Dipartimento del Tesoro

2014: A turning point for Italy

Structural reforms in Italy since september 2014

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Ministero dell'Economia e delle Finanze

INDEX

EXECUTIVE SUMMARY

THE REFORM'S STRATEGY

Since the start of the Italian Presidency of the Council the Italian government has underlined the importance of a comprehensive approach, based on the simultaneous implementation of structural reforms, fiscal policies and measures to support investment to boost flexibility, resilience, growth and employment. Taking stock of the Italian Semester, we are convinced this is the right policy recipe, as the risks of self-defeating fiscal consolidation are becoming more real, while the positive feedbacks for public finance sustainability obtainable from structural reforms are significant.

The Italian government is pursuing structural reforms which also plays an important role in the context of the Macroeconomic Imbalances Procedure and the European Union's strategy for growth and employment. To this end, the government is focusing on political and institutional changes as well as on structural measures to remove persistent impediments to full implementation of reforms.

In many cases, such as civil justice, simplification, public administration reform and many aspects of the labour market reform, plans represent a continuity with policies initiated in past years but aim at completing the process eliminating present rigidities and barriers to growth.

The government's plans stretch over three years, according to a pre-announced timetable. Accordingly, over recent months, the Government has introduced interrelated packages of structural reforms, while others are under way. They focus on job creation, improving competitiveness, strengthening growth and, therefore, fostering debt sustainability. Policy action includes:

1. Reform of the labour market - Jobs act (recently approved);
2. Measures to improve the efficiency of the public administration;
3. Reform of the civil justice system, as well as the reinforcement of the anti-corruption authority;
4. Deregulation of credit and improved access to capital markets that will increase financing alternatives for businesses, especially small- and medium-size firms;
5. Simplification of the tax system; shifting the tax burden from productive factors, and strengthening the fight against tax evasion;
6. Reform of the educational system to ultimately improve the quality of human capital.

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

In particular, the recently approved **Jobs Act** will allow for a more rapid response in adjusting production to cyclical and structural changes, with beneficial effects on investment and participation in the labour market, and a related reduction in the segmentation of the work force. By increasing employment, it will also faster the long term sustainability of the pension system, which is already one of the most solid thanks to past reforms. The Jobs Act is recognized by international organizations as a welcome step to put Italy on a more dynamic growth path. According to the OECD Economic Outlook projections, released at the beginning of November, in 2016 Italy's GDP growth is expected to achieve 1.0 per cent, confirming the policy scenario of the DBP. OECD estimates of the labour market reform impact suggest that within 5 years GDP would be 1.0 per cent higher than otherwise, 0.7 per cent of which by the Jobs Act implementation.

The building blocks of the labour-market reform have been set out in the enabling legislation approved in December. The enabling law empowers the government to introduce further flexibility in hiring and a new framework of passive and active labour market policies. The strategy relies, indeed, on a new type of open ended contract with employment protection increasing with tenure and a universal unemployment safety net associated with stronger active labour market policies. The government is also in charge of strengthening the work-family conciliation, rationalize contractual arrangements and simplify administrative procedures. The implementation of the enabling law is expected to be completed by June 2015. The government has already approved in a preliminary way two enabling decrees concerning the new standard contract and the universal unemployment scheme. Each enabling decree is then subject to the non-binding opinion of the Parliament.

At the same time, the Stability Law 2015 introduced a permanent **reduction in the tax wedge on labour and fiscal incentives for firms who hire workers with open ended contracts**. In particular, the reduction of the tax wedge for employees is accomplished by reducing the personal income tax for permanent employees earning less than €26,000 before taxes and, on an experimental phase, the possibility for employees in the private sector **to perceive in their paycheck, as part of their salary, quotas coming from severance pay** (so called 'TFR'). On the other hand, firms benefit from a deduction of the permanent labour cost from the taxable base of local business tax. Such a reduction has been extended to self-employees. Moreover, the new open-ended contracts agreed in 2015 will benefit from a 36-month full exemption from social security contributions.

The **reform of the justice system** is a crucial step in closing the efficiency gap that has adversely impacted not only on the public at large, but also and more importantly, on business activities. Important steps have been taken to improve efficiency in the judicial system, through reaching economies of scope and scale by the amalgamation of small courts, thus allowing some specialisation by judges. Next steps will focus on the final approval of the pending legislation concerning, among the most important, the statute of limitation and the magistrates responsibility. First results of the reforms undertaken in past years are becoming evident: between December 2009 and December 2013 pending backlog of civil cases were reduced by 14.9%; the length of proceedings, in cases in which mediation led to agreement, is about 70 days against 1,132 days for ordinary procedures in Court; increase in court fees applied by the Justice of the Peace in cases where administrative sanctions are challenged reduced the number of pending cases by 70%; starting from July 2014, injunction proceedings (*decreto ingiuntivo*) take 6 days instead of 15, as previously, thanks to the introduction of new on line procedures.

Measures taken in 2014 have also impacted positively on the **efficiency of public administration**. Reducing corruption remains a priority. The new anti-corruption agency ANAC has been enhanced, and the government is firmly committed to strengthen the law against corruption. The powers of suppressed Authority for the Supervision of Public Contracts (AVCP) moved to ANAC. ANAC President can propose to local Prefects to grant **extraordinary and temporary management to a contracting company,** limited to the complete execution of the contract subject to criminal proceedings.

Relaunching public investment is crucial to support the economic recovery in the whole Country and to trigger a medium-to-long term growth path in Southern regions. Cohesion policy has an important role to play in Italy, having become a key source of public investment, as in several Member States. In light of this assumption, Cohesion policy expenditure, notably in Southern regions, is essential to improve territorial competitiveness as well as to ensure quality standard for relevant public services in those areas. Acknowledging that sound public finances are beneficial for the effectiveness of EU Structural and Investment Funds, a full use of the flexibility in the application of the Stability Growth Pact, even beyond the recent proposal, is a pre-condition in order to properly implement the widespread investment programme supported by those funds. Greater attention will be given to the quality of expenditure. The full operation of the newly established Agency for territorial cohesion as well as a more result-oriented programming framework go in this direction. Other essential elements will be the completion of strategic planning identifying development trajectories in relevant policy areas as well as the strengthening of project capacity at national and regional level.

The **management of structural funds** has improved: as of December 2014, the certified expenditure of EU Funds for 2007–2013 reached 70,7% % of total available resources. In expenditure for 2014 exceeds the Commission target: 7.9bn in a year, for a total of 33bn since the programming start. After the approval of its Statute, the Territorial Cohesion Agency is fully operational.

The newly approved decree law on **banking system** and investments will mark a turning point in the **governance of cooperative banks** with assets worth more than €8bn, with the aim of reinforcing the banking sector in Italy and adapting it to the European scenario. As a consequence, 10 cooperative Italian banks will have to transform into joint-stock companies in 18 months and remove their "one share one vote" governance rule. The legislation adapts to ordinary practices the governance of larger cooperative banks, that in the majority of cases are also listed companies. The ultimate goal of the intervention is to ensure that the available liquidity will turn into credit to households and businesses and to promote the availability of better services at more competitive prices.

The reform of the banking governance goes in hand with the **investment compact**, approved with the same decree law. The main features of the compact are: the establishment of a Service Company for the renovation, financial recovery and industry consolidation of Italian enterprises with temporary capital and financial difficulties; the authorization[1] for SACE to provide direct credit (acting as a bank), in its activity of supporting exports and internationalization of Italian economy; the establishment of the new category of 'innovative SMEs' to which the advantages of Start-ups have been extended; the tax relief on patent (so called Patent Box) is strengthened, including

[1] Upon authorization of the Bank of Italy.

trademarks among the activities receiving tax benefits, so as to attract qualified investments; extension of the exemption of the withholding tax to all revenues received by the funds entitled to provide direct credit to firms; optional use of '*Cassa Depositi e Prestiti*' supplies for banks and financial intermediaries that provide funding to SMEs.

Tight budget constraints mean that scarce public resources need to be used as efficiently as possible. The current and previous governments have launched a number of initiatives to improve efficiency in public spending. These include a much wider use of the Consip system for **public procurement**, the full use of an online database for public scrutiny of the expenditure of local administrations.

The Government is strongly engaged in improving the quality of **the education system**. The strategy designed by '*La Buona Scuola*' initiative hinges on: i) an extraordinary recruitment plan providing schools with an increased and stable staff; ii) teachers carriers shifts based on evaluation and merits; iii) increased transparency in the school management and public evaluation report; v) tax incentives and fast-track administrative procedures to allow for private investment in schools and didactical offer; iv) mandatory vocational training for technical and professional curricula; v) improved digital skills and computational thinking, as well as foreign languages. The Stability Law 2015 has already allocated €1bn in 2015 and €3bn by 2016 for implementing the educational plan.

A more equitable and efficient **tax system** complete the reform framework, making tax compliance more easy and the fiscal system more close to businesses and citizens. The enabling law on fiscal reform is under implementation with several decrees already adopted by the government, after the positive assessment of the Parliament. They provide for the rationalization and simplification of fiscal procedures, revision of the cadastral system, and the revision of the taxation on tobacco products. From this year the simplification of personal tax obligations through pre-filled tax returns will be available for permanent employees and pensioners (around 20mn taxpayers). Many simplifications have been realized on the field of tax repayment obligations, corporate tax obligations, as well as abrogation of unnecessary hurdles for firms and citizens. Also the Stability Law 2015 contains provisions aiming at streamlining the tax framework for professionals and self-employed.

As for the **fight against tax evasion and elusion**, the government recently introduced the voluntary disclosure of financial information related to undeclared taxable revenue or income held abroad or in Italy. At the same time, the legislation was improved by introducing the provision of a new crime for self-money laundering. The fight against tax evasion was enhanced also by the recent international agreements on the exchange of relevant information discussed among the EU Member States. Besides, on October 2014, Italy signed a multilateral agreement to automatically exchange financial information based on OECD standards, beginning 2017.

A crucial step has also been taken with new **tax agreement between Italy and Switzerland**[2] ending banking secrecy, reached after three years of negotiations. As a result any type of tax information will be shared between the two countries. In no circumstances it will be possible for banks, financial intermediaries and trusts to decline to provide the information they hold.

[2] The signing of the agreement by the respective Finance ministers will take place in February, before the March 2 deadline of the discipline for the repatriation of funds, and therefore making it possible to avoid double sanctions and double checks.

Moreover, as concerns the public finance planning and decision process, in 2015 the reform for the introduction of a balance-budget provision (law n. 243/2012) will be further implemented, reinforcing the allocation function of the budget (through the unification of the draft budget and stability law) and establishing new principles on the balance of local governments in a view of taking into account the effects of the economic cycle on their budgets and overcoming the current domestic stability pact. Delegated legislation on cash-based accounting and the completion of the State budget reform is also due, paving the way for a more substantial integration of the spending review in the annual budget cycle.

The reform agenda is on track but the essential condition for its full implementation relies on the important **changes to the institutional setting**, to tackle political instability and weak administrative capacity. The incomplete implementation of reforms is often due to political changes and legislation reversal by subsequent governments. The present government has therefore focused its efforts on improving the law-making process with a new architecture of the parliament and a reduced and more clearly-defined role of sub-national governments. These important institutional changes are expected to be completed by the end of 2015.

The Government efforts in the next months will concentrate in completing and upgrading its ambitious plan of reforms, with the firm view that implementing structural reforms simultaneously would be self-reinforcing and generate significant growth synergies. This position is also shared by international organisations that in the past months have analysed the Italian reform process (such as IMF), and confirmed by the convergent estimates on the reform's impact by the OECD.

The IMF in particular, "*welcomed the bold policy agenda set out by the new government*" and recognised that "*the proposed changes to the labour market, the judicial system, the public sector, and the electoral law are important steps for supporting future growth*".

The Government has repeatedly shown that reforms announced and implemented will have a significant impact on GDP growth. As reported in the tables below, the overall impact estimated by the Government - obtained by summing up the results in each single domain of intervention - is confirmed also by **the OECD**.

REFORMS IMPACT ON GDP IN 2020

	IT Government estimates	OECD estimates
Product Market Reform	1.1	1.5
Labour Market Reform	0.9	1.0
Public Administration and judicial system	1.4	0.6
Tax wedge reduction (1)	0.2	0.2
Total	**3.6**	**3.3**

(1) It worth noticing that OECD estimates included just the €80 IRPEF cut (in the form of a cut in the labour tax wedge) while the Italy's Government estimates incorporated both €80 IRPEF cut and the labour cost reduction from IRAP.

Note: The impact on GDP is intended as percentage deviation from a baseline scenario.

In fact, the considered measures contribute to enhance GDP by 3.6 per cent in 2020 according to Italy's government evaluation, while in the same period OECD estimates the overall impact on GDP by 3.3 per cent.

In particular, the area of interventions where the most beneficial effects on GDP accrue to is Product Market, whose effects range from 1.1 per cent for Italy's government up to 1.5 per cent according to OECD evaluation. Moreover, the reforming action in Labour market area is found to stimulate GDP by around 1 per cent in 2020 in both Italy's government as well as OECD evaluations. Public administration and judicial system reforms are estimated to boost GDP by 0.6 per cent according to OECD evaluation and by 1.4 in Italy's government assessment.

OECD estimates suggest that within five years GDP would be 3.5% high than otherwise thanks to reforms, through improvements in productivity and employment. In the following five years a further gain of similar magnitude could be expected.

STRUCTURAL REFORMS AND SPILLOVERS

Recently it is becoming increasingly clear that the effects of some structural reforms may take time to materialize and the gains may be diffuse and unevenly distributed. According to some studies on this topic[3], model-based evaluations show that cross-country spillovers, complementarities as well the trade-offs between reforms in different domains tend to be limited in size, furthermore making it difficult to disentangle the effects of specific reforms undertaken from other structural adjustments. Of course, the size and the sign of possible spillovers between reforms depend on several factors which is hard to predict with sufficient accuracy.

On the other hand, fiscal austerity plans are likely to severely reduce the positive effects of structural interventions, especially during the first years of reform process. In fact, fiscal consolidation packages are likely to draw significant and immediate adverse spillovers mainly via demand shocks. The incidence of such spillovers is likely to be more pronounced in times of economic setback. In the context of a prolonged crisis, indeed, some transmission channels tend to be largely affected and specific internal conditions may contribute to the amplification of such spillovers (namely, the presence of a large share of credit-constrained households may magnify the negative consequences of a tight fiscal consolidation). Furthermore, some nonlinearities may arise and some further negative spillovers might materialize only once certain thresholds are exceeded. As a result, **fiscal austerity plans are likely to severely erode the positive effects of structural interventions,** even if the policy effort to bring in such reforms is substantial and ambitious.

FOCUS

Stability Law 2015- Main features (CSR 1)

- Net borrowing/GDP: at 3.0% in 2014 and 2.6% in 2015, close-to-balance in 2018; debt/GDP to decline from 2016.
- Reduction in structural deficit: 0.3pp of GDP in 2015, 0.2pp in 2016, 0.4 in 2017 when balance budget is projected.
- New spending instruments to support the reform process.
- Significant spending cuts to provide financing.
- The Spending Review will be increasingly integrated within the annual budget process. It applies to national, regional and local spending. The DBP sets cumulative savings targets up to 11.3bn in 2015, 12.4bn in 2016, 13.4bn in 2017 and 15. 6bn in 2018.

[3] References: In 't Veld, J. (2013), Fiscal consolidations and spillovers in the Euro area periphery and core, European Economic Papers no. 506.

- Foresees a rationalisation of expenditure for Central Government, Regions, Provinces and metropolitan cities, as well as municipalities for €15bn.
- Easing of the Domestic Stability Pact for investments.
- Implementaion of the Health Pact 2014-2016.

Privatisations (CSR 1)

- Rules to divest initial tranches of ENAV (up to 49%) and Poste Italiane (up to 40%) already set.
- Ongoing work related to other companies directly or indirectly owned by the State (i.e. STM, ENEL, ENI and FS).
- Fincantieri already listed (€1.3bn cap., initial share offering of €350mn) and RaiWay (€1.1bn cap., i.s.o. of €300mn).
- 35% of CDP Reti (which owns 30% of Terna and 30% of SNAM) for €2.1bn.

Tax Wedge (CSR 2)

- Permanent reduction in the tax wedge on labour.
- Provides additional resources for extending the short-term wage supplementation schemes (ASPI) to involuntary unemployed, including atypical workers.
- Deduction of the labour component from IRAP.
- Possibility for employees in the private sector to perceive in their paycheck, as part of their salary, quotas coming from severance pay (so called 'TFR').
- Structural bonus of €80 for permanent workers.
- New hiring exemption from Social Security contributions.
- Tax credit on private R&D investments and patent box.
- Measures for families with children.

Fight against tax evasion (CSR 2)

- Voluntary disclosure of financial information related to undeclared taxable revenue or income held abroad or in Italy.
- Legislation improved with the provision of a new crime of self-money laundering.
- Foreign Account Tax Compliance Act (FATCA) between US and IT.
- On October 2014, Italy signed a multilateral agreement to automatically exchange financial information based on OECD standards, beginning on 2017.
- Agreement between Italy and Switzerland to end banking secrecy,

Reform of the civil justice (CSR 3)

- Decree Law converted into Law in November 2014.
- Out-of-court proceedings enhanced and possibility of access to Alternative Dispute Resolution (ADR) procedures (so-called 'Arbitrato e Negoziazione Assistita') expanded.
- For legal separation and divorce, easier access to out-of-court proceedings and other simplifications for minor cases.
- A pending draft enabling law contains: i) measures strengthening special courts for companies; ii) special courts for human rights and family-related issues; iii) increased certainty on length of proceedings.
- As regard criminal justice, the bill approved by the Government contains: i) provisions against economic crimes (i.e. money laundering, etc.); ii) severe sanctions for accounting frauds; iii) tougher measures to fight mafia.
- On procedures: i) revision of the statute of limitations; ii) provisions for compensatory actions in substitution of sentences.
- A draft enabling law foresees: i) civil responsibility of magistrates according to the EU model; ii) a reform of honorary magistracy and justice of the peace officers.

The decree law on banking system and governance of cooperative banks (CSR 4)

- In 18 months, cooperative banks with assets worth more than €8bn will have to transform into joint-stock companies, removing their "one share one vote" governance rule.

- The reform could foster consolidation and more modern governance for an important part of the Italian credit system.
- The decree law also takes action regarding the long-standing problem of proxy votes. The bylaws of cooperative banks will need to indicate that no less than 10 and no more than 20 proxy votes are allowed.

Jobs Act (CSR 5)

- The enabling law on reforming the labour market has been approved.
- Strengthening ALMPs: better coordination between active and passive labour market policies even through the creation of a National Agency and the strengthening of the partnership between public and private employment services; rationalisation of tax incentives to self-employment and employers.
- Unemployment insurance and benefits: unemployment benefits extended to all types of workers and conditioned to the individual activation in labour search; tightened criteria for the wage supplementation schemes in case of business closure.
- Rationalisation of contractual arrangements: streamline the labour code with a revision of employment contracts; introduction of a new open ended employment contract with increased flexibility with the provision of the sole economic indemnity in case of economic dismissal.
- Simplification and digitalisation of administrative procedures specifically related to hiring and employment.
- Strengthening work-family conciliation: enhanced childcare and eldercare services, extension of the maternity leave, improved work-life balance measures within the national collective agreements.
- The government has already approved in a preliminary way two enabling decrees concerning new rules for the new open-ended contract and the new social safety net.
- Provides resources for the School and Education Reform "*La Buona Scuola*" i) recruitment of teachers and ii) school-to-work alternation initiatives;

Simplification and better legislation (CSR 7)

- The **Simplification Agenda for 2015-2017** approved in December 2014. Five sectors of intervention: digital citizenship, health and welfare, taxation, construction, and business. A total of 38 simplification actions with expected results to be published on line.
- Unified and standardised application forms for citizens and firms (e.g. SCIA in the construction sector).
- Speeding up of e-invoicing for commercial transactions between the PA and suppliers.
- Implementation rate of the norms approved under the previous governments proceeded at fast pace in the first half of 2014. As for the initiatives of previous Governments (Monti and Letta), of the 889 pieces of secondary legislation required, 65% have been adopted.

Sblocca Italia decree and Strategic Infrastructures (CSR 8)

- The 'Unlock Italy' decree supports public works through: i) administrative simplifications; ii) €4bn of public resources allocated to the kick-off of planned infrastructures; iii) €2.2bn of private resources invested in highways.
- Large and ultra-large broadband: 50% tax credit on IRAP and IRES for investment in ultra-broadband network.
- Energy infrastructure: i) the typologies of strategic energy infrastructures have been identified: natural gas pipelines - import and national transmission networks, the storage of natural gas and regasification terminals; ii) the State competency on investments related to strategic energy infrastructures has been duly enforced.
- Harbour infrastructures: the national strategic plan for ports and logistics is going to be approved soon by the Government.
- Plan for the Made in Italy.

GOVERNMENT'S PRIORITIES IN THE COMING MONTHS

POLICY FIELDS	DONE	IN PROGRESS	IMPACT ON GDP[4]	TIMETABLE
INSTITUTIONAL REFORM		Draft Law on reforming the electoral system	-	By April 2015
		Draft Law on constitutional reform	-	By 2015 (if no constitutional referendum)
LABOUR MARKET AND SOCIAL POLICY	Enabling law on labour market reform (L.183/2014)		In 2020: 0.5% In the long run: 1.6%	December 2014
		Becoming Law: Lgs.D. on standard open end contract; Lgs.D. on new unemployment benefit scheme		By February 2015
		To be presented by Gov.t: Lgs. D. on code of labour contracts; Lgs.D. on wage supplementation scheme; Lgs.D. on work-life balance; Lgs.D. on simplification of procedures.		From February 2015
		To be presented by Gov.t: Lgs.D. on National Employment Agency; Lgs.D. on National Agency for Safety and Health at Work		By May 2015 (subject to the Drafting of the Revision of the Constitution)
	Youth Guarantee	Reinforcement of apprenticeship	-	First semester 2015
JUSTICE	Reform on civil justice (D.L. 132/2014, converted into Law 162/2014)		In 2020: 0.2% In the long run: 1.0%	November 2014
	Reform on criminal justice (D.L. 92/2014 converted into Law 117/2014)			August 2014
		Bill on the revision of penal code related to the statute of limitation; on sanctions in case of excessive length of proceedings; increase the rights of defence (under discussion at the Parliament)		First Semester 2015
		Bill on the responsibility of magistracy (under discussion at the Parliament)		First Semester 2015
		Bill against falsification of financial statement		First Semester 2015
		Bill on fight against crime and mafia		First Semester 2015
ANTI-CORRUPTION		Bill increasing sanctions in case of corruption, under discussion at the Parliament	-	First Semester 2015

[4] The impact of the reforming measures is estimated with the help of the quantitative models in use at the Ministry of the Economy and Finance (MEF): QUEST III, ITEM and IGEM models. Two scenarios are considered: i) the Trend scenario, which includes major reform provisions embedded into law and fully enforced; ii) the Policy scenario, which incorporates both the Trend scenario and the effect of measures expected to be introduced by the Government over the near future. The impact on GDP growth is detailed for 2020 as difference between the policy and the trend scenario. As for the long run, it is the overall impact with respect to the baseline.

POLICY FIELDS	DONE	IN PROGRESS	IMPACT ON GDP	TIMETABLE
TAXATION	Enabling Law on tax reform (L. 23/2014)		-	March 2014
	Enabling legislative decrees on fiscal simplification (D.Lgs.175/2014), tobacco products (D.Lgs. 188/2014), Cadastre committee (D.Lgs. 198/2014)	Legislative decrees on: cadastral values; certainty of taxation; taxation of individual entrepreneurs; monitor and reduction of tax evasion and tax expenditure; VAT electronic invoicing; collections procedures; measure for improving and simplifying taxation of international business; tax on gambling.	(Fiscal simplification included in the estimated impact of PA reform)	By February 2015
		Legislative decrees on: auditing and assessment procedures, litigation procedures revision of administrative sanctions	-	By June 2015 (in case of expiration date of enabling law postponed)
	Reduction of labour tax wedge (Stability Law 2015 – L.190/2014)		In 2020: 0.2% In the long run: 0.2%	December 2014
	Reform on Self- laundry (L. 186/2014)			December 2014
PRIVATISATION	Decrees (DPCM) required on the privatisation criteria for Poste Italiane and ENAV; IPO on Fincantieri (Gruppo CDP) and RAI WAY (Gruppo RAI).	Privatisation of ENEL (5%), POSTE ITALIANE (40%), FERROVIE DELLO STATO (subject to the related DPCMs), ENAV (49%), Grandi Stazioni.	Expected income from privatisation: 0.7% per year over 2015-2017	By 2015 (only for FS by 2016)
INFRASTRUCTURE	'Sblocca Italia' Decree (L.164/2014)	National plan on ports and logistics		By 2015
COMPETITION		Annual law on competition to be presented by the Government	In 2020: 0.8% In the long run: 3.2%	By February 2015
	Approval on January, 2015 of the so-called 'Investment Compact' Decree	To be converted into Law	-	By March 2015
EDUCATION	Launch of the Plan 'La buona scuola', approved by the Government and available for public consultation.	Reform package on plans for recruitment, vocational training, merit based approach on carriers.	In 2020: 0.3% In the long run: 2.4%	By February 2015
PUBLIC ADMINISTRATION and SIMPLIFICATION	Simplification and efficiency of P.A. and judiciary offices (D.L. 90/2014, converted into Law 114/2014)		In 2020: 0.5% In the long run: 2.3%	August 2014
		Enabling Law on reforming the PA		By June 2015
	Approved the Simplification Agenda 2015-2017.			December 2014
		Adoption of non-legislative acts required for the implementation		As set in the Simplification Agenda (for the construction sector the completion is set for 2016)
ENVIRONMENT		Green Act	-	First semester 2015
IMPACT OF THE PLANNED REFORMS AS DIFFERENCE BETWEEN PLANNED AND TREND SCENARIO IN 2020 2.5%				
OVERALL IMPACT OF THE REFORM ACTION: 3.9% IN 2020; 10.7% IN THE LONG RUN				

THE IMPACT OF STRUCTURAL REFORMS IN ITALY

The Update to the Document of Economy and Finance (DEF) and the Draft Budgetary Plan 2015 (DBP) presented new estimates of the impact of recent reform measures with the help of the quantitative models in use at the Ministry of the Economy and Finance (MEF) (QUEST III, ITEM and IGEM models).

With respect to estimates made in October, the present update investigated further areas of reform and tested their impact on growth.

As in DBP two scenarios are considered:

- The Trend scenario, which includes major reform provisions embedded into law and fully enforced. This scenario represents an update of estimates presented in the DEF 2014 back in April as it takes into account implementation delays.
- The Policy scenario, which incorporates both the Trend scenario and the effect of measures expected to be introduced by the Government over the near future and that, at present, are not yet law.

Specific areas of intervention include: i) the Public Administration (PA) and Simplification ; ii) Competitiveness; iii) the Labour market and iv) Justice; v) Education; vi) Tax wedge reduction.

It should be noted that for the first two policy areas of interventions, the long-run effects of the Trend scenario are equal to those presented in the DEF 2014, while the medium-run effects have been revised so as to account for some implementation delays of the reforms.5 As regards the Policy scenario, the additional policy areas have been examined, namely education and tax wedge reduction. In the policy areas of labour market and justice, we observe that the effects of the Policy scenario are larger than those of the Trend scenario, both in the short and in the long run. In this case, in fact, the planned reforms bring about a deeper change in the structural parameters of the economy than that generated in the context of the previous legislation.

The overall impact of the interventions in the considered policy areas (i.e. Public Administration, Competitiveness, Labour market and Justice, Education and Tax Wedge Reduction) are obtained by summing up the results obtained in each single domain of reform. The considered measures contribute to enhance GDP by 1.4 per cent in 2020 in the Trend scenario and by 3.9 per cent in the Planned one (see Table 1). In the long run the estimated impact on GDP is 7.3 per cent in the Trend scenario and 10.7 per cent in the Planned scenario.

[5] In the policy area of Competitiveness, the long-run impact in the Trend scenario is slightly smaller than that presented in the DEF 2014 (the effect on GDP is +3.2 per cent in the Trend scenario and +3.4 per cent in the DEF 2014). Some provisions of this policy area, in fact, concerned the personal income taxation (IRPEF), of which the assessment has not been considered in the present analysis of the impact of structural reforms, being the object of a separate analysis on the Stability Law, published in the Update to the Document of Economy and Finance, Tab. II.4.

TABLE I. MACRO ECONOMIC IMPACT ON GDP FOR POLICY AREA (percentage deviations from baseline scenario)							
	2015	2016	2017	2018	2019	2020	Long run
TREND SCENARIO							
Public Administration	0.1	0.2	0.3	0.4	0.4	0.5	2.3
Competitiveness	0.1	0.1	0.2	0.2	0.3	0.3	3.2
Labour market	0.1	0.2	0.3	0.3	0.4	0.4	1.4
Justice	0.1	0.1	0.1	0.1	0.2	0.2	0.4
TOTAL	*0.4*	*0.6*	*0.9*	*1.0*	*1.3*	*1.4*	*7.3*
PLANNED SCENARIO							
Public Administration	0.1	0.3	0.5	0.7	0.8	1.0	2.3
Competitiveness	0.1	0.1	0.3	0.5	0.8	1.1	3.2
Labour market	0.1	0.3	0.5	0.6	0.8	0.9	1.6
Justice	0.1	0.1	0.2	0.2	0.4	0.4	1.0
Education	0.1	0.2	0.2	0.2	0.2	0.3	2.4
Tax wedge reduction	0.1	0.1	0.1	0.1	0.1	0.2	0.2
TOTAL	*0.6*	*1.1*	*1.8*	*2.3*	*3.1*	*3.9*	*10.7*

FOCUS

OECD simulations

The Government efforts in the next months will concentrate in completing and upgrading its ambitious plan of reforms, with the firm view that implementing structural reforms simultaneously would be self-reinforcing and generate significant growth synergies. This position is also shared by international organisations that in the past months have analysed the Italian reform process (such as IMF), and confirmed by the convergent estimates on the reform's impact by the OECD.

The Government has repeatedly shown that reforms announced and implemented will have a significant impact on GDP growth. As reported in the tables below, the overall impact estimated by the Government - obtained by summing up the results in each single domain of intervention - is confirmed also by the OECD. The Government has repeatedly shown that reforms announced and implemented will have a significant impact on GDP growth. As reported in the tables below, the overall impact estimated by the Government - obtained by summing up the results in each single domain of intervention - is confirmed also by **the OECD**.

REFORMS IMPACT ON GDP AT 2020 (percentage deviations from baseline scenario)		
	IT Government	OECD
Product Market Reform	1.1	1.5
Labour Market Reform	0.9	1.0
Public Administration and Judicial System	1.4	0.6
Tax wedge	0.2	0.2
Total	**3.6**	**3.3**

In particular, the area of interventions where the most beneficial effects on GDP accrue to is Product Market, whose effects range from 1.1 per cent for Italy's government up to 1.5 per cent according to OECD evaluation. Moreover, the reforming action in Labour market area is found to stimulate GDP by around 1 per cent in 2020 in both Italy's government as well as

OECD evaluations. Public administration and judicial system reforms are estimated to boost GDP by 0.6 per cent according to OECD evaluation and by 1.4 in Italy's government assessment, while tax wadge reduction is expected to reach 0.2 per cent in both estimates. Overall, OECD estimates suggest that within five years GDP would be 3.3 per cent high than otherwise thanks to reforms, through improvements in productivity and employment.

Public Administration and Simplification

This area includes reforms that aim to improve the business environment by reducing the regulatory burden, coupled with the elimination of substantial barriers on starting new businesses. The following are the measures associated to each scenario:

- Trend scenario:
  - Decree Law no. 5/2012, cvt. into Law 35/2012 – so called 'Semplifica Italia';
  - Decree Law no. 90/2014, cvt. into Law 114/2014 – Misure urgenti per la semplificazione e la trasparenza amministrativa e per l'efficienza degli uffici giudiziari.
- Policy scenario
  - Lgs. Decree no. 175/2014 on fiscal simplification (under the enabling law on tax reform);
  - Draft enabling law on the reorganisation of the Public Administration (DDL 1577/2014).
  - Simplification Agenda 2015 – 2017 (ex. art. 24 D.L.90/2014) as approved by Cabinet on Dec. 2014

Estimation methodology for the policy scenario. Simulations were made by using QUEST III. Reforms in this area are assumed to reduce overhead labour cost. Furthermore, simulations took advantage of elasticities from a recent contribution by the European Commission and then mapped in our model.[6] According to these estimates, the reduction of hurdles to businesses is in the order of 3 per cent. In this scenario, we maintain the assumptions adopted in the NRP 2012 on the size related to the reduction of entry costs and of overhead labour cost. At the same time, we assume that the effects of those measures foreseen by the legislation, but still missing the implementation decrees, are delayed. In details, the assumptions for the quantification of impact are:

- **Transmission mechanism of the shock**: overhead labour cost;
- **Shock size**: 3 per cent, obtained by modelling in QUEST III the reduction in administrative burdens to get the estimated impact on labour productivity.

[6] Lorenzani D., Varga J., 2014, The Economic Impact of Digital Structural Reforms, Economic papers 529, European Commission, p. 37 table IV.

TABLE II. MACRO ECONOMIC IMPACT OF REFORMING THE PUBLIC ADMINISTRATION (percentage deviations from baseline scenario)							
	2015	2016	2017	2018	2019	2020	Long run
TREND SCENARIO							
GDP	0.1	0.2	0.3	0.4	0.4	0.5	2.3
Consumption	1.2	1.2	1.3	1.3	1.4	1.5	2.0
Investment	-0.6	-0.6	-0.7	-0.7	-0.6	-0.6	0.7
Labour	0.1	0.1	0.0	0.0	0.0	-0.1	-0.3
PLANNED SCENARIO							
GDP	0.1	0.3	0.5	0.7	0.8	1.0	2.3
Consumption	1.4	1.4	1.6	1.6	1.7	1.9	2.0
Investment	-0.8	-0.7	-0.8	-0.7	-0.5	-0.4	0.7
Labour	0.2	0.1	0.0	0.0	0.0	-0.1	-0.3

Estimation results. The two scenarios draw similar results in the short run, while differences amplify in the medium run. This reform area contributes to enhance GDP by 0.5 per cent in the Trend scenario and 1.0 per cent in the Policy one in 2020. The increase in labour productivity linked to the reduction in administrative burdens leads companies to change the production mix by decreasing investment in production capital in the short-medium run. However, in the long run, firms tend to swap labour with capital as a result of a more efficient use of labour.

Competitiveness

Measures included under this heading are related to product market liberalisation. The following are the measures associated to each scenario:

- Trend scenario
  - Decree Law no. 5/2012. cvt. into Law 35/2012 – so-called 'Semplifica Italia';
  - Decree Law no. 1/2012 cvt. into Law no. 27/2012 - (so-called 'Cresci Italia');
  - Decree Law no. 83/2012 cvt. into Law no. 134/2012 - (so called 'Decreto Crescita');
  - Decree Law no. 91/2014 cvt. into Law no.116/2014
- Policy scenario
  - Decree Law no. 133/2014 cvt. into Law 164/2014
  - Annual Law on Competition[7].

Estimation methodology for the policy scenario. Measures in this area were simulated by QUEST III and includes those aimed at directly fostering market competition (by means of a markup reduction). The assumption is that Decree Law no. 133/2014 and the Annual Law on Competition can magnify the impact of previous measures introduced by the Monti government, by halving the implementation time of reforms.

[7] Since 2010, the Antitrust Authority sent to the Government and Parliament an annual monitoring report containing guidelines for the draft law on competition, as required by Law no. 99/2009, art. 47. To be approved by February 2015.

TABLE III. MACRO ECONOMIC IMPACT OF MEASURES ENHANCING COMPETITIVENESS (percentage deviations from baseline scenario)	2015	2016	2017	2018	2019	2020	Long run
TREND SCENARIO							
GDP	0.1	0.1	0.2	0.2	0.3	0.3	3.2
Consumption	-1.0	-1.0	-0.9	-0.8	-0.8	-0.7	0.8
Investment	1.5	1.8	2.2	2.5	2.8	3.1	5.8
Labour	-0.1	0.0	0.0	0.1	0.1	0.1	-0.1
PLANNED SCENARIO							
GDP	0.1	0.1	0.3	0.5	0.8	1.1	3.2
Consumption	-1.1	-1.1	-1.0	-0.7	-0.6	-0.4	0.8
Investment	1.9	2.3	2.9	3.5	3.9	4.3	5.8
Labour	-0.2	-0.1	0.0	0.3	0.4	0.5	-0.1

Estimation results. This area contributes to enhance GDP by 0.3 per cent in the Trend scenario and 1.1 per cent in the Policy scenario in 2020. The simulations show a positive impact on investment, while the impact is negative on consumption. In fact, the mark-up reduction leads consumers to postpone their consumption choices, waiting for a general decrease in prices. This behaviour favours at the same time the accumulation of capital. In the long run simulations show a slightly negative effect on labour as a result of the increased productivity.

Labour market

The measures considered under this area are related to labour market in a broad sense. The following are the measures associated to each scenario:

- Trend scenario
  - Law no. 92/2012
  - Decree Law no. 34/2014 cvt. into Law no. 78/2014
- Policy scenario
  - Enabling Law on Labour Market (L.183/2014) so called 'Jobs Act'.

Estimation methodology for the policy scenario. Measures in this area were simulated by IGEM. The provisions under consideration are those contained in the Draft Enabling Law on Labour Market (DDL S.1.428-B), in particular the elimination of atypical labour contracts. In particular, it is assumed a shift from atypical workers to permanent workers by 4 percentage points over ten years. The hypotheses adopted in the simulation are consistent with those by Boeri and Garibaldi (2007).[8] According to their findings, it is assumed that a shift of labour demand towards more stable types of contracts results in an average productivity increase.

[8] Boeri, T., Garibaldi,P. 2007. Two Tier Reforms of Employment Protection: a Honeymoon Effect?, Economic Journal, Royal Economic Society, Royal Economic Society, vol. 117(52), tab.5 pg. 377.

TABLE IV. MACRO ECONOMIC IMPACT OF THE LABOUR MARKET REFORM (percentage deviations from baseline scenario)							
	2015	2016	2017	2018	2019	2020	Long run
TREND SCENARIO							
GDP	0.1	0.2	0.3	0.3	0.4	0.4	1.4
Consumption	0.1	0.2	0.3	0.4	0.5	0.7	1.0
Investment	0.1	0.1	0.1	0.2	0.2	0.2	0.7
Labour	0.2	0.3	0.4	0.5	0.6	0.6	1.2
PLANNED SCENARIO							
GDP	0.1	0.3	0.5	0.6	0.8	0.9	1.6
Consumption	0.1	0.2	0.5	0.7	1.0	1.3	1.2
Investment	0.2	0.2	0.2	0.3	0.3	0.3	0.9
Labour	0.3	0.4	0.5	0.7	0.8	0.8	1.3

Estimation results. This area of reform contributes to enhance GDP by 0.4 per cent in the Trend scenario and 0.9 per cent in the Policy one in 2020. In details, the simulations show a gradual increase in consumption due to the increased share of workers on permanent contracts in the economy. The increased number of permanent workers boosts consumption as a result of ameliorated income prospects connected to permanent workers. The impact on labour tends to gradually increase from the short run to reach 0.6 per cent in 2020.

Justice

Measures are related to improving efficiency of civil and penal justice. The following are the measures associated to each scenario:

- Trend scenario
  - Legislative Decree no. 155/2012 – Nuova organizzazione dei tribunali ordinari e degli uffici del pubblico ministero as required by the enabling law on the reorganisation of the (Decree Law no.138/2011 cvt into Law no. 148/2011);
  - Decree Law no.69/2013 cvt into Law no.98/2013 – (so-called Decreto del Fare);
  - Decree Law no.90/2014 cvt. into Law no. 114/2014.
- Policy scenario
  - Decree Law no. 92/2014 cvt. into Law no.117/2014
  - Draft enabling laws on justice (August 2014)
  - Draft laws on reforming civil and penal justice.

Estimation methodology for the policy scenario. The measures in this area have been simulated with QUEST III. In the planned scenario, the estimation has benefited from information provided by a recent CE paper[9] showing the impact of improved judicial efficiency on business dynamics and foreign direct investment. The reform considered by the paper are: i) the reduction in the total number of first instance courts by 48 per cent

[9] European Commission, 2014, Market Reforms at work in Italy, Spain, Portugal and Greece, Economic papers 5, Box pg. 50.

due to the geographical reorganisation of courts and ii) a reduction in litigation rate by 2.9 per cent due to the reform in mediation. According to the authors' estimates on entry rate, we assume a mark-up reduction of 0.15 per cent over three years. In addition, in the long run (namely, since 2020 onward) we assume the activation of FDI investments translating into domestic investments. For this channel we assume a reduction of 5 base points of user costs of capital. In details, the assumptions for the quantification of impact are:

- **Transmission mechanism of the shock**: a mark-up reduction; user cost of capital reduction
- **Size of the shock**: 0.15 percentage point reduction in mark-up obtained modelling in QUEST III the increase in productivity linked to a rise in entry rates (as described in the mentioned paper). More specifically, the estimated impact of justice reforms on the entry rate is 2.62 p.p. (i.e. 2.45 p.p. estimated impact due to geographical reorganization of courts + 0.17 p.p. due to the reform in mediation). This amount is equivalent to a change of 39.1 per cent of the entry rate (6.7 per cent reference value). That change is estimated to produce an increase in average productivity by 0.24 per cent (namely using the elasticity estimates of labour productivity of 0.6 per cent). Similarly, the user cost of capital has been modified to reach the FDI increase as in the CE paper.

TABLE V. MACRO ECONOMIC IMPACT OF THE JUSTICE REFORM (percentage deviations from baseline scenario)

	2015	2016	2017	2018	2019	2020	Long run
TREND SCENARIO							
GDP	0.1	0.1	0.1	0.1	0.2	0.2	0.4
Consumption	0.0	0.0	0.1	0.1	0.1	0.1	0.3
Investment	0.4	0.5	0.5	0.5	0.5	0.5	0.6
Labour	0.1	0.1	0.0	0.0	0.0	0.0	0.1
PLANNED SCENARIO							
GDP	0.1	0.1	0.2	0.2	0.4	0.4	1.0
Consumption	0.0	0.0	0.1	0.1	0.1	0.1	0.8
Investment	0.5	0.8	0.9	0.9	1.4	1.4	2.2
Labour	0.1	0.1	0.1	0.1	0.0	0.0	0.2

Estimation results. This area of reform contributes to enhance GDP by 0.2 per cent in the Trend scenario and 0.4 per cent in the Policy one in 2020. The simulations show a gradual increase in investment, more relevant in the Policy scenario, due to the decrease of litigation rate and the increased certainty of justice. The improved business environment has only marginal effects on consumption and employment.

Education

The measures for the school system envisaged in the recent "Buona Scuola" plan have two main goals: (i) reducing the incidence of temporary teaching positions through an extensive hiring of teachers in permanent positions; (ii) reducing the drop-out rate through a major quality enhancement of the education system and a strengthening of the training programs (school-work turnover).The "Buona Scuola" plan was presented by the Government

in September 2014 and submitted for public consultation from September 25th to November 15th. The plan is expected to be translated into law by February 2015.

Estimation methodology. Two different channels of transmissions are considered. In the first place, it is assumed that these measures, if fully implemented, will be able to improve the quality of the education system and reduce the drop-out rate. These effects, in turn, will give rise to an improvement of human capital and thereby of the overall productivity in the economy. The effects of these measures on the quality of the workforce are mapped onto the QUEST model through a change in the distribution of workers by skill.[10] This is obtained through an increase in the incidence of workers with medium-to-high productivity (i.e. medium and high-skilled workers) and a contemporaneous reduction of the share of low skilled workers. The increase in the share of medium-to-high skilled workers is assumed to take place very gradually, along a time horizon of 20 years. This reflects the slow rate at which the stock of human capital typically improves and also the necessary time for the impact of the reform to fully manifest itself. Using data on the annual expenditure per student and assuming full achievement of the Europe 2020 target for the drop-out rate, the increase in the share of the medium-to-high skilled workers has been calculated to be equal to 4.6 percentage points. More specifically, the increase by 4.6 p.p. of the incidence of medium-to-high-skilled workers originates from the hypothesis that students could take advantage of the beneficial effects of this reform (that increase, in particular, applies to the share of students' population which will become medium-to-high skilled workers). It follows that the share of medium-to-skilled workers calibrated in the model rises from 54 to 58.6 per cent, while that of the low skilled workers decreases from 42 to 37.4 per cent. In the second place, the reform cost is modelled as an increase in education-related expenditure. In particular, an increase of public expenditure by €1bn in 2015 and by €3bn starting from 2016 is included in the simulations so as to cover the higher cost needed to fund the number of teaching staff to be hired as permanent workers. The intervention is assumed to be budget-neutral through an increase in indirect taxation.

TABLE VI. MACROECONOMIC EFFECTS OF THE SCHOOL REFORM (percentage deviation from baseline)

	2015	2016	2017	2018	2019	2020	Long run
TREND SCENARIO							
GDP	0.1	0.2	0.2	0.2	0.2	0.3	2.4
Consumption	0.3	0.3	0.3	0.3	0.3	0.4	2.3
Investment	-0.2	-0.4	-0.5	-0.5	-0.5	-0.5	1.6
Labour	0.1	0.1	0.1	0.1	0.2	0.2	1.1
PLANNED SCENARIO							
GDP	0.1	0.2	0.2	0.2	0.2	0.3	2.4
Consumption	0.3	0.3	0.3	0.3	0.3	0.4	2.3
Investment	-0.2	-0.4	-0.5	-0.5	-0.5	-0.5	1.6
Labour	0.1	0.1	0.1	0.1	0.2	0.2	1.1

[10] The analysis takes advantage of a recent study by the European Commission on the effects of reform packages aimed at improving human capital. See Janos Varga and Jan in 't Veld, (2014), The potential growth impact of structural reforms in the EU - A benchmarking exercise, Economic Papers 541, Economic and Financial Affairs.

Estimation results. As regards the macroeconomic impact of such measures, the results show a cumulative effect on GDP growth compared to the baseline scenario of 0.1 percentage points in 2015 and 0.3 points in 2020, while the long-term effect on growth could reach 2.4 points. It should be noted that in the short and medium term firms tend to change the mix of production inputs, on the one hand by decreasing investments in physical capital, on the other by increasing the labor input. Nonetheless, in the long run firms push up investment so as to re-build the stock of capital and adjust it upwards in line with the increased labor inputs. In the long run the impact of increased labor also results in a substantial rise of consumption.

Tax Wedge Reduction

The major measures to reduce the tax wedge contained in the 2015 Stability Law (L. 190/2014) are, on the one side, with the stabilization of the €80 monthly tax cut for employees earning less than €26,000 a year and, on the other, the total deductibility of labor cost related to permanent workers from the tax base of the Italian regional production tax (IRAP). These measures aim to stimulate aggregate demand by increasing disposable income and to favor employment through a reduction of the fiscal burden borne by firms.

Estimation methodology. The analysis of the macroeconomic impact of these measures has been conducted with the IGEM model. The simulation analysis is based on the quantitative assessment of the reduced fiscal revenues made in the technical report attached to the law. Regarding the €80 tax cut, the quantitative assessment is carried out by assuming a reduction of the average personal income tax rates accruing to permanent workers so as to increase their disposable income. The measure related to the deductibility of labor cost from the IRAP tax base is implemented in the model through a reduction of the portion of social contributions paid by firms. Clearly, both measures imply higher costs for public finance, which will be financed in two ways: a reduction of public spending and a increase in indirect taxes. While in 2015 a residual part of the cost of the reform will be financed through a temporary increase of public deficit, starting from 2016, however, full financial coverage will be guaranteed with no effects on public debt.

TABLE VII. MACROECONOMIC EFFECTS OF THE TAX WEDGE REDUCTION (percentage deviation from baseline)

	2015	2016	2017	2018	2019	2020	Long run
TREND SCENARIO							
GDP	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Consumption	0.6	0.6	0.6	0.4	0.4	0.4	0.4
Investment	-0.1	0.0	0.0	0.0	0.0	0.1	0.1
Labour	0.1	0.1	0.2	0.2	0.2	0.2	0.2
PLANNED SCENARIO							
GDP	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Consumption	0.6	0.6	0.6	0.4	0.4	0.4	0.4
Investment	-0.1	0.0	0.0	0.0	0.0	0.1	0.1
Labour	0.1	0.1	0.2	0.2	0.2	0.2	0.2

Estimation results. The IGEM simulation results show that these measures aimed at reducing the tax wedge give rise to an increase in GDP by 0.1 per cent with respect to the baseline scenario for the period 2015-2019 and by 0.2 per cent starting from 2020. It is worth to note the strong impact on consumption, which responds to the fiscal bonus and to the higher employment attributable the IRAP cut. In the long run the effect on consumption is 0.4 per cent, while that on employment is equal to 0.2 per cent.

STRUCTURAL REFORMS IN ITALY SINCE SEPTEMBER 2014

- During the European Concil Presidency the Italian government has underlined the importance of a comprehensive approach, based on the simultaneous implementation of structural reforms, fiscal policies and measures to support investment to boost flexibility, resilience, growth and employment. This approach has recently been recognised by the European Commission that in its Communication on the use of flexibility within the Stability and Growth Pact has confirmed the crucial role of investments and structural reforms for growth and debt sustainability.
- A self-reinforcing and ambitious reform agenda has been among the Government priorities since its settlement. The actions taken so far have interested many of the most problematic sectors with a focus on political and institutional changes as well as on structural measures to remove persistent impediments to full implementation of reforms.
- Since September the pace of reforms has been reinforced and many of the crucial measures needed by the country to boost job, competitiveness and growth have been approved and implemented. The key challenges of the Italian economy have been dealt starting from the most pressing structural weaknesses, such as the labour market and the judicial system.

PUBLIC FINANCES AND PUBLIC DEBT SUSTAINABILITY

CSR1. Sustainability of public finances

Sound public finances

- The Government confirms the following objectives:
  - Net borrowing/GDP: at 3.0% in 2014 and 2.6% in 2015, close-to-balance in 2018; debt/GDP to decline from 2016.
  - Reduction in structural deficit: 0.3pp of GDP in 2015, 0.2pp in 2016, 0.4pp in 2017 when balance budget is projected, i.e. temporary deviation from the MTO path.
- The Stability Law 2015 mandates the **reduction** of about 50% of the **Provincial authorities' employees** and 30% of the **Metropolitan authorities' employees**. By April 1, each authority will have to provide a list of the people that will remain in service. All the rest will be transferred through mobility procedures, when possible, to regional, city or governmental authorities. From 2017, they will be "put on hold" and their salaries will be whittled down by 20%. The "hold" will last for two years and the employees may be eventually fired only in 2019.

- Moreover Provinces and Metropolitan Cities will contribute to the reduction of public spending through the reduction of their current expenditure by 1bn in 2015, 2bn in 2016, 3bn from 2017. A number of restrictions are also set for the expenses of these authorities (mortgages, hiring of personnel, external advisors).
- The same Law introduces incentive for the **union and mergers of Municipalities**, such as the exclusion from the limitations on hiring personnel through open ended contracts, while the expenses for employees of unified municipalities are considered as cumulated.
- The Stability Law 2015 has also modified the regime established in 2014 for the **contribution of the (ordinary Statute) Regions to public finance** by extending this contribution until 2018 and increasing it by 3,45mln per year from 2015 to 2018[11].
- A **reorganisation of companies owned by local governments** has started with the Stability Law for 2015. The Law requires local authorities, Regions, universities and port authorities to set up a rationalization plan for subsidiary companies. The plans will have to include the provision for shutting down the so called "micro-companies[12]" and the duplicate companies. Each plan must be defined by March 2015 and implemented by December 2015.
- In particular, by 31st December 2015, the number of these companies must be reduced on the basis of the following criteria: the elimination of non-indispensable companies and shareholdings, the dismissal of those consisting of directors only or of a number of directors higher than the number of employees, the elimination of shareholdings in companies carrying out the same or similar activities of other participate, the aggregation of local public services' companies having an economic relevance and the containment of running costs. During the liquidation process of a company, the rules on mobility procedures of staff between partecipate and the re-employment of redundant staff, as well as the tax regime regulating the dissolution and transfer of all companies controlled by public administrations shall apply.
- Moreover, in 2015 the provisions of 2014 Stability Law as regard State owned enterprises (SOEs) will enter into force. In particular, local administrations (with more than 5.000 inhabitants) are due to consolidate their budget with the results of their owned companies. In case of negative profits, local administrations must put aside part of their funds in order to balance the SOE's financial losses. This practice will be fully enforced by 2018. In **case of permanent losses**, the SOE's management board is sanctioned with cuts in remunerations (by 2015).
- **By 2017**, local administrations will be forced **to sell SOEs** with negative profits registered in the last 4 years. A r**evision of the disclipline** is foreseen in the Draft Enabling law on PA.
- The latter, currently discussed in the First Committee on Constitutional Affairs at the Senate (A.S. 1577) delegates the Government to reorganize the relevant legislation on SOEs . The main aim is, among others to achieve the goals of efficiency, effectiveness and cost-effectiveness, as well as greater transparency along with a clearer definition

[11] The contribution, set by the Decree 66/2014, was fixed at 750mln for the period 2015-2017.
[12] The ones composed only by the Board or with a number of employees lower than the number of Board Members.

of the system of responsibilities of participating administrations and the management and control bodies of SOEs (see also section on competition).

- The 2015 Stability Law gives implementation to the Health Pact 2014-2016 signed in July 2014. It is a three years Financial and Programmatic Agreement between the Government and the Regions, setting the financial framework of the National Health Serviceand regulating other relevant aspects of health policy, with the aim of improving the quality and appropiateness of health services.
- The Health Pact has allocated funds to the NHS for €337bn over the 2014–2016 time span. The level of funds was set according the Standard Costs procedure established by Legislative decree 68/2011.
- In addition to the financing issue, the Health Pact deals with many organizational and regulatory aspects:
  - Revision of essential levels of care and pharmaceuticalcatalogue , to replace outdated treatments.
  - Reorganisation of hospitals to create a more efficient service network, by setting reference standards for hospital assistance.
  - Further digitalisation in the health sector.
  - Revision of co-payment system for medicines and health services, targeting on income and household composition.
  - Improvement of home care assistance, especially for elderly and seriously ill or non-self-sufficient patients.

Spending review and public procurement

- During the drafting of the 2015 Stability Law spending ministries have been asked to adopt **internal spending reviews** under a strict budget constraint. Each Ministry was called to contribute by identifying measures amounting to an approximate 3 per cent cut in their budget, including the possibility of reducing transfers to other central public administrations under their aegis.
- Current practice does include spending reviews as a permanent feature of the the multi-year budget process. Further discussion on whether and how to re-enforce this framework is ongoing within the preparation of subsidiary legislation to be enacted by the end of 2015. In particular, steps have been taken in direction of defining expenditure rules for Ministries: Law n. 89/2014 delegates the Government to adopt by December 31, 2015 one or more legislative decrees for the completion of the **reform of the structure of the State budget**, as regards the reorganization of expenditure programs and missions and programming resources, ensuring greater certainty, transparency and flexibility to the budget.
- In the meantime several provisions had been enacted to curtail outstanding debt and accelerate payments with a view of tighter expenditure control and generating useful information to point out inefficiencies and waste. Among these, the **digital invoicing system** represents an important effort (see Late payments).

- Moreover, the Stability Law introduced a **new accounting principle for local governments**, with a view of both a stricter control on their balances and in perspective an incentive to more efficient spending. Their financial statements will have to set aside in a special fund ("Fund for doubtful credits") an amount of resources equal to the estimated amount of "doubtful credits" (based on the average difference between actual collection and forecasted revenue in the previous five years). The fund shall not be subject to commitments and therefore it will, eventually, generate savings.
- Currently there are about 30,000 contracting units in Italy. With the ongoing reform public contracting will be managed by a single **public procurement** company (CONSIP) and a few other purchasing centers responsible for Regions and large cities. These identified centers will be obliged to manage purchases of a list of goods and services for over a certain amount of expenditure. New requirements will increase the transparency of payments by the administration to suppliers. Public tenders at national and local level will be published on line.
- After the establishment of a **list of 'procurement aggregator bodies'** including Consip - as the national CPB (central purchasing body) - a territorial CPB for each region and other entities acting as CPBs, a Technical working Group of aggregator bodies has been set up under the coordination of the Ministry of Economy. A specific decree will identify **product categories** as well as the spending thresholds above which central and local administrations has to use Consip or other aggregator bodies to complete their procurement procedures.
- An enabling law on reforming infrastructure and construction tenders is under discussion, with the aim of **reviewing the code of public contracts** in line with EU legislation. To contain rising costs in public works, any variation during construction must be communicated to ANAC for projects exceeding the EU threshold (€5.2m). To reduce the number of proceedings, heavy sanctions will apply to unfounded litigations and, to speed them up, hearings and sentences are to be held within 30 days. Formal but essential irregularities in communications can be corrected by firms within 10 days.

Late payments

- With the 2015 Stability Law it has been extended to 2015 the possibility for companies of **compensating the commercial debts in arrears** by the public administration against tax debts. In particular it will be possible to cancel out tax notices of enterprises that claim valid, certain, liquid and exactable credits. The amounts must be certified and they cannot be superior to the taxes to be collected.
- Several provisions had been enacted to curtail outstanding debt and accelerate payments with a view of tighter expenditure control and generating useful information to point out inefficiencies and waste. The **digital invoicing system** started in June 2014 for Ministries, agencies and other public national bodies will apply from March 31, 2015, to local governments. In addition, starting from 1 April 2015, public administrations will not be able to proceed to the payment (even if partial) until the electronic form is available.
- For settling the payables, the Government authorised €56.3bn over the period 2013-2014. As of January 2015, **73% of these resources (i.e.€42.5bn) were made available**

for payment of arrears and **63% (i.e.€35.3bn) were effectively paid** to private creditors.

Privatisations and real estate valorisation

- As for now **SOEs held by MEF** can be subdivided in**:**
  - Listed companies: 4 companies Enel (31%), Eni (31%), Finmeccanica (30%) and STM (13.8%), operating in energy, high technology, electronics and defense sectors;
  - Companies performing public services activities: 19 companies, among which ANAS, Consip, Coni Servizi, Invitalia, GSE etc. mostly totally owned;
  - Others: 8 companies CDP (80%), Enav (100%), FS (100%), Rai (99.6%), Poste Italiane (100%), IPZS (100%), Invimit (100%) and FI SGR (12.5%) mainly operating in transport, broadcasting, financial, postal and asset management sectors.
- According to the Def 2014 and recent government decision, the **privatisation programme**, which is aimed to a gradual reduction og public debt, plans to reduce the public shares in some SOEs, through the sell of:
  - minority equity stakes in public services suppliers (i.e. the postal operator - Poste Italiane, the air traffic controller – Enav, the rail transport operator – Ferrovie dello Stato);
  - companies in which the Government has indirect shareholdings through Cassa Depositi e Prestiti (Sace, Fincantieri, CDP Reti, TAG), Ferrovie dello Stato Italiane (Grandi Stazioni, Cento Stazioni) and RAI (RAI Way);
  - a further stake of the listed company Enel;
  - the 50% stakes owned in STMicorelectronics Holding (controlling the operating company STM);
  - a portion of State-owned real estate.
- The type of transaction will be Public offering or Trade sale, depending on the market response and on the company features and the timeline for the privatisation process is the period 2014-2017. The preparatory work for the privatization of Poste and Enav is advanced and in particular for **Poste** the time target of 2015 is confirmed.
- Taking into account the need of considering also market consitions in divestiture decisions, no significant delays can be registered in Poste operation, while in the case of **Enav** the selection of Banks is still ongoing and for StMicroelectronics the relevant procedures have to take into account the joint venture with France
- The selection process to identify the Financial and legal Advisors of the Ministry of Economy for the privatization of the **State Railways Group** has been concluded in February 2015. The privatization process will proceed in the coming months, after a decision on the unbundling of infrastructures from the service.
- The **proceeds** achieved so far relate to: the sell, in 2014, of a 30% stake of Fincantieri (initial share offering and capital increase of 350mln €), a 30% stake of RAI Way (initial share offering of 300mln) and a 35% stake of CDP Reti (that owns about 30% of Terna and Snam) for 2.1bn. The Government is still confirming the objective of **expected revenues** from privatization set at 0.7% of GDP per year on average.

- The disposal of public-owned real estate, because of the current market conditions as well as of the time needed for the adoption of measures aimed at enhancing the value of public properties, is a medium-long term process requiring a multiannual action plan and an organic revision of regulations concerning divestment procedures, fiscal treatment, compliance with urban and cadastral rules.
- In order to give a substantial contribution to the public debt reduction, the Italian Government is implementing an **extraordinary program for the sale of public real-estate** in the period 2014-2016. The implementation of this program is not easy because public real-estate is very heterogeneous and only a limited part of it is immediately available for divestment, as this requires an assessment and ,if it is the case, an adjustment of the property legal situation and a complex activity of adaptation of each Property to the demand (changing the zoning profile etc.), taking into account the local market features and the prevailing market conditions, in order to prevent any selling-off of public assets. But, despite these difficulties, some substantial results have already been achieved.
- It should be noticed that a legislative trend is ongoing to set the value enhancement process according to the following, interconnected and complementary, **lines of action**:
  - mapping of assets, in order to obtain a thorough knowledge of any single asset owned by the State or other public entities;
  - razionalization of the space used by public administrations;
  - efficient management of maintenance activities;
  - divestment of real estate properties which are identified as eligible for the value enhancement process, after completion of the activities described above.
- In order to ensure the achievement of the objectives of public finance related to the program of **valorisation and sale of public property** the Stability Law introduces the possibility of disposing of certain property asset through a **restricted procedure** to which qualified investors[13] are invited to participate and, subsequently, submit bids in accordance with the procedures and terms indicated in the invitation letter. It also foresees the sale of both housing and other types of real estate belonging to the Ministry of Defence, in order to generate income for at least € 220mln in 2015 and 100mln a year in 2016 and 2017. In this respect, the first Auction Regulations for the sale of various housing units (approximately 700) located all over the Italian territory were officially issued in January 2015.
- The Sblocca Italia decree intervened to facilitate the valorization of public property through a series of provisions. In particular it speed up the privatization procedures by modifying **regulation concerning the divestment of State-owned buildings**. In particular, it exempt the State and other Public Authorities from producing the declarations of cadastral compliance of the buildings when transferring them. It also foresees that in case of direct negotiation to sell non-residential public assets (even in block sale), the energy efficiency certificate can be acquired after the deeds of transfer.

[13] In possession of the requirements and characteristics established by Decree of the Ministry of Economy and Finance in relation to the single sale procedure.

- The same decree dictates urgent measures for the valorization of unused public real estate assets, through a series of amendments to the existing regulations aimed at simplifying and **accelerating the valorization of unused public real estate assets** with regards to the needed attribution or modification of the urban destination. In particular, this provision gives to the Program Agreement signed between interested administrations the value of urban (zoning) variance when dealing with unused public real estate assets.
- Specific regulations concern the simplification of valorization procedures of **real estate assets held by the Ministry of Defense** with specific regard to the definition of precise deadlines for the conclusion of the sale and valorization procedures. In particular, it is foreseen that the Ministry of Defense identifies, in accordance with the Agenzia del Demanio, the assets to be valorized[14]. Enhancement activities aimed at real estate disposal were initiated following the adoption, in December 2014, of the Inter-Ministerial Decree on the identification of 4 military facilities located in different municipalities.
- In 2014 the Ministry of Economy and Finance has authorized the Public Property Agency (Agenzia del Demanio) and other government agencies to sell by private treaty to the Cassa Depositi e Prestiti a total of 26 properties owned by the State, local governments, INPS and INAIL, for a total of 234.73mln.

CSR2. Taxation [tax shift; implementation of the tax reform; fight against tax evasion]

Tax shift

- A number of measures have been designed 'to ensure the effectiveness of the reform of **immovable property taxation'**. The new 'Local Tax' has been announcedthe by Government for the next Stability Law 2016. But important changes in Stability Law 2015 concerning a new scheme of intergovernmental fiscal transfers have been introduced (Enabling Law on Fiscal Federalism):
  - No longer based on the historical expenditure, but, more properly, on the estimation of Standard Expenditure Needs (SENs) and Tax Capacity:
  - Stability Law provides that 20 per cent of fiscal transfers will be devolved to local municipalities according to the estimated SENs (standard expenditure needs as a share in total expenditure, *i.e. allotment coefficient*) and tax capacity;
  - The percentage should progressively increase in next years.
- The Government is still committed to revise the existing Italian **environmental taxation** in the context of the comprehensive EU framework in this field, , once the EU Energy

[14] In particular, the rules provide for an initial phase aimed at identifying relevant real estates, followed by a second phase during which the Ministry of Defence, in agreement with the Agenzia del Demanio (State Property Agency), makes proposals to the City Councils regarding the recovery of estates by identifying a different use of the very estates. Based on such proposals, procedures aimed at concluding a Program Agreement (to be signed within 90 day) are initiated.

Tax directive will be adopted. This will ensure European-level coordination and a politically acceptable transitional period.

- The Stability Law introduces some measures about gambling: a €500mln tax, which VLT and New Slot concessionaires will have to pay in advance; the move-up to 2015 of the public tender for the lotto concession – with an expected revenue of €350mln in 2015.
- With the 2015 Stability Law the €80 bonus becomes stable. The **permanent reduction in the tax wedge** on labour for employees is accomplished by reducing the personal income tax for employees earning less than €26,000 before taxes[15].
- Among the measures to reduce the tax wedge there is a new provision allowing firms to deduce the labour cost of permanent employees from the IRAP taxable base. The measure provides for the abolition of a previous measure introduced with the DL 66/2014 which had reduced IRAP rates by 10% of the previous value. However, for firms not employing dependent workers, a tax credit equal to 10% of the IRAP due has been introduced.
- Moreover, the new open-ended contracts agreed in 2015 will benefit from a 36-month full **exemption from social security contributions**. The provision is valid for one year, starting from 1st January 2015 up until 31st December 2015.
- On an experimental basis, employees in the private sector have been given the possibility of perceiving in their paycheck, as part of their salary, quotas coming from severance pay (so called 'TFR').
- More in details, private sector employees who apply will be able to receive the **severance pay in advance** – experimentally, from March 1 2015 to June 30 2018. The tax regime of this early severance pay will be ordinary– while the severance pay usually enjoys a more favourable taxation. The taxation rate of the value-increase of the severance pay will be raised from 11.5% to 17%.
- Through the **'baby bonus'** a family will be granted[16] a yearly cheque of €960, to be paid in monthly instalments for each child born or adopted from January 1, 2015 to December 31, 2017 provided that its index of economic condition is lower than €25,000. The bonus will double if the index falls below €7,000. The Stability Law also earmarks €45mln in 2015 for €1,000 purchase vouchers for mothers of four or more children with an index under €8,500.
- The 2015 Stability Law anticipates the requirement of the Enabling law 2014 to revise the taxation of small business and entrepreneurial income, by introducing a **new favourable tax regime for (minor) self-employed** with relatively low revenues (between €15,000 and €40,000). This new regime establishes a number of simplifications which will make the system of taxation of micro enterprises more consistent, easing the tax rules and the taxable calculation, therefore reducing compliance costs for taxpayers. A flat tax will be paid[17] in place of Personal Income

[15] In 2015, the concession of a €960 annual tax credit will be granted for incomes lower than €24,000 and greater than €8,160. If the overall income is higher than that amount, but lower than €26,000, the tax credit will be decreased proportionally.
[16] Each year until the third birthday of the child.
[17] The amount to be paid is determined by applying a 15% rate to the taxable base calculated by applying a ratio to the amount of fees or payments received. The turnover thresholds - where this

Tax, its regional and municipal surcharge and IRAP. The regime can be kept on a permanent basis, if revenues limits are not exceeded. It is estimated that between 500 and 600 thousand taxpayers will adopt the new systems in 2015.

- Effective taxation of micro enterprises will be reduced[18]: considering PIT and IRAP, estimates foresees on average an effective taxation reduction by 8% of taxable income.
- A 5-year-long (2015 up until 2019) **tax credit** is provided **for research investments** made by all type of firms (regardless of juridical form, economic sector etc). The tax credit is equal to 25 percent of the additional expenses in machinery and lab equipment vis-à-vis the average investment expenditures over the three tax years before December 31, 2015. The tax credit is brought to 50% for investments in research contracts with universities, research centers, start-ups and employment of highly-skilled personnel.
- The maximum amount of the tax credit is equal to €5mln per year for each company claiming the expenses, conditional to expenses on R&D of at least €30,000 in each of the three tax periods from 2012 to 2014.
- This measure is flanked by an optional system of favored taxation (a five-year 50% tax credit) for income derived from the use and/or disposal of intellectual activity, industrial patents, trade marks functionally equivalent to patents, as well as processes, formulas and information relating to the experience gained in industrial, commercial or scientific field which are legally protectable (so-called **patent box**). Starting from 2015, the deduction is 30%, raises to 40% in 2016, up to 50% for the subsequent years.
- To support investment activity **a tax credit** of up to €80mln has been provided **to social security funds** (6%) **and pension funds** (9%), in case they invest in the real economy, so to balance out the increasing taxation (26 and 20%).
- **Additional investments** made between june 2014 and june 2015 will have a **15% tax credit** (on IRES and IRAP) granted. The measure applies to investments worth more than €10,000 and exceeding the firm's 5-year average investment record, being able to rule out the year with the greatest investment. A decree of the Ministry of Finances will have to establish how these funds would take part in public infrastructures projects. The balancing system will be in force in 2016 for the investments made during next year, and it will be a "faucet system"– i.e.: it will cover only the resources already allocated.
- The Stability Law confirms the tax credit for works of **housing renovations** and **energy efficiency** repairs– respectively by 50% and 65%. The measure aims at boosting Italian construction sector.

simplified regime applies -and ratios vary depending on the different activities. The new regimes replaces several existing special regimes. Only the regime for new activities can be kept by taxpayers already using that regime (duration 5 years).

[18] In terms of foregone revenues, the financing cost estimate of the measure, on a cash basis, is 847 million euros for 2015, 760 million euros for 2016 and 761 million euros for 2017.

Implementation of tax reform

- A more equitable and efficient **tax system** is the centerpiece of reform action embedded in the enabling law on fiscal reform, making tax compliance more easy and the fiscal system more close to businesses and citizens. The enabling law is under implementation with several decrees already adopted by the government, after the positive assessment of the Parliament. They provide for the rationalization and **simplification of fiscal procedures**, **revision of functioning of cadastral commissions**, and the **revision of the taxation on tobacco products**. From this year the simplification of personal tax obligations through pre-filled tax returns will be available for permanent employees and pensioners (around 20mn taxpayers). Many simplifications have been realized on the field of tax repayment obligations, corporate tax obligations, as well as abrogation of unnecessary hurdles for firms and citizens.
- Also the Stability Law 2015 contains provisions aiming at streamlining the tax framework for professionals and self-employed with relatively low turnover.
- In February 2015 the Government will approve a package of delegated decrees that will further complete the tax reform. They will concern: cadastral values; consistency of application of tax laws; taxation of individual entrepreneurs; monitor and reduction of tax evasion and tax expenditure; VAT electronic invoicing; collections procedures; measure for improving and simplifying taxation of international business; tax on gambling.
- As regard the reduction of **tax expenditures** the Government could postpone the delegated decree until September so as to embed their revision in the budget session. Infact, one of the legislative decrees foresees the introduction of a specific Parliamentary session aiming at reviewing tax expenditures during the annual budget session.
- Since the Government will very likely ask the Parliament to postpone by some months the deadline for the adoption of the remaining legislative decrees under the 'delega fiscale' framework, some tax expenditures might still be directly revised by the Government.

Fight against tax evasion

- On 1st October 2014 the Government presented to the Parliament an **Annual report on tax evasion**, describing the strategies to fight tax evasion and discussing the results achieved. The assessment of the fight against tax evasion includes: direct effect (additional taxes, interest rates and penalties obtained by auditing activities, enhancing fight against tax evasion); indirect effect (improvement in tax compliance).
- As regards the *direct effect*, €13.1bn in 2013 were collected in 2013 (5 per cent increase from 2012). Preliminary results for 2014 confirm previous trends.
- As regards the *indirect effect*, the assessment of revenue losses from non compliance (the so called 'tax gap analysis') is perceived as an important step towards fairer and more efficient taxation.
- The government recently introduced the **voluntary disclosure** of financial information related to undeclared taxable revenue or income held abroad or in Italy. According to

the newly approved legislation the tax due on the undeclared income shall be paid in full. Who will join the 'voluntary disclosure' will have a reduction of administrative and criminal sanctions. However taxpayers are not entitled to take advantage of the voluntary disclosure process if the tax administration has already started actions *vis-a-vis* the taxpayer (such as on-site auditor or tax assessment) or if a criminal proceeding has already started.

- The procedure is not granting anonymity, and the taxpayer must pay all unpaid taxes and the related interests on undeclared income over the past years still assessable.
- The law is in line with international best practices regarding regularization of the income from capital illegally exported abroad, based on transparency, the automatic exchange of information and the end of banking secrecy, adopted by input of OECD, G20 and Ecofin under the Italian Presidency of the EU.
- At the same time, the legislation was improved by introducing the provision of a new **crime for self-money laundering.** This is an important innovation that makes it easier to adopt tougher measures to fight the phenomenon of unlawful property, an essential step of a legislative policy whose primary objective is to achieve the highest level of repression in the fight against organised crime. The relevant criminal-law provision shall apply to those who, after committing an intentional offence, replace, transfer or use money, assets or other instruments deriving from that offence in the context of business or financial activities, so as to actually hinder the identification of their criminal origin. Under this provision the person perpetrating a found offence shall not be punished when his conduct has only been aimed at simply benefiting from the proceeds of crime or exclusively at securing his own impunity for a predicate offence.
- Criminal offences resulting in self-money laundering committed on or prior to September 30, 2015, will be not punishable to the extent they relate to assets which are subject to the voluntary disclosure.
- The 2015 Stability Law provided for two additional measures to fight tax evasion: the **split payment**; the extension of **reverse charge** mechanism.
- Under the **split payment system** for goods and services supplied to Italian public administrations, suppliers should continue to charge Italian VAT (where due, and unless the reverse charge mechanism applies) to these public bodies. The public bodies will "split" the payment of the invoice: they will pay the taxable amount to the suppliers, and the VAT to a blocked VAT bank account of the Treasury[19].
- Such a measure would be combined with the **electronic invoicing obligation for purchases made by PAs** (according to which all suppliers of a Public Administration should issue electronic invoices to it).
- As regard the **reverse charge mechanism** (currently available only for certain types of services in the real estate and construction sectors), it will be extended to other services in the real estate and energy sectors: cleaning, demolition, equipment installation and completion services in relation to immovable property; transfer of

[19] The implementation of this system requires the authorization to apply a derogation under article 395 of Directive 2006/112/EC in order to prevent evasion to the PA.

allowances to emit greenhouse gases and electricity certificates (for a period of four years); supplies of gas and electricity to a taxable dealer.

- The fight against tax evasion was enhanced also by the recent international agreements on the exchange of relevant information discussed among the EU Member States. Besides, on October 2014, Italy signed a multilateral agreement to automatically exchange financial information based on OECD standards, beginning in 2017.
- A crucial step has been taken with new **tax Agreement between Italy and Switzerland**[20] ending banking secrecy, reached after three years of negotiations. As a result any type of tax information will be shared between the two countries. In no circumstances it will be possible for banks, financial intermediaries and trusts to decline to provide the information they hold. Data requested from tax authorities will be valid only for acts and banking information subsequent to the agreement and could focus on single taxpayers as well as on specific groups.
- The Agreement to end banking secrecy, in addition to sharing information and changing the treaty against double taxation, lays out a detailed road map: from the definition of new tax rules for frontier workers and the exit of Switzerland from the black list, to the definition of a series of issues that concern Campione d'Italia, the Italian enclave in Switzerland, and non-deductible Swiss value-added tax (VAT) payments on goods.
- According to the Agreement Italian tax collectors could seek financial information on every tax, of any nature, and without facing a denial based on bank secrecy. In particular, requests could come directly from the *Agenzia delle Entrate* (Italian Revenue Agency). The new measures against tax evasion are more efficient than the current procedure that allows Switzerland to reply only to prosecutors' offices. These would also produce more results than the automatic exchange of information that Switzerland has committed to subscribe as part of ongoing EU negotiations, and which will only start in 2017.

PRODUCTIVITY GROWTH AND COMPETITIVENESS

CSR3. Efficiency of Public Administration

Reform of public administration

- After the measures approved in June (to facilitate generational turnover and increase mobility), a comprehensive reform of the Public Administration is under way, through **a draft enabling law** currently under scrutiny by the Parliament[21]. The principles set by the Government address some of the main weaknesses of the Italian Public Administration. In particular, the draft law aims at:

[20] The signing of the agreement by the respective Finance ministers will take place in February, before the March 2nd deadline of the discipline for the repatriation of funds, and therefore making it possible to avoid double sanctions and double checks.

[21] The Draft Law on "Reorganization of Public Administration" (AS 1577). Voting by the Senate is about to start and the final approval of the text is envisaged by the end of May 2015. The preparation of delegated legislation has already started.

- **Better human resources management at all levels of government**: it enhances the strategic dimension of HR management, by developing medium-term plans on needed competences, while at the same time containing the size of staff based on standard needs and reviewing the hiring system.
- **Improving the management of senior public servants** to strengthen their professional skills and result orientation through: i) elimination of rigidities in senior civil servants management such as boundaries among ministries (ruolo unico) affecting appointments and remuneration, change in the recruitment system and in the assignment of managerial positions (job descriptions and skills instead of grades); ii) better performance appraisal system; iii) reduction in the managers/employees ratio; iv) better handling of redundancies.
- **Enhancing government decision making**: steering power by the Prime Minister (Centre of government) will be strengthened.
- **Better functioning and more efficient central government** through: i) rationalization of support services through their shared management (procurement; ICT/information services; accounting; payroll, etc); ii) rationalization of police services, by eliminating duplications between the different corps; iii) reduction of Minister's Cabinet staff; iv) elimination of duplications of tasks by removing redundant units; v) reorganization of decentralized offices of the central government, by setting up unified decentralized offices of different Ministries (State Territorial Offices).
- **Ensuring the best use of ICT** to make digital citizenship effective and improve efficiency, through: i) implementation of strategic project to ensure increased interoperability, already underway (digital identity, national register of residents, e-payments; e-invoicing etc); ii) progressively increase the supply of online services, towards transactional on line services and payments; iii) enhancing transparency and accountability of public administrations as well as increasing citizens' participation, by strengthening open data (national platform and key initiatives on expenditures, Expo 2015, etc); iv) foster digitalization in strategic sector (education, health, justice).

- As regard the already approved measures to rationalize the Public Administration the provisions on **staff mobility** will be completed by two fundamental acts: a Ministerial Decree setting the criteria to which the mobility is due to stick (due to be approved by 1st March 2015); a draft decree of the President of the Council of Ministers (dPCM) - currently being examined - to define an overarching table of equivalence among different levels of staff gradings. These acts play a key role to smoothen the whole process of transfer together with other measures to ease mobility already provided by Decree law 90/2014 (reduced territorial limitations; possibility of deskilling of redundant staff as an alternative of firing).
- As regard **measures to reduce of the trade unions** permit, from September to December 2014 detachments dropped from 2362 to 1250, corresponding to €6.9mlns of savings (number of employees detached per average standard cost per capita per year of €31,000); from 2015 these **savings** on an annual base will amount to **€21mlns**.

Efficiency of judicial system

- The **reform of the justice system** is a crucial step in closing the efficiency gap that has adversely impacted on business activities but also on the public at large. Important steps have been taken to improve efficiency in the judicial system, through reaching economies of scope and scale by the streamlining the geographical organisation of small courts, thus allowing some specialisation by judges. Next steps will focus on the final approval of the pending legislation concerning, among the most important, the statute of limitation and the magistrates responsibility.
- First **results of the reforms** undertaken in past years are becoming evident: between December 2009 and December 2013 pending backlog of civil cases were reduced by 14.9%; the length of proceedings, in cases in which mediation led to agreement, is about 70 days against 1,132 days for ordinary procedures in Court; increase in court fees applied by the Justice of the Peace in cases where administrative sanctions are challenged reduced the number of pending cases by 70%; starting from July 2014, injunction proceedings (*decreto ingiuntivo*) take 6 days instead of 15, as previously, thanks to the introduction of new on line procedures. The digital civil trial allow direct access to the file with a smart card on the nation justice services portal, http://pst.giustizia.it/PST/ with savings in terms of costs, paper and time for all the operators estimated in €43mln.
- As of November 2014 the digital filing by lawyers and professionals showed an increase (with respect November 2013) of +494%, while in the same period digital measures filed by judges and prosecutors increased by 186%.
- Many weaknesses of the system still persist, also on the demand side. The strategy of intervention is dual: *i)* directly attack the backlog transferring in arbitration pending civil proceedings, also on appeal; *ii)* indirectly facilitate the backlog disposal by stopping the inflow of proceedings, through the introduction of the assisted negotiation (alternative dispute resolution- a way that parties can settle disputes, with the help of a third party). The objectives to be achieved are: shorten disposal times; halve the backlog; create a fast track for businesses and families; comprehensive computerisation and organisational innovation of the judicial system.
- More in details, the **reform of civil justice** (D.L.132/2014, converted into law in November – L.162/2014) introduced some instruments that focus on forms of out-of-court dispute settlement, with the aim of reducing the civil cases backlog.
  - Forensic arbitration. In civil cases pending Both at first instance and at appeal, the parties may jointly request the promotion of arbitration proceedings. The cases allowing the transfer to arbitration proceedings should not have to object inalienable rights, nor relate to labor, social security and social assistance.
  - Conciliation with the assistance of lawyers (assisted negotiation). It is an out-of-court settlement procedure, where the parties that have not gone before the courts or that have not referred to an arbitrator, agree to cooperate in good faith and with loyalty to resolve the dispute by the assistance of their lawyers in a friendly way. The agreement reached is an enforceable title. Mandatory in some cases (notably, payment of sums under €50,000), always optional. Matters covered by the Consumer Code are not subject to this regime.

- Negotiation assisted in cases of separation and divorce. Assisted by a lawyer, it is a procedure for consensual solutions. Further simplified procedures have been introduced for legal separation or divorce with the possibility to reach an agreement before the civil officer[22], and the assistance of the defender (only one) is not mandatory.
- Abuse of process. Two measures are aimed to counteract the abuse of process: i) who lose the proceedings is obliged to pay the expenses, while compensation may be ordered by the court only in case of mutual unfavourable sentence; ii) in case of late payments, for those who do not voluntarily pay their debts an overdue interest is foreseen.
- Executive process. Automation of electronic registers of chancery relating to the executive process; possibility for the creditor to know all the goods of his debtor (search by electronic means of goods.
- Mediation. The Government keeps focussing on this measure together with the newly introduced ones: always possible, the judge may delegate it. In some cases it is mandatory (notably condominium litigation, leases, rights in rem and neighbour disputes).

- As a result of this "dejudicialization", soon after the reform simplified them, consensual separations and divorces (through assisted negotiation) have become an outstanding reality. An initial estimate indicates that there may be about 105,000 fewer proceedings every year in courts.
- As regard enforcement and summary proceedings the new provisions will imply widespread application of summary proceedings, as well as streamlining and speeding up enforcement proceedings. Through the newly approved justice package about 1,220,000 cases could be potentially settled out of court.
- The Stability Law for 2015 has created a special Fund with a €260bn endowment for the period 2015-2017 and €120bn yearly after 2017 to enhance the efficiency of the judiciary and complete the digital civil trial. The same law has also introduced the obligation for the parties to pay the notification expenses (previously paid by the State) for litigations before the judges of the peace and with a value lower than €1,033.
- The action in the field of **criminal justice** has been primarily directed to strengthen the tools against the most serious forms of crime. A particular attention has been paid to the need of effectively counteract corruption and its interconnections with the mafia. It has been thus proposed to raise the penalty prescribed by law for corruption crimes, with increasing times of judicial verification. Furthermore, in case of the most serious crimes against the public administration, derived prices or profits are always subject to complete confiscation.

Prevention and repression of corruption

- Also in the public administration, reducing corruption remains a priority. The new **anti-corruption authority ANAC** has been enhanced, and the government is firmly committed

[22] The latter is a simplified mode that can be used only when no transfer of property rights is involved, nor decision related to children being of minor age, or severely handicapped or adult but not economically independent.

to strengthen the law against corruption. The powers of suppressed Authority for the Supervision of Public Contracts (AVCP) moved to ANAC.

- Consequently **ANAC task** consists in the prevention of corruption in public administrations and in subsidiaries and controlled companies even through the implementation of transparency in all aspects of management, as well as through supervisory activities in the framework of public contracts, of the assignments and still in every area of public administration that can potentially develop corruption phenomena.
- This new institutional mission has required a deep revision of the organization and an intervention on the activity of supervision carried out by the Authority, aimed to increase the efficiency of the activity carried on from the administrative structure, as well as to obtain a reduction of operation costs. In this contest, first of all, the Authority has adopted a Resolution in October, 29, 2014 and the new Regulation of supervision on the subject of public contracts in force since December, 30, 2014.
- The **Reorganization Plan** of A.N.AC. has been approved and sent to the Government for approval at the end of December 2014. This Plan is not called to serve a mere function of "reorganization" but leads to the constitution of a new Authority that has "merged" the previous two (A.N.AC. and AVCP) and, moreover, has different and additional powers and tasks that are not just the sum of those of the past but that must be read in the logic of a new institutional function consisting in the prevention and fight against corruption. It is a measure that moves in a logic of deregulation, with a partially innovative function that allows even to consider abrogated the rules incompatible with the new regulatory framework, identified by the legislator with the Law Decree n. 90/2014.
- For **Expo 2015,** high supervisory tasks and the guarantee of fairness and transparency of procedures have been put under the responsibility of the ANAC President and an 'ad hoc unit' (which includes members of the Tax Police) has been set up to undertake inspections and ex-ante controls.

Management of Structural Funds

- The legislative measures needed to complete the institutional framework for the management of Structural Funds have been adopted, with the aim of enhancing the actions of planning, coordination and monitoring of Cohesion Policy. The **Agency for territorial cohesion** (*Agenzia per la Coesione territoriale*), under the supervision of the President of the Council of Ministers, is starting its activity with the task of systematically monitoring operational programs and interventions of Cohesion policies. It also carries out support actions to Ministries and Regions, as well as functions of direct management of some programs and interventions.
- Along with the Agency, a dedicated unit (the **Department for Cohesion policies**) has been established within the Presidency of the Council of Ministers in charge of planning, coordination and high level surveillance of Cohesion policies.
- With regards to the 2007-2013 programming cycle, on December 31 2014, the **certified expenditure of EU Funds** reached a cumulated amount of EUR 33 billion or 70.7 per cent of total planned resources while EUR 13.6 billion remain to be certified in 2015, of which 4.7 billion of compulsory national co-funding.

- As to the 2014-2020 programming cycle, following the adoption of **Partnership Agreement** 2014-2020 on October 29 2014, negotiation with EC on operational programmes is in advanced stage. A significant amount of resources (of which EUR 31.1 billion ERDF and ESF Funds, added to EUR 20 billion of national cofounding) will therefore be addressed to re-launch public and private investment according to more transparent, concrete and measurable intervention choices expressed in terms of expected results and actions to be financed.
- The **investment programme** will address citizenship deficit, ensuring quality standard for essential public services (including school, child and elderly care), strategic infrastructure (including NGN network, railways network and port infrastructure), environmental quality and a more efficient Public Administration. At the same time territorial competitiveness will be also be improved via the expansion of the production base, the up-grading of the existing industrial sector towards higher value added activities (e.g. aerospace, agro-industry, innovative Made in Italy), as well as the enhancement of Mezzogiorno Area's natural and cultural heritage.
- In order to strengthen each administration in charge of operational programmes 2014-2020, **the Plans for institution building** (Piani di Rafforzamento Amministrativo – PRA) are being defined with clear commitments at political level and will be adopted in the framework of programmes negotiation.
- Other main interventions regarding Cohesion Policy since September 2014 are:
  - conversion in Law of '*Sblocca Italia*' decree regulating the **substitute powers** in the event of inaction, delay or failure **in the use of EU Structural Funds** and the Fund for the development and cohesion (FSC);
  - the 2015 Stability Law, introducing **measures to stabilize the Development and Cohesion Fund** (Fondo per lo sviluppo e la Coesione - FSC) so as to make it a suitable tool for strategic investments.
- For the second year, the National Stability Law (2015) has confirmed allocations for **Inner Areas** (90 mln for the period 2015-2017). The Inner Areas Strategy, developed in the framework of the Partnership Agreement 2014-2020 and following the provision in Stability Law 2014, has been launched by Italy in order to reverse negative demographic trend in those areas far removed from basic services, with high opportunities in agriculture, forestry and tourism development. 53 areas in 14 different Regions have been selected with an average of 31.000 inhabitants and with a stronger depopulation (-4.3% between 2000 and 2011). The selection has been conducted through a wide consultation involving several Ministries and in full agreement with Regions.
- In 14 protoype areas that are being selected by the Regions all the conditions now exist for designing a tailored strategy, so as to to start implementation. Drawing the Strategy through a very open process - involving all relevant actors - will allow a context-oriented implementation in Inner areas of the Italian structural reform in health (see *Patto Salute*) and education (see *la Buona Scuola*).

CSR4. Banking sector and capital market

Governance of Banking sector

- A decree law approved by the Government on 20th January 2015, changes the **governance of the 10 biggest Italian cooperative banks**[23]. In 18 months, those with assets worth more than €8bn will have to transform into joint-stock companies, removing their "one share one vote" governance rule. The enacting measures are to be prepared by the Bank of Italy.
- The new rules apply differently to either cooperative banks which, when the measures take effect, already exceed the €8bn threshold (as certified in their balance sheet ending Dec 31, 2014) or to lenders that will exceed that threshold later than in 2014.
- The reform could foster consolidation and more modern governance for an important part of the Italian credit system. Italy's 70 cooperative banks are equal to 25% of the Italian credit market: they can rely on more than 9,200 offices, 81,000 employees, 12.3mln clients, €385bn of loans and €425bn in financing.
- Finally, the decree law takes action regarding the long-standing problem of proxy votes. The bylaws of cooperative banks will need to indicate that no less than 10 and no more than 20 proxy votes are allowed. The banks affected are Ubi Banca, Banco Popolare, Banca Popolare di Milano, Banca Popolare dell'Emilia Romagna, Banca Popolare di Sondrio, Credito Valtellinese, Banca Etruria, Banca Popolare di Vicenza, Veneto Banca and Banca Popolare di Bari.

Firms access to finance

- In July the '**Finance for growth**' package implemented reform **efforts to liberalize credit market** and to create more competition between banking and non-banking operators, by expanding the number of direct lending providers to firms (credit funds, insurance companies, European banks and insurance companies with no fiscal residence in Italy).
- The overall strategy aims at **easing lending constraints** to the economy, ensuring **access to capital markets** by fostering bonds issuing by unlisted companies and opening the credit market to new players (such as insurance companies and foreign investors).
- The Stability Law for 2015 raised the endowment of the Fund for the new **'Sabatini Law**[24]**'** to the maximum of €5bn: the first plafond of 2,5 bln using resources established at Cassa Depositi e Prestiti (CDP) has been fully booked and a new 2,5 bln plafond has been established.
- Moreover, a decree law approved by the Government on 20th January 2015 allows banks to use autonomous funds, other than the plafond of the CDP. Fund availability should be, in this way, faster.
- In the first months of operation of the measure 9,046 applications to banks or financial intermediaries have been submitted. Of these, 3,681 have been already approved,

[23] So called 'Investment Compact'.
[24] The investment support shortly defined "New Sabatini" consists in the reduction of interests charged to Sme's on banking financing (until December 31, 2016) of amount between € 20 k and € 2m, related to already made investments. It is granted through the plafond of Cassa Depositi e Prestiti.

corresponding to approximately €1.048bn in financing from Cassa Depositi e Prestiti (over €74mln of MiSE contributions). The amounts already approved reached €940mln, which corresponds to a MiSE contribution of approximately €105mln.

- The budget, related to the years 2014-2021, for the payment of the contribution to Sme's has been increased from €191,5mln to €385,8mln, in order to cover the new €2,5bn plafond.
- Two new interventions, provided by '*Fondo per la crescita sostenibile*', have been funded for the development of R&D major projects. The first measure concerns the Information and Communication Technology (ICT), coherently with the implementation of Italian Digital Agenda (IDA); the second intervention concerns specific themes of relevant interest for the "Sustainable industry" and makes a total amount of €400mln available for the enterprises, starting from the beginning of 2015.
- Regarding public contract to grant capital subsidies (for a total of €5mln) to support micro, small and medium-sized businesses in enhancing the value of industrial models and designs, the Call closed on January 13, 2015. Requests for benefits related to applications submitted have exhausted the resources available (€5mln).
- With the Stability Law 2015, as far as portfolio's guarantees are concerned, the **Central Guarantee Fund** is now extended to firms with maximum 499 employees. Moreover, the guarantee is granted within the endowment of the Fund dedicated to portfolio guarantees, while up to now it could be conceded for maximum of €100mln.
- In 2014 the number of applications to the fund increased 7.9 % from 2013, for a total of 90,000 requests submitted by a total of 441 SMEs, a 15.4% increase in comparison to the previous year. In the same year, the SME Guarantee Fund activated €12.9bn of financing, €8bn of which fully guaranteed. Since the start of the financial crisis, the Fund has helped 411,000 of the small- and medium-sized companies that are Italy's economic backbone to deal with the credit crunch.
- The Stability Law 2015 raises the endowment of the **Fund for the '*Reti di Impresa*'** or 'Associazioni Temporanee di Impresa' from €5mln to €10mln for 2015, so as to promote the digitalization of firms. Condition to access financing is that the firm has at least 15 employees.
- The recently approved '**Investment compact**' :
  - promotes the establishment of a **Service Company** for the restructuring, financial recovery and industry consolidation of Italian enterprises with temporary capital and financial difficulties, but on the other hand with good economic and industrial prospects. According to the same decree **SACE** is authorized to provide direct credit (**acting as a bank**) in favour of the internationalization of Italian business.
  - Establishes a **new category of innovative SMEs**: unlisted companies with audited financial statements and meeting at least two of the following requirements: i) at least 3% investment in R&D; ii) employing highly qualified staff up to at least 1/5 of the whole workforce; iii) hold, deposit or license a patent or software registered at the Italian SIAE. Innovative startup provisons are extended to this new category of innovative SMEs.
- Extends the **exemption of the withholding tax** to foreign institutional investors, regulated and supervised by national Authorities, entitled to provide direct credit to firms.

CSR5. Labour market

Progress and monitoring of labour market reform

- The enabling law on labour market reform (**Jobs Act**) has been adopted by Parliament on December 15th. On December 24th, the Council of Ministers adopted the first two implementing draft decrees (‘*schema di decreto*’) of the Jobs Act: the new open end contract with increasing protection level and the new unemployment benefit scheme. According to the Italian Legislation the draft decrees will now submitted to the Labour Committee of both Chambers of Parliament that can deliver their opinion within 30 days. Parliament is not requested nor allowed to vote the provision. After 30 days, the Council of Ministers will definitively adopt the decrees, which therefore will be in force in late January-early February. The Council of Ministers will adopt all the draft implementing decrees within 6 months, the next ones foreseen to be issued in late January/early February.
- The Jobs Act will allow for a more rapid response in adjusting production to cyclical and structural changes, with beneficial effects on investment and participation in the labour market, and a related reduction in the segmentation of the work force. By increasing employment, it will also faster the long term sustainability of the pension system, which is already one of the most solid thanks to past reforms. The Jobs Act is recognized by international organizations as a welcome step to put Italy on a more dynamic growth path.
- More in details, the enabling law on reforming the labour market contains five issues.
  1. Strengthening ALMPs: better coordination between active and passive labour market policies even through the creation of a National Agency and the strengthening of the partnership between public and private employment services; rationalisation of tax incentives to self-employment and employers.
  2. Unemployment insurance and benefits: unemployment benefits extended to all types of workers and conditioned to the individual activation in labour search; tightened criteria for the wage supplementation schemes in case of business closure.
  3. Rationalisation of contractual arrangements: streamline the labour code with a revision of employment contracts; introduction of a new open ended employment contract with increased flexibility with the provision of the sole economic indemnity in case of economic dismissal.
  4. Simplification and digitalisation of administrative procedures specifically related to hiring and employment.
  5. Strengthening work-family conciliation: enhanced childcare and eldercare services, extension of the maternity leave, improved work-life balance measures within the national collective agreements.
- The enabling legislation approved in December sets out the building blocks of the labour-market reform. Accordingly the government is empowered to introduce further flexibility in hiring and a new framework of passive and active labour market policies. The strategy relies, indeed, on a new type of open ended contract with employment protection increasing with tenure and a universal unemployment safety net associated

with stronger active labour market policies. The government is also in charge of strengthening the work-family conciliation, rationalize contractual arrangements and simplify administrative procedures.

- The Draft Stability Law 2015 provides additional resources for extending the short-term wage supplementation schemes (ASPI) to involuntary unemployed, including atypical workers.
- The **employment bonus** foreseen by the **Youth Guarantee** has been extended to contracts for professional apprenticeship. Moreover, it will be possible to sum this incentive with those provided by the 2015 Stability Law (the three years de-contribution for open-ended contracts increasing with tenure, and the IRAP relief) and it will be allowed to sum up various temporary contracts in view of the attainment of six months necessary to activate the bonus.

The new rules for the new open-ended contract and the new social safety net

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General remarks about the new open ended contract

The new standard contract grants the worker an increasing with seniority protection level. Introducing a "minimum protection floor", depending on the circumstances, the new contract ensures a stable level of protection for the first two years that increases with seniority up to a maximum level.

The new standard contract regulation entails a revision of the dismissal rules, both on an individual and on a collective basis.
One of the most important innovation introduced to dismissal regulation is represented by a reinforced, quicker and more convenient conciliation procedure that reduces uncertainty and allows parties to quickly reach an extra-judicial settlement. Since the transaction is subjected neither to social contributions nor to fiscal taxation, the incentive to pursue such a procedure is particularly high.
Moreover, in case of disputes for disciplinary dismissals, the Courts will not be requested to evaluate the proportionality between the misconduct of worker and the dismissal but only to ascertain the existence of the alleged facts.
Details of the draft implementing decree:

Field of application

The new dismissal rules will apply to all the newly hired workers on open end basis (in some circumstances detailed below the field of application is larger for smaller firms).

Discriminatory or null dismissals

Reinstatement is still foreseen. Employer is moreover obliged to pay workers an amount equal to the salary not perceived during the unemployment period less possible labour income gained by the worker in other activities. However, a minimum indemnity is set at an amount equal to 5 monthly wage. Alternatively, worker can opt for an indemnity of 15 monthly wage to solve the employment contract.

Disciplinary dismissal

If a Court finds the dismissal to be unfair, no reinstatement is foreseen but the employer is obliged to pay an indemnity equal to 2 monthly wage per year of service. The indemnity, however, should not be lower than the equivalent of four wages and can't exceed the equivalent of 24 wages.

- If a Court finds the disciplinary dismissal to be ungrounded (e.g. the motivation is totally non-existent) reinstatement is foreseen and the employer is obliged to pay the worker an amount equal to the salary not perceived during the unemployment period less possible labour income gained by the worker in other activities. However, a maximum indemnity is set at an amount equal to 12 monthly wage. Alternatively, worker can opt for an indemnity of 15 monthly wage to solve the employment contract.

Redundancy dismissals

If a Court finds the dismissal to be unfair, no reinstatement is foreseen but the employer is obliged to

pay an indemnity equal to 2 monthly wage per year of service. The indemnity, however, should not be lower than the equivalent of four wages and can't exceed the equivalent of 24 wages.

Defect of form or procedures

The employer is obliged to pay an indemnity equal to 1 monthly wage per year of service. The indemnity, however, should not be lower than the equivalent of two wages and can't exceed the equivalent of 12 wages.

Extra-judicial settlements

In order to prevent possible dispute the employer can offer the worker an indemnity equal to 1 monthly wage per year of service, for a minimum amount equivalent to 2 monthly wages and a maximum amount equivalent to 18 monthly wages. The acceptance of this transaction prevents any further dispute by the worker. The sum paid is not subjected to social contribution or to fiscal taxation.

Smaller firms[25] (less than 15 full-time equivalent employees except apprentices and other categories)

The new standard contract will generally apply also to newly hired workers in smaller firms, however not all the provision will apply and indemnities are drastically reduced. In particular: a) no reinstatement is foreseen for ungrounded disciplinary dismissal; b) the indemnity for disciplinary dismissals, redundancy dismissals, defects of form and in case of conciliation procedures are halved and in any case limited to the equivalent of maximum 6 monthly wages. Whenever a small firm increase its workforce over 15 employees as a consequence of new hires, the new dismissal rules will apply also to workers engaged before the enforcement of the new legislation.

Collective dismissals

If a defect in the procedures occurs, the employer is obliged to pay an indemnity equal to 2 monthly wage per year of service. The indemnity, however, should not be lower than the equivalent of four wages and can't exceed the equivalent of 24 wages. Such a defect may arise if the employer does not stick to the priority criteria defined by law or by Collective Agreements in defining the list of workers to be retained/dismissed.

Reallocation contract (*"Contratto di Ricollocazione"*)

Dismissed workers (both on an individual or collective basis) is eligible to receive a voucher, whose amount is proportionate to their employability profile, which gives the right to receive a tailored job search support program from PES or accredited private services. The worker is obliged to comply to all the activities proposed by the provider in order to maintain the eligibility for the support program.
€50mln are allocated to finance transition contract in 2015 and €20mln in 2016.

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The new unemployment benefit scheme

NASpI

From May 1st 2015 a new unemployment provision will be introduced replacing ASpI and mini-ASpI, targeting all employees working in the private sectors except workers in agriculture. NASpI will target all involuntary unemployed that paid at least 13 weeks of social contribution during the last four years and worked at least 30 days during the 12 months preceding the start of the unemployment spell.

The amount of the benefit is correlated to the average wage of the last four years. If the wage is lower than €1,195, the benefit amount to 75% of the wage, for higher wages a proportion of 25% is applied to the difference between the wage and €1,195. NASpI can't however exceed the amount of monthly €1,300. From 2014, from the fourth month onward the amount of the benefit will be reduced by 3 percentage points every month.

The benefit will be paid monthly for a number of weeks equal to the half of the working weeks in the last four years. For the calculation of duration, weeks that were already computed for the provision of a previous unemployment benefit will be excluded. From 1st January 2017 onward unemployment duration will be limited to a maximum of 78 weeks.
The provision of NASpI will be conditioned to the participation to activation measures proposed by Employment Services. Further restrictions will be introduced in the implementing decree of Jobs Act

[25] It is important to remind that dismissal rules were different in Italy, depending on the size of firms.

concerning the reform of active labour market policies. The Ministry of Labour is due to issue a decree within 90 days from the enforcement of this decree to define rules and sanctions related to the conditionality principle (and this explains why the starting date of the new scheme is set on May 1st).
The unemployed entitled to receive the NASpI support can claim for an anticipation of the entire amount of the benefit as a form of incentive to self-employment initiative.
As far as imputed social contributions are concerned, they will be computed on the basis of the average wage of last four years. However, the maximum basis for calculation is 1.4 times the maximum amount of NASpI.

ASDI ("Assegno di disoccupazione")

A monetary allowance is introduced on an experimental and limited basis for unemployed that, at the end of the duration of the unemployment benefit, are still unemployed and need an economic support. In the first year of experimental implementation, priority will be given to older workers that are still not entitled to pension and to unemployed with minors.
ASDI duration is limited up to a maximum of 6 months and will amount to the 75% of the last NASpI allowance , the ceiling being however represented by the social support allowance (€447,61).
ASDI beneficiaries will be obliged to follow a personalized activation and support program provided by Employment Services.
A decree to be issued within 90 days by Ministry of Labour and Ministry of Finance will define:
entitlement requirements and priority criteria;
sanctions and rights related to the activation measures implemented by Employment Services;
inspection measures. Euros 200 million in 2015 e 2016 are allocated to finance the measure.

DIS-COLL – Unemployment benefit for project workers

For project workers having lost their job between 1st January 2015 and 31st December 2015 is introduced on an experimental basis a monthly unemployment benefit named DIS-COLL. The benefit target project work with no VAT number and not receiving pension.
DIS-COLL will target project workers that paid at least 13 weeks of social contribution during the period going from the 1st of January of the preceding year and the job loss and worked at least 1 month in the 12 months preceding the start of the unemployment spell.
The amount of the benefit is correlated to the wage of the last two years, divided by the number of worked months. If the wage is lower than euro 1,195, the benefit amount to 75 % of the wage, for higher wages a proportion of 25 % is applied to the difference between the wage and euro 1,195. The benefit will in any case exceed the amount of monthly euro 1,300. From the fourth month onward the amount of the benefit will be reduced by 3 percentage points every month.
The benefit will be paid monthly for a number of months equal to the half of the working months in the period going from the 1st of January of the preceding year and the job loss. For the calculation of duration, weeks that were already computed for the provision of a previous unemployment benefit will be excluded. The duration of benefit will be limited to a maximum 6 months and no imputed social contribution will be paid.
The provision of DIS-COLL will be conditioned to the participation to activation measures proposed by Employment Services. Further restrictions will be introduced in the implementing decree of Jobs Act concerning the reform of active labour market policies.

CSR6. Education and training

- Vision on education has changed. For the first time since many years, with the Stability Law for 2015 **the education system has been financed**. A Fund for the realization of the plan 'La buona scuola' has been created with an endowment of €1bn for 2015 and €3bn yearly from 2016. Plan 'La buona scuola' has also been indicated as a strategic project by the Investment Task Force EU-EIB.
- Between September and November the Governemnt launched the Plan ***'La buona scuola'*** to the public consultation. The Plan contains:
  - An extraordinary recruitment plan to hire 150,000 teachers within Sept. 2015 and a public selection for 40,000 teachers in 2016-2019.

- Improvement of teachers' skills also with permanent formation linked to career enhancement: teachers' careers will be based on merit instead of age. Digital skills introduced in primary school.
- Reduction in administrative burden and greater transparency (from 2015 budgets and projects financed by schools will be published online).

- At the end of February 2015, **the decree for implementing 'la buona scuola'** will be adopted by the government. It will touch all the crucial issues of the Plan. First of all, raise the education offer, both with increasing the number of teachers and with the 'citizenship skills' in secondary schools, related to economic and judicial matters. For the study of English the CLIL methodology will be extended to the last 2 years of primary school.
- Horizontal skills and **school/job transition** are strictly linked. Some primary goals are already in the pipeline: raise apprenticeship to 200 days, simplify the burden for firms who intend to trainee a student as well as create an informative platform, for both schools and firms. As for digital skills, government is building a system similar to what has been done in the USA, based on modular lessons (because skills are horizontal with respect to many school subjects) now included in the primary schools, but the aim is to raise both the offer (extending both time and schools) and funds for teachers' upgrading. Government also intend to give technical schools a vertical path, by inserting a 'bridge year' to be agreed with Regions, after which a student can have access to tertiary technical education.
- To **evaluate the success of education system**, the databank of INPS and MIUR will be unified, and an indicator will be created, to help schools in understanding their success in formation and the professional career of their students.
- To **hire teachers** 3 criteria will be fixed: formation, assessment and career, according to 3 priority: national, individual (based on formation), and at school level (for the national evaluation system). A formation card will be available for teachers, to trace their formation and eventually deduct fees from revenues (in case of courses outside of the organization of schools and Ministry for Education). Formation will be important for the evaluation of teachers. Didactic skills will be measured by different elements, including the already used perception questionnaire (filled by students and their parents).
- **The National Evaluation System** has reached its final step: the electronic platform where schools will have to fill a form, is now ready. It will become operational starting 2015, both for state and national schools. National evaluation system and teachers' evaluation will be linked only in indirect way, because the school 'success' is linked to more years and thus not necessarily to a single teacher.
- Number of inspectors of the Ministry for Education will be strengthened. Their skills should also include the evaluation system and the public recruitment will be modified accordingly.

CSR7. Simplification and competition

Simplification

- **The Simplification Agenda 2015-2017** has been adopted[26]. The Agenda is a joint commitment of the Government, the Regions and Local Authorities towards ensuring the achievement of simplification objectives which are essential to fill Italy's competitiveness gap, free up resources to ensure growth and really change the life of citizens and businesses, according to a specific timeline.
- The Agenda focuses on **five strategic action areas**: digital citizenship, health and welfare, taxation, construction sector and businesses. It sets actions, responsibilities, deadlines and expected results for each sector. The achievement of results will also be monitored. results will be accessible online to make sure citizens and business are constantly involved in assessing the actual implementation process.
- The main innovative aspect of the Agenda is the adoption of a **result-oriented approach**: the success of the measures introduced will not be assessed against the number of regulations adopted but the actual time and cost reduction. All actions envisaged in the Agenda will be followed up by an activity to measure time and burdens on citizens and businesses. Particular attention will be devoted to the perception of results. This will be assessed through quantitative analyses (sample surveys) as well as qualitative ones (interviews, focus groups). The Cabinet of Ministers and the Conferenza unificata shall periodically assess and update the Agenda.
- The first results of the Agenda, expected by January 2015, have been achieved. Among the more relevant measures there is the adoption of simplified single forms for those construction procedures more frequently used by citizens and businesses and the drafting of the single form for the single environmental authorization.
- The Draft Law on 'Reorganization of Public Administration' also contains simplification measures among which: i) simplification of the regulation on "*Conferenza dei Servizi*"; ii) use of the silence-is-consent rule among public administrations; iii) identification of procedures open to SCIA or silence-is-consent rule; iv) limits to the use of the power of self-remedy (*autotutela*) by public administrations; v) single codes for the simplification of legislation on civil service and on shareholding of public administrations and local public services.

Competition, liberalisations and consumer protection

- In the past few months the Italian government has already passed several measures aimed at promoting competition in key sectors of the economy.
- Most recently the 'Investment Compact' (decree law approved by the Government on 20th January 2015) strengthened the **portability of bank accounts**, by introducing a mandatory term of maximum 7 working days for the switching procedure, according to Directive 2014/92/EU (art. 10). Banks are obliged to transfer accounts at no expenses for the customer within predefined terms. Any delay will be sanctioned.

[26] Referred to in article 24 of Decree Law 90/2014 and approved by the Conferenza Unificata on 13th November.

- The Sblocca Italia decree provides for the **liberalisation of the large non-residential rental market**. In particular, it integrates previous legislation (with regard to the regulation of the *contra legem* agreements) by foreseeing that, in rental contracts, also for hotels, of important economic value (rents above €250,000), the parties can freely decide the terms and conditions of the contract.
- The Italian government has announced that a new comprehensive **package of liberalization measures** will be presented to the Council of Ministers by 20 February 2015 as the **Annual Competition Law.** The objectives of the Law is to remove constraints and barriers that still hamper competition, removing unnecessary regulation of economic activities, following advocacy recommendations of the Italian Competition Authority.
- The Law will intervene in the following sectors and industries**:** Insurance, Communication, Postal Services, Electricity Gas, Gasoline Distribution, Local Public Services, Airports and Ports, Legal Services, Banking, Healthcare, Simplification. The draft legislation is currently being developed under the coordination of the Ministry for Economic Development.
- As for **local public services**, municipalities must adhere within 1st March 2015 to the government entities, with Regions substitutive powers in case of non-compliance. Government entities must draft a report containing also the economic and financial plan. In case of in-house assignment, the economic and financial plan must also specify the equity capital invested as well as the amount of debt. For the in-house assignment, local entities must set aside pro-quota in the first budget (and after each three-year period) a sum equal to the equity capital needed for the three-year period, as well as draft a consolidated budget (provision of the Stability Law for 2015).
- In the same field, with the Draft Law to reform public administrations, the Government will **reorganize the relevant legislation on SOEs** to simplify and make it clearer, as well as to safeguard and promote competition. These results will be achieved by eliminating exclusivity regimes which do not comply with the principles of competition, by encouraging the aggregation of activities and management according to criteria of cost-effectiveness as well as introducing a clear distinction between the tasks of regulating and managing services.
- At sectoral level the Sblocca Italia decree has made significant changes to the legislation on water management.
- In July the Government introduced a comprehensive set of measures that is aimed at **cutting electricity prices** by about 10% for SMEs. The package will have full effect by late 2015
- The package consists in a substantial reduction of:
  - Subsidies to power generators, including fossil fuels subsidies and windfall profits for specific renewable generators.
  - Transfers to, or exemptions for, specific groups of energy consumers, such as energy-intensive consumers, railways, self-producers, etc.
  - System costs (or better allocation thereof) including network costs, the financing of bodies such as GSE, acceleration of strategic network investments, etc.

- Market reforms are in the process of being introduced, with regard to the EU market coupling (particularly negative prices will be allowed on wholesale power markets). These measures will result in a more fair distribution of cost among consumers as well as a cut of the cost of electricity for SMEs.

CSR8. Infrastructures

- In November 2014 the *Sblocca Italia* decree has been converted into law. It provides targeted measures to 'unlock' urgent and essential public works that can no longer be postponed in order to boost the economy. In particular, the law defines concrete measures to re-open construction sites and re-launch infrastructures. Among others, the following are provisions are of utmost importance:
  - guarantee, through speeding measures, of the execution of public works - mainly included in the previous planning - requiring an adequate time schedule in order to make their realization effective.
  - Simplification of the procedures for strategic public work concessions, strengthening the guarantees of the grantor against the concession holder for works under project-financing, in particular for works requiring very high cost investments; structured in batches and whose bank financing is strictly linked to various technical-economic elements. In case of projects developed in functional sections, in the call for tenders is possible to withdraw the concession if the financial sustainability of the subsequent sections has not been verified, within three years, by primary financial institutions. It is consequently possible to re-open the tender for the concession as to realize the full work. The aim is therefore to guarantee in any case, even in presence of highly complex works, the realisation of a public work in its full entirety, including all functional sections.
  - to allow the continuity of ongoing constructions and the launch of new initiatives, the public works of strategic and highest importance are identified and the relative resources of the so-called '*Unlock constructions' Fund* are increased up to an overall amount of €3,890mln. The measures to be financed, and the devoted resources, are specifically identified in the implementation decrees of the Italian Ministry of Transport and Infrastructure, in collaboration with the Italian Ministry of Economy and Finance.
- The Stability Law 2015 earmarked 50mln from the 'Unlock constructions' Fund to urgent interventions to prevent hydrogeological instability, securing public goods, completion of ongoing works and infrastructural improvements.
- The first implementation decree has been completed, being currently under formal approval of the Italian Court of Auditors before its official publication, and it directly allocates €1,394mln to the economic system. A second and third implementation decree are currently being finalized. They will attribute, respectively, €500mln to local authorities and the remaining resources of the Fund for other infrastructural works. The following tables provide a detailed breakdown of all measures and the relative resources for the concerned period (2014-2020).

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ANNEX – LIST OF SPECIFIC MEASURES AND RESOURCES FOR THE PERIOD 2014-2020	
a) Measures under article 3, paragraph 2, lett. a), DL 12 September 2014, n. 133	**Resources 2014-2020**
Complete coverage of the railway link of Turin	25,00
Completion of the water system Basento-Bradano, Sector G	65,00
Motorway axis Trieste-Venice	30,00
Suppression and automation of level crossings on the rail network (Bologna-Lecce priority)	60,00
Rome: subway line C, section Colosseo-Piazza Venezia	155,00
Total under letter a)	**335,00**
b) Measures under article 3, paragraph 2, lett. b), DL 12 September 2014, n. 133	
Further construction lot AV/AC Verona-Padua	90,00
Completion of the road axis Lecco-Bergamo	15,00
Railway axis Cuneo-Ventimiglia	29,00
Completion and optimization of the road axis Torino-Milano	72,00
Terzo Valico dei Giovi – AV Milan Genoa	200,00
Umbria-Marche quadrangle	120,00
Naples: completion of subway line 1	90,00
Refinancing of the bridges and tunnels programme	300,00
Securing SS 131 (Sardinia)	143,00
Total under letter b)	**1059,00**
Resources (letter a+b) allocated to the economic system	**1394,00**
c) Measures under article 3, paragraph 2, lett. c) and art. 3, par.3, DL 12 September 2014, n. 133	
Subway line of Turin	100,00
Tramway of Florence	100,00
Salerno-Reggio Calabria (Lauretana Borrello interchange)	38,00
Salerno-Reggio Calabria (from Rogliano interchange to Atilia interchange)	381,00
SS "Telesina" adjustment	90,00
Completion of SS 291 in Sardinia	81,00
'Variante della Tremezzina' (SS 340 "Regina")	210,00
'Pedemontana Piemontese'. Roadlink Masserano-Ghemme	80,00
Road bridge connecting Fiumicino highway - EUR	145,00
Road axis Gamberale-Civitaluparella (Abruzzo)	62,00
Road axis SS 212 Fortorina – First lot	65,00
Quadrupling Lucca-Pistoia rail line	215,00
Florence airport	50,00
Salerno airport	40,00
Completion of Abruzzo Region water system	69,00
New 'Brennero tunnel'	270,00
Implementation Decree on local authorities Measures indicated by mayors and measures under the competence of regional superintendencies to public works	200,00 100,00 100,00 100,00
Totale letter c)	**2496,00**
Resources allocated a)+b)	**EUR 1394 Million**
TOTAL a)+b) +c)	**EUR 3890 Million**

- Provisions have been set out in the Stability Law 2015 to support the development of **infrastructures projects already authorized**. In particular: the Development Strategy for the railway network has been dictated with specific regard to the extraordary maintenance of the national network and the development of big infrastructure investments[27]; RFI has been requested to submit a Report each year related to the financial resources effectively recorded for investments, the implementation of works for each investments program and the possible difference with regard the initial programme.
- At the end of January an agreement has been signed between the European Investment Bank (EIB) and the MEF to finance the plan of action of the Italian Railway Network (RFI). The agreement will grant a loan of nearly one billion euro (exactly €950mln) to be allocated to the **modernization of the conventional rail lines** and regional and local routes from North to South of Italy.
- In Nov. 2014 the Government set up the **Committee for ports and logistics**, which will support the government in the definition of the National Strategic Plan of the port and logistics, foreseen by the Sblocca Italia decree.
- In Jan. 2015 the Government is leading two task-forces for operationalise the 7-year Plan (worth €16bn) to tackle **geo-hydrological risks** at Regional level, and the Priority School Building Programme. The authorized **Plan for the renovation and rationalization of social housing stock** (worth €467mln) is under implementation.

The Junker investments Plan-the Italian contribution

- The projects and investment programs have been identified by the Government based on the criteria provided by the European Task Force. Taking into account these criteria, projects selected overcome national borders; are feasible in the period 2015-2017 and are economically sustainable. The programs and national projects will be subject to due diligence by the EIB to verify the eligibility regarding funding criteria to get the loan disbursement.
- According to the Italian Government, first it is necessary to distinguish: i) "public" projects, resulting from the programs financed by the government budget and that basically have no leverage; ii) projects with more substantial leverage, presented by both government and private sector.
- With reference to the letter i) projects, the EIB should make available the usual credit lines after identification of priority actions. With reference to the letter ii) projects, the funding should take advantage of EU guarantee, which will be enforced through the Juncker Plan.
- In Nov.2014 Italy presented a selection of **around 80 projects** worth over €40bn of investments.

[27] Such as the section Brescia-Verona-Padova of the line HS/HC Milano-Venezia, the section 'terzo valico dei Giovi' of the line HC/HS Milano-Genova, the sections related to the new Brennero railway tunnel.

- Various **projects have been identified in the transport sector**, particularly concerning:
  - Rails (e.g. Torino-Lione, Railway Brenner Base tunnel project IT-AT-crossing -link Fortezza-Verona included; Trieste-Divaca railway line project; Rhine-Alpine Corridor -3° Valico dei Giovi, technological upgrading of Chiasso-Monza, structural strengthening of Voltri-Brignole) railway projects;
  - Ports (e.g. Genova, Ravenna, Trieste, Venezia, Livorno- Europa Platform, Gioia Tauro, Palermo);
  - Airports (e.g. Milano, Venezia, Roma Fiumicino, Bologna, Catania Fontanarossa);
  - Roads (e.g. Bari Lamasinata, A4 Venezia-Trieste, Salerno-Reggio Calabria, Orte-Mestre, Pedemontana Veneta, Ragusa- Catania, Campogalliano Sassuolo, Cispadana, Pedemontana Lombarda, Telesina, Pontina, Frejus Tunnel);
  - Urban transport (construction of new public transport systems, and bus fleet renewal).
- In the field of **Energy**, ENEL has identified as sectors / intervention projects:
  - biomass plants in the renewable sector;
  - smart grids in the distribution sector;
  - LNG terminal of the Porto Empedocle (AG).

CONSTITUTIONAL REFORMS AND IMPLEMENTATION

Constitutional reforms

- The **Constitutional reform**, approved, in his first lecture, by the Senate in August 2014 is aimed at outlining a clearer and less adversarial multilevel governance system. Therefore it reserve to the State both the decisions requiring wider strategic choices, both the decisions that require uniform treatment throughout the country for citizens of all regions.
- The constitutional review will overcome fragmentation, pursuing a more rational legislative decentralization in line with the need of economic and social development of the country and of southern regions (for example transferring to the State the competence for strategic infrastructures, energy production and distribution, environment, competition, active labour market policies, planning technological and scientific research) and with the need of reserving to the State decisions referring to uniform treatment for all citizens in the national territory (for exemple transferring to the State the competence for general discipline about healthcare and food safety).
- The Assembly of the Chamber of Deputies has began the examination of the Bill (AC 2613-A) on 16 December 2014, after the examination of the Constitutional Committee of the Chamber of Deputies.
- After these parliamentary passages the Bill has undergone some changes and in its actualformulation it foresees:
  - **Composition of the Senate** - The Senate ceases to be a body directly elected by the people. It becomes a body consisting of one hundred members, elected with the proportional system by the Regional Councils and the Autonomous Provinces. No Region can have fewer than two Senators. Furthermore, up to five Senators may be appointed by the President of the Republic, for a seven-year mandate only. The mandate of Senators coincides with the mandate of the local organs electing them.
  - **Functions** – Only the Chamber of Deputies (Lower House) has the confidence relationship with the Government. The law-making function is not carried out jointly by the two Chambers, as is currently provided by Article 70 of the Constitution: endeed the new Senate keeps equal status with the Chamber of Deputies in law-making only for a limited number of laws.
  - For other laws, the partecipation in legislative function by the Senate may be possible (upon request of one-third of the members within a short notice of ten days) and his intervention is advisory in nature (the Senate can approve «proposed» amendments with an absolute majority). The final approval is given by the Chamber of Deputies. In some cases, a reinforced legislative process is provided for, allowing

the Chamber of Deputies to reject the amendments proposed by the Senate, with a qualified majority, only at the absolute majority of voters in the final voting.

- **Senate's activity** is deeply transformed. The Senate has to «concur» to the legislative function and act as a link between the State and the other entities that make up the Republic and between these latter ant EU. The Senate concurs to evaluate the work of public administrations, check on the implementation of the laws of the State, monitor and assess public policies and concur to express opinions on appointments to be made by the Government.

- Moreover, the constitutional reform includes a number of other provisions. Firstly, as regards the **legislative process**, the Government can have a "preferential lane", requesting the Chamber of Deputies to vote a bill on a certain date, within seventy days, if that bill is crucial for the Government's programme.
- The **bill reforming the electoral law** has been approved on the 12th March 2014 at the Chamber of Deputies. The examination of the bill by the plenum of the Senate began in december the 19th. The reform of the electoral law (envisaged for elections to the Chambers of Deputies only, bearing in mind the parallel reform of the Senate that will be transformed into "2nd tier" body) foresees the following novelties:
  - Regions are divided into constituencies with a given number of seats for each constituency in proportion to the number of its inhabitants; each party submits an electoral roll on the basis of which electors cast their vote; every citizen can express up to two preferences, each for different gender, for candidates of the roll;
  - proportional system with a majority bonus for the party with the highest number of valid votes that exceeds the threshold of 40 per cent of the vote;
  - the majority bonus is set at 15 per cent of the seats to enable the winning party or coalition to have 340 out of 630 seats (55 per cent of all seats);
  - if no party reaches the 40 per cent threshold, the two parties that receive the highest number of votes proceed to a run-off (second ballot);
  - a party that does not receive a minimum number of votes (exclusion threshold of 3%) cannot participate in the distribution of the votes for the aim of the transformation of the votes in seats;
  - electoral rolls must ensure gender equality and cannot include more than two consecutive candidates of the same sex.
- The purpose of the law is a stable government that serves its full 5-year term and, at the same time, a parliamentary assembly effectively representing the people; less fragmentation of political parties and an end of the veto power of small political parties; a closer link between candidates and their constituents; gender equality in elections.

Law implementation

- Since its appointment, the Government has made the **acceleration of reform implementation a priority objective**. For this purpose, it has reinforced the monitoring and verification of the cycle of implementation of legislative provisions, introducing certain instruments to ensure a greater and more profitable interaction with the

technical units in charge of implementing the various provisions, which are already yielding the first concrete results.

- In July, the Minister for Constitutional Reforms and Relations with Parliament inaugurated a first conference of cabinet ministers aimed at strengthening working relationships between institutions, improving the flow of data on the status of implementation of the laws and making the implementation process more rapid and transparent. At the operational level, a project was initiated to create an IT platform that will link all cabinet offices to a network to provide updated, real-time data.
- A **technical committee** has been formed to facilitate and accelerate solutions to clear the path for implementation. In addition, as of July, each meeting of the Council of Ministers begins with an update on the status of implementation of the programme.
- By December 2014 about **half of the backlog had been cleared**: from February 22 to December 29, the Government approved 121 pieces of legislation, including 54 draft laws, 25 decree laws, 42 legislative decrees. 59 pieces of legislation entered into force having been officially published.
- As for the initiatives of previous Governments (Monti and Letta), of the 889 pieces of secondary legislation required, 65% have been adopted.

General information				Pre-legislative phase	Legislative phase *(chronologically from left to right)*						Post-legislative (implementation) phase		Political commitment
Policy field	**Policy objectives**	**Main elements of proposed legislation**	**Relevance to CSRs**	**Announcements of future laws**	**Government draft law proposal (e.g. Disegno di Legge, DL, DLGS)**	**Adoption/conversion by Parliament**	**Publication in Gazzetta Ufficiale**	**Legislative decrees (in case of enabling law)**	**Implementing decrees (e.g. DPR, DPCM, DM)**	**Risks to the legislative process**	**Further implementing acts (e.g. subnational, regulatory etc.)**	**Risks to implementation**	**Political announcements on importance and level of ambition**
Business environment and simplifications	The parties may independently establish the terms and conditions of the rental contract.	Deregulation of the market for leasing of large non-residential properties (annual rents of more than €150,000).	CSR 7 (Simplification and competition)		Decree Law n. 133/2014 L. n. 164/2014; (Art. 18) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014; converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	None	None			
Business environment and simplifications	Facilitate the use of the capital market for attracting investment, a mechanism only rarely used to date in the real estate sector.	Changes in civil and fiscal regulations applicable to publicly traded real estate investment companies (REITs).	CSR 7 (Simplification and competition)		Decree Law n. 133/2014 (L. n. 164/2014; Art. 20) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014; converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	None	None			
Business environment and simplifications	Simplification, rationalization and competitiveness enhancement of agricultural sector	Enhance competitiveness in a crucial sector for Italian economy. Promoting "made in Italy" even for agrifood. Tax credit for promoting abroad the Italian products. Simplification measures on controls.	CSR 7 (Simplification, competition and efficiency of public procurements)		Adoption of draft law by government on February 2014 (Disegno di legge: 'Disposizioni in materia di semplificazione, razionalizzazione e competitività del settore agricolo, agroalimentare e della pesca (collegato alla manovra di finanza pubblica'); Atto Senato 1328)	Presented to Parliament on 21 February 2014 (AC 1328)and under discussion in the Chamber's Committees; next steps will be the approval of the text of draft law by each Chamber (until both Chambers approve the same text).		None	None - self implementing rules	Low			
Business environment and simplifications	Simplify the regulatory framework to the advantage of the public at large, and reduces administrative costs.	Healthcare simplifications regarding drug prescriptions and procedures for ascertaining disability.	CSR 7 (Simplification and competition)		Decree Law n. 90/2014 (L. n.114/2015; Art. 25, 26), approved by Government on 13 June 2014	DL 90:Presented to Parliament (AC2486) on 24 June 2014; converted in law by Parliament in August 2014	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	None	None	None	None	
Business environment and simplifications	Introduction of a single simplified form for the certified reporting of the start-up of building activity (SCIA) and for building permits. Simplification for non-recurring maintenance works. Simplification of procedures for issuance of landscape permits.	Simplifications for the construction sector.	CSR 7 (Simplification and competition)		Decree Law n. 83/2014 (L. n.106/2014; Art. 12) approved by Government on 22 May 2014 Decree Law n. 133/2014 (Art. 17) approved by Government on 29 August 2014	DL 83: Presented to Parliament (AC 2426) on 31 May 2014; converted in law by Parliament in July 2014. DL 133: Presented to Parliament (AC 2629) on 12 September 2014. First hearing in Chamber of Deputies ongoing	DL 83: published in GU no. 125 of 31 May 2014 L 106: published in GU no.175 of 30 July 2014 DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	Regulation (DL 83 Art. 12) for clarifications and further simplifications. To be adopted by December 2014.	Low	None	None	
Business environment and simplifications	Creation of a single controls register; simplifications in the wine sector; extension of the use of injunctions.	Simplifications for the farming sector.	CSR 7 (Simplification and competition)		Decree Law n. 91/2014 (L. n. 116/2014; Art. 1, 1-bis) approved by Government on 13 June 2014	Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014	None	One DM of MIPAF expected by March 2015 for the establishment of the single registry of controls and electronic registers of wine products (no deadline). Morover another DM MIPAF, to be adopted by November 19, 2014.	Low	None	None	
Business environment and simplifications	Reduce the time and costs burden for citizens and firms for bureaucratic procedures and ensures certainty with respect to individuals' rights and business activities.	Adoption by the end of October 2014 of the 2015-2017 Agenda for Simplification.	CSR 7 (Simplification and competition)		Decree Law n. 90/2014 (L. n.114/2015; Art. 24), approved by Government on 13 June 2014	DL 90:Presented to Parliament (AC2486) on 24 June 2014; converted in law by Parliament in August 2014	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	Government approved the "Agenda for simplification for the 2015-2017 " on 1 December 2014. Following this, on 18 December 2014 an agreement between Government, Cities, Provinces and Regions was reached for the adoption of single simplified forms (standardized modules throughout the national territory) for the communications of the beginning of construction works (CIL and CILA). Others forms will be adopted in 2015.	Low	None	None	

General information				Pre-legislative phase	Legislative phase *(chronologically from left to right)*						Post-legislative (implementation) phase		Political commitment
Policy field	**Policy objectives**	**Main elements of proposed legislation**	**Relevance to CSRs**	**Announcements of future laws**	**Government draft law proposal (e.g. Disegno di Legge, DL, DLGS)**	**Adoption/conversion by Parliament**	**Publication in Gazzetta Ufficiale**	**Legislative decrees (in case of enabling law)**	**Implementing decrees (e.g. DPR, DPCM, DM)**	**Risks to the legislative process**	**Further implementing acts (e.g. subnational, regulatory etc.)**	**Risks to implementation**	**Political announcements on importance and level of ambition**
Business environment and simplifications	The regional presidents may assume the functions of the special commissioners charged with mitigating hydro-geological instability. Simplified procedures introduced for cleaning up and securing contaminated sites and tracing waste materials. Simplified regulation of	Simplification of several environmental procedures.	CSR 7 (Simplification and competition)		Decree Law n. 91/2014 (L. n. 116/2014; Art. 10) approved by Government on 13 June 2014	Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014	None	DPCM expected (no deadline) to define the criteria, methods and allocation of resources provided for interventions against hydrogeological risk.The draft was already prepared and part of it has been included in the "Sblocca Italia" decree.	Low	None	None	
Business environment and simplifications	Shorter time periods for tenders and for the PA's payment, online, real-time verification of regular contributions made to the social security administration (INPS) and the national institute for accidents at work (INAIL).	Real-time and online acquisition of single insurance contribution payment certificate (DURC).	CSR 7 (Simplification and competition)		Decree Law n. 34/2014 (L. n. 78/2014; Art. 4) approved by Government on 12 March 2014	DL 34: Presented to Parliament (AS 2208) on 20 March 2014; converted in law by Parliament in May 2014.	DL 34: published in GU no.66 of 20 March 2014 L 78: published in GU no.114 of 19 May 2014	None	DM of the Ministry of Labour (deadline May 20, 2014)	Low	None	None	
Business environment and simplifications	Simplification in the sectors with low risk of occupational illnesses and accidents.	Simplification of compliance matters for security in the workplace.	CSR 7 (Simplification and competition)		Decree Law n. 69/2013 (L. n. 98/2013; Art. 32) approved by Government on 15 June 2013	DL 69: Presented to Parliament (AC 1248) on 21 June 2013; converted in law by Parliament in August 2013.	DL 69: published in GU no.194 of 20 August 2013 L 98: published in GU no.194 of 20 August 2013	None	The simplification became operative thanks to the decree of 18 April 2014 approving standard forms for the submission of the notification; Adopted two decrees (DM 22/07/2014 and 09/09/2014) issued for introducing further simplification measures - DM of Ministry of Labour expected by September 20, 2013,draft prepared.	None	None	None	
Business environment and simplifications	Simplify formal charges for participation in the proceedings for the award of public contracts.	Contracting authority may exercise power to allow bidders to supplement the statements filed in the event of fundamental irregularities in the entrustment, against the payment of sanctions.	CSR 7 (Simplification and competition)		Decree Law n. 90/2014 (L. n.114/2015; Art. 39), approved by Government on 13 June 2014	DL 90:Presented to Parliament (AC2486) on 24 June 2014; converted in law by Parliament in August 2014	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	None	None	None	None	
Business environment and simplifications	Allow for lengthening concessions to finance investment plans, reducing the burden to the State.	Concessionaires of toll-highway tracts may propose changes to their concession relationships in respect of EU principles; proposed changes, due by 31 December 2014, to be aimed at optimising operation of the tracts, including through unification of interconnected tracts.	CSR 8 (Infrastructures)		Decree Law n. 133/2014 (L. n. 164/2014; Art. 5) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014; converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	None	None	None	None	
Business environment and simplifications	Clear the way for investments (an estimated €15 billion) for the development of hydrocarbon deposits. Limits on the Domestic Stability Pact for the regions involved.	Introduction of a single concession permit for the research and production of hydrocarbons.	CSR 8 (Infrastructures)		Decree Law n. 133/2014 (L. n. 164/2014; Art. 36) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014; converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	None	None	None	None	
Business environment and simplifications			CSR 8 (Infrastructures)			"DECRETO SALVA ILVA" Presented to the Parliament 13 January 2015 (AS S.1733)	D.L. 1/2015, published in the GU no.3 of 5 January 2015						
Business environment and simplifications	Riduction in production costs for businesses	Cuts in energy cost for SMEs	CSR 7 (Simplification, competition)		Decree Law n. 66/2014 (L. n.89/2014; Art. 23) approved by Government on 18 April 2014	Presented to Parliament (AS1465) on 24 April 2014; converted in law by Parliament in June 2014	DL 66: published in GU no. 95 of 24 April 2014 L 89: published in GU no.143 of 23 June 2014	None	None	None	None	None	

General information				Pre-legislative phase	Legislative phase *(chronologically from left to right)*						Post-legislative (implementation) phase		Political commitment
Policy field	**Policy objectives**	**Main elements of proposed legislation**	**Relevance to CSRs**	**Announcements of future laws**	**Government draft law proposal (e.g. Disegno di Legge, DL, DLGS)**	**Adoption/conversion by Parliament**	**Publication in Gazzetta Ufficiale**	**Legislative decrees (in case of enabling law)**	**Implementing decrees (e.g. DPR, DPCM, DM)**	**Risks to the legislative process**	**Further implementing acts (e.g. subnational, regulatory etc.)**	**Risks to implementation**	**Political announcements on importance and level of ambition**
Competition	Further support to international expansion; State guarantee for non-market risks; criteria and procedures for accessing financing and for capitalisation.	Support to international expansion, relaunching Made-in-Italy export, strengthening the efforts to fight against imitation or counterfeiting of Italian food products abroad.	CSR 4 (Banking sector and capital market)		Decree Law n. 91/2014 (L. n. 116/2014; Art.32) approved by Government on 13 June 2014 Decree Law n. 133/2014 (L. n. 164/2014;Art. 30) approved by Government on 29 August 2014	Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014. DL 133: Presented to Parliament (AC 2629) on 12 September 2014. First hearing in Chamber of Deputies ongoing	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014 DL 133: published in GU no. 212 of 12 September 2014	None	In order to implement the role of SACE, the DL 91 foresees DM MEF for the State guarantee and 2 DPCM to be approved by November. To implement measures supporting Made in Italy, DL 133 foresees 2 DM MISE to be approved between November 2014 and January 2015. Technical meetings are ongoing.	Very low	An Annual Report to be presented by the Ministries of Economic Development and of Agriculture relative to the Promotional Program of Made in Italy		
Competition	Remove the remaining impediments and restrictions to competition.	Adoption of the Annual Law on Competition.	CSR 7 (Simplification and competition)	On July, 4 2014 the Antitrust Authority sent to the Government and Parliament an annual monitoring report containing guidelines for the draft law on competition, as required by Law no. 99/2009, art. 47. Annual Law on Competition in the definition phase. It will be presented within February 2015.						Medium			
Competition	Promote the full application of consumer rights and guarantees, improves the quality and efficiency of railway services, ensure application of transparency principle of the system of airport charges.	**Transport Regulation Authority,** active since 15 January 2014, has adopted regulatory measures **concerning: 1)** sanctioning proceedings regarding the protection of passenger rights in railway **and bus; 2)** transport and tariff models for determination of airport fees**; 3) access to railway infrastructure; 4) recommendation and requirements on 2015 Network Statement.** On 23 December ART launch a call for input on railways infrastructure charges.	CSR 7 (Simplification and competition)		Legislative Decree n. 70/2014**, concerning Reg. CE 1371/2007 on rail passengers' rights and obbligations; Legislative Decree n. 169/2014, concerning the rights of passengers in bus and coach transport (Reg. UE 181/2011).**		DLGS 702014: published in GU no. 103 of 6 May 2014**; DLGS 169/2014: published in GU no. 271 of 21 November 2014.**		Adopted Regulation (July 2014) establishing measures to ensure respect for the rights of passengers	None	None	None	
Competition	Remove the remaining impediments and restrictions to competition.	Portability of bank accounts has been strengthened. Banks are obliged to transfer accounts at no expenses for the customer within predefined terms according to Directive 2014/92/EU (art. 10). Any delay will be sanctioned.	CSR 7 (Simplification and competition)		D.L. 3/2015, approved by Government on the 20 January, 2015.	Presented to Parliament (A.C. 2844) on 26 January 2015.	D.L.3/2015 Published in the GU no.19 of 24 January 2015		None	None			
Education	Hiring of approximately 150,000 teachers and initiatives for teacher skills improvement; greater transparency in school; full operation of national school assessment system; mandatory work-school rotation; streamlining of spending on education.	'*La Buona Scuola*' plan for school reform.	CSR 6 (Education and training)	Resources in the Stability Law 2015. The public consultation was closed in Nov. 2014. The related Law and decree law will be adopted by February 2015.						Low	The national Evaluation System is under deployment		High level of commitment
Education	On-the-job training assignments (for no less than 30% of class time) for students in the fourth and fifth years of upper secondary school.	Permanent apprenticeships (Interministerial Decree no. 473/2014).	CSR 6 (Education and training)		Decree Law n. 104/2013 (L. n.128/2013; Art. 8-bis) approved by Government on 9 September 2013	DL 104: Presented to Parliament (AC 1574) on 12 September 2013; converted in law by Parliament in November 2013.	DL 104: published in GU no. 73 of 28 March 2014 L 128: published in GU no.264 of 11 November 2013	None	DL 104 (Art. 8-bis): DM approved in June 2014 containing discipline for the permanent apprenticeship.	None			

General information				Pre-legislative phase	Legislative phase *(chronologically from left to right)*						Post-legislative (implementation) phase		Political commitment
Policy field	**Policy objectives**	**Main elements of proposed legislation**	**Relevance to CSRs**	**Announcements of future laws**	**Government draft law proposal (e.g. Disegno di Legge, DL, DLGS)**	**Adoption/conversion by Parliament**	**Publication in Gazzetta Ufficiale**	**Legislative decrees (in case of enabling law)**	**Implementing decrees (e.g. DPR, DPCM, DM)**	**Risks to the legislative process**	**Further implementing acts (e.g. subnational, regulatory etc.)**	**Risks to implementation**	**Political announcements on importance and level of ambition**
Education	Implementation of a national directory of qualifications for the certification of skills acquired, and definition of a framework of minimum certification standards valid for all central and regional administrations.	Skills certification (Legislative Decree no. 13/2013).	CSR 6 (Education and training)		Legislative Decree (DLGS) n. 13/2013		DLGS 13/2013: published in GU no. 39 of 15 February 2013.	DM to be adopted by December 2014 to ensure a single and operating point of reference. On 22nd January the State-Regions Conference signed the agreement on the draft DM to define an operational framework to recognise at national level regional qualifications and related competences (according to Art.8 D.Lgs.13/2013).	None	Low	None	None	
Education	Replanning of the Ordinary Financing Fund for Universities for 2014: part of resources allocated on the basis of an assessment of the results achieved; €3-7 million in favour of initiatives for promoting the scientific culture; agreement between MEF and EIB providing, inter alia, measures to facilitate credit to university students.	Public financing of schools and universities.	CSR 6 (Education and training)						The National Research Program 2014-2020, aimed at aligning Italy with the European Framework Program Horizon 2020, is being published; DM to be issued (no deadline)relative resources of the University Ordinary Fund for 2014	Low	None	None	
Financial sector and access to finance	Relaunch Italian businesses that have an operational and business equilibrium, but lack adequate capital funds.	Creation of a private fund to service the capitalisation of businesses	CSR 4 (Banking sector and capital market)		Decree Law n. 133/2014 (L. n. 164/2014; Art. 15) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014; converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	In order to implement this measure, it is required to select , trough a public tender, the SGR responsible for the Fund Management. Moreover, the disposal foresees an implementing decree (a DM MISE-MEF) relative to Fund's characteristics. No deadline for the approval.	Low	None	None	
Financial sector and access to finance	Public instruments to support farm businesses and credit access.	Zero-rate long-term secured loans granted to farm business owners under the age of 40. A 19 per cent tax deduction granted for the lease of land by young farmers and farm business owners up to the age of 35.	CSR 4 (Banking sector and capital market)		Decree Law n. 91/2014 (L. n. 116/2014; Art. 7, 7-bis – 7-ter) approved by Government on 13 June 2014	Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014	None	In order to implement Art. 7-bis, it is required to approve a DM MEF- MIPAF by the end of October (expired and not adopted but it's not a mandatory measure).	Very Low	None	None	
Financial sector and access to finance	Enhance competitiveness on national and international markets.	Public contract to grant capital subsidies (for a total of €5 million) to aid micro, small and medium-sized businesses in enhancing the value of industrial models and designs.	CSR 4 (Banking sector and capital market)		Following to the MISE and Unioncamere convention signed on 16 December 2013	None	Published on MISE web site on 8 August 2014 at the following link: http://www.mise.gov.it/images/stories/Bandi/Bando_Disegni2.pdf	None	None	None	Call closed on January 13, 2015. Requests for benefits related to applications submitted have exhausted the resources available (5 Meuro)	None	
Financial sector and access to finance	Create a new channel for non-bank credit.	Possibility for Italian insurance companies, credit funds and securitization companies to grant direct financing to businesses.	CSR 4 (Banking sector and capital market)		Decree Law n. 91/2014 (L. n. 116/2014; Art.22) approved by Government on 13 June 2014	Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014	None	None	None	None	None	
Financial sector and access to finance	Incentives to productive efficiency, cost control and easier identification of fraud.	Definition by the insurance regulator (IVASS) of the procedure for direct compensation of damages resulting from road circulation.	CSR 7 (Simplification and competition)						Measure (August 2014) that defines the method of calculation of the costs relating to the compensation between companies under the system of direct indemnity	None	None	None	

General information				Pre-legislative phase	Legislative phase *(chronologically from left to right)*						Post-legislative (implementation) phase		Political commitment
Policy field	**Policy objectives**	**Main elements of proposed legislation**	**Relevance to CSRs**	**Announcements of future laws**	**Government draft law proposal (e.g. Disegno di Legge, DL, DLGS)**	**Adoption/conversion by Parliament**	**Publication in Gazzetta Ufficiale**	**Legislative decrees (in case of enabling law)**	**Implementing decrees (e.g. DPR, DPCM, DM)**	**Risks to the legislative process**	**Further implementing acts (e.g. subnational, regulatory etc.)**	**Risks to implementation**	**Political announcements on importance and level of ambition**
Financial sector and access to finance	Improve efficiency in the corporate governance structures of banks.	The Bank of Italy has acted with respect to corporate governance of banks, with strict regulations applicable to all banks. Clear distinction of responsibilities and powers of corporate governance bodies; effectiveness of controls and composition of governing bodies consistent with the size and the complexity of the banks.	CSR 4 (Banking sector and capital market)							None	Circular letter of Bank of Italy n. 285 of May, 7 2014.		
Financial sector and access to finance	Adjust corporate governance of cooperative banks with the aim of improving the effectiveness of financial intermediation.	Cooperative banks: new provisions aim to allow for representation of different members of the ownership base in the governing bodies and the broader based participation of shareholders in the shareholder meetings.	CSR 4 (Banking sector and capital market)						None	None	Circular letter of Bank of Italy n. 285 of May, 7 2014.		
Financial sector and access to finance	Adjust corporate governance of cooperative banks with the aim of fostering consolidation and more modern governance.	Within July 2016, cooperative banks with assets worth more than €8 billion (as certified in their balance sheet ending Dec 31, 2014) will have to transform into joint-stock companies .	CSR 4 (Banking sector and capital market)		D.L. 3/2015, approved by Government on the 20 January, 2015.	Presented to Parliament (A.C. 2844) on 26 January 2015.	D.L.3/2015 Published in the GU no.19 of 24 January 2015			None	The enacting measures are to be prepared by the Bank of Italy.		
Financial sector and access to finance	Adjust corporate governance of banking foundations with the aim of improving the effectiveness of financial intermediation.	Banking foundations: reinforcement of procedures for the appointment of board members; greater role of chairman in guaranteeing adequate controls; self-assessments by the entities.	CSR 4 (Banking sector and capital market)							None	Circular letter of Bank of Italy n. 285 of May, 7 2014.		
Financial sector and access to finance	Provide incentives for lending to SMEs and households.	Expansion of array of loans that the banks can use as collateral for Eurosystem financing.	CSR 4 (Banking sector and capital market)							None	Guide for operator by Bank of Italy of September, 4 2014.		
Financial sector and access to finance	Provide incentives for lending to SMEs and households.	Establishment of a Service Company for the renovation, financial recovery and industry consolidation of Italian enterprises with temporary capital and financial difficulties, but on the other hand with good economic and industrial prospects.	CSR 4 (Banking sector and capital market)		D.L. 3/2015, approved by Government on the 20 January, 2015.	Presented to Parliament (A.C. 2844) on 26 January 2015.	D.L.3/2015 Published in the GU no.19 of 24 January 2015		DPCM to establish criteria and terms to concede the Guarantee. No deadline.	None			
Financial sector and access to finance	Provide incentives for lending to SMEs and households.	SACE is authorized to provide direct credit (acting as a bank) in favour of the internationalization of Italian business.	CSR 4 (Banking sector and capital market)		D.L. 3/2015, approved by Government on the 20 January, 2015.	Presented to Parliament (A.C. 2844) on 26 January 2015.	D.L.3/2015 Published in the GU no.19 of 24 January 2015			None	SACE must be authorised by the Bank of Italy.		
Financial sector and access to finance	Provide incentives for lending to SMEs and households.	New category of innovative SMEs: unlisted companies with audited financial statements and meeting at least two of the following requirements: i) at least 3% investment in R&D; ii) employing highly qualified staff up to at least 1/5 of the whole workforce; iii) hold, deposit or license a patent or software registered at the Italian SIAE.	CSR 4 (Banking sector and capital market)		D.L. 3/2015, approved by Government on the 20 January, 2015.	Presented to Parliament (A.C. 2844) on 26 January 2015.	D.L.3/2015 Published in the GU no.19 of 24 January 2015		None	None			

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Policy field	**Policy objectives**	**Main elements of proposed legislation**	**Relevance to CSRs**	**Announcements of future laws**	**Government draft law proposal (e.g. Disegno di Legge, DL, DLGS)**	**Adoption/conversion by Parliament**	**Publication in Gazzetta Ufficiale**	**Legislative decrees (in case of enabling law)**	**Implementing decrees (e.g. DPR, DPCM, DM)**	**Risks to the legislative process**	**Further implementing acts (e.g. subnational, regulatory etc.)**	**Risks to implementation**	**Political announcements on importance and level of ambition**
Financial sector and access to finance	Optimise the use of resources in combination with EIB funds.	Agreement between EIB, MEF and MISE to start up two initiatives: 1) coverage of risks of initial loss on industrial innovation projects of businesses of any size, through €100 million of the Guarantee Fund for SMEs; 2) master agreement for increasing resources to finance new investments.	CSR 4 (Banking sector and capital market)							None	Agreement signed by EIB, MEF and MISE on June, 4 2014 to finance investments.		
Financial sector and access to finance	Facilitate market listing and access to risk capital.	Reduction of minimum share capital for capital stock companies, from €120,000 to €50,000.	CSR 4 (Banking sector and capital market)		Decree Law n. 91/2014 (L. n. 116/2014; Art.20, c. 7) approved by Government on 13 June 2014	Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014	None	None	None			
Financial sector and access to finance	Simplify SMEs' access to the capital market.	New sizing parameters for SMEs issuing publicly traded shares; change in the rules governing obligatory public purchase offers and consolidation rules. Increase from 2% to 5% in the threshold of material shareholdings to be disclosed. Introduction of shares with increased voting rights.	CSR 4 (Banking sector and capital market)		Decree Law n. 91/2014 (L. n. 116/2014; Art.20) approved by Government on 13 June 2014	Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014	None	None	None	Consob should regulate such provisions		
Financial sector and access to finance	Facilitate the issuance of bonds, similar securities and unlisted financial bills of exchange.	Elimination of source withholding on interest and other income derived from private placements.	CSR 4 (Banking sector and capital market)		Decree Law n. 91/2014 (L. n. 116/2014; Art.22) approved by Government on 13 June 2014	Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014	None	None	None			
Financial sector and access to finance	Financing for the purchase of new machineries, equipments hardware software and digital techniques., plant and equipment of the small and medium enterprises	To increase the competitiveness of the productive system of the country and to improve the access to the credit of the small and medium enterprises, supporting investments of new machineries, equipments hardware software and digital techniques."New Sabatini"	CSR 4 (Banking sector and capital market)		Decree Law n. 69/2013 art. 2 (L.98/2013). 2015 Stability Law (L. no. 190/2014) raised Fund to €5bn (before €2.5bn). D.L. 3/2015, approved by Government on the 20 January, 2015 allowed banks to use autonomous funds, other than the plafond of the CdP for the 'Sabatini Law'. Fund availability should be, in this way, faster.	L. no. 190/2014, approved by the Parliament on 22 December 2014. D.L. 3/2015, presented to Parliament (A.C. 2844) on 26 January 2015.	DL 69/83, published in GU no. 144 of 21 June 2013 S.O. no 50. L. 98/2013, published in GU no.194 of 20 August 2013 S.O. L. no. 190/2014, published on G.U. no. 300 of 29 December 2014. D.L.3/2015 Published in the GU no.19 of 24 January 2015.		To implement this measure, a Circular MISE has been approved in 10 February 2014 published in GU no 37 of 14 February2014- Circular MISE 26 march 2014 published in GU no 81 of 7 April 2014 and Circular MISE 24 Decemper 2014 published in GU no 4 of 7 January 2015. For the measure in DL3/2015, a DM MISE-MEF has to be adopted to establish the requisites for the concession of the contribution. No deadline.	None			
Financial sector and access to finance	Facilitate the issuance of bonds, similar securities and unlisted financial bills of exchange.	Access to the Central Guarantee Fund for funds management companies that underwrite bonds or similar securities issued by SMEs ('mini bonds').	CSR 4 (Banking sector and capital market)		Decree Law n. 145/2013 (L. n. 9/2014; Art. 12)		DL 145:published in GU no. 43 of 21 February 2014	None	To implement this measure, a DM MISE has been approved in 5 June 2014 and published in GU n. 172 of 26 July 2014	Low			
Financial sector and access to finance	Improve the effectiveness of financial intermediation.	Expansion of CDP's operations in the areas of research, development and innovation, education, civil protection, real estate, energy, environment.	CSR 4 (Banking sector and capital market)		Decree Law n. 133/2014 (L. n. 164/2014; Art. 10) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014; converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	None	None	Convention between MEF and CDP relative to State guarantee. No deadline	None	

General information				Pre-legislative phase	Legislative phase *(chronologically from left to right)*						Post-legislative (implementation) phase		Political commitment
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Infrastructures	Clear the way for works already financed, provided that the work sites open within specific deadlines over the 10-month period following the approval of the decree.	Refinancing of the so-called 'Infrastructures Fund' (€3.9 billion through 2020), most of which came from the Development and Cohesion Fund.	CSR 8 (Infrastructures)		Decree Law n. 133/2014 (L. n. 164/2014;Art.3) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014; converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	DM - MIT adopted on December 12, 2014 concerning "Financing interventions procurement and construction by 31 December 2014" and a DM - MIT for financing interventions by 31 December 2014 (expired).	None	None	None	
Infrastructures	Facilitate the process of realising the infrastructural works.	The payments of incomplete works reported by local entities prior to 15 June 2014 are excluded from the Internal Stability Pact for up to a maximum of €250 million.	CSR 8 (Infrastructures)		Decree Law n. 133/2014 (L. n. 164/2014;Art.4, c.3) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014; converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	DPCM October 28, 2014, published on the website of the Government, to identify the municipalities excluded from the Internal Stability Pact.	None	None	None	
Infrastructures		National Strategic Plan for Broad band and Digital Growth (Piano nazionale Banda Ultra Larga» e « Crescita Digitale»)	CSR 8 (Infrastructures)	Public consultation closed (20 November - 20 December). Received suggestions are under analysis in order to improve the documents.	Decree Law n. 133/2014 (L. n. 164/2014;Art.3) approved by Government on 29 August 2014.	DL 133: Presented to Parliament (AC 2629) on 12 September 2014; Converted in law by Parliament in November 2014.	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014.						
Infrastructures	Improve competitiveness of the port system, promotes inter-modal freight transport, and reorganises and merge existing port authorities.	National Strategic Plan for Ports and Logistics.	CSR 8 (Infrastructures)		Decree Law n. 133/2014 (L. n. 164/2014;Art. 29) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014; converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	Expected DPCM (within ninety days after the entry into force of the conversion law) for the adoption of the national strategy plan of port and logistics. Not expired.	Low	None	None	
Infrastructures	The Government may act on its substitution powers. Starting with the 2015 planning, the presidents of the regions may effect their planning and execution of projects to mitigate hydro-geological risk by making use of the central administrations' in-house resources who have specific technical	Acceleration of the planning and realisation of projects to upgrade sewage and purification systems, as well as projects to mitigate hydro-geological risk.	CSR 8 (Infrastructures)		Decree Law n. 133/2014 (L. n. 164/2014;Art. 7) approved by Government on 29 August 2014 - Decree Law n. 91/2014 (L. n. 116/2014; Art. 10) approved by Government on 13 June 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014. converted in law by Parliament in November 2014 DL 91: Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014 DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	Two DPCM provided by D. L. 133/2014 (art. 7, paragraph 2 and 6) in the fields of hydrogeological risk reduction and adaptation of sewage systems (no deadline). Expected a DPCM (DL no. 91/2014) for the identification of methods for providing resources to reduce landslide risk (no deadline).	Low	None	None	
Infrastructures	Definition of the categories of infrastructures of strategic importance.	Gas pipelines for the importation of gas from abroad; terminals for the regasification of LNG; storage facilities for natural gas; infrastructures for the national natural gas transport network. Such works will be subject to a simplified authorisation process.	CSR 8 (Infrastructures)		Decree Law n. 133/2014 (Art. 37) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014; Converted in law by Parliament in November 2014.	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	None	None	None	None	
Institutional architecture	Reform of the Senate and Title V of the Constitution	Constitutional reform: reforming the two-chamber system with an elective Chamber of Deputies and a Senate of local-government representatives; reducing the number of senators; reducing the operating cost of institutions; reforming Title V of the Constitution to clarify the division of competences between state and regions; abolishing the provinces; abolishing CNEL	CSR 3 (Efficiency of the public administration; justice system; European funds)		Adoption of draft constitutional bill ("Disegno di Legge costituzionale: Disposizioni per il superamento del bicameralismo paritario, la riduzione del numero dei parlamentari, il contenimento dei costi di funzionamento delle istituzioni, la soppressione del CNEL e la revisione del Titolo V della parte II della Costituzione - Atto Senato no. 1429) by	August 2014: The Senate completed its first reading of the draft constitutional bill (Atto Senato no. 1429). The bill is now in the Chamber where a vote is expected by January 2015 (Atto Camera no. 2613). In total, the bill needs to undergo at least four readings in order to be approved. **Final approval: summer 2015**				Medium			High level of commitment
Institutional architecture	Reforming the electoral law for the Chamber of Deputies	Proportional system with a majority bonus of 15% and with the definition of thresholds	CSR 3 (Efficiency of the public administration; justice system; European funds)			5 March 2014: The Chamber approves the draft new electoral law; the law is currently under discussion in the Senate (Atto Senato 1385). **Final approval: within April 2015**				Medium			High level of commitment

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Judicial system & corruption	Steps to fight corruption with regard to public procurements.	Cooperation between ANAC and Prefect in relation to criminal acts of corruption. Communication of in-progress changes to public contracts with a value equal to or greater than the EU threshold.	CSR 7 (Simplification and competition)		Decree Law n. 90/2014 (L. n.114/2014; Artt. 32,37) approved by Government on 24 June 2014	Decree Law n.90: Approved by Parliament (AC2486) on 24 June 2014; converted by Parliament in August into law 114/ 2014	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	None	None	None	None	
Judicial system & corruption	Use of information technologies to get the public and participants in the legal process closer to the justice system; provides significant expenditure savings due to reduction in paper use.	Mandatory changeover to the online civil trial process for ordinary court proceedings initiated after 30 June 2014, whereas for those initiated before that date, the changeover has been set as of 31 December 2014. The changeover for the appellate courts will be as of 30 June 2015.	CSR 3 (Efficiency of the public administration and the justice system)		Decree Law n. 90/2014 (L. n.114/2014; Art. 44) approved by Government on 24 June 2014	Decree Law n.90: Approved by Parliament (AC2486) on 24 June 2014; converted by Parliament in August into law 114/ 2014	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014		None	Very Low	None	None	Enabling law for the reorganization of the provisions related to online civil process.
Judicial system & corruption	Streamline the service of the justice system.	Creation of proceedings office to support judges.	CSR 3 (Efficiency of the public administration and the justice system)		Decree Law n. 90/2014 (L. n.114/2014; Art. 50) approved by Government on 24 June 2014	Decree Law n.90: Approved by Parliament (AC2486) on 24 June 2014; converted by Parliament in August into law 114/ 2014	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014		The adoption of a DPCM is planned for the implementation of the rules about the telematic administrative proceedings. A DM (no deadline) is needed to select personnel to be part of the Office of proceedings: personnel who ended the traineeship, honorary magistrates, chancery personnel as well as trainees (art.73 DL no.69/2013).	Very Low	None	None	Enabling law for the reform of the honorary judiciary aimed to consider the inclusion of honorary judges in the office for the process.
Judicial system & corruption	Reduce the time required for settlements.	Decision of pending lawsuits through transfer to arbitration. Assisted negotiation procedure for amicable settlement of disputes.	CSR 3 (Efficiency of the public administration and the justice system)		Decree Law n. 132/2014 (L. n.162/2014; Art. 1, 2) approved by Government on 29 August 2014	DL 132: Presented to Parliament (AS 1612) on 12 September 2014. converted in law by Parliament in November 2014.	DL 132: published in GU no. 212 of 12 September 2014. L.162: published in GU no.261 of 10 november 2014	None	None	None	None	None	
Judicial system & corruption	Reduce litigation and the use of the civil justice process as a form of low-cost financing.	Change to the system for the compensation of court costs and increase in the rate of interest on past-due amounts when lawsuits are pending.	CSR 3 (Efficiency of the public administration and the justice system)		Decree Law n. 132/2014 ((L. n.162/2014;Art. 13) approved by Government on 29 August 2014	DL 132: Presented to Parliament (AS 1612) on 12 September 2014. converted in law by Parliament in November 2014.	DL 132: published in GU no. 212 of 12 September 2014. L.162: published in GU no.261 of 10 november 2014	None	None	None	None	None	
Judicial system & corruption	Increase transparency and efficiency, for the benefit of creditors.	Measures for force expropriation, bankruptcy proceedings and agreements with creditors prior to bankruptcy.	CSR 3 (Efficiency of the public administration and the justice system)		Decree Law n. 132/2014 (Art. 18 - 20) approved by Government on 29 August 2014	DL 132: Presented to Parliament (AS 1612) on 12 September 2014. converted in law by Parliament in November 2014.	DL 132: published in GU no. 212 of 12 September 2014. L.162: published in GU no.261 of 10 november 2014	None	Ministerial Decree for the identification of the databases to be queried for the search of property to be attached and the standard model for the semi-annual reports in the individual and collective enforcement procedures.	None	None	None	
Judicial system & corruption	Plan to reduce the judicial backlog in civil justice by the Ministry of Justice	Program Strasburg 2 (progetto Arretrato civile ultratriennale)	CSR 3 (Efficiency of the public administration and the justice system)										
Judicial system & corruption	Accelerate judgements related to public procurements and streamlines litigation.	For public procurement: Judicial rulings during pre-trial hearings; simplified rulings within 45 days. Pecuniary fines in the event of 'vexatious litigation'.	CSR 7 (Simplification and competition)		Decree Law n. 90/2014 (L. n.114/2014; Art. 40) approved by Government on 24 June 2014	Decree Law n.90: Approved by Parliament (AC2486) on 24 June 2014; converted by Parliament in August into law 114/ 2014	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	None	None	None	None	

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Judicial system & corruption	Revision of the liability of magistrates in civil proceedings	Extending the area of responsibility, overcoming procedural obstacles for revenge on judges and ensuring certainty in time and procedure for revenge	CSR 3 (Efficiency of the public administration; justice system; European funds)		Adoption of draft law (Disegno di Legge: Riforma della disciplina riguardante la responsabilità civile dei magistrati.Atto Senato 1626) by government on 29 August 2014	Presented to Parliament on 24 September 2014 (AS 1626 and AS 1070). Approval expected within the first semester 2015.				Medium			High level of commitment
Judicial system & corruption	Reforming the honorary magistracy and justice of the peace officers	Comprehensive reform including: - simplification and rationalization of the discipline on judiciary honorary - the organization of the peace officers - the functions of the honorary magistrates	CSR 3 (Efficiency of the public administration; justice system; European funds)		Adoption of draft law (Disegno di Legge: Riforma organica della magistratura onoraria e altre disposizioni sui giudici di pace) by government on 29 August 2014	The bill has been presented to Parliament in January 2015.		One or more Legislative decrees will have to be adopted within 24 months after parliamentary adoption of the draft law.		Medium			High level of commitment
Judicial system & corruption	Reforming civil proceeding	Several measures aimed at increasing efficiency of civil justice through new forms of out-of-court settlement ('negoziazione assistita'); simple form of civil proceedings ("rito abbreviato"); simplification of procedures for civil separations and divorces; etc.	CSR 3 (Efficiency of the public administration; justice system; European funds)		Adoption of draft enabling law by government on 29 August 2014			One or more Legislative decrees on specialized courts in enterprises and families matters and on reform of the Civil Proceedings Code		Medium			High level of commitment
Judicial system & corruption	Fight against crime and mafia	Several measures including reviewing the role and the functions of "*amministratore giudiziario*"; the management of sequestered and confiscated enterprises and properties; etc.	CSR 3 (Efficiency of the public administration; justice system; European funds)		Adoption of draft enabling law (Disegno di Legge delega:"Misure volte a rafforzare il contrasto alla criminalità organizzata e ai patrimoni illeciti") by government on 29 August 2014. The draft has been presented to the Parliament.					Low			High level of commitment
Judicial system & corruption	Reforming penal proceeding Code and extradition discipline	Modifying Chapter XI ("Libro XI") of Penal Code	CSR 3 (Efficiency of the public administration; justice system; European funds)		Adoption of draft enabling law (Disegno di Legge delega:"Riforma del Libro XI del codice di procedura penale. Modifiche alle disposizioni in materia di estradizione per l'estero: termine e durata delle misure coercitive") by government on 29 August 2014. The draft will be presented to the Parliament after being verified by The State General Accounting Department (RGS).			One or more Legislative decrees		Medium			High level of commitment
Judicial system & corruption	Modifying penal legislation	Strengthening the defence guarantees and ensuring a reasonable length of trials	CSR 3 (Efficiency of the public administration; justice system; European funds)		Adoption of draft enabling law (Disegno di Legge delega:"Modifiche alla normativa penale, sostanziale, processuale e ordinamentale, per il rafforzamento delle garanzie difensive e la durata ragionevole dei processi, oltre che all'ordinamento pentenziario per l'effettività rieducativa della pena") by government on 29 August 2014. The draft will be presented to the Parliament			Government should issue six Legislative decrees		Medium			High level of commitment
Labour market and social policies	Protections in the event of unemployment	New criteria for supplying exceptional social safety nets and additional measures for involuntary unemployment (Ministerial Decree of MLPS).	CSR 5 (Labour market)		Implementing Art. 4, c. 2 of the Decree Law n. 54/2013 (L.85/2013)			None	Decree of Ministry of Labour and MEF n. 83473 issued on 1st August 2014	None	Actions are currently being implemented by Regions and INPS. In particular, Regions and Autonomous Provinces signed territorial agreements with social partners to introduce the new criteria.		High level of commitment

General information				Pre-legislative phase	Legislative phase *(chronologically from left to right)*						Post-legislative (implementation) phase		Political commitment
Policy field	**Policy objectives**	**Main elements of proposed legislation**	**Relevance to CSRs**	**Announcements of future laws**	**Government draft law proposal (e.g. Disegno di Legge, DL, DLGS)**	**Adoption/conversion by Parliament**	**Publication in Gazzetta Ufficiale**	**Legislative decrees (in case of enabling law)**	**Implementing decrees (e.g. DPR, DPCM, DM)**	**Risks to the legislative process**	**Further implementing acts (e.g. subnational, regulatory etc.)**	**Risks to implementation**	**Political announcements on importance and level of ambition**
Labour market and social policies	Ensure young people up to the age of 29 a better occupability, also activating cooperation agreements with companies.	Youth Guarantee Programme.	CSR 5 (Labour market)		NOP 'Youth Employment Initiative' approved with Decision C (2014) 4969 on July, 11 2014. Youth Guarantee Italian Implementation Plan.				Decree of the 23/05/2014, for the division of the Technical Assistance resources to the Regions/Autonomous Provinces (NOP SPAO). Decree 61/2014, for the commitment of the Technical Assistance resources to the Regions/Autonomous Provinces (NOP SPAO). Decree 62/2014 for the commitment of the resources to INPS, anticipated from the "*Fondo di Rotazione*" Law n. 236, in order to launch the implementation of the "traineeships" measure of the NOP. Agreement with the Presidency of the Council of Ministers - Youth Department in order to identify the latter as an Intermediate Body for the implementation of the National Civil Service measure.		Directorial Decree 1079/SegrDG/2014 of August 2014, regarding the "Employment Bonus" for the implementation of the YEI by the Ministry of Labour and Social Policies; the Directorial Decree n. 63/Segr/D.G./2014, which renders the "employment bonus" incentive retroactive for the hirings starting from the 1st of May 2014, starting date of the implementation of the YG. A further Decree for the modification of the DD 1079 will shortly be published, which enables the access to the bonus also for apprenticeship and for contracts extended up to 6 months. Regions have defined their regional Plans in 2014 to implement the intervention on active policies. Activities build upon a national framework of 9 interventions (from orienting activities to mobility), developed by each Region according to its organisational model.		High level of commitment
Labour market and social policies	Start-up of pilot programme in 12 cities, and subsequent extension to all of Southern Italy.	Support to active inclusion.	CSR 5 (Labour market)		Decree Law n. 5/2012 (L. n.35/2012; Art. 60 approved by Government on 27 January 2012	DL 5:Presented to Parliament (AC4940) on 9 February 2012; converted in law by Parliament in April 2012	DL 5: published in GU no 33 of 9 February 2012 - L 114: published in GU no82 of 6 April 2012	None	Adopted on 10 January 2013, published in the GU n. 102 of May 3, 2013, DM (Ministry of Labour) concerning new criteria for the allocation of the purchase card. On the basis of the experience in the 12 largest cities and of the introduction of new rules for means testing (new ISEE), a new ministerial decree will be necessary in order to make the program more effective. The decree is in preparation.	None	None	None	High level of commitment
Labour market and social policies	Support to agreed rental contracts; greater supply of social housing; development of social housing building projects.	Housing plan.	CSR 5 (Labour market)		Decree Law n. 47/2014 (L. n.80/2014; Art. 1, 2,10) approved by Government on 12 March 2014	DL 47: Presented to Parliament (AS 1413) on 28 March 2014; converted in law by Parliament in May 2014.	DL 47: published in GU no. 73 of 28 March 2014 L 106: published in GU no.121 of 27 May 2014	None	DM (Art. 1,2): For the allocation and distribution of funding ministerial decrees will be needed; DM (Art. 10): Regions and municipalities will have to perform some formalities required. A ministerial decree for the allocation of resources is required.	Low	Regions and Autonomous Provinces have activated, through Regional administrative Acts, measures to support families in hardship through guarantee Funds, facilitated rents, loans at a facilitated rate to buy first home, social housing models.	None	High level of commitment
Labour market and social policies	Guarantee a universal social safety net for the unemployed providing uniform benefits and rationalise the legal framework regarding wage supplementation	Revision of wage supplementation concession criteria; simplification of bureaucratic procedures related to wage supplementation concessions; increased and proportional contributions from beneficiary firms; extension of the coverage and duration of ASpI.	CSR 5 (labour market)	-	Adoption of draft enabling law ("Disegno di Legge: Delega al Governo in materia di riforma degli ammortizzatori sociali, dei servizi per il lavoro e delle politiche attive, nonché in materia di riordino della disciplina dei rapporti di lavoro e dell'attività ispettiva e di tutela e conciliazione delle esigenze di cura, di vita e di lavoro" / 'Jobs Act') on 12 March 2014 . Funds in 2015 Stability Law	L. no. 183/2014 so called JOBS ACT: Presented to Parliament on 3 April 2014 (S. 1428); approved by the Parliament in December 2014	L. no. 183/2014 so called JOBS ACT: published in GU no. 290 of 15 december 2014	Draft of legislative decree for new ASpI approved by Government on December 24th 2014. The draft is currently being examined by the parliamentary commissions who will release their opinions within 30 days. Definitive approval by Government is expected by mid February 2015. Draft legislative Decree on wage supplementation will be approved by the Government by end of February 2015. After 30 days for the opinion of Parlamentary Commissions, the Government will approve the definitive legislative decree.		None			High level of commitment
Labour market and social policies	Improve the functioning of active labour market policies and ensure their uniform implementation by the public administrations involved	Rationalisation of incentives; establishment of a national agency for the coordination and management of active and passive labour market policies; rationalisation of entities managing social allowances and employment services; definition of competences of Labour Minister and regions and provinces	CSR 5 (labour market)	"	JOBS ACT - IDEM	L. no. 183/2014 so called JOBS ACT: Presented to Parliament on 3 April 2014 (S. 1428); approved by the Parliament in December 2014	L. no. 183/2014 so called JOBS ACT: published in GU no. 290 of 15 december 2014	Draft of a legislative decree for reorganization of incentives will be approved by Government within end of february. Draft of a legislative decree for the establishment of National Agency of Employment will be approved by Government within May 2015.		None			High level of commitment
Labour market and social policies	Reduce labour market duality by rationalising contract types	Screening of all existing contract types on their merit; drafting of an 'organic text' on the various contract types and elimination of all existing provisions not in line with it; introduction of minimum hourly wage	CSR 5 (labour market)	"	JOBS ACT - IDEM	L. no. 183/2014 so called JOBS ACT: Presented to Parliament on 3 April 2014 (S. 1428);approved by the Parliament in December 2014	L. no. 183/2014 so called JOBS ACT: published in GU no.290 of 15 december 2014	A draft legislative decree for the introduction of the new open ended contract with increasing protection level has been adopted by Government on December 24th 2014. The draft is currently being examined by the Parliamentary Commissions . It will definitively be approved by the Government within February 2015. A draft of legislative decree for reorganizing all other labour contracts discipline will be adopted by Government within February 2015.		None			High level of commitment

General information				Pre-legislative phase	Legislative phase *(chronologically from left to right)*						Post-legislative (implementation) phase		Political commitment
Policy field	**Policy objectives**	**Main elements of proposed legislation**	**Relevance to CSRs**	**Announcements of future laws**	**Government draft law proposal (e.g. Disegno di Legge, DL, DLGS)**	**Adoption/conversion by Parliament**	**Publication in Gazzetta Ufficiale**	**Legislative decrees (in case of enabling law)**	**Implementing decrees (e.g. DPR, DPCM, DM)**	**Risks to the legislative process**	**Further implementing acts (e.g. subnational, regulatory etc.)**	**Risks to implementation**	**Political announcements on importance and level of ambition**
Labour market and social policies	Achieve a better work-life balance (in particular for working parents) and foster the labour market participation of women	Introduction of universal maternity allowance; introduction of a tax credit for working mothers with low household earnings; foster flexible working hours; foster crèche services	CSR 5 (labour market)	"	JOBS ACT - IDEM	L. no. 183/2014 so called JOBS ACT: Presented to Parliament on 3 April 2014 (S. 1428); approved by the Parliament in December 2014	L. no. 183/2014 so called JOBS ACT: published in GU no. 290 of 15 december 2014	A draft of Legislative decree for universal maternity allowance and for work-life balance measures will be adopted by Government within February 2015.		None			High level of commitment
Labour market and social policies	Simplify procedures	Reduction and elimination of administrative requirements governing work relationships	CSR 5 (labour market)	"	JOBS ACT - IDEM	L. no. 183/2014 so called JOBS ACT: Presented to Parliament on 3 April 2014 (S. 1428); approved by the Parliament in December 2014	L. no. 183/2014 so called JOBS ACT: published in GU no. 290 of 15 december 2014	A draft of Legislative decree for simplifying administrative procedures and obligations for citizens and businesses will be adopted by Government within February 2015.		None			High level of commitment
Labour market and social policies	Incentives for new hiring	Cut of social contribution due by employers on new permanent contracts	CSR 5 (labour market)		2015 Stability Law: L. no. 190/2014.	L. no. 190/2014, approved by the Parliament on 22 December 2014	L. no. 190/2014, published on G.U. no. 300 of 29 December 2014	None	None	None	None	None	High level of commitment
Labour market and social policies	Income support to families	Created a specific fund to support families	CSR 5 (labour market)		2015 Stability Law: L. no. 190/2014.	L. no. 190/2014, approved by the Parliament on 22 December 2014	L. no. 190/2014, published on G.U. no. 300 of 29 December 2014	None	DPCM to be adopted by April 1, 2015 for the identification of the destination of the Fund for the Family.	None	None	None	High level of commitment
Public administration	Reform of the Public Administrations	Innovate the public administration through the reorganization of State's administration; reviewing the public management roles and functions; the enhancement of work-life balance measures; and the simplification of administrative procedures	CSR 3 (Efficiency of the public administration; justice system; European funds)		Adoption of draft enabling law by government on 13 July 2014 (Atto Senato 1577)	Presented to Parliament on 23 July 2014(AS 1577)and under discussion in the Senate's Committees; next steps will be the approval of the text of draft law by each Chamber (until both Chambers approve the same text).		Art. 1: One or more Legislative decrees (to be adopted by August 2016) for innovating public services, making all the relvant information and documents accessible online Art. 2: Legislative decree for reorganization of rules governing conference services (to be adopted by March 2016) Art.4: Legislative decree for increasing administrative procedures that allow "tacit consent" (to be adopted by March 2016) Art. 6: Legislative decrees amending previous legislative decrees (DLGS n. 33 and 39 of 2013) on cases of incompatibility and on about transparency (to be adopted 1st October 2015) Art. 7: One or more Legislative decrees modifying the organization of: Presidency of the Council of Ministers; Ministries; National government agencies and non economic public entities (to be adopted by March 2016) Art. 9: Legislative decree for reforming functions and funding of Chambers of Commerce (to be adopted by March 2016) Art. 10: One or more Legislative decrees about public management and performance evaluation of public workers (to be adopted by March 2016). Art. 12: Several Legislative decrees on a) public employment and administrative organization; b) shareholdings ; c) local public services (to be adopted by March 2016) Art. 13:Several decrees on public employment in addition to previous ones (to be adopted by March 2017). **Legislative decrees will have to be adopted within 3 months after parliamentary adoption of the draft enabling law, i.e. 1st July 2015 if the draft enabling law is adopted by Parliament by end-March 2015.**	Art. 8: DPR on the list of public authorities, the subjects of prominent public and private organizations of public interest.	Medium			High level of commitment
Public administration	Specify the responsibilities of all levels of government, and holds down government operating costs.	Reorganisation of metropolitan cities, provinces, and unions of municipalities and savings in operating costs.	CSR 3 (Efficiency of the public administration and the justice system)		Law n. 56/2014 Decree Law n. 66/2014 (L. n.89/2014; Art. 19) approved by Government on 18 April 2014; Decree Law n. 90/2014 (L. n.114/2015; Art. 23, 23-quater), approved by Government on 24 June 2014	Law 56: presented to Parliament on 20 August 2013 DL 66: Presented to Parliament (AS1465) on 24 April 2014; converted in law by Parliament in June 2014 DL 90:Presented to Parliament (AC2486) on 24 June 2014; converted in law by Parliament in August 2014	DL 66: published in GU no. 95 of 24 April 2014 L 89: published in GU no.143 of 23 June 2014 DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	Law: approved i) Decree PCdM-Dip. Affari regionali approved on 8 July 2014; ii) DM Interno – MEF approved on 16 September 2014 envisaged: 3 Ministerial Derees and 1 DPCM . A legislative decree for "Campione d'Italia" municipality	Low	None	None	
Public administration	Improve invoice and purchasing management for public administrations.	Introduction of mandatory electronic invoicing by suppliers to central administrations as of June 2014 and to territorial entities as of 31 March 2015.	CSR 3 (Efficiency of the public administration and the justice system)		Decree Law n. 66/2014 (L. n.89/2014; Artt. 25, 28, 41) approved by Government on 18 April 2014;	DL 66: Presented to Parliament (AS1465) on 24 April 2014; converted in law by Parliament in June 2014	DL 66: published in GU no. 95 of 24 April 2014 L 89: published in GU no.143 of 23 June 2014	None	None	None	None	None	

General information				Pre-legislative phase	Legislative phase *(chronologically from left to right)*						Post-legislative (implementation) phase		Political commitment
Policy field	**Policy objectives**	**Main elements of proposed legislation**	**Relevance to CSRs**	**Announcements of future laws**	**Government draft law proposal (e.g. Disegno di Legge, DL, DLGS)**	**Adoption/conversion by Parliament**	**Publication in Gazzetta Ufficiale**	**Legislative decrees (in case of enabling law)**	**Implementing decrees (e.g. DPR, DPCM, DM)**	**Risks to the legislative process**	**Further implementing acts (e.g. subnational, regulatory etc.)**	**Risks to implementation**	**Political announcements on importance and level of ambition**
Public administration	Improve the allocation of PA personnel.	New rules covering employee transfers; creation of a web site by the administrations for listing of jobs available through transfers; creation of a fund to be used for improving personnel allocation. Changes to Union privileges.	CSR 3 (Efficiency of the public administration and the justice system)		Decree Law n. 90/2014 (L. n.114/2015; Art. 4 approved) by Government on 24 June 2014	DL 90:Presented to Parliament (AC2486) on 24 June 2014; converted in law n. 114/2014 by Parliament in August 2014	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	DL 90: implementing decrees: DPCM on the use of Mobility Fund resources (para.2.3) adopted on 20th December 2014. 1 DPCM to approve another table of equivalence (para.3).	None	None	None	
Public administration	Set rules for incompatibility. Reduces ancillary pay and defines management of logistics services for expenditure savings.	Streamlining of the organisation of independent authorities.	CSR 3 (Efficiency of the public administration and the justice system)		Decree Law n. 90/2014 (L. n.114/2015; Art. 22) approved by Government on 24 June 2014	DL 90:Presented to Parliament (AC2486) on 24 June 2014; converted in law n. 114/2014 by Parliament in August 2014	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	None	None	None	None	
Public administration	Streamline oversight duties for procedures covering the contracting of public works, and public contracts.	Reinforcement of the powers vested with the National Anti-corruption Authority (ANAC), which has been charged with the oversight of public contracting (with the abolition of the Authority for Supervision of Public Contracts), with additional powers to combat corruption and to settle disputes prior to litigation.	CSR 3 (Efficiency of the public administration and the justice system)		Decree Law n. 90/2014 (L. n.114/2015; Artt. 19, 32,37) approved by Government on 24 June 2014	DL 90:Presented to Parliament (AC2486) on 24 June 2014; converted in law n. 114/2014 by Parliament in August 2014	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	DL 90: implementing decrees: DPCM approving the ANAC's reorganization (by March 2015); DPR rearranging ANAC functions in the field of measurement and evaluation of public workers (to be approved by 22.12.2014)	Low	None	None	
Public administration	Improve management of European funds.	Improvement in implementation of operational programmes and related monitoring via operation of the Agency for Territorial Cohesion; partnership agreement with innovative elements for the 2014-2020 planning period; substitute powers to the Office of the Prime Minister with regard to timing and objectives of EU financed programmes.	CSR 3 (Efficiency of the public administration and the justice system)		-Territorial Cohesion Agency foreseen by the Decree Law n. 101/2013 (L. n. 125/2013; Art. 10). '-In October 2014, the Partnership Agreement 2014–2020 was transmitted to the Commission. The Plan identifies specific actions for the use of 42bn of EU funding (ERDF, ESF, EARDF, EMFF), plus 24bn of national co-funding.	DL 133: Presented to Parliament (AC 2629) on 12 September 2014. converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	DPCM 9 luglio 2014 (Art. 10, DL 101/2013): The Territorial Cohesion Agency approved its Statute published in Gu no.191 of 19 August 2014	Medium	None	None	
Public administration	Strengthen the efficiency of public procurement.	Procedures to trace payments and to acquire information related to financial payments involved in building strategic infrastructures. Identification of categories of works that require execution by economic agents in possession of specific qualifications.	CSR 7 (Simplification and competition)		Decree Law n. 90/2014 (L. n.114/2015; Art. 36) approved by Government on 13 June 2014	DL 90:Presented to Parliament (AC2486) on 24 June 2014; converted in law by Parliament in August 201	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	Deliberation CIPE to be iussued by November 17, 2014	None	None	None	
Public finances	Improve the efficiency and the quality of public expenditure.	Expenditure savings for central and local public administrations (PA); national databank for public contracts; New National Purchasing System; additional powers vested with ANAC to control PA's purchasing of goods and services.	CSR 1 (Public finance sustainability)		Decree Law n. 66/2014 (L. n.89/2014; Artt. 8, 9, 10) approved by Government on 18 April 2014;	DL 66: Presented to Parliament (AS1465) on 24 April 2014; converted in law by Parliament in June 2014	DL 66: published in GU no. 95 of 24 April 2014 L 89: published in GU no.143 of 23 June 2014		DL66: planned enactment of no. 2 DPCM, approved in November 2014. Moreover, the disposals foresee a DM MEF approved in September 2014 (Art. 10). -	Medium	None	None	High level of commitment
Public finances	Reinforce privatisation process and enhance the value of public property.	Divestiture of part of the capital of Poste Italiane and ENAV; plan to divest state-owned buildings; programme to improve energy efficiency in public buildings.	CSR 1 (Public finance sustainability)		D.L. n. 95/2012 cvt. in L. n. 135/2012 , Art. 12 - Decree Law n. 47/2014 (L. n.80/2014; Art. 3) approved by Government on 12 March 2014 Decree Law n. 91/2014 (L. n. 116/2014; Artt. 9,12) approved by Government on 13 June 2014	 DL 47: Presented to Parliament (AS 1413) on 28 March 2014; converted in law by Parliament in May 2014. DL 91: Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 95/2012: published in GU n. 156 of 6/7/2012 DL 47: published in GU no. 73 of 28 March 2014 L 106: published in GU no.121 of 27 May 2014 DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014		DL 95/2012: In order to implement the sale of state-owned shareholdings in ENAV and Poste, the government approved two decrees (DPCM) on 30 May 2014. The publication in GU is not required. DL 47: Requires the approval of DM MIT-MEF (by 30 June with the positive opinion of	Medium	None	None	
Public finances	Improve the efficiency and the quality of public expenditure.	Cap for annual compensation in case of employment relationships for companies subsidiaries of the public administration.	CSR 1 (Public finance sustainability)		Decree Law n. 66/2014 (L. n.89/2014; Art.13,) approved by Government on 18 April 2014;	DL 66: Presented to Parliament (AS1465) on 24 April 2014; converted in law by Parliament in June 2014	DL 66: published in GU no. 95 of 24 April 2014 L 89: published in GU no.143 of 23 June 2014	None	None	Very Low	Regions should modify their laws in order to adopt the wage cap		

General information				Pre-legislative phase	Legislative phase *(chronologically from left to right)*						Post-legislative (implementation) phase		Political commitment
Policy field	**Policy objectives**	**Main elements of proposed legislation**	**Relevance to CSRs**	**Announcements of future laws**	**Government draft law proposal (e.g. Disegno di Legge, DL, DLGS)**	**Adoption/conversion by Parliament**	**Publication in Gazzetta Ufficiale**	**Legislative decrees (in case of enabling law)**	**Implementing decrees (e.g. DPR, DPCM, DM)**	**Risks to the legislative process**	**Further implementing acts (e.g. subnational, regulatory etc.)**	**Risks to implementation**	**Political announcements on importance and level of ambition**
Public finances	Improve the efficiency and the quality of public expenditure.	Limits on expenditure for consulting, study and research mandates to workers who are already retired; number of board members limited to three for companies subsidiaries or affiliates of the public administration.	CSR 1 (Public finance sustainability)		Decree Law n. 66/2014 (L. n.89/2014; Art.14,) approved by Government on 18 April 2014; Decree Law n. 90/2014 (L. n.114/2015; Art. 6 and 16), approved by Government on 13 June 2014	DL 66: Presented to Parliament (AS1465) on 24 April 2014; converted in law by Parliament in June 2014 DL 90:Presented to Parliament (AC2486) on 24 June 2014; converted in law by Parliament in August 201	DL 66: published in GU no. 95 of 24 April 2014 L 89: published in GU no.143 of 23 June 2014 DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	None	Very Low	None	None	
Public finances	Improve the efficiency and the quality of public expenditure.	Limits for PA staff turnover.	CSR 1 (Public finance sustainability)		Decree Law n. 90/2014 (L. n.114/2014; Art. 3), approved by Government on 13 June 2014 -	DL 90:Presented to Parliament (AC2486) on 24 June 2014; converted in law by Parliament in August 2014 -	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	None	None	DL 90: In order to enact the staff turnover properly, envisaged an accurate monitoring by Governemnt (PdCM- Dipartimento Funzione pubblica ; MEF - Dipartimento della RGS)		
Public finances	Improve the efficiency and the quality of public expenditure.	Further suppression of public authorities and public bodies, in particular public training schools combined into the National Public Administration School.	CSR 1 (Public finance sustainability)		Decree Law n. 90/2014 (L. n.114/2014; Art. 20, 21, 22), approved by Government on 13 June 2014 -	DL 90:Presented to Parliament (AC2486) on 24 June 2014; converted in law by Parliament in August 201	DL 90: published in GU no 144 of 24 June 2014 L 114: published in GU no. 190 of 18 August 2014	None	DL 90: Art .21 planned enactment of no. 3 DPCM (no deadline)regarding Management Committee ("Comitato di gestione")of the SSPA; ordinary remuneration of SSEF teachers and researchers; financial resources	None	None		
Public finances	Efficient planning of the NHS, improvement of the quality of services and performance.	2014-2016 Healthcare Pact.	CSR 1 (Public finance sustainability)		Healthcare Pact 2014-2016 was agreed in July 2014								High level of commitment
Public finances	Payment of the PA trade debts in arrears.	Facilitated the transfer of PA receivables to banks and financial intermediaries; creation of guarantee fund for transfer of the receivables; offsetting of credits claimed from the PA and tax liabilities; expansion of number of PAs required to certify debts not extinguished.	CSR 1 (Public finance sustainability)		Decree Law n. 66/2014 (L. n.89/2014; Artt. 37, 38-bis, 39, 40 e 45) approved by Government on 18 April 2014;	DL 66: Presented to Parliament (AS1465) on 24 April 2014; converted in law by Parliament in June 2014	DL 66: published in GU no. 95 of 24 April 2014 L 89: published in GU no.143 of 23 June 2014	None	DL 66: Art .37 -planned enactment of DM MEF adopted in june **2014**	Low	None	None	High level of commitment
Public finances	Payment of the PA trade debts in arrears.	Exclusion from Domestic Stability Pact of the principal payments made by regions, provinces and municipalities.	CSR 1 (Public finance sustainability)		Decree Law n. 133/2014 (L.164/2014; Art. 4) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014. converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	DL 133: for implementation of Art .4 planned enactment of DPCM (no deadline) adopted **in October 2014**	None	None	None	
Public finances	Monitoring of PA trade debts in arrears.	Introduction of annual indicator of timeliness for average payment terms; obligation to include an exhibit to financial statements to report payments made after due dates.	CSR 1 (Public finance sustainability)		Decree Law n. 66/2014 (L. n.89/2014; Artt. 27, 28, 41 approved by Government on 18 April 2014;	DL 66: Presented to Parliament (AS1465) on 24 April 2014; converted in law by Parliament in June 2014	DL 66: published in GU no. 95 of 24 April 2014 L 89: published in GU no.143 of 23 June 2014	None	None	None	None	None	
Public finances	Full operation of PBO.	Appointment of Parliamentary Budget Office (PBO) council; council's approval of regulations for organising and operating PBO; memorandum of understanding with the MEF for transmission of information in order to certificate macroeconomic forecasts.	CSR 1 (Public finance sustainability)		Parliamentary Budget Office (PBO) was established in April 2014 and became operational on 10 October 2014. Memorandum of understanding on information exchange has been signed between the Fiscal Council and the MEF on 15 September 2014.			None	None	None	For Futher, look at its institutional website: www.upbilancio.it		

General information				Pre-legislative phase	Legislative phase *(chronologically from left to right)*						Post-legislative (implementation) phase	Political commitment
Policy field	**Policy objectives**	**Main elements of proposed legislation**	**Relevance to CSRs**	**Announcements of future laws**	**Government draft law proposal (e.g. Disegno di Legge, DL, DLGS)**	**Adoption/conversion by Parliament**	**Publication in Gazzetta Ufficiale**	**Legislative decrees (in case of enabling law)**	**Implementing decrees (e.g. DPR, DPCM, DM)**	**Risks to the legislative process**	**Further implementing acts (e.g. subnational, regulatory etc.)**	**Risks to implementation**	**Political announcements on importance and level of ambition**
Public finances	Accounting armonisation process of Regions, local entities and their ancillary units	The reform will enter into force from 1st of January 2015. The new accounting system is being tested.	CSR 1 (Public finance sustainability)		In order to implement Enabling law n. 42/2009 (art. 2, c. 1 and 2, let. H)), Government approved two Legislative decrees n. 118/2011 and n. 126/2014		DLGS 118: published in GU no. 172 of 26 July 2011 DLGS 126: published in GU no.199 of 28 August 2014		Several DPCM and DM already approved. The Legislative Decree no. 126/14 provides 8 D.M. not expired; one DM adopted on 12.19.14.	None			
Taxation	Improve international tax compliance	Draft Law makes the Agreement (between Italian Republic and USA on tax compliance at international level and on enactement of the Foreign Account Tax Compliance Act (FATCA)) operational.	CSR 2 (Taxation system)		Draft Law approved (Disegno di legge: "Ratifica ed esecuzione dell'Accordo tra il Governo della Repubblica italiana e il Governo degli Stati Uniti d'America finalizzato a migliorare la compliance fiscale internazionale e ad applicare la normativa F.A.T.C.A. (Foreign Account Tax Compliance Act)" Atto Camera 2577) by government on 30 June 2014.	Presented to Parliament on 28 July 2014(AC 2577)and under discussion in the Chamber of Deputies next steps will be the approval of the text of draft law by the Senate (until both Chambers approve the same text).	None	None	One or more implementing MEF decrees are foreseen. No deadline.	Low			
Taxation	fight against interational tax evasion	Voluntary disclosure to allow the disclosure of undeclared assets held abroad and undeclared income. Taxpayers that voluntary disclose and regularize their tax position by 30 September 2015 for infringements committed up till 30 September 2014, will benefit from a reduction of the otherwise applicable administrative sanctions and will not be prosecuted for most tax crimes. All unpaid taxes plus interests on the disclosed assets and income are due.	CSR 2 (taxation)			L.186/2014 approved by the Parliament on 4th December 2014.	L.186/2014 published in GU no. 292 of 17 December 2014						
Taxation	Improve the efficiency of taxation system and improve tax compliance	Revising tax expenditures; improving tax compliance also by simplifying procedures and cooperative compliance; reforming cadastral values; enhancing environmental protection through new fuel and environmental taxes, also to reduce income taxation.	CSR 2 (Taxation system)	-	Adoption of draft enabling law by Government on 12 October 2012	Presented to Parliament on 15 June 2012 (C. 5291); adopted by Parliament in February 2014	Law 23/2014 of 11 March 2014 (published in GU no. 59 of 12 March 2014)	Draft Legislative decrees on: 1) tax simplification and compliance (Art. 1 and 7; Atti del Governo no. 99 and 99bis); 2) on composition and functioning of cadastral committees (precondition for the revision of cadastral values; Art. 1 and 2; Atto del Governo no. 100); 3) on the revision of tobacco consumption and production taxation (Art. 13; Atto del Governo no. 106). Such draft decrees adopted by the Government received the positive (non-binding) opinion of the Parliament The legislative Decree no. 175/2014 on fiscal semplification published in GU no. 277of 28 November 2014.	Lgs. Decree no.175/2014 "Semplificazione fiscale e dichiarazione dei redditi precompilata" published in G.U. no. 277 of 28 November 2014. Lgs. Decree no. 188/2014 "Disposizioni in materia di tassazione dei tabacchi lavorati, dei loro succedanei, nonche' di fiammiferi, a norma dell'art.13 della L.n. 23/2014" published in G.U. no.297 of 23 December 2014. Lgs. Decree no.198/2014 "Composizione, attribuzioni e funzionamento delle commissioni censuarie, a norma dell'art.2, co.3, lett. a), della L. n. 23/2014. " published on G.U. n. 9 of 13 January 2015. Draft Lgs. Decree "Certezza del diritto nei rapporti tra fisco e contribuente, a norma degli artt.5, 6 e 8 della L.n. 23/2014", under discussion by the Government.	Very low	Pre-compiled tax form: Agenzia delle Entrate to set up online system by start 2015		High level of commitment
Taxation	Improve the efficiency of taxation system and improve tax compliance	symplification of the taxation on the small tax payers and professionals (*regime de minimis*)	CSR 2 (Taxation system)		Draft Stability law 2015 approved by Government on 15 October 2014	Presented to Parliament (AC2679) on 23 October 2014; converted in law by Parliament in December 2014 (L. 190/2014)	L 190, art. 1, c. 54-89: published in GU no.300 of 29 december 2014						
Taxation	**Reduce tax wedge.**	Tax credit of € 960 for permanent employees earning from €8,160 to €24,000, with the reduction phased out (from €640 to zero) as income rises to €26,000.	CSR 2 (Taxation system)		Decree Law n. 66/2014 (L. n.89/2014; Art. 1) approved by Government on 18 April 2014.	Presented to Parliament (AS1465) on 24 April 2014; converted in law by Parliament in June 2014	DL 66: published in GU no. 95 of 24 April 2014 L 89: published in GU no.143 of 23 June 2014	None		None	None	None	High level of commitment

General information				Pre-legislative phase	Legislative phase *(chronologically from left to right)*						Post-legislative (implementation) phase		Political commitment
Policy field	**Policy objectives**	**Main elements of proposed legislation**	**Relevance to CSRs**	**Announcements of future laws**	**Government draft law proposal (e.g. Disegno di Legge, DL, DLGS)**	**Adoption/conversion by Parliament**	**Publication in Gazzetta Ufficiale**	**Legislative decrees (in case of enabling law)**	**Implementing decrees (e.g. DPR, DPCM, DM)**	**Risks to the legislative process**	**Further implementing acts (e.g. subnational, regulatory etc.)**	**Risks to implementation**	**Political announcements on importance and level of ambition**
		The above measure has been made stuctural with the 2015 Stability Law (L. 190/2014)	CSR 2 (Taxation system)		Draft Stability law 2015 approved by Government on 15 October 2014	Presented to Parliament (AC2679) on 23 October 2014; converted in law by Parliament in December 2014 (L. 190/2014)	L 190, art. 1, c. 12-15: published in GU no.300 of 29 december 2014	None		None	None	None	High level of commitment
Taxation	Reduce the tax burden with respect to productive factors.	10 per cent reduction of ordinary IRAP rates for all sectors of economic activity as from the 2014 tax year. New system for IRAP deductions to increase the employment base, as from the 2014 tax year, for new full-time contracts without expiration date. Option to settle taxation on capital gains and capital losses accrued as of 30 June 2014, using tax rates previously in effect.	CSR 2 (Taxation system)		Decree Law n. 66/2014 (L. n.89/2014; Art. 2) approved by Government on 18 April 2014. Most of these provisions have been modified by 2015 Stability Law (Art. 1, c. 20, 22-25 L n. 190/2014)	Presented to Parliament (AS1465) on 24 April 2014; converted in law by Parliament in June 2014	DL 66: published in GU no. 95 of 24 April 2014 L 89: published in GU no.143 of 23 June 2014	None	None	Very low	None	None	
Taxation	Reduction in tax wedge	Deduction of permanent labour costs from the taxable base of the local business tax (IRAP)	CSR 2 (Taxation system)		Draft Stability law 2015 approved by Government on 15 October 2014, art.1 para.20.	Presented to Parliament (AC2679) on 23 October 2014; converted in law by Parliament in December 2014 (L. 190/2014)	L 190, art. 1, c. 20 , 22-25: published in GU no.300 of 29 december 2014	None	None	Very low	None	None	
Taxation	Incentives to employment.	Tax credit for the new hiring of highly qualified professionals; projects to facilitate the entry of research doctors into the labour market; incentives to hire young people in the farming, cultural and tourism sectors; simplification of fixed-term and apprenticeship contracts.	CSR 5 (Labour market)		DM MISE (Implementing art. 24 of Decree Law no. 83/2012-converted in Law n. 134/2012) adopted by the Ministry of Economic Devolopment on 28 July 2014	None	DM: published in GU no. 184 of 9 August 2014	None	None	None	On the 15th September 2014 the Italian Ministry of Economic Development launched the online application portal dedicated to the SMEs which will be able to benefit from the R&D tax credit on the recruitment of highly qualified personnel hired during the year 2012. Now the Italian Ministry of Economic Development is about granting the tax credit for the first period of application (15.09.2014 - 31.12.2014). another online application portal has been launched for SMEs which will be able to benefit from the R&D tax credit for the year 2013. On the 11th January 2016 the last online application portal will be launched for SMEs which will be able to benefit from the R&D tax credit for the year 2014.	None	
Taxation	Reduce the tax burden with respect to productive factors.	Twenty-three per cent of the earnings of cooperative companies and their consortiums will not be considered as taxable income for direct taxes.	CSR 2 (Taxation system)		Decree Law n. 91/2014 (L. n. 116/2014; Art. 17-bis) approved by Government on 13 June 2014	Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014	None	The measure will enter into force next year	None	None	None	
Taxation	IUC includes a municipal property tax (IMU), a tax on shared municipal services (TASI) and a tax on waste (TARI) that will finance the costs of waste collection and disposal.	The single municipal tax (IUC) went into effect on 1 January 2014.	CSR 2 (Taxation system)		Stability Law for 2014 (Law no. 147/2013; art. 1, c. 639-679; 681-703; 731). Most of these provisions have been modified by Decree Law n. 16/2014 (Art. 1; L n. 68/2014)	Presented to Parliament (AC 2162) on 6 March 2014; converted in Law by Parliament in May 2014	DL 16: published in GU no. 54 of 6 March 2014 L68 : published in GU no.102 of 5 May 2014	None	None	None	None	None	
Taxation	Temporary measure: up to 65 per cent of the donations made in 2014 and in 2015, and up to 50 per cent in 2016.	Tax credit for physical and legal persons who make donations for entertainment-and culture-related projects (the so-called 'Art bonus').	CSR 2 (Taxation system)		Decree Law n. 83/2014 (L. n.106/2014; Art. 1) approved by Government on 22 May 2014	Presented to Parliament (AC 2426) on 31 May 2014; converted in law by Parliament in July 2014.	DL 83: published in GU no. 125 of 31 May 2014 L 106: published in GU no.175 of 30 July 2014	None	None	None	**Circular letter issued by the Agenzia delle Entrate (n. 24/E, 31th of July 2014) regulating measure's implementation.**	None	

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Taxation	Tax credit in the cinema and in the tourism sector.	Further tax credit for culture and tourism	CSR 2 (Taxation system)		Decree Law n. 83/2014 (L. n.106/2014; Art.6, 9, 10,11-bis) approved by Government on 22 May 2014	Presented to Parliament (AC 2426) on 31 May 2014; converted in law by Parliament in July 2014.	DL 83: published in GU no. 125 of 31 May 2014 L 106: published in GU no.175 of 30 July 2014		In order to implement: - Art 6 (cinema's tax credit): Foreseen two D.M. MiBACT-MEF: 1.movie and audiovisual works, going to be approved by the end of January 2015; 2. historical cinemas, going to be approved in February-March 2015. -Art 9 e 10 (tax credit for operators in the tourism sector): foreseen two D.M. MiBACT-MEF-MISE-MIT (digitisalition and upgrade of hotels) going to be approved by February 2015; - Art. 11-bis (innovative start-up created by young entrepreneurs): None.	Low	None	None	
Taxation	Incent investments in risk capital.	Enhancements to Aid for Economic Growth (AEC) programme, with extension to businesses with negative taxable income, and increase (40%) in aid to companies admitted to quotation on the stock market.	CSR 4 (Banking sector and capital market)		Decree Law n. 91/2014 (L. n. 116/2014; Art. 19) approved by Government on 13 June 2014	Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014	None	None	None	None	None	
Taxation	The credit is based on investments made through 30 June 2015, in excess of the average investments made during the previous five tax years. The minimum amount to qualify for the credit is €10,000. The tax credit is split into three annual portions of an equal amount.	Tax credit of 15% for the acquisition of capital goods.	CSR 4 (Banking sector and capital market)		Decree Law n. 91/2014 (L. n. 116/2014; Art. 18) approved by Government on 13 June 2014	Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014	None	None	None	None	None	
Taxation	Capitalisation of businesses.	Possibility of paying a substitute tax in the event of revaluation of capital assets and shareholdings reported in financial statements as of 31 December 2012.	CSR 4 (Banking sector and capital market)		Decree Law n. 66/2014 (L. n.89/2014; Art. 4) approved by Government on 18 April 2014	Presented to Parliament (AS1465) on 24 April 2014; converted in law by Parliament in June 2014	DL 66: published in GU no. 95 of 24 April 2014 L 89: published in GU no.143 of 23 June 2014	None	None	None	None	None	
Taxation	Enhance competitiveness on national and international markets.	Tax credit to favour businesses investing in R&D (Patent box and incentives for R&D)	CSR 4 (Banking sector and capital market)		Draft Stability law 2015 approved by Government on 15 October 2014. Patent box extended to all commercial trademarks in the Decree Law no.3/2015 "Investment Compact", approved by Government on 20th January.	L. 190/2014: presented to Parliament (AC2679) on 23 October 2014; converted in law by Parliament in December 2014. D.L. 3/2015: presented to Parliament (A.C. 2844) on 26 January 2015.	L 190, art. 1, c. 35-36 R&D, c. 37-45 Patent box. Published in GU no.300 of 29 december 2014. D.L.3/2015 published in the GU no.19 of 24 January 2015.		The disposal foresees 2 implementing decrees (2 DM MISE-MEF). No deadline.	Medium	None	None	
Taxation	Facilitate the issuance of bonds, similar securities and unlisted financial bills of exchange.	The tax treatment of project bonds has permanently been made equal to that for government securities.	CSR 4 (Banking sector and capital market)		Decree Law n. 133/2014 (L. n. 164/2014; Art. 13) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014. converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	None	None	None	None	
Taxation	Tax credit against the payment of corporate income taxes and the regional tax on productive activity, equal to 50 per cent of the cost of incremental investment, in market failure areas, for investments not provided by public sinking-fund subsidies.	Institution of a tax credit to accelerate investments ultra-wide broadband.	CSR 4 (Banking sector and capital market)		Decree Law n. 133/2014 (L.164/2014; Art. 6) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014. converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	In order to benefit from this measure, operators should follow a specific procedure. Moreover, the disposal foresees one implementing decree MIT/MEF (including competent Ministers and Agenzia Entrate's opinions) adopted on 12/11/14.	Medium	Pre-compiled forms to be published by MISE on its web site	None	

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Taxation	Tax credit of 40 per cent of the investmentsup to €400,000 for product/technology innovation and development, and for new business networks for food production. Another tax credit of 40 per cent for investments up to €50,000 for the e-commerce of agro-food products.	Institution of a tax credit for innovation in the farming sector.	CSR 4 (Banking sector and capital market)		Decree Law n. 91/2014 (L. n. 116/2014; Art.3) approved by Government on 13 June 2014	Presented to Parliament (AS 1541) on 24 June 2014; converted in law by Parliament in August 2014.	DL 91: published in GU no. 144 of 24 June 2014 L 116: published in GU no.192 of 20 August 2014		The disposal foresees 2 implementing decrees (2 DM MIPAF-MISE-MEF) - Expired on 24/08/14.	Medium	None	None	
Taxation	The investment must exceed €50 million (previous floor of €200 million) and be no greater than €2 billion.	Introduction of IRES and IRAP tax credit for a maximum of 50 per cent for all public works constructed with the use of project financing.	CSR 8 (Infrastructures)		Decree Law n. 133/2014 (L.n. 164/2014; Art. 11) approved by Government on 29 August 2014	DL 133: Presented to Parliament (AC 2629) on 12 September 2014. converted in law by Parliament in November 2014	DL 133: published in GU no. 212 of 12 September 2014; L.164: published in GU no. 262 of 11 November 2014	None	None	Very Low	None	None	
Taxation	Strenghten spontaneous taxpayer compliance.	Reduced flat tax rate of 10 per cent (versus 15 per cent) for income on so-called agreed rental contracts. Reduction is valid from 2014 to 2017.	CSR 2 (taxation)		Decree Law n. 47/2014 (L. n.80/2014; Art. 9) approved by Government on 12 March 2014	Presented to Parliament (AS 1413) on 28 March 2014; converted in law by Parliament in May 2014.	DL 47: published in GU no. 73 of 28 March 2014 L 106: published in GU no.121 of 27 May 2014	None	None	None	None	None	
Taxation	Govern procedures related to the exchange of tax-related information with the fiscal authorities of EU Member States.	Implementation of the EU Directive no. 2011/16/EU regarding reciprocal assistance between the competent authorities of Member States on the subject of direct taxes and other taxes.	CSR 2 (taxation)		Legislative Decree (DLGS) n. 29/2014		DLGS: published in GU no. 63 of 17 March 2014.		MEF- D.Dirett. Of 29 May 2014 (Art. 3, c. 2, DLGS) published in GU no. 128 of 6 June 2014 and relative to organization issues MEF- D.Dirett. Of 21 October 2014 (Art.7, c. 4) published in GU no. 252 of 29 October 2014 and relative to administrative notification issues		None	None	