

SPRING 2019 REFORM BAROMETER – ITALY

European Semester - Overall assessment of 2018 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (March 2018) is appropriate.	To some extent	<p>The NPR of 2018 was certainly affected by the political uncertainty due to the impasse that occurred after the elections last March: the former government presented the document in line with the timetable provided for by the European semester, even if, compared to the past, this presents only a framework of current legislation and does not set programmatic objectives of public finance.</p> <p>With reference to tax measures, the issues of attention are the safeguard clauses, which if not defused, would have led to an increase in VAT and excise taxes and incentives for innovative investments (Industry 4.0). The document then gives an account of the positive results achieved in the fight against tax evasion.</p> <p>Insolvency system: the objectives identified are appropriate: to complete the insolvency law reform, by November 2018, in order to speed up bankruptcy procedures; enable the restructuring while allowing debt collection to some extent; introduce a out-of-court procedure (so called "procedura di allerta e composizione assistita della crisi"), aiming at bringing out crisis situation at an early stage and facilitating arrangements with creditors, with the objective of avoiding debtors insolvency.</p> <p>Competition: the objectives identified are appropriate but the annual competition law can't aim at becoming a structural instrument to promote competition in a perspective of continuity in the medium-long term, without a reform of legislative iter. It's necessary to avoid steps backwards: for example, the reintroduction of "fair fee for professionals ", that de facto re-introduces minimum rates for professionals and the proposal law for the regulation of the opening hours and days of shops, liberalized in 2011.</p> <p>Civil justice: the NRP points out that the reforms approved in recent years continue to produce positive results, for example the pending civil proceedings are reduced thanks to the use of ADR instruments. This rating is shared but remains a significant gap in our judicial system compared to international standards and a significant difference between the large areas of the country. To overcome this gap, it is essential to adopt the measures contained in the draft law for the reform of the civil law A.S. 2284 presented in 2015, as well as constant monitoring and dissemination of best practices, above all on the organizational level.</p> <p>Criminal justice: the NRP mentions the approval of the law on whistleblowing and the reform of the Anti-Mafia Code. In this last regard the extension to the suspects of crimes against P.A. of the measures of antimafia prevention it's not shareable, because that are justified only in presence of the characteristics of gravity that distinguish the crimes of mafia.</p>

	To what extent do you agree with these statements:		Detailed comments
	<p>The National Reform Programme submitted by your Government (March 2018) is appropriate. (continued)</p>	<p>To some extent (continued)</p>	<p>Public administration: the objectives identified are to some extent appropriate. Confindustria agrees with the point regarding the implementation of the public administration reform through the "Agenda per la semplificazione" and the development of the "Zone Economiche Speciali". But Confindustria believes that it's also necessary to review the governance of simplification, which is more split, and increase the competence and the institutional capacity of public authorities.</p> <p>Regarding the access to credit and finance, we believe that the National Reform Programme contains some appropriate actions such as the promotion of the development of alternative financial sources and the support of SMEs access to finance, in particular through the refinancing of the guarantee fund. The Italian Budget Law introduced other measures that can be considered positive, namely: the development of venture capital, in favour of which significant resources are allocated or activated; the introduction of a voucher for SMEs that make use of specialist consultancy services aimed at supporting technological or digital transformation processes; the development of securitization market; the improvement of procedures for PA debt payments to enterprises. However, in the Budget Law there are some measures for which there is room for improvement.</p> <p>In terms of public investment and infrastructure, the Reform Plan (DEF) presented in March was affected by the imminent electoral change and uncertainty about the future government. Even considering these limits, the Plan admitted the progressive decline in expenditure recorded in previous years and in the current one (2018) and provided for a clear recovery in subsequent years, on the basis of trend trends incorporated in the "legislation in force" provisions. With regard to the past, these assumptions were based on the recognition of delays in the procedures for allocating financial resources and implementing the new rules on public procurement and, with regard to the future, on three closely related but not credible reform profiles: (i) stabilization of the regulatory framework for contracts (Codice dei Contratti Pubblici); (ii) resolution of institutional problems (Constitutional Court) related to the allocation of resources for infrastructure investments; (iii) exploitation by local authorities of the spending margins allowed by the overcoming of the Internal Stability Pact. The update (Aggiornamento) of the DEF presented by the new government and the subsequent Budget Law 2019 partly reflected the issues identified by the previous government, but on the basis of a significant change in the strategy of public investment. In particular: (i) lower availability of resources for public investments in the current year (2019), compared to the initial relaunch intentions, postponed to subsequent ones following negotiations with the European Commission; (ii) greater attention to small local investments (reduction of the constraints of the regulation of small contracts, but to the detriment of competition) and plans for interventions on school buildings, hydrogeological defence, road maintenance; (iii) the probable reduction in investments in major works already under construction, based on new cost-benefit assessments; (iv) the establishment of new technical structures to support the design and implementation of infrastructure investments.</p> <p>At the same time, a thorough review of the regulation of public procurement is expected, still uncertain about its contents.</p>

	To what extent do you agree with these statements:		Detailed comments
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	<p>Taxation: the specific recommendations are appropriate. We agree on the need to lighten the tax burden on capital and labour, which has adverse effects on economic growth. We strongly support the extension of mandatory electronic invoicing to all private sector transactions from 2019.</p> <p>Insolvency system: Regarding the third Country-specific recommendation, the latter is appropriate since it calls for the prompt approval of the insolvency law reform, consistent with the National Reform Programme, and Confindustria's been committing to achieve this goal.</p> <p>Competition: the recommendations are appropriate: address restrictions to competition, including in services, also through a new annual competition law. A reform of the legislative iter is required for the approval of the annual competition law and it's necessary to avoid sporadic and encouraging actions with the objectives of liberalization ("fair fee for professionals ", that de facto re-introduces minimum rates for professionals and the draft law for the re-introduction of a regulation for the opening of shops, sector liberalized in 2011.</p> <p>Civil justice: compared to the second recommendation, Confindustria shares the need to reduce the time of the civil proceedings in all levels of judgment, also by implementing in a concrete way the instruments already provided for by the legal system.</p> <p>Corruption: the assessment is appropriate but the national reform, at the end of 2018, risks not effectively achieving the goal of combating corruption in a preventive key.</p> <p>Public administration: about the sixteenth whereas, Confindustria agrees with the point about the necessity of the enforcement of the public administration reform.</p> <p>Regarding the access to credit and finance: in general, the Commission's recommendations are appropriate. However, the reduction of the stock of non-performing loans should be done in a reasonable timeframe. In fact, it is important to avoid the introduction of new measures that could limit bank's lending capacity. The legal framework has to find the right balance between financial stability and the financing of the real economy.</p> <p>In terms of public investment and infrastructure, the Commission's recommendations are not appropriate. The decline in infrastructure investments is due essentially to three closely related causes: (i) inefficiency of the public administration; (ii) regulatory framework still uncertain and ineffective, also due to the use of private capital; (iii) rationing of public financial resources for budgetary needs. A strong recommendation to improve administrative and regulatory capacity should be supported by more favourable budgetary Community rules progressively to use for public investment.</p>

	To what extent do you agree with these statements:		Detailed comments
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	<p>Insolvency system: the assessment is appropriate. It highlights some progress due to the approval of the enabling law (October 2017), but it reiterates that's necessary to carry the approval of the legislative decrees on, in order to facilitate the reduction of NPLs and, more in general, to improve the doing business framework.</p> <p>Competition: the assessment is correct: several Italian sectors are still over regulated and protected from competition (professional services, health sector ...).</p> <p>Justice: the assessment is correct; with regard to whistleblowing, it should be noted that Law 179 of 2017 has not only revised the discipline of public employees who report illegal activities but has also introduced a similar regulation for private employees.</p> <p>Corruption: the assessment is appropriate but the latest reform of the corruption discipline has a repressive approach that Confindustria considers not fully effective for the fight against corruption.</p> <p>Public administration: the assessment is correct. It notes that the implementation of the public administration reform is almost complete.</p> <p>Regarding the access to credit and finance: The Commission assessment about our financial sector is appropriate.</p>
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To a large extent	<p>Insolvency system: Confindustria agrees with the Commission regarding the fact that bankruptcy procedures are still long and completion of the Insolvency law reform may support the reduction of the NPLs' stock.</p> <p>Public administration: the assessment is correct. It notes that some efforts and some progress were made to reform the public administration, but the proportion of firms and citizens not trusting public administrations is also high.</p>

Assessment of Country Specific recommendations 2018 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1a	Ensure that the nominal growth rate of net primary government expenditure does not exceed 0.1 % in 2019, corresponding to an annual structural adjustment of 0.6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio.	---	---	
CSR 1b	Shift taxation away from labour, including by reducing tax expenditure	Important	Unsatisfactory	
CSR 1c	and reforming the outdated cadastral values.	Helpful (but not a priority)	Unsatisfactory	
CSR 1d	Step up efforts to tackle the shadow economy, including by strengthening the compulsory use of e-payments through lower legal thresholds for cash payments.	Extremely important	Satisfactory	
CSR 1e	Reduce the share of old-age pensions in public spending to create space for other social spending.	---	---	

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 2	<p>Justice/Corruption: Reduce the length of civil trials at all instances by enforcing and streamlining procedural rules, including those under consideration by the legislator. Achieve more effective prevention and repression of corruption by reducing the length of criminal trials and implementing the new anti-corruption framework. Ensure enforcement of the new framework for publicly-owned enterprises and increase the efficiency and quality of local public services.</p> <p>Competition: Address restrictions to competition, including in services, also through a new annual competition law.</p>	Extremely Important	Unsatisfactory	<p>Civil justice: it would be important to conclude the examination of the A.S. draft law 2284 presented in 2015, as soon as possible. This text contains important measures to strengthen the Court of undertakings and arbitration, accelerate the timing of the proceedings, implement the principle of brevity of the deeds.</p> <p>Corruption: at the end of 2018 a new law for the fight against corruption was approved. The ratio of the measure is shared, but the measures often follow a repressive and non-preventive approach, with profiles of inadequacy with respect to the principles of proportionality of the sentence.</p> <p>Competition: it is important 1) to reform the legislative iter for annual competition law for instrument for introducing the important measures for competition and 2) to avoid sporadic and encouraging actions with the objectives of liberalization (p.e. professional service)</p>
CSR 3	<p>Maintain the pace of reducing the high stock of non-performing loans and support further bank balance sheet restructuring and consolidation, including for small and medium-sized banks, and promptly implement the insolvency reform. Improve market-based access to finance for firms.</p>	Important	Mixed	<p>It is important to accelerate the reduction in the stock of non-performing loans because this reduction could improve the access to bank loans for Italian enterprises, above all SMEs. However, the reduction of the stock of non-performing loans should be done in a reasonable timeframe. In fact, it is important to avoid the introduction of new measures that could limit bank's lending capacity.</p>

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 4	Step up implementation of the reform of active labour market policies to ensure equal access to effective job-search assistance and training. Encourage labour market participation of women through a comprehensive strategy, rationalising family-support policies and increasing the coverage of childcare facilities. Foster research, innovation, digital skills and infrastructure through better-targeted investment and increase participation in vocational-oriented tertiary education.	Important	Unsatisfactory	

Reform Progress in your Member State in 2018

How would you assess reform progress in 2018, for the following broad areas:

Taxation and Public Finances	Unsatisfactory
Business environment (regulation/access to markets)	Mixed
Labour market	Unsatisfactory
Innovation and skills	Satisfactory
Access to finance and Financial stability	Mixed

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2019 Reform Barometer?

Italy's Industry 4.0 National Plan, launched in 2017 by the previous Government to support the digital transformation of the Italian production system, is unique in the European landscape for the scope of the industrial policy initiative. In fact, it targets both the supply of and the demand for 4.0 technologies, integrating the existing Smart Specialization Strategy, made in line with EU objectives, with direct support for investments in technological upgrading. A coordinated set of policy actions has been put in place to tackle different constraints to digital transformation of Italian firms: the digital infrastructure constraint; the financial constraint to investments; the absorptive capacity constraint; the lack of formal coordination of investments along the value chains. It is still too early to draw conclusions (first hard data are expected in the next months), but existing signs are encouraging.

Reform priorities for 2019

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Tax Reforms	Reduce the tax burden on labour; abolish the Regional tax on productive activities; make the tax system easier; review the tax regime of individuals, in compliance with the constitutional principle of progressivity.	no
Priority 2	Public Investment	Unlock existing public investment projects speeding up administrative procedures and reforming the Public Procurement Code.	yes
Priority 3	Active labour market policies	Step up implementation of the reform of active labour market policies to ensure equal access to effective job-search assistance and training and foster digital skills.	yes
Priority 4	Business Environment - Regulatory barriers to entrepreneurship	Regarding the Insolvency law reform, to complete the approval of the legislative decrees and to enable Government to correct and integrate them, during the transitional period to last until mid-2020.	yes
Priority 5	Public sector efficiency	Enforcement of the public administration reform; review the governance of simplification; increase the competence and the institutional capacity of public authorities	no