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Background to document

This document has been drawn up by the CNEL in accordance with Article 10 of Law No 936/1986 on the "Rules governing the National Economic and Labour Council".

The document was prepared by the working group on the National Reform Programme, set up on the orders of the Assembly of 1 March 2012, at its meeting of 5 March 2012.

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1. A social pact for development and competitiveness.

Governance of economic policy, led by EU guidelines, to which Italy now makes an active and influential contribution, has required the adoption of a rigorous approach, in the form of severely restrictive short-term financial measures. Economic reforms focusing on the pension system, on certain liberalizations of goods and services markets and on a new regulation of the labour market, depend upon the medium-term impact of decisions taken or being drawn up. Governance of the serious and demanding situation the country is facing is finding, with the contribution of the social stakeholders represented in the CNEL, the census needed for renewal. At the centre of the CNEL's programme is a document, addressed to the government and to parliament, containing the key features of a "social pact for development and competitiveness" to ensure efficiency, fairness and social cohesion in the new structural context of the world economy and making use of all territorial resources.

2. The European framework: objectives, performance, EU suggestions.

The Commission's 'analysis' document affirms the "Europe 2020" strategy's role in overcoming the structural weaknesses and improving competitiveness and productivity for a sustainable social market economy.

The commitments contained in individual countries' 2011 NRPs are insufficient for the EU to achieve its objectives. There is deep concern regarding the fact that the Member States have respected a minimal number of the commitments agreed within the framework of the European semester. Today more than ever the Union must demonstrate its true capacity for action, restore consumer and investor confidence and draw up ambitious measures in response to the current challenges. Unless there is decisive action and effective implementation of a programme of reforms of European and Member-State institutions, Europe will face a growth crisis and an increasing degree of internal divergence which will put further pressure on the euro zone. The main objectives concern:

a) employment: 75% of the European population of between 20 and 64 years old must be employed; if all States achieved their national objectives, the EU would not however achieve the rate of 75% of the working-age population with a reduced average differential (1.0-1.3%), which would be particularly significant in certain countries, including Italy; the challenge is still to employ 17.6 million people by 2020.

b) Spending on research and development: 3% of European GDP should be invested in R+D; on the basis of national objectives, the EU should fall just below the objective of 3% (a gap of 0.3%); resources allocated to R+D, which stood at 2.01% of GDP in 2009, are expected to rise slightly in 2011.

c) The "20/20/20" climate and energy package: the projects to reduce emissions suggest that the EU as a whole will achieve the 20% greenhouse gas reduction objective, while additional policies will be needed in certain Member States; with regard to renewable energy, the objective of 20% should be achieved by 2020 if the Member States implement their action plans.

d) education: the percentage of early school leaving must be less than 10% and at least 40% of the younger population must have a university diploma or equivalent; on the basis of the statistics for the beginning of 2012, the only progress made in the EU in terms of the objectives is in the field of education; average early school leaving in 2010 stood at 14.1% compared to 14.4% in 2009 but, even if all national objectives are met, they will not fall to 10% by 2020; Italy's backwardness in this regard is particularly significant, as is the lack of a project to close the gap.

e) poverty: at least 20 million people must be brought out of poverty and social exclusion; in the field of combating child poverty and reducing long-term unemployment, we will approach, but not reach, the objective of around 5 million, i.e. 25% of the EU's objective.

The commitments contained in individual countries' 2011 NRPs are insufficient for the EU to achieve its objectives, particularly with regard to energy efficiency. According to all of these indicators, Italy is showing signs of difficulty, particularly in terms of economic growth. It is therefore crucial to carry out a thorough and shared study of the obstacles to the country's growth and of the policies which can and must be implemented in order to restore competitiveness in Europe and in the world.

The European commitments provide an excellent opportunity for the country to set objectives for progress in areas which are crucial to economic development. Last year, this opportunity was not fully grasped.

3. The internal macroeconomic framework.

The Italian government has committed itself to achieving budgetary balance by 2014. The framework contained in the DEF demonstrates (see Table 1) how that balance will be achieved thanks to a very high primary surplus, of 5.7% of GDP, offsetting interest expenditure, of 5.5% of GDP. The DEF forecast, presented at the end of September, has not yet been updated, although the objective of balance has been brought forward to 2013.

In 2011, the primary balance was not sufficient to cover interest expenditure and there has been considerable net borrowing substantially similar to that expected, despite the reduction in the IRE advance (with an impact on the second tranche). According to this forecast, the deficit should be considerably reduced in 2012. The European balance rule is not reasonable either from the point of view of economic theory or in relation to the current phase of the crisis. However, it is strongly supported by Germany and other EU States, and was presented as necessary in order to reassure the markets in the face of possible debt default in certain European countries. It is now included in the new fiscal compact treaty and must therefore be considered part of the EU's rules.

The European Rules also require the current levels of debt (120% of GDP) to be brought down to 60% of GDP within 20 years. This is an entirely arbitrary target: it does not provide any guarantee against financial and debt crises, as history has shown; there is no critical value above which the market suffers. However, this too is a commitment, and the fact we sought to mitigate the possibility of sanctions with reference to external factors is not very significant.

The balanced budget rule (maximum structural deficit of 0.5%, Article 3 of the Fiscal Compact Treaty) tends to 'dominate' that of the 1/20 reduction in the debt/GDP ratio exceeding 60%, the absolute value of which reduces over the course of 20 years, and also as an "arithmetical" consequence of a stable balanced budget, provided that nominal GDP increases by at least 2.5% per year. This applies all the more if, over the coming months, there are no political tensions and the slow restoration of the confidence of institutional investors in relation to Italian debt is confirmed: a shrewd policy of selecting time limits for forthcoming auctions (134 billion concentrated by next April, 314 billion accumulated during 2012) can reasonably lead to the prospect of a credible reduction of debt.

The limits of European policies raise the central issue of a new institutional framework for Europe, which goes beyond the merely inter-governmental and draws up a common fiscal and debt management policy, and tackles the increasing imbalances in intra-area current accounts, resulting from a lack of coordination of budget policies, particularly on the part of the Members with structural surplus.

Quite apart from the European 'rules' (budget balance and reduction of the debt/GDP ratio to 60%), Italy has no interest in maintaining such a high level of debt, given the debt burden it entails. The primary surplus needed in the future to ensure a balanced budget with such a large debt, and hence such high interest payments, would in itself have a depressive effect on our economy. This must be taken into account, and appropriate debt reduction measures must be implemented.

A serious problem is raised by the possible over-estimation of the interest expenditure contained in the DEF and/or the possible over-estimation of the GDP growth rate. The latter factor does not just effect the debt/GDP ratio in that it can reduce the denominator but, as a result of the elasticity of revenue, it can also reduce the expected size of the primary surplus. As a result of this uncertainty, the restrictive measures had only partially reassured the financial markets in relation to the possibility of insolvency; there was fear of continued deflationary initiatives, with not insignificant consequences for the financial system, with increased risk for loans. The bringing forward of the balance objective to 2013 and the other measures of the Monti government have eased the tensions on the secondary market and prevented any transfer to the primary market. In short, we believe that the EU instruments to tackle debt crises, such as the EFSF, could be important primarily as a means to calm the markets' excessive anxieties.

4. Budget policy: spending and revenue.

The CNEL agrees with the government's plans to monitor wealth possessed in order to ensure consistency with the income reported over the year and proposes that this monitoring be accompanied by the introduction of an asset declaration. The social partners believe that a thorough redistribution of tax is urgently needed, not just in order to correct the increasing focus on income (particularly from work, pensions and companies), but also in order to restore competitiveness and domestic demand. The CNEL believes that the revenue from the new tax should as a priority be directed towards reducing the fiscal burden on earnings and labour costs. In this context, the impact of the recently introduced taxes will have to be assessed, including on capital, which have recently been introduced, in order to assess their degree of fairness and progressiveness.

4.1 Tax evasion.

There remains much room for action in relation to tax evasion. Tax evasion is not just illegal and morally reprehensible, but it also reduces efficiency and growth, distorting competition, increasing the resources of the evaders and restricting the effectiveness of actions aimed at people with low incomes. Of the possible and desirable actions, voluntary cooperation between tax authorities and taxpayers, in line with the best practices suggested by international bodies, can bring advantages in terms of non-invasive or less stringent checks for companies and in terms of increasing spontaneous compliance with tax obligations. Also unquestionably needed is a review of sector studies in order to promote the revelation of turnover, the combating of evasion and strict limits on the use of cash.

The revenue recovered from evasion, through combating measures and the increase in compliance, should be quantified and allocated entirely to reducing tax, particularly on work and on companies. The tax wedge, as we have pointed out, and the tax rate paid by companies are at maximum international levels.

Reducing tax rates would have various effects: it would encourage the said spontaneous compliance with tax obligations, make the country attractive for investments and increase its competitiveness.

The CNEL agrees with the proposal from the Giovannini Committee to establish an official evasion indicator in parallel with the existing one on the informal economy, a phenomenon which is linked, but which is not the same as evasion.

The CNEL would point to the following measures to be adopted in order to give new impetus to the fight against tax evasion:

- the strengthening of measures on the traceability of transactions should include the automatic communication (by banks and financial operators) to the Revenue Agency of the financial assets of all

taxpayers. This new information, together with that already in the tax register regarding other asset registers could enable the financial administration to select taxpayers for thorough monitoring. In fact, the tax register has a huge range of information which, once unified, provides a full and exhaustive picture of the fiscal behaviour and wealth of every taxpayer;

- strengthening enforcement through the adoption of a sectoral rotation mechanism which tackles for a predetermined period of time the areas of greatest evasion by means of highly consistent deductions/tax credits: this would reveal the true turnover of the categories involved and the deduction would be suspended and applied to other sectors;
- the prioritising in analytical assessments of taxpayers who have requested social benefits linked to levels of income and for companies showing consistent losses.

The CNEL agrees on the need for a reorganisation of the existing exemption arrangements with a view to simplifying and increasing the efficiency of the tax system. To this end, the CNEL proposes contributing to the necessary work of assessing the reasons for and the economic, social and constitutional purpose of each benefit.

The CNEL believes that a selective approach must be taken and that the indiscriminate dismantling of the existing system must be prevented. The review of the tax expenditures framework carried out by the Ceriani Committee must take account of the fact that many of the current benefits (in particular those for work, family and the *Irap*) not only must not be reduced but, on the contrary, must be strengthened. With regard to the benefits for work and family incomes in particular, the CNEL would point out that these are an integral part of the personal tax structure and conform to specific constitutional requirements.

Any fiscal policy intervention must be accompanied by a process of simplification, transparency and greater acceptance of the rules. The CNEL, based on the impressive research work made available to it by the *Associazione dei Tributaristi Italiani* for the creation of a genuine tax code, could present a proposal for revision of the taxpayers' statute which prevents, including in relation to parliamentary regulations, extemporaneous modifications of the tax system

4.2 Review of public spending.

With regard to spending, where there has already been a thorough reform of pensions, and other smaller but equally significant interventions, a shift of weight, in the recovery, from revenue to spending is not desirable in any further initiative. Instead it should be aimed at releasing financial resources to support development and employment, taking a long-term view, aimed at increasing growth, taking action in relation to production factors in particular. Other spending reductions could eventually result from administrative simplification, which is already in the government's actions and programmes. Within this framework is the intended initiative, under the current constitution, aimed at reducing the number of provinces, removing all intermediate administrative bodies, and at merging/reducing, into the government's territorial offices, the State's central administrations' regional offices (the expansion of which, with the resulting spending increase, has over recent years been entirely contrary to the constitutional implementation of the new Title V).

In order to carry out this shift of resources from certain spending headings to others (as has already been done in other countries and as we attempted to do some years ago), government action towards a structural reform of the labour market, a fiscal reform and a spending review appear to be vital. The aim must be to increase the efficiency and effectiveness of public action, which will certainly mean savings. The review of spending is closely linked to the review of existing administrative procedures, at least where technological development offers new approaches to the organisation of public service. On

the basis of the new instruments and new powers of the *Ragioneria Generale* [general accounting office] under the reform of the budget (Law No 196/2009), enhanced in 2011 (Law No 37), the accounting approach has been altered, with the move towards a structure for programmes and projects. On the road towards federalism, this issue must also be put before local authorities and regions in the case of spending for which have competence. The *Conferenza Unificata Stato Regioni* [State-regions joint conference] could not just launch a study with a view to reviewing and reducing spending, but also propose rules on the distribution and use of the resources resulting from the implementation of the initiatives taken.

4.3 Implementation of the directive on late payments by public administrations.

The expected review of expenditure is all the more crucial given that the European Commission, to support small and medium-sized enterprises in particular, has proposed that the Directive on payments for the acquisition of goods and services by public administrations be brought forward from March 2013 to March 2012. This directive provides for a penalty of 8% (in addition to the statutory rate and judicial costs) on all payments to suppliers of goods and services made beyond 30 (or 60) days, with express provision for the *ex lege* cancellation of exemption clauses. The size of the hidden commercial debt of Italian public administrations at the different levels has not been objectively measured, but many analyses (using various methodologies and approaches) agree on an amount of around 5 points of GDP, expected to emerge during 2013. A proper definition of commercial debt (in terms of stock and flows) and of its origins is also vital for the correct implementation of Law No 42/2009. The CNEL, which has discussed the issue in a relevant chapter of the report to Parliament in application of Article 9 of Law No 15/2009, could fulfil the commitment already made to draw up a specific legislative initiative on the issue.

5. Civil justice.

In order to ensure full compliance with contracts, beginning with payment terms between private parties, it is crucial that civil justice operates quickly and efficiently. These terms are extremely long in Italy (103 days in 2011, compared to 59 in France and 37 in Germany), increasing the financial demands on companies. The judicial enforcement of a contractual obligation takes 1210 days in Italy, compared to 394 in Germany and 331 in France. In Italy, a civil case of first instance lasts 533 days, compared to 286 in France. All of this reduces confidence, discourages investment and reduces legal certainty. It is therefore important to establish the duties and powers of the company court (established by DL No 201/2011) and geographically redistribute the courts as quickly as possible.

6. Innovation and transparency of public administrations and economic-social governance.

The tasks assigned to the CNEL by the legislation in force on administrative activity involve communication to Parliament and to the government regarding the levels and quality of services provided by public administrations to individuals and the construction of an archive of collective bargaining by public administration staff.

The CNEL bases its view of public administration on the measurement and assessment of final services to users and, on the basis of results indicators, builds an assessment of the satisfaction of citizens and businesses, primarily through the contribution of the social stakeholders represented in the CNEL.

This attention to public authorities' final services to citizens is one of the most advanced aspects of administrative reform.

The creation of a system of performance evaluation, initiated by the CNEL and by Istat, with the 2011 report on the results of administrative activities (Article 9 of Law No 15 of 2009) may provide the first step in a proposal for the implementation and integration of administrative reforms. The process for the rationalisation and modernisation of public administrations would be as follows:

- budgeting for actions and programmes geared towards the end results of administrative and managerial action (performance budgeting) able to create the programming guidelines for public policies (input, resources, targets, indicators);
- a system of statistical-economic information based on a tendency towards 'universal' means for measuring final performance, and their evaluation by means of systems of indicators (input, output, outcome or performance);
- priority orientation of internal (Civit network, Oiv) and external control systems (Court of Auditors in reports on accounts and management control) towards the assessment of public policies and control of the end results of financial management and administrative activity.

In terms of participation by social stakeholders, the CNEL can be involved not just in the measurement and assessment of performance, but also in cooperation in the move towards the modernisation and reform of public administrations. The CNEL's assessment and proposals, with the contribution of social stakeholders, examine the levels and quality (actual and perceived) of services to citizens and companies and can provide a boost for innovation in administration and for greater and more meaningful participation by directors and staff of public administrations in the reform of public administration and the promotion of work, the role of employees and contracting.

The creation, so far incomplete and uncertain, of a federal system requires the institutional strengthening of fora for cooperation between the 'centre' and local governments. Two directions could be taken:

- the legislative process, in application of Article 11 of Constitutional Law No 3 of 201[sic] which incorporates an enlarged bicameral committee for regional issues and representatives of regional councils into the legislative procedure, on the basis of parallel legislative fields;
- the governance process, giving a constitutionally significant role to the *Conferenza Unificata Stato Regioni* [State-regions joint conference], on the basis of budget and fiscal policies and governance of welfare.

The process of liberalisations and privatisations requires a strengthening of the regulation and control role entrusted to independent authorities. It seems that a balance needs to be sought between the general competences of the competition authority and the independent sectoral bodies, which are naturally exposed to pressure of the interests of the specific area in question.

7. Labour market, employment, new welfare.

The gain of 1.5 million jobs, in the middle of 2011, does not offset the previous loss of 6 million jobs. Since the pace of real GDP growth has slowed during 2011, the prospects for employment are very uncertain. Unemployment rates have changed to differing degrees amongst the various sectors of the labour market: employment of men in manufacturing and construction, of unskilled workers and particularly of young people has fallen, and this negative trend continued throughout 2011. It has also continued in 2012. On the other hand, employment amongst older people has increased as a result of the pension reform. The recent rise in employment results from temporary and part-time contracts, while before the crisis permanent and full-time jobs were increasing. The proportion of young people of

between 15 and 24 years of age who neither study nor work increased by 2% between 2008 and 2010. Long-term unemployment reached 43% and is resolved more slowly. Less qualified workers increased from 11.6% in 2008 to 16.6% in 2011 and there is less and less demand for them as sectors move towards more highly-skilled and higher-technology activities. The crisis has increased long-term exclusion: the proportion of children and adults in families without work rose from 9% to 9.9% in the EU as a whole, the proportion of the population living without work was above 10% in 7 Member States: single parents, mostly women, and children are at risk of social exclusion. In most countries transfers have been able to protect them, but poverty is increasing in many countries.

What are the weaknesses of Italy's 2011 NRP, according to the recommendations of the European Council, where we have failed in relation to the objectives? The 2011 NRP was genuinely unambitious and insufficiently targeted towards growth: the labour market, welfare and education were presented in terms of sustainability and compatibility with public finance not in relation to the Europe 2020 objectives. The chapters on rigour and growth did not refer to inclusion, as in the case of the NRPs of Germany and France. It mentioned reforms already completed and did not lay out a programme for updating welfare. Over recent months though, measures have been taken which will have a significant impact on social spending. The pension reform will produce savings from 2013; but the consequences in the labour market need to be addressed: 800,000 jobs are affected by the reform. In the document Italy undertook to achieve 67%-69% employment by 2020. Today the figure stands at a total of 56.9%, and 46.1% for women. The policies for achieving the objective were not indicated, policies which require significant reforms. The plan for young people was 'not started', and left to three-yearly plans with no results. According to the recommendations of the European Council specific objectives for defeating the informal economy were not stipulated, but simply a general call for increased monitoring. The steps taken so far are the incentives for the employment of young people and women under the "*Salva Italia*" initiative and the liberalisations under the "*Cresci Italia*" initiative, which should have a positive impact on employment. But all of this is still under development and is not sufficient. Any solution should be found at the negotiating table on the labour market. Not having a strong network of training in the regions also makes a difference for policies to support income in the event of company crises. It is not sufficient to express wishes and impose obligations on workers, because training should be adopted with social safety nets and can bring good results which promote mobility, unless a system of training able to meet the diverse requirements of the labour market has first been created in the regions. A reform of social safety nets is very expensive, and is at the centre of the negotiations between the government and social partners which should lead to a shared reform of the labour market.

In terms of flexible means for entering the labour market, it would be positive to consolidate an agreement on inclusion contracts and apprenticeships, or dual training or combinations of learning and working. A serious reform of the labour market must include a system of employment services at European level; the Italian system provides just 3% of jobs and effective action is taken in just a few regions (Tuscany, Emilia, Friuli, Veneto, Lombardy). The dramatic increase in youth unemployment, which has exceeded 31%, is largely the result of serious shortcomings of the Italian education system and the profound discrepancy between the needs of the labour market and the qualifications and skills provided by the school system. A plan is needed to strengthen technical education and professional training with a view to reducing dispersal, overcoming the discrepancy and bringing schools closer to the ground and to companies (including through an agreement on inclusion and apprenticeship contracts). The important role that technical education and training are being asked to play in Italy is

fully justified by the fact that our country ranks second in Europe in terms of turnover and employment in the manufacturing sector.

The female unemployment rate in Italy is the indicator which best demonstrates the discrepancy between objectives and reality. This rate has been rising since 2009, while in other countries female employment has held up, and in Germany it has actually increased, despite the enormous financial constraints and the difficulty of raising funds for new childcare, social services, increasing child allowances or introducing tax credits for working mothers. Female employment is not yet at the core of our economic and social policy. Since Lisbon, the EU has constantly stated that female employment is one of the promising drivers of growth for countries, such as Italy, which have been left behind and have yet to make full use of its potential.

Increasing employment amongst women and young people is a serious growth objective: as a result of the multiplier effect of female employment, for every 100 women entering the labour market 12 further jobs are created in the many services which become necessary. A two-income family 'consumes' more because it needs help, having less time available. The consistent entry of women into the labour market would increase household income, which fell by 5% in 2010, and protect that income from economic adversity. Reducing the gender gap is a powerful measurement of economic policy.

The CNEL also stresses the need to reduce the time it takes graduates to enter the labour market and to examine possible actions to increase the mobility of professionals within Europe, by simplifying the recognition procedure, maintaining proper guarantees, according to the recommendations of the European Council.

8. Combating poverty.

The lack of poverty subsidies, with the exception of the subsistence minimum, allocated at regional level, and the social card, which has problems in terms of coverage and the inadequacy of the parameters for its issuing: the social card fund has not been exhausted. Although social protection has been reduced everywhere over recent years, a minimum income of last resort is guaranteed in the majority of EU countries. In France and the UK this benefit corresponds to around 20% of GDP per capita, and up to 30 - 40% in Germany and Denmark. In the absence of systematic measures to combat absolute poverty, the social card should be revised as a form of support in the absence of income or for particularly difficult economic conditions; there should however be adequate social support which enables people living at risk of exclusion in particular to benefit not just from economic assistance but also from personal support.

Welfare needs to be thoroughly reorganised, so as to reduce the welfare pockets which have been created over recent decades, and reduce the inefficient areas of public spending. Welfare needs to be thoroughly reorganised in order to reform spending and social services, stressing a new role for this society based on mutualism and social management.

9. Research and innovation, diversification and industrial policy.

Italy's historic backwardness in international comparisons of spending on R+D and numbers of researchers and patents per 1000 inhabitants is well known. This negative picture is offset by a less disadvantaged position in terms of the 'informal' innovative activities of companies (European data - CIS-Community Innovational Surveys) and export performance in a range of medium and medium-high technology sectors (i.e. many areas of electrical and non-electrical mechanics, certain areas of fine chemistry and pharmaceuticals, aeronautics and shipbuilding).

We must end the vicious circle in which low levels of education (test PISA etc) combined with low demand from companies for graduates discourage young people from seeking higher and better-paid levels of training. In order to foster a significant improvement in the productivity and competitiveness of our industry and services system, fiscal and financial measures should be promoted to expand companies and create emerging networks of companies.

Relations must be developed between companies and universities, increasing investments in order to bring *intra-muros* R+D spending up to 2% of GDP.

However, in addition to this vicious circle of supply and demand of skilled labour, we have an industrial policy which, with the era of the private and state-owned national models of the 50s and 60s over, and with the failed experiences of the "sector plans" and "targeted CNR projects" of the 70s and 80s, has been reduced to a wide range of 'horizontal' incentives, rejecting the large cross-cutting programmes for new technological frontiers at which various other European countries (Germany, France, United Kingdom) have in the meantime been focussing significant public resources. Many doubts have been expressed regarding the effectiveness of ad hoc incentives, particularly in research based on representative samples of beneficiary and non-beneficiary companies carried out by the Bank of Italy.

In the wake of the French *Programmes mobilisateurs*, the first and only attempt in Italy at an industrial policy aimed at aggregating large companies, small and medium-sized companies and research centres, with pre-competitive research programmes drawn up according to a bottom-up approach and subject to rigorous independent validation (*Industria 2015*, initially with five programmes, then reduced to three as a result of ministerial changes) has nearly stalled over the last three years, not so much because of reductions in funds, but rather because of the chronic inability of our bureaucracy to manage transparent, linear and quick procedures. The current MISE-MEF government perhaps now has a degree of will and capacity to relaunch the projects and prevent an unfortunate epilogue to this sadly typical story.

In order to foster a significant improvement in the productivity and competitiveness of our industry and services system, fiscal and financial measures should be promoted to expand companies and create emerging networks of companies.

10. ICT

The new government is aware of the role that ICTs can play in the country's development, and that we are lagging behind in terms of the objectives of the European Digital Agenda: 16.5% of Italian families use the internet, compared to the European 26.4%, a quarter of Italians have never used the internet; the turnover of e-commerce stands at 5.4% of total turnover, compared to the European 13.9%.

In order to bring Italy as far as possible into line with the targets set by the European Digital Agenda, the government has taken certain important measures in the decree on simplification and development.

The creation of an Italian Digital Agenda, making specific choices according to the criteria of urgency and feasibility; the obligatory digital transmission of all flows from users to universities, and of some flows to other public administrations such as the INPS for the centralisation of data on assistance benefits, in order to reduce wastage and abuse; overcoming the first-generation digital divide under the Eurosud Plan, with the aim of enabling 358 000 citizens to connect to the broadband network up to 2 Mbps.

In addition to these initial measures it has identified six strategic lines, for each of which it has set up a working group to identify priorities and instruments for action. The six strategic lines relate to infrastructure and security issues regarding e-commerce, e-government and open data networks. The

measures so far indicated by the government are still generic, but appear to suggest a strategy aimed at maximum feasibility.

In order to bring our country into line with European standards, two stumbling blocks have yet to be removed: the modification of the current tender for the assignment at no charge to television operators of the frequencies needed for the creation of networks for the broadcast of digital terrestrial TV (*beauty contest*); the resumption of a process leading to the creation of a fixed ultra-broadband network. The difficulties identified have been alleviated in terms of the first issue: the *Cassa Depositi e Prestiti* is available for forms of co-financing while the profound difference in strategies between the traditional operator (Telecom Italia) and the alternative operators remains, an obstacle which has not yet been overcome.

11. Green economy.

The green economy is an extremely important frontier in global development. Energy efficiency and renewable energy sources are the main tools proposed by the European Commission. Italy's objective is not just to reduce climate-changing gas emissions, but also to reduce the consumption of energy, the vast majority of which is imported at increasing cost and is less and less available. For Italy, policies to promote the green economy would become a competitive factor, reducing costs but also developing internal demand for technologies strongly rooted in the Italian industrial fabric, because they involve almost 300 thousand companies from all production sectors, and almost three million jobs. Given the pervasive nature of the green economy, an industrial policy strategy (energy efficiency, smart grid, refurbishment, GDP, etc.) is urgently needed to enable the most backward production sectors in particular to innovate.

However, the development of the green economy must include respecting and protecting the country in terms of the environment and agricultural activity.

Renewable energy policies have dedicated the vast majority of resources to photovoltaic energy, with incentives which to 2014 will exceed EUR 6 billion per year. Other renewable energy sources have been neglected, in particular thermal. Incentive schemes must therefore be rebalanced on the basis of the economic merit order of the various technologies.

The mechanism which in fact favours production (technologies and products) from non-European countries (the United States and China) and penalises European industries must also be reformed. A common industrial policy is needed to promote European exports, prevents the fragmentation of initiatives and takes more decisive action on the taxation of goods imported from countries which have less stringent environmental legislation and costs than Europe.

Gas shortages have once again demonstrated the country's infrastructure weaknesses in the energy sector. Authorisations for regasification terminals must be speeded up and completed and there must be investment in the enhancement of interconnecting pipelines with other European countries. Better energy sector infrastructures favour the liberalisation of markets and the competitiveness of industrial economies and enhance the system's security. Furthermore, Italy could take full advantage of its geostrategic position in Europe, becoming the hub for Southern Europe.

12. Infrastructures and logistics.

The number of infrastructure projects planned under the *legge obiettivo* [objective law] (348 works and 753 actions) confirms the existence of an infrastructure gap which significantly prejudices the development of our economy, with the resulting social impact.

The programme has drawn up a programme of essential infrastructures on which to concentrate the funding available over the coming years, which differs from the 2011 NRP. Decree-Law No 1 of 24 January 2012 provides for a series of fiscal measures aimed at incentivising the participation of private capital in the construction of infrastructures, above all in the form of project financing. "Availability contracts" are being introduced, i.e. the possibility for a contractor to build and maintain an infrastructure, guaranteeing its availability for the contracting party for the period of the contract.

A new infrastructure policy should be based on two criteria: selection of priorities with reference to strategic territorial systems and integration of actions (structural and complementary), criteria which are entirely different to those followed to date, based on a fair distribution amongst regions, but in fact dominated by particular interests. Particular attention must be paid to the infrastructural redevelopment of urban areas where, with concentrations of significant economic and financial interests, there can be a significant trend towards industrial and employment development with considerable benefits for local communities.

Furthermore, in light of measures adopted by the government, further steps forward to update the country's infrastructure require: a constitutional reform to reduce the concurrent powers between institutions and, under the current constitution, a State-regions understanding to be reached at the relevant conference; a further review of infrastructure priorities given that it is impossible to prioritise all of the projects under the *legge obiettivo* (358 billion) given the size of the projects funded by the CIPE (14.09 billion); adequate powers for the transport authority with a view to regulating the market and complete its opening-up process; the drawing up of a procedure aimed at obtaining consensus on the carrying out of public works (as already proposed by the CNEL in a document of observations and proposals of 2009); compliance with the provisions obliging the public body submitting the project to indicate all of the steps necessary and a calculation of the expected timescales; the possibility of standardising projects to be put to tender by involving specialised public and private parties; the speeding up of the initiatives in place within the Ministry of Infrastructures to draw up a regulatory framework on urban mobility, with which individual administrations must comply, taking account of the observations and proposals of the CNEL. Finally, the CNEL considers it crucial to implement a policy to relaunch goods transport by rail, which is now reduced in Italy to an extremely low percentage compared to road transport, with a serious negative impact in terms of traffic congestion, road safety and atmospheric pollution.

13. Internationalisation.

The internationalisation of companies needs to be promoted in order to preserve and increase market shares in the advanced economies and to intercept the new flows of global demand from emerging areas with high economic growth. The country's action must be aimed not just at sustaining exports, but also at consolidating a more stable presence for Italian companies abroad in order to raise the overall degree of internationalisation of the system as a whole. In order to achieve these objectives, the current promotional, financial and insurance instruments available to companies must be rationalised and made more effective in order to promote their expansion into external markets.

14. The Mezzogiorno and the new Structural Fund policies.

In the regions of the Mezzogiorno the three-year crisis of 2008-2010 struck particularly hard (GDP down 6.1%, compared to down 4.9% in the Centre-North), and there appears to have been no recovery during 2011. The forecasts for 2012, in the absence of effective economic policies, suggest recession, with possible falls in GDP of up 2% (Svimez data and forecasts). 55% of the job losses caused by the

crisis have been concentrated in the Mezzogiorno. There is a worrying increase in the number of unemployed people of working age (who increased by 750 thousand between 2003 and 2010) and of irregular workers.

Behind this situation is the weakening of the competitive capacity of the southern economy. Largely responsible for this are the inefficiency of public administrations, wastage of resources and the inadequate provision of fundamental public services. The effects of an incomplete, and many ways unfair, welfare system weigh heavily. Many temporary workers unexpectedly find themselves without work or income. The scarcity of social assistance services for young people and the elderly is a serious problem. The fight against extreme poverty, which lags way behind in Italy in general, does so particularly in the Mezzogiorno.

The Mezzogiorno could benefit greatly from the proper implementation of the development policies suggested by the EU, and the action already launched by the government, which should however be enhanced and completed. The constraints of the budget, aimed at balance by 2013, make it difficult to increase resources to the Mezzogiorno. The action already begun by the government, to reallocate resources from halted projects and projects which have not begun or which are no longer priorities, to actions that can be carried out quickly and are more effective in increasing growth also in the medium to long term, will therefore be very important.

There is also a requirement for greater integration between public policies relating to major services and specific individual actions. This new approach can be implemented without additional resources, by means of more efficient planning, management and control.

For the 2007-2013 programming period, the EU has allocated 28.8 billion in Structural Funds to Italy, which with the addition of national co-financing would amount to 60.5 billion. Of this, 43.6 billion are allocated to the convergence objective, i.e. to the Mezzogiorno. As of 31 October 2011, 39.8% of these resources had been committed and just 9.1% paid. Most has yet to be spent, and the contribution to resolving the growth problems is entirely unsatisfactory.

In view of the importance of international trade, now in particular, for Italy and for the Mezzogiorno, in terms of giving renewed impetus to development, territorial systems based around ports and international transport routes should be considered strategic. This is of particular interest where there are already excellent production chains geared towards exports. The external diseconomies noted, and which are caused by the insufficient infrastructures, reduce the productivity of the Mezzogiorno's economic system.

Also important for the Mezzogiorno is the creation of infrastructures dedicated to the transport of energy from renewable sources, sources which the private system is helping to grow, but which may face insurmountable bottlenecks in the transport network.

Finally, there is always the issue of the need for infrastructure actions in the water sector. A plan which identifies actions that can be carried out immediately and actions to be postponed seems to be consistent with the idea that policy in this sector must be radically reworked, according to the criterion of optimising choices, and seeking the necessary agreements between the institutions involved.