Italy’s Structural Reforms

Ministry of Economy and Finance
October 2014
The strategy: institutional reforms as a starting point

- Introduce major institutional reforms.
- Design a more equitable and growth-friendly tax system.
- Reduce the tax wedge on labour.
- Simplify employment legislation, streamline procedures and reduce the number of standard contracts. Support employment services, active labour market policies and work-life balance.
- Implement the Italian ‘Youth Guarantee’ Plan.
- Expand income-support measures and fight poverty.
The strategy: a new business environment

- Modernise the Public Administration.
- Ensure a fast-paced, transparent, accessible justice system.
- Boost investment and ease the administrative burden for businesses.
- Improve finance for growth.
- Promote competition and deregulation.
- Support the internationalisation of businesses.
- Settle Public Administration’s payables on commercial debt in accordance with EU directive.
The strategy: a change in the incentive structure

- Promote merit, quality assessments and support transnational partnerships among Education, Training, and Youth institutions, link education and research to the labour market.

- Improve school infrastructure and implement the social housing plan.

- Involve the private sector in major infrastructure projects. Improve air, sea, rail and road transport.

- Favour green growth and efficient use of resources.

- Support tourism and culture as drivers of growth.

- Modernise the health sector.

- Revitalise the country’s deprived areas.
A well-defined schedule for implementing reforms

- Monitor progress and achievements.
- Take action to meet each milestone.

The actions of reforms are fully detailed in the **2014 National Reform Program**, approved by Parliament in April.

The full reform plan is available at: http://www.dt.tesoro.it/en/analisi_programmazione_economico_finanziaria/strategia_crescita/
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## Schedule for reforms (updated DEF scheme)

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*Planned → In progress → Done*
Reform implementation

- From February 22 to September 17, the Government approved 87 pieces of legislation, including 33 draft laws, 20 decree laws (of which 16 already converted into law), 34 legislative decrees, of which 26 already approved.
- Of these, 44 pieces of legislation entered into force having been officially publicised while another 29 require enacting regulations.
- As for the initiatives of previous Governments (Monti and Letta), of the 1148 pieces of secondary legislation required, 55% have been adopted.
The fiscal side (CSR 1)

“Ensure that the general government debt is on a sufficiently downward path; carry out the ambitious privatisation plan; implement a growth-friendly fiscal adjustment based on the announced significant savings coming from a durable improvement of the efficiency and quality of public expenditure at all levels of government, while preserving growth-enhancing spending like R&D, innovation, education and essential infrastructure projects. Guarantee the independence and full operationalisation of the fiscal council as soon as possible and no later than in September 2014, in time for the assessment of the 2015 Draft Budgetary Plan.”
Privatisation

- The Government has set rules to **divest initial tranches of ENAV (49%) and Poste Italiane (40%).**

- The process will involve other companies **directly or indirectly owned by the State** (i.e. ENI, STM, ENEL, CDP Reti, TAG and Grandi Stazioni).

- Fincantieri already listed in the stock market (capitalisation worth 1.3bn, initial share offering of 350mn).

- **Expected revenues** from privatisation (DEF): **0.7% of GDP** per year. Real estate divestiture with the technical support of Invimit (see ‘Focus on Privatisation’).
Health Pact

- **A 3-year Pact for a sustainable health care system**: 337bn of resources for the NHS in 2014–2016 allocated taking into account **costs and needs standards**.

- **Essential levels of care and pharmaceutical memorandum** to replace outdated and expensive treatments.

- **Reorganisation of hospitals** to create a more efficient service network. Further **digitalisation** in the health sector.

- **Costs of medicines and services** paid by citizens fixed according to income and household composition.

- **Improved home care** especially for elderly and seriously ill or non-self-sufficient patients.
Spending Review

- The Spending Review is an ad hoc process increasingly integrated within the annual budget process. In the future a full-fledged performance budgeting system will be developed. The DEF 2014 sets cumulative savings targets up to 4.5bn in 2014, 17bn in 2015 and 32bn in 2016.

- Structural reorganisation of public expenditure, i.e. more responsibilities to line Ministers and local administrators.

- With the D.L. No. 66/2014, the administration must reduce the purchase of good and services by 2.1bn in 2014.

- For more details, see ‘Focus on the Spending Review’.
Parliamentary Budget Office

- **Law 243/2012** introduced Italy’s Parliamentary Budget Office (PBO), implementing the Constitutional amendment that established the **balanced budget rule**.

- Italy’s PBO is responsible for **monitoring public finances** and **compliance with numerical fiscal rules**.

- The PBO governing body is a 3-member **board appointed** in April 2014. In September 2014, operational guidelines were detailed in a **memorandum of understanding** with the Ministry of Economy and Finance.

- A Memorandum of Understanding concerning operational details will be signed very shortly.
Fiscal reforms (CSR 2)

“Further shift the tax burden from productive factors to consumption, property and the environment, in compliance with the budgetary targets. To this end, evaluate the effectiveness of the recent reduction in the labour tax wedge and ensure its financing for 2015, review the scope of direct tax expenditures and broaden the tax base, notably on consumption. Consider the alignment of excise duties on diesel to those on petrol and their indexation on inflation, and remove environmentally harmful subsidies. Implement the enabling law for tax reform by March 2015, including by adopting the decrees leading to the reform of the cadastral system to ensure the effectiveness of the reform of immovable property taxation. Further improve tax compliance by enhancing the predictability of the tax system, simplifying procedures, improving tax debt recovery and modernising tax administration. Pursue the fight against tax evasion and take additional steps against the shadow economy and undeclared work.”
The enabling law on fiscal reform

- In March 2014, Parliament passed the **enabling law on tax reform**. Measures will be introduced within 12 months.
- **Objective:** i) **update cadastral values**; ii) strengthen regulations to curb tax abuse and increase tax compliance; iii) enhance tutoring and **tax simplification**; iv) revise the system of sanctions, checks and inspections; v) review local collections procedures; vi) modernise corporate income taxes; vii) facilitate compliance for smaller taxpayers through lump-sum taxation; viii) harmonise taxes on gambling and lotteries; viii) revise environmental taxes.
- For more details, see ‘**Focus on Fiscal Reforms**’.
Shifting tax burden

- **May-Dec 2014:** reduced personal income tax by €80 per month (€640 per year) 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.

- **For 2014:** corporate income tax (IRAP) reduced by 10%. The standard tax rate fell from 3.9 to 3.5%, with similar reductions for banks (from 4.6 to 4.2%), insurance companies (from 5.9 to 5.3%) and agricultural businesses (from 1.9 to 1.7%).

- **Increased taxation of returns on financial assets** from 20 to 26%, with an exemption for Government bonds and postal savings (taxed at 12.5%).
The fight against tax evasion

- Strengthen the fight against tax evasion, with a target of 2bn in increased tax revenues by 2015 (compared to 2013).
- In 2013, 300mn of unpaid taxes recovered and used to reduce the tax burden.
- Further steps currently under discussion: i) voluntary disclosure of financial information to repatriate undeclared taxable revenue or income held abroad; ii) Foreign Account Tax Compliance Act (FACTA) between US–IT.
Efficiency of Public Administration (CSR 3)

“As part of a wider effort to improve the efficiency of public administration, clarify competences at all levels of Government. Ensure better management of EU funds by taking decisive action to improve administrative capacity, transparency, evaluation and quality control at regional level, especially in southern regions. Further enhance the effectiveness of anti-corruption measures, including by revising the statute of limitations by the end of 2014, and strengthening the powers of the national anticorruption authority.”
Modernising the Public Administration

- **Main areas:** public employment, organisation of different levels of government, simplification for citizens and businesses.

- **Generational handover** with retiring workers replaced by young generation (at a replacement rate of 20% in 2014, 40% in 2015, 100% by 2018 with respect to personnel costs in the previous year).

- Encouragement of part-time employment and territorial **mobility**.

- Strengthening the **digitalisation of administrative proceedings**.

- For more details, see ‘**Focus on Modernising the Public Administration**’.
The Constitutional reform

- The Council of Ministers approved the **Draft Constitutional Reform Bill** in March. It will: i) improve stability by limiting ‘balanced bicameralism’; ii) contain institutional costs also by reducing the number of senators; iii) rationalise the legislative procedure; iv) eliminate the National Economic and Labour Council; v) revise Title V of the Constitution.

- The Constitutional Bill, **approved by the Senate** in August, is under debate at the Chamber of Deputies.

- For more details, see ‘**Focus on Revision of the Constitution**’.
Reform of local government

- In April 2014, a major reform of local entities entered into force. The reform aims to: i) contain costs, ii) achieve economies of scale in public services; iii) improve the quality of services provided to citizens.

- Key objectives: i) rationalise responsibility of ‘Metropolitan cities’; ii) redefine Provinces as wide-area entities with limited planning functions; iii) strengthen the collaboration across jurisdictions through legislative and regulatory simplification to favour Unions of Municipalities.

- Following the approval of the constitutional reform, Provinces will remain non-constitutional entities with limited functions.
Italian Cohesion Policy

- The Partnership Agreement 2014–2020 identifies expected results and specific actions for the use of 42bn of EU funding (ERDF, ESF, EARDF, EMFF), plus 24bn of national co-funding.

- As of September 16, 2014, the certified expenditure of EU Funds for 2007–2013 reached 58% of total planned resources.

- The Territorial Cohesion Agency is becoming operational. The Agency’s Statute was approved last August.

- For more details, see ‘Focus on Cohesion Policy’.
Anticorruption Authority (ANAC)

- Supervision of public contracts: transparency and prevention of corruption; 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.
- For Expo 2015, high supervisory tasks and the guarantee of fairness and transparency of procedures under the responsibility of the President and an ‘ad hoc unit’ (which includes members of the Tax Police) to undertake inspections and ex-ante controls.
Justice (CSR 3)

“Timely monitor the impact of the reforms adopted to increase the efficiency of civil justice with a view to securing their effectiveness and adopting complementary action if needed.”
First results of approved reforms

- Between Dec 2009 and Dec 2013 pending backlog of civil cases reduced by 14.9%.
- The length of proceedings, in cases in which mediation led to agreement, is about 100 days against 1,066 days for ordinary procedures in Court.
- The 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 July 2014, injunction proceedings (decreto ingiuntivo) take 6 days instead of 15, as previously, thanks to the introduction of new on line procedures.
Reforming civil justice

- Decree Law approved by the Government in August 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.
Reforming 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.
“Reinforce the **resilience of the banking sector** and ensure its capacity to manage and dispose of impaired assets to revive lending to the real economy. Foster **non-bank access to finance** for firms, especially small and medium-sized businesses. Continue to promote and monitor efficient **corporate governance practices** in the whole banking sector, with particular attention to large cooperative banks ('banche popolari') and foundations, with a view to improving the effectiveness of financial intermediation.”
General government debt arrears

- In 2013, the Government took **urgent actions** to speed up payments of general government debts in arrears.

- For settling the payables, the Government authorised **57bn over the period 2013-2014**. As of September 2014, 68% of these resources (i.e. 38.4bn) were made available for payment of arrears and 55% (i.e. 31.3bn) were effectively paid to private creditors.

- For more details, see ‘**Focus on Debt Arrears**’.
Finance for growth

- Measures directed at **easing lending constraints** to the economy and boosting investments.
- **Access to finance** improved with structural measures fostering bonds issuing by unlisted companies and opening the credit market to new players: non-bank credit channels (insurance companies) and foreign investors.
- Guarantees and tax credits to support **investment activity**.
- **Access to capital markets** and strengthening of business capital structure further facilitated.
- For more details, see ‘**Focus on Finance for Growth** on Tourism and culture’ and on **Agriculture**.’
Banking sector back on track

- In 2012, the Bank of Italy launched a specific AQR to assess the adequacy of NPL provisioning on 20 banking groups.
- Sales of NPLs are now easier due to: i) improved tax treatment of write-downs and credit losses; ii) time saving judicial reforms for bankruptcy procedures and credit recovery.
- In July 2014, a reinforced corporate governance regulation became effective. General principles of governance and accountability of banks’ boards and directors were set so to strengthen risk management capacity.
- Tighter procedures especially for ‘banche popolari’ and banks in which Foundations have a large stake.
The labour market (CSR 5)

“Evaluate, by the end of 2014, the impact of the labour market and wage-setting reforms on job creation, dismissals procedures, labour market duality and cost competitiveness, and assess the need for additional action. Work towards a more comprehensive social protection for the unemployed, while limiting the use of wage supplementation schemes to facilitate labour reallocation. Strengthen the link between active and passive labour market policies, starting with a detailed roadmap for action by December 2014, and reinforce the coordination and performance of public employment services across the country. Adopt effective action to promote female employment, by adopting measures to reduce fiscal disincentives for second earners by March 2015 and providing adequate care services. Provide adequate services across the country to non-registered young people and ensure stronger private sector commitment to offering quality apprenticeships and traineeships by the end of 2014, in line with the objectives of a youth guarantee.”
The Jobs Act

- In March 2014, the Government launched a **structural strategy** to tackle unemployment and reduce administrative burdens weighing on the labour market.

- The strategy includes: i) a new **regulatory framework for entry flexibility**; ii) a more **inclusive social safety net**; iii) **stronger coordination between active and passive labour market policies**; iv) a rationalised and targeted system of tax incentives; v) procedural simplifications.

- **A Decree converted into Law in May 2014** included some of these elements. A **draft enabling law** is under discussion in the Parliament. For more details, see ‘**Focus on Jobs Act**’. 
The Youth Guarantee National Plan

- The plan, launched in May 2014, contains **9 initiatives** centered on vocational training and apprenticeships.
- Involvement of **Public Employment Services (PESs)** and **Local Administrations** in the activation of training and employment measures in favour of NEETs.
- Creation of a **national integrated technological platform** for registration and work placement. **Strengthening education and vocational services**: extra-curricular traineeships for students soon operational.
- As of Sept 2014, out of 212,779 registered and 43,057 were offered vocational services by PESs.
Poverty and social exclusion (CSR 5 cont’d)

“To address exposure to poverty and social exclusion, scale-up the new pilot social assistance scheme, in compliance with budgetary targets, guaranteeing appropriate targeting, strict conditionality and territorial uniformity, and strengthening the link with activation measures. Improve the effectiveness of family support schemes and quality services favouring low-income households with children.”
Social Housing Plan

- Incentives worth 1.74bn to contribute to payment of rents, including an additional: i) 200mn to the National Fund supporting access to rented properties; ii) 266mn to the Fund for tenants unable to pay rent (so far, more than 17,000 families benefited from the scheme).

- Increase availability of social housing, through renovation and maintenance programmes (400mn).

- Sustain social housing, including through the 568mn housing recovery Plan managed by Municipalities.

- Reduction of the lump-sum tax (from 15% to 10%) due on multi-year fixed rental agreements. Tax credits for renting residential properties.
Provisions for non-profit sector

- The pending enabling draft law changes the regulation of non-profits sectors to: i) favour active participation by individuals, ii) set up the essential level of services nationwide; iii) harmonise incentives, funding and tax treatment.

- To improve governance, the following measures are foreseen: i) simplification of legal status registrations; ii) definition of appropriate organisational models by size; iii) assessment of minimum standards for service quality and social impact; iv) reorganisation of civil service and volunteer activities.
“Implement the **National System for Evaluation of Schools** to improve school outcomes in turn and reduce rates of early school leaving. Increase the use of **work-based learning** in upper secondary vocational education and training and strengthen vocationally-oriented tertiary education. Create a **national register of qualifications** to ensure wide recognition of skills. Ensure that public funding better rewards the quality of higher education and research.”
Measures for education – Guidelines in public consultation

- A ‘Special Plan for recruitment’ to hire 150,000 teachers within Sept 2015 and a public selection for 40,000 teachers in 2016-2019. This will solve the problem of short-term contracts for teachers (infringement procedure).

- Improvement of teachers’ skills also with compulsory continuing education linked to the possibility of 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).
Measures for education-Guidelines in public consultation

- Improvement in digitalisation of schools (broadband and wifi), including for administrative services.
- Strengthening of the link between education and work in upper secondary schools: alternation of education and work compulsory for students in the last three years of Technical Schools and highly encouraged in all high schools.
- Strengthening in the teaching of foreign languages starting with 6-year-old students.
- The National Assessment System will be operational next year, both for state and national schools.
- For more details, see ‘Focus on Schools’.

ITALY’S STRATEGY VS CSR 2014
Liberalisations and simplification (CSR 7)

“Approve the pending legislation aimed at simplifying the regulatory environment for businesses and citizens and address implementation gaps in existing legislation. Foster market opening and remove remaining barriers to, and restrictions on competition in the professional and local public services, insurance, fuel distribution, retail and postal services sectors. Enhance the efficiency of public procurement, especially by streamlining procedures including through the use of e-procurement, rationalising the central purchasing bodies and securing the proper application of pre-and post-award rules. In local public services, rigorously implement the legislation providing for the rectification of contracts that do not comply with the requirements on in-house awards by 31 December 2014.”
Simplification and better legislation

- **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.
- **Italia Start-up Visa Programme**: simplifications for innovative start-ups founded by extra-UE entrepreneurs.
- **Implementation rate** of the norms approved under the previous governments proceeded at fast pace in the first half of 2014. 82% of law decrees approved by February translated into law.
Simplification and better legislation

- **Simplification of contract terms for leasing** commercial and touristic estates.
- **Regulatory simplification for ‘project bonds’** to guarantee flexibility and transferability of bonds by investors.
- **Simplification of procedures for gas fields.**
- **Simplification** for public and private authorisations in the construction sector.
- New simplified code for **public tenders**. Simplification and tax incentives for SIIQ. (see **Focus on ‘Unlock Italy’ Decree**).
Public procurement (1/3)

- Currently there are about 30,000 contracting units in Italy.
- 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 online.
Public procurement (2/3)

- A delegated law on reforming infrastructure and construction tenders is under discussion, with the aim to review 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 (5.2mn).

- To reduce the number of proceedings, heavy sanctions 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.
Public procurement (3/3)

- Completion of **public works** is facilitated through: i) refinancing of Fund for Infrastructure by 8.9bn up to 2020; ii) procedural simplification, through the appointment of a Commissioner for railways infrastructure; iii) rationalization of highway concessions; iv) 50% tax credit on IRAP and IRES for investment in ultra-broadband network.

- Exclusion of ‘uncompleted works’ from the **Internal Stability Pact**, up to a limit of 250mn.

- Broader mandate for **CDP** and incentives for project financing (see Focus ‘Unlock Italy’ Decree).
National Plan for Export

- ‘Made In Italy’ plan to: i) attract foreign investments; ii) favour the internationalisation of Italian firms; iii) seize opportunities linked to global demand.

- **Instruments** to: i) support a single brand for Italy’s agrifood industry; ii) act against counterfeited goods; iii) help business innovation; vi) improve logistics and distribution channels.

- **Public investments** to: i) strengthen big marketing events in Italy (30mn); ii) use temporary export managers through ‘vouchers’ (25mn); iii) introduce e-commerce platforms for SMEs (1mn); iv) help road-shows for SMEs (4mn); vi) access main foreign distributors (25mn) and strategic markets (18bn).
Network industries (CSR 8)

“Ensure swift and full operationalisation of the Transport Authority by September 2014. Approve the list of strategic infrastructure in the energy sector and enhance port management and connections with the hinterland.”
The Transport Regulation Authority

- The Transport Regulation Authority (ART) was set up in September 2013 and is operational as of January 2014.
- The Authority is independent from government, accountable to Parliament, and subject to judicial control.
- ART’s competences range from regulation of access to infrastructures to tariffs and setting of quality standards.
- The Authority has the powers of sanctioning transport operators and to carry out investigations.
Strategic infrastructures (1)

- The ‘Unlock Italy’ decree supports public works through:
  i) administrative simplification;
  ii) 4bn of public resources allocated for the kick-off of planned infrastructures;
  iii) 2.2bn of private resources raised for highways.

- Large and ultra-large broadband:
  tax credit on IRAP and IRPEF amounting to 30% of investment costs for private investors.
Strategic infrastructures (2)

- 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 will be adopted.
Reduction of energy costs for business

- From 2015, SMEs will benefit from a 10% cut in energy costs.

- Cost reduction will be achieved by eliminating rents (i.e. reduced electricity tariff component will apply only to universal transport services and freight transport services) and fossil fuel subsidies, as well as by modifying incentives on renewables.

- Remodulation of incentives for large photovoltaics (8,600 operators out of 200,000) to reduce annual cost reflected in electricity bills, using four alternative mechanisms.

- Simplified procedure to facilitate the installation of solar plants on buildings. For details see ‘Focus on energy and environment’.
Thank You

Living document to be found on website:


See Focus sections in the following pages
Focus on:

- Privatisations and public dismissals
- Spending review
- Fiscal reforms
- Modernising the public administration
- Revision of the Constitution
- General government debt arrears
- Finance for growth
- Tourism and culture
- Agriculture
- The Jobs Act
- Energy and environment
- The ‘Unlock Italy’ Decree (public procurement and simplification)
- Cohesion Policy
- Schools
Divestiture of public real estate assets

- In March 2013 the asset management company ‘Investimenti immobiliari italiani - Invimit Sgr’ was established with the mission of managing the i) value enhancement; ii) divestiture of real estate assets.
- Invimit became fully operational in October 2013, after receiving authorisation to actively manage the public property portfolio.
- Three dedicated funds support local government entities in the value enhancement of public real estate assets.
A reinforced framework

- **Interministerial Committee for Spending Review** (ICSR) with a Special Commissioner.
- **Stakeholders involvement**: Public Administrations, employers and Unions (through informal meetings), external experts.
- **Technical recognition ended in March 2014**: i) identified 4.5bn for 2014; ii) spending priorities set.
- The **second phase is on-going** and aims to identify additional measures and related savings.
- **From 2015 onwards**, focus on **budgeting/performance indicators**.
Cost containment: salaries and standard costs

- **Cap on salaries of public sector managers**, in line with European averages.
- **Standard costs** to be applied soon for fixed amounts transferred to Municipalities to achieve savings of 600-800mn in 2015 and about 2bn in 2016.
- Full implementation of **e-invoicing by the Public Administration** to pay suppliers.
- Rationalisation of office space for public employees within the **Public Administration**.
Streamlining public entities and equity holdings

- Reorganisation of prefectures, firefighters, port authorities and other central government departments (savings of at least 300mn in 2015 and 800mn in 2016).
- Revision of costs for independent authorities and chambers of commerce.
- Reduction in equity holdings of local governments (excluding those related to the supply of essential public services).
- In August 2014 a technical proposal for streamlining equity holdings was released by the Commissioner.
Implementing the enabling law on tax reform (1/2)

- Three legislative decrees (Simplifications, Cadastral Committees, Tobacco Products) approved by the Government. The Parliament has already favourably assessed the first two decrees.

- **Simplification** of personal tax obligations. Pre-filled tax returns will be available for all employees and pensioners (around 30mn taxpayers).

- **Simplification** of tax repayment obligations.

- **Simplification** of corporate tax obligations.

- **Abrogation** of unnecessary obligations.

- Reforming and unifying **current special tax regimes**.
Implementing the enabling law on tax reform (2/2)

- **Cadastral Committees**: redefining powers and functioning of the Cadastral Committees to ensure their functionality in the context of the revision of the cadastral estimate system.

- **Tobacco products**: revision of tobacco consumption and production taxation; shifting from ‘ad valorem’ to a ‘specific’ method of taxation for tobacco products; taxation on electronic cigarettes; elimination of excises on matches; liberalisation of production and sale of matches.
Simplification brought to the fore

- Communication to the Revenue Agency for **energy efficiency expenses** in case of projects covering more than one tax period no longer necessary.

- **Inheritance tax declaration for individuals** required only for amounts over €100,000 (before €25,822). Presentation of supporting documents no longer necessary if already held by other administrative offices.
Modernising the Public Administration

- **Generational handover**: extending employment beyond pensionable age will no longer be possible after Nov 2014 (2015 for magistrates). Employees with maximum contributions and 62 years of age are forced to retire.

- **Retiring workers can be replaced** at increasing rates based on expenditure: 20% in 2014, 40% in 2015, 100% by 2018.

- **Five years before retirement**, employees can switch to part-time employment, with a commensurate wage reduction.

- **Reduction in management costs**: annual gross salaries for public administration directors can no longer exceed €240,000. Management compensation schemes are planned to link pay to performance.
Mobility and placement to the fore

- Employees can be transferred to positions with lower wages and mobility becomes simpler (administration consent no longer necessary for voluntary mobility; compulsory mobility within 50km). **Mobility Fund**: 15mn for 2014, 30mn from 2015.

- To facilitate supply/demand matching, the **Public Administration Department** will create a placement website.

- Existing Public Administration schools will be merged into one.

- Board members of independent Authorities cannot be reappointed for 5 years following the end of their term.

- Perks reduced by at least 20% for independent Authorities by July 2014.
Further steps (1/2)

- **Digitalisation** of administrative proceedings: almost all public administration documents available online.

- **Rationalisation of front offices** to increase the efficiency of contact points with citizens and businesses.

- **New career paths for Directors and Unit Heads**, more closely linked to accountability criteria. Changes in recruitment criteria and creation of ‘ruolo unico’. Number of Unit Heads linked to staff size and standard needs.

- Streamlining **Conferenza dei Servizi** (inter-institutional planning body) so to shorten the authorisation process.

- **New measures for fighting corruption** in public offices.
Further steps (2/2)

- **Improve government decision making** by strengthening the steering power of the Prime Minister.

- **More efficient central government**: 
  1. shared management of support services (ICT information services, payroll, etc.);
  2. reduction of Minister’s Cabinet staff;
  3. elimination of overlappings in police services;
  4. reorganisation of decentralised offices of central government: Prefectures will become State Territorial Offices.

- Reorganisation of **Chambers of Commerce**.

- **Best use of ICT** ensured to make digital citizenship effective and improve efficiency.
Draft Constitutional Reform Bill (1/4)

- Introduces a **bicameral system** with different responsibilities whereby votes of confidence on Government will be the prerogative of the Chamber of Deputies only.

- The **Chamber of Deputies** will exercise policy setting as well as legislative powers (except, in particular, constitutional laws which will still also require the approval of the other Chamber) and will oversee Government performance.

- The **Senate of the Republic** is redefined as a body representing local institutions and exercising limited legislative functions. It ensures linkage between, the European Union, the State and the Regions, Metropolitan Cities and Municipalities.
The new Senate also participates in decision making aimed at drafting and implementing EU legislative acts and, in line with its own rules, oversees implementation of State laws and evaluates the impact of public policies at different levels of government.

**Strong rationalisation of legislative procedures**: except for cases of constitutional relevance and regional matters, all laws are approved by the Chamber of Deputies only.
Draft Constitutional Reform Bill (3/4)

- The **draft revision of Title V** outlines a smoother multilevel governance system.

- The **aim** is to ensure a balance between national, regional and local interests as well as guarantee a set of policies for territorial planning consistent with the wider strategic choices adopted at the national level.

- The **elimination of 'concurrent' legislative competences. Definition of 'exclusive' State competences while 'residual' competences are attributed to Regions.**
Draft Constitutional Reform Bill (4/4)

- Introduction of a ‘supremacy clause’ whereby the State, following upon a Government proposal, can legislate on matters or functions falling outside its exclusive legislative competences, if so required to protect the legal or economic unity of the Republic and the national interest.
- Introduction of the possibility for the State to give some form of autonomy to Regions in some matters falling under its exclusive competence.
- Reorganisation of criteria governing the distribution of power for issuing regulations.
Assuring convergence with European standards

- The Government is implementing structural initiatives to comply with the European Directive on terms of payment of trade debts.
- The new payment deadline: 30 calendar days following the date of receipt of the invoice.
- Measures already adopted include: i) promoting the sale to financial intermediaries of certified trade receivables of creditors to PA; ii) allowing for compensation of credits and taxes due to the Revenue Agency; iii) strengthening monitoring of both payables and settlement terms; iv) avoiding arrears in the future.
Promoting sales of receivables to financial intermediates

- **Sales transactions** are now streamlined/faster through the use of the *credit certification platform* which allows the administration to certify debts with private suppliers. Once certified, the administration must notify creditors of the expected settlement date. As of September 2014 certified credits amounted to 6.3bn.

- **Certified credits can be sold or transferred to third parties.** Credit holders are now allowed to sell payables to financial institutions through *private contracts*.

- **State guarantee is extended to **certified credits** sold to financial institutions, even in case of renegotiation of terms.
A new role for financial institutions

- CDP, as well as European and international financial institutions, now able to buy credits, on the basis of a protocol with ABI. CDP activated a 10bn Fund.

- Protocol favours renegotiation of terms, if appropriate: any debtor administration encountering temporary liquidity problems may ask the financial intermediary, or other institutions, to renegotiate the terms and conditions for payment of the debt.
**Actions to prevent arrears in future payables**

- All administrations must record each invoice in a **single invoice register**. By 2015 all administrations must adopt an **e-invoicing** system (for central administration this already applies as of June 2014).

- By 2014 all administrations **must certify their amounts of trade debt payments**. Incentives are introduced for **timely payments** by local entities and penalties for public administrations failing to make timely payments.

- Exclusion from the Domestic Stability Pact of capital expenditure up to 300mn undertaken by local entities in 2014–2015.
New financing channels for SMEs

• Insurance companies and Funds are highly involved in expanding the mini-bond market for SMEs.

• **Insurance companies** can invest up to 3% of their technical reserves in: i) bonds issued by unlisted companies, including mini-bonds; ii) securitised mini-bonds (ceiling raised to 5%); iii) single alternative funds specialised in mini-bonds (up to 10% for the whole class ‘Alternative Investments’); iv) grant credit directly to firms.

• **Easier access by foreign investors**: the withholding tax on interest and revenues from medium-long term financing provided by foreign investors (banks, credit funds and insurance companies) is now abolished.
More institutional players

- **Two agreements signed with the EIB** to finance SMEs, infrastructure projects, education and employment.

- **100mn of the Guarantee Fund** devoted to cover the risk of **first loss** in industrial innovation projects applies to all sizes of enterprises (from Large to SMEs), by which the EIB will trigger a loan portfolio of 500mn.

- Extended to end of 2014 the **agreement with the banking association** (more than 25,000 requests for **debt renegotiation** considered for 9.6bn; 1.1bn estimated new liquidity for SMEs).

- **ABI and CDP Protocol** triggers further 5bn for the ‘Platform for Businesses’.
Support to investments

- **Incentives** to encourage companies to upgrade machinery and equipment.
- The new *Sabatini Law* offers financing to SMEs for investment in new equipment (max 2mn for 5 years) with a dedicated Fund managed by the CDP and a contribution on interest payments from the Ministry of Economic Development.
- In the **first five months of operation**, over 6,181 SMEs submitted requests to financial intermediaries, for a total amount of 1.9bn.
- Broader role for CDP for investment in the real economy (e.g. by managing a fund for firms in need of restructuring).
Guarantees and tax credits to allow credit rolling

- Firms now benefit from a **15% tax credit for new investment in machineries and capital goods** undertaken by June 2015 (for investments worth more than €10,000 and exceeding the firm’s 5-year average investment record).

- The **Central Guarantee Fund** provides important State guarantees on bank loans to **SMEs**.

- In 2013, eligibility provisions were simplified and resources increased. More than 77,000 firms received loans for 11bn. In May 2014, new conditions to allow **guarantees on portfolio investments in SMEs** became operational. Fund investment policy expanded to include mini-bonds.
Easier access to capital markets

- Development of capital markets fostered by the 2012 launch of the “Alternative Investment Market” (AIM), a segment of the stock market offering faster listing procedures to SMEs.

- Easier Stock Market Listing for SMEs: i) multiple-voting shares; ii) minimum capital reduced; iii) threshold for disclosure of ownership increased from 2% to 5% of shares.

- Enhanced access to capital markets: i) elimination of withholding tax on interest and revenues from unlisted bonds in private placements; ii) extension of substitute tax to sales of guaranteed receivables; iii) reduction in taxes on collateral securities, in particular mortgages.
Fast growth of the ‘mini bond’ tool

- The use of mini bonds is growing fast among SMEs wishing to enter capital markets in the context of credit tightening.

- Over the two months between June and mid-August 2014, as many as 26 SMEs issued mini bonds for an amount of about 1bn. Issuance amounts range from a minimum of 5mn to a maximum of 200mn.

- New rules introduced with the ‘Competitiveness decree’ are expected to strengthen these results.
More incentives to recapitalise firms

- The allowance for corporate equity (ACE) was strengthened to further increase the tax deduction for new equity contributions to the capital structure of firms.

- Further measures strengthening the ACE: i) the tax deduction granted to new equity contributions is increased by 40% over 3 years to ease funding through the stock market (‘super ACE’); ii) part of the notional yield that cannot be deducted from IRES can be transformed into a tax credit against IRAP due.
Strategic Plan ‘Grandi Progetti Beni culturali’

- The annual strategic plan is to be adopted by December of each year to identify cultural assets and sites which require preservation or restoration as well as value enhancement and cultural promotion, including for tourism; appropriated resources over 2014-2016 amount to 85 mn.
- By March of each year a report is to be presented to monitor progress in planned interventions.
- 3% of budgetary resources annually allocated to infrastructure to be appropriated to cultural heritage expenditure.
Enhance attractiveness

- Measures to speed up **implementation of interventions** on Pompeii archaeological site.
- Urgent measures for the **protection and enhancement** of the ‘Reggia di Caserta’ site.
- **Administrative simplifications** for businesses related to tourism.
- Incentives for **youth employment** in public centers to provide assistance to tourists.
- **Extraordinary plan for touristic mobility** to facilitate accessibility of existing cultural heritage sites, especially in the South of Italy.
Tax credits for culture and tourism

- Grants for archaeological and entertainment projects (so-called ‘Artbonus’).
- 30% tax credit for digitalisation of hotels and tourist assistance centers from 2015 to 2019 for (up to) €12,500.
- 30% tax credit for hotel property renovation and removal of architectural barriers from 2015 to 2017 (up to €200,000).
- Doubled the tax credit for production companies making films in Italy (from 5 to 10mn) to attract foreign investments.
Fiscal incentives and simplifications for agriculture

- **Tax deductions for properties leased** to farmers under 35 years old (max of €80 per hectare and €1,200 per year).
- Benefits for agricultural businesses started up by farmers under 40 years (interest free loans).
- A **40% tax credit on investments in innovation and business networks** in food production up to €400,000, and on investments up to €50,000 for e-commerce of food products.
- Administrative simplifications for network contracts and dematerialisation of accounting books.
- Incentives to promote investment in R&D by network companies.
Measures for youth employment in agriculture

- **Benefits for the hiring of young workers** (unemployed for at least 6 months and without a secondary education degree) with open-ended contracts or fixed-term contracts (minimum 3 years). **IRAP deduction** for employers hiring workers on open-ended contracts.

- Guarantee fund to facilitate access to mortgages and loans for young agricultural entrepreneurs.

- 80mn of European funding (CAP) allocated to farmers under 40 (fund for young agricultural businesses increased by 25%).

Entry flexibility and apprenticeships

- **Higher entry flexibility**: max duration of fixed-term contracts (FTCs) extended from 12 to 36 months (no longer necessary to motivate), with the possibility of up to 5 extensions within 3 years (stating a reason). FTCs cannot exceed 20% of total (excluding SMEs with less than 5 employees and the R&D sector), with violations subject to sanctions.

- **Apprenticeships**: criteria for individual training plans and complementary public training streamlined, no longer necessary to confirm 20% of existing apprentices before hiring new ones (for firms up to 50 employees). In 2Q14, apprenticeship contracts increased by 16.1% yoy.
Solidarity, simplification, monitoring

- **Solidarity contracts**: resources, to allow a reduction in working hours by firms facing a drop in demand, increased to 15mn.
- **Administrative simplification**: social security compliance certificate (DURC) will become digital.
- **Periodic monitoring**: the Ministry of Labour to regularly report to Parliament on the evolution of labour market contracts.
- **1.7bn financing for the wage supplementation scheme (CIG) in 2014**: New eligibility criteria (i.e. no CIG in case of firm shutdown; increased seniority) and time limits (11 months in 2014 and 5 months in 2015).
Enabling Laws under discussion

- **Unemployment insurance and benefits**: tightened criteria for the CIG (Wage Supplementation scheme).
- **Strengthening ALMPs**: better coordination between active and passive labour market policies; rationalisation of tax incentives.
- **Simplification and digitalisation** of administrative procedures specifically related to hiring and employment.
- **Rationalisation of contractual arrangements**: enactment of a streamlined and unified labour code.
- **Strengthening work-family conciliation**: enhanced childcare/eldercare services and work-life balance.
Energy sector: energy efficiency (1)

- The enacting law of the EU Directive on energy efficiency sets the objective of reducing final energy consumption by 2020.
- The National Action Energy Efficiency Plan (NAEEP) will provide a long term strategy to promote energy efficiency in private and commercial buildings, including public ones.
Energy sector: energy efficiency (2)

To achieve this objective, the Government relies on:

i) yearly interventions on PA buildings;

ii) big firms and energy intensive firms will be obliged to make an efficiency diagnosis every 4 years;

iii) tariffs will be modified to respond to the effective cost of service and energy consumption;

iv) a three-year training programme will be launched to promote the efficient use of energy, also for SMEs;

v) creation of a National Fund for energy efficiency to grant financing.
Measures for preserving the environment

- **Schools and university buildings**: 300mln for energy efficiency.

- **Faster and easier procedures in cases of hydrogeological instability**: Regional Presidents empowered to authorise eligible projects (competences formerly reserved to Commissioners), with an estimated saving of 1.8mn.

- **Simplified procedures and faster approvals of plans to reduce the concentration levels of contamination**, with *ex post* cross-examination by Regional Environment Agencies.

- **New composition of the VIA Technical Commission** reduced from 50 to 40, with a total saving of 1mn.
Public procurement

- 8.9bn financing for **Fund for Infrastructure** up to 2020 will be used for public works opening within 10 months.

- The appointment of a Commissioner for **railways infrastructure** will speed up procedures for the approval of infrastructure works bypassing approvals by MIT, CIPE and Corte dei Conti.

- **Broader mandate for CDP** to cover funds coming from the postal raising (‘gestione separata’). Use of resources is extended to intervention in the following sectors: energy, R&D, education, environment and real estate.
‘UNLOCK ITALY’ DECREE

Public and private funds

- **50% tax credit** on IRES and IRAP for all public works within the lower and upper thresholds 50–200bn.

- Measures have been introduced to broaden the **use of project bonds** and give greater flexibility to transfers among investors. Same fiscal treatment of government bonds made permanent.

- In case of **inertia of Public Administrations** in the implementation of plans and programmes related to EU Funds, the Prime Minister can propose to CIPE the **de-financing and reprogramming of resources**, also by attributing resources to another level of government.
Simplifications

- Simplified communication for **building maintenance works**, provided that structural parts of the buildings are not involved.

- Duration and terms of rental contracts with **an annual rent of more than 150,000 €** for commercial and touristic locations are completely liberalised.

- **Public infrastructure projects** that exceed the minimum security standards set at the EU level must be accompanied by an economic and financial sustainability analysis.

- Procedural simplification for agreements (**Accordi di Programma**) for the re-use of public buildings.
Italian Cohesion Action Plan (1/2)

- The Partnership Agreement 2014–2020 identifies more timely and concrete interventions to more clearly guide Operational Programmes (OPs). The Annex (an innovation of Italy’s administration not envisaged by the EU Regulation) identifies expected results and actions to be financed.

- The newly established Territorial Cohesion Agency is meant to strengthen support and regular monitoring of OP implementation, also acting as a Managing Authority, where appropriate. A dedicated task force within the Prime Minister’s Office will be in charge of strategic policy guidance and coordination of the use of EU funds.
Italian Cohesion Action Plan (2/2)

- Implementation of the ‘Piano di Rafforzamento Amministrativo (PRA)’, an Action Plan which identifies for each Managing Authority precise performance targets (in terms of organisation, competence and procedures).
Measures for education: quality of education and research

- Introduction of a National Monitoring and Assessment System that will become fully operational next year for ITS (National Fund allocation on the basis of Istituti Tecnici Superiori performance, drop out and employment rates among the evaluation criteria).

- 18% of national University Funding will be distributed on the basis of merit (70% on the basis of research quality, 20% on recruitment policy, 10% on teaching and internationalisation).
A plan for schools

- Hiring of 35,000 teachers and 620 schools managers.
- **2014-2015 Plan** will involve 20,845 schools for a total of 1.1bn. Resources will come mainly from the Development and Cohesion Fund.
- New school **buildings and renovations**: €244mn will finance interventions on 404 buildings all over the country.
- **Building safety**: 400mn will allow for 2,480 interventions.
- **Ordinary maintenance**: 450mn will allow for 17,961 interventions.