISTAT) does not report the R&D spending of micro-businesses (with less than 10 employees).

Against this backdrop, one of Italy's priorities can be identified as the need to increase the average size of businesses, including through developing consortiums and simultaneously sustaining the development of the research system and its opening to international collaboration, including in the economically disadvantaged Regions.

The working relationship between universities and businesses can play an important role in the development. On the one hand, reforming the university system to make it more meritocratic is essential for increasing the number and quality of university graduates and researchers with respect to the active population; on the other hand, universities are vested with the responsibility of continuous exploration of scientific and technological potential, preferably in collaboration with businesses.

The planning and construction of a network for innovation has been stimulated in recent years by a series of fiscal measures to support scientific and technological research. In particular, the Budget Law 296/2006 (see below) provided for a tax credit for investments in pre-competitive research and development, raising the amount exempt from taxes to 40% of the expenses sustained whenever the costs of research and development referred to contracts executed with universities and public research entities. With support to technological districts, Decree 297/99 has favoured greater local integration between universities and businesses. The possibility of universities to be transformed into foundations (as provided by Decree-Law 112/2008) is another move in the direction of creating greater interaction, by favouring private-sector investments in the higher-education and university-research sector.

4.5.2. The contribution of regional policy

In the 2000-2006 planning cycle⁶³, almost 80% of the resources of the Structural Funds earmarked for the sector had been managed by the National Operational Programme for Scientific Research, Technological Development, Advanced Education for the Objective 1 Regions (whose financial resources were €2.3 billion), which is concentrated on: assisting businesses for industrial R&D and in the strategic sectors for southern Italy (53%); measures to enhance the value of the high-performing human capital (32%); and measures to bolster the scientific and advanced education system. At the end of 2007, the National Operational Programme was performing excellently overall, both in financial terms (with the expenditure monitored having reached 81.3% of the resources planned/assigned), and in terms of the state of completion of the projects. Out of 2,350 projects promoted by the National Operational Programme Research, almost 80% (1,864) have been completed. The achievements and the

63 The data reported here are up to date as of 31/12/2007.

results obtained through the National Operational Programme are likewise interesting, and include more than 520 process, product and organisational innovations and more than 900 new products/processes/services coming from 434 R&D projects in industry and in southern Italy's strategic sectors, as well as 114 new patents in relation to 188 independent research projects already concluded and promoted by businesses. In addition, some 107,000 square meters of infrastructures for universities and research centres were planned and built, while 11,700 researchers and 11,300 technicians are operating in structures planned and built through the National Operational Programme in relation to 145 structural enhancement projects already completed. Finally, more than 32,000 people have participated in advanced education programmes, while roughly 57,000 people have been involved in university orientation programmes.

At a regional level, the projects (for an admitted total cost of €293 million) are concentrated in Campania: 502 projects admitted for a cost of €63 million and 399 projects already concluded; numerous projects have also been admitted in Sicily and Apulia (288 and 286 projects, respectively).

The Technological Skills Centres have been financed by the National Operational Programme (which provides for six), and by Campania which has identified 15 projects admitted (for a total of €211 million), the fundamental axis of the regional strategy for spawning innovation. The following centres have already been established: "Transportation", "AGRO", "AMRA" (analysis and monitoring of environmental risk), "NT" (new technologies for productive activities), "ICT" and "ATIBB" (industrial biotechnologies).

By contrast, Apulia, Sardinia and Basilicata report low values. Sicily, which has concluded 60 projects, had dedicated roughly €100 million to 35 projects for enhancing infrastructures and equipment at universities and research centres and another €20 million to training initiatives for research. In Calabria, 48 projects have been concluded altogether. As the main sector-based programme initiated, the start-up of the technological districts represents has mobilised leaders in the local communities. The other types of projects include 32 admitted for activities to build up public/private technological labs, in collaboration with three Calabria-based universities, the National Research Centre and the Centre for Agricultural/Food Research.

During the same period, resources were allocated to the Fund for Underutilised Areas, inclusive of €3,122 million that went to the central administrations for programmes in the research sector in the Regions of southern Italy.

Another €320 million of the Fund for Underutilised Areas (FAS) went to Summary Programme Accords executed by the southern regions (for a cost of €80 million in 2007). In Apulia, the region dedicating the highest percentage of resources made available under the Summary Programme Accords to the research sector (around €177 million), with the bulk of the amount (52.4%) coming from the Regional Fund for Underutilised Areas (FAS), the measures financed regard the network of public research laboratories for developing high-tech sectors, and several high-tech, biotechnological, and mechanical/electronic/IT districts as well as support for the start-up of businesses. In Campania, measures have been planned covering €121 million, or 1.6% of the total of the resources allocated through the Summary Programme Accords, which are financing 19 programmes. About one-half of the resources will go to infrastructures for the technological district for polymer and composite materials in the engineering sector, whereas other sums will be used for research in healthcare. In Calabria, most of the projects concern aid to businesses and roughly one-half of the resources is concentrated on two programmes for industrial research about logistics and transformation issues and matters concerning cultural properties, for a total of €30 million. In Sicily, the most significant programmes from a financial perspective regard the regional system for research and innovation and a centre to promote innovation and the transfer of energy technologies (for a total of roughly €28 million). In Sardinia, the resources are concentrated on: infrastructures for scientific and technological research and on the technological district for biomedicine and technologies for healthcare.

The 2007-2013 National Strategic Framework intends to promote research and innovation by focusing on two priorities for public policies (at the EU, national and regional levels).

Priority 2 "Promotion, exploitation and spreading of research and innovation for competitiveness" entails the general objective of building up and enhancing the value of the entire research chain and the networks of cooperation between the research system and businesses, in order to contribute competitiveness and economic growth; supporting the maximum dissemination and use of new technologies and advanced services; and raising the level of scientific and technical skills and knowledge in the productive system and in institutions.

Priority 7 "Competitiveness of the productive systems and employment" incorporates three general objectives: augmenting the effectiveness of the programmes for local systems, improving governance and the capacity for integration between policies; promoting processes

that are sustainable and inclusive innovation and entrepreneurial development; and qualifying and finalising the active labour policy programmes and services in terms of their adaptability and employability, linking them to the local development prospects.

The 2007-2013 National Operational Programme on Research and Competitiveness for the Convergence Regions (Apulia, Campania, Calabria, and Sicily) is considered critical to the achievement of Priorities 2 and 7 of the National Strategic Framework. The general objective of the aforementioned programme is to expand the capacities to produce and use quality research and innovation in the named regions in order to augment growth potential. This implies the unitary and integrated planning and implementation of the EU and national policies.

The resources outlined by this programme for research and innovation are very significant: no less than €21 billion, or 35% of all funds involved in EU planning - definitely a substantial level, even when compared with the commitment of the other Member States.

The target value is to be funded not only through the National Operational Programme on Research and Competitiveness (for which €6.2 billion has been appropriated) but also through the strong commitment of the Regions (total resources of roughly €13.4 billion, including €2.3 billion from Campania, which is the highest ranking region in terms of the absolute value of the contribution). The significance of these policies can also be demonstrated by the level of the percentage of resources allocated to them, including by programmes traditionally less sensitive to such themes. For example, the percentages for Calabria and Basilicata went from 1.5% of the total of the Regional Operational Programmes' resources to 25.9% and 25.8%, respectively.

The Fund for Underutilised Areas has also made a significant commitment to research, allocating just under €8 billion to the regions of southern Italy; the sum includes a significant amount (more than €6.6 billion) made available through the Fund for Underutilised Areas (FAS) Programme for the Implementation of the 2007-2013 National "Research and Competitiveness" and another €1.3 billion made available through the Regional Implementation Programmes. The Fund for Underutilised Areas (FAS) National Implementation Programme is integrated with the strategy of the National Operational Programme on Research and Competitiveness, considering that both programmes are addressed to the single regional policy, as sanctioned by the 2007-2013 National Strategic Framework.

Finally, with the framework of transnational cooperation programmes, the key innovation priority⁶⁴ regards collaboration between research, business and local authorities, and collaboration between districts, between research centres, and between technological hubs in order to foster development and dissemination of innovations, development of patents and new productive processes, improvement of policies for innovation and regional innovation capacity, and further strides by SMEs in opening up to international collaboration.

4.5.3. Strategic research programmes

The 2005-2007 National Research Programme indicated among its main initiatives the launch of 12 strategic programmes for augmenting the Italian industrial system's competitive capacities in the following areas: healthcare; pharmaceuticals; biomedicine; manufacturing; design and engineering; avionics; advanced materials; telecommunications; farming and food; advanced logistics; information and communications technology; and energy.

At present, some 116 projects are being financed through subsidised revolving credit facilities for public funds totalling €897.1 million.

The strategic programmes have been conceived as an integrated and orderly system of initiatives entailing basic research, industrial research, precompetitive development, and training of the finest human capital. With these efforts feeding off one another, it is possible to pursue simultaneously both short-/medium-term objectives (in particular through industrial research and precompetitive development) and medium-/long-term objectives (in particular, through basic research).

From this standpoint, the strategic programmes incorporate actions that contemplate the joint and regular participation of businesses, universities, public research entities, and any other private- or public-sector entity active in research and innovation; the accent is also on creating the premises for achieving stable platforms for the systematic and structural collaboration between business world and the public research system.

At the invitation of the Ministry of Economic Development, the business world, universities and public research entities have shown great conviction in getting involved: more than 740 project ideas were submitted for the €1.1 billion available; the best ideas were then transformed

64 There are four main priorities: innovation, environment, accessibility, and urban development, as indicated by the Regulation (CE) 1080/2006).

into more than 150 executive projects distributed over the 12 programmes mentioned above, all of which are now in the execution phase.

4.5.4. Technological districts

Italy has continued the implementation of policy to support technological districts. Through the regulations set out in Decree 297/99, it has been possible to implement highly innovative initiatives that have entailed the joint commitment of the Ministry of Economic Development and the local administrations as spelled out through programme accords. The accords represent a model for development with a single strategic plan that involves not only businesses and the scientific world (universities and research entities) but also private-sector financial intermediaries and local administrations.

The actions identified and coordinated via the programme accords have led to the planning, development and support of those high-tech districts that represent a strong new element in Italy's development policy. Distributed over the 20 Italian regions with specialisation in the main research sectors, the districts represent a fundamental defence for Italy's competitiveness. The following technological districts are currently operational:

Wireless applications (Piedmont), molecular biomedicine (Friuli Venezia Giulia), biotechnologies, information and communications technology, advanced materials (Lombardy), polymer and composite materials (Campania), mechanical/electronic/IT (Emilia Romagna), microelectronics (Sicily), nanotechnology (Veneto), integrated intelligent systems (Liguria), aerospace (Latium), renewable energy (Trentino), information and communications technology and security (Tuscany), food quality, security and innovation (Abruzzo), farming industry (Molise and Apulia), high technology (Apulia), protection of the hydrogeological risks (Basilicata), logistics, cultural properties (Calabria), biomedicine and healthcare technologies (Sardinia), naval transportation, bio-farming and eco-compatible fishing (Sicily), and nanomicrotechnologies and special materials (Umbria).

The Ministry of Economic Development has employed public resources for starting up and supporting the districts, with the resources essentially derived from the Fund for Incentives to Research, set up pursuant to the referenced Decree-Law n. 297/99, for a total of more than €370 million.

The technological districts are assuming an increasingly important role in the processes to upgrade the regional productive systems, fulfilling the role of catalyst in national and European research projects, supporting the international expansion of innovative businesses and developing advanced and refresher scientific-technical training programmes.

4.5.5. Italian Technology Institute

The Italian Technology Institute Foundation was created upon the initiative of the Ministry of Education, Universities and Research together with the Ministry of the Economy and Finance. One of the principal activities of the Institute is to develop technologies and to carry out research in humanoid technologies (interface between robotics, neurosciences and nanobiotechnologies).

The scope of the Italian Technology Institute is to become a leading international centre for scientific research mostly in the area of technology, through the contribution of researchers and experts in the world of research.

As a result of the provisions in Decree-Law 112/2008, the Institute has been able to make use of resources coming from the IRI Foundation since July 2008. Such resources were assigned for both financing applied research programmes at a national level and creating a network of highly specialised research centres at leading research hubs.

4.5.6. Implementation of the "Industry 2015" programme

The strategic action provided by "Industry 2015", a programme analyzed in last year's report, has been partially planned and executed through provisions included in the 2007 Budget Law; its implementation will continue in "Three-Year Plan for Development" approved by the Government (Law 133/2008).

As far as the Industrial Innovation Projects (IIP) are concerned, the 2007 Budget Law called for the implementation of specific projects in the following five technological areas deemed strategic for economic development: energy efficiency, sustainable mobility, new technologies

for Made-in-Italy products, new technologies for cultural and tourism properties and activities and new life technologies.⁶⁵

The adoption of the IIP has entailed the identification of specific technological-productive objectives to be achieved, and the planning of the project-related initiatives, the allocation of resources, and the actual project implementation.

The resources initially allocated to projects amount to €990 million.

Given the fundamental significance of the incentives targeted for businesses, the planning of the 2008 activity was concentrated on the operational start-up of the tender procedures.

To date, managers have been named for all of the projects, and the following IIPs have been inaugurated: IIP-energy efficiency and IIP-sustainable mobility, IIP-Made-in-Italy products; IIP-cultural properties and activities.

The project for new life technologies still needs to be initiated, with the manager currently finalising the roll-out phase.

Each of the IIPs adopted details the strategy on the basis of two guidelines:

- strategic industrial innovation action, consisting of incentives to businesses that translate into tenders for the financing of research and development programmes incorporating a high content of technological innovation.
- related actions, designed to strengthen of the strategic action and multiply its impact, via various types of measures affecting infrastructures, regulation or the productive framework, co-financed by the Regions and/or the central administrations involved. In this regard, consultations with the Regions and central administrations involved have been inaugurated, with the drafting of an initial document that defines the procedures for identifying and approving the actions.

The tenders carried out thus far are as follows:

- energy efficiency tender, €200 million appropriated (expired on 15 September 2008);
- sustainable mobility tender, €180 million appropriated (expired on 19 September 2008);
- Made-in-Italy products tender, €190 million appropriated.

4.5.7. Defence technologies and research

The following programmes in the defence sector have been confirmed:

- EFA/EUROFIGHTER research (€318 million in 2008, €468 million per 2009, €918 million per 2010);
- development and acquisition of the FREMM- and VBM-class naval units (€20 million in 2008, €280 million in 2009 and €375 million in 2010);
- aerospace and sophisticated electronics (€20 million in 2008, €25 million in 2009 and €25 million in 2010).

The Ministry of Defence has also allocated €59 million in 2008 to the financing of dual-use technological research programmes, addressed to businesses, SMEs, scientific institutes and universities, and involving the development of military and civil applications, with broad implications on know-how and productive capacities for national industry.

4.5.8. Corporate Finance Fund.⁶⁶

In order to make the fund operable, a decree was drafted concerning the means and the procedures for granting and disbursing aid for risk capital (the decree constitutes a specific aid scheme designed to promote investments in the risk capital of small- and medium-sized businesses); the necessary EU authorisation for such act is currently being procured. Once the authorisation is obtained, the first call for bids will be published and will identify, amongst other things, the development targets that are intended to be pursued.

65 Each IIP is drawn up by a manager appointed by the Minister of Economic Development, and is adopted, subject to the consent of the State-Regions Conference, with the interministerial decree that involves the various administrations involved.

66 In implementation of Article 1, Paragraph 848 of the 2007 Budget Law, once the consent was received from the Ministry of the Economy and Finance, the decree outline was adopted in relation to the means for running the fund. The fund will operate through initiatives designed to facilitate transactions involving the granting of guarantees against financing, and transactions involving investments in the risk capital of businesses. The proceedings will be perfected with the procurement of consent of State-Regions Conference and the opinion of the Council of State.

A decree concerning the aid scheme with reference to transactions involving the granting of guarantees on financing is now being drafted, with the definitive scheme to be presented as soon as possible to the European Commission for the necessary authorisation.

It is expected that the fund's resources will initially amount to roughly €300 million. The resources available through the Guarantee Fund referenced in Article 15 of Law n. 266/1997 and the Revolving Fund for Risk Capital Transactions as provided by Article 4, Paragraph 106 of Law 350/2003 will also flow into the Corporate Finance Fund.

4.5.9. Fiscal benefits for research

In line with the Lisbon objective and the indications of the Spring European Councils on the subject of research and development, two classes of measures for providing incentives to research were introduced in the 2006-2008 period.

The first class refers to tax-relief measures:

- 2006 Budget Law (Article 1; 353-355). Companies may deduct from taxable income the funds allocated to support of finance university research.
- Law 233/2006 (Article 37; 47-48). Companies may deduct all of the expenses related to studies and research inaugurated during the year; companies need to capitalise the expenditures and may annually deduct only the cash portion of their R&D costs.
- 2007 Budget Law (Article 1; 280-284). Companies may apply for a tax credit for increasing industrial research and precompetitive development activities. The amount of the tax credit is equal to 10% of the internal costs and 15% of the amount paid to universities for research. The limit for these expenses is €15 million.
- 2008 Budget Law (Article 1; 66). The tax credit for research and development activity that was contained in the 2007 Budget Law was increased: in the case of payments made to universities, the credit goes from 15% to 40%, while the limit on this expenditure goes from €15 million to €50 million.
- Finally, an aid measure consisting of a tax credit has simultaneously been provided for the acquisition of new capital goods on the part of businesses located in southern Italy.

None of the measures constitutes state aid pursuant to Article 87, Paragraph 1 of the EC Treaty. The estimated effects of the measures on tax revenues are indicated in the table below, though definitive data on businesses' use of the measures are still not available.

Table 4 – Principal tax-relief measures for research.

Provision	2006	2007	2008
Deduction of funds allocated to research	0	0	0
Provision	2007	2008	2009
Expenses related to studies and research	0	-763	-241
Tax credit for increasing research activity	0	-419	-487
Provision	2008	2009	2010
Increases in percentage and amount for tax credit provided under 2007 Budget Law	-177	-136	-142,7

Source: Ministry of the Economy and Finance – Finance Department. Provisional and indicative data. In € mn.

The second class of measures is made up of state subsidies to projects in favour of the productive districts adopted by the Regions, for a total of €40 million, with the maximum amount limited to 50% of the public resources committed overall to each project, and to projects, if any, that are national in scope.

The regional projects admissible for co-financing⁶⁷ must regard measures in favour of the productive districts, that reinforce their organisational system, including by means of new models for integrating the chain of production, in the following areas:

- activities of industrial research, experimental development, technological transfer and exchange of know-how and technologies between the districts and universities, research and technological transfer centres, scientific parks;
- measures to promote and spread information and communications technologies;
- measures functional to environmental improvement of the productive areas;
- measures aimed at energy savings and the use of clean energy;
- development of logistics services to support the entire district system;
- forms of collaboration between districts belonging to different Regions, including for the purpose of reinforcing presence on international markets.

The projects which are national in scope and promoted by the Ministry of Economic Development (including through other parties, with the possible charge for the account of the resources related to the projects) are focused on the design and production of tangible and intangible infrastructures to develop links and support services for the districts and the businesses belonging to the districts, specifically through the use of information and telecommunications technologies, the promotion and development of the district model and the realisation of collaboration between districts within a multi-regional framework.

4.5.10. Fund for investments in basic research (FIRB)

The fund covers various types of initiatives and has represented an important tool in the implementation of the national strategy to create networks between universities and businesses and to train young researchers.

With regard to public/private research labs, some 21 centres have been financed with committed resources of €98 million. Roughly €18 million of the amount is earmarked for the recruitment of young researchers for three-year contracts.

The national networks for basic research have made it possible to bring highly qualified scientific centres online, for the purpose of augmenting the competitiveness of the national system within a European framework. The resources allocated amount to €60 million. The measures have also allowed for recruiting roughly 600 young people through three-year contracts for highly skilled environments.

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

The Agency for Assessment of the University and Research System (ANVUR) was established by Law 286/2006. The rules for the organisation approved with the Decree of the President of the Republic n. 64/2008 were the subject of three findings on the part of the National Audit Court which effectively impede the establishment of the agency's bodies. The Ministry of Economic Development is therefore revising ANVUR's rules.

The revision of the rules is aimed at placing the accent on the third-party status and independence of the Agency, which will be charged with the task of evaluating the quality of the research activities carried out by universities and public and private research entities. The results of the assessment activities will serve as the criterion of reference for the allocation of state financing to universities and research entities. The objective is to assign resources on the basis of merit and the results obtained. Part of the financing is already to be assigned with this type of criteria: the aim is to increase the percentage so as to reward the most meritorious entities and to highlight the value of excellence.

⁶⁷ Decree of the Minister of the Economic Development issued on 28 December 2007 in concert with the Minister of the Economy and Finance, in the implementation of Article 1, Paragraph 890 of the 2007 Budget Law.

4.5.12. Agency for the Spreading of the Technologies for Innovation

The Agency for the Spreading of Technologies for Innovation was established by Law n. 166 of 23 December 2005 with the objective of increasing the competitiveness of Italy's productive fabric, with particular reference to SMEs and industrial districts.

Initiatives for guaranteeing the operation of the Agency have been initiated, including thanks to the collaboration of territorial entities (Region Lombardy and City of Milan); appointments to the board of auditors and the board of directors have also been made.

4.5.13. Healthcare research

The new policy for healthcare research guarantees the continuous updating of knowledge, with the accent mainly on projects involving networks with a critical mass of skills, and favouring merit and the qualification of the parties proposing the research.

Already in 2008, the percentage of the National Healthcare Fund allocated to healthcare research projects presented by researchers of age 40 or younger has been increased, and various provisions have been introduced to the healthcare sector in favour of the young researchers. In addition, the following topics have been identified as research priorities for 2008 in relation to the most significant pathologies:

- neuro-degenerative illnesses: etiopathogenesis prediction, identification of treatment and rehabilitation targets;
- cardiovascular illnesses: stroke prevention; innovative technologies for curing cardiac decompensation;
- Onco-hematological illnesses: drug resistance and the latest treatment strategies;
- Molecular oncology: prediction, diagnosis, characterisation and personalised treatment.

The 2007 and 2008 Budget Laws provided financing for the development of projects on stem-cell research, rare diseases, food security and security in the workplace.

The research needs to be activated through actions such as the following:

- the consolidation and the development of networks for collaboration between institutions and entities with proven experience in the healthcare business; production of "translational" biomedical research in the sector studied, and the transversal link with all of the experts in requisite complementary disciplines for the integrated cure of the ill person and not only the illness;
- the organisation of the networks through the direct involvement and accreditation of centres at a different level of reference, which have effective operational, technological and professional capacities in the essential disciplines;
- the prevention, diagnosis and cure of the illnesses and their main causes (induction of conditions prior to the illness on the part of the etiological factors) with the medium-term objective of making a uniform and sustainable permanent assistance-and-research activity available for the National Health Service with regard to the greatest illnesses suffered by the population of Italy.

An objective considered fundamentally important is knowledge transfer as a two-dimensional process that goes from research to clinical practice, the so-called "translational research" characteristic of the IRCCS, and vice versa. As the driver for the innovation of healthcare systems, such process entails not only financial investments, but also the development of professional skills.

In the case of the National Health Service, and thus, the Regions, it is important reiterate that innovation is not always only technological, but also organisational, and often institutional, with planning decisions thus also being debated.

Technological innovation needs to prompt changes in the organisation and the running of the system and, in turn, the organisation and the running of the system may condition the degree, level and direction of technological innovation. The relationships between the development of knowledge/basic research and current practice, and between technology and the organisation/operation of the services are thus bi-directional, and the institutional areas promoting and supporting the research undertaken by the National Health Service need to be fully aware of that.

4.5.14. Patents and intellectual property

The transition toward the knowledge economy has made intellectual property a strategic asset for businesses, without discrimination between small and large firms or the sector of activity (high tech or traditional).

The Italian Patents and Trademarks Office coordinates a project for the requalification of national patents, thanks to the introduction of the anteriority search (operative since 1 July 2008) left up to the European Patent Office (EPO). The anteriority search about patent applications and the high standard with which the search itself is conducted are factors that play a fundamental role in the patent's quality (defined as the certainty of the capacity to protect the invention vis-à-vis market competitors). The introduction of this new, important element has been flanked by other developments to ensure the efficiency of the process, including: the reinforcement of the Italian Patents and Trademarks Office with the addition of technical examiners; the automatic translation of national patents from Italian into English; the security of the information flows between the Italian Patents and Trademarks Office and the EPO; the change of procedures within the EPO; and the availability of Italian patent documentation for feeding the automated translation system.

The project previously undertaken for defining a method that could be used by industry, universities, and the banking system for economic valuation of patents was concluded in March 2008, and an initial application of the method will be used in defining the criteria for the innovation incentives identified a part of the Ministry of Economic Development's industrial policy programme.

Training on the subject of intellectual property has become a strategic instrument for creating and/or improving business knowledge and skills that can contribute to relaunching the competitiveness and the growth of the Italian economic system. Therefore, the objective which the Government intends to continue pursuing (via a series of training projects already under way) is to train professionals in the transfer of technology who can work in both universities and businesses with high international standards; and who are able to achieve collaboration between the worlds of the research and industry, in other words, managers of the entire innovation process, from research to the market.

4.5.15. Reform of the university competitions and researcher recruitment

In the next 10 years, around 50% of the professors presently teaching at universities will retire. This necessitates the prompt implementation of university recruitment policies pursuant to Law 230/05, which needs to be amended in order to guarantee more rigorous recruitment mechanisms based on an evaluation of merit. Against this backdrop, the assessment of the scientific output of full professors and associate professors requires further reflection with regard to the current earnings-progression and legal-status mechanisms, as urged by the Conference of the Chancellors of Italian Universities (CRUI) and the Inter-Conference of Faculty Chairs. At the same time, competitive sessions have been initiated pursuant to the provisions of Law 210/89, while procedures for placing young researchers into university roles have also been introduced under the Extraordinary Plan for Recruitment of Researchers contemplated by the 2009 Budget Law, for which €40 million has been allocated.

4.5.16. European Space Research

The EU's Seventh RST Framework Programme introduced and extended the use of new instruments in support of the European Space Research.

Italy has been one of the main countries in conceiving and constructing the new initiatives based on Articles 169 and 171 of the Treaty on European Union. With regard to the programmes promoted pursuant to Article 169 (AAL (domotics and technologies for the assistance of the elderly and disabled in their homes) and EUROSTARS (support to the industrial research of SMEs having their own research capacity)), Italy made a commitment in November 2007 to finance the AAL programme with €2.5 million per year, and the EUROSTARS programme with €5 million per year for the term of 7FP.

In April 2008, Italy confirmed its participation in the first tender for two JTI ARTEMIS and ENIAC with financial commitments of €8 million and €10 million, respectively. For Italy, some 111 bidders participated in 26 bids covering a total cost of €115 million.

In August 2008, operating procedures were issued for the assessment and the financing of the projects selected by JTI ARTEMIS and ENIAC and by the Article 169 AAL and Eurostars programmes; this represents an essential step in allowing Italian businesses and research centres to participate appropriately in the European initiatives in this field.

In the case of joint initiatives, Italy is participating in various ERA NET projects whose objective is the preparation of common strategies in the management of national research resources. More specifically, Italy's involvement refers to nine ERA-NET projects in the following sectors: vegetable genomics; development of hydrogen applications; new materials; biodiversity polar and environmental research; catalysis technologies; air transport; climatic change; and management of water resources.

The policy for integration with the European initiatives has also been undertaken in the field of basic research. Participation in the first IDEAS tender launched by the European Research Council (ERC) in support of basic research projects presented by young researchers was very significant, and the quality of the projects was very high. Given the concomitance of these two factors, and a limited budget, the high-quality projects did not get financing even though they had been positively evaluated at a European level. Italy therefore launched a FIRB-IDEAS tender, with funding of €30 million earmarked for those researchers who received a good scientific evaluation but did not qualify for the ERC-financed projects.

Finally, Italy is contributing to the creation of the roadmap for the European Strategy Forum for Research Infrastructures (ESFRI), and has now inaugurated the process of defining the national strategy for the research infrastructures that will be available for scientific use at a national and international level.

4.5.17. Regions' policy for research and innovation

The Regions have introduced their policy for research and innovation, with the approaches and methods varying significantly in both the definition of the objectives and the choice of the instruments. Some Regions have passed specific legislation on the subject, while others are relying on strategic plans. The Regional policies are nonetheless set as part of the implementation of the principal national planning tools.

Consistent with such tools, the Regions and the Autonomous Provinces have defined the general single regional policy in the Unitary Planning Document, placing the overall priority on reinforcing a knowledge-based society model that is high-tech oriented and strictly linked to the territory, whose excellencies are exploited. The common objective is to favour integration of research and production, an expanded presence in the international markets, and the use of the results as a driver of development for other sectors (energy, environment, employment, healthcare, agriculture, etc.). The measures and the actions indicated by the Regions are therefore consistent with such fundamental guidelines. For example, from an analysis of the ties between operating objectives and activities proposed in the planning documents, and the analysis of several tenders conducted, it is possible to note a prevalence of initiatives aimed at the creation or reinforcement of networks, with particular reference to systems of networks between the institutions where knowledge is codified (universities, research institutes and centres, technological hubs) and the fields where knowledge is applied (productive sector).

The measures to support research and innovation will, in most cases, be financed as part of the 2007-2013 EU Planning (Regional Operational Programmes - European Social Fund (ESF) and Regional Operational Programmes - European Regional Development Fund (ERDF)), as supplemented by other regional and national resources, and will mainly be activated through Summary Programme Accords, Protocols of Intent, Area Integrated Projects (PIA), Integrated Planning Tenders, etc.

In response to EU guidelines for better regulation, certain Regions have decided to prioritize the restructuring of regulations and the simplification of the public procedures to support research and innovation. Such initiatives are reported as best practices.

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Information Communications Technology (ICT)	Best Practices
Emilia-Romagna	<p>First three-year plan of productive activities;</p> <p>Regional Law 7/2002;</p> <p>Regional Operational Programmes-European Regional Development Fund (ERDF)</p> <p>Regional programme per industrial research, innovation and technological transfer</p>	<p>Development and spreading of innovation; coordination instruments for research</p> <p>Consolidation of industrial research network with reference to 6 technological platforms, corresponding to regional industrial clusters</p>	<p>2002-2005</p> <p>2007/2013</p> <p>Second cycle 2008-2009 (High-Tech Network Programme)</p>		<p>More widespread use of innovative services for public administration and VOIP technologies</p>	<p>Instruments to integrate management at an institutional level</p>
Piedmont	<p>Three-year regional programme for research</p> <p>(Regional Law 4/2006 and Regional Law 34/2004), national funds (CIPE)</p> <p>European funds, Regional Operational Programmes-European Regional Development Fund (ERDF)</p>	<p>Governance of the regional research system; development of national attractiveness; industry-research synergies</p> <p>Synergies between businesses/research centres, R&D, innovation, international expansion, support to SMEs</p>	<p>2007-2009</p> <p>2007/2013</p>	<p>€170 million</p> <p>€570 million</p>		

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Information Communications Technology (ICT)	Best Practices
Veneto	Regional framework law, 9/2007 on research and innovation	Development accords for international partnerships	Ongoing since 2007			Incentive mechanisms linked to specific regional aspects
	Strategic plan for research, development and innovation	Support to industrial research	Under discussion at regional council 2007/2013			
The Marches	Regional programme for innovative action (PRAI)	Strengthening links between research and industry	2006-2007	€4 million		
	Regional Operational Programmes-European Regional Development Fund (ERDF)	Industrialisation research results	2007/2013	€75 million		

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Information Communications Technology (ICT)	Best Practices
Tuscany	Regional development programme and Regional Operational Programmes Regional Operational Programmes- European Regional Development Fund (ERDF) and Regional Operational Programmes- European Social Fund (ESF) General plan for education, training and employment (PIGI)	Funds to businesses for development of innovative services Collaboration between businesses and research entities, in particular, for activities in healthcare	2007-2013 2007/2013 2006/2010			
Auto. Province of Bolzano	Provincial Law 14/2006 on research and innovation Multi-year provincial plan Regional Operational Programmes- European Regional Development Fund (ERDF)	Development of innovation and research Innovative services to businesses	Plan in analytical phase 2007/2013	€27,345,196 (36% of total resources)	Spreading use of broadband and digital technologies in rural areas. Increasing and improving supply information and communications technology for businesses	

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Information Communications Technology (ICT)	Best Practices
Auto. Province of Trento	Provincial Law 6/1999 - sole law for the economy Provincial Law 14/2005 for development research and innovation in the province	Development of provincial research and innovation system (province/universities accords; project financing; subsidies for innovation). Support to technological districts and innovation hubs	Ongoing since 2005 In process of realisation		Fostering development in the public administration; more widespread use of broadband and wireless networks in the province	
Lombardy	Regional Law 1/2007 for competitiveness Regional Operational Programmes-European Regional Development Fund (ERDF) Programme accord for economic development and competitiveness 68	Definition of tools for research, innovation and international growth Competitive development of businesses: innovation, international expansion, synergies and modernisation of administrative activities	Ongoing since 2007 Ongoing since 2006		Development of online services for businesses; investments for the information society	
Sicily	Strategy for innovation 2007/2013 Summary Programme Accord on "Research and innovation" Programme accord - chemicals Regional energy plan	Identification of priority sectors; specific measures for SMEs Creation of technological districts and research centres of excellence	2007/2013		Use across the region; services to the public	Improving links between basic research and industry

68 Inter-regional agreement between Piedmont, Emilia-Romagna and Lombardy for collaboration on research initiatives within the framework of the Regional Operational Programmes-European Regional Development Fund (ERDF), for participation in Industry 2015 and the VII Programme. uadr.

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Information Communications Technology (ICT)	Best Practices
Latium	Regional Law 13/2008 for promotion of research and development, innovation and technology transfer Regional Operational Programmes	Creation of regional research network; harmonisation of the measures on the subject Development of technological districts and accords between sectors Aerospace technological district – DTA: (APQ Research, technological innovation, electronic networks – regional university and advanced training system, with Ministry of Education, Universities and Research and MAE) Biosciences technological district – DTB Culture technological district – DTC: (III Supplemental Accord to Summary Programme Accord 6 – District for new technologies applied to cultural properties and activities).	2007/2013 Agreed June 2004 All of the procedures regarding public tenders for industrial research and experimental development have been activated. The phases for defining public tenders for the start-up of the four measures provided are almost concluded. The results for the applications received are expected for Spring 2009	€40,000,000 € 10,000,000 € 10,348,000		Harmonisation and preparation of system of public and private research institutes, universities and advanced training, large and small business for a new governance system on the subject.
Valle d'Aosta	Single planning document 2007/2013	Measure for development of innovation	2007/2013			

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Information Communications Technology (ICT)	Best Practices
Sardinia	Regional Law 7/2007 for the promotion of scientific research and innovation.	Identification of priority areas: information and communications technology, biomedicine, energy technologies.	Ongoing since 2007			
Umbria	Plan for development and spreading of innovation (2005) Summary Programme Accords (APQ)	Development of the competitiveness of the businesses in the region and international expansion. Creation of technological district; spreading of innovation to businesses			Use across the region and improving and enhancing of services for SMEs.	Promotion of integrated corporate projects
Basilicata	Regional strategy for research, innovation and the information society, 2007-2013	Creation of environment favourable to innovation	Strategy now being defined			
Molise					Spread in the most disadvantaged areas of the region COSA?.	
Sardinia	Law on scientific research Regional Operational Programmes-European Regional Development Fund (ERDF) Regional Operational Programmes-European Social Fund (ESF)	Preparation of regional strategy for research and innovation	2007/2013	€450 million €300 million		

4.6 Infrastructures

4.6.1. Financial instruments: 2009 budget package

The provisions defining the "2009 budget package" introduce important change for the infrastructures sector. The Government's strategy includes actions aimed at promoting long-term development via a series of innovative initiatives, including concentrating the measures of the Fund for Underutilised Areas in strategic sectors, with reference, amongst other things, to

infrastructures (including energy infrastructures), telecommunications networks, and transportation services.

In recent years, the Italian economy has grown at a rate below the average growth rate for the European Union. Since 2000, the disparity with respect to the EU-15 aggregate has been roughly one percentage point per year (2009-2013 Economic & Financial Planning Document (DPEF)). The weaker momentum of Italy's economy vis-à-vis the European average also incorporates a permanent divide in terms of development between the various areas of the nation. The significant deceleration of the Italian economy's growth rate since 2000 has been felt with greater intensity in southern Italy since 2002. The differences between the northern/central and southern regions of Italy remain very pronounced in terms of per-capita income, productivity, and employment rates. Potential growth in the southern regions continues to be suppressed, partly due to the fact that there are fewer functioning infrastructures available and a lower quality of public services offered to the public and businesses.

4.6.2. Financial instruments: DPEF and infrastructures

The Infrastructures Planning Document (IPD) attached to the 2009-2013 Economic & Financial Planning Document (DPEF) essentially provides for the confirmation and continuation of the planning and implementation of the strategic measures defined by Resolution n. 121 of the Interdepartmental Committee for Economic Planning (CIPE) passed on 21 December 2001. The IPD, reviewed by CIPE with a favourable opinion at a meeting held on 4 July 2008, reports on the status of the implementation of the Strategic Programme of Prominent National Interest, subdividing the works into six categories based either on their state of completion as of 31 December 2007 (60% - 40% - 20%) or on the date when the work sites were opened (30 June 2006, 30 June 2007 or 31 December 2007).

The total works in process as of 31 December 2007 have a value of roughly €20 billion, or more than 17% of the total cost.

The programme's total cost goes from €173.4 billion to €174.2 billion. In terms of priority, the preference will go to the accelerated opening of work sites remaining "blocked" or not yet started up during the preceding legislature, and precisely:

- the Turin-Lyon, Milan-Genoa (Third Giovi Pass), Milan-Verona and Milan-Padua rail links,
- the Brescia-Bergamo-Milan, Cecina-Civitavecchia and Rome-Formia toll-highway links,
- the Strait of Messina Bridge.

4.6.3. Financial instruments: Fund for Infrastructure Enhancement and Funds for Underutilised Areas (FAS)

Law 133/2008 introduces several significant changes with regard to the programme for infrastructures of national interest.

In the case of the Fund for Underutilised Areas (FAS), the appropriations made by CIPE as of 31 May 2008 that are not committed or planned within the framework of the Summary Programme Accords, are earmarked for strategic measures of national interest. The Fund for Infrastructure Enhancement was set up in 2008 in order to finance initiatives to strengthen the infrastructure network at a national level given the recognition of the strategic value thereof in terms of the competitiveness and unity of the nation; the infrastructure network is inclusive of the telecommunications and energy networks.

In outlining the programmes financed by the Fund for Underutilised Areas, and in redefining the programmes financed by EU Structural Funds, the Regions are required to concentrate the resources on the infrastructures deemed of strategic interest in their respective territories.

Finally, Law 133/2008 introduced provisions for favouring the allocation of Fund for Underutilised Areas' financial resources to the strengthening of the infrastructure network. Some 85% of such fund is earmarked for the eight Regions identified by Law 488/99 as underutilised areas (Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily), while the remaining 15% is allocated to the remaining Regions in the central and northern parts of the country.

4.6.4. State of the TEN-T projects

Italy is committed to the planning and execution of the projects that are part of the EU's master plan for transportation infrastructure, as well as those in relation to infrastructures linking neighbouring countries as developed by a work group on Wider Europe in November 2005 :

- Priority project n. 1 (corridor 1): Berlin-Verona-Bologna-Rome-Reggio Calabria-Palermo rail link;
- Priority project n. 6 (corridor 5): Lyon-Turin-Milan-Trieste-Lubiana-Budapest rail link;
- Priority project n. 21 : "Sea Highway", with reference in Italy's case to the western and eastern Mediterranean basin;
- Priority project n. 24 (two seas corridor): Genoa-Rotterdam rail link;
- Corridor VIII : Bari /Brindisi-Durazzo-Tirana-Skopje-Sofia-Burgos/Varna.

With the definitive decision of 19 February 2008, the European Commission approved the allocation of a €960 million subsidy for sections of the priority projects 1, 6 and 24, to be charged against the 2007-2013 TEN-T funds. With such allocation (equal to 18.8% of the budget available for the 27 EU countries), Italy is the top-ranking country in terms of the distribution of the subsidies.

In particular, a total subsidy of €872.2 million was assigned for cross-border sections of the Turin-Lyon rail line, the Brenner Base Tunnel and the Trieste-Divača line. Such sections will strengthen the ties between the Mediterranean areas, the Balkan regions and the northern regions of Europe as broadly defined.

Roughly one-third of the European budget, or €1.6 billion, has been assigned to the transalpine links, thereby demonstrating that the construction of such links represents a strategic objective for the entire European continent. From Italy's perspective in particular, the transalpine links will make for less separation from the rest of Europe, thereby reinforcing the country's competitiveness.

It is finally worth noting that Article 12 of Law 133/2008 is likely to have an impact on the timing for the completion of the high-speed railways projects, inasmuch as it rescinds the revocation of the high-speed train (TAV) concessions that had been ordered by Article 13 of Law 40/2007. For the effect thereof, the conventions executed by TAV S.p.A. with the general contractors on 15 October 1991 and 16 March 1992 will continue, without interruption, with RFI S.p.A.

TOTAL COST OF CORRIDOR 1		59.2
	<i>Road works</i>	27.2
	Projects approved	24.2
	Works in progress	18.0
	Works completed	10.0
	<i>Railway works</i>	32.0
	Projects approved	29.0
	Works in progress	20.0
	Works completed	13.0
TOTAL COST OF CORRIDOR 5		37.9
	<i>Road works</i>	10.8
	Planned works	7.8
	Projects approved	4.6
	<i>Railway works</i>	27.1
	Projects approved	16.1
	Works in progress	7.2
	Works completed	4.2
TOTAL COST OF CORRIDOR 24		7.2
	<i>Railway works</i>	7.2
	Planned works	5.6

Corridor 1

- Brenner Pass. The total cost of the work will be roughly €7.2 billion. The charges for the planning and execution of the project are to be absorbed by Italy and Austria, on a 50-50 basis. The commitment of each country is thus equal to €3.6 billion. The governments' official approval of the binding model for the financing of the base tunnel is expected by the end of November 2008, with the structure of the financing to be agreed in advance with the EIB. The preliminary project was approved by CIPE in 2004 and the parties involved are currently awaiting the conclusion of the preliminary formalities for the definitive project. Thereafter, the definitive project will be submitted for CIPE's approval by the end of 2008, with the works anticipated to get under way during the second half of

2009. The works in relation to the pilot tunnel for around €400 million are currently in process.

- Fortezza-Verona. The €2.5 billion project approved by CIPE in August 2007 calls for the financing of the definitive planning of Lots I and II.
- Verona-Bologna. The works are being finalised. It is expected that the line will be started up in the first half of 2009.
- Bologna-Florence. The works are being finalised. It is expected that the project will become operational by January 2010.
- Rome-Naples. The line is already in operation, and the only part to be completed is that going through Naples, which is now being finalised.
- Salerno-Battipaglia. The preliminary project is presently in the start-up phase at the Ministry of Infrastructures and Transport. Once the start-up phase is completed, it will be possible to submit the proposal to CIPE for approval, presumably by mid-2009.
- Battipaglia-Reggio Calabria. The project regards work to modify the line, for an estimated total cost of €4.2 billion. The project is currently in the planning phase.
- Strait of Messina Bridge. The Strait of Messina Bridge project approved by CIPE in 2003 was removed from the planning documents in the past legislature because it was not considered a priority. This Government believes in confirming the validity and utility of a project as important as this for Sicily and for the entire nation, also considering it unacceptable that links between Sicily and the Italian Peninsula are ensured only by watercraft, with transport times not responding to the needs of the markets and more in general, the needs of the economy. For these reasons, the project has once again been included among those covered by the DPEF (2009-2011), with an investment costing €6.1 billion. Such cost is in line with estimate already provided as part of the original preliminary project; in view of the expiration of the limitations with respect to the original preliminary project, it will be necessary (i) to re-submit the project to CIPE in order to request the reiteration of the preliminary project, and (ii) to pursue the definitive planning to be approved by CIPE by mid-2010. The works could get under way by sometime in 2011.
- Messina-Palermo. The works are being finalised for the tract near Messina, whereas the Fiumetorto-Ogliastrillo tract is being constructed.

Following are some of the road works worth noting:

- Bypass for the A1 toll highway. The works got under way in 2003 and will be completed by 2011. The total amount involved is equal to around €4.2 billion.
- Rome-Latina-Formia. The definitive project for the first functional lot (Rome-Latina Nord) and the linking road (Cisterna-Valmontone) is now pending approval at the Ministry of Infrastructure and Transport, with the procurement of opinions being completed. The Ministry of the Environment expects to render the VIA opinion during the plenary session of Parliament on 16 December 2008. The start-up of the activity is expected during the second half of 2009.
- Salerno-Reggio Calabria. The works completed, in process, and being contracted as of today's date regard around 360 kilometres, or 82% of the entire 440-kilometre tract. Roughly 42%, or around 185 kilometres, has been completed and opened to traffic, while the tracts under construction or being contracted concern another 40%, or around 175 kilometres. The project cost is presently estimated to be around €10 billion, including €7.55 billion already financed.
- Messina-Palermo. The tract for the completion of the project was inaugurated in December 2004. Complementary works outside of the principal strip were finalised thereafter.

Corridor 5

- Lyon-Turin railway line (with Frejus Pass). Italy and France are forwarding special documentation to the European Commission in relation to the project for the section of the Turin-Lyon crossing the national borders; in November 2007, the European Commission granted a subsidy of €671.8 million for such section. The activities in the French territory are proceeding smoothly: the Modane decline was completed in January 2008 and the

La Praz decline will be completed in the spring of 2009. In Italy, the first phase of the Val di Susa observatory's activity has made it possible as of June 2008 to improve the railway line's placement in the Val di Susa area, compared with the project solution presented a year ago in Brussels. The planned activities have been mapped out by carefully considering the changes coming from the ratification of the observatory's initial conclusions, in terms of timing and costs; such conclusions were validated at a political level at a meeting held at the Prime Minister's offices (Palazzo Chigi) on 29 July 2008. An "optimised tract" of the common section in Italian territory has been developed on these bases, and is now to be developed further in subsequent planning phases, with the financial contribution of the European Union.

- Turin-Milan railway line. The works on the Turin-Novara tract were completed in 2005, and the Novara-Milan tract is to be finished by the end of 2009. The total amount of the works is equal to around €7.4 billion.
- Milan-Verona railway line. The current Government has reinstated the contract, and it is expected that it will be possible to start the works for the first functional lot of the Treviglio-Brescia on or before mid-2009. The project is worth €5.7 billion.
- Verona-Padua-Venice railway line. The current Government has reinstated the contract, and it is expected that it will be possible to come up with the definitive project during the first half of 2009 and to get the work started by the end of 2009. The project is worth around €5.2 billion, while the Padua-Venice tract was completed in 2007 for roughly €700 million.
- Venice-Trieste-Divaca railway line. The planning for the modification of the current line is now in process, and it is expected the works will get under way during 2010.

Following are some of the road works worth noting:

- Turin-Milan toll-highway axis. The highway is currently being widened from two to three lanes, and in some areas, from two to four lanes; the works are to be completed by the end of 2011.
- Pedemontana Lombarda. The project is worth around €4.2 billion. The project was approved by CIPE in 2005, and the definitive project is to be submitted for CIPE's review by the end of this year. The works are to be inaugurated by the end of 2009 and completed by the end of 2012.
- Eastern bypass - Milan. The project, which is worth around €700 million, has been approved by CIPE, and efforts are currently under way for the drafting of the definitive project. It is expected the work will get under way by mid-2010.
- Brescia-Bergamo-Milan (BREBEMI) toll-highway axis. The project was approved by CIPE in 2005. The concessionaire company, BreBeMI, will submit the definitive project by the end of this year, for a total amount equal to approximately €1.6 billion.
- Mestre bypass. The work was approved by CIPE in 2005. The works will be completed by mid-2009, with the amount at roughly €800 million.
- Venice-Trieste toll-highway axis. The planning is in process, and the entire project for modifying and improving the current axis is expected to be submitted to CIPE by mid-2009.

Corridor 24

- Genoa-Ventimiglia axis. The project includes the doubling of the Andora-Finale Ligure tract of the Genoa-Ventimiglia route. The project, whose cost is €1.5 billion, was approved by CIPE in 2005, and is now in the definitive planning stage. The start-up of the works is expected in 2010.
- Sempione. The project was approved by CIPE in January 2008, and the implementation phases for the project execution are in process and should be concluded by the second half of 2010. The total amount of the project is around €1.4 billion.
- Genoa-Novara-Milan (third pass). CIPE approved the project in 2005, and then in 2006 and 2007 (during the past legislature), the contract with the general contractor was nullified by law, and thus it was not possible to start on the works. The present Government has reinstated the contract with a special law and it is expected that it will be

possible to get the work started during the first half of 2009. The project is worth around €5.6 billion.

4.6.5. Relationships with the Balkans

In 2007, the Ministry of Infrastructures and Transportation published the feasibility study for the Corridor VIII railway line. In June 2008, the reconnaissance study on the state of the road infrastructure with respect to the same corridor was presented to countries in the Balkan region and to the European Commission. Also in 2008, a third study was initiated for preparation of a master plan on the port infrastructures with reference to the same corridor, which involves Italy's participation through the ports of Bari, Brindisi and Taranto.

Consistent with the Wider Europe policy for transport, the studies that Italy has promoted have been aimed at bringing together and improving the priority measures that each country has included in its transport planning policy, with respect to railroads, roads and maritime transport, and with reference to the east-west transnational axis that runs from the Adriatic basin to the Black Sea and is defined by the Corridor VIII.

In actual fact, the design and construction of the infrastructures identified as priorities within the Balkans master plan can be done with Europe's financial contribution, with the use of financial instruments especially created therefor within the new summary programme (participation funds and funds in relation to the policy for neighbouring countries). From this standpoint, the studies promoted by Italy are a demonstration of the clear willingness of the countries involved to concentrate their initiatives on a specific number of projects (railways, roads, and more importantly, ports) that will make it possible to develop an inter-regional transportation network (Albania, FYR-Macedonia and Bulgaria) which is non-existent at present, and to realize that link between the Mediterranean and the Caucasian nations, with an integrated transportation/energy link that is currently lacking in southern Europe.

4.6.6. Regional policy at a national and EU level

The regional policy which is co-financed by the European Structural Funds and totally financed through national funds (Fund for Underutilised Areas (FAS)) is making a strong contribution to infrastructure development, particularly in the regions of southern Italy.

With reference to the 2000-2006 planning period, the total amount allocated to transport policies by the EU Support Framework was €6,981 million, including €4,481 million for the National Operational Programme - Transportation (which applies to the six Objective 1 regions) and €2,500 million for all of the Regional Operational Programmes for the seven southern regions (Objective 1 and transitory support). The financing made available through the 2000-2006 EU Support Framework and the Fund for Underutilised Areas (FAS) has already allowed for obtaining significant results in terms of improvement of the movement of freight and passengers in the southern regions.

Within the framework of the 2007-2013 National Strategic Framework, which outlines a single strategy for the programmes co-financed by the Structural Funds and for those financed entirely by the State, Italy intends to pursue and to reinforce policy that will facilitate a reduction of the infrastructural divide between the northern and southern areas of the country. The single regional policy provides for allocating total resources of €17 billion to the priority of "designing and constructing an efficient, integrated, flexible, secure and sustainable transport system in order to ensure logistics and transport services functional to development". The amount of resources dedicated by the 2007-2013 Convergence Objective programmes co-financed by the European Union to the measures for networks and mobility is €7,391 million, with an increase in both absolute and relative terms. Compared with the previous planning period, which called for differentiation of the levels of government in relation to the significance of the works, but not in relation to the objectives, the implementation of the strategy has been left up to the nation as a whole with regard to the development of the logistics system and to the Regions with regard to urban and regional transport; such decision is also reflected through the different distribution of the resources between the levels of government.

4.6.7. Initiatives in southern Italy: the 2000-2006 National Operational Programme - Transportation

As indicated in previous reports, the work to develop the transport network in southern Italy and to increase its efficiency was mostly handled through the National Operational Programme Transport for the 2000-2006 period, and regarded the six southern and island Regions (Basilicata, Calabria, Campania, Apulia, Sardinia and Sicily). A total of €4.5 billion was made

available for the programme, inclusive of €1.905 billion coming from the EU and €2.615 billion of national funding.

At the present time, it is possible to confirm that the programme's realisation and pace of spending have been very satisfactory. As of July 2008:

- the payments made amounted to roughly €4,440 million, or 98.2% of the programme's financial resources;
- the payments settled exceed €4,051 million, or 89.6% of the financial resources, inclusive of roughly €1.728 million from the European Regional Development Fund (ERDF).

With reference to the implementation of the individual projects, some 247 have been completed, thus representing 62% of the 399 projects selected and 67.1% of the funding received (expenditure settled) compared with the total financial resources provided.

The important projects completed include the following:

- Railroads: the upgrade of 335 kilometres, inclusive of 152 kilometres that were doubled; 15% increase in the double-track electrified rail network (including the Bari-Lecce and Palermo-Messina tracts); completion of Rome-Naples high-speed train line, with 33-minute reduction in travel time; installation of new technologies for the fluidification of traffic on more than 1,800 kilometres of railroads; improvements of the Naples, Bari, Palermo and Reggio Calabria railway junctions; improvements in the services of Cagliari area with the supply of electric trains;
- Roads: most of the work done refers to the A3 toll highway between Salerno and Reggio Calabria (€930 million of payments with respect to €1.438 million of commitments); important work has also been realised on the A29 toll highway between Palermo and Mazara del Vallo and the state roads of the TEN network: SS131 Carlo Felice, SS7 Appia SS106 Ionica, SS16 Adriatica, NSA 63 di Nasisi and Dogana (road link to the Taranto port), SS125 Orientale, SS 130 Iglesiente, SS655 Bradanica, SS 89 Foggia – Manfredonia; the newly constructed tracts completed as of 31 December 2007 cover 75 kilometres of toll highways and 50 kilometres of state roads; traffic monitoring systems have also been placed into operation;
- Port system: conclusion of 12 of 22 sites included in the Vessel Traffic Service (VTS) Project, which refers to an innovative radar system for the security of maritime traffic in the south; projects in the main southern ports (Bari, Brindisi, Cagliari, Gioia Tauro, Naples and Taranto) with reference to more than 1.5 kilometres of wharfs and more than 1 million cubic metres of dredging;
- Regional metropolitan transport system: completion of an important project with reference to the system in Apulia;
- Airports: construction of new terminals at the Bari, Catania and Cagliari airports, and projects to make the airports in southern Italy more efficient, including the upgrade of flight control systems; the airport system in southern Italy witnessed an increase in passenger traffic between 2000 (18 million) and 2007 (28 million, including 7.5 million international passengers), with total passenger traffic rising by 55% and international traffic by 120%; key projects completed include the Catania terminal (inaugurated on 5 May 2007), the Alghero terminal, the new Bari terminal (hardstanding and terminal), the Cagliari terminal, the tarmac at the Catania airport, projects at the Naples airport (cargo terminal, security systems, etc.), Olbia and Palermo airports, and the installation of EDS systems and 100% hold control systems in all of airports of the Objective 1 area;
- Dry ports: projects have been realized at the Cagliari and Naples freight yards and the Nola dry port.

The table below provides greater detail on the state of completion of the major projects included in the National Operational Programme.

2000-2006 National Operational Programme -Transportation – State of completion of major projects.			
Major Project	Decision	Certified at July 2008	State of Completion
Infrastructural and technological enhancement of Caserta-Foggia	C(2005)1268 of 18/04/2005	18,015,895	In progress
Doubling of Bari-Taranto road and entire CTC line	C(2006)1985 of 11/05/2006, and C(2007) 548 of 16/02/2007	114,750,606	In progress
Naples-Rome high-speed train line (Campania tract)	C(2006) 5742 of 23/11/2006	273,000,000	Project concluded and operational
Doubling of Palermo-Messina railway line	C(2007) 4583 of 2/10/2007	167,078,887	Project concluded
Catania airport - enlargement of passenger terminal	C(2006)256 of 27/01/2006	70,600,329	Project concluded and operational
Doubling of Decimomannu-S. Gavino railway line	C(2006)537 of 15/02/2006	126,940,000	In progress
State road 131 "Carlo Felice" – Oristano Cagliari adjustment	C(2006) 2247 of 01/06/2006, and C(2008) 1600 of 17/04/2008	54,357,692	In progress
State road 114 - Orientale Sicula (Catania-Augusta)	C(2006) 2425 of 16/06/2006	180,743,910	In progress
A3 toll highway Salerno-Reggio Calabria	C(2006) 5740 of 23/11/2006, and C(2008) 3286 of 26/06/2008	839,577,859	Most of the lots have been completed and are operational
Implementation of the VTS system – 1st tranche	C(2005)773 of 10/03/2005 and C(2008) 1393 of 09/04/2008	59,077,943	In progress
Urban link to new high-speed train at Naples railway junction	Decision in process of being formalised	110,000,000	In progress
State road 268 Vesuvio	C(2006) 7273 of 27/12/2006	8,132,086	In progress
Total funding accounted for in relation to major projects		1,912,275,207	

Source: Ministry of Infrastructures

4.6.8. Initiatives in southern Italy: 2007-2013 National Operational Programme - Networks and Mobility - Convergence Objective

The National Operational Programme has made available a total of €2.75 billion, with 50% coming from the European Regional Development Fund (ERDF) and 50% from the national revolving fund.

The National Operational Programme addresses the "Convergence" areas (Campania, Calabria, Apulia and Sicily) and has the objective of contributing to enhancing the country's geographic position (on the Mediterranean Sea) via projects that will result in the design and construction of a logistics platform for links with areas on the southern side of the Mediterranean Sea.

The Programme, approved with Decision C(2007) 6318 of the 07 December 2007, defines the grid of the criteria for identifying the works on the basis of two distinct "Axes":

2007-2013 National Operational Programme - Transportation– Strategic aspects.

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

Through the Axis I, the programme promotes the development of transport and logistics infrastructures of European and national interest, particularly with regard to the development of the Sea Highway (Corridor 21) and of the "Berlin-Palermo" TEN-T corridor (Corridor 1). The Axis II is focused on the enhancement of the connections between the branches, junctions and main hubs of the Convergence Areas' logistics supports, with the priority placed on the link between Corridor 1 and Corridor 21 and the first-level links between those corridors and the main logistics and productive hubs. In order to further sustainable transport and thus the modal rebalancing, the National Operational Programme has set aside no less than 70% of the resources to sustainable transport means (railway and maritime), and a maximum of 30% to air transport means (freight only) and roads. Considering the works provided by the National Operational Programme in response to the objectives set by the Lisbon Strategy correspond to 81% of the financing made available, the National Operational Programme - Networks and Mobility contributes significantly to the implementation of the Lisbon Strategy.

The programme contemplates most of the work being carried out through major projects. The projects regarding Corridor 1 are: "New Naples-Bari high-speed train line: modification of Cancelli-Naples line in the Municipality of Acerra during construction in order to get it integrated with the high-speed 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", "Enhancement of Gioia Tauro-Taranto railway line"; "Enhancement of Gioia Tauro port", "Enhancement of Augusta port" and "State road 106 mega lot 4 - SA-RC link (Firmo) - State road 106 (Sibari)"⁶⁹.

4.6.9. Initiatives in southern Italy: 2007-2013 National Programme - Networks and Mobility

The 2007-2013 National Programme for Southern Italy will finance infrastructure projects, exclusively with national funding, in the regions referenced in the preceding section as well as in Abruzzo, Basilicata, Molise and Sardinia. The projects are designed to improve the competitiveness of the southern regions, in accordance with the general and specific objectives contemplated by the EU Support Framework for networks and mobility, including in respect of the principle of concentration of the measures introduced by Law 233/2008.

A significant part of the funds available (€4,027.6 million) will be used for improving the competitiveness of the productive system in the southern regions, via requalification of the cargo and passenger transport service by rail and by sea.

4.6.10. Regions' policies for infrastructures

The issues of accessibility and sustainable mobility, with reference to cargo and passenger transport, as tackled in regional planning documents are consistent with the priorities indicated by the European Union, which has provided for a strategic planning approach and a logical and integrated link between cohesion policy and the national and regional strategies.

⁶⁹ It should however be noted that the list of measures reported is susceptible to changes and supplements pursuant to and consistent with the method that has supported all conformation formalities for the National Operational Programme. Such changes and supplements will be made on the basis of appropriate analyses, travel needs and specific requests received through a partnership.

A strategic project for sustainable mobility needs to be able to quantify and to assign sector objectives, developing the actions needed with appropriate intensity and making those actions consistent. In this regard, many regions and the public administration have spelled out Regional/Provincial Transportation Plans for the purpose of legislating the means for achieving the best conditions for sustainable mobility in the regional/provincial areas, thereby assuring the public and businesses excellent accessibility to the territory and promoting an integrated mobility system, that assigns a leading role to mass transport.

The measures identified by the Regions which are reported below will be financed by (i) ordinary national and regional resources and (ii) within the framework of the planning of the 2007- 2013 Single Cohesion Policy (European Regional Development Fund (ERDF), Fund for Underutilised Areas (FAS) and Programmes for Territorial Cooperation) with particular reference to the issue of sustainable mobility and to the promotion of test solutions for sustainable mobility and logistics, and for the improvement of the services in the transportation and logistics sector.

The measures provided are expected to have an impact on the axes/junctions dualism, so as to provide an impulse to a process of requalifying the existing transport infrastructures, flanking them by new works that will reduce environmental impact, while also ensuring competitiveness of the development of the economic systems.

The Regions are thus promoting new junctions and axes for links to the new corridors of the Ten-t network, and to information technologies for intelligent management of the flows of passengers and cargo. In so doing, they are redefining the priorities and functional levels of the regional network and the related qualitative and quantitative standards for service. The increase in accessibility, and therefore, the development produced, needs to be, according to the regions and public administration, supported and governed by major changes to the social, productive and territorial systems that are capable of generating quality (via infrastructural projects and transportation/mobility policy), the strategic objective of a new 2007-2013 planning session.

As far as cargo transport logistics are concerned, it is noted that such logistics have an important role on the nation's development and territorial order. Internal logistics work toward improving productive factors, while external or capture logistics work contribute toward the development of activities with added value.

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Logistics
Molise	National Operational Programme - Networks and Mobility, Axis III of the Regional Operational Programmes - European Regional Development Fund (ERDF), the project-financing	Railway network - design and construction of Termoli-San Vittore transversal link Improvement of links between the local and the main road system			
Veneto	Regional metropolitan railway system (coordinated system of works on the network and on existing railroad equipment and systems) Three-year road-network plan	Guarantee good levels of mobility; improve the quality of the mass transport services in the region; reduce air and noise pollution; increase transport security. Improvement of road security, reduction of pollution and optimisation of travel conditions			
Emilia-Romagna	Execution of territorial accord (airport hub) Regional highway programme	Reinforcement of the infrastructure network for sustainable mobility. Enhancement of the local railroad network and improvement of the inter-connection with the Italian National Rail network. Development of Bologna airport functional hub. Creation of first regional toll highway	2007/2013 Recently implemented		Improvement of local public transport system
Latium		Enhancement of the road infrastructures and connectivity services		€267,000,000	

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Logistics
Lombardy	Regional Operational Programmes- European Regional Development Fund (ERDF) Programme accord for strategic infrastructures	Enhancement of railroad services, in support of mobility in main metropolitan areas. Support to Malpensa airport and development of all airports in Lombardy Development of regional network and interconnection with bordering regions Enhancement of trimodal transport supply (waterways-railroads-roads)	2007/2013		Enhancement of cargo interchange capacity (development of intermodal terminals) Intelligent mobility development plan – improving mobility for cyclists and encouraging greater use of low emissions vehicles
Autonomous Province of Bolzano		Improvement and simultaneous planning of the TPL (tire and rail) and introduction of the railway scheduling in new lines.			Development TEN Berlin-Palermo axis Implementation of sustainable mobility and development innovative pricing and payment systems
Autonomous Province of Trento	Framework accord with RFI S.p.A.	Enhancement of railway transport and transfer of part of passenger transport from roads to railways. Development of the scheduling of the rail services (TPL) along Brenner and Valsugana lines, in addition to Valle di Non (already property of the Province), including through re-definition of service relationships with Trenitalia.	Between 2006 and 2007		Investments in smaller railway stations converted for use by local and intermodal transport and via construction of parking facilities

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Logistics
	Development of new Brenner intermodal corridor and related new railway axis (Axis TEN 1 Berlin-Palermo)	Increase and more intelligent use of capacities of use of the railway carrier			New line of access what spans from the south to the north of the territory, new intermodal structures, collaboration in construction of the Brenner base railway tunnel.
Sicily		Upgrade of state road systems and railway systems to favour links between inland and costal areas. Improvement of metro area accessibility; recovery of seafront areas in cities			Development of integrated port systems with the TEN
Tuscany		New order of the railway service with scheduling of the trains on primary routes and on related metropolitan links			Development of the coastal logistics platform and commercial platform for east-west trade
Valle d'Aosta	Inter-regional summary programme accord (APQ)	Adjustment and improvement of the Aosta-Turin rail transport system Improvement of accessibility of the airport system	Ongoing since 2006		Expansion of services for infomobility
Umbria	Territorial strategic plan (DST) and execution of two summary programme accords Regional Operational Programmes- European Regional Development Fund (ERDF)	Enhancement of three railway lines. Linking of the urban areas with infrastructures of regional economic interest, including airports. Enhancement of links with main road system and with European corridors	2007/2013		Design and construction of logistics platforms Promotion of sustainable mobility through eco-compatible local public transport

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Logistics
Piedmont	Strategic projects in European Corridor N. 5; Pracatinat accord Regional Law 8/2008 " transport systems integration and regional development of logistics"	Work on sustainable transport and supplemental infrastructural projects, inclusive of railroad rolling stock. Development of links between productive areas and airports/freight yards. Increasing the value of infrastructural federalism (road works essential per the region)			Development of corridor 5 (Turin-Lyon) and 24 (Genoa-Novara) Development of logistics platforms and dry ports Optimisation of public transport and monitoring of mobility.
The Marches	Regional transport plan Three-year services programme	Enhancement of Falconara airport and related links with the territory			Enhancement of the services for combined transport of cargo Enhancement of integrated passenger transport services Introduction of systems for monitoring mobility

4.6.11. Broadband and development of the new-generation networks

Italy has made a strong and decisive commitment to designing and constructing broadband network infrastructures nationwide. The new Government has adopted a very aggressive strategy that aspires to having a new generation network completely operational by 2013. The initiative can make a decisive contribution to Italy's economic, technological and infrastructural development that is estimated at between 1.5 and 2.0 percentage points of GDP. The total investment will be around €10 billion, with the State committing to the immediate financing of 10% via a public tender for project financing for open electronic communications networks used for supplying advanced services nationwide. This model is included in Article 14 of the legislative bill AC 1441, which calls for €800 million of resources for the 2007-2013 period that will be tapped from the Funds for Underutilised Areas (FAS).

This allocation is rounded out by the funds set aside as part of the "Programme for infrastructural broadband coverage" for the 2007-2009 period activated by the Government in coordination with the Regions of Emilia Romagna, Liguria, Latium, The Marches and Umbria. Finally, a total of €80 million has been included in the Budget Laws, while another €175 million will go toward the realisation of the programme accords signed with the Regions.

Without implying the assumption of any charges for public finance, Law 133/2008 aspires to facilitate the telecommunications authority's action at a procedural-administrative level, simplifying the formalities for authorisation, reducing the costs of installing the new generation networks, and allowing service providers to use of 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.

Renewing the network infrastructures does not mean relying exclusively on wired technology. In 2008, the tender covering the assignment of WI-MAX frequencies was concluded with the collection of €136 million (+176% over the base bid, and the highest for the WIMAX auctions held to date in the European Union), and represents a fundamental step in eliminating the digital divide, particularly in areas where the laying of cable is not economical. The tender covered the

35 rights of use of 3.4-3.6 GHz band WI-Max frequencies. Each party being adjudicated one or more rights of use has guaranteed significant coverage of the territory (evaluated through a point mechanism in relation to the installation of the equipment in the municipalities of the area covered) and a specific commitment in those areas without access to digital technology.

The resources that the State has earmarked for broadband network infrastructures are coordinated by the "task-force for the development of new generation networks". This is a work group that will dictate technical and economic guidelines in relation to all of the activities for developing new generation networks in Italy, taking into account the monitoring and reporting of the public's demand for services and in particular, the demand of consumers (on a stand-alone basis or through associations), households, businesses, and local public administrations, in order to ensure the possibility of equal access to broadband services all over Italy.

4.6.12. Transition to digital TV

The development of digital TV is included in the plan for communications infrastructure development outlined by the Lisbon Strategy.

As provided by Law 101/2008, in September 2008, a calendar was established for the progressive transition to digital television, with Italy divided into 16 regional and macro-regional areas, identified by the Digital Italy National Committee. The committee is charged with all of the planning and coordination activity needed to guarantee uniform transmission to the different areas of the country, ensuring efficient use of frequencies, continuity in programme reception, segmentation of the users involved and the reduction of the possible inconveniences to the public. The calendar for the digital transition covers eight semi-annual periods in order to ensure transmission continuity, including between different areas, and balanced distribution between the northern, central and southern areas of the nation.

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. The more than 35 frequencies used for creating 35 digital networks with provincial and regional coverage have been subdivided as follows: one-third assigned to the nation's leading broadcast networks (RAI and Mediaset), one-third to other national networks (two of which will be awarded to new broadcasters through a tender), and one-third to local stations.

In order to favour the co-existence of a range of television broadcast concerns, the law calling for the creation of digital terrestrial television (National Law n. 66 of 2001), the Communications Regulatory Authority (AGCom) has concluded a tender for transferring 40% of the main national networks broadcasting capacity to independents. When the assignment of the broadcasting capacity is completed by the end of 2008, it is expected there will be at least 10 new national channels aired by third-party concerns, almost all of which will be free. As such, the range of television programming is poised to expand significantly, with Italy providing an example of a pluralist system that stands to be one of the most sophisticated in Europe.

4.7 *Protection of the environment*

The Government defends and respects the environment, and promotes environmental policy through concrete projects and appropriate cultural initiatives which, by bringing together protection and development, make it possible to defend the eco-system and nature, while also allowing for the execution of those projects which the country needs, including in the field of energy.

The environmental question - which has a local, national and global significance - is thus to be assumed to be one of the critical issues for planning sustainable development for our society, in line with the objectives posed by the Lisbon Strategy.

In identifying the political priorities in this field, the Ministry for Environment and Protection of the Territory and the Sea has outlined precise areas for intervention.

4.7.1. Management of water resources

There may be serious problems in the near future with regard to the availability and the management of water quantity and the distribution of water.

Efforts in this area are going toward the implementation of the national programme for projects in the water sector, as provided by Law 350/2003, Article 4, Paragraph 35 and transmitted to CIPE in November 2004. Such projects, which are fundamental for guaranteeing the infrastructure necessary for the nation's civil and economic requirements, are to be planned and executed through the budget resources available to the administration, as well as through

leveraging the resources available to the Regions within the framework of the 2007/2013 Single Planning initiative.

The projects identified will be developed through innovative activities that will allow for blending the objectives of pollution prevention, rural development, industrial development and the value-enhancement of humid ecosystems, that may have an impact on a regional or supraregional scale. In this regard, Italy can draw on its positive experience with the recovery of purified refluents water - a project that has already involved important industrial sectors, including the paper, textile, tanning, food-packaging, and chemicals sectors.

With respect to the completion of the implementation of the legislative reform of water management (Galli Law), the main efforts in the southern regions of Italy need to be addressed to the completion of the concessions in the various regions.

As far as the ratification and adjustment of the planning instruments provided by the Framework Directive on Water (2000/60/CE), the administration's activity is focused on ensuring the adoption and approval of the Protection Plans and Management Plans containing the measures to be adopted at the hydrographic district level, as well as the preparation of suitable monitoring programmes that are essential for the accurate classification of the surface and subterranean bodies of water on the basis of biological, physical/chemical and hydro morphological parameters.

Finally, the Ministry for Environment and Protection of the Territory and the Sea is committed to getting beyond the water scarcity emergency in Italy, specifically in the southern regions of the country. The actions undertaken have been based on the contents of the National Programme of Initiatives in the Water Sector and the Water Protection Plans.

4.7.2. Clean-up

The priority activity is to complete the projects to clean up and secure public areas, starting from Sites of National Interests, with the Ministry for Environment and Protection of the Territory and the Sea having firmly committed to pursue the objectives outlined in the National Clean-Up Programme referenced in Law 426/98. The initiatives are to be realized through the combination of ordinary and additional resources.

Considering the environmental and economic repercussions of the initiatives undertaken to get rid of pollution in 56 Sites of National Interest and the strong link between such initiatives and the Lisbon objectives, a special strategic project for environmental clean-up is expected to be developed. The project will be financed with the Fund for Underutilised Areas and will be based on the awareness that the environmental benefits of the clean-up can only be achieved over the long term if they are accompanied by economic development and growth in employment.

The clean-up initiatives that are to be realized often have economic repercussions, and will be functional not only to the actual environmental clean-up but also to the development of the territory's economic potential with the adoption of an eco-compatible approach.

It follows that the profiles outlined above are being addressed through different, inter-related initiatives, the planning and execution of which are dependent on shared planning instruments and a mix of diversified financial and implementation instruments (National Operating Programme - Research and Competitiveness, Regional Operating Programmes, POI, Law 181/89, Extraordinary Project for Requalification of Polluted Industrial Areas, as well as the instruments developed through the "Industry 2015" initiative)

From this standpoint, the environmental requalification of the Sites of National Interest will serve as a pivotal development and a functional and instrumental element for relaunching the business and productive activity of the industrial areas in and around those sites that are no longer in use as well as those in operation.

4.7.3. Waste materials

The Administration's specific initiatives and actions are mainly focused on the efforts outlined below:

- Increasing the sorting and recycling of waste materials through pilot programmes and system actions functional to (i) the pursuit of the targets identified, compared with the issue of essential services, and (ii) the achievement of the 35% objective contemplated for 2006 by Article 205 of the Decree-Law 152/2006;
- Construction of treatment platforms for specific types of waste materials so as to create a "disposal service" that automatically represents value added for a given industrial area inasmuch as it makes the area more attractive than others (industrial districts/clusters);

- Activation of initiatives aimed at promoting and spreading the use of innovative techniques and technologies that focus on:
 - reducing the hazardous risks of waste materials;
 - re-using, re-employing and recycling waste materials, and recovering materials and energy.
- Enhancing control and monitoring activities, so as to ensure the traceability of waste materials and to prevent/repress criminal acts in the sector.

The efforts described above are aimed at achieving a main objective: an end to the waste management emergencies, through appropriate governance across the sector.

In addition to the objective of getting beyond the emergency situations, the Ministry for Environment and Protection of the Territory and the Sea intends to promote the industry's use of techniques and technologies of excellence that are to be activated and developed in eco districts. Such objective will be pursued with the use of the resources available through the 2007/2013 National Operating Programme - Research and Competitiveness (which contemplates specific prospects in this regard) and Life Plus.

4.7.4. Protection and conservation of biodiversity

Consistent with the Strategic Plan of the Convention for Biological Diversity and the related European Action Plan, the National Bio-Diversity Strategy will be finalised by the end of 2010. Finalising the strategy also means integrating bio-diversity conservation objectives into all sector policies and securing the contribution of the Regions.

Italy ratified the Convention for Biological Diversity (Rio de Janeiro 1992) with Law n. 124 of 14 February 1994. In 1994, strategic guidelines were defined for implementing the Rio de Janeiro convention and for drawing up a national bio-diversity plan; such guidelines were approved by a CIPE resolution on 16 March 1994.

In 2001, the serious threat to bio-diversity and natural resources was increasingly acknowledged at a global level, as was the need to reverse the trend in order to allow for the continuation of life on the planet. The alarm prompted the start of a revision of all sector policies at a global level, via an integration process aimed at greater environmental sustainability of the planet, including in consideration of the potential impact of climate change.

The Millennium Development Goals were developed against this backdrop; the 2010 Objective was also launched for significantly reducing the rate of loss of bio-diversity by 2010. The global commitment was spelled out in the Strategic Plan that all signatory nations are required to apply at a national level.

As a signatory to the Bio-Diversity Convention, and in implementation of the 2003 Strategic Plan, the European Union embarked on the revision of the EU Strategy on bio-diversity, and drafted the European Commission's official communication, "Stop the loss of bio-diversity by the end of 2010 and beyond. Supporting eco-system services for the well-being of mankind COM(2006)" which contains as an exhibit the EU Action Plan to 2010 and beyond. The official communication and the plan were approved and adopted at all EU levels, thereby becoming an essential reference for the Member States.

A European project is currently under way in order to quantify, in economic terms, both the costs related to the loss of eco-systems and bio-diversity, and the forecast of what is need to ensure their conservation (The Economics of Ecosystems and Biodiversity – TEEB).

In Italy, efforts have got under way in recent years for the implementation of the EU's Plan, with the integration of the State's and the Regions' responsibilities and the consultation of experts in numerous scientific and professional fields. Such efforts have allowed for producing documents and summaries on the state of bio-diversity in Italy; such materials will be used for coming up with a suitable knowledge framework for the implementation of the National Bio-Diversity Strategy, and the achievement of the 2010 global objective.

The numerous activities undertaken include:

- Full implementation of the EU directives on habitat and birds (designation of 2,500 sites of the Network Nature 2000, or 20% of the national territory, and definition of the regulatory instruments for managing the sites, start-up of the process of selecting marine sites);
- Publication of the "State of Bio-Diversity in Italy", a booklet which, together with the DVD "GIS Nature" (summary of databases and maps) and the results of other research promoted by the Ministry for Environment and Protection of the Territory and the Sea, supplies a thorough summary and base of knowledge for identifying the objectives and development of the national strategy for bio-diversity;
- Pilot projects and joint undertakings with the regional administrations with regard to the joint initiative already in process for defining and approving the national strategy.

4.7.5. Air quality and clean energy. The measures in relation to the Kyoto objectives

With the ratification of the Kyoto Protocol, Italy committed to a 6.5% reduction in greenhouse gas (GHG) emissions compared with 1990 during the 2008-2012 period, meaning the emissions will not be able to exceed 483 MtCO₂/year.

The objective is particularly challenging for Italy, especially if compared with the objectives of other important Member States. This can be shown by Italy's 1990 data of reference in relation per-capita emissions (7.8 tons/capita) and per-capita energy consumption (2.7 tep/capita). Such figures are (i) roughly 50% below those for the Member States with relatively less challenging reduction objectives vis-à-vis Italy's 6.5% target or (ii) comparable with those of Member States which have a zero reduction objective in light of an energy mix that provides for widespread use of nuclear energy. Accordingly, the contribution of the different Member States to the sharing of the burden at an EU level does not necessarily reflect the actual effort to be undertaken to reach the Kyoto objective.

Italy has been implementing actions in order to reduce GHG emissions since 1994, with CIPE's approval of the "National Programme for Containment of CO₂ Emissions" centred on stabilising GHG emissions at the 1990 levels by 2000. Later, the national programme was strengthened and updated (CIPE resolutions of 1997 and 1998) to the point of approving national strategy in 2002 (CIPE resolution 123/2002 and related national action plan for cutting GHG emissions levels and increasing their absorption) to ensure respect of the Kyoto objective, the year in which Italy ratified the Kyoto Protocol (Law 120/2002).

The strategy, which contains both the national policies and measures for the reduction of the emissions in various sectors of the economy and indications for the use of the emissions credits arising from the use of the Kyoto Protocol flexible mechanisms, is the planning framework of reference for the implementation of the Protocol. The financing and instruments for the implementation of the strategy are identified through the Economic & Financial Planning Document (DPEF) and Budget Law (LF), and are attributed to the administrations on the basis of their respective responsibilities.

The CIPE resolution 123/2002 also established an interministerial committee (GHG Emissions Technical Committee (CTE)), vesting it with the responsibility of (i) monitoring the trend of GHG emissions and the implementation status of the measures for their reduction, and (ii) identifying the "additional measures" to be implemented in order to meet the Kyoto target.

The monitoring of the trend of emissions is ensured not only at the level of the CTE, but also by obligations referenced in the EC Decision 2004/280/EC that calls for the annual reporting of the GHG inventory and the biannual reporting of the policies and measures implemented and planned and the update of the emissions scenarios.

Chart 1 below reports the progress realised in the process of the continuing decarbonisation of the nation's economy.

The emissions scenario as of 2010, which has been prepared with the inclusion of the policies implemented through May 2007 (see Table 1), indicates that GHG emissions as of 2010 will be equal to 576 MtCO₂eq meaning Italy will fall short of the Kyoto target by 93 MtCO₂/year.

The 2008 Budget Law approved additional provisions aimed at intensifying the efforts to reach the Kyoto objective, with particular reference to the renewable energy sector and to energy efficiency (see Table 2). Table 3 lists the pilot projects at a national level that have been activated by the Ministry for Environment, and Protection of the Territory and the Sea in order to get under way with the measures identified by the CIPE resolution n. 123/2002.

In addition to the effects expected of the measures approved after May 2007 (it is estimated that the implementation of the Directive 2003/87/EC alone will lead to reductions of 24 MtCO₂/year), the other measures to be adopted for closing the gap in terms of Italy's reaching the Kyoto objective are to be identified on the basis of the results of the monitoring mechanism put into place and will be included in the next Economic & Financial Planning Document (DPEF) / Budget Law. Another important test of the strategy will be the National Conference on Energy and the Environment planned as part of the 2009 Budget Package (Decree-Law n. 112 of 25 June 2008, converted, with amendments, in Law n. 133 of 6 August 2008 and published in the Official Gazette of the Republic of Italy n. 195 on 21 August 2008). The conference will be convened by the Minister of Economic Development in collaboration with the Minister for Environment, and Protection of the Territory and the Sea, and will be aimed at coming up with a proposal for the National Energy Strategy that the Government needs to adopt by February 2009 and that needs to identify short- and long-term priorities as well as the measures needed for reaching the following objectives:

- diversification of energy sources and the geographic areas for procuring the energy;

- improvement of the competitiveness of the national energy system and development of the infrastructures from the perspective of Europe's internal market;
- promotion of the renewable sources of energy and of energy efficiency;
- design and construction of nuclear energy production plans in Italy and promotion of research about fourth-generation nuclear energy and fusion;
- increase of investments in research and development in the energy sector and participation in international technological cooperation agreements;
- environmental sustainability in the production and uses of energy;
- guarantee of adequate levels of healthcare protection for the population and workers.

Chart 1 – Progress made in the decarbonisation of the Italian economy

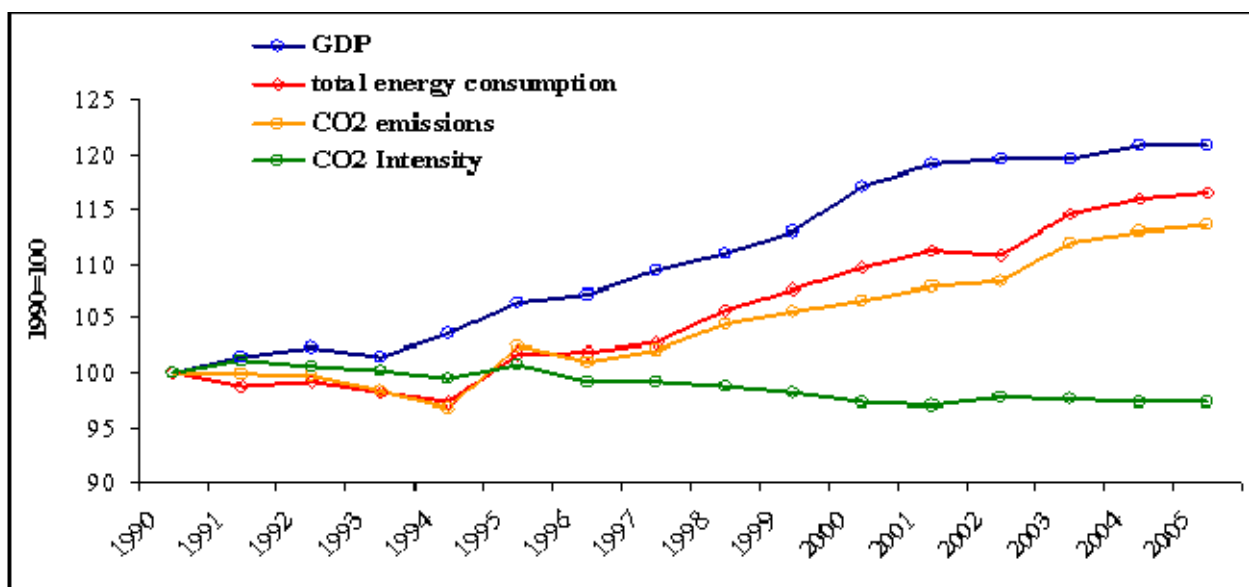


Table 1 – Policies and measures included in the emissions scenario as of 2010

		MEASURES	DESCRIPTION OF MEASURES
Energy Supply	Renewable	Decree-Law 79/99; Decree-Law 387/03; Decree-Law 152/2006; Decree of 24/10/2005; 2008 Budget Law	Incentives for the production of electric energy from renewable sources (green certificates)
		Decree-Law 387/03; Decree of 19/2/2007;	Incentives in the "energy account" for the installation of photovoltaic systems
		Decree-Law 387/03; Decree of 11/04/2008	Incentives in the "energy account" for the thermodynamic solar energy
	Co-generation	Decree of 20 July 2004; Decree of 21/12/2007 (update to 20 July 2004 Decree); Decree-Law n.20 of 08/02/2007	Incentives for energy savings and high-yield combined cycle generation (white certificates)
		Law 239 of 23/8/2004	Incentives for combined cycle generation plants integrated with district heating systems
	Electricity sector efficiency	Decree of 04/08/1999	Conversion of 9400 MW to CCGT
		Law s n. 55 of 09/04/2002 and n. 239 of 23/08/2004	Simplification of procedures for authorisation to build electrical power plants and infrastructures
	Industry	Decree-Law of 20/07/2007	Incentives for energy savings through combined cycle generation (white certificates)
		2007 Budget Law	Substitution of electrical and low-efficiency inverters
	ENERGY DEMAND	Residential and services	Decree of 20/07/2004
Decree 27/07/2005; Decree-Law 192/2005 (amended by Decree-Law 311/2006); 2007 Budget Law			Promotion of the energy savings and improvement of energy yield in building
Transport		2007 Budget Law	Renewal of auto fleet
		2007 Budget Law	Promotion of the bio fuels
		2007 Budget Law	Fund for sustainable mobility
Waste		Decree-Law 152/2006; L. 296/2006	Sorting and recycling of waste materials
		Decree-Law 36/2003	Biodegradable waste to landfills

Table 2 – Policies and measures adopted as from May 2007

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">RENEWABLE (RE)</p>	<ul style="list-style-type: none"> - 2007-2012 period: the percentage of electric energy that must be produced from renewable sources to be placed into the network is increased to 0.75% per year (versus 0.35% per year in the 2004-2006 period, starting from the base of 2%) - Significant changes to the green-certificate system: In the case of plants with power in excess of 1MW, the regulatory authority issues green certificates in a number equal to the product of the net electric energy produced from renewable sources, multiplied by a coefficient (which differs according to the source of energy). The green certificates are placed on the market at a price equal to the difference between the value of reference (180 Euro/MWh) and the average annual value of the price of selling the electric energy as defined the electric energy/gas regulatory authority. The value of reference incorporates an incentive and is assured for 15 years, and is subject to updating every three years, along with the coefficients. - Plants producing up to 1MW of power: introduction of the "energy account" through a rate incorporating an incentive (as an alternative to the green certificate), for 15 years; the rate differs according to the source of energy, and is subject to updating every three years. - Biomass plants: possibility of accumulating the different types of incentives, up to 40% of the total cost of the investment (e.g. green certificates + incentives arising from 2007-2013 Rural Development Plan) - Introduction of the system of incentives for the "energy account" for production of solar energy via thermo-dynamic cycles; - Mechanism for exchanging energy extended to plants producing up to 200 kW (versus prior threshold of 20 kW). The owners of plants connected to the network do not pay for electricity if the electricity put into the network is equal to that withdrawn. - Creation of a fund (€28 million for 2008-2009) for the promotion of renewable energy sources, energy efficiency and production of solar thermo-dynamic electric energy.
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">RESIDENTIAL</p>	<ul style="list-style-type: none"> - Tax deductions equal to 55% of the expenditure: for energy requalification for existing buildings that entails energy savings of 20% vis-à-vis the values spelled out Decree-Law 192/2005 (up to €100,000) ; for measures aimed at improving thermic insulation of existing buildings (up to €60,000) ; for substitution of heating system (inclusive of boiler) with condensation boiler, with high energy efficiency heat pumps and with geothermic plants (up to €30,000); and for installation of solar panels for the production of hot water for domestic or industrial use (up to €60,000). - Tax deductions equal to 20% of the expenditure for substituting HVAC equipment, refrigerators, and freezers with A+ energy class equipment (up to €200). - As of 2009, building permits for construction of new buildings will be issued subject to installation of plants for the production of energy from renewable sources (at least 1 kW and 5kW for industrial buildings of 100 square metres) and energy certification of the building. - Creation of the Fund for Energy Savings and Energy Efficiency (€1 million) for the financing of activities to educate the public and to promote good energy-efficiency practices. - As of 2009, homeowners who install plants for the production of energy from renewable sources will qualify for a reduction of real estate taxes (ICI). - As of 2010, the sale of household appliances of a class of less than A will be prohibited. - As of 2011, the importation, distribution and sale of incandescent lamps and of household appliances without an "on/off" switch will be prohibited - Energy Certification of Buildings will be mandatory as of 2009 in order to obtain building permits (new buildings), sell/purchase buildings, enjoy tax incentives in the event of restructuring or energy savings projects.
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">INDUSTRY</p>	<ul style="list-style-type: none"> - Tax deductions equal to 20% (up to €1,500) of the expenditure sustained for installing high-efficiency engines (5-90 kW) and inverters (7.5–90 kW) (2007 Budget Law confirmed by 2008 Budget Law) - As of 2010, the sale of low-efficiency electrical engines will be prohibited (2008 Budget Law). - Clean-up and overhaul of polluted industrial sites, including for the purposes of reducing GHG emissions.
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">TRANSPORT</p>	<ul style="list-style-type: none"> - Use of bio fuels: The minimum percentage of bio fuels to be mixed with traditional combustible fuel will be increased from 1% to 3%, - Renewal of auto fleet: incentives for replacing automobiles registered before 01/01/2007 with Euro-4 or Euro-5 certified vehicles that emit no more than 140 grams of CO₂ per kilometre. - Creation of the Fund for Sustainable Mobility (€70 million per year for 2007-2009 three-year period).

PROVISIONS ACROSS VARIOUS SECTORS	<ul style="list-style-type: none"> - Extension of energy savings obligations to electricity and gas distribution companies with more than 50,000 final customers (versus 100,000 final customers provided by the 20 July 2004 decrees), increase in the national energy savings objectives for the years of 2008 and 2009, determination of new objectives for the 2010-2012 period (Decree 21/12/2007 revising and updating the 20 July 2004 decrees) - Implementation of the EU Directive 2003/87/EC: Decree MATTM/MISE of 29/02/2008 which assigns 195.8 MtCO₂/year for the 2008-2012 period (expected reductions of 24 MtCO₂/year vis-à-vis the policy and measures scenario) - Approval of the decree to implement the Kyoto Revolving Fund for the purpose of disbursing subsidised financing (to public- and private-sector entities) for the implementation of measures to reduce GHG in the areas of action in relation to diffusing micro-cogeneration; renewable energy, electric engines, final consumption, nitrogen protoxide, research, forestry management (initial financial resources of €200 million per year for the 2007-2009 three-year period)
--	--

Table 3 – Pilot projects at a national level that have been activated by the Ministry for Environment, and Protection of the Territory and the Sea in order to get under way with the measures identified by the CIPE resolution n. 123/2002

88 NATIONAL PILOT PROJECTS	<ul style="list-style-type: none"> - <i>Impacts of climate change</i>: climate-modelling projects on regional scale, regional climatic regional changes, carbon cycle, effects of climate change on water cycle, costal management, farm cultures, and soil erosion. - <i>Institution of the Euro-Mediterranean Centre on Climate Change</i> with head office at Lecce: the centre is equipped with a powerful and sophisticated information system for processing regional climate models, and will represent a scientific reference hub for the Mediterranean countries and for the observation of the climate change in the region, as well as for studying the effects of climate change on agriculture, fishing and availability of water resources. - <i>Development of low-emissions energy sources and technologies</i>: pilot projects on "new" photovoltaic applications, bio fuels, and energy efficiency with regard to final consumption in stationary systems and in transport systems, geological confinement of CO₂, development of innovative technologies and systems for the production of hydrogen and hydrogen/CO₂ separation, and production and accumulation of hydrogen from renewable sources. - <i>"Isola of San Pietro- Carloforte" protocol of intent</i> with the Region of Sardinia with allocation of €3 million by the Minister for Environment, and Protection of the Territory and the Sea. A zero-impact Mediterranean island model is to be designed through a project to lower GHG emissions. - <i>"MATTM – Coni"</i> protocol of intent (€1.2 million): the protocol, signed on 13 December 2006 and in effect for three years, calls for the co-financing (50%) of the projects inherent to the use of renewable energy sources and energy efficiency projects in sports facilities owned by Coni Services.
RECENT TENDERS	<ul style="list-style-type: none"> - <i>"SMEs for the incentives of the renewable sources"</i> (€26 million): provides for the installation of 9.2 MW of photovoltaic power, 890 kW of wind power, 7.3 MW of biomass plants, 1.9 MW of thermic solar energy for SMEs. - <i>"The sun in public entities"</i> (€12.3 million): provides for a capital contribution for the design and construction of thermic solar plants in public entities. - <i>"The sun at school"</i> (€9.7 million): provides for the design and construction of small photovoltaic plants (1200 KWp) in public schools. - <i>"Photovoltaic energy in architecture"</i> (€3.6 million): provides for the design and construction of integrated photovoltaic plants in building complexes. - <i>"Solar powering penitentiaries"</i>: (€0.8 million) provides for the design and building of 5,000 square metres of thermic solar power to be installed 15 prison facilities. - <i>"Audit"</i> (for companies distributing electric power and ESCO) (€1.5 million): provides for capital contributions for the financing of energy analyses for the definition of the potential energy savings in the services sector and public administration. - <i>"Natural protected areas"</i> (€2.0 million): provides for capital contributions for measures of renewable sources, energy savings and sustainable mobility in protected natural areas. - <i>"Small islands"</i> (€3.5 million) provides for capital contributions for projects involving renewable sources, energy savings and sustainable mobility in the smaller islands of the Italian territory. - <i>"Research tender"</i> (€10 million): provides for co-financing, up to a maximum of 50% of the costs, for "studies and research in the environmental field and renewable energy sources to be used for the railways and for improving the quality of the environment within cities".
INTERNATIONAL INITIATIVES	<ul style="list-style-type: none"> - 240 projects in 48 countries with regard to energy efficiency and energy from renewable sources, protection and development of the forests, with sustainable development of the countries and the simultaneous opening of new markets for the Italian technologies and businesses being the criteria for inclusion; - Collaboration in UN programmes and with UN agencies (UNEP, UNDP, UNIDO) for facilitating CDM projects in developing countries; - Creation of the Italian Carbon Fund with the World Bank, for the purpose of promoting CDM and JI projects and participating in the Community Development Carbon Fund and the Biocarbon Fund, with a total of 49 projects

4.7.6. The contribution of regional policy to energy-policy objectives

In flanking the sizeable commitment of the State, regional policy plays an important role in supporting and qualifying investments in the energy sector and offers a significant contribution to achievement of the ambitious European objectives with regard to energy from renewable sources, energy savings and reduction of the GHG emissions.

The regional policy co-financed by the EU Structural Funds as part of the 2000-2006 EU Support Framework for the Objective 1 Regions has allocated roughly €600 million for projects in the energy sector. From the start of the planning at the end of 2007, roughly €547 million has been committed. The measures are concentrated on supporting renewable energy sources (mainly solar energy, wind energy and biomass energy) through 6,841 projects (roughly 60% of the total resources committed). Another roughly 26% of the resources has been earmarked for extending of the natural gas distribution network, while the final 11% has been used for energy savings and control projects (including changes to the electric energy distribution networks) and cogeneration projects.

In addition, during the same planning period and until the end of 2007, decisions were made to draw just over €196 million of resources from the Fund for Underutilised Areas (FAS) to be used primarily for the construction of the natural gas distribution network and for making electric energy distribution networks more efficient.

The single regional policy for the energy sector for 2007-2013 is oriented toward supporting investments that are marked by high levels of innovation, strong capacities to activate and strengthen industrial and technological chain, and a high level of environmental sustainability. The 2007-2013 National Strategic Framework ensures significant concentration of EU and national resources in projects concerning renewable energy and energy savings (roughly €4.4 billion altogether) as part of "Priority 3 - Energy and environment: sustainable and efficient use of resources for the development", so as to make energy resources more available for the installation, productive and civil systems, while simultaneously contributing to the reduction of the GHG emissions and emissions polluting the atmosphere.

The actions to provide incentives for energy efficiency and the use of renewable sources represent main levers for development and technological innovation of businesses, since they are able to accommodate needs and opportunities strictly linked to specific local, productive and environmental interests.

An Inter-Regional "Renewable Energy and Energy Savings" Programme has been prepared and approved as part of the National Strategic Framework. The programme involves the Regions that are part of the EU convergence objective and was approved by an EU decision on 20 December 2007, with financial resources of €1.6 billion; the programme was extended to the entire territory of southern Italy with the drawing of roughly €0.8 million from the Fund for Underutilised Areas (as approved by CIPE on 2 April 2008).

4.7.7. Renewable energy – Regional policies

The Regions and the Autonomous Provinces exercise strategic planning and coordination in relation to the issue of energy; they define the measures for governance of the energy system; and they issue regulations for energy certification of buildings and guidelines for the technical planning of the plants and systems for the production, distribution and use of the energy.

An important aspect of governance is the planning of the development of the sector, which is handled by numerous Regions through the preparation of energy plans, which establish the objectives to be pursued for achieving the goals indicated in the Kyoto Protocol. The energy plans aim to identify the premises for: proper development of the regional energy system; increasing energy efficiency in productive, residential, services and farming sectors; and improvement of energy distribution and transport systems.

The strategies directed toward improvement of the efficiency of the energy system and the qualification of productive areas (via the search for sustainable and efficient services) are implemented with reference to the specific objectives of the Single Planning Documents for the use of the resources of the Fund for Underutilised Areas (FAS); such approach is consistent with the strategy mapped out in the National Strategic Framework 2007-2013, with the Single Planning Documents representing the key link between the Regional Operational Programmes European Regional Development Fund (ERDF) and the goals of the Objective 3 Territorial Cooperation Programmes.

The planning of measures for meeting the Kyoto objectives is rounded out by the actions for sustainable development, such as those to prevent atmospheric pollution, to clean up and recover polluted sites and areas, and to protect nature. The instruments for implementing the

regional policy contribute directly toward guaranteeing environmental sustainability to the growth processes.

From this perspective, most of Regions and Autonomous Provinces share a common objective of guaranteeing greater energy independence through environmentally friendly and efficient technologies that above all allow for reducing consumption. The table below summarises a few of the more significant cases.

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Environmental Sustainability	Best Practices
Emilia-Romagna	Regional Law 26/2004	Efficiency energy	Ongoing since 2004		Environmental qualification of productive facilities (ecologically outfitted areas)	Better regulation and simplification of administrative charges
	Directive on energy yield of buildings (2008)		Ongoing since 2007			
	Regional energy plan	Territorial cooperation in exchange of best practices	European Regional Development Fund (ERDF) 2007-2013			
Piedmont	Regional plan for energy and environment	Increase energy efficiency and recycle energy savings	Ongoing since 2004		Qualitative and environmental improvement of businesses	
	Regional Operational Programmes – Axis II "Environmental sustainability and energy efficiency"	Renewable energy, energy efficiency and reconversion of existing plants	European Regional Development Fund (ERDF) 2007-2013	€ 270,639,610 (25% of the total Regional Operational Programmes)		
Lombardy	Action plan for energy	Energy savings and energy efficiency in construction sector				Increase thermoelectric production and reduction of electric energy consumption
	Actions in coordination with PSR	Production of energy from renewable sources (mini hydric), improvement of energy efficiency (district heating and public lighting)	PSR 2007-2013			
Valle d'Aosta	Regional plan for energy and environment Air quality plan	Increase energy efficiency and environmental protection				
Tuscany	Regional initiative projects financed by regional environmental action plan	Production of energy from renewable sources and ecoefficiency in energy field	Ongoing since 2007		Improvement of energy distribution	

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Environmental Sustainability	Best Practices
	Regional Operational Programmes – Axis III "Competitiveness and sustainability of the energy system "; Axis I "Support to integrated research projects in the energy sector"	Sustainability of the energy system	Implementation phase			
Autonomous Province of Bolzano	Provincial energy plan	Energy savings and development of renewable sources	Ongoing since 1995			Increase use of renewable sources
	Axis II "Environmental sustainability of the economic growth"	Increase production of energy from renewable sources	European Regional Development Fund (ERDF) 2007-2013	€ 25,000,000		
Autonomous Province of Trento	Provincial Law 14/1980 (governance of energy sector) Provincial Law 4/1998 (hydroelectric energy) Provincial energy plan		Final changes going into effect in 2008 Adopted in 2003			
	Axis II "Environmental sustainability of economic growth"	Raising rate of coverage of energy consumed through use of renewable sources from 45% to 65%, by 2015	European Regional Development Fund (ERDF) 2007-2013	€ 25,000,000 annually, including €15,000,000 specifically addressed to development of renewable energy sources		
The Marches	Regional plan for energy and environment		Recently approved			
	Regional Operational Programmes – Axis III "Efficiency energy and promotion of renewable energy"	Improvement of energy efficiency	European Regional Development Fund (ERDF) 2007-2013	€ 37,000,000		

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Environmental Sustainability	Best Practices
Molise	Regional plan for energy and environment		Recently approved		Initiatives with impact across various sectors	
	Measures financed by European Regional Development Fund (ERDF), FEASR and national programmes	Actions for exchanging and acquiring best practices in energy field	European Regional Development Fund (ERDF) 2007-2013	€ 35,000,000 (European Regional Development Fund (ERDF))		
Umbria	Regional energy plan	Diversification of the energy sources and savings on consumption	Ongoing since 2004		Eco-innovation	Creation of zero-emissions territorial units
	Regional Operational Programmes – Axis "Energy efficiency and renewable sources"	Improvement of environmental sustainability of the productive processes, energy savings and production of energy from renewable sources	European Regional Development Fund (ERDF) 2007-2013			
Basilicata	Regional plan for strategy on energy and environment		Approval by end of 2008, and continuation of regional plan for energy and environment approved in 2001			
	Regional Operational Programmes	Energy savings and energy efficiency; increase volumes of endogenous electric energy; support to production of the energy components.	European Regional Development Fund (ERDF) 2007-2013			

Region	Description of Planning Tool	Objectives	Implementation Status	Budget	Environmental Sustainability	Best Practices
Sicily	Regional Operational Programmes – Axis II "Efficient use of natural resources"	Design and building of industrial hub in Mediterranean area for exploitation of solar energy and support to eco innovation for the SMEs.	European Regional Development Fund (ERDF) 2007-2013			
Veneto	Regional Operational Programmes European Regional Development Fund (ERDF) "Production of energy FROM renewable sources and energy efficiency"	Production of energy from renewable sources; energy requalification of urban systems; containment of energy consumption of SMEs.	European Regional Development Fund (ERDF) 2007-2013		Energy requalification of the farming sector	

5 Reform policies in the area of employment

5.1 Education and training

In 2006, the public expenditure for education through upper secondary school was €57 billion, or 3.8% of GDP, with an increase of 14% over the previous year⁷⁰.

The public component of the expenditure is in line with the OECD average. However, the decrease in the percentage of young people to the total population and accordingly, the decrease in the school-age population, make Italy's expenditure per student largely superior to the OECD average (specifically, some 24% higher). Indeed, as far as expenditure per student is concerned, Italy ranks among the countries that dedicate the most resources to schooling: more specifically, this is the case with both (i) elementary education (scuola elementare), where Italy's expenditure per student as a ratio of per capita GDP is 5 percentage points higher than the European average, and (ii) secondary education (scuola superiore), although in this case the gap is smaller (equal to 1.5 percentage points compared with the EU average). In 2005, the public expenditure per student was equal to roughly €5,200⁷¹, though the aggregate differs

70 The State is the main source of funding for the school system (82.5% of the public expenditure on education in 2006). The Local Entities and Regions follow, accounting for 13.5% and 3.9%, respectively. The pre-eminent position of the State arises from its role in paying employee compensation. The portion of the spending by households is 2.8% in Italy versus an average of 4.8% in Europe, thus highlighting the modest financial contribution of families in Italy. During the most recent two-year period, the Local Entities have reduced the resources dedicated to education. It should be noted, in any event, that the Local Entities not only have expenditures linked to their institutional duties which are booked directly as educational expenditures, but they also invest sources on education through accessory policies, and thus, the actual reductions of the sources involved vary.

71 The following Regions have levels of spending that are some 10%-15% higher than the national average: Calabria (€6,018 per capita), Basilicata (€5,867) and Sardinia (€5,760). All three of these areas have a high percentage of schools in municipalities located in hilly/mountainous areas where it is therefore difficult to get class sizes within the average and thus, the ratio of teachers per student is particularly high. On the other hand, the regional differences in State expenditure also depend on the personnel variables (e.g. different types of contracts: contracts with a fixed term /contracts without a fixed term; levels of seniority; etc.), with more than 90% of employee compensation accruing to the budget of the Ministry of Education, Universities and Research.

significantly from region to region (see table)⁷² and the regional differences for preschool and elementary school are more pronounced than they are for upper secondary school.

In general, cross checks need to be made between expenditure and the quality of the education service. Education's connection and partial overlapping with services for assisting students⁷³ or young people in general (as in the case of Italy and other countries where the education of disabled students is offered by the schools) accentuate the fact that the effectiveness of a given public institution in relative terms cannot be completely evaluated independent of an evaluation of the work of complementary institutions. In other words, it is possible that the Italian education system's personnel and financial sources are involved in tasks that in other countries are handled by other institutions.

Even though historically significantly lagging in terms of the level of education of the population, Italy has made important progress in recent years: the number of students enrolled in Italy's school system - from elementary to upper secondary school – was up by 0.5% for the 2006-2007 academic year. In terms of macro areas, the northern regions experienced a very significant increase of 1.8%; the increase in the central regions was about half of that, or 0.8%; and in the southern regions, the enrolment fell by 0.9%. The growth of the school-age population in the northern and central regions is related to immigration (which has affected the more developed areas of the country).

72 A different picture arises depending on the different point of view: the expenditure of the Ministry of Education, Universities and Research or that of the Local Entities. The territorial distribution of the former appears relatively uniform, whereas the latter is highly variable, and thus suggests that the regional differences stem mainly from the different levels of investments given by the Local Entities to the school system.

73 Services such as taking care of students during hours outside of class time (including as an alternative or supplement to staying at home); services that entail, for example, the running of cafeterias (school lunch) under agreement with the pertinent Local Entity.

Public spending per student per region and school level - 2005 (commitments in EUR)

Regioni	Totale	Infanzia	Primaria	Sec. I grado	Sec. II grado
Totale					
ITALIA	5.956	5.251	5.836	6.426	6.445
Piemonte	6.292	5.580	6.190	6.654	6.554
Valle d'Aosta ⁽⁶⁾	7.317	-	-	-	-
Lombardia	6.301	6.411	6.100	6.693	6.212
Trentino A.A. ⁽⁶⁾	8.854	-	-	-	-
Veneto	6.055	5.936	5.606	6.163	6.542
Friuli V.G.	6.967	6.657	6.642	7.042	7.393
Liguria	7.227	6.292	7.380	7.734	7.199
Emilia R.	6.114	5.554	5.883	6.214	6.562
Toscana	6.155	5.255	6.148	6.351	6.497
Umbria	6.144	5.686	5.907	6.370	6.457
Marche	5.889	5.153	5.485	6.008	6.601
Lazio	6.082	5.175	5.972	6.200	6.565
Abruzzo	5.997	5.230	5.848	6.329	6.285
Molise	5.903	5.015	5.946	6.228	6.021
Campania	5.717	4.693	5.516	6.166	6.069
Puglia	5.378	4.361	4.789	5.765	6.183
Basilicata	7.285	6.461	7.149	8.159	7.248
Calabria	6.675	5.591	6.449	7.350	6.897
Sicilia	5.751	4.070	5.421	6.342	6.475
Sardegna	6.539	5.915	6.355	7.227	6.491
Enti Locali					
ITALIA	962	1.641	945	843	747
Piemonte	1.136	2.253	993	1.004	761
Valle d'Aosta ⁽⁶⁾	-	-	-	-	-
Lombardia	1.319	2.976	1.236	1.197	844
Trentino A.A. ⁽⁶⁾	2.493	2.529	2.674	2.156	-
Veneto	1.069	2.581	956	867	893
Friuli V.G.	1.309	2.683	1.115	1.185	975
Liguria	1.002	1.991	1.060	1.022	436
Emilia R.	1.367	2.877	1.219	1.103	991
Toscana	1.107	1.687	1.193	1.047	764
Umbria	789	1.578	827	760	385
Marche	839	1.313	867	733	627
Lazio	1.189	2.358	1.076	923	886
Abruzzo	745	969	872	734	532
Molise	847	938	1.236	759	534
Campania	614	726	601	506	649
Puglia	569	777	479	558	561
Basilicata	654	1.022	746	652	424
Calabria	648	576	633	608	715
Sicilia	657	539	638	504	844
Sardegna	784	1.027	956	913	476

Source: MPI – DG SP analyses using accounting data from: General Statement of State Revenue and Expenditure, Regions Budget Account, Definitive Certificate of Account - Provinces and Municipalities.

The percentage of students graduating from upper secondary school remained firm (77 out of 100)⁷⁴: in absolute terms, the figure shows slight growth compared with the previous year⁷⁵. The

74 During the 2006-2007 academic year, technical institutes issued the highest number of diplomas (37.5%), even though the figure was down by three percentage points the 2004-2005 academic year (40.6%). The secondary schools offering college prep curricula (licei) have closed the gap over the period, with their percentage increased from 30.7% to 34.5%.

low percentage of upper secondary graduates (compared with the OECD average) is not necessarily indicative of non-participation in the education system. Instead, if one were to consider not only the secondary school diploma holders but also young people having professional qualifications from schooling and extracurricular studies, the percentage of young people with an "upper secondary" diploma increases from 77% to 82%, putting Italy close to the OECD average.

In summary, in 2007, some 76.3% of 22-year olds had, on average, the equivalent of upper secondary education (ISCED 3), that is not distant from the EU 27 average (77.8%) and above the EU 15 average (74.8%); the percentage of 18-to-24-year old having a lower secondary school diploma (ISCED 2) and are not involved in on-the-job training system at the time of the survey on workforce was 19.3% (six percentage points below the 25.3% recorded in 2000), though the figure is still higher than the EU 27 average (14.8%).

According to findings from the PISA survey (OECD), the percentage of students having achieved almost first level of reading skills was 23.9% (EU average: 19.8%), and varies significantly from region to region. The lifelong-learning indicator, which shows the percentage of the working-age population (people aged 25 to 64) benefiting from educational initiatives, was 6.1% for 2006, or a long way from the EU 27 average of 9.6% and from the EU target of 12.5% for 2020 (see the section on continuing training for the reform measures on the subject).

As shown in the table below, Italy's position compared with the five benchmarks outlined in the Lisbon 2010 agenda (Education and Training 2010) has slightly improved, even though there are still critical issues evident.

Indicator	2000			2007				2010 Objective
	EU 25*	Italy	EU 25	EU 27	Italy	Central/Northern Regions	Southern Regions	
1. Early school leavers : Percentage of the population 18-24 with almost lower secondary education (ISCED level 2) and not in education or training	17.3	25.3	15.1	14.8	19.7	15.8	24.9	No more than 10%
2. Key skills : Percentage of 15-year old students having achieved almost first level of reading skills	**19.4	18.9	**19.8		26.4 (1)	18.2 (1)	37.0 (1)	Reduction of 20% compared with 2000 level
3. Youth education attainment level : Percentage of the population aged 20-24 having completed at least upper secondary education (ISCED level 3 long)	76.6	67.3	77.7		75.7	79.7	70.3	At least 85%
4. University graduates in mathematics, science and technology : Number of graduates in mathematics, science and technology, number per 1,000 inhabitants aged 20-29	10.6	5.7	***13.2		12.2 (1)	14.8 (1)	8.4 (1)	Increase of 15% compared with 2000 level
5. Lifelong learning : Percentage of the adult population aged 25-64 participating in education and training (over the four weeks prior to the survey)	7.8	5.5	10.1		6.2	6.6	5.5	At least 12.5%
Notes: * Estimate including the 25 Member States of the EU with reference to the year of 2000. ** The figure regards the 16 countries of the EU for which comparable data are available. *** The data refers to year of 2005. (1) 2006 data.								
Source: ISTAT, EUROSTAT, OECD PISA 2003.								

All things considered, Italy has made considerable progress in the past 12 years, even though the dropout ratio with reference to schooling and training remains high and is roughly 10 percentage points above the benchmark set by the EU for 2010. Indeed, between 1996 and the 2007, the dropout ratio went from 31.7% to 19.7%, and the progress made in the past six years has been almost 5.0 percentage points compared with the European average of 2.3. This trend, which has been particularly pronounced since 2004, is partly the result of the introduction of the right/obligation to education and training up to the age of 18, included in Law n. 58 of 28 March 2003.

It is also noted that the enrolment of adult students at night schools has experienced a positive trend in the past ten years. The related number of students enrolled has more than doubled, going from 46,805 for the 1996-1997 academic year to around 95,000 for 2006-2007. An analysis by type of education shows that most students enrolled in night school are taking technical and professional courses (67.1% and 28.3%, respectively) in order to ensure official recognition of their credentials and to be able to improve their employment prospects and

75 The distribution of secondary school graduates differs regionally. While in The Marches and Basilicata, the graduates are above 89%, in Valle d'Aosta, Trentino Alto Adige, Sardinia and Lombardy, the figures are below 70%.

position. Another interesting element is the preference for attending state schools (84.4%)⁷⁶. Students attending night school are generally above age 20.

5.1.1. Reform guidelines

The Italian education system's critical state as evidenced by repeated international surveys has made a thorough review of the system necessary. Such review is addressing the entire regulatory, legal, organisational and operational framework, also taking into account the long-term trend of a decrease in the school-age population.

Initiatives aimed at the rational and effective use of the economic resources⁷⁷ - within the broader based framework of an overall restructuring of public spending - are focused on the planning and implementation of new, territorial governance of education/training which is to be achieved by capitalising on the independence of the scholastic institutions and through the full involvement of Regions and the Autonomous Provinces. The implementation of the containment measures is expected to yield gross cost savings of no less than €456 million in 2009, €1,650 million in 2010, €2,538 million in 2011 and €3,188 million per annum as from 2012⁷⁸. An amount equal to 30% of the cost savings will be earmarked as from 2010 for increasing the resources contractually allocated to initiatives for the professional career development and for enhancing the value of the personnel within the education system.

The measures to be implemented in order to streamline the use of the human and capital resources available provide for the following:

- as of the 2009/2010 academic year, the gradual increase of one percentage point of the students/teacher ratio, to be realized by the 2011/2012 academic year, in order to get the figure close to international standards⁷⁹;
- the revision of the criteria and parameters provided for setting the standards for allocating resources for administrative, technical and auxiliary personnel so as to achieve a 17% overall reduction in the personnel employed (against a total of 252,661) over the 2009-2011 three-year period.

The measures outlined above will be flanked by a programmatic plan inspired by the following criteria:

- territorial size as the framework of reference for: the exercise of the national and regional duties provided by the Constitution; the definition of the curricula to be offered and of the local school network; and the management of scholastic service, according to criteria that will ensure consistent and standardised development of the school system across the nation;
- transparency in choices, with the identification of objective parameters that make it possible to evaluate the steps in the requalification of the expenditure and in the gradual redistribution of the use of the resources among the various areas of the country;
- integration of the resources supplied by the State, the Regions and the Local Entities;
- optimal sizing of the schools and a functional plan for a network of academic institutions that will actually respond to the needs of the public residing in depressed areas, in hilly/mountainous areas, on islands, etc.;
- student sustainability of the workload, both in terms of school's time schedule and the quantity of material to be studied and the streamlining of the course programmes.

Revision of school regulations

The actions that are intended to be taken regard:

76 As shown by the distribution of students by region, the ratio of students attending night school to the school-age population in general is higher than the national average (3.2%) in Sardinia (5.1%), Liguria (4.6%) and Apulia (4.2%). In some cases, the situation is related to high dropout rates.

77 Article 64, Decree-Law 112/08 converted by Law 133/08, in relation to the reorganisation of the education system.

78 A technical/financial committee to be set up and staffed by representatives from the Ministry of Education, Universities and Research and the Ministry of the Economy and Finance will be charged with monitoring the implementation of the measures and ensuring the actual achievement of the financial targets provided.

79 According to the OECD report on education published in September 2008 and referring to 2006 data, the average students/teacher ratio in Italy is 18.3 in elementary school (versus the OECD average of 21.5) and 20.9 in the lower secondary school (versus the OECD average of 24.1).

- reduction of the hours of instruction for various levels of the education system: for preschool the actual models will be kept on: timetable of 40 hours per week with two teachers and timetable of 25 hours per week with a single teacher; for primary school it will be introduced the assignment of a single teacher with a timetable set at 24 hours per week and, if households ask for it, it will be kept on the timetables set at 40, 30 and 27 hours per week; the schedule for the lower secondary school will be reduced from 32 to 29 hours per week; for upper secondary school the schedule will be set at 30 hours per week for schools which offer college prep curricula (licei); at 32 hours per week for technical institutes and at 32 hours per week for schools which offer college prep curricula (licei) focusing on arts, music and dance.
- course programmes that are better oriented to the job market and that entail standard learning levels for each study cycle.

Reorganisation of the school network

Measures are also planned for overcoming the still existing fragmentation of academic institutions, in respect of the powers vested with the Local Entities⁸⁰, in particular, through the formation of comprehensive institutions.

Rational and effective use of the schools' human resources

With the planned revision of school regulations and the rational and effective use of the schools' human resources, a reduction of the teaching staff of 87,400 positions over the 2009-2011 three-year period is provided: the reduction is around 10, 37% of the total positions (87,400 against a total of 843,000). A 17% overall reduction for administrative, technical and auxiliary personnel employed (against a total of 252,661) over the 2009-2011 three-year period is also provided.

The actions that are intended to be taken regard:

- the definition of new criteria for the make-up of classes, the work force, and the classes of competition for teaching positions;
- medium-/long-term planning of the work force;
- support to development of distance learning.

Other measures to support access to education regard:

- the introduction of ceilings on expenditure for textbooks, with publishing companies also being encouraged to produce textbooks in digital form that can be downloaded from the Internet;
- the mandatory introduction in every academic institution of the School/Family Co-Responsibility Pact, aimed at mutual commitment and assumption of responsibility in the educational process;
- the delivery of the student ID card, an instrument created for enabling upper secondary school students, and with time, university students, to exercise the right to study and to gain broader access to cultural activities, including from the perspective of informal learning⁸¹.

The reform framework also extends to the construction and implementation of a national knowledge-based assessment system that will entail a census of studies and skills as of the 2008-2009 academic year⁸².

80 Taking into account that Law 133/08 indicates the Local Entities as the entities responsible for setting up, closing down or combining schools.

81 The card is an instrument acknowledging the holder's status as a student, and it accordingly provides some concessions, including free access to archaeological sites, monuments and UNESCO sites; discounts on public transport, with particular reference to the routes used by commuting students; reductions on cinema and theatre tickets; and discounts on books.

82 A first test will be conducted in 2008, upon the conclusion of the State exams for lower secondary school (at the conclusion of the first cycle of secondary education). The test, which will be national in scope, is designed to ascertain the general and specific levels of the students' basic understanding of two subjects: Italian and mathematics. Discussions are also under way for examining the possibility of extending the test in 2009 to the subject of the English language.

In continuing along the lines of reform adopted in preceding years, the Government has provided for the fulfilment of the school obligation "for the purpose of attaining a diploma from an upper secondary school or professional qualification of at least a three-year term by age 18"⁸³, not only in scholastic programmes, but also in professional education and training programmes, including experimental programmes⁸⁴. Such provision adds the three-year experimental programmes⁸⁵ to the system; such programmes have taken advantage not only of financing from the European Social Fund and resources appropriate through individual regional budgets, but also State financing of roughly €200 million per year, rounded out by ad-hoc appropriations of another €40 million in 2007 and in 2008. The central and regional governments are committed to coming up with a national inventory of professional positions and the minimum educational standards therefor.

The following initiatives promoted in prior years have also been confirmed:

- school-work alternance, as a "educational option" and as a "means for completing secondary education", both in the education system and in the education/professional training system, in order "to ensure young people acquire skills spendable in the labour market, besides basic knowledge";
- the reorganisation of the system for Higher Technical Education and Training (IFTTS)⁸⁶ which constitutes a measure aimed at strengthening post-secondary training not of an academic nature; the value of the professional-technical process is also being enhanced by the contribution of the educational hubs set up by the Regions to ensure acquisition of the skills needed for local economic development⁸⁷;
- the reorganisation of the State's technical and professional education, on the upper secondary school front;
- the obligation to make up for insufficient grades within an academic year.

5.1.2. Cohesion policy initiatives

Turning to cohesion policy, the operational strategy for the 2007-2013 National Programmes for Education is based on the following two principal objectives within the framework of the 2007-2013 National Strategic Framework (QSN):

- skills and learning capacities for young people and adults that are stronger and more widespread;
- further reduction of school dropouts and greater attractiveness of school⁸⁸, exploiting both the role of the school as a driving force for social inclusion, and the link between schools and the communities in which they are located.

There are plans to build on the experience of the 2000-2006 Programme for School which involved more than 80% of the schools in southern Italy and more than 1.0 million people:

- 360,000 people (students, parents and teachers) participated in projects to counter dropouts;
- 108,000 students participated in computer science courses and 130,000 in company apprenticeships;
- almost 60% of the teachers and 130,000 adults were trained;

83 Article 1, Paragraph 622 of Law 27 n. 296 of December 2006.

84 Article 64, Paragraph 4 bis of Decree-Law n. 112/08, converted by Law n. 133/08.

85 To date, such programmes represent courses mostly offered to young people from age 14 to 18, and have thus far involved more than 130,000 young people.

86 See Decree of the President of the Council of Ministers of 25 January 2008, containing the "guidelines" for implementing the reorganisation.

87 The 123 educational hubs (2007 figure) that were set up with the involvement of professional and technical institutes, accredited professional training facilities, universities and businesses have integrated the course programmes offered in the nation with professional training based on the needs of the productive system.

88 For example, though labs for learning key skills, technological equipment, initiatives for the quality and usability of the facilities, locations outfitted for instruction, arrangements for making schools open to students and teachers outside of official hours, and areas for teacher training.

- the number of students per personal computer was steered to 10, while labs were designed and built or renovated.

These significant results indicate that the initiatives addressed real needs. Given its importance, this sort of programme merits a principal role in the next few years, in decisively tackling issues regarding the quality of education and skills perfection. The 2007-2013 National Strategic Framework (QSN) includes education among the "public service objectives", considered essential for the development of southern Italy, alongside water and waste management, and care services. An incentive system is correlated to the achievement of such objectives, with the situation to be monitored as of 2009 and 2013⁸⁹. Within this framework, the 2007-2013 Programmes for Education are contributing to Italy's commitment to reduce both the rate of early school dropouts (to 10%) and the percentages of 15-year old students with poor reading skills (from 35% to 20% according to the OECD PISA test) and poor math skills (from 48% to 21%).

Under Italy's Constitution, the State and the Regions are jointly responsible for the subject of education whereas the Regions have exclusive responsibility for the educational and professional training material. In view of this framework, it is worth noting the significant commitment of the regional administrations with regard (i) to strengthening the education and training system in order to elevate its quality, and (ii) to promoting measures to ensure certification or qualification to the greatest number of people possible. As far as regional resources are concerned, the Regions have appropriated some €964 million for the 2007-2013 period (inclusive of the financing from the European Social Fund and the related co-financing), "for the purpose of planning and implementing reforms of educational and training systems so as to develop the potential of individuals to secure initial employment, maintain employment and obtain new employment, thereby making education and training more pertinent to the job market." The amount indicated above is equal to more than 7% of the total investment of the Operational Programmes (OP) of the Regions and Public Administration. The figure set out above is rounded out by another more than €1,368 million dedicated to measures for increasing participation in education and permanent training, including via the reduction of school dropouts, the fight against segregation in relation to specific areas of study, and the increase in access to education and initial training and the improvement of quality thereof.

The Regions are also contributing to the service objectives outlined above via co-financing initiatives involving the European Social Fund, and Regional Operational Programme measures to leverage human capital. In this regard, the accent is placed on the qualification of the education and training system in order to raise the public's skills level and to reduce, particularly in the Convergence objective area, the ratio of young people dropping out of school.

The priority in question has been addressed differently in the two Convergence and Competitiveness areas in light of the different possible measures available under the European Social Fund's Regulations.

In the Competitiveness objective Regions, the initiatives are primarily focused on the targets most exposed to the risk of dropout (e.g. immigrants). In the Convergence Regions, a specific, dedicated objective is contemplated, and initiatives complementary to those initiated at a national level have been planned through specific Operational Programmes⁹⁰. The European Regional Development Fund also contributes to such areas with regard to programmes for education, social inclusion and urban development. Complementing the initiatives covered by the National Programmes, the Regions are implementing many measures which are aimed, on the one hand, at constructing the system for the recognition, certifiability, and transferability/spendibility of the skills, and on the other hand, at raising the quality of the services disbursed (in particular, in all of the Operational Programmes of the European Social Fund an indicator is provided for monitoring the number of system actions that provide for skills certification).

5.1.3. Continuous training

The training initiatives for employed workers (continuous training) represent a fundamental part of the Italian lifelong-learning strategy. The Government's commitment to reinforcing the system continues, with efforts for adequately enhancing the value of sectoral and territorial

89 See 2007 report for the implementation of the Innovation, Growth and Employment Plan (PICO).

90 The emphasis is thus placed on improving the quality of the school system through instructional programmes for teachers (to raise skills levels) and for students (to make it possible for young people to earn a diploma or professional training and education certification). Other programmes have been outlined for young people dropping out of the school system, and are tailored to the needs and characteristics of this specific target group.

governance. The financing to support the system comes from an integrated array of instruments, tapped through interprofessional joint funds, the European Social Fund and annual transfers from the State to the Regions.

The interprofessional joint funds manage resources of an estimated €360-€400 million per year dedicated to supporting the training programmes proposed by businesses participating in the funds. As of July 2008, around 482,000 firms were participating for total of 6.2 million workers. The training activities financed in this manner involved 580,000 workers and around 30,000 businesses from January 2004 to 30 June 2007. It can be estimated that the volume of total activity as of 30 June 2008 had reached around 6,800 training plans, with involvement of 40,000 firms and 850,000 workers.

Altogether, the European Social Fund's resources amount to roughly €2.1 billion which, if considered annually, constitute a source of financing almost equivalent to that coming from the interprofessional joint funds. Around one-third of these resources is earmarked for adoption of organisational measures designed to increase the productivity and the quality of work, and to policies for anticipating changes and planning and implementing specific services in order to tackle restructurings.

The main measures for the quality of the training offered

Improvements in the quality of training offered are sought through:

- the accreditation of the training facilities. The State and the Regions guarantee the quality of the training offered with public financing. The State-Regions Conference held on 20 March 2008 set the national minimum standard for the facilities. The Regions, through the 2007-2013 Operational Programmes of the European Social Fund, have committed to supporting the perfection of the system according to a precise timetable agreed with the European Commission. Moreover, the Italian Guide for the Self-Assessment of School and Training Facilities has been applied on a test basis at several leading professional training entities.

- the evaluation of knowledge gained through the professional training system. The OECD PISA survey's methods are being tested in professional training, with the results achieved by the students being used as an impact indicator⁹¹.

- national and European networks through the work of the Italian Reference Point for quality⁹².

- the definition of professional, training and recognition and certification standards for skills. The construction of a national framework of reference represents a priority for the National Operating Programmes (PON)⁹³ and for 2007-2013 European Social Fund planning. Against this backdrop, the Regions have begun testing in relation to the issuance of training cards to the public.

- Analysis and anticipation of the professional and occupational needs in order to support the planning of lifelong-learning initiatives.

In line with the European Social Fund planning, the education and training of business owners has been made a specific objective. A particular emphasis has thus been placed on promoting self-employment and the creation of business by giving incentives to specific targets (young people, women and immigrants) and capitalising on the value of sectors that are strategic for regional economies. Training initiatives, economic incentives, and advisory services

91 Between 2005 and 2006, professional-training students were administered three tests (regarding math skills, language skills, and a self-assessment of strategic skills) prepared on the basis of the minimum training standards for basic skills for a three-year course programme.

92 The Reference Point was established in 2006, and supplies information to the main national stakeholders in relation to the activities of the European Network for Quality in Education and Professional Training; it supplies active support for the development of the network programme and promotes the use of methods for guaranteeing and developing quality.

93 The technical committee activated in September 2006 by the Ministry of Labour and Social Security, with the participation of the MPI, the Ministry of Education, Universities and Research, in collaboration with the Regions and the unions, is continuing its activity of developing an initial set of minimum professional standards at a national level, and represents the single reference for the different national systems involved in planning the training offered, certifying skills (consistent with the European standards for qualifications), and the initiatives and services for orienting and interconnecting labour demand and supply. The objective is to come up with national standards for qualifications consistent with the European standards by June 2010. The committee has extended the testing of the methodology to the tourism and metal-mechanical sectors, while a work group involving experts from the unions has also been initiated.

are the tools contemplated for reaching such objective⁹⁴. A specific series of measures has been designed for small- and medium-sized enterprises (SMEs) with the purpose of introducing process and product innovations in the companies through direct training of owners and managers.

The implementation of Law 236/93 represents an important development for continuous training because it makes application for individual training possible via training vouchers. The preference for the issuance of the vouchers goes to the following categories of workers: those involved in mobility processes, those drawing extraordinary unemployment compensation, those with atypical contracts, those over 45 years old, and those in possession only of the middle school diploma. The resources appropriated and transferred to the Regions amount to €207.5 million (for each of the years of 2006 and 2007).

5.2. *Training and placement of young people in the labour market*

In Italian schools, theory is still separated from practice, as knowledge is still separated from know-how. What's more, Italy's productive system has difficulty in incorporating and producing knowledge: new job demand is mostly for positions with low-level qualifications, and investments in research and innovation are not sufficient. The Government aims to get involved in the strategic interests of both education and business: in the case of education, the Government can be perceived as a resource and factor of development for the nation, whereas for business, it can take the lead in training, with its function extending beyond so-called "learning by doing" to the actual investment in training programmes. The Government intends to be heavily involved in training, with an extraordinary plan that places the training needs of the productive system at the centre of the agenda. A decisive factor is the planning of training based on the analysis of the needs for professional profiles and skills⁹⁵.

When looking at the link between education and the business world, the role of apprenticeships needs to be emphasized as a mechanism that makes it possible for many young people to enter the job market. With its first employment-related legislation, the Government has introduced reforms regarding apprenticeships, underscoring the role of firms as trainers. Apprenticeships have furthermore been the target of intense regional legislation that has disciplined its training aspects⁹⁶.

With further reference to apprenticeships, the Regions have embarked on an important experiment⁹⁷ with regard to "high-level training"⁹⁸. Employers now have the possibility of implementing agreements with universities in order to integrate training programmes and the local economic system's demand for labour. The apprenticeships for high-level training are available to persons between the ages of 18 and 24, who are pursuing the completion of secondary school studies, a university degree or other advanced education programmes, including research doctorates. The 2007-2013 Operational Programmes of the European Social Fund contemplate both direct initiatives for raising the quality of the training given, and precise means for accessing training (e.g. personalised training provided via vouchers) as part of the priority of adaptability across various settings.

Best practice: "Apprenticeships for securing a diploma or high-level training programmes"

The subject of apprenticeships is governed by Decree-Law n. 276/2003. Article 50 identifies three types of apprenticeships: apprenticeships designed to lead to professional positions (the quantitatively more important type); apprenticeships for mandatory training of young people under the age of 18; and apprenticeships with regard to high-level training. The last type appears of

94 The objective is moreover associated with a specific indicator in the Regional Operating Programmes that is aimed at measuring the percentage of initiatives for self-employment and the start-up of businesses.

95 The ISFOL is advancing a project co-financed by the European Social Fund about the analysis of short- and medium-term professional needs.

96 Fourteen Regions have approved laws governing apprenticeship positions designed ultimately to lead to professional positions.

97 The experiment, which was promoted and inaugurated by the Ministry for Labour, Health and Social Policies with resources from the European Social Fund, with regard to the third objective of the National Operating Programme, has been agreed with and managed by the Regions, and is now in the concluding phase.

98 Article 50, Decree-Law n. 276/2003, cit.

particular interest inasmuch as it represents a channel for securing a university degree. Apprenticeships regarding high-level training offer young people already in possession of a diploma the opportunity to enter the business world as part of a project that contemplates the attainment of an undergraduate degree or a first- or second-level master's degree. The mechanism is proving suitable for (i) providing high-level training to young people who already have more than basic skills, and (ii) allowing the participants to acquire additional high-level professional skills and knowledge in response to the demands of the labour market. The High-Level Apprenticeship pilot project initiated in 2004 for testing undergraduate and/or master degree programmes was concluded on 30 June 2008... The test, which was inaugurated by the Ministry of Labour with the collaboration of several Regions (Lombardy, Liguria, Piedmont, Friuli Venezia Giulia, Veneto, Emilia Romagna, Tuscany, and Umbria) and the Autonomous Province of Bolzano, regarded the definition of individual projects at a regional level with the inclusion of all parties involved (provincial administrations, universities and unions). This made it possible to plan and implement concrete measures corresponding to the real needs indicated by the local businesses, also taking into account the differences existing between the productive systems of the various Italian regions - from Piedmont, where there is a presence of large industry, to Umbria, where the productive fabric consists of micro businesses. The testing involved valuable collaboration between businesses and universities, also profitable for the purpose of producing synergies capable of stimulating research and the transfer of innovation into the regional and national productive systems. The initial data show that more than 1,000 apprentices participated in the test, with most of the participants opting for the pursuit of a master's degree, and in particular, the first-level master's degree (60% of total participants). The preliminary results show that 65 ad-hoc course programmes were offered to the apprentices, including 56 for university master degree programmes; in addition, apprentices were also offered around 40 course programmes already available at the universities participating in the project. The data also show that the apprentices earning their degrees achieved very high grades, from an average of 101.7/110 for undergraduate degrees to an average of 105.2/110 for the second-level master's degrees. The average time for job placement after graduation was reduced to one year for the second-level master's degree from an average of 1.3 years. At present, several regions (including Veneto and Piedmont) and the Autonomous Province of Bolzano have proceeded to ratify the "high-level apprenticeship" as one of the official regional tools for training. Such ratification is indicative of the success achieved through a pilot project that has become an official tool for the Regions in responding adequately to the labour market's demand for higher level human resources. A second test is currently planned for some of the Regions in southern Italy. The projects planned and executed with this type of apprenticeship have been identified and methodically evaluated as good practices and added to the National Catalogue of Good Practices for the European Social Fund (which can be viewed at: www.buonepratichefse.it).

5.3. *Labour policies*

The Green Paper on the future of the social model published in July 2008 (about which a public consultation is currently open) emphasises that Italy's objective is to create a welfare system whose opportunities will not only ensure the necessary protections but will also contemplate proactive conduct and responsibility on the part of the persons who benefit from them. The fundamental concept is that the model based purely on indemnification is no longer adequate or sustainable: it is necessary to construct a much more complex and compelling welfare system, that places the accent on anticipating needs and on prevention over a person's entire life span, thus contributing toward improving the quality of life of individuals and making for a society that is simultaneously competitive and inclusive.

The planning and cultural challenge to Italy in its intention to reform the welfare model is to consider the person as a whole and in relationships, in order to provide incentives for responsible behaviours and lifestyles (conduct that is useful to the individual and to others), and to reinforce the person's self-sufficiency by anticipating, through customised and differentiated solutions, possible factors that can diminish that self-sufficiency.

The premise around which the Government's initiatives over the next three years will take shape is that an active society is altogether more competitive (because it is marked by a significant level of human capital) but that that society is also more just and inclusive (because it is able to be connected and to construct solid social relations). It is a community that knows, starting from the vital and primary family nucleus, how to stay together and how to grow by investing in the younger members of society and in the future.

It is the Government's intention to fully exploit these principles (which are moreover included in the Biagi Law of 2003 and in the regulations for the law's implementation). Indeed, the

Government intends to exercise powers in relation to social buffers, services for employment, apprenticeship contracts, and the re-ordering of incentives.

The regional initiatives on the subject of job flexibility and security likewise need to be considered. Such initiatives unfold along different lines and are specifically aimed at (i) the implementation of measures in the area of flexible labour, as part of the regional system of employment services, with particular reference to the professional skills of workers with atypical contract; and (ii) employment stabilisation and the promotion of the regular, legally binding employment. Certain basic programmes for protection are to be introduced in relation thereto, among them: support for the activation of supplemental retirement plans; promotion of instruments that facilitate access to bank credit; and the assignment of training vouchers.

The first phase of the current legislature has been focused on simplification. The abrogation of the regulations on voluntary resignation and the introduction of a simplified time sheet in place of the registration book and payroll book are general simplification measures that flank the employers' obligation of advance communication of cases in which they are planning to hire or when they need to provide notice of the termination, continuation or transformation of an employment relationship. Once in place, the system should ensure the transparency of the labour market, offering timely information on developing trends.

With its first employment-related legislation⁹⁹, the Government has focused the attention on various types of contracts as follows: apprenticeships, part-time work, jobs on call and accessory work, with the priority objective of stimulating demand for labour, and of simultaneously creating the conditions suitable for exposing irregular employment relationships. The planning of flexibility clauses for part-time labour (something currently under discussion with the unions) is aimed at making this type of contract adaptable to the changing needs of the productive process, including for the purpose of reconciling employment with the needs of a family (particularly with reference to working women). Elevating the rate of participation of women in the work force is a national priority alongside policies aimed at increasing the birth-rate, and this accounts for the importance assigned to strengthening childcare services (see below).

The Government is convinced that contracts such as the job-on-call contract (just reintroduced in legislation) respond to specific, but wide-ranging, labour demand/supply needs in an increasingly services-driven economy. In the same manner, the use of prepaid vouchers, a simple mechanism already tested with success in other EU countries, should make it possible to ensure that many types of temporary work are carried out legally, thereby guaranteeing the transparency of the labour market as well as the social-security and insurance coverage.

Moving in the same direction, the Government has simplified apprenticeship contracts, which represent the most important vehicle for accessing work for young people. The reform has underscored the contribution of corporate training on the one hand, and on the other hand, it has vested the unions with a key role in control, including through the use of interprofessional joint funds for continuous training so as to enhance the value of previous experience (see below).

The Italian Government acknowledges the common flexicurity principles approved by the Employment, Social Policy, Health and Consumer Affairs Council. The decisions taken following the accord reached between the Government and the unions in 2007 have improved the framework for economic protection in the event of unemployment, and have balanced the commitment to flexibility in the interest of workers and of businesses. The exercise of the delegation of power provided by Law 247/07 will be functional to the continuation of the reform Plan. A special focus will go: 1) to enhancing the leading role of training and to using training more for the labour market's specific needs; 2) to the standard reform of the system of unemployment benefits, with regard to compensation levels and the timing for receipt of the benefits, capitalising on the role of the unions; and 3) to the role of public and private employment services, with particular reference to the network linking the employment centres.

In the implementation of the flexicurity principles, a major focus will go to the existing, concrete (re)employment opportunities that condition the success of the policies and the role of the stakeholders (institutions and unions at the local level), including by taking into account the experience gained through the PARI Programme¹⁰⁰. In consideration of the insufficient trend of

99 Decree-Law 112/08 converted in Law 133/08.

100 Approved in 2005, the PARI programme is managed by the Italia Lavoro (Italy Work) technical committee, tests the integration between economic-support instruments and active policies (welfare-to-work model) by offering projects differentiated by the type of user and the characteristics of the market served. The programme also takes care of the governance aspects (a particularly relevant issue in a country such as Italy) and the transfer of know-how to the employment centre personnel.

wages and the low productivity seen in Italy in recent period the Government has moved to provide tax relief on a test basis for a six-month period in relation to payments for bonuses and overtime, thereby adding to the provisions for eliminating the social-welfare contributions on the variable elements of compensation that were introduced with the Budget Law for 2008 (Law 244/2007). In order to promote productivity appropriately, the Government is guaranteeing the support necessary to the independent initiative of the unions on the subject of the reform of collective bargaining. The unions have been discussing this issue in recent weeks and have already reached a preliminary accord.

Following are the results of the monitoring of the 2001-2006 labour policies. The data for 2007 are comparable, but the definitive monitoring figures are not yet available.

According to definitive data, the total expenditure for labour policies in 2006 came to around €16.4 billion, decreasing slightly in comparison with 2005 for the effect of (i) the reduction of the percentage of the expenditure earmarked for active policies (inclusive of incentives), whose absolute amount went from €6.9 billion to €6.4 billion in one year, and (ii) the increase of the expenditure for income-support measures, which went from €9.8 billion to almost €10 billion. It is also possible to observe the expansion of the weight of passive policies versus active policies, starting in 2004.

Among the factors that influenced the trend of the expenses for the passive policies, it is appropriate to consider, with reference to the growth of employment in recent years and in particular, with reference to the growth of flexible labour, the increased accrual of the fees in relation to the support of the income that is derived from such policies. In addition, other factors should be inserted that are closely related to the trend of the economy, and in particular, to the trend of the industrial sector (such as the 30% year-on-year increase in 2006 in the use of extraordinary unemployment benefits).

Public expenditure on Labour Market Policies (LMP) 2001-2006 (€ x 1000)						
LMP						
Class Measures	2001	2002	2003	2004	2005	2006
0 PES: staff full-time expenses	n.a.	n.a.	n.a.	304,000	309,000	321,000
0 PES: general expenses (ESF and Ministry of Labour)	97,692	138,135	218,745	212,943	129,747	111,029
1 Orientation, advisory services, IT (European Social Fund)	8,383	23,381	66,565	87,706	109,574	86,653
2 Professional training	260,618	463,074	1,028,663	855,476	650,442	636,534
2 Apprenticeship and CFL	2,419,821	2,491,028	2,521,733	2,338,436	2,242,614	1,946,019
4 Hiring incentives	3,290,392	4,996,754	4,246,126	2,868,647	2,474,285	2,356,558
4 Incentives for stabilisation of fixed term contracts	462,576	506,672	616,368	574,939	589,188	603,713
4 Incentives for maintaining employment	169,777	38,353	8,555	8,266	6,669	9,145
– Subsidies of a territorial nature	407,403	114,304	27,222	31,519	52,788	30,272
5 Incentives for the disabled	74,554	77,213	87,174	87,659	94,622	32,493
6 Direct creation of jobs	556,861	450,207	388,050	155,127	145,068	129,210
7 Self-employment incentives	834,668	331,897	675,798	745,269	737,993	629,122
Total measures (active policies) (2-7)	8,476,670	9,469,502	9,599,690	7,665,337	6,993,669	6,373,156
8 Unemployment compensation	6,498,032	6,844,896	6,895,191	8,306,416	9,560,552	9,596,535
9 Early retirement	731,910	560,220	483,363	362,978	288,652	398,432
Total support (passive policies) (8-9)	7,229,942	7,405,116	7,378,554	8,669,394	9,849,205	9,994,967
Total measures and support (active and passive policies) (2-9)						
	15,706,612	16,874,618	16,978,244	16,334,731	16,842,874	16,368,122

5.4. *Fight against illegal and unregistered labour*

The measures designed to expose illegal and unregistered workers have for some years represented one of Italy's priorities, along with the measures to ensure safety and security in the workplace. The effort in this regard concerns employee wages as well as social-security contributions and tax payments. The Government believes that incisive action on this front will be able to tone down the distortion of free competition between businesses caused by illegal and unregistered labour and reduce the risks of social dumping. There are two types of measures: preventive and punitive. The former include:

- the obligation for both private- and public-sector employers to provide notice of hiring on the day before the employment relationship becomes effective, regardless of the nature of

the contract¹⁰¹:

- the need for companies to equip themselves with documentation certifying the regularity of social-security and insurance contributions (DURC)¹⁰² in the event in which they intend to take advantage of the benefits provided by the law and social-welfare entities;
- the re-introduction of jobs on call; this type of contract allows for flexible use of workers on certain days of the week and during certain periods of the year, and it can contribute to reducing illegal employment, particularly in the tourism and commercial sectors and in public establishments¹⁰³;
- the revision of the accessory work¹⁰⁴ which allows for legalizing employment relationships in areas where employees are frequently working illegally: family-owned businesses, domestic workers, gardening, private tutoring, sporting and cultural events, activities carried out during school vacations by young people under 25 years old who are regularly enrolled at a university, and all seasonal work in the farming industry;
- the ability for individuals to combine, as of 1 January 2009, all direct regular retirement pensions with income from full-time and free-lance employment¹⁰⁵;
- tax relief on a test basis for overtime and productivity bonuses in relation to the second half of 2008; for full-time employees in the private sector earning up to €30,000 before taxes, a special tax rate of 10% is applied to such income, for a maximum of €3,000¹⁰⁶; the relief is added to the provisions for eliminating the social-welfare contributions on the variable elements of compensation that were introduced on an experimental basis in 2007 for the 2008-2010 period¹⁰⁷.

The punitive measures entail the quintupling of the administrative sanctions provided for violation of labour laws, social legislation, and laws on the subject of social security and safety and security in the workplace, and the amendment of the "maxi sanction" for unregistered workers¹⁰⁸. The suspension of business activity is also contemplated in cases where it is discovered that illegal or unregistered workers make up 20% or more of workers at a specific location, and in cases of serious and repeated violations with regard to the measures needed for ensuring safety and security in the workplace¹⁰⁹. The intensification of inspection activity has already produced significant results from both the standpoint of employment and in terms of recovering taxes and social-welfare contributions. Between August 2006 and 31 December 2007, some 37,129 sites in the construction industry alone were inspected. Some 57% of the 58,330 companies operating at the sites were found to have been not in compliance with the law. The suspension provision was applied in the case of 3,052 companies, including 3,013 which had illegal or unregistered workers amounting to 63% of their total work force. The controls showed the presence of more than 206,000 people not registered with National Institute for Insurance Against Industrial Accidents (INAIL) including 91,161 Italians and 115,060 foreigners (inclusive of 69,759 Romanians and 9,655 Albanians)¹¹⁰.

The fight against illegal and unregistered labour also represents one of the strategic priorities for the Regions. Several Regions (Latium, Liguria, and Apulia) have approved special laws on illegal and unregistered labour; other Regions have adopted measures on the subject as part of

101 With the consequent impossibility of legalizing the relationship after inspections (Article 40, Paragraph 2, Decree-Law 112/2008 converted by Law 133/2008).

102 Article 5, Ministerial Decree 24/10/2007, in application of Article 1, Paragraph 1176 of Law 296/2006 (2007 Budget Law).

103 Article 39, Paragraph 10, Decree-Law n. 112/2008 cit..

104 Article 22, Decree-Law n. 112/2008 cit.

105 Article 19, Decree-Law n. 112/2008 cit.

106 Full-time employees in the public sector are now excluded, but should fall within the framework of application when the legislation becomes fully effective (Article 2 Decree-Law 93/2008, converted in Law 126/2008).

107 See Law 247/2007 (Article 1, Paragraph 67).

108 Article 36-bis, Decree-Law 223/2006, converted in Law 248/2006.

109 Article 14 of Decree-Law 81/2008 and subsequent amendments and additions thereto. The measure had already been contemplated for the construction industry under Article 36-bis of Decree-Law 223/2006 and, for other business activity, by Article 5 of Law n. 123/2007.

110 During the same period, there were 1,160 orders for suspension that regarded other sectors. Altogether, the companies "suspended" had employed around 52% of their workers illegally (2,984 workers) vis-à-vis a total head count of 5,764.

regional labour laws¹¹¹. As part of the 2007-2013 European Social Fund planning, the Regions have placed a special emphasis on the issue of immigrants/illegal and unregistered labour. The objective for southern Italy is to reduce the number of irregular workers from 19.6% to 16.8% of the work force by the end of the programming cycle.

5.5. *Active labour policies and employment services*

The reorganisation of Employment Services and improving their integration within the nation are priorities for both the Government and the Regions. The cultivation over time of the present strategy is mostly planned by exploiting the role of the public sector as the "director" of the Employment Services at the level of the organisation of the entire labour market (a mixed public and private market), inasmuch as they are the point of intersection between active and passive policies for employment.

In particular, from the standpoint of the demand for labour, it has been considered essential to continue with the expansion of services offered to businesses, particularly with regard to recruiting and the screening of workers, taking into account the professional profiles of interest to businesses. It should be noted that the percentage of Employment Centres (CPI) offering such services went from 49.6% in 2006 to 55.2% in 2008, and that the differential between the northern and southern regions of the country was reduced during the same period. From the standpoint of the supply of labour, the Employment Services' capacity for promptly and properly providing assistance depends on the actual relationship between the CPIs and professional training. In this regard, the number of the CPIs offering workers services with links to professional training rose by almost 13 percentage points (from 81% in 2006 to 93.8% in 2008). The improvement regards both the northern and central regions of the nation (from 85.1% to 98.4%) and the southern regions (from 75% to 87.3%).

With the exercise of the authority delegated by Law 247 of 2007 with respect to Employment Services¹¹², the focus has been placed on the value and role of the service pact as a tool for: managing the active labour-market policy measures; monitoring; and vesting responsibility with the parties, the CPIs and the users of the services. The Istituto per lo Sviluppo della Formazione Professionale dei Lavoratori (ISFOL) monitoring data in relation to 2007 show that 51.9% of the CPIs (2006: 46.7%) had adopted service pacts, even though significant regional differences were detected in the ratio. 87.4% of the CPIs had also checked on the correlation between the action agreed and the action taken. The practicability of the actions is nonetheless conditioned significantly by the different array and number of job opportunities in the various regional areas¹¹³.

Considering furthermore the new role of private-sector participants in the labour market, many Regions have introduced regulatory measures providing for a system of regional accreditation of the facilities¹¹⁴. The Regions' objective is to guarantee quality service: The 2007-2013 Regional Operating Programmes have allocated more than €1.35 billion toward modernising and enhancing the institutions of the labour market, including €940 million regarding the Convergence Objective for overcoming regional differences. These resources will be used for improving services in the outlying and least accessible areas, for tapping services and technical-specialist collaboration, and for bolstering services to underprivileged parties¹¹⁵. The Regional

111 In particular, the following measures were adopted:

specific measures for educating the public about legitimate employment and information campaigns;

- measures for transparency and legality in accessing public financing (e.g. compliance with labour laws; compliance with national collective bargaining contracts; possession of the documentation certifying the regularity of social-security and insurance contributions (DURC); etc.) ;
- promotion of the social responsibility of businesses;
- incentives for the detection of illegal or unregistered labour and stabilisation measures;
- creation of observatories on illegal or unregistered labour.

112 Article 1, Paragraph 30, letter a.

113 In the central and northern regions of the country (average unemployment rate for 2007: 3.9%), 83% of the CPIs are able to move from the registration of the declaration of worker's immediate availability to the active research for a job within the 90-day period provided, thus with only a marginal percentage of CPIs not performing as expected. The situation in southern Italy (average unemployment rate for 2007: 10.9%) is very different, with less than one-half of the CPIs (49.4%) meeting the 90-day deadline and a good 43.7% reporting times of more than six months.

114 The Regions that provide for an accreditation system are: Friuli Venezia Giulia, Piedmont, Lombardy, Liguria, Tuscany, Emilia-Romagna, The Marches and Sardinia.

115 The resources are furthermore needed for measures to reinforce employee skills and for the centres' implementation of integrated actions in order to respond promptly to specific needs, inclusive of the phases regarding orientation, training, and actual job assumption.

Operating Programmes provide an ad-hoc indicator aimed at reporting the number of focused services alongside the basic services.

The Ministry of Labour, the Regions and the Provinces have undertaken to work together through a joint technical committee formed in May 2007 for the purpose of coming up with a new master plan for Employment Services. The committee is analyzing the following issues: essential levels of service; indicators for monitoring and evaluating the services; and the resources and targets for system consolidation.

In this regard, significant efforts have been dedicated in recent years to the joint construction of the Labour Information System, which will serve as a tool to the State, the Regions, the Provinces and Local Entities to be used for reporting, analyzing and publishing labour-related data. A State-Regions Agreement to be drafted in the fall of 2008 will define the timing and means for the completion of the system¹¹⁶.

Other action has regarded the system standards¹¹⁷. For example, the communications that all employers (public and private) have to effect to the appropriate services are sent exclusively by electronic means using a single standard model. Employers who are operating out of two or more offices may elect to address the communications to one service in an area where the employer maintains one of its offices. The simplification of the procedures is driving down the costs by about 30% (cost estimated by the companies for filling out and sending paper notices), but, more importantly, the system is producing a database in real time that is useful for labour policies, considerably increasing the availability and the reliability of the data.

5.6. *Conciliation policies and childcare services*

Italy has promoted a series of strategies that are in line with EU guidelines and are focused on the synergetic implementation of various levels of measures, so that action can be taken on various fronts, including: labour reorganisation, the promotion of new cultural models based on the full sharing of responsibility by the man and the woman heading the family; and finally, the reorganisation of the nation to make it more "family friendly" (with more and better quality support services that can be easily accessed and coordinated with work schedules).

The development of social/educational services for preschoolers is an Italian priority. In 2007, the Government approved an Extraordinary Plan of Measures for Development of the National System of the Social/Educational Services for Preschoolers, with the aim of facilitating the achievement of 33% national coverage by 2010¹¹⁸. To date, the plan has provided for a huge financial commitment of the State and Regions (around €730 million; see table). The plan has set the specific target of building up childcare services and is in line with the orientation of the 2007-2013 National Strategic Framework (QSN) in setting "service objectives" with regard to the public for areas, such as childcare, considered essential to development¹¹⁹; the achievement of the objectives is linked to an incentive system. Each Region prepares an action plan in this regard (for example, the measures within the European Regional Development Fund Programmes in this area are included within the framework of the regional strategies to promote social inclusion and urban development).

Another important development with respect to childcare services regards the financing for educational service to be tested for the 2007-2008 academic year; the service is supplemental to nursery services (0-3 years old) and preschool (3-5 years old), and is focused on children of

116 The contents of the agreement address: the technology components of the services network (registration of workers and employers; regional and provisional information systems; national coordination node; and system to facilitate matching of labour demand and supply); the means for reconciliation and the data to be shared with social-welfare entities (already decided via an agreement to be signed with the Social Security Administration (INPS), for the exchange of information on employed workers); indicators useful for a national monitoring system, some of which are based on observations of the European Commission (as anticipated as from next fall by a national panel in relation to the data on mandatory communications).

117 Three interministerial decrees have dictated the rules for the construction of uniform systems for the classification and flow of data and information about employment relationships, the matching of demand and supply (standards of running the National Continuous Labour Exchange) and the general-records and professional profiles of individuals.

118 The service coverage indicator is 15.7% in the central and northern regions and 4.4% in southern Italy.

119 In addition to the water and waste management and education. The National Strategic Framework (QSN) defines an incentive system for the regions of southern Italy that will have achieved the targets set by 2013, with an intermediate check on progress as of 2009, as describe in the 2007 National Reform Programme. In the case of childcare services, the incentive is a maximum of €375 million and the targets are: an increase in the percentage of municipalities with childcare services from current level of 21% to 35% and an increase in the percentage of children using the services from the current level of 4% to 12%.

ages 2 and 3 (so-called "spring sections")¹²⁰. The public investment amounts to €35 million and has attracted further investments from the Regions and the private sector in the supply of the services. Altogether, the financing related to the nursery programme should make it possible to accommodate an additional 41,000 children, which need to be added to the 24,000 places coming from the creation of the spring sections. It should be possible therefore to get the level of coverage of demand for social/educational services for preschoolers to 15% by 2013.

It should also be noted that the 2008 Budget Law set up a fund of €3 million for each of the years of 2008, 2009 and 2010, for the organisation and running of social/educational services for preschoolers under the age of 36 months, with entities and sections of the Ministry of Defence. The financing has made it possible to implement programmes to support families of military personnel and civil personnel of the above Ministry

As part of the service objectives contemplated by the 2007-2013 National Strategic Framework (QSN), the Regions of the southern Italy have been called upon to develop their services in view of the achievement of the target set for 2013 of raising the percentage of elderly people benefiting from integrated home assistance service from the current level of 1.6% to 3.5%, through the contribution of various financial sources¹²¹. For example, in the European Social Fund Operational Programmes, the Regions have provided for economic incentives for access to care and assistance services (family care vouchers) as well as initiatives for sensitizing and incenting businesses to implement family-friendly organisational procedures. Financial incentives have also been provided for broadening care services for the elderly. For example, special training programmes have been inaugurated in order to train professionals specializing in assistance to the elderly, including home services.

More in general, with regard to policies to conciliate work schedules and family life, selective measures are needed in various sectors in order to promote the employment of women. Such measures go from eliminating social-welfare contributions to offering services to ensure the flexibility of work schedules and company organisations. The Government intends to implement an effective policy of services that will validate the subsidiarity and development of private services sustained not by direct, but by indirect, public measures (distribution of vouchers or recognition of tax deductions). This is to be rounded out by a broader and more effective network of services and the strengthening of policies in relation to paid/unpaid leave for childcare, part-time work, and the re-entry into the business world. The so-called family quotient is a tool gradually being introduced for more equitable and fairer tax treatment, and useful to couples who choose to have children. The positive conciliation actions include the continuation of the testing of contractual agreements aimed at reconciling work time and free time at the workplace (Article 9, Law 53/00). As a result thereof, some 459 projects have been approved to date involving total financing of around €30 million. For 2007, the funding allocated to such efforts came to €21 million, whereas for 2008, the figure is €18.4 million.

Nursery program

STATE FUNDS		Resources
	2007 Budget Law	300,000,000
	Family Fund and supplements 2007	65,000,000
	Supplements to Nursery Fund 2007	25,000,000
	2008 Budget Law	56,462,000
	Total	446,462,000
REGIONAL FUNDS		
	Northern Regions' co-financing 2007	53,008,952
	Northern Regions' co-financing 2008	16,598,350
	Southern Regions' co-financing 2007	211,550,940
	Total	281,158,242
Total nursery programme		727,620,242

120 Around 1,353 spring sections were inaugurated for the 2007-2008 academic year, with 42 opened with regional financing. In consideration of the importance of the project, the State and Regions signed an agreement on 20 March 2008 to continue with the project during the 2008-2009 academic year, expanding the supplemental educational services, with the objectives of improving the switch from nursery to preschool, and contributing to development of social/educational services for 0-6 year olds across the nation.

121 See other information within this section. The premium available for this objective amounts to a maximum of €375 million.

The Government intends to work over the next three years with measures designed to elevate the rate of participation of women in the work force, promoting not only labour policies to favour such development, but also welfare strategies functional to growing women's contribution to total employment. The Government will be preparing a national plan based on a wide range of actions in order to ensure greater solidity and visibility to the measures for promoting equal opportunity and the employability of women. The aim is to achieve more uniformity with regard to the aggregate of the structural and temporary measures and the governance framework. The plan, which will address specific regional issues, is to be the outcome of a profitable dialogue with institutions, market participants and trade associations. The plan will also call for relaunching measures to promote businesses owned and operated by women, and the restructuring, as part of the implementation of the EC Directive 2006/54/CE of the regulations and institutions that regard parity organisations.

The Government therefore plans to achieve these objectives through:

- an orderly programme for employment simplification and deregulation that is aimed at freeing both business and workers from bureaucratic and formal compliance matters and thus, facilitating employment by reducing the indirect costs thereof, and to do so without lessening the protection accorded to the individual worker;
- a package of measures able to favour: more flexible work schedules, starting from the development of part-time labour, in accordance with European standards; enhanced services to individuals; and the possibility of reinstating the professional status of women who decide to re-enter the work force after years of work in caring for a family;
- a family-support policy based on the logic of subsidiarity and integration of public policies for social security in connection with the private system and the services sector.

5.7. *Active ageing and adequacy of pensions*

Demographic factors are changing the age mix of the Italian population, and have an impact on the welfare system's balance. Recent measures have regarded the gradual increase of the age at which individuals can qualify for government pensions¹²², and the pairing of the compensation-based method with the defined-contribution method for the computation of benefits, which has implicitly created a mechanism for giving people incentives to work longer.

As underscored in the Green Book, the Government intends to implement a broader based cultural policy, thereby "re-programming" ageing so as to ensure social inclusion of the elderly. Such effort will be undertaken with the integration of measures planned by the regional administrations. In addition to welfare regulations, an overall strategy has been placed into effect that is focused on facilitating the ability to employ older workers. The over-50 age bracket represents one of the target groups for the "hiring contract" introduced by Decree-Law 276/2003. More in general, the more flexible forms of employment (for example, employment for special projects and for accessory work) can facilitate the matching of labour demand and supply with regard to the over 50. A related measure, mentioned more than once in this report, regards the lifting of restrictions on combining pension income and income from employment, with the underlying objective of promoting employment of older workers and combating unregistered employment¹²³.

In order to favour active ageing, the over-50 group has also been identified as a priority group in the policies aimed at restructuring incentives. Specific active-ageing projects have been promoted at a regional level with regard to equal opportunities for employment, training¹²⁴, the testing of flexible employment formulas, and the redistribution of workloads.

The Regions are dedicating much attention to active-ageing policies, with a special focus on the development of the employability of older workers. The 2007-2013 European Social Fund Regional Operational Programmes incorporate resources of €298 million to be allocated over

122 The raising of the age at which individuals are eligible for retirement was begun in 2008, and is slated to proceed through 2013 when the minimum age will reach 61 or 62 years old, for full-time workers and free-lance workers, respectively, who have made the contributions required for retirement pensions.

123 Article 19, Decree-Law 112/2008 converted by Law 133/2008.

124 These projects have been developed both inside businesses and outside, through training supplied to older workers in several social-utility programmes or short-term, targeted jobs.

the 7-year period. Specific measures for seniors are planned by the Employment Services¹²⁵ both in general and with reference to employment crisis situations.

The fact that work represents the key lever for favouring social inclusion does not exclude income-support measures for persons experiencing economic difficulty. Such measures are spelled out by prevailing national and regional laws, which are referenced in the Inclusion Report.

5.8. *Policies for social inclusion*

The Government intends to relaunch policies for social inclusion. The report on inclusion currently being drafted will formalise - for the first time at the national level - a programme of measures specifically aimed at producing better understanding and support of people who suffer extreme economic distress (and the homeless in particular), senior citizens with only a minimum pension, single-parent families (often headed by women), families with minor children, and families with physically or mentally handicapped children. Indeed, the family is a priority target for the policies of the years ahead.

It would seem therefore appropriate to mention several initiatives currently being adopted that will be spelled out in detail in the aforementioned report:

- Persons not self-sufficient: supply of a system of integrated social/healthcare services for persons who are not self-sufficient, the disabled, and the elderly, through the creation of a fund for persons who are not self-sufficient that will be managed by the Regions and Autonomous Provinces; the resources from the fund will be allocated to the beneficiaries through a single point of access to the network of services, including with personalised assistance plans and enhanced home services; the fund entailed an initial investment of €100 million in 2007, which was raised to €300 million in 2008 and is slated to reach €400 million in 2009;
- Loss of housing: measures to benefit individuals with gross annual income of less than €27,000 who are evicted from their rented dwellings and who are, or who have in their family units, people over 65 years old, terminally ill persons, or persons having 66% or more disability, and who are not owners of other adequate housing;
- Measures in favour of the disabled: use of targeted job placement methods nationwide so as to permit the disabled to be integrated into the business world, at the same levels of productivity as applicable to other workers; for this purpose, in July 2007, increases were made to the national fund for economic benefits and technical and advisory support for employers of the handicapped (with the documentation to be filed and the hiring lists also being simplified at the same time).

These are measures that involve various levels of government, as well as the contribution of services organisations, volunteers, and the unions. These initiatives are particularly important and will require new forms of governance, based on open coordination, in proportion to the changes toward making the system more federalist.

The measures are rounded out by income-support initiatives at the fiscal level, including:

- support to families: increase of the family allowances based on household income and on the number of children, and a €1,200 deduction in favour of families with at least four children;
- bonus for low wage earners: €150 bonus for the head of the household and each dependent (if any) (lump sum against 2006 income) which is added to the €1,200 deduction referenced above;
- aid to pensioners: introduction of the "fourteenth" month wages for pensioners with low levels of income¹²⁶ and, starting in 2008, an increase of the welfare pensions for persons over 70 years old (and over 60 years old for the totally disabled, deaf-and-dumb, and blind);
- measures to support housing expenses: abolition of the municipal property tax (ICI) in

125 The most effective measures are those that match assistance to the workers and support to businesses. According to the ISFOL monitoring data, in 2007, some 61% of the provinces had implemented services for this purpose.

126 Some 3.5 million pensioners over 64 years old with a pension income of less than 1.5 times the minimum pension (€654 per month in 2007) have taken advantage of the provision.

2008 and deductions for renters who declare income for the purposes of personal income tax (IRPEF) of up to €30,987 per year.

It is nonetheless appropriate to note that the interministerial decree to implement Law 133/2008 has provided for economic benefits to persons over 65 years old with less than €6,000 of annual income. The persons meeting the requisites provided by the decree (an estimated group of 1.300.000 people) will receive a rechargeable prepaid social card with a value of €480 that can be used for paying utility bills (electricity and gas) and for the purchase of groceries at participating stores.

Annex. Lisbon reporting table.

IT	Description of measure							Classification of measure						Impact and Follow-up module			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
ID	Description of Measure	Rationale-of-measure	Status decision	Status implementation	Timeline start	Timeline end	Comments	Integrated guidelines	Key challenge	Country specific recommendations	Points to watch	Euro area recommendations	Comments	Budgetary information	Enforcement, monitoring and evaluation	Structural/E MCO indicators	LAF policy areas
1	Measures for the correction of excessive deficit and the consolidation of public finances: adopted a three-year stability plan which allows the full convergence between programmatic and executive part, in line with the balance-sheet standards of the other European countries	Improvement of Italy's macroeconomic and financial stability	Decision process concluded	On-going	Q3 2008	Q4 2009		1. Macro economic stability 2. Economic and fiscal sustainability	1. Ensuring long-term fiscal sustainability. 7. The Commission added: stronger measures on fiscal sustainability.	1. Fiscal consolidation and implement the pension reforms		Budgetary consolidation		The expected impact is the following: in 2009, net borrowing would be at 2.1% of GDP (-34.070 millions) and the primary balance (net of interest spending) would be in surplus at 3.0% of GDP (+49.662 millions), in 2011 it would be at 4.6% (+80.882 millions), under the assumption of relatively stable interest expenditure at about 5.1% of GDP. The cyclically-adjusted budget balance net of one-off measures would be at 1.8% of GDP in 2009, and the debt would reach 102.9% of GDP from 103.7% in 2008	Quarterly monitoring process	eb060 General government budget balance	Public finances
2	Implementation of the Public pension reform	Developing a fair pension system without hampering sustainability	Proposal introduced	On-going	Before 2008	After 2012		1. Macro economic stability 2. Economic and fiscal sustainability	1. Ensuring long-term fiscal sustainability. 7. The Commission added: stronger measures on fiscal sustainability.	1. Fiscal consolidation and implement the pension reforms	6. Active ageing strategy older workers pension adequacy.	Quality of public finance		The expected containment of expenditure will achieve an incidence at about 14% pf GDP in 2050	Six-monthly monitoring process	EMCO 18M4 Average exit age from the labour force-total(+)	Public finances

<p>Budget reform and spending review: a rationalization of the public spending at a centralized level as well as at a local one; limit to the public spending growth according to the new balance sheet structure by missions and programs; recalibration of the financial endowment among programs in the same spending mission; better quality of fiscal governance aimed at fighting fiscal evasion</p>	<p>Decision process concluded</p>	<p>On-going</p>	<p>Before 2008</p>	<p>Q4 2011</p>		<p>1. Macro economic stability</p>	<p>1. Ensuring long-term fiscal sustainability. 7. The Commission added: stronger measures on fiscal sustainability.</p>	<p>1. Fiscal consolidation and implement the pension reforms</p>		<p>Budgetary consolidation</p>				<p>eb060 General government budget balance</p>	<p>Public finances</p>
--	-----------------------------------	-----------------	--------------------	----------------	--	------------------------------------	--	--	--	--------------------------------	--	--	--	--	------------------------

4	<p>Measures for the containment of health care expenditure: the three-year stabilization plan of the public finance establishes that the health sector contributes to the public finance consolidation process starting 2010 with about 3 trillions saving. Corrective action through a digitalization process designed for monitoring the expenditure and the pertinence of the prescribed treatments</p>	Decision process concluded	On-going	Q3 2008	Q4 2013		1. Macro economic stability 2. Economic and fiscal sustainability	1. Ensuring long-term fiscal sustainability. 7. The Commission added: stronger measures on fiscal sustainability.	1. Fiscal consolidation and implement the pension reforms		Quality of public finance		The expected impact of the containment of health care expenditure is the following: in the period 2009-2013 the health care expenditure will achieve an annual growth rate of about 3.0% with an incidence at 6.8% of GDP. The expected containment of health care expenditure is about 3.000 millions. The State financing of NHS consists in: 102.683 million of euros for 2009, 103.945 million of euros for 2010 and 106.265 million of euros for 2011	Quarterly monitoring process	eb060 General government budget balance	Public finances
5	<p>Liberalisations: abolition of mobile services recharge tax and reduction of international roaming charges</p>	Decision process concluded	Fully implemented	Q2 2007	After 2012		13. Competitive markets and globalisation	2. Extending the area of free choice for citizens and companies.	2. Increase competition in products and service markets.		Competition		The Government and the Antitrust Authority are committed to closely supervise the results of this measure to avoid that it will bring to costs increasing for consumers		er02a1 Price of telecommunications	Competition

<p>Liberalisation citizen-consumer law (n. 248/2006): it introduces norms on competition and consumers rights. Norms on competition and consumers rights, regarding the following sectors: car insurance, OTC drugs selling, banking services and professional services</p> <p>Eliminating a series of restrictions on commercial distribution, sale of the bench medicines, activities in the sectors of the notaries, of the free professions, of assurances, banks, and taxis. Eliminating restrictions on market functioning in the car insurance sector and facilitating choices by consumers. Reducing costs for citizens in the OTC drugs selling sector. Cutting costs of banking services and introducing more transparency in the professional services sector</p>	Decision process concluded	Fully implemented	Q4 2006			2. Economic and fiscal sustainability 13. Competitive markets and globalisation 14. Competitive business environment	2. Extending the area of free choice for citizens and companies.	2. Increase competition in products and service markets.		Competition	Liberalisations involve sectors such as banking, insurance, retail, telecommunications, drug sales, and many others (see the text of the Report)		The Government and the Antitrust Authority are committed to closely supervise the results of this measure to avoid that it will bring to costs increasing for consumers	eb040 Inflation rate - (HICPs)	Competition
--	----------------------------	-------------------	---------	--	--	--	--	--	--	-------------	--	--	---	--------------------------------	-------------

7	<p>Financial market liberalisation</p> <p>Liberalisation of financial markets consists in two measures concerning mortgages: debtors can transfer the mortgage contracted to buy or refurbish the first house from a bank to another one who offers better conditions (portability under Law No. 40/2007); debtors can also transform a roll-over mortgage to one at a fixed rate avoiding consequences of rising interest rates (renegotiation under Law No. 126/2008)</p>	Decision process concluded	On-going	Q2 2007	After 2012		13. Competitive markets and globalisation	2. Extending the area of free choice for citizens and companies.	2. Increase competition in products and service markets.		Competition					Competition
8	<p>Payment account switching</p> <p>Making easier and less expensive to change the bank where the consumer has a current account. In particular, there is the syndicate "Pattichiani" including 167 banks: it permits to change freely among member banks</p>	Decision process concluded	On-going	Before 2004	After 2012		13. Competitive markets and globalisation	2. Extending the area of free choice for citizens and companies.	2. Increase competition in products and service markets.		Competition					Competition

9	<p>Recognition of professional qualifications. Implementation of Directive 2005/36/CE on the recognition of professional qualifications by Legislative Decree Nb. 206 of 9th November 2007</p> <p>The Directive establishes rules according to which each Member State shall recognise professional qualifications obtained in one or more other ones, if qualifications are necessary to access to a regulated profession</p>	Decision process concluded	On-going	Q4 2007	After 2012	The Decree of 28th April 2008 of Ministry of Justice has indentified the national representative associations of professions without registers and specific regulations	13. Competitive markets and globalisation 14. Competitive business environment	2. Extending the area of free choice for citizens and companies. 8. The Commission added: boost competition especially in network industries and services.	2. Increase competition in products and service markets.		Competition				eb040 Inflation rate - (HICPs)	Competition
10	<p>Full liberalisation of electricity demand. Starting from 1st July 2007 all consumers are free to choose their electricity supplier. Firms operating in the sector are submitted to informative obligations. On the supply side this law introduces the legal separation between selling and distribution activities of firms serving more than 100,000 final clients</p> <p>Completing the energy market liberalisation according to the European directives. Increasing the choices for consumers and reducing energy prices. Promoting transparency and competition in service supplying. Reducing market concentration and enhancing the liberalisation on the supply side</p>	Decision process concluded	On-going	Q3 2007	After 2012	For some aspects of the measures the sectoral Authority is enacting the necessary actions as regard tariffs design	13. Competitive markets and globalisation 14. Competitive business environment	2. Extending the area of free choice for citizens and companies.	2. Increase competition in products and service markets.		Competition				er02b2 Electricity prices - households	Competition
11	<p>Energy. Simplifying start-up procedure for energy infrastructures</p> <p>Reducing barriers to entry and enhancing better regulation in the energy market through simplification of procedures in electricity grid and energy power. Simplification about LNG terminals and gas storages</p>		On-going				14. Competitive business environment 16. EU infrastructure	2. Extending the area of free choice for citizens and companies.	2. Increase competition in products and service markets.		Competition				er031 Market share of the largest generator in the electricity market	Competition

12	<p>Developing a strategic medium long term view to create a stable frame for investments; Improving security of supply and rapid efficient response to crisis; developing a framework for stable and reliable investment that allows the return of nuclear energy</p> <p>Energy. Defining Piano Nazionale Energetico 2005-2030; improving security of supply by Updating Piano di Emergenza e Sicurezza del Sistema Elettrico; (PESSE)</p>		On-going				16. EU infrastructure	2. Extending the area of free choice for citizens and companies.							en021 Energy intensity of the economy	Sector regulation
13	<p>Ensuring greater neutrality in the management of essential infrastructures for the development of competitive energy markets. Avoiding discriminatory behaviour in the access to commercial information. Increasing costs transparency</p> <p>Code containing provisions governing functional and accounting unbundling for companies operating in the electricity and gas sector managing national energy infrastructures</p>	Decision process concluded	On-going	Q1 2007	After 2012	The Government has given mandate to the sectoral Authority to adopt new measures for the functional separation of gas storage activities	13. Competitive markets and globalisation 14. Competitive business environment	2. Extending the area of free choice for citizens and companies.	2. Increase competition in products and service markets.		Competition				er02b2 Electricity prices - households	Competition
14	<p>Boosting competition by intervening in a number of areas, from administrative simplification to service market opening</p> <p>"Three Year plan for the development" (Law 133/2008) containing measures directed to: simplifying the legislative environment, facilitating the entrepreneurial activities, reforming the local public services sector</p>	Decision process concluded	On-going	Q2 2008	Q4 2011		13. Competitive markets and globalisation 14. Competitive business environment 15. Entrepreneurial culture and SME's	2. Extending the area of free choice for citizens and companies. 8. The Commission added: boost competition especially in network industries and services.	2. Increase competition in products and service markets.		Competition				eb012 Real GDP growth rate	Competition

15	<p>Guillotine Mechanism. To reduce number of existing laws</p> <p>Simplifying regulatory environment. 3.000 laws abrogated in 2008</p>	Decision process concluded	On-going	Q2 2008	Q4 2011	<p>13. Competitive markets and globalisation</p> <p>14. Competitive business environment</p> <p>15. Entrepreneurial culture and SME's</p>	<p>2. Extending the area of free choice for citizens and companies.</p>	<p>2. Increase competition in products and service markets.</p>	Competition	er012 Real GDP growth rate	Competition
16	<p>Simplification and reorganisation of the legislation for one-stop shops. They will represent the unique access point to start up a productive activity. Besides the public administration, recognised private bodies could accomplish the task of one-stop shops and release the necessary authorisations to open up an activity</p> <p>To make effective the protection of economic initiative by entrepreneurial subjects</p>	Decision process concluded	On-going	Q2 2008	Q4 2011	<p>14. Competitive business environment</p> <p>15. Entrepreneurial culture and SME's</p>	<p>2. Extending the area of free choice for citizens and companies.</p>	<p>2. Increase competition in products and service markets.</p>	Competition	er081 Business demography - Birth rate	Business environment

<p>E-Justice. Electronic Civil procedure</p> <p>To promote the innovation of the Legal System by the introduction of Information Technology in order to increase the efficiency and productivity of Judges, Lawyers and Administrative staff. The E-Civil Procedure has been tested in some pilot projects (Bari, Bergamo, Bologna, Catania, Genova, Lamezia Terme, Padova) and it has been introduced at the Court of Milan. This measure has contributed to a significant reduction of the length of Proceedings and costs. The Project of the Court of Milan was among the 5 best projects of the European Crystal Scales of Justice Prize 2008</p>		On-going	Q1 2007			3. Efficient allocation of resources/ QPF 9. ICT	2. Extending the area of free choice for citizens and companies.								
--	--	----------	---------	--	--	--	--	--	--	--	--	--	--	--	--

18	National Operational Programme. The Programme is funded by ERSF (European Regional Structural Fund) and managed by the Ministry of Interior	The Programme aims at spreading better conditions of security, justice and freedom, for citizens and enterprises; improving lawfulness and re-qualifying areas of the southern Regions facing criminal phenomena. It pursuits the objective by two macro-interventions: 1) Ensuring more security, economic freedom and entrepreneurship; 2) Spreading better and lawful conditions of justice and security for citizens and enterprises. The macro-interventions envisages 5 activities: TIC and surveillance infrastructures; enforcement of border surveillance; promotion of	Decision process concluded	On-going	Q3 2007	Q4 2013	1. Macro economic stability 14. Competitive business environment	2. Extending the area of free choice for citizens and companies.	2. Increase competition in products and service markets.	4. Improve infrastructure southern regions.			810 Reference period 2007-2011. The measure previews an additional amount of 347 Mln of euros related to 2012-2013	1) Monitoring of physical, financial and procedural indicators; 2) Definition of the Programme Evaluation Plan (on-going); 3) Realization of evaluation activities (strategic and operational ones)	em051 Life-long learning - total	Immigration/ integration
19	Industrial Plan for the Public Administration: employment and bargaining. Urgent measures concerning employment and bargaining (DL 112/2008)	To enhance the quality of collective bargaining, to improve the productivity of public employment and to make the public expenditure for the PA more efficient	Decision process concluded	Fully implemented	Q3 2008	Q3 2008	3. Efficient allocation of resources/ QPF 8. Innovation	1. Ensuring long-term fiscal sustainability. 2. Extending the area of free choice for citizens and companies.			Quality of public finance				eb021 Labour productivity per person employed	Wages

20

<p>Industrial Plan for the Public Administration: efficiency of the PA. Measures concerning the increase of the productivity of public employment (Government law proposal). Measures for organizational efficiency and rationalization (Law Proposal 1441). Measures for the openness</p>	<p>Proposal introduced</p>	<p>On-going</p>	<p>Q3 2008</p>	<p>Q3 2009</p>		<p>3. Efficient allocation of resources/ QPF 8. Innovation</p>	<p>1. Ensuring long-term fiscal sustainability. 2. Extending the area of free choice for citizens and companies.</p>			<p>Quality of public finance</p>				<p>eb021 Labour productivity per person employed</p>	<p>Wages</p>
--	----------------------------	-----------------	----------------	----------------	--	--	--	--	--	----------------------------------	--	--	--	--	--------------

21

<p>Industrial Plan for Innovation. 12 agreements with the national administrations: innovation platforms for the competent sectors at national level. 42 agreements with Regions and their capitals. 2 infrastructural programmes. 2 special projects. Rules and standards. Reducing administrative burdens</p>	<p>Proposal introduced</p>	<p>On-going</p>	<p>Q3 2008</p>	<p>Q3 2009</p>		<p>8. Innovation 9. ICT</p>	<p>2. Extending the area of free choice for citizens and companies.</p>			<p>Competition</p>				<p>eb021 Labour productivity per person employed</p>	<p>Competition</p>
---	----------------------------	-----------------	----------------	----------------	--	---------------------------------	---	--	--	--------------------	--	--	--	--	--------------------

22	<p>Entrepreneurial education through training projects. The project "Network of virtual training firms" involves the schools asking the pupils to simulate an entrepreneurial activity in a firm. To favour the match between demand and supply of stages and create a virtual place of exchange for training experiences it has been realised the POLARIS Project</p>	Decision process concluded	On-going	Before 2004			15. Entrepreneurial culture and SME's 17. Full employment	4. Strengthening education and training.	3. Labour market relevance of education LLL undeclared work employment services to reduce regional disparities.		Labour market flexibility and security					Business environment
23	<p>Measures for youth. Funds to make easier to solve certain needs arising from work and to develop innovative and entrepreneurial activities for people under 35</p>	To develop innovative and entrepreneurial activities	Not yet initiated	Q1 2009	After 2009		17. Full employment 18. Life-cycle approach to work	9. The Commission added: increase labour supply and employment rates including by tackling regional disparities	3. Labour market relevance of education LLL undeclared work employment services to reduce regional disparities.				150		er081 Business demography - Birth rate	Business environment
24	<p>Fiscal incentives to SME for R&D (research personnel, PhD fellowships, research contracts)</p>	Increase private R&D investments, particularly in connection with University and research centers	On-going	Q1 2006	Q3 2008		7. R&D 8. Innovation 23. Human capital	3. Incentives for scientific research and innovation.							ir021 Gross domestic expenditure on R&D (GERD)	R&D and innovation

<p>Italian Institute of Technology. Reinforcing "Istituto Italiano di Tecnologia (DL 112 - 25 June 2008)</p> <p>Reinforcing an international center of reference for high technology scientific research</p>		On-going	Q3 2008	After 2008		7. R&D 8. Innovation	3. Incentives for scientific research and innovation.		1. R&D investment and efficiency.		<p>Since 1st of July 2008, the resources belonging to the IRI Foundation have been allocated to the Italian Technology Institute Foundation . These resources are assigned to both finance the Applied Research Programmes at national level (in order to support projects within strategic technological sectors) as well as to establish a network of high-specialized technological research infrastructures located within the main research public centres.</p>			ir023 Gross domestic expenditure on R&D (GERD) by source of funds - government	R&D and innovation
--	--	----------	---------	------------	--	-------------------------	---	--	-----------------------------------	--	--	--	--	--	--------------------

26	<p>Enacting the "Piano AeroSpaziale Nazionale 2006-2008"</p> <p>Strengthening the scientific base of the country, improving the technological level of the productive system to support competitiveness, increase growth and develop human capital through nine research areas: earth, universe, medical research, biotechnologies, telecommunications, naval research, space transportation, space habitability, specialised space training, space stations</p>		On-going	Q1 2006	Q3 2008		7. R&D 8. Innovation	3. Incentives for scientific research and innovation.					2854 Earmarked as at 31/08/2007: M 1.777 (The Ministry for University and Research provides financing for 1.992mln of the total earmarked sum)		ir021 Gross domestic expenditure on R&D (GERD)	R&D and innovation
27	<p>Developing 25 "Distretti Tecnologici" (technology clusters) to foster collaboration between local authorities, enterprises and public research</p> <p>Increasing the innovation capability of those companies belonging to high technology clusters</p>	Decision process concluded	On-going		Q4 2008		7. R&D 8. Innovation 10. Competitive industry	3. Incentives for scientific research and innovation.				370		ir140 High-tech exports	R&D and innovation	

28

<p>Industria 2015. Fund for competitiveness and development - Industrial technological innovation</p> <p>Promoting investments: projects for industrial innovation, requalification of SME's in 5 areas of technological innovation</p>		On-going			By that date is planned for the five technology areas, the approval of projects of Industrial Innovation, the exercise of calls and allocation of resources by approving lists of questions (graduatoria). Allocation of resources, implementation phase of projects and reporting of costs	7. R&D 10. Competitive industry	2. Extending the area of free choice for citizens and companies.					630		ir021 Gross domestic expenditure on R&D (GERD)	Competition
---	--	----------	--	--	---	------------------------------------	--	--	--	--	--	-----	--	--	-------------

29

<p>Fregate FREMM project. Franco-Italian collaboration for new polyvalent war frigates; EUROFIGHTER project. Anglo-Spanish-German-Italian collaboration. Medium Armoured Vehicles (VBM) project</p> <p>Internationalisation of the productive techniques of military shipbuilding and the electronics of command, control, communication and fight; strenghtening of the knowledge and productive skills in the high technology sector of Italian enterprises through the development of a strategic programme for national defence</p>		On-going	Q4 2008	After 2008		7. R&D 8. Innovation	3. Incentives for scientific research and innovation.				For FREMM, the new integrated architecture will be financed with yearly contributions, for 15 years: 24 mln from 2006, additional 24 mln from 2007, and additional 60 mln from 2008. For VBM initial funding to develop and realize the new integrated architecture will be assured by yearly contributions, for 15 years: 6 mln euros from 2006, additional 6 mln from 2007, and additional 15 mln from 2008	675		ir072 ICT expenditure - Telecommunications	R&D and innovation
---	--	----------	---------	------------	--	-------------------------	---	--	--	--	---	-----	--	--	--------------------

30	<p>To support access to scientific degrees (orientation actions, training for teachers in secondary schools, re-focusing of curricula, introduction of new curricula to better reflect labour demand)</p> <p>Increasing the number of applications and graduations in scientific degrees (chemistry, physics and mathematics), maintaining a high quality standard in order to facilitate professional integration</p>		On-going				8. Innovation 23. Human capital 24. Education and training	4. Strengthening education and training.							ir021 Gross domestic expenditure on R&D (GERD)	R&D and innovation
31	<p>Supporting research centers, strengthening collaboration among industry, universities, research centres. Developing research in the health field</p> <p>Achieving better co-ordination amongst the different actors involved in the development, dissemination and exploitation of scientific knowledge</p>	Decision process concluded	On-going	Q4 2009	The legislative framework has been set up in the 2008 financial manoeuvre. In some respects, linked to biomedical research, last July, the Minister of Labour, Health and Social Policies, has launched a public consultation (that will be for a period of 3 months)	3. Efficient allocation of resources/ QPF 7. R&D 8. Innovation	3. Incentives for scientific research and innovation.		1. R&D investment and efficiency.					ir021 Gross domestic expenditure on R&D (GERD)	R&D and innovation	
32	<p>Creation of the Fund for scientific technological research - "Fondo per gli Investimenti in Ricerca Scientifica e Tecnologica" (FIRST)</p> <p>Improving the effectiveness of research investments by overcoming the previous fragmentation of resources in order to support the National Research Programme 2008-2010</p>		On-going			3. Efficient allocation of resources/ QPF 7. R&D 8. Innovation	3. Incentives for scientific research and innovation.							ir021 Gross domestic expenditure on R&D (GERD)	R&D and innovation	

33	<p>Tax credits on costs incurred for industrial research and precompetitive development's activities</p> <p>Increasing private R&D investments through tax incentives</p>		On-going	Q4 2008	After 2008		7. R&D 8. Innovation	3. Incentives for scientific research and innovation.	2. Increase competition in products and service markets.			The plan was approved with the Financial Law 2007. Description of Cost: 10% of costs; 15% if costs are related to contracts signed with universities and public research institutions; Costs upper limit of 15.000.000/year	30		ir023 Gross domestic expenditure on R&D (GERD) by source of funds - government	R&D and innovation
34	<p>Measures for university students. Creation of 16,000 housing units for university students;</p> <p>Universities' buildings and student housing; Tax credits on costs incurred by university students for flat rental</p> <p>Remove obstacles that prevent less well-off students to choose universities that are located far from their hometown</p>		On-going			For universities' buildings and student housing the Financial Law 2007 approved earmarking of resources for a total amount of M 241 for the period 2007-2009 ("total cost of measure"). Student housing: M32 / year (2007, 2008, 2009). University buildings: M 125 (2007); M 15 (2008); M 5 (2009). Tax credits for costs incurred by university students for flat rentals are confirmed by Financial Law 2007. Cost & Earmarked: 19% of costs incurred (costs upper limit of 2.633 / student / year)	23. Human capital 24. Education and training	4. Strengthening education and training.							ir041 Science and technology graduates - total	Education and LLL

35	<p>Supporting internationalisation of University, through mobility of students, teachers and researchers;</p> <p>Revising recruiting policies and mechanisms for Professors and Researchers in Universities; Extraordinary three-years hiring plan for researchers in Universities; Unlocking of personnel hirings, including researchers, in public research bodies ("Enti pubblici di Ricerca") and Universities</p>	On-going					7. R&D 23. Human capital 24. Education and training	9. The Commission added: increase labour supply and employment rates including by tackling regional disparities								ir041 Science and technology graduates - total	Education and LLL
36	<p>Call for proposals IDEAS FIRB Starting Independent Researcher Grant dell'ERC</p> <p>Ensure that a significant number of young researchers cooperate with universities and public research institutions. Promote, support and relaunch the research sector</p>	On-going				7. R&D 8. Innovation	3. Incentives for scientific research and innovation.					30			ir023 Gross domestic expenditure on R&D (GERD) by source of funds - government	Education and LLL	

37	<p>Creation of the Agenzia Nazionale per la Valutazione dell'Università e della Ricerca - ANVUR (National Agency for university and research evaluation). Redefining the criteria to distribute recurrent funding across Universities towards a system based on the evaluation of research and training performances</p>	Rationalize the evaluation system of: 1)the quality of activities of public and private universities and research institutions that receive public funding; 2)the efficiency and effectiveness of national funding and incentive programmes supporting research and innovation	Not yet initiated				7. R&D 8. Innovation 10. Competitive industry	4. Strengthening education and training.						ir021 Gross domestic expenditure on R&D (GERD)	Education and LLL
38	<p>MIUR adopted a new procedure in order to be able to fund the projects selected by the JTIs or the Art. 169</p>	Due to the fact that the JTIs ARTEMIS and the art. 169 AAL and Eurostars require a combined funding of their projects between the Member states and the European initiatives, it was also necessary to harmonise the national funding procedure and the international ones	Fully implemented	Q3 2008			7. R&D	3. Incentives for scientific research and innovation.				The Italian support to Eurostars with a budget of 5 million euro per year and ARTEMIS, ENIAC and AAL to commit respectively a budget of 8, 10 and 2,5 million euro		ir021 Gross domestic expenditure on R&D (GERD)	
39	<p>Strengthening policy of patents</p>	Strengthening industrial competitiveness by enhancing patent and trademarks institutions and procedures and reinforcing protection against fraud and counterfeiting	On-going	Q3 2008			8. Innovation	2. Extending the area of free choice for citizens and companies.	2. Increase competition in products and service markets.		13			ir051 Patent applications to the European Patent Office (EPO)	R&D and innovation

<p>TEN-T Network. Priority Project n. 1 Berlino-Palermo railway axis*. Final design</p> <p>Reduction of time & costs in freight transport</p>	<p>Proposal introduced</p>	<p>On-going</p>	<p>Q1 2008</p>	<p>After 2008</p>	<p>16. EU infrastructure</p>	<p>5. Coherence across policy areas 14. Competitive business environment 16. EU infrastructure</p>	<p>5. Upgrading infrastructure.</p>	<p>2. Increase competition in products and service markets.</p>		<p>Competition</p>	<p>19 Nov 2007: The EU Comission granted a financial aid for the total amount of 786 M 193,35 for studies 592,65 for Works for equal percentage divided between Italy and Austria. Moreover a Community grant for the amount of 58,81 (41,9M for studies and 16,91 for Works divided between Italy and Austria) has been allocated to Italy for the Access line to the Bernner Tunnel on the Fortezza - Verona railway line March 2008 - BBT has transmitted the final design of the Brenner basis tunnel to the</p>	<p>1291 Period 2007-2013</p>		<p>en033 Road share of inland freight transport</p>	<p>Market integration</p>
---	----------------------------	-----------------	----------------	-------------------	------------------------------	--	-------------------------------------	---	--	--------------------	--	----------------------------------	--	---	---------------------------

41	<p>TEN-T Network Priority Project n. 6 Lyon-Torino- Trieste-Ljubljana- Budapest Ukrainian border rail axis. Preliminary design</p> <p>Reduction of time & costs in freight transport</p>	Proposal introduced	On-going	Q1 2009	After 2008	16. EU infrastructure	5. Coherence across policy areas 14. Competitive business environment 16. EU infrastructure	5. Upgrading infrastructure.	2. Increase competition in products and service markets.		Competition	Cross-border section, Turin- Lyon: - 19.2.2008: The EU Commission grants a financial aid for the total amount of 671,8 M - for the period 2007- 2013 - to be allocated for 63% to Italy and 37% to France. The total amount granted for Italy is 457,2 M and specifically, 126,2 M for studies and 331 M for works. - 29.6.2008: the "Observatory for the Val di Susa" has subscribed the document " □ terms of the agreement for the design of the new railway line and for the new regional transport policy". - 29.7.2008: Meeting of the	1380 Period 2007- 2013		en032 Volume of passenger transport relative to GDP	Market integration
42	<p>TEN-T Network. Priority Project n. 24 Genova- Rotterdam railway axis. Railway line Genova- Milano/Novara- Swiss border. Preliminary design</p> <p>Reduction of time & costs in freight transport</p>	Proposal introduced	On-going	Q2 2008	After 2008	16. EU infrastructure	5. Coherence across policy areas 14. Competitive business environment 16. EU infrastructure	5. Upgrading infrastructure.	2. Increase competition in products and service markets.		Competition	19.11.07 A Community grant of 5,05 M has been assigned to Italy for studies of the Voltri- Brignole link 17.7.2008 Transmission to the EU Commission of the financial decision for approval			en032 Volume of passenger transport relative to GDP	Market integration

43	<p>Motorway Salerno-Reggio Calabria</p> <p>Reduction of time & costs in freight transport</p>	Proposal introduced	On-going	Before 2004	After 2008	16. EU infrastructure	5. Coherence across policy areas 14. Competitive business environment 16. EU infrastructure	5. Upgrading infrastructure.	2. Increase competition in products and service markets.		Competition	Works completed, in progress or waiting for approval correspond to a total length of 360 km (82%). In particular, 166,5 km are completed and open to traffic; 26,7 km will be completed by Dec 2008. The budget available for the ongoing works amounts to 6,019 M; .For the projects under approval a budget of 1,626 M is foreseen. For the total completion of a segment of 64 km presently on design, a further budget of 2,122M is estimated as necessary.	6019		en033 Road share of inland freight transport	Market integration
44	<p>Programme for the broadband coverage in Emilia Romagna, Liguria, Lazio, Marche, Umbria and Sardegna</p> <p>Extending the broadband to Regions subject to market failure</p>	Decision process concluded	On-going	Q1 2006	Q4 2010	599 cities to be covered	3. Efficient allocation of resources/ QPF 5. Coherence across policy areas 8. Innovation	5. Upgrading infrastructure.	2. Increase competition in products and service markets. 3. Labour market relevance of education LLL undeclared work employment services to reduce regional disparities.	4. Improve infrastructure southern regions.	Competition		308 Co-funding by the Ministry of Communications and the Regions	Infratel Italia S.p.A. and Ministry	ir072 ICT expenditure - Telecommunications	ICT

45	<p>Measure addressed to develop the New Generation Networks and the Wi Max call for proposals</p> <p>Make the spread of the broadband easier and facilitate the roll-out of the electronic wired/wireless communication infrastructures</p>	Decision process concluded	On-going	Q4 2007	Q4 2008	<p>3. Efficient allocation of resources/ QPF</p> <p>11. Sustainable use of resources</p> <p>12. Deepen internal market</p>	5. Upgrading infrastructure.	<p>2. Increase competition in products and service markets.</p> <p>3. Labour market relevance of education</p> <p>LLL undeclared work employment services to reduce regional disparities.</p>	<p>3. Quality of regulation and impact assessment.</p> <p>4. Improve infrastructure souther regions.</p>	Competition		<p>260</p> <p>The only additional costs were those of the tender of frequencies allocation</p>	<p>Task-force for the development of the New Generation Networks</p>	<p>ir130</p> <p>Broadband penetration rate</p>	ICT
46	<p>Bill on the funding of the New Generation Networks and Ministerial Decree establishing the task-force for the development of the New Generation Networks"</p> <p>Infrastructural Plan for the Underutilised Areas in order to facilitate the adaptation of the electronic communication networks to the technological evolution and to provide advanced services in the framework of the task force</p>	Proposal introduced	On-going	Q2 2008		<p>2. Economic and fiscal sustainability</p> <p>9. ICT</p> <p>11. Sustainable use of resources</p>	5. Upgrading infrastructure.	<p>2. Increase competition in products and service markets.</p> <p>3. Labour market relevance of education</p> <p>LLL undeclared work employment services to reduce regional disparities.</p>	<p>3. Quality of regulation and impact assessment.</p> <p>4. Improve infrastructure souther regions.</p>	Competition		<p>800</p> <p>A budget of 800 millions of euro for 2007/2013 from the Fund for Underutilized Areas in accordance with art. 61 of the law 27 december 2002, n. 28</p>	<p>Task-force for the development of the New Generation Networks</p>	<p>ir072 ICT expenditure - Telecommunications</p>	ICT
47	<p>Digitalization of the terrestrial television system. Law n. 101/2008 art. 8 novies</p> <p>Measures replying to the European Commission's requests on the permits of radio-frequencies in the fields of sound and television. Foreseeing the timeplan for the digitalization of the entire terrestrial television system and making the sanction scheme more rational</p>	Decision process concluded	Fully implemented	Q2 2008	Q2 2009	<p>3. Efficient allocation of resources/ QPF</p> <p>8. Innovation</p> <p>14. Competitive business environment</p>	5. Upgrading infrastructure.	<p>2. Increase competition in products and service markets.</p> <p>3. Labour market relevance of education</p> <p>LLL undeclared work employment services to reduce regional disparities.</p>	<p>3. Quality of regulation and impact assessment.</p>	Competition			<p>Task-force for the development of the New Generation Networks</p>		ICT

48	Measures for the switch-off of the analogical television: Decree financing all digital areas, Decree establishing the Italia Digitale Committee and Decree for the timeplan of the digitalization of the terrestrial television system	Measures for the management of the switch-off of the analogical television and turning it into digital by 2012	Decision process concluded	On-going	Q3 2008	Q4 2012			3. Efficient allocation of resources/ QPF 8. Innovation 12. Deepen internal market	5. Upgrading infrastructure.	2. Increase competition in products and service markets. 3. Labour market relevance of education LLL undeclared work employment services to reduce regional disparities.	3. Quality of regulation and impact assessment. 4. Improve infrastructure southern regions.	Budgetary consolidation		40 The funding for the all digital areas draws from the budget law n. 296/2006	Italia digitale Committee	ir071 ICT expenditure - IT	ICT
49	Projects for the diffusion of renewable sources and energy saving	Increasing the use of renewable sources and promoting energy saving in penitentiaries, SMEs, secondary schools, public buildings, small islands, protected areas and sport centers	Decision process concluded	On-going					11. Sustainable use of resources	6. Protecting the environment.		2. Greenhouse gas emission targets.		74			en024 Renewable energy	
50	Institution of a Fund to increase the use of renewable energy and promoting energy efficiency	Monitor and reduction of GHG emissions and promotion of the production of electric energy from thermodynamic conversion of solar energy	Proposal introduced	Not yet initiated					11. Sustainable use of resources	6. Protecting the environment.		2. Greenhouse gas emission targets.		28 Financial Law 2008 art. 2 par. 322 (resources included in those identified art. 2 par. 321)			en024 Renewable energy	
51	Introducing fiscal incentive for energy savings (penetration of low emission and consumption vehicles)	Reducing GHGs emissions through the substitution of vehicles produced before 1996	Decision process concluded	Not yet initiated					7. R&D 11. Sustainable use of resources	6. Protecting the environment.		2. Greenhouse gas emission targets.		Financial Law 2007 par. 224-241			en010 Total greenhouse gas emissions	

52	Institution of a Fund to finance the measures for achieving the Kyoto Protocol's objectives for the years 2007-2009 (to develop & enhance use of high-efficiency industrial motors and the production of electricity, heat and refrigeration via small co-generation facilities with high-performance distribution)	To increase support in the achievement of the Kyoto Protocol objectives	Decision process concluded	On-going					11. Sustainable use of resources	6. Protecting the environment.		2. Greenhouse gas emission targets.			630 Funds earmarked for the 2007-2009 period for this fund amount to 200mln per year (par.1110-1115 Financial Law 2007); for the year 2007 further 30 mln come from Law 1 June 2002 n. 120	en010 Total greenhouse gas emissions	
53	Institution of the Fund for the Sustainable Mobility	Increase sustainable use of resources with the purpose to finance interventions to improve air quality in urban areas and for the increasing public transportation	Proposal introduced	Not yet initiated					11. Sustainable use of resources	6. Protecting the environment.		2. Greenhouse gas emission targets.			210 Funds earmarked for the 2007-2009 period for this fund amount to 90 mln per year (Financial Law 2007 par. 1121-1122)	en042 Urban population exposure to air pollution by particulate matter	
54	Package on lifelong learning / Education for Adults and School / work alternance	To increase lifelong learning; to promote social inclusion; to reduce regional disparities/to improve links between education and work; to prepare youngs to quickly enter the job market		On-going	Q4 2008	After 2008			18. Life-cycle approach to work 23. Human capital 24. Education and training	4. Strengthening education and training.	3. Labour market relevance of education LLL undeclared work employment services to reduce regional disparities.					em051 Life-long learning - total	Education and LLL

55	<p>Continuous training for labour inspectors</p> <p>Reduce undeclared work</p>	Proposal introduced	Not yet initiated	Q1 2009		17. Full employment	17. Full employment 18. Life-cycle approach to work	9. The Commission added: increase labour supply and employment rates including by tackling regional disparities	3. Labour market relevance of education LLL undeclared work employment services to reduce regional disparities.				7		em0611 Serious accidents at work - total	Education and LLL
56	<p>Women employment: the main aim is to regularize the employee through the creation of a system able to: 1) qualify the work throughout specific training courses in order to create a professional figure on home care services; 2) help workers entering in contact with employers; 3) more flexibility to work; 4) technical support to the regularization; 5) simplify the bureaucratic system of Regularisation; 6) awareness campaign to inform citizen about the importance of legal work</p> <p>Combating and eliminating the hidden work in the field of home care services and to give the possibility to work in a regular and safe way. The six winner projects will be able to assure the regularization of a large number of female workers within the whole Italian territory. The measure will permit to several families to have a regular and fair assistance to increase and improve female employment, the overall growth of the whole Italian economy and to eradicate women exploitation in the labour market.</p>	Decision process concluded	On-going	Q4 2007	Q1 2010	The time line start of the decision dimension was 12th December 2007. The time line end of the decision dimension was 5th June 2008. The time line start of the implementation dimension will be approximately on September and the project will end after 18 months.	13. Competitive markets and globalisation 17. Full employment 22. Labour costs	9. The Commission added: increase labour supply and employment rates including by tackling regional disparities	3. Labour market relevance of education LLL undeclared work employment services to reduce regional disparities.	3. Quality of regulation and impact assessment.	Labour market flexibility and security	The measures "Donne Sommers" is important both to reduce unemployment and to protect female workers in the home care services	7174758 The Departement for Equal Opportunities has allocated a financing of EURO 5 millions to sustain the project. It represent the 70% of the total, the other 30 % is in charge of the six participants winners of the Public notice.	In September 2008 the Department for Equal Opportunities will constitute a technical working group with the scope to monitor the development process of the six projects.	em012 Employment rate - females	Labour supply: women

57	<p>Positive actions to promote work-life balance</p> <p>The objective of the measure is to foster experimental positive action aimed at promoting work-life balance in particular within enterprises, among autonomous workers and professionals</p>	Decision process concluded	On-going	Q1 2007	After 2008		17. Full employment	9. The Commission added: increase labour supply and employment rates including by tackling regional disparities					39	For 2007, an amount of 21,000.000 has been allocated. In 2008, the amount was of 18,431.188. These resources finance, on request, specific actions aimed at promoting work-life balance.	em011 Employment rate - total	Job protection
58	<p>Fund for Youth and Special Guarantee Fund for first home purchase directed to one parent families with minors</p> <p>The first one has the aim to improve the cultural and professional education of youth and their inclusion in the social life. The second one facilitates the access to financing for young couples</p>		Not yet initiated	Q1 2009	Q4 2011		17. Full employment 18. Life-cycle approach to work	4. Strengthening education and training.	3. Labour market relevance of education LLL undeclared work employment services to reduce regional disparities.				246		er061 Loans to households for house purchases	Job protection
59	<p>The Special Plan for Early Childhood</p> <p>The Special Plan for Early Childhood aims at setting up a large, integrated qualified and varied networks of socio-educational services for early childhood and to provide complementary and innovative services at the workplace</p>	Decision process concluded	On-going	Q4 2007	Q4 2009	The time line start of the action was 26 September 2007. The time line end of the implementation should be approximately end of 2009 and first half of 2010, as far as allocation of resources is concerned. It also worth to mention a monitoring activity by the the State on the effective expenditure on childcare services by Regions	17. Full employment	9. The Commission added: increase labour supply and employment rates including by tackling regional disparities	3. Labour market relevance of education LLL undeclared work employment services to reduce regional disparities.	5. Childcare provision.	Labour market flexibility and security		728	The total amount (State and regional funds) has been allocated in 2007 and 2008 to finance new socio and educational services for early childhood. In line with regional plans, these resources has been distributed to every Region.	EMCO 18M3 Childcare	Education and LLL

<p>Active ageing: increased provision of employment services for workers (e.g. in case of restructuring); START UP of Industry-based Funds for Continuing Vocational Training</p> <p>To improve life and work quality; increase productivity; increase over-50 employment; significant growth of total workers and enterprises involved in training projects</p>	Decision process concluded	On-going	Q3 2007		18. Life-cycle approach to work	15. Entrepreneurial culture and SME's 18. Life-cycle approach to work	9. The Commission added: increase labour supply and employment rates including by tackling regional disparities	3. Labour market relevance of education LLL undeclared work employment services to reduce regional disparities.			192		em014 Employment rate of older workers - total	Labour supply: older
--	----------------------------	----------	---------	--	---------------------------------	--	---	---	--	--	-----	--	---	----------------------