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ITALY – REVIEW OF PROGRESS ON POLICY MEASURES RELEVANT FOR THE
CORRECTION OF MACROECONOMIC IMBALANCES

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Executive summary

This report on Italy is a specific monitoring report under the Macroeconomic Imbalances Procedure (MIP) for countries experiencing excessive macroeconomic imbalances identified in the 2015 European Semester. The report reviews the latest Italian economic developments and policy initiatives relevant for correcting the imbalances identified (i.e. high public debt and weak external competitiveness in a context of protracted low productivity growth) and addressing the 2015 country-specific recommendations.

After a long and deep recession, the Italian economy returned to growth in 2015. Real GDP expanded over the first half of 2015 by 0.4% compared to the first half of 2014 and is expected to continue growing in the second half of the year. The current account surplus has been rising further, but the increase which started mid-2011 has recently slowed down due to the recovery of imports driven by strengthening domestic demand. Inflation is still subdued. Employment has started to recover but the unemployment and youth unemployment rates are still very high at around 12% and 42% respectively. The update of the government's Economic and Financial Document revises upwards the 2016 headline budgetary deficit by 0.4 pps. to 2.2% of GDP and postpones the achievement of a balanced budget in structural terms to 2018. It also expects the public debt ratio to start falling as of next year.

In recent months, Italy completed legislative processes in two key domains – notably the labour market and the banking sector – while in some other areas, implementation is moving ahead as planned. The ambitious reform of the labour market (“Jobs Act”) has been completed and appears to already have some impact, but the implementation of some crucial aspects will be challenging. The key elements relate to changes in the contractual typologies – *inter alia* the introduction of a new open-ended contract subject to a revised dismissals regime – the reform of short-time working schemes and the integrated revision of passive and active labour market policies. Collectively, the various legislative decrees are expected to make the labour market more dynamic and less dual. Regarding the banking sector, long-standing weaknesses in corporate governance related to bank foundations and large cooperative banks are being addressed, while a reform of mutual banks is also expected. Furthermore, changes have been introduced to the insolvency and foreclosure procedures as well as to the tax treatment of banks' loan losses to reduce the gap between banks' book value and the market value of bad loans. Other reforms are also on track: the implementation of the school reform has begun, the execution of the 2015-2017 Simplification Agenda is proceeding according to schedule, the new electoral law has been adopted and the draft constitutional bill is making its way through parliament. Finally, privatisation operations continue, but future targets appear ambitious.

For a number of other reforms, the legislative process is ongoing or implementation is still in an early phase. The draft 2015 annual competition law is still under parliamentary discussion and may not be adopted before the end of the year. Further market-opening measures are needed however. The parliament has adopted an ambitious enabling law on public administration reform which – if fully implemented – could raise efficiency and service quality; legislative decrees are expected in the coming months. In civil justice, the

case backlog is slowly diminishing but remains very high, and past reforms have not yet had a broad-based impact. Finally, the creation of an asset management company to take over some of banks' bad loans faces several challenges, but the government aims to arrive at a solution by early 2016.

In a number of policy domains, significant scope for further action remains. Spending review savings targets – a key financing measure for several high-profile policy measures – have been further reduced. With regard to the reform of taxation, the government has issued several legislative decrees, but key elements such as the revision of tax expenditures and of cadastral values remain to be addressed. Furthermore, the property tax cuts announced for 2016 are not consistent with repeated Council recommendations to shift taxation away from productive factors towards consumption and property. Social partners still need to find an agreement on the delayed reform of collective bargaining. Regarding the statute of limitations, the legislative process on the long-awaited systematic revision should be completed. Finally, progress in the rationalisation of local public enterprises and services as well as in the rectification of in-house awards has been limited, negatively affecting efficiency, competition and public finances.

In conclusion, the government has continued to show commitment to its ambitious reform agenda, which should be maintained in order to address other long-standing issues. Important progress has been secured in a number of key policy domains, and the gradual economic recovery offers a window of opportunity to maintain a strong reform momentum. However, it is also essential that the full implementation of enacted measures is ensured and that impact is adequately monitored. Finally, it is crucial that the long-standing policy gaps identified in this report are properly addressed (Table 1).

Table 1: Key findings on implementation of policy reforms¹

On track	Wait-and-see	Action wanted
<ul style="list-style-type: none"> • Labour market reform (enabling law) • Banking sector corporate governance reforms • Measures to support private non-performing loan market • 2015-2017 Simplification Agenda • School reform • Constitutional reform • Electoral law reform • Anti-corruption policy • Privatisation programme 	<ul style="list-style-type: none"> • Annual competition law • Public administration reform (enabling law) • Completion of Territorial Cohesion Agency for EU funds management • Setup of asset management company for non-performing loans • Civil justice reform • Reform of statute of limitations 	<ul style="list-style-type: none"> • Spending review • Taxation (revision of tax expenditures, revision of cadastral values) • Promotion of second-level collective bargaining • Rectification of non-complying in-house awards • Rationalisation of local public services and local public enterprises

¹ The table classifies reforms under review on the basis of their respective adoption and implementation process and their credibility and level of detail. "On track" are measures for which the legislative or implementation process has been completed or is progressing well according to the foreseen timeline, and which are expected to be sufficiently effective. "Wait and see" are measures for which the legislative process is on-going, but is still in a relatively early phase, or measures for which there is still uncertainty on the complete implementation and effectiveness. "Action wanted" are measures for which limited or no action has been taken, or measures that have been announced but which are not sufficiently detailed yet to be assessed.

1. Introduction

On 28 November 2014, the European Commission presented, in the context of the Macroeconomic Imbalances Procedure (MIP), its fourth Alert Mechanism Report² to underpin the selection of Member States requiring an in-depth investigation into the existence and extent of macroeconomic imbalances. The subsequent Country Report on Italy – published on 26 February 2015³ - examined the nature, origin and severity of macroeconomic imbalances and risks in Italy. In its accompanying communication⁴, the Commission concluded that “Italy is experiencing excessive macroeconomic imbalances, which require decisive policy action and specific monitoring”. In particular, the Commission emphasised risks related to the very high level of public debt and the weakness of external competitiveness in a context of protracted weak productivity growth.

In April 2015, Italy submitted its Stability Programme and National Reform Programme, respectively outlining updated fiscal targets and planned policy measures to improve its economic performance and unwind imbalances. On the basis of an assessment of these plans, the Commission proposed⁵ a set of six country-specific recommendations (CSRs) on 13 May 2015 which were subsequently adopted by the Council⁶ on 14 July 2015. The CSRs addressed to Italy concern a wide range of policy domains: public finances, privatisation, taxation, infrastructure, institutional reform, public administration, civil justice, the banking sector, the labour market, collective bargaining, education, the business environment and competition. All CSRs were considered relevant in the context of the MIP.

Moreover, the first CSR addressed to euro-area Member States⁷ calls for a regular assessment of the delivery of reforms in those Member States which require specific monitoring within the framework of the MIP. Hence, the present report assesses the latest main policy measures⁸ taken by Italy.⁹ For this purpose, a specific monitoring mission to Italy was conducted on 28-30 September 2015. An update of the present report is planned for the beginning of 2016 and will be integrated in the forthcoming 2016 Country Report on Italy.

This report reflects the update of Italy’s 2015 Economic and Financial Document (published in September 2015), Italy’s intermediate report on the implementation of Italy’s country-specific MIP recommendations (published in September 2015), and Italy’s 2016 Draft Budgetary Plan (published mid-October 2015). In order to avoid an overlap of surveillance processes, it does not provide an assessment of the revised fiscal targets. The latter assessment will be published in November 2015 in the Commission’s opinion on Italy’s 2016 Draft Budgetary Plan, taking into account the outcome of the Commission’s 2015 Autumn Forecast.

The cut-off date of this report is 6 November 2015.

² http://ec.europa.eu/europe2020/pdf/2015/amr2015_en.pdf

³ http://ec.europa.eu/economy_finance/publications/occasional_paper/2015/pdf/ocp219_en.pdf

⁴ http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_comm_en.pdf

⁵ http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_italy_en.pdf

⁶ http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_council_italy_en.pdf

⁷ http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_council_euro_en.pdf

⁸ Details on the policy measures taken can be found in the overview table in the Annex.

⁹ Previous MIP specific monitoring reports were published in November 2014 and February 2015. See respectively

http://ec.europa.eu/economy_finance/economic_governance/documents/2014-11-07_italy_mip_specific_monitoring_report_to_epc_en.pdf and http://ec.europa.eu/economy_finance/economic_governance/documents/201502_it_imbalances_epc_report_en.pdf

2. Recent macroeconomic developments

After several years of contraction, the Italian economy returned to growth in 2015. At the end of 2014, real GDP was almost 10% lower than its pre-crisis peak in the first quarter of 2008. The presence of long-standing structural weaknesses contributed to the fact that the economy was hit harder by the crisis than other euro-area countries. After the long downturn, real GDP started to expand in the first half of 2015 (by 0.4% compared to the first half of 2014). Italy has been benefitting from the euro's depreciation which supported an acceleration in exports (Graph 1), in particular to the United States. The recent growth of imports was driven by the build-up of inventories and new investment in machinery and equipment, while construction investment contracted further. Financing conditions are progressively improving as shown by recent bank lending surveys, while the contraction of credit to firms has slowed down significantly. Confidence indicators point to a continued expansion of economic activity in the second half of 2015, despite the slowdown in global trade which currently poses downside risks to future exports. In the update of the Economic and Financial Document of September 2015, the authorities revised upwards real GDP growth to 0.9% in 2015 and 1.6% in 2016 and 2017. The Commission's 2015 Autumn Forecast¹⁰ also shows a gradual and more self-sustained recovery compared to its 2015 Spring Forecast as low oil prices and a further normalisation of financing conditions are set to support domestic demand.

The current account surplus has continued increasing. In August 2015, the 12-month cumulative balance recorded a surplus of EUR 32.6 billion (around 2% of GDP), significantly higher than the 12-month surplus of EUR 24.1 billion recorded up to August 2014. The steady rise of the current account since 2010 is mainly related to the decline in investment as both the corporate and the public sector deleveraged and households restored savings (Graph 2). More recently, the increase has been supported by the fall in the energy goods deficit in the trade balance in the context of falling energy prices.

HICP¹¹ inflation is dragged down by import prices while internal cost pressures remain limited. The HICP inflation rate was 0.2% in 2014 and in the first ten months of 2015 it amounted to just 0.1% year-on-year. After the negative reading in the first quarter of 2015, the inflation rate has been mildly increasing however. In particular, the recent further fall in energy prices has been counterbalanced by still positive core inflation (i.e. excluding unprocessed food and energy). Internal cost pressures have remained mild, mainly due to overall wage moderation (Graph 3).

Employment is recovering but the unemployment rate is still at a historically high level. Since mid-2014, the labour market has been showing positive developments with employment growing (Graph 4). Job creation strengthened in the course of 2015, thanks to the gradual economic recovery, the labour market reform and a three-year social contribution exemption on new permanent hires. In particular, the rise in headcount employment has more than offset the increase in the labour force on account of higher participation, implying some

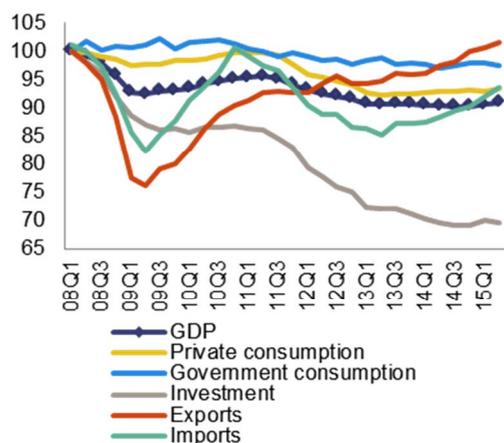
¹⁰ http://ec.europa.eu/economy_finance/publications/eqip/pdf/ip011_en.pdf

¹¹ Harmonised index of consumer prices

decline in the unemployment rate which nevertheless remains at a historically high level. Over the first nine months of 2015, the total and youth unemployment rates averaged 12.2% and 41.6% respectively, down from 12.7% and 42.7% in 2014.

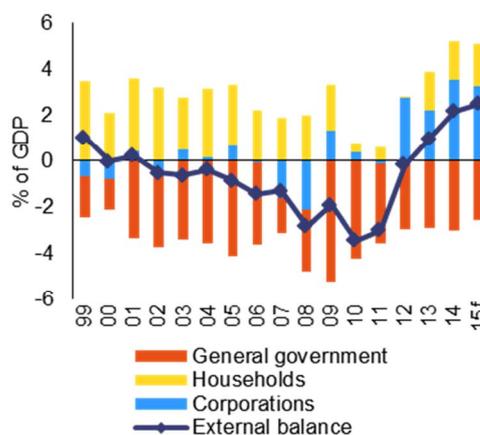
The government envisages an expansionary fiscal strategy for 2016. In the updated Economic and Financial Document of September 2015, the authorities revised the headline deficit target for 2016 to 2.2% of GDP from 1.8% in the 2015 Stability Programme of April 2015. According to the updated document, the positive impact of the 2016 budget on real GDP growth would be 0.3 pps. (rising to 1.6% from a trend growth of 1.3%) in 2016 and 2017. In subsequent years, real GDP growth would gradually decrease. The public debt-to-GDP ratio is projected to peak in 2015 at 132.8% and to start declining as of 2016.

Graph 1: GDP and its components (Q1 2008 = 100)



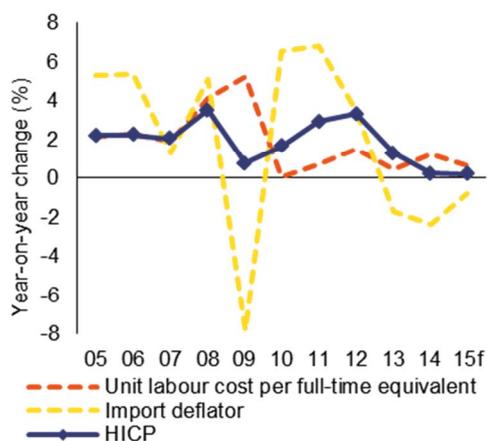
Source: Istat

Graph 2: Sectoral decomposition of the current account balance



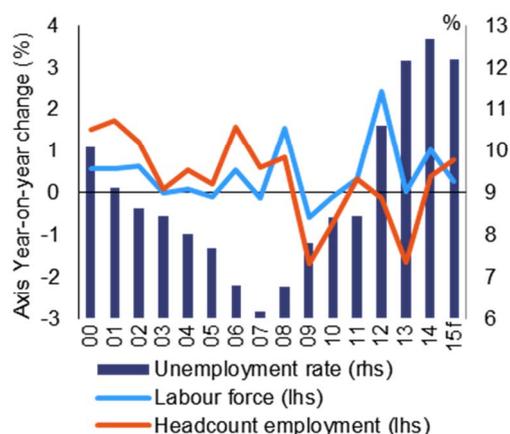
Source: Commission services

Graph 3: HICP inflation and its main domestic and foreign drivers



Source: Commission services

Graph 4: Labour market developments



Source: Istat

Note: 2015 figures in Graphs 1, 2 and 3 are based on the Commission's 2015 Autumn Forecast.

3. State-of-play of MIP-relevant reforms

3.1. Measures related to public finances and public debt sustainability

The government submitted an expansionary draft budget for 2016, accompanied by the request for additional flexibility under the preventive arm. On 15 October 2015, the government adopted the 2016 Draft Budgetary Plan revising upward its deficit and debt targets for 2016 compared to the 2015 Stability Programme of April 2015. For 2015, the Draft Budgetary Plan confirms the 2.6% of GDP deficit projection, while the public debt-to-GDP ratio has been revised slightly upwards (to 132.8% from 132.5%), mainly due to a higher base effect related to a downward revision of nominal GDP in 2014. For 2016, the government put forward a deficit target of 2.2% of GDP (up from 1.8% of GDP in the 2015 Stability Programme), while requesting an additional deviation from the adjustment path towards the medium-term objective, which the government now plans to reach in 2018 (according to its own calculations¹²), one year later than in the 2015 Stability Law. The additional deviation from the adjustment path comes on top of the 0.4% of GDP already granted in spring 2015 under the structural reform clause, pursuant to the January 2015 Flexibility Communication¹³. The new 2016 deficit target does in fact imply a (recalculated) structural deterioration of around 0.5 pps. of GDP relative to 2015, against a structural improvement of 0.1 pps. indicated in the 2015 country-specific recommendation. The government motivated this expansionary fiscal stance with the need to support the ongoing economic recovery. 0.1 pp. of GDP of the additional flexibility is again requested under the structural reform clause to exploit the full space available (0.5% of GDP), and 0.3 pps. of GDP are sought under the investment clause, in light of nationally co-financed investment worth EUR 5.1 billion. The higher deficit in 2016 also entails a slower pace of reduction in the public debt-to-GDP ratio in 2016 than foreseen in the 2015 Stability Programme (i.e. a decline to 131.4% instead of 130.9%), in spite of the same nominal GDP growth (2.6%).

Spending review actions have been taking place during 2015, but savings targets for the future have again been lowered. Whereas the 2015 Stability Programme targeted spending cuts worth EUR 10 billion (0.6% of GDP), the draft 2016 Stability Law¹⁴ (which is now under discussion in the parliament and is expected to be adopted by the end of 2015) foresees around half of the originally planned expenditure cuts, while an all-encompassing intervention on tax expenditures and local public enterprises is still absent (see Section 3.2). The spending cuts refer to both the central and local levels. With regard to the former, line ministers are once again directly involved in selecting areas within their own budgets for targeted savings. In this context, the government is also empowered¹⁵ to complete by the end of 2015 a reform of the budgetary process that could be more in line with a performance-budgeting approach over the medium term and ensure that the spending review process becomes a permanent feature of the budgetary process. At the local level, the 2015 Stability Law envisaged savings worth around EUR 4 billion for regions of which the distribution

¹² Based on the EU's commonly agreed production function method

¹³ http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/2015-01-13_communication_sgp_flexibility_guidelines_en.pdf

¹⁴ Atto Senato no. 2111

¹⁵ Law 89/2014 of 23 June 2014 (Decree Law 66/2014 of 24 April 2014)

(agreed in February 2015) was operationalised by the parliament¹⁶ in August 2015, particularly as regards the healthcare sector. In this sector, spending review measures are also expected in the coming months, particularly by extending centralised public procurement to the regional level as envisaged by the Public Spending Rationalisation Programme¹⁷. To this end, a decree law is expected by the end of 2015 to specify the product categories covered and the spending thresholds above which central and local administrations should resort to centralised procurement. A technical working group gathered for the first time in July 2015 and already identified the first twelve product categories in the healthcare sector. Moreover, some provisions in the draft 2016 Stability Law aim to further reduce the scope for decentralised procurement by local authorities and other government bodies, particularly for specific categories of goods and services, with the exception of small purchases below EUR 40,000 by municipalities.

The implementation of the privatisation programme is proceeding, with a major operation set to be completed at the end of November 2015. In 2015, the government is expected to collect privatisation revenues of around EUR 7 billion (slightly over the 0.4% of GDP target). Around 0.2% of GDP has already been cashed in through the reimbursement of Monti Bonds by Banca Monte dei Paschi di Siena's (EUR 1 billion) and through the sale of the Ministry of Economy and Finance's (MEF) stake in ENEL (EUR 2.2 billion). The MEF has cashed in around EUR 3.4 billion through the initial public offering of Poste Italiane which was completed in October 2015. For the period 2016-2018, the government plans to obtain 0.5% of GDP per year from privatisations although precise details on the period beyond 2016 are not yet available. The privatisation of Ferrovie dello Stato (FS Group, the state railway company) has been announced for 2016. No details about the modalities of this privatisation have been made public so far, but the guidelines for this operation would be issued in a forthcoming government decree. In addition, the privatisation of the air-traffic control company ENAV has been postponed to the first half of 2016. Other smaller privatisations are also in the pipeline (e.g. Grandi Stazioni owned by FS) or STMicroelectronics Holding (the MEF's stake would be sold to Cassa Depositi e Prestiti (CDP), a large state-controlled financial institution).

3.2. Measures related to productivity growth and external competitiveness

All legislative decrees implementing the enabling law on the reform of the labour market ("Jobs Act") are in force. The Jobs Act¹⁸ was adopted by the Italian parliament in December 2014. In March 2015, the first two legislative decrees, implementing changes to the dismissal regulation for open-ended contracts for new hires¹⁹ and reviewing the system of unemployment benefits²⁰, entered into force. Two additional legislative decrees entered into force in June 2015, namely on the rationalisation of labour contract types²¹ and the improvement of the work-life balance²². The content of the above-mentioned four legislative

¹⁶ Law 125/2015 of 6 August 2015 (Decree Law 78/2015 of 19 June 2015)

¹⁷ Law 89/2014 of 23 June 2014 (Decree Law 66/2014 of 24 April 2014)

¹⁸ Law 183/2014 of 10 December 2014

¹⁹ Legislative Decree 23/2015 of 4 March 2015

²⁰ Legislative Decree 22/2015 of 4 March 2015

²¹ Legislative Decree 81/2015 of 15 June 2015

²² Legislative Decree 80/2015 of 15 June 2015

decrees was described in the previous MIP specific monitoring report²³ published in February 2015. Since February 2015, four new legislative decrees have been adopted concerning: (i) the rationalisation of existing wage supplementation schemes²⁴; (ii) the simplification of employers' administrative obligations²⁵; (iii) the rationalisation of enforcement activities concerning health, security and labour regulation at the workplace²⁶; (iv) the reform of the governance of active labour market policies and their interplay with passive policies²⁷. With the latter four decrees, all government delegations have been translated into implementing acts within the deadline, with the exception of the one concerning the introduction of a statutory minimum wage (see below). This is an important achievement, particularly given Italy's past record on implementation. The government is complementing the reform with a permanent full deduction of the labour cost of employees under open-ended contracts from the regional tax on productive activities (IRAP) and a 3-year exemption for private employers from paying social security contributions for new open-ended contracts signed in 2015 (the 2016 Stability Law envisages to extend the latter incentive for new hires under open-ended contracts in 2016, but for a lower amount and only for a period of two years). Both measures were introduced with the aim of shifting employers' incentives towards open-ended contracts, thereby reducing labour market duality.

There are some signs that the labour market reform and accompanying tax incentives are already having an impact on employment and duality. According to data released by the Ministry of Labour²⁸, the number of new open-ended contracts increased by about 39% in the first seven months of 2015 compared to the first seven months of 2014, while new atypical fixed-term contracts (i.e. *contratti di collaborazione*) declined²⁹ by 23% over the same period. The share of all fixed-term contracts in the total number of new contracts decreased by 4.7 pps from 76.3% to 72.6%.³⁰ In addition, the number of contract conversions from fixed-term to open-ended during the first seven months of 2015 increased by around 40% compared to the same period in 2014. In a survey carried out by Confindustria³¹, 62% of member firms declared that their recruiting decisions had been influenced by the new provisions (either the new open-ended contract or the hiring incentives). In particular, 18% of member firms have recruited new personnel, while 44% have transformed other types of contracts into open-ended contracts. The impact of the temporary exemption from social security contributions was assessed to be stronger than that of the new dismissals regime. According to research carried out by Bank of Italy³², the policies can explain about one fourth of net job creation in the first half of 2015. Of this, about two thirds can be attributed to the temporary hiring incentives under permanent contracts and one third to the changed rules on unfair dismissals.

²³ http://ec.europa.eu/economy_finance/economic_governance/documents/201502_it_imbalances_epc_report_en.pdf

²⁴ Legislative Decree 148/2015 of 14 September 2015

²⁵ Legislative Decree 151/2015 of 14 September 2015

²⁶ Legislative Decree 149/2015 of 14 September 2015

²⁷ Legislative Decree 150/2015 of 14 September 2015

²⁸ <http://www.cliclavoro.gov.it/Barometro-Del-Lavoro/Pagine/Andamento-Mercato-Lavoro.aspx>

²⁹ The decline partly reflects the effects of policy measures concerning apprenticeship contracts included in the 2014 Stability Law (Law 190/2014 of 23 December 2014).

³⁰ Fixed-term contracts refer in this case to all contracts that are not open-ended.

³¹ Confindustria (2015), *Scenari Economici n. 24*, pp. 25-26.

³² Bank of Italy (2015), *Bollettino Economico 4/2015*, pp. 31-32. The research has been carried out on micro-data available for the Veneto region for the first four months of 2015.

The reform of wage supplementation schemes (*Cassa Integrazione*) could facilitate resource reallocation. The legislative decree has reduced the duration of the wage-supplementation scheme, enhanced its insurance component (i.e. firms using it more are required to contribute more to the financing of the schemes) and introduced conditionality (i.e. workers receiving a contribution for non-worked hours must be available for training or socially useful jobs). The legislative decree also simplifies and consolidates the existing provisions which were spread over more than ten different laws. For the sectors which are not covered by *Cassa Integrazione*, Law 92/2012 of 28 June 2012 established the obligation to foresee ad-hoc funds on the basis of an agreement between trade unions and employers associations, covering all firms with more than 15 employees. The legislative decree now extends the scope to all firms with more than 5 employees. Overall, the reform complements the one on unemployment benefits in tackling long-standing weaknesses of passive labour market policies in Italy³³, notably the fragmentation of coverage, the weak link with active labour market policies and the focus on job protection rather than on the protection of the worker. It is thus expected to facilitate the reallocation of labour and therefore productivity growth.

The new governance of active labour market policies goes in the right direction but implementation is expected to be challenging. The legislative decree outlines in detail the setup of the new national agency for active labour market policies (ANPAL) which will be in charge of coordinating the management of unemployment insurance and active labour market policies. It also sets out the principles to define quality standards and core tasks for employment services and the requirements for the certification of private entities allowed to provide such services. Such standards, tasks and requirements need to be further specified by implementing decrees and finally need to be detailed by the national agency itself. While the objectives of the legislative decree go in the right direction, significant implementation challenges remain. The success of the reform hinges upon the long-awaited upgrading of employment services without which the principle of conditionality cannot be implemented in practice. Public employment services are currently understaffed, the staff is severely underqualified, and the information infrastructure, exchange of data and structured cooperation with employers and social services are often missing. Furthermore, the quality of services varies substantially from region to region and so does the participation of private agents. The constitutional reform³⁴ (see Section 3.3) shifts the competence for organising active labour market policies from the regions to the central government. This change is expected to facilitate implementation in the medium-term and ensure a more uniform service across the country, but may still pose challenges in the short term. The central government and regions are discussing a plan to manage the transition, including a binding timeline which still needs to be outlined. Despite many difficulties, the Youth Guarantee has provided a test environment for the introduction of new models of active labour market policy provisions. It has encouraged employment services to cooperate, helped to create and reinforce partnership between the public sector and private employment services, and has led to the establishment of an important IT platform for the exchange of information. The number of registrations has

³³ Already partly addressed by Law 92/2012 of 28 June 2012

³⁴ Atto Senato no. 1429-B, Atto Camera no. 2613-B

been increasing over the previous months; in November 2015, around 850,000 young people were registered. However, the number of vacancies published to date amounts to only 62,000.³⁵

Regular monitoring of the implementation of the labour market reform and its impact is now essential. It is crucial that the implementation of the labour market reform and its impact – for instance on job creation, dismissal procedures, labour market duality, cost competitiveness and active labour market policies – are monitored timely and regularly assessed. In relation to this, the Jobs Act confirms that monitoring reports are to be produced at least every year, as set out in Law 92/2012 of 28 June 2012. However, no report has yet been published for 2015. It is thus very important that a monitoring report, ideally by an independent body, is published at the beginning of 2016.

There are significant delays in the reform of collective bargaining. Decentralised collective bargaining can play an important role in strengthening the responsiveness of wages to productivity and labour market conditions. However, second-level bargaining (i.e. collective contracts concluded at the level of the firm) still concern a minority of Italian firms. In Italy, rules on collective bargaining are set by social partners rather than by law, but progress in the dialogue among stakeholders is on pause. The 2009 interprofessional framework agreement for collective bargaining (setting out general principles such as the duration of contracts, the adaptation of wages, and the hierarchy of bargaining between different levels) has expired in 2013 and a new framework – social partners’ prerogative – has not yet been signed as the dialogue has stalled. Social partners’ views differ, including on which elements are to be set at the first (i.e. national) level and what can be dealt with at the second level. While several collective sectoral contracts have expired, views also differ on whether a new framework agreement has to be signed before reopening negotiations on the expired contracts (but some contracts have already started to be renewed). Furthermore, the January 2014 agreement³⁶ setting conditions for representativeness at the bargaining table in the manufacturing sector and for the enforcement of collective contracts is not operational yet due to administrative and institutional obstacles. By setting clear rules for representativeness, this agreement has the potential to contribute to bring certainty in industrial relations and thus help develop second-level bargaining, including by enabling social partners to derogate from national sectoral contracts (a provision which was formally introduced in a 2011 agreement³⁷ but rarely used). At the same time, similar agreements on representativeness have been signed for the retail sector and the cooperatives. In the draft 2016 Stability Law, the government has announced its intention to reintroduce incentives on productivity-related pay set in second-tier contracts (as done in 2013-2014). The draft law links eligibility to measurable results in terms of productivity, profitability, efficiency, quality and innovation. However, the effectiveness of such incentives will depend on the criteria used to measure these results. These criteria will be established in an implementing decree to be published

³⁵ <http://www.garanziagiovani.gov.it/EventiNews/News/Pagine/2015/Il-report-e-online-al-via-la-sessone-di-esame-per-gli-iscritti-a-Crescere-in-Digitale.aspx> (update of 6 November 2015)

³⁶ [http://www.cisl.it/sito.nsf/Documenti/1150AACD1BCDDAEBC1257C5C0060D48A/\\$File/defiTesto-Unico-Rappresentanza11012014.pdf](http://www.cisl.it/sito.nsf/Documenti/1150AACD1BCDDAEBC1257C5C0060D48A/$File/defiTesto-Unico-Rappresentanza11012014.pdf)

³⁷ <http://www.cgil.it/contrattazione/INTERCONFEDERALI/accordo-interconfederale-fra-confindustria-e-cgil-cisl-uil-del-28-giugno-2011.pdf>

within 90 days after the approval of the 2016 Stability Law. In particular, eligibility criteria have to be sufficiently demanding to lead to effective change within firms and prevent fraud. There is no evidence that the incentives in 2013-2014 were effective in boosting second-level bargaining.

The enabling law to reform the tax system has been partially implemented, but major doubts remain on some provisions while a number of important reform opportunities were missed. The March 2014 enabling law on taxation³⁸ – which expired on 27 September 2015 – was only partially implemented by the government. Several legislative decrees have been adopted and have entered into force, introducing in particular: (i) procedural and organisational measures such as the reorganisation of tax administration agencies³⁹; (ii) a rationalisation and simplification of existing tax collection rules⁴⁰, also to foster spontaneous compliance; (iii) a reduction in tax-related litigation through compulsory mediation for all small claims and a revision of the tax ruling (*interpello*) framework⁴¹, making its recourse no longer compulsory; (iv) new rules on tax avoidance⁴², *inter alia* defining with more certainty the concept of tax avoidance, extending the system of cooperative compliance, and lengthening the time to ascertain violations by the tax administration, and foreseeing a systematic monitoring of tax expenditures (i.e. tax expenditures that have been in place for at least five years will expire unless the parliament votes explicitly for their extension); (v) a revision of the sanctions system⁴³ with overall milder administrative sanctions (entering into force as 2017), including for omitted or unfaithful self-declaration, less binding thresholds for the criminal relevance of different tax evasion offences⁴⁴ (immediately applicable, also with retroactive effect) and stricter sanctions for fraudulent behaviour or for omitted declarations by taxpayer substitutes (*sostituto d'imposta*); (vi) new measures⁴⁵ to support firms' internationalisation and inward foreign direct investment through less burdensome formalities and controls and a more favourable accounting regime for tax purposes. It should be noted that important measures envisaged by the enabling law were not or only to a limited extent implemented by the government, thereby representing a significant missed opportunity. These measures include the long-recommended revision of cadastral values⁴⁶ – a precondition for making property taxation more equitable – as well as the revision of environmental taxation and local taxes. With regard to tax expenditures, the legislative decree in question could have been more ambitious by already reviewing and removing directly some tax expenditures, for example on the basis of the MEF report⁴⁷ on the matter that was published in 2011. Moreover, while the provisions on simplification and tax avoidance are likely to be positive for certainty and streamlining, it will have to be verified in practice whether the revised sanctions strike the right balance between proportionality and effectiveness and thus will be a stronger deterrence for tax avoidance and evasion. In this

³⁸ Law 23/2014 of 11 March 2014

³⁹ Legislative Decree 157/2015 of 24 September 2015

⁴⁰ Legislative Decree 175/2014 of 21 November 2014 and Legislative Decree 159/2015 of 24 September 2015

⁴¹ Legislative Decree 156/2015 of 24 September 2015

⁴² Legislative Decree 128/2015 of 5 August 2015 and Legislative Decree 160/2015 of 24 September 2015

⁴³ Legislative Decree 158/2015 of 24 September 2015

⁴⁴ For instance, 50% higher (in terms of undeclared revenues) for fiscal fraud (*frode fiscale*), 200% higher for unfaithful declaration (*dichiarazione infedele*) and a new threshold for omitted VAT payment.

⁴⁵ Legislative Decree 147/2015 of 14 September 2015

⁴⁶ However, cadastral committees have become operational in January 2015, as envisaged by the enabling law on taxation.

⁴⁷ www.mef.gov.it/primo-piano/documenti/20111229/Relazione_finale_del_gruppo_di_lavoro_sull'erosione_fiscale.pdf

context, it should be noted that the draft 2016 Stability Law also foresees an increase in the legal threshold for the use of cash from EUR 1,000 to EUR 3,000 which may represent an obstacle to fight tax avoidance and money laundering.

The draft 2016 Stability Law includes significant tax cuts, but the envisaged cuts in property taxation do not follow the long-standing Council recommendation to shift taxation away from productive factors towards property and consumption. The draft 2016 Stability Law foresees the repeal of a previously legislated increase in VAT and other taxes announced under the 2015 Stability Programme for 2016 (worth around EUR 16.8 billion or 1% of GDP). It also envisages the abolition of recurrent taxation on first residences (worth overall EUR 3.6 billion or around 0.2% of GDP), with a full compensation to municipalities for the related loss of revenues. The draft 2016 Stability Law also plans to cut property taxation on agricultural land and immovable machinery for productive use (worth together around EUR 1 billion or around 0.06 % of GDP). Furthermore, tax incentives are foreseen for corporate investment and new hiring under open-ended contracts (see above). As of 2017, the 2016 Stability Law plans a reduction in corporate income tax (“IRES”) by 3.5 pps. from 27.5% to 24%. This reduction could be brought forward to 2016 should Italy receive additional fiscal space under the Stability and Growth Pact in consideration of the “unusual event” of the refugee crisis.

The draft 2015 annual law on competition is expected to be adopted by the parliament in the coming months, but further market opening measures are needed. The draft annual competition law⁴⁸ (*legge annuale per la concorrenza e il mercato*) for the year 2015 was presented by the government in February 2015. The draft law was passed by the Chamber of Deputies in October 2015 and is now being discussed in the Senate, but may not be adopted before the end of the year. The draft law foresees competition-enhancing interventions *inter alia* in the insurance, telecom, postal services, electricity and gas, fuel distribution and banking sectors. With regard to some liberal professions such as notaries, lawyers and pharmacists, the draft text could have been more ambitious. The parliament has introduced some changes (for instance on insurance, legal profession and pharmacies) which however do not affect substantially the potential impact of the law. Important sectors for which the Competition Authority had identified restrictions to competition⁴⁹ are not covered by the draft competition law (e.g. healthcare, taxis, airports, radio frequency allocation). It is thus important that the government swiftly tables the draft 2016 annual competition law in order to tackle also barriers in these sectors and other relevant restrictions to be highlighted by the Competition Authority. Furthermore, an encompassing reform of local public services and state-owned enterprises is foreseen by the enabling law on the reform of the public administration⁵⁰ (see Section 3.3). The delegation to the government expires in August 2016, but the government plans to adopt the draft legislative decrees (subject to the non-binding opinion of the parliament) still in 2015. A separate draft law for the reform of local public transport with the objective of promoting market opening and efficiency is currently being prepared and could be adopted by the government somewhat later than December 2015 as

⁴⁸ Atto Camera no. 3012

⁴⁹ Autorità Garante della Concorrenza e del Mercato (AGCM), Segnalazione AS1137

⁵⁰ Law 124/2015 of 7 August 2015

was foreseen in the 2015 National Reform Programme. The 2015 Stability Law⁵¹ included some positive but piecemeal provisions to reinforce the transparency of in-house awards and foster the rationalisation of local state-owned enterprises. However, no information appears to be readily available on the number and size of in-house contracts that breach EU rules and for which the rectification has been postponed already several times (the last deadline set⁵² is 31 December 2015, whereas the 2014 country-specific recommendation on competition required the rectification by the end of 2014). Furthermore, only slightly more than half of local administrations have presented a plan for the rationalisation of their stakes in local public enterprises and it is not clear which actions are being taken to complete the rationalisation by December 2015 (the deadline set by the 2015 Stability Law).

The implementation of the 2015-2017 Simplification Agenda is progressing according to schedule. In December 2014, the government agreed with the regions on a Simplification Agenda for 2015-2017, establishing a coherent and time-bound framework to monitor progress in terms of simplification measures. The agenda is now being implemented according to the timeline set, and progress reports⁵³ are available on a dedicated website⁵⁴. This is an important improvement with respect to past practice, when implementation gaps undermined the potential benefits of the numerous (but piecemeal) simplification measures adopted. Further important simplification measures are envisaged under the enabling law on public administration reform⁵⁵ (see Section 3.3).

The school reform has been adopted by the parliament and implementation is now ongoing, but to ensure full effectiveness some challenges will need to be addressed. After the adoption of the school reform⁵⁶ by the parliament in July 2014, the recruitment process of teachers is underway. To date, more than 37,000 teachers have been recruited. A further approximately 48,000 teachers will be recruited in October and November 2015, in addition to over 6,000 teachers specifically trained to provide support to disabled children. Furthermore, the process for the next open competition is underway. The system for the evaluation of schools is also in place: 90% of schools have presented their self-evaluation. Headmasters are assessed and the decision to renew their contract is based on tailored objectives which may include the improvement of the respective school's evaluation. Furthermore, headmasters can reward merit by allocating a one-off financial bonus to teachers. There are however some risks to implementation, for example related to the shift towards a "dual" education model with more extensive work-based learning. The latter envisages that all pupils from the age of 16 will have to carry out 400 or 200 hours of traineeship per year, depending on the schools. The public administration and civil society organizations can also be involved and virtual companies can be set up. However, for a proper implementation of this model, a much stronger cooperation with companies is needed, also through the creation of local centers of cooperation between schools and businesses. To this end, a website is being created to facilitate the matching of supply and demand. More

⁵¹ Law 190/2014 of 23 December 2014

⁵² Law 11/2015 of 27 February 2015 (Decree Law 192/2014 of 31 December 2014)

⁵³ The latest progress report is available at http://www.italiasemplice.gov.it/media/2215/report_31agosto2015.pdf.

⁵⁴ Dedicated website which also reports on implementation progress: <http://www.italiasemplice.gov.it/>

⁵⁵ Law 124/2015 of 7 August 2015

⁵⁶ Law 107/2015 of 13 July 2015

broadly, it would be important to strengthen the connection between the school reform and the reform of active labour market policies (see above), notably to ensure coherence between initiatives (e.g. school traineeships and the Youth Guarantee).

Italy has taken significant steps to address long-standing governance weaknesses in the Italian banking sector which are expected to increase the resilience of banks and the efficiency of intermediation, as well as reshape the banking landscape. First, in April 2015, the association of Italian bank foundations (ACRI) and the Ministry of Economy and Finance (as foundations' supervisor) signed a memorandum of understanding⁵⁷ interpreting guiding principles on the role, governance and supervision of foundations as laid down in Law 153/1999 (Ciampi law). Most importantly, the memorandum requires foundations to diversify their investment portfolio by reducing their stake in reference banks to below one third of their total assets, thereby strongly diminishing their influence as shareholders. Foundations exceeding this threshold must make the necessary divestments within three years for listed banks and within five years for non-listed banks. Some divestments have been made already and several foundations have started preparing diversification plans. Furthermore, the memorandum contains provisions aimed at improving the foundations' financial resilience and transparency, as well as stricter rules to ensure foundations' professional management and avoid conflicts of interest. Foundations are given one year to align their statutes with the new provisions. The Ministry of Economy and Finance may use its enforcement tools against non-compliant foundations. Second, the transformation of the largest cooperative banks (*banche popolari*) into joint-stock companies⁵⁸ is ongoing despite a pending legal challenge⁵⁹. Bank of Italy issued the necessary implementing provisions⁶⁰ in June 2015. The concerned banks have to comply with the new law by the end of 2016, but during a two-year transition period a 5% shareholding ceiling may still be maintained. One bank has already taken the formal decision to turn itself into a joint-stock company whereas several others are preparing to do so. The reform is expected to strengthen the banks' governance and shareholder oversight, facilitate the raising of new capital and foster consolidation within the segment. Finally, the government plans to propose a reform of the roughly 370 small mutual banks (*banche di credito cooperativo*) which aims to create a cooperative banking group – featuring cross-guarantees and openness to external investors – on the basis of a self-regulatory proposal of these banks. This reform is expected to reinforce the segment's governance and resilience. Mutual banks have however not yet reached an agreement on the number of holding entities in the context of striking a balance between the autonomy desired by some entities and the integrity of the segment as a whole. It therefore remains unclear whether the legislative initiative can be sent to the parliament before the end of 2015.

Important measures have been taken on the tax treatment of loan losses and the insolvency and foreclosure framework in order to facilitate the disposal of banks' non-performing loans (NPLs). The protracted economic crisis has led to a tripling of the NPL

⁵⁷ <http://www.mef.gov.it/inevidenza/documenti/acri.pdf>

⁵⁸ Law 33/2015 of 24 March 2015 (Decree Law 3/2015 of 24 January 2015)

⁵⁹ A number of stakeholders (shareholders and a consumer association) have asked a regional administrative court to suspend Bank of Italy's implementing rules to halt the reform. On 7 October 2015, the concerned court decided however not to suspend the rules, while postponing its decision on the merits to February 2016.

⁶⁰ http://www.bancaditalia.it/pubblicazioni/bollettino-vigilanza/2015-06/20150609_III.pdf

ratio⁶¹ in the Italian banking sector to almost 18% of total customer loans with negative effects on banks' profitability, capital and credit supply. To foster the development of a domestic private distressed debt market, the authorities took measures to narrow the gap between the respective valuations of NPLs by banks and potential investors, at present estimated at around 25% on average. First, the regime of deferred tax deductibility of loan losses (over five years) was replaced by a regime of immediate tax deductibility.⁶² This should encourage banks' provisioning for loan losses, raise NPL coverage ratios and stop the creation of new deferred tax assets on banks' balance sheets. Second, further changes have been made to the insolvency and foreclosure framework to speed up the procedures and raise recovery rates, while facilitating corporate restructuring and rescue.⁶³ With regard to pre-insolvency tools, the possibility for interim financing has been reinforced, creditors can now submit alternative restructuring plans, the disposal of debtors' assets is opened to competition, shareholders' assemblies of the debtor firm can be circumvented if a capital increase is envisaged, and a mechanism for debt restructuring agreements has been created for cases which mostly involve banks. Concerning bankruptcy, *amongst others* a new two-year limitation has been set to complete the realisation of assets. Regarding foreclosure, a single electronic portal will be set up to register and advertise forced sales country-wide⁶⁴, and the acceptance of bids at auctions and the assignment of foreclosed assets to creditors are made easier. The new provisions will apply to all procedures falling within their scope and initiated since the law's entry into force, but it may take some time before their positive impact – notably on the length of procedures – will be visible. In the meantime, an expert commission linked to the Ministry of Justice ("Rordorf Commission") has been preparing an organic reform of the insolvency framework, but it remains unclear when and how the government will follow up on this work.

The government is considering the setup of a system-wide asset management company (AMC) to accelerate the removal of corporate bad loans from banks' balance sheets and enable banks to fully play their role in supporting the nascent economic recovery. The authorities consider public intervention necessary to overcome obstacles to the development of a private NPL market, coordination problems and capacity constraints at smaller banks. However, the government acknowledged that, apart from the heterogeneity and complexity of corporate bad loans, a number of key constraints and trade-offs would have to be addressed. First, in order to rule out state aid to participating banks and protect taxpayers' money, the concerned assets would have to be transferred to the AMC at market value. As the NPL market in Italy is very thin, the government is involved in complex technical discussions with the Commission services to develop a methodology for determining the market value of bad loans. Second, as banks' transfer of assets to the AMC would be voluntary, an appropriate set of supervisory incentives are needed to promote participation in the AMC. Such incentives would have to take into account the differences in the sector, notably in terms of size,

⁶¹ International comparisons of NPL stocks involving Italy should take account of the fact that Italian accounting criteria to determine loan quality are stricter than in other countries, resulting in a positive bias in Italian NPL ratios. Nevertheless, the Italian NPL ratio is high compared to that of other euro-area economies. According to the ECB, gross total doubtful and non-performing loans as a share of total debt instruments and total loans and advances in the first half of 2014 amounted to 13.8% in Italy, compared to 5.8% for the euro area on average.

⁶² Law 132/2015 of 6 August 2015 (Decree Law 83/2015 of 27 June 2015)

⁶³ Law 132/2015 of 6 August 2015 (Decree Law 83/2015 of 27 June 2015)

⁶⁴ An implementing act is needed.

capitalisation and NPL coverage. Third, the authorities aim to maximise private investors' participation in the AMC in order to minimize risks for public finances and avoid the consolidation of the vehicle in the general government sector. Fourth, asset eligibility criteria (e.g. compliance with a minimum size threshold) should allow the transfer of a sufficiently wide range of bad loans but also safeguard the efficient operation of the AMC. In anticipation of a final decision on whether to establish an AMC in light of the above-mentioned challenges, the Bank of Italy has encouraged banks to strengthen their internal NPL management capacity and upgrade their information systems.

3.3. Measures related to the institutional capacity to implement reforms

The clearance of the legislative backlog of the previous two governments is still proceeding. According to the latest report available⁶⁵ (of mid-September 2015), the share of implementing measures required by legislation passed by the Monti and Letta governments that have been adopted now amounts to 74.9% (i.e. 261 out of 1040 implementing measures still await adoption, compared to 516 non-adopted implementing measures one year earlier). These figures do not reflect however the relative importance or ease of adoption of the implementing measures and do not give an indication of the extent of the delay in adoption. The Renzi government has adopted 219 bills⁶⁶ since it has entered into power and up to mid-September 2015. 120 bills have already been published in the *Gazzetta Ufficiale*, 63 of which collectively require a further 532 implementing measures in total. It is however not clear how many of these implementing measures have already been adopted nor how many face a delay in their adoption. In order to provide more information on the implementation of laws and implementing measures, a web-based monitoring tool has been created internally which is now in use by all ministries.

The legislative process for the draft constitutional reform bill is on track and the new electoral law has been adopted by the parliament. The Chamber of Deputies and the Senate completed their first reading of the constitutional reform bill⁶⁷ respectively in March 2015 and October 2015. The entire parliamentary process is expected to be completed in the first half of 2016. The government has also confirmed that a referendum will take place thereafter in 2016. According to the draft bill, the Senate's composition will be reduced to 100 senators, of which 95 will be indirectly elected among regions' deputies and five will be nominated by the Head of State. The Senate will no longer grant confidence to the government and the fully bicameral legislative procedure will be limited only to sensitive topics, while for almost all other subjects the Senate will have mere advisory powers. The fixed-date-vote (*voto a data certa*) will be introduced to speed up the legislative process and reduce the frequent recourse to decree laws. In addition, the division of competences between the state and the local authorities will be clarified to reduce the probability of conflicts and implementation delays. In particular, an exhaustive list of exclusive competences is foreseen for the state. All residual competences will be attributed to local authorities, and the state can only reclaim them if the country's legal and economic integrity or national interest is at risk.

⁶⁵ <http://www.programmagoverno.gov.it/monitoraggio-dellattuazione-programma/monitoraggio-su-attuazione/>

⁶⁶ Including decree laws, draft laws and legislative decrees

⁶⁷ Atto Senato no. 1429-B, Atto Camera no. 2613-B

The old category of shared competences (*competenze concorrenti*) will be repealed. If the constitutional bill is adopted and well implemented, it could contribute to smoother adoption and implementation of reforms. Finally, in May 2015 a new electoral law⁶⁸ – only for the Chamber of Deputies – was adopted by the parliament. It grants a majority premium to the winning party – fostering a more stable parliamentary majority and less fragmentation – and will be applied as of July 2016.

The enabling law to reform the public administration⁶⁹ was adopted by the parliament in August 2015. The enabling law gives the government a mandate to adopt legislative decrees by August 2016 (for nearly all elements) which will only be subject to a non-binding opinion by the parliament. The timeline for the presentation and adoption of the legislative decrees is not yet clear. The enabling law foresees substantial reforms of the public administration. First, control over public administrations' activities will be strengthened by easing the access to public administrations' documents and data through a charter of digital citizenship. Second, decision-making processes will be accelerated, in particular for the conference of services⁷⁰ (*conferenza dei servizi*). Third, the enabling law envisages simplification measures, for example with regard to the procedure for obtaining the often-needed certified announcement on the commencement of activity (*segnalazione certificate di inizio attività* (SCIA)). Fourth, the role of the Prime Minister's office in coordinating public administration policies and solving conflicts between public administrations will be reinforced. Fifth, existing prefectures will be reorganized in single territorial state offices and local public enterprises will be rationalized. Sixth, public administrations' management and staff recruitment, evaluation and mobility⁷¹ will be reformed by rewarding merit, using performance assessments for career purposes and creating a mobility portal. Last but not least, the public administration's right of self-remedy (*potere di autotutela*) – the possibility to change decisions taken previously, thereby creating regulatory uncertainty – has been restricted, while the “silence-means-consent” principle has been reinforced. Contrary to the other provisions of the enabling law, the latter provisions entered into force immediately (hence no legislative decrees are required). If the public administration reform is fully adopted and implemented, the efficiency of the public administration and the quality of the service it provides should increase and decision-making as well as implementation should become smoother and faster.

Most of the trade debt arrears of the public administration have been cleared and steps have been taken to enhance transparency regarding the current commercial debt stock. So far in 2015, the Italian public administration has further settled trade debt arrears of around 0.3% of GDP, bringing the total amount settled over the period 2013-2015 to around 3% of GDP. The harmonisation of balance sheets at the local level has just passed the experimental phase and is now gradually being rolled out.⁷² Since March 2015, all public

⁶⁸ Law 52/2015 of 6 May 2015

⁶⁹ Law 124/2015 of 7 August 2015

⁷⁰ This conference brings together all administrations interested in a particular project.

⁷¹ Law 114/2014 of 11 August 2014 (Decree Law 90/2014 of 24 June 2014) already strengthened the mobility of all public administration employees (both voluntary and compulsory) to achieve a more efficient use of human resources. New provisions envisaged under the public administration reform enabling law should reinforce this, especially concerning staff from the old provinces that is not yet reallocated to regional public administrations.

⁷² Legislative Decree 126/2014 of 10 August 2014

administrations have to regularly update electronic platforms for the reporting of existing liabilities towards suppliers of goods and services and can only accept electronic invoicing, with sanctions in case of non-compliance. This reform should make the stock of trade debt transparent, significantly lower the costs faced by suppliers, and reduce payment delays to comply with the requirements of the EU Late Payments Directive⁷³ (some practical difficulties are still being addressed however).

In the field of civil justice, efforts are currently focusing more on implementing reforms from previous years⁷⁴ – albeit with mixed success – rather than launching new ones. For instance, the digitalisation of civil trials which has been mandatory at the first instance since December 2014 is to be extended to all instances in 2016. Also the digitalisation of tax-related trials is ongoing, with implementation expected by the end of 2015 in some regions. In contrast, the measure relating to the proceeding offices supporting judges is not yet operational with the exception of three pilot offices⁷⁵, since an implementation decree, agreements at local level and organizational arrangements are still needed. In the meantime, the Ministry of Justice is continuing to pursue the so-called “Barbuto plan” for enhancing case management: it consists of moral suasion towards first-instance tribunals and appeal courts to give priority of treatment to older and more relevant cases. Furthermore, a draft enabling law⁷⁶ is under discussion in the parliament to further reform civil proceedings. The new provisions would imply a higher specialisation of courts in family law, broader competences for the business courts and the possibility to reduce the number of appeal courts while increasing the average court size with a view to dividing them into thematically more specialised sectors. Finally, measures to further speed up and rationalize trials by streamlining procedures are also being discussed. All these reforms are expected to contribute to reduce trial length, which is still extremely long for litigious civil and commercial cases.

While recent measures have been taken to step up the fight against corruption, the long-recommended systematic revision of the statute of limitations is still on hold. A recent law⁷⁷ aims at fostering corruption prevention by: (i) foreseeing milder punishment for those who cooperate with the judicial authority to unmask or prevent corruptive phenomena; (ii) enhancing the role of the national anti-corruption authority (ANAC) in monitoring crimes against the public administration and the implementation of transparency obligations in public procurement. Furthermore, ANAC’s control is extended to previously excluded categories of public contracts. Overall, the law’s provisions are welcome to the extent that they will enhance ANAC’s ability to intervene in public contracts in case of evidence of illicit behaviour, and that they will ensure a better coordination between ANAC and involved courts. The same law also aims at stepping up the fight against corruption by: (i) re-introducing the criminal offence of accounting fraud (albeit with lower sanctions for unlisted companies); (ii) increasing sanctions and hence limitation periods⁷⁸ for some corruption-related offences against the public administration; (iii) broadening the possibility to fire

⁷³ Directive 2011/7/EU

⁷⁴ In particular Law 162/2014 of 10 November 2014 (Decree Law 132/2014 of 12 September 2014) and Law 114/2014 of 11 August 2014 (Decree Law 90/2014 of 24 June 2014)

⁷⁵ Milan, Florence and Cagliari started as pilot units to test the effectiveness of the measure.

⁷⁶ Atto Camera no. 2953 (so-called “Berruti reform”)

⁷⁷ Law 69/2015 of 27 May 2015

⁷⁸ Limitation periods are related to the maximum applicable sanction provided for in Italian legislation.

public employees involved in corruptive offences, and to impose damage reparation. While these reforms go in the right direction, the law failed to intervene structurally on the Italian statute of limitations, as has long been recommended (Italy's 2015 CSR on the public administration and justice required this to be done by mid-2015). A draft bill⁷⁹ containing provisions to this end – focusing in particular on the basis for the computation of limitation periods and on conditions for suspension or interruption – is still under parliamentary discussion after many months.

The operationalisation of the Agency for Territorial Cohesion which should play a key role in improving the management of EU funds remains to be completed. At the end of June 2015, the absorption rate of EU funds from the 2007-2013 programming period amounted to 79.8%⁸⁰ of total planned resources. The operationalisation of the Agency for Territorial Cohesion which was created in 2013 is still ongoing. Its steering committee and auditors committee were established in May 2015 and June 2015 respectively, rules for its internal organisation were adopted, and the recruitment of staff has started. Nevertheless, the agency has already contributed to strengthening the management of EU funds, for example through close monitoring and with taskforces to accelerate the implementation of programmes in some southern Italian regions. Furthermore, after approval by the European Commission in February 2015⁸¹, the National Operational Programme on Governance and Institutional Capacity (worth EUR 828 million, of which EUR 584 million contributed by EU funds) was operationalised in July 2015 and should during the programming period 2014-2020 *inter alia* contribute to a better management of EU funds by supporting the modernisation of the public administration and building administrative capacity. With regard to the 2014-2020 programming period, three out of 50 operational programmes benefitting from EU co-financing have not yet been approved by the European Commission.

⁷⁹ Atto Senato no. 1844

⁸⁰ However, Commission figures show a 76.5% absorption rate mid-October 2015.

⁸¹

http://www.dps.gov.it/opencms/export/sites/dps/it/documentazione/C_2015_1343_F1_COMMISSION_IMPLEMENTING_DECISION_IT_V3_P1_804301.pdf

Annex: Overview of MIP-relevant reforms

Reduce public indebtedness			
Public finances and taxation			
Fiscal policy & fiscal governance			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<ul style="list-style-type: none"> The draft 2016 Stability Law (Atto Senato no. 2111) provides for further spending cuts worth around half of the expenditure savings planned under the 2015 Stability Programme. The envisaged cuts relate to both the central and local level. Regarding the central level, ministers will again be involved in selecting areas within their own budgets eligible for targeted savings. By the end of 2015, the government is expected to present a decree law specifying the product categories covered for which central and local administrations should resort to centralised procurement as well as the applicable spending thresholds, as foreseen under the Public Spending Rationalisation Programme (Law 89/2014). In July 2015, a technical working group already identified the first set of product categories in healthcare to this end. The draft 2016 Stability Law (Atto 	<ul style="list-style-type: none"> June 2014: Enabling Law 89/2014 empowers the government to complete by the end of 2015 a reform of the budgetary process that would bring it more in line with a performance-budgeting approach over the medium term and ensure that the spending review becomes a permanent feature of the budgetary process. 	<ul style="list-style-type: none"> August 2015: Law 125/2015 operationalises the regional distribution of savings worth EUR 4 billion envisaged under the 2015 Stability Law, in particular as regards the healthcare sector. 	<ul style="list-style-type: none"> CSR 1: “Ensure that the spending review is an integral part of the budgetary process.”

<p>Senato no. 2111) aims to further reduce the scope for decentralised procurement by local authorities and other government bodies, particularly for specific categories of goods and services, with the exception of small purchases below EUR 40,000 by municipalities.</p>			
Public administration and business environment			
State-owned enterprises			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<ul style="list-style-type: none"> • The privatisation of Ferrovie dello Stato (FS Group, the state railway company) has been announced for 2016. • The privatisation of the air-traffic control company ENAV has been announced for the first half of 2016. The structure of the placement and the guarantee consortium have been defined, and a working group has been created to identify the necessary interventions prior to the privatisation. • Smaller privatisations such as that of Grande Stazioni (owned by FS) and STMicroelectronics Holding have been announced, but without clear timeline. 	-	<ul style="list-style-type: none"> • February 2015: The Ministry of Economy and Finance has sold its stake in ENEL for EUR 2.2 billion. • June 2015: Banca Monte dei Paschi di Siena has reimbursed the last Monti bonds to the state (EUR 1 billion). • October 2015: The Ministry of Economy and Finance has cashed in around EUR 3.4 billion in the context of the initial public offering of Poste Italiane. • October 2015: The Ministry of Economy and Finance has cashed in EUR 200 million in extraordinary dividend from ENAV in relation to excess capital, which has led to a reduction in the public ownership of 	<ul style="list-style-type: none"> • CSR 1: “Swiftly and thoroughly implement the privatisation programme and use windfall gains to make further progress towards putting the general government debt ratio on an appropriate downward path.”

		<p>ENAV.</p> <ul style="list-style-type: none"> • November 2015: The Ministry of Economy and Finance has used ca. EUR 4 billion from the Fund for the Amortisation of Public Debt for the partial reimbursement of Italian sovereign bonds. 	
Raise productivity and external competitiveness			
Public finances and taxation			
Broaden tax bases			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<ul style="list-style-type: none"> • The draft 2016 Stability Law (Atto Senato no. 2111) plans to abolish recurrent taxation on first residences and to cut property taxation on agricultural real estate and immovable machinery for productive use (worth in total ca. 0.3% of GDP). • The draft 2016 Stability Law (Atto Senato no. 2111) plans further tax incentives for corporate investment. • The draft 2016 Stability Law (Atto Senato no. 2111) foresees a reduction in corporate income tax (IRES) from 27.5% to 24% as of 2017 (which could be brought forward to 2016 if Italy is granted additional fiscal flexibility under the Stability and Growth Pact in the 	-	<ul style="list-style-type: none"> • August/September 2015: Legislative Decrees 128/2015 and 160/2015 under Enabling Law 23/2014 introduce new rules on tax avoidance, extend the system of cooperative compliance, lengthen the time to ascertain violations by the tax administration and foresee a systematic monitoring of tax expenditures (i.e. tax expenditures which have been in place for at least five years will be reviewed and subsequently deleted, modified or confirmed). • September 2015: Legislative Decree 157/2015 under Enabling Law 23/2014 introduces procedural and organisational measures such as the reorganisation of tax 	<ul style="list-style-type: none"> • CSR 1: “Implement the enabling law for tax reform by September 2015, in particular the revision of tax expenditures and cadastral values and the measures to enhance tax compliance.”

<p>context of the refugee crisis.</p> <ul style="list-style-type: none"> • The draft 2016 Stability Law (Atto Senato no. 2111) foresees the repeal of a previously legislated increase in VAT and other taxes (during 2016) under the 2015 Stability Law (worth 1% of GDP) • The draft 2016 Stability Law (Atto Senato no. 2111) foresees an increase in the legal threshold for the use of cash from EUR 1,000 to EUR 3,000. 		<p>administration agencies.</p> <ul style="list-style-type: none"> • September 2015: Legislative Decree 159/2015 under Enabling Law 23/2014 (together with Legislative Decree 175/2014) rationalises and simplified existing tax collection rules. • September 2015: Legislative Decree 156/2015 under Enabling Law 23/2014 aims to reduce tax-related litigation through compulsory mediation for all small claims and a revision of the tax ruling framework. • September 2015: Legislative Decree 158/2015 under Enabling Law 23/2014 revises the sanctions system with overall milder administrative sanctions (as of 2017), less binding thresholds for the criminal relevance of different tax evasion offences (immediately applicable) and stricter sanctions for fraudulent behaviour or for omitted declarations by taxpayer substitutes. • September 2015: Legislative Decree 147/2015 under Enabling Law 23/2014 introduces measures to support firms' internationalisation and inward foreign direct investment through less burdensome formalities and controls and a more favourable accounting regime for tax purposes. 	
Structural policies			

Transport			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
-	<ul style="list-style-type: none"> July 2015: The Italian government has adopted a “National Strategic Ports & Logistics Plan”, as foreseen under Law 164/2014. 	-	<ul style="list-style-type: none"> CSR 2: “Adopt the planned national strategic plan for ports and logistics, particularly to help promote intermodal transport through better connections.”
Competition in services			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<ul style="list-style-type: none"> The draft 2015 annual competition law – presented by the government in February 2015 – is still under parliamentary discussion (Atto Camera no. 3012). The draft law contains competition-enhancing interventions <i>inter alia</i> in the insurance, telecom, postal services, electricity and gas, fuel distribution and banking sectors, as well as regarding some liberal professions. A draft law reforming local public transport in order to promote market opening and efficiency is currently under preparation by the government. 	<ul style="list-style-type: none"> August 2015: Enabling Law 124/2015 on the reform of the public administration gives the government a mandate to reform local public services and state-owned enterprises. Draft legislative decrees are expected by the end of 2015. 	-	<ul style="list-style-type: none"> CSR 6: “Adopt competition-enhancing measures in all the sectors covered by the competition law, and take decisive action to remove remaining barriers.”
Telecom, postal services & local public services			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>

-	-	-	<ul style="list-style-type: none"> CSR 6: “Ensure that local public services contracts not complying with the requirements on in-house awards are rectified by no later than end-2015.”
Financial sector			
Financial services			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<ul style="list-style-type: none"> The government has announced a reform of Italy’s ca. 370 small mutual banks (<i>banche di credito cooperativo</i>) aiming at creating a cooperative banking group. The timeline remains unclear as mutual banks still need to reach a final agreement on a self-reform proposal which would serve as a basis for the government’s legislative initiative. 	<ul style="list-style-type: none"> April 2015: The Ministry of Economy and Finance and the association of Italian bank foundations (ACRI) signed a memorandum of understanding interpreting guiding principles on the role, governance and supervision of foundations, as laid down in Law 153/1999. The memorandum requires foundations to diversify their investment portfolio by reducing their stake in reference banks to below one third of their total assets within three or five years (respectively for listed and non-listed banks). The memorandum also contains provisions to improve foundations’ financial resilience and transparency, to ensure their professional management and to avoid conflicts of interest. Foundations are currently aligning their statutes with the content of the memorandum. 	<ul style="list-style-type: none"> June 2015: Bank of Italy has issued the necessary implementing provisions under Law 33/2015 requiring Italy’s largest cooperative banks (<i>banche popolari</i>) to transform themselves in joint-stock companies. Concerned banks have until the end of 2016 to comply with the law. 	<ul style="list-style-type: none"> CSR 4: “By end-2015, introduce binding measures to tackle remaining weaknesses in the corporate governance of banks, implement the agreed reform of foundations, [...]”

	<ul style="list-style-type: none"> • May 2015: Legislative Decree 72/2015 (under Enabling Law 154/2014) defines new requirements for bank managers, empowers the Bank of Italy to remove management if necessary, and raises administrative sanctions. The Bank of Italy issued a public consultation on implementing provisions in September 2015. The public consultation will be closed mid-November 2015. 		
<ul style="list-style-type: none"> • The government is considering the setup of a system-wide asset management company (AMC) to which private banks could voluntarily transfer eligible corporate bad loans, but several constraints and trade-offs remain to be addressed (in particular state-aid aspects, on which discussions with the European Commission are still ongoing). • An expert commission under the Ministry of Justice (“Rordorf Commission”) is preparing an organic reform of the insolvency framework, which may receive legislative follow-up by the government. 	-	<ul style="list-style-type: none"> • August 2015: Law 132/2015 replaces the regime of deferred tax deductibility of loan losses (over five years) by a regime of immediate tax deductibility. The law also changes the insolvency and foreclosure framework to speed up procedures and facilitate corporate restructuring and rescue. 	<ul style="list-style-type: none"> • CSR 4: “By end-2015, [...] take measures to accelerate the broad-based reduction of non-performing loans.”
Labour market			
Employment protection legislation & framework for labour contracts			

<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<ul style="list-style-type: none"> The draft 2016 Stability Law (Atto Senato no. 2111) plans to extend the exemption for private employers from paying social security contributions to new hires under open-ended contracts in 2016, but for a lower amount (reduction by 40%) and for a period of two years. 	-	<ul style="list-style-type: none"> March 2015: Legislative Decree 23/2015 under Enabling Law 183/2014 introduces a new open-ended contract type subject to a more flexible dismissal regime. The measure complements the provisions of the 2015 Stability Law which provides for a permanent full deduction of the labour cost of employees under open-ended contracts from the regional tax on productive activities (IRAP) and a 3-year exemption for private employers from paying social security contributions for new open-ended contracts signed in 2015. June 2015: Legislative Decree 81/2015 under Enabling Law 183/2014 rationalises labour contract types. September 2015: Legislative Decree 148/2015 under Enabling Law 183/2014 rationalises wage supplementation schemes by reducing their duration, enhancing their insurance component, introducing conditionality and consolidating applicable provisions which were previously spread over more than ten different laws. At the same time, the scope of the schemes is extended to all firms with more than five employees. 	<ul style="list-style-type: none"> CSR 5: “Adopt the legislative decrees on the design and use of wage supplementation schemes, the revision of contractual arrangements, [...]”

-	<ul style="list-style-type: none"> • September 2015: Legislative Decree 149/2015 under Enabling Law 183/2014 rationalises enforcement activities concerning health, security and labour regulation at the workplace. 	<ul style="list-style-type: none"> • September 2015: Legislative Decree 151/2015 under Enabling Law 183/2014 simplifies employers' administrative obligations. 	<ul style="list-style-type: none"> • 2015 National Reform Programme, section "I.8 Labour market and welfare reform"
Active labour market policies			
<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • June 2015: Legislative Decree 80/2015 under Enabling Law 183/2014 contains provisions to improve the work-life balance. • September 2015: Legislative Decree 150/2015 reforms the governance of active labour market policies and their interaction with passive policies. The legislative decree outlines the setup of the new national agency for active labour market policies (ANPAL) that will be in charge of coordinating the management of unemployment insurance and active labour market policies, set outs principles to define quality standards as well as core tasks for employment services and the requirements for the certification of private entities allowed to provide such services. The latter standards, tasks and requirements still need to be further specified through implementing decrees and corroborated by ANPAL itself. The draft constitutional reform bill (still under parliamentary discussion) will shift the competence for active 	-	<ul style="list-style-type: none"> • CSR 5: "Adopt the legislative decrees on [...] work-life balance and the strengthening of active labour market policies."

	labour market policies from the regions to the central government. However, under the current constitutional framework, the implementation of the reform of active labour market policies requires agreements between the state and the regions.		
Unemployment benefits			
-	-	<ul style="list-style-type: none"> March 2015: Legislative Decree 22/2015 under Enabling Law 183/2014 reviews the system of unemployment benefits. 	<ul style="list-style-type: none"> 2015 National Reform Programme, section “I.8 Labour market and welfare reform”
Wages & wage-setting			
<ul style="list-style-type: none"> The draft 2016 Stability Law (Atto Senato no. 2111) plans to reintroduce incentives on productivity-related pay set in second-tier contracts. An agreement among stakeholders on second-level collective bargaining is expected by spring 2016. 	-	-	<ul style="list-style-type: none"> CSR 5: “Promote, in consultation with the social partners and in accordance with national practices, an effective framework for second-level contractual bargaining.”
Social inclusion and education			
Education			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
-	<ul style="list-style-type: none"> July 2014: Law 107/2015 with school reform provisions has been 	-	<ul style="list-style-type: none"> CSR 5: “As part of efforts to tackle youth unemployment, adopt and

	<p>adopted by the parliament. The recruitment of teachers is ongoing, the process for the next open competition is underway and the system for the evaluation of schools is in place. The renewal of headmasters' contracts is based on tailored objectives, and headmasters can reward merit by granting teachers a one-off financial bonus. The reform also envisages a shift towards a "dual" education model with more work-based learning.</p> <ul style="list-style-type: none"> • October 2015: A national plan for the digitalisation of schools, featuring 35 actions and a budget of EUR 1 billion (of which EUR 600 million for infrastructure and EUR 400 million for training and skills), has been presented by the government. 		implement the planned school reform and expand vocationally-oriented tertiary education."
Public administration and business environment			
Business environment			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
-	<ul style="list-style-type: none"> • August 2015: Enabling Law 124/2015 on the reform of the public administration includes important simplification measures, to be followed up on through legislative decrees (e.g. with regard to the procedure for obtaining the often-needed certified announcement on 	-	<ul style="list-style-type: none"> • CSR 6: "Implement the simplification agenda for 2015-17 to ease the administrative and regulatory burden."

	<p>the commencement of activity).</p> <ul style="list-style-type: none"> • Throughout 2015: The implementation of the 2015-2017 Simplification Agenda is ongoing and progressing according to schedule. 		
Strengthen institutional capacity to implement reforms			
Public administration and business environment			
Public administration			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<ul style="list-style-type: none"> • The draft 2016 Stability Law (Atto Senato no. 2111) enables regions and provinces to set up independent bodies in charge of managing EU funds in the context of local projects. 	<ul style="list-style-type: none"> • July 2015: The National Operational Programme on Governance and Institutional Capacity (approved by the European Commission in February 2015 and worth EUR 828 million of which EUR 584 million contributed by EU funds) was operationalised and should contribute to a better EU funds management by supporting the modernisation of the public administration and building administrative capacity. 	<ul style="list-style-type: none"> • May 2015: The steering committee of the Agency for Territorial Cohesion has been established. • June 2015: The auditors committee of the Agency for Territorial Cohesion has been established. • August 2015: Rules for the internal organisation of the Agency for Territorial Cohesion have been adopted. 	<ul style="list-style-type: none"> • CSR 2: “Ensure that the Agency for Territorial Cohesion is made fully operational so that the management of EU funds markedly improves.”
<ul style="list-style-type: none"> • The first reading by both parliamentary chambers of the draft constitutional reform bill (Atto Senato no. 1429-B, Atto Camera no. 2613-B) has been completed. The parliamentary adoption process is expected to be completed in the first 	<ul style="list-style-type: none"> • August 2015: Enabling Law 124/2015 on the reform of the public administration was adopted by the parliament. It gives the government a mandate to adopt legislative decrees (by August 2016) to ease access to public administrations’ 	<ul style="list-style-type: none"> • May 2015: The new electoral law for the Chamber of Deputies grants a majority premium to the winning party. The law will be applied as of July 2016. • August 2015: Enabling Law 	<ul style="list-style-type: none"> • CSR 3: “Adopt and implement the pending laws aimed at improving the institutional framework and modernising the public administration.”

<p>half of 2016 and to be followed by a referendum. The draft constitutional bill reforms the Senate by reducing the number of members and limiting its role law-making, introduces fixed-date voting, limits the use of decree laws and clarifies the division of competences between the state and the local authorities.</p>	<p>documents and data through a charter of digital citizenship, accelerate decision-making processes (e.g. for the so-called conference of services), introduce simplification measures, improve the coordination of public administration policies and the resolution of conflicts, reorganise existing prefectures in single territorial state offices, rationalise local public enterprises and modernise the management of public administrations and the recruitment, evaluation and mobility of staff by rewarding merit, using performance assessments for career purposes and creating a mobility portal.</p>	<p>124/2015 on the reform of the public administration restricts public administration's rights of self-remedy (<i>potere di autotutela</i>) and reinforces the "silence-means-consent" principle. These provisions have entered into force immediately.</p>	
<p>Shadow economy & corruption</p>			
<p><i>Announced measures</i></p>	<p><i>Adopted measures</i></p>	<p><i>Implemented measures</i></p>	<p><i>Sources of commitment</i></p>
<ul style="list-style-type: none"> • A draft bill (Atto Senato no. 1844) foreseeing a more structural intervention on Italy's statute of limitations – focusing in particular on the basis for the computation of limitation periods and on conditions for suspension or interruption – is still under parliamentary discussion. • Another draft bill (Atto Senato no. 2067) related to the prescriptions of crimes is still under parliamentary discussion. 	<p>-</p>	<ul style="list-style-type: none"> • May 2015: Law 69/2015 increases sanctions and hence limitation periods for some corruption-related offences against the public administration. The law also fosters the prevention of corruption by enhancing the role of the national anti-corruption authority (ANAC) and foreseeing milder punishment for those who cooperate with the judicial authority to prevent or unmask corruption. It also aims to stronger repress corruption by reintroducing the criminal offence of 	<ul style="list-style-type: none"> • CSR 3: "Revise the statute of limitations by mid-2015." • 2015 National Reform Programme, section "I.15 Justice", "Criminal justice"

		accounting fraud and broadening the possibility to fire public employees involved in corruption and to impose damage reparation.	
Civil justice			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<ul style="list-style-type: none"> A draft enabling law (Atto Camera no. 2953) to further reform civil proceedings is under discussion in the parliament. Its provisions would further specialise family-law courts, broaden the competences of business courts and make it possible to reduce the number of appeal courts while increasing the average court size with a view to dividing them into thematically more specialised sectors. 	-	-	<ul style="list-style-type: none"> CSR 3: “Ensure that the reforms adopted to improve the efficiency of civil justice help reduce the length of proceedings.”