## A two-fold reform strategy to ensure growth

<table>
<thead>
<tr>
<th>Excessive Macro Economic imbalances</th>
<th>Low productivity growth High public indebtedness</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Instruments</strong></td>
<td>Sound public finance Structural reforms</td>
</tr>
<tr>
<td>Positive exogenous factors</td>
<td>ECB decision to launch the <strong>QE</strong> programme Low Oil prices Competitive exchange rate $/€ Confidence</td>
</tr>
<tr>
<td>Outcome</td>
<td>Growth</td>
</tr>
</tbody>
</table>
Main structural reforms underway

- **Institutional reforms**: end to bicameralism, simplification of the multilayers governance.

- **Labour market reform**: further flexibility in hiring, labour law reshuffling and simplification.

- **Tax system**: reduction in the tax wedge, a more equitable, transparent, simplified and growth-oriented tax system.

- **Speeding up of payments of the public administration**: new regulatory and monitoring framework, electronic invoicing.
Main structural reforms underway

- **Privatisation programme**: State-owned/local Gov.t companies and real estate assets to improve efficiency and reduce debt.

- **Spending review**: reducing procurement costs, increasing efficiency and cutting unproductive public spending.

- **Investment framework**: alternative financing especially for SMEs, incentives for large-scale infrastructure investment; extra budget leeway for public investment at local level.

- **Public administration**: digitalisation and modernisation, open data, transparency, red tape reduction, fight against corruption.
STRUCTURAL REFORMS

A comprehensive strategy toward economic growth

- Infrastructure
- Tax wedge
- Annual law on competition
- Fight against corruption
- Access to finance
- Institutional reform
- Privatisation
- Justice system
- Education system
- Simplification
- Jobs Act
- PA reform
2016 Budget strategy in line with the overall strategy

- Fully use of flexibility envisaged by the SGP in 2016: further 0.1% of GDP for structural reforms (additional to 0.4% of GDP in the 2015 DEF); 0.3 % for the investment clause. Further 0.2% of GDP to offset the cost related to the exceptional immigration flows.

- Tax burden reduction: structural cuts for households and firms to boost employment and investments.

- Higher expenditure: closely linked to the implementation of structural reforms; support to unemployment and fight poverty; increase public investment at local level.
## REFORM TIMETABLE

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>Done</th>
<th>In progress</th>
<th>Impact on GDP</th>
<th>Timetable</th>
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</thead>
<tbody>
<tr>
<td><strong>Institutions</strong></td>
<td>Electoral Law Chamber of Deputies (L. no. 52/2015).</td>
<td>Reform of the Constitution.</td>
<td>-</td>
<td>May 2015</td>
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<tr>
<td><strong>Labour market and social policies</strong></td>
<td>Enabling Law on market reform (L. 183/2014).</td>
<td></td>
<td></td>
<td>December 2014</td>
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<td>Policy Area</td>
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<tr>
<td>Labour market and social policies</td>
<td>National Employment Agency and active labour market policies (Lgs. D. 150/2015). Adoption of its statute (December 2015).</td>
<td>Election of its president (by the end of 2015). Definition of the strategy implementing the new active labour market policies and agreements with the regions necessary under the current Constitutional framework (November 2015-January 2016). Implementation of the active labour market policies strategy according to the regional agreements and issuance of activation vouchers to unemployed individuals within a competitive quasi-market system (February 2016).</td>
<td>In 2020: 0.6%; in long term: 1.3%</td>
<td>By spring 2016</td>
</tr>
<tr>
<td>Policy Area</td>
<td>Done</td>
<td>In progress</td>
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<tr>
<td></td>
<td>Reform of civil justice (D.L. no. 132/2014, cvt. in L. no. 162/2014).</td>
<td></td>
<td>In 2020: 0.1%; in long term: 0.9%</td>
<td>November 2014</td>
</tr>
<tr>
<td></td>
<td>Bill on revision of penal code, penal proceedings, and certainty in the length of proceedings (A.C.2798).</td>
<td></td>
<td>-</td>
<td>March 2016</td>
</tr>
<tr>
<td></td>
<td>Bill on statute of limitations (A.S.1844).</td>
<td></td>
<td>-</td>
<td>March 2016</td>
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<tr>
<td></td>
<td>Enabling bill on: strengthening special courts for companies and special courts for human rights and family related issues; rationalisation of civil trial; revision of proceedings stages (Council of Ministry Feb.16)</td>
<td></td>
<td>-</td>
<td>March 2016</td>
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<tr>
<td></td>
<td>Bill against organised crime (A.S.1687)</td>
<td></td>
<td>-</td>
<td>March 2016</td>
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<tr>
<td><strong>Justice</strong></td>
<td>Measures to deflate the criminal justice system and sanction system against crimes of scarce offensiveness.</td>
<td>Enabling law reforming the insolvency framework.</td>
<td>-</td>
<td>December 2015</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>Enabling Law on tax reform (L. no. 23/2014).</td>
<td></td>
<td>-</td>
<td>March 2014</td>
</tr>
<tr>
<td></td>
<td>IVA and taxation on capital gains (D.L. no. 66/2014 cvt. in L. no. 89/2014).</td>
<td></td>
<td>In 2020: -0.2%; in long term: -0.2%</td>
<td>June 2014</td>
</tr>
<tr>
<td></td>
<td>Permanent reduction of tax wedge (2015 Stability Law – L. no. 190/2014).</td>
<td></td>
<td>In 2020: 0.4%; in long term: 0.4%</td>
<td>December 2014</td>
</tr>
<tr>
<td></td>
<td>Enabling legislative decrees on: Fiscal simplification (Lgs.D. no. 175/2014).</td>
<td>(Fiscal simplification, estimates are included in administrative simplification)</td>
<td></td>
<td>November 2014</td>
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</table>
## Reform Timetable

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<tr>
<td><strong>Taxation</strong></td>
<td>Reform of the taxation on properties and local indivisible services on owner occupied dwelling (Draft Stability Law 2016).</td>
<td>Measures to reduce the fiscal burden on businesses and households (i.e. cut of IRAP for the agricultural sector, IRES tax rate reduced at 24% - Draft Stability Law 2016).</td>
<td>-</td>
<td>December 2015</td>
</tr>
<tr>
<td><strong>Privatisation</strong></td>
<td>Selling of public shares: Fincantieri (through CDP); CDP Reti; Trans Austria Gasleitung GMbH – Tag; RAIWay.</td>
<td>Selling of public shares: ENEL, Poste Italiane. Privatisation of ENAV, STMicroelectronics Holding, Ferrovie dello Stato (Grandi Stazioni, Cento Stazioni).</td>
<td>Revenues from privatisation for 0.4 p.p. of GDP in 2015, 0.5 p.p. in 2016-2018 period</td>
<td>2014</td>
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<tr>
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<tr>
<td><strong>Infrastructure</strong></td>
<td>National Strategic Plan for airports.</td>
<td>Review of public procurement. (Senate Act no. 1678).</td>
<td>-</td>
<td>August 2015</td>
</tr>
<tr>
<td><strong>Competition</strong></td>
<td>Strategic ultra-broad band plan.</td>
<td>Annual law on competition for 2015.</td>
<td>In 2020: 0.4%; in long term: 1.2%</td>
<td>October 2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Measures for competition (*)&amp;</td>
<td></td>
<td>First semester 2016</td>
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</tbody>
</table>

(*) Measure not yet discussed by the Government.
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<tr>
<td><strong>Credit</strong></td>
<td>Measure on non-performing loans and bankruptcy (D.L. no. 83/2015 cvt. in L. no. 132/2015).</td>
<td>In 2016:-0.1% In the long term:+0.1%</td>
<td>August 2015</td>
<td></td>
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<tr>
<td></td>
<td>Transposition into national law of the European Directive on Bank Recovery and Resolution</td>
<td>-</td>
<td>November 2015</td>
<td></td>
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<tr>
<td></td>
<td>Enhancement of enterprise networks (*).</td>
<td>-</td>
<td>2016</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reforms of cooperative banks and Foundations.</td>
<td>-</td>
<td>2015-2016</td>
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</tbody>
</table>

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<tbody>
<tr>
<td><strong>Education</strong></td>
<td>‘La buona scuola’ reform (L. no. 107/2015).</td>
<td>Implementing decrees by end 2016</td>
<td>In 2020: 0.3%; in long term: 2.4%</td>
<td>July 2015</td>
</tr>
<tr>
<td></td>
<td>National Plan for digital education.</td>
<td></td>
<td>-</td>
<td>2015 - 2018</td>
</tr>
<tr>
<td></td>
<td>National Plan for Research (⁎).</td>
<td></td>
<td>-</td>
<td>2016</td>
</tr>
<tr>
<td><strong>Public Administration and simplification</strong></td>
<td>Simplification Agenda 2015-2017: simplification for businesses</td>
<td></td>
<td>-</td>
<td>December 2014</td>
</tr>
<tr>
<td></td>
<td>Enabling Law on reforming the Public Administration (L. no. 124/2015)</td>
<td>Implementing decrees by end 2016</td>
<td>In 2020: 0.4%; in long term: 1.2%</td>
<td>August 2015</td>
</tr>
<tr>
<td></td>
<td>Reform of local public services (according to the enabling Law no.124/2015).</td>
<td></td>
<td>Reform of local public services (according to the enabling Law no.124/2015).</td>
<td>2016</td>
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</tbody>
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(⁎) Measure not yet discussed by the Government.
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</tr>
</thead>
<tbody>
<tr>
<td>Reducing regional disparities</td>
<td>Masterplan for the Mezzogiorno</td>
<td>Agreements to be signed between the local and central authorities defining the plan of actions specific to the reality of each territory.</td>
<td>-</td>
<td>2015 - 2018</td>
</tr>
<tr>
<td>Poverty and social inclusion</td>
<td>Fund for fighting poverty and promoting social inclusion (Draft Stability Law 2016).</td>
<td></td>
<td>-</td>
<td>December 2015</td>
</tr>
<tr>
<td></td>
<td>Measures to tackle lower levels of educational attainment (Draft Stability Law 2016).</td>
<td></td>
<td>-</td>
<td>December 2015</td>
</tr>
</tbody>
</table>

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<tbody>
<tr>
<td><strong>Agriculture</strong></td>
<td>Implementation of the Common Agricultural Policy.</td>
<td></td>
<td>-</td>
<td>March 2015</td>
</tr>
<tr>
<td></td>
<td>Measures for the milk and dairy industry (L. no. 91/2015).</td>
<td></td>
<td>-</td>
<td>July 2015</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td>Law on environment protection introducing four new crimes.</td>
<td></td>
<td>-</td>
<td>May 2015</td>
</tr>
<tr>
<td></td>
<td>Environmental Law to promote green economy measures (A.C. 2093-B)</td>
<td></td>
<td>-</td>
<td>Dec. 2015</td>
</tr>
<tr>
<td></td>
<td>Green Act</td>
<td></td>
<td>-</td>
<td>2016</td>
</tr>
<tr>
<td><strong>Spending Review and tax expenditures</strong></td>
<td>Enhancing PA efficiency and revision of the tax expenditures.</td>
<td></td>
<td>In 2020: -0.2%; in long term: 0.0%</td>
<td>Structural savings planned until 2019</td>
</tr>
</tbody>
</table>

**Impact of measures in 2020:** 1.8%

**Impact of measures in 2025:** 3.0%

**Impact of reforms in long term:** 7.2%

(*) Measure not yet discussed by the Government.
## Macroeconomic Effects of Structural Reforms

### Impact for Policy Area

(percentage deviation of GDP from baseline scenario)

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>2020</th>
<th>2025</th>
<th>Long run</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Administration</td>
<td>0.4</td>
<td>0.7</td>
<td>1.2</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>0.4</td>
<td>0.7</td>
<td>1.2</td>
</tr>
<tr>
<td>Labor Market</td>
<td>0.6</td>
<td>0.9</td>
<td>1.3</td>
</tr>
<tr>
<td>Justice</td>
<td>0.1</td>
<td>0.2</td>
<td>0.9</td>
</tr>
<tr>
<td>School System</td>
<td>0.3</td>
<td>0.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Tax Shift (total)</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
</tbody>
</table>

### Reduction of Tax Wedge

- IRAP-IRPEF: 0.4, 0.4, 0.4

### Increase in Taxation of Capital Income + VAT

- -0.2, -0.2, -0.2

### Spending Review

- -0.2, -0.3, 0.0

### Total

- 1.8, 3.0, 7.2

Note: MEF estimates. The macroeconomic impact of structural reforms is carried out by focusing on a scenario where only the most recent reforms are considered, namely those eligible for the application of the structural reforms clause recently introduced by the European Commission (flexibility clause scenario, FCS).
## COMPARING OFFICIAL ESTIMATES
*(percentage deviation of GDP from baseline scenario)*

<table>
<thead>
<tr>
<th>Area</th>
<th>MEF</th>
<th>OECD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Administration and Justice</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Labor Market (Jobs Act)</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Tax wedge</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1.8</strong></td>
<td><strong>2.0</strong></td>
</tr>
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</table>

Reforming labour market

- In Sept. 2015 the Gov't completed the full implementation of the enabling law so called ‘Jobs Act’.

- **Legislative decrees approved:** i) introduction of a standard open-ended contract with increasing protection according to tenure; ii) universal unemployment benefit scheme associated to stronger active labour market measures; iii) revision of the wage supplementation scheme; iv) reorganisation of the active labour market policy with the creation of a dedicated National Agency; v) simplification of inspection activity and creation of a National Inspectorate; vi) work-life balance measures; vii) simplification of contractual models; and viii) simplification of administrative procedures.
AGENDA ON LABOUR

Jobs Act: New open-end employment contract

- Starting from March 2015 the new open-ended contracts can be used by firms. It is characterised by:
  - **Minimum protection floor.** Depending on the circumstances, the new contract ensures a stable level of protection for the first two years, then increasing with tenure.
  - **Revision of the dismissal rules** on both individual and collective basis. A reinforced, fast and more convenient conciliation procedure is created so as to reduce uncertainty and allow parties to reach an extra-judicial agreement.

- Rules apply to all the newly hired workers on permanent base and to small firms that increase their workforce.
AGENDA ON LABOUR

Jobs Act: Universal unemployment benefit

- The universal unemployment benefit scheme (NASpl) targets all employees working in the private sectors (with the exception of agriculture).

- The benefit is correlated to the average wage of the last 4 years and can not exceed €1,300. Starting from Jan. 2017 the duration of the allowance is limited to 78 weeks.

- The provision of NASpl is conditioned to the participation to activation measures proposed by employment services.

- The unemployed entitled to receive the NASpl allowance can claim for an anticipation of the entire amount of the benefit as an incentive to self-employment initiative.
AGENDA ON LABOUR

Jobs Act: Work-life balance measures

- The **work-life balance measures** increase the flexibility in using the parental leave, which is now extended to all types of workers.

- The **parental leave** can be used until the child ages 12 (vs. 8 in the previous legislation). Until the child is 6 years (previously 3) the parental leave is partially remunerated (30% of the regular wage). In case of adoption, parents are entitled with the same rights as natural parents.

- Strengthened the **telecommuting** and distance work opportunities.

- **In case of violence**, women can benefit from a job leave.
AGENDA ON LABOUR

Jobs Act: Rationalisation of contractual models

- The rationalisation of contractual models aims at reducing the array of short-term contracts.
- By 2016 the temporary and project-based contracts will be transformed into permanent contracts. Collective agreements may set flexibility criteria for the use of temporary contracts.
- Streamlined the apprentice contracts so as to reinforce the link between school and work.
- Revised the discipline for few other short-term contracts.
- In case of business restructuring, allowed the flexibility in job’s responsibilities and duties.
AGENDA ON LABOUR

Jobs Act: Active labour market policy

- The reorganisation of employment services and active labour market policies relies on:
  
  ✓ The National Agency for Active Labour Policies (ANPAL) set with the mission of coordinating the national network of employment services. Its statute has been approved in Dec. 2015, and members will have a 3-year mandate renewable once.

  ✓ The creation of a national register of employment services, both private and public, in charge of connecting jobseekers to employers through information, placement and active support.

- The Ministry of Labour is in charge of defining a 3 year-plan setting targets and minimum standards of service provision.
AGENDA ON LABOUR

Jobs Act: Revision of CIG

- The Government took actions towards the revision of public supporting schemes for temporary layoff workers.

- The wage guarantee scheme called Cassa Integrazione Guadagni (CIG) is extended to support workers affected by a temporary suspension of job, while a stronger conditionality on labour activation is enforced.

- For employers willing to use the CIG instrument, the legislative decree sets selection criteria, time limits and social contributions proportional to the provision of wage support (bonus malus system).
AGENDA ON LABOUR

Jobs Act: Simplifications

- The Government adopted several measures to simplify labour administrative procedures. Among them:

  ✓ Reduced the burden on firms and citizens mainly through the digitalisation of compulsory communications and obligations. Introduction of an electronic folder for each worker to be shared with the Ministry of Labour (starting from 2017).

  ✓ Streamlined the hiring process of disabled persons.

  ✓ Revision of occupational safety and health legislation, with new responsibilities and sanctions for both employer and employee. Measures to fight illegal work.
AGENDA ON LABOUR

Jobs Act: Inspection activity

- The Government adopted measures to reorganise the labour inspection activity and legislation.
- The reorganisation hinges on the creation of a unique labour inspectorate at national level responsible for enforcing compliance with employment law.
- The National Agency for Safety and Health at Work merges the functions currently shared among INPS, INAIL and the Ministry of Labour.
- The Agency coordinate the activity of the inspectorates of the local health authorities and the regional agencies for environmental protection. Its statute has been approved in Dec. 2015.
Incentives to boost occupation

- Fiscal incentives on new hirings with open-ended contracts are in place since Jan. 2015. They will be extended, even if in a smaller amount for 2016. In particular, the 2016 Draft Stability Law establishes that in 2016 the new hirings will benefit from 2-years (instead of 3) cut of social security contributions up to an annual cap of € 3,250.

Source: Ministry of Labour and Social Policies - Mandatory Notifications to INPS by firms. Seasonally adjusted data
National Plan for fight against poverty and social inclusion

- The Draft Stability Law 2016 provides for the adoption of a **National Plan to fight poverty and social exclusion**. The Plan is organized over a three years period and identifies or updates the set of actions to achieve basic level of social assistance to be ensured throughout the country, given the available resources.

- **Special Fund for fighting poverty** with €600ml for 2016 and €1bn starting from 2017. Out of this amount in 2016 €380mn will be allocated to supporting the active inclusion of families with minor children. €220mn will be devoted to unemployment benefit schemes ASDI. Starting from 2017, the Fund will be used to sustain households to reach at least the absolute poverty threshold by means of a national designed policy.
Other measures for social inclusion

- Tax credit of 75 per cent on project designed to cope with the children’s low educational attainment and financed by banking foundations. Set on an experimental basis for the period 2016-2018, resources amount to €100mn per year.

- New resources to the Fund for non self-sufficient people with additional €150mn for 2016. Created a fund to look after seriously disabled people over the years.
Reforming education

- The ‘Buona scuola’ reform aims at improving school governance. It reinforces the tenured teaching staff in a permanent way, develops teachers’ competencies through permanent formation, fosters digitalisation and strengthens the link between school and work.

- The Plan provides for: a three-year planning of financial and human resources for each school; a new evaluation system for teachers with careers linked to performances; enhanced managerial role of principals.

- Further delegated acts will revise the systems of primary and secondary education.
Innovative schools

- **National Plan for Digital School**: a comprehensive strategy made up of 35 measures concerning ultra broad band infrastructures, new digital skills for students, online tools for education, promotion of Open Educational Resources (OER), work-school alternance in digital business, training for the school staff.

- €300m for the **construction** of new school buildings innovative in terms of architecture and technology.

- **School bonus**: 65% tax credit on private **donations** (max €100,000) for brand new schools and the maintenance of the existing ones, as well as for educational projects.
Implementing the enabling law on tax reform

- Implemented the **enabling law on tax reform** with the final approval of the last expected legislative decrees.

- Since 2014, realized **simplifications** related to tax repayment obligations, corporate tax obligations, as well as abrogation of unnecessary hurdles for firms and citizens. Introduced a pre-filled tax returns for permanent employees and pensioners.

- Other **legislative decrees approved** redefine Cadastral Committees and revise tobacco taxation.

- The 2015 Stability Law and the Draft for 2016 contain several measures enacting the enabling law principals such as the streamline of the **taxation on minor self-employed**.
Fiscal reform: Legal certainty and sanctions

The legislative decrees approved deal with:

- **Legal certainty in the relationship between tax administration and taxpayers.** The legislative decree aims to ensure a legal framework with respect to elusion, evasion and abuse of legislation. Moreover, it extends the verification period and simplifies tax compliance procedures.

- **Revision of administrative and penal sanctions.** Endorsed the proportionality in sanctions: reduction of the penalties for minor violations. A tough stance remains on tax fraud, especially when it involves documentation.
Fiscal reform: Simplifications

✔ **VAT electronic invoicing.** The measure offers incentives to the adoption of electronic systems in payments and transactions so as to ensure the traceability of VAT exchanges and reduce the fiscal burden on business. The adoption will be on a voluntary basis, starting from Jan. 2017.

✔ **Simplified measures for international firms.** The legislative decree is aimed to i) reduce administrative burden on international firms, by introducing a prior agreement with the Revenue Agency; and ii) create a stable taxation profile for new investment (over €30m) realized by international firms.
Fiscal reform: Collection system

✓ Rationalisation of the tax collection system. Measures facilitating tax compliance, also by applying for an installment agreement with the Revenue Agency which becomes more easy to access. Reductions in the premium of agents collecting taxes.

✓ Reorganisation of fiscal agencies. Ensure a broad coordination in their administrative action, cutting red tape and limiting in-depth financial controls, while offering to tax payers more possibilities for clarification and conciliation.
Fiscal reform: Conciliation and monitoring tax evasion

✓ Fiscal litigation. More possibilities offered for conciliation with the Italian Revenue Agency so as to avoid court litigations. Measures to ensure certainty in the proceeding.

✓ Monitoring system of tax evasion and a new regulatory framework for tax expenditures. Annually the Gov.t will review existing tax expenditures according to their economic impact. Savings will be allocated to reduce tax wedge.
Further cut of the tax wedge (1/2)

- The **Draft Stability Law 2016** introduced relevant cuts to the fiscal burden existing on households and firms.

- Concerning **households**: removal of the VAT rate tax increases foreseen for 2016; abolished property taxes on primary residential dwellings; tax allowances on productivity wages; confirmed the tax relief already provided for renovation of buildings and energy upgrading.
Concerning **firms**: corporate taxation (IRES) reduced at 24% in 2017; abolished property taxation on farmland and on ‘bolted’ equipment; 40% allowance on fiscal amortisations for new machinery and equipment; confirmed for one year (2 for the South), but lowered, the social security contributions exemption on new permanent labour contracts which was introduced in the Stability Law 2015 (for 2016 it will be worth 40% of SSC exemption for two years). For firms located in the South, a 4-year tax credit (2016-2019) for investment is applied.
Reforming Public Administration

- A comprehensive reform of PA was approved in August. The reform entrusts the Government to issue several legislative decrees on: administrative simplification, personnel, State Owned Enterprises (SOEs), and public utilities.

- The reform adds to a general process of revision of the staff planning and recruitment system the PA is undergoing.

- Regarding the rationalisation of companies owned by local authorities as required by the 2015 Stability Law, more than half of the involved local entities submitted their action plans by detailing merger and acquisition procedures or the transfer of the companies’ shareholdings.
Reforming Public Procurement (1/2)

- The Parliament is working at the legislative transposition of the European Directives reviewing public procurement procedures (bill approved by the Chamber of Deputies in November 2015).

- The bill entrusts the Government to take actions in order to harmonise the domestic legislation to the European criteria on: i) awarding concession contracts (2014/23/EU); ii) public procurement (2014/24/EU); and iii) procurement by entities operating in the water, energy, transport and postal services sectors (2014/25/EU).

- The transposition into national legislation has to be done within April 2016.
Reforming Public Procurement (2/2)

- In particular, the Government will be responsible for legislative decrees introducing, among others: i) strict procedures in case of derogation to the contract awarded and in case of variation to works already under realisation; ii) various forms of public private partnership; iii) public consultation with local stakeholders.

- The ‘most economically advantageous’ tender will be the dominant awarding criterion, overcoming the procedure of the lowest bid by tenderers.

- The central role of guidance and supervision is assigned to the Anticorruption National Authority (ANAC).
Simplification of bureaucracy


- According to the 2nd monitoring report issued on August 2015, 90% of the deadlines set in the Agenda were respected.

- The electronic invoicing for all the PA entities is fully operational. Moreover the social security compliance certificate (DURC) is on line starting from July 2015.

- Fostered the digital citizenship: actions to innovate the census and ID card.
Measures against corruption and false accounting

- In May 2015 a law for fighting corruption in the PA was approved. It introduces: i) increased penalties for most of the offenses against the PA; ii) full recovery of the money unduly received by public officials; iii) revision of the crime of false accounting.

- Regarding business activities, false accounting is again a crime punished with jail. If the company is listed, those who commits false accounting can be punished with 3 to 8 years of imprisonment; if the company is not listed, the years of prison are reduced to one to 5 years.
AGENDA ON JUSTICE

Reforming justice (1/2)

- **Civil justice reforming action** aiming at: i) consolidate the specialisation of firms’ courts; ii) strengthen the protection of individual rights, children and families, through dedicated courts; iii) ensure greater rapidity in the judgment, by revising the different phases of proceeding.

- **Penal justice reform** - under discussion in Parliament - modify the **statue of limitations**, cope with judicial backlog, revise the criminal codes and proceedings while strengthening of the rights of defence and ensuring a reasonable duration of trials. The bill approved in September by Deputies also delegates the government to reform the criminal process and the penitentiary system.
Reforming justice (2/2)

- In order to **deflate the criminal justice system**, under discussion the legislative decree which transforms some minor crimes into administrative offenses and makes sanctions more incisive while ensuring a more effective repression of the most serious crimes.

- Another legislative decree under discussion designs a more efficient sanction system against **crimes of scarce offensiveness**. It aims at replacing penalties with fines.

- Ongoing the transposition into the national law of **Council Framework Decision 2009/948/JHA** on prevention and settlement of conflicts of exercise of jurisdiction in criminal proceedings.
Reducing judicial backlog

- To tackle the efficiency gaps an **integrated digital system for civil cases** was introduced. Estimated savings for €48m and 50% in time reduction for injunctions.

- First results of implemented measures (end of 2014): 84% of litigation before **Firms’ Court** concluded in one year (end of 2013 was 46%).

- **Fiscal mediation** allowed a reduction of 47.5% of new fiscal cases if compared to 2011. As for the tax backlog, in 2014 the pending fiscal cases were lower than 9.5% compared to 2013; fiscal mediation contributed to 54% of fiscal resolutions.
Digital fiscal trial

- In December 1, 2015 the Digital fiscal trial was launched in the local and regional Tax Commissions of Tuscany and Umbria. In two years the digital information system will be made available at national level.

- Created the official website of the Tax Justice Administration (www.giustiziatributaria.gov.it). It allows for the electronic filing of documents and court records. In addition, tax courts, taxpayers, professionals and tax authorities, previously authorised, will consult from home or from their offices the case files containing all the acts and documents of the fiscal litigation in which they are interested.
Measures for competitiveness

- The annual draft law on competition was presented to Parliament.

- Measures are as follows: in the insurance sector actions to fight fraud and enhance transparency; in the TLC actions to ease switching; liberalisation of fuel distribution; several liberalisations for legal professions (notaries and lawyers); the scope of activity for limited liability companies is enlarged for the engineering profession; removed limits to pharmacies’ ownership; portability of check accounts.
Reforming the banking sector (1/2)

- Regarding the cooperative banks (*banche popolari*), the Government action aims at strengthening their organisational structure and governance. The reform should be fully implemented by the second half of 2016.

- In order to reform the regulation of banking Foundations, in April 2015 a protocol between ACRI and MEF was signed. The agreement’s principles are: i) maximum investment in one bank of 1/3 of its assets; ii) indebtedness must be only temporary, not exceeding 10% of net worth; iii) management board and supervisors are appointed for 4 years and renewable only once; iv) after the first mandate, a 3 years period of interval is needed before a new appointment.
Reforming the banking sector (2/2)

- As of January 1\textsuperscript{st} 2016 Italy applies the single rulebook for the resolution of banks and large investment firms, as prescribed by the \textbf{Bank Recovery and Resolution Directive}. The new rules harmonise the tools for dealing with bank crises across the EU.

- Banks are required to prepare \textit{recovery plans} to overcome financial distress. If banks do face failure, the Bank of Italy is equipped with comprehensive powers and tools to restructure them, allocating losses to shareholders and creditors. The recovery plan must preserves the banks critical functions and avoids taxpayers having to bail them out.
Measures for NPLs and bankruptcy (1/2)

- Urgent measures on bankruptcy, civil justice procedures and the organisation of judiciary approved by the Gov.t in June.

- The measures reduce obstacles in accessing credit for firms involved in bankruptcy procedures, and improve changes of business recovery.

- Approved measures on: i) tax compensation of deteriorated credit held by banks and insurance companies; ii) in case of corporate crisis the tribunal can authorize new credit to firm under procedure; iii) the agreement with creditors opened to third parties; iv) debt restructuring can be signed with the agreement of 75% of creditors (holding at least 50% of the debt); v) streamlined procedures for extra-judicial auctioning.
Measures for NPLs and bankruptcy (2/2)

A new solving procedure in line with the EU Bank Recovery and Resolution Directive has been adopted to solve the financial crisis of four minor credit institutes (Banca Marche, Banca Popolare dell’Etruria, Banca Popolare del Lazio, CariChieti and Cassa di Risparmio di Ferrara).

Each of the four banks is split into a ‘good bank or bridge bank’ and a ‘bad bank’. The bad bank cumulates the non performing loans to be sold to collection agencies while the bridge bank is recapitalised thanks to its shareholders and to a special resolution Fund, funded only by the Italian banking system.

A Solidarity Fund for small savers who subscribed subordinated bonds has been envisaged, with a €100mn endowment (from the Interbank Fund for the deposit protection).
Finance for growth (1/2)

- The Government 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.

- To support investment activity: **a tax credit** provided to **social security funds** (6%) and **pension funds** (9%), in case they invest in the real economy, so to balance out the increasing taxation (26 and 20%).

- The public-private **fund for the recapitalisation** of businesses undertaking reorganisation or debt-restructuring processes became fully operational (Investment Compact Decree).
Finance for growth (2/2)

- **Incentives** to encourage companies to **upgrade machinery and equipment** have been strengthened.

- The new ‘**Sabatini Law**’ offers financing to SMEs for investment in new equipment (min €20,000 max €2m, for 5 years). Fully booked the first fund endowed with €2,5b. A new €2,5b plafond has been established, so to cover investments on capital goods, as well as investments in hardware, software and digital technology.

- 15% tax credit (on IRES and IRAP) for additional **investment in production assets** to be extended until end 2015.
Incentives for doing business

- Long-term secured **loans granted to entrepreneurs** under the age of 40 or to new SMEs with young stakeholders investing in manufacturing or farming, trade and tourism (up to 75% of investment costs). Available funds: €150m.

- Fully operational the **voucher for internationalisation** of SMEs. It aims at supporting firms and business networks in their strategy to access foreign markets through the assistance of a temporary export manager.
National Strategic Plan for Harbour and Logistics

- The majority of traffic handled by **Italian ports** is concentrated in few hubs, while many ports are small sized harbours handling few quantities of cargo.

- The Gov.t approved a **comprehensive plan** in order to rationalise the port sector, attract additional investments and relaunch the competitiveness of the national shipping network.

- The **plan aims at**: i) simplifying bureaucracy; ii) upgrading ports infrastructures and multimodal transport planning; iii) ensuring environmental sustainability and efficiency; iv) improving the governance of port authorities with a stronger coordination while allowing for more financial autonomy.
AGENDA ON INFRASTRUCTURE

National Strategic Plan for Airports

- The Government is committed to develop the airport sector within a governance that balances the needs of national and international traffic with the development of local economies, to upgrade the logistic infrastructure and to improve the efficiency of the air navigation.

- 38 airports of national interest were identified on the base size and type of traffic, the location of territorial and strategic role of the same, and the terms of the programs of the Trans-European Transport Network (TEN). There, the State will have exclusive powers.
European task force for investment

- The **EU task force for investment**, launched by ECOFIN on Oct. 2014, is identifying investment projects with European value added currently facing obstacles in realisation.

- The **European Fund for Strategic Investments (EFSI)** will consist of €16b in guarantees from the EU budget and €5b from the European Investment Bank. Italy’s contribution to EFSI-supported projects amounts to €8b (via CDP being the national promotional bank).

- In Nov. 2014 Italy presented a selection of **around 80 projects** worth over €40b of investments, but the process is still open to new eligible projects.
AGENDA ON REDUCING REGIONAL DISPARITIES

Masterplan for the Mezzogiorno of Italy

- The Masterplan builds upon **two pillars**: i) efficiency in the **use of EU funds** both for the projects already financed (2007-2013) and for the new planning cycle (2014-2020); ii) **industrial policy** able to cope with the crisis of the manufacturing sector which dramatically affected the South.

- A joint **task force** between the Gov.t and Regions on the **management of EU funds** is to be established.

- **Specific plans of actions and timetables** will be set for each of the 8 Regions and 7 metropolitan cities of the South. The plan will define the strategic priorities according to the reality of each territory.
AGENDA ON ENVIRONMENT

Environment protection

- **Law on environment protection** approved on May 2015, introducing **four new crimes** (environmental pollution; environmental disaster; trafficking and abandonment of highly radioactive material; obstruction of control). Doubled the **statute of limitations** for these crimes, enabled property confiscation, restoration of pre-existing conditions.

- **Environmental Law** approved on Dec. 2015, to promote green economy measures. Fund endowed with €100 mn. to fight against hydrogeological risks.

- Under discussion at the Parliament: i) ‘**Green act**’ to promote the green economy and contain the excessive depletion of natural resources.
Local public finance

- **Debt restructuring through CDP.** Since Jan. 2015 Regions and local governments have renegotiated loans for a total of €15.9b, with an estimated savings in terms of depreciation rate of €1.1b over the period 2015-2018.

- **Domestic Stability Pact (DSP).** Additional financial space of €100m for new investments in public services and land maintenance. Reduced sanctions in case of violation of the 2014 DSP and loan renegotiation extended to entities with budgets not yet approved.

- **Speeding up of payments due by PA:** additional funds for Regions (€2b) and autonomous provinces (€850m).
Spending review in the Draft Stability Law 2016

- **Public procurement procedures** extended to Social Security Funds, Fiscal Agencies, National Health System bodies and local-owned companies (in case they acts as purchasing bodies).

- **Central administrations**: spending cuts higher for those who make a lower use of public procurement.

- **National Health System**: stricter rules to enhance efficiency of Regions under Deficit Reduction Plan.

- **Contribution of Regions and local entities to the budget**: spending cuts to agreed between State and Regions; Domestic Stability Pact replaced by a balanced budget rule.
Spending review: future steps

Future actions aim at:

- **Reorganizing the peripheral structures** of the State and properties used by public administrations, according to the implementation of federalism in real estate management (Decree Law 66/2014).

- **Extending the use of standard costs/needs** to assign central resources.

- **Improving the efficiency of local holdings**, especially in the sectors of local public transport and waste collection.

- **Fully implement the rationalisation of public procurement** by adopting the necessary **secondary legislation**.
Privatisation plan

- As confirmed in the Update to EFD 2015, no significant delays in the process of privatising SOEs despite current market conditions.
- Expected revenues from privatisation schemes and disposal of real estate assets amount to 0.4% of GDP in 2015, 0.5% in the 2016 - 2018 period.
- By law, the revenues from sales of shares directly held by the State will be used to reduce public debt.
- Technical support of Invimit in the real estate divestiture.
## PRIVATISATION PLAN

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Relevant sectors</th>
<th>Transaction description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fincantieri</td>
<td>Shipbuilding – cruise liners, mega yachts, naval vessels, oil &amp; gas vessels</td>
<td>30% of the company sold through IPO, including a capital increase</td>
</tr>
<tr>
<td>CDP Reti</td>
<td>Gas transportation and power high voltage</td>
<td>89% of the company sold to SNAM</td>
</tr>
<tr>
<td>Rai Way</td>
<td>TLC infrastructure provider for RAI broadcast</td>
<td>35% of the company sold to private investors</td>
</tr>
<tr>
<td>Enel</td>
<td>Multi-national power company</td>
<td>30% of the company sold through IPO</td>
</tr>
<tr>
<td>Poste Italiane</td>
<td>Postal services, financial services, insurance, ICT, logistics</td>
<td>5.74% of the company sold through accelerated book building</td>
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<tr>
<td></td>
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<td>34.7% of the company sold through IPO (excluding greenshoe)</td>
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<tr>
<td>FONDO ITALIANO D’INVESTIMENTO</td>
<td>Electronics and semiconductors</td>
<td>50% of the holding company STH to be sold to CDP</td>
</tr>
<tr>
<td>ENAV</td>
<td>Investment founds</td>
<td>12.50% of the SGR to be sold to CDP</td>
</tr>
<tr>
<td></td>
<td>Air traffic control</td>
<td>Up to 49% of the company to be sold through IPO</td>
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<tr>
<td></td>
<td>Rail Transport</td>
<td>Reduction of the State-owned stake under study</td>
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</tbody>
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<thead>
<tr>
<th>Further measures</th>
<th>Relevant sectors</th>
<th>Transaction description</th>
</tr>
</thead>
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<tr>
<td>Municipal utilities</td>
<td>Companies that provide public utilities at local level (water, electricity, waste collection and management)</td>
<td>Opening to private control and significant reduction of their numbers through merger</td>
</tr>
<tr>
<td>Public real estate assets</td>
<td>Public real estate assets - State and Local authorities properties</td>
<td>Disposal plan of public real estate assets. Decrease the rent of real estate for the PA, increase the efficiency of locations’ distribution</td>
</tr>
</tbody>
</table>
Privatisation: state of the arts

- **Concluded transactions:** i) Fincantieri (€1.3bn cap., initial public offering of €350mn); ii) RaiWay (€1.1bn cap., IPO of €300mn); iii) 35% of CDP Reti (which owns 30% of Terna and 30% of SNAM) for €2.1bn; iv) 89% of TAG for €505mn; v) 5.74% of ENEL already listed, through an ABB, for €2.2bn; vi) 34.7% of Poste Italiane (€8.8bn cap., IPO of €3.1bn; excluding greenshoe).

- **Ongoing work** on companies directly owned by the State (i.e. STM, *Fondo Italiano di Investimento* SGR). Rules to divest initial tranches of ENAV (up to 49%) already set. Draft law on the privatisation of *Ferrovie dello Stato* S.p.A. concerning at most 40% of its shares.
Legislative implementation

- **Renzi Gov.t** (February 2014 to December 20, 2015): 285 pieces of legislation approved, including 122 draft laws, 44 decree laws, 119 legislative decrees. 156 pieces of legislation fully entered into force. 51% of the provision are self enforcing, the remaining need secondary legislation.

- The **implementation rate** of Renzi Gov.t reached **76,7%**.

- As for the implementation of the legislative acts adopted by **previous Governments** (Monti and Letta), out of 889 pieces of secondary legislation required, 241 are left.
MONITORING THE IMPLEMENTATION

Inherited stock of secondary legislation

![Graph showing the implementation of secondary legislation over time, distinguishing between Govt. Letta and Govt. Monti.](image-url)