

SPRING 2020 REFORM BAROMETER – ITALY

European Semester - Overall assessment of 2019 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (April 2019) is appropriate.	Not enough	The early retirement measure is costly and is a setback on the pension reforms implemented in the past few years. It is costly and it worsen the problem of intergenerational equity. The minimum income scheme (RdC), although important to some extent, is too generous and can discourage entry in the labour market. On the other side, the active labour policies that should complement the RdC are not specified or clear enough. Furthermore, deficit/GDP ratio was set to worsen in 2019 and, consequently the debt to GDP ratio should have increased by 0,4 percentage points, including unrealistic proceeds from privatisation and other financial of 1 point of GDP. This contradicts the country specific recommendation of reducing public debt.
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	Shortening the length of civil trial is very important, as well as to focus investment on R&I and on infrastructure, to increase the competitiveness of Italy.
3.	The Commission assessment of reform implementation the year before is appropriate.	Yes, absolutely	The backtracking on the old-age pension reform is worrying. More has to be done regarding active labour market policies, to contrast the negative effects of the minimum income scheme.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To a large extent	The major vulnerability underlined by the Commission is public debt. Furthermore, it is very important to tackle youth unemployment, which is still very high, especially in the south of Italy.

Assessment of Country Specific recommendations 2019 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1a	Ensure a nominal reduction of net primary government expenditure of 0,1 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Shift taxation away from labour, including by reducing tax expenditure and reforming the outdated cadastral values.	Important	Unsatisfactory	
CSR 1b	Fight tax evasion, especially in the form of omitted invoicing, including by strengthening the compulsory use of e-payments including through lower legal thresholds for cash payments.	Extremely important	Mixed	Please note that Law Decree No. 124 of 26 October 2019 has increased criminal penalties for tax violations and has introduced limitations on cash payments and tax offset; some of the adopted measures are particularly critical for companies, due to the need to adapt management systems and for liquidity restrictions. The introduction of a tax credit in favour of small merchants for e-payments is positive. However, a penalty has not been introduced for those who refuse to accept e-payments.
CSR 1c	Implement fully past pension reforms to reduce the share of pensions in public spending and create space for other social and growth-enhancing spending.	Extremely important	No progress	The "Quota 100" measure - not supported by Confindustria - was introduced as a temporary and experimental instrument by the previous Government. The present Government has not amended it yet but is, instead, evaluating to introduce corrections to the Italian pension system.

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 2a	Step up efforts to tackle undeclared work. Ensure that active labour market and social policies are effectively integrated and reach out in particular to young people and vulnerable groups. Support women's participation in the labour market through a comprehensive strategy, including through access to quality childcare and long-term care.	Important	Mixed	The "Reddito di cittadinanza" (citizenship income) is having some positive effects on vulnerable groups but without any effects on the participation in the labour market: regarding this last aspect a deep revision of the measure is required. Regarding women's participation in the labour market, the provision of funds to strengthen childcare facilities and paternity leave is positive.
CSR 2b	Improve educational outcomes, also through adequate and targeted investment, and foster upskilling, including by strengthening digital skills.	Extremely important	Mixed	Although the competent Ministry (MIUR) has not been very active on the issue due to budgetary restrictions, positive actions have been adopted on apprenticeships by the Ministry of Labour, on VET by the Ministry of Economic Development as well as on training by the Regions.
CSR 3a	Focus investment-related economic policy on research and innovation, and the quality of infrastructure, taking into account regional disparities.	Extremely important	Mixed	

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 3b	Improve the effectiveness of public administration, including by investing in the skills of public employees, by accelerating digitalisation, and by increasing the efficiency and quality of local public services.	Extremely important	Mixed	<p>During 2019 Confindustria has noticed a fragmentation of the governance of simplification and a low attention to implementation of Madia's Law of 2015. To improve the effectiveness of public administration, Confindustria hopes for a new centralization of simplification policies by the creation of a Central Control Unit. Confindustria also hopes for the reinforcement of administrative capacity by the creation of qualified team for complex procedures. Confindustria finally considers the application of reform of 2015 necessary.</p> <p>With regard to local public services, there is now a regulatory gap that needs to be filled. Confindustria hopes that the Madia's law of 2015, which has provided clear guidelines on the reform of local public services in a pro-competitive sense, will be implemented.</p>
CSR 3c	Address restrictions to competition, particularly in the retail sector and in business services, also through a new annual competition law.	Extremely important	Mixed	<p>After the approval of the annual law on competition, in late 2017, we note a retreat on several fronts in relation to the pro-competitive policy (for example, the debate on the withdrawal of motorways concessions; in the Budget Law 2019, the legislator introduced further derogations to the application of the Legislative Decree no. 175/2016 which attempted to limit the perimeter of the local state-owned enterprises to relevant public economic activities).</p> <p>In particular it is important:</p> <ol style="list-style-type: none"> 1) to reform the legislative item for approving the annual competition law, with a specific and fast legislative session; 2) avoid taking restrictive measures to pursue equity objectives (e.g. fair compensation has been reintroduced in the professional service)

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 4a	Reduce the length of civil trials at all instances by enforcing and streamlining procedural rules, including those under consideration by the legislator and with a special focus on insolvency regimes.	Extremely important	Unsatisfactory	<p>The government approved a bill scheme on the reform of civil justice that aims to simplify and shorten the time of the trial. In general, the evaluation is positive considering that in the first and second-degree process there is a simplification of the documents and a reduction of the procedural terms; the consolidation and expansion of the use of electronic methods.</p> <p>The ADR measures that provide for the exclusion of preventive compulsory mediation in certain matters (ex. medical fault, financial, banking and insurance contracts) are cause for concern because the mandatory nature of the mediation is functional to the dissemination of this instrument. Regarding the Insolvency law reform, in order to complete it, last February, the Government approved the legislative decree providing the “Code of corporate crisis and insolvency” (hereinafter, Code), which will be effective on 15 August 2020. Many rules included in the Code pursue the objective to make faster and more cost-effective crisis and insolvency proceedings. In fact, the new rules aim at ensuring, among other things: an earlier emersion of the distress situation, through crisis alert mechanisms. The adoption of a single procedure to ascertain a status of crisis or insolvency; the priority given to out-of-court procedures to deal with corporate crises and ensure business continuity; a simplification of the judicial liquidation procedure. Overall, the evaluation is positive: the Code appears to be in line with the most advanced legal systems and it offers more efficient liquidation proceedings and early and flexible restructuring tools. About that, the most important provisions concern the new early warning tools and alert mechanisms. However, changes are needed to make the alert mechanism more balanced for small enterprises.</p>

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 4b	Improve the effectiveness of the fight against corruption by reforming procedural rules to reduce the length of criminal trials.	Extremely important	Unsatisfactory	<p>About the reform of criminal trial, the Government seems to go in the right direction with the measures to modulate the duration of the preliminary investigations, the revision of the discipline of some special proceedings and the prosecution of some types of crime, as well as the introduction of the electronic tool for filing documents.</p> <p>However, the entry into force, starting from 1 January 2020, of the rules that provide for the suspension of the prescription of the crime after the first instance sentence, regardless of conviction or acquittal, is worrying. The suspension operates until the enforceability of the sentence that defines the judgment and therefore is essentially a definitive suspension. This measure risks to undermine the fundamental principles of the rule of law and is contrary to the principles of efficiency and reasonable duration of the processes.</p> <p>Such a strict prescription discipline cannot represent, in any way, the exclusive remedy for the slowness of the process, a problem to be tackled as a whole and starting from the approval of a comprehensive reform of criminal justice.</p> <p>In addition, the innovations introduced by the recent tax law, which concerns interventions in criminal-tax matters to increase prison sentences, reduce the thresholds of criminal relevance, increase the measures of aggression and further expand the administrative liability of the organs, are very worrying. The main problems of the new provisions focus on the precautionary phase.</p> <p>The real risk is that the new provisions also end up involving honest companies that could be subject to serious preventive capital measures, with damage to reputation, paralysis of the activity and related effects on employment. Except perhaps to discover - too late - their innocence. As part of a broader strategy to safeguard the levels of security and legality of economic activities, it is instead important that legislative policies are oriented not only towards sanctions but to create an operating context less permeable to illegality and able to guarantee more conditions conducive to economic growth, employment and well-being, for individuals and communities.</p>

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 5	Foster bank balance sheet restructuring, in particular for small and medium-sized banks, by improving efficiency and asset quality, continuing the reduction of non-performing loans, and diversifying funding. Improve non-bank financing for smaller and innovative firms.	Extremely important	Mixed	Concerning banks, Italian Government is saving, together with a private guarantee deposit scheme, a medium sized bank in the South of Italy. With the same intervention, national resources have been targeted to restructure small banks in the South of Italy. Non-performing loans have been deeply reduced by Italian banks and this decline is continuing. Italian Government set up a regulation to foster the development of venture capital for smaller and innovative firms. A National Innovation Fund, that will be operational in the next few months, has been created

Reform Progress in your Member State in 2019

How would you assess reform progress in 2019, for the following broad areas:

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

Reform priorities for 2020

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Business Environment - Regulatory barriers to entrepreneurship	a) To implement the civil trial reform in a short time, to achieve the objectives of reducing procedural times and speed up work on the reform of the criminal trial; b) Regarding the insolvency law reform approve the legislative decree to correct and integrate the Code of corporate crisis and insolvency, taking into account the stakeholders' comments	Yes
Priority 2	Competition policy framework	To reform the legislative procedure for approving the annual competition law	No
Priority 3	Active labour market policies	Re-introduce job relocation allowance (assegno di ricollocazione) for all beneficiaries of unemployment benefits	No
Priority 4	Labour market mismatch and labour mobility	Introduce orientation paths in high schools and strengthen all kind of measures fostering the link between education and work.	No
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	Yes