

## Annex. Progress in structural reform

*This Annex reviews actions taken on recommendations from previous Economic Surveys that are not covered in tables within the main body of the Assessment and Recommendations. Recommendations that are new to this Survey are listed at the end of the Executive Summary and the relevant chapter.*

Past Survey Recommendations (Key recommendations of the 2017 Survey are in bold)	Actions taken since 2017 Survey
<b>Fiscal issues</b>	
Evaluate the effectiveness of recently introduced research and development tax credits and other fiscal incentives in terms of innovation outcomes and forgone tax receipts.	Extensive data being collected and analysed on firms benefiting Start-up Act (and Industry 4.0).
Stick to the planned fiscal strategy so as to bring the debt-to-GDP ratio onto a declining path.	The 2019 budget marks a significant departure from the previous fiscal strategy.
Promote greater use of centralised procurement, cost information systems and benchmarking.	Public procurement management continues to improve, through more contracting through central authority. Procurement agencies' capacity is improving. IT systems are facilitating comparisons of prices paid by difference agencies. ANAC is taking a stronger role in supervising and authorising contracting.
<b>Strengthen the coordinating role of the central government to set and enforce minimum standards in project preparation and execution and to enhance the administrative capacity of all agencies using national and European funds for investment.</b>	The Government has proposed the creation of a task force to centralise information on ongoing projects through the active management of a centralized database and direct links with the expense terminals, systematically promoting the monitoring, evaluation and coordination of investments. The Government will also create a central unit with the task of offering technical assistance to ensure quality standards for the preparation and evaluation of programs and projects by central and peripheral public administrations are met.
Continue to assess the magnitude of budgetary contingent liabilities, including the vulnerability of public finances to risks associated with the financial sector.	New contingent liabilities are being accounted for correctly. The interventions in the banking sector have generated some contingent liabilities that have been audited by Eurostat and ECB and reflected in budget documents following their advice. Less than 3% of new firms with bank finance guaranteed through the Start-up Act have needed to call on this guarantee.
<b>Fully legislate and implement the already planned nationwide anti-poverty programme, target it towards the young and children and ensure it is sufficiently funded.</b>	A guaranteed minimum income programme, the REI, was rolled out nationally in Jan 2018 to all households with low income and assets conditional on participation in job search or other social services criteria. The delivery of REI social services builds on municipalities' existing social protection services. The 2019 budget introduces a new guaranteed minimum income scheme (Citizen's Income) to replace the REI that increases significantly the financial resources allocated to anti-poverty programmes and will to a large extent rely on Public Employment Services for job-search activation programmes.
<b>Financial sector</b>	
<b>Set gradual, credible and bank-specific targets to reduce banks' non-performing loans (NPLs) consistently with recent ECB's Draft Guidelines.</b>	NPLs have fallen following pro-active, robust and intrusive regulation and supervision. In March 2018, the four significant banks submitted updated NPL-reduction plans for 2018-2020, and, by the end of 2018, the less significant banks with high NPLs will have to submit plans for reducing NPLs.
<b>When banks deviate from targets, bank supervisor should require remedial actions such as additional capital requirements, sales of assets, suspension of dividend payments, and reduction of staff costs.</b>	
Continue to develop the secondary market for NPLs.	A secondary market for NPLs has taken off with the participation of foreign and domestic investors. Banks and other financial institutions made large sales of NPLs into the secondary market in 2017 and first half of 2018, leading the stock of banks' non-performing loans to decline.
<b>Use debt-equity swaps more frequently by allowing for cram down of creditors.</b>	No progress. The ongoing reform of the bankruptcy law should address this issue.
Set clear guidelines for the valuation of collateral.	The Single Supervisory Mechanism (SSM) issued guidelines for significant institutions in March 2017 and the Bank of Italy issued guidelines for less significant institutions in January 2018, for the treatment of NPLs, including collateral valuation.
<b>Public sector efficiency</b>	
Approve and fully implement the public administration reform to open up to competition local public services.	Public administration reform has been approved and implemented. The opening to competition of some local public services is still. The reform of local state owned enterprises is ongoing but has been delayed.
Ensure that legislation is clear, unambiguous and supported by improved public administration, including through reduced use of emergency decrees.	The use of emergency decrees has declined. The public administration reform has been approved and implemented and measures are ongoing. A Freedom of Information Act (FoIA) was approved, which establishes a general civic access: citizens are allowed to access data and documents of the Public Administration even if those are not made public. The same Decree that introduced the FoIA, sets an obligation for Public Administrations to publish their data bases.

<b>Past Survey Recommendations</b> (Key recommendations of the 2017 <i>Survey</i> are in bold)	<b>Actions taken since 2017 Survey</b>
<p>Make more extensive and better use of regulatory impact analyses, especially by engaging with stakeholders in ex-ante consultative processes.</p>	<p>The anti-corruption agency (ANAC) provides guidance on various issues relating to the prevention of corruption. Its regulations have the power of soft laws. As regards whistle-blower protection in the public and private sector, ANAC has become the main channel for receiving the reports. In the public sector ANAC is not only a reporting channel, but also the governance and regulatory authority. No change on Regulatory Impact Assessment</p>
<p>Further streamline the court system, with more specialisation where appropriate; increase the use of mediation; enhance monitoring of court performance.</p>	<p>Continued judicial system reforms, although performance remains uneven, and times to resolve cases is significantly slower in southern regions.</p>
<p>Consider establishing a Productivity Commission with the mandate to provide advice to the government on matters related to productivity, promote public understanding of reforms, and engage in a dialogue with stakeholders.</p>	<p>No progress.</p>
<p>Reducing corruption and improving trust must remain a priority. For this, the new anti-corruption agency ANAC needs stability and continuity as well as support at all political levels.</p>	<p>ANAC continues to operate and has gained a prominent role in corruption prevention activities. It as an importation in public procurement procedures and responsible for issuing implementing regulation concerning the 2016 public procurement code. The code has yet to be implemented in full. In 2018 the government put forward and the parliament approved a new law (Corruption-Sweeping Law, "Spazzacorrotti") lengthening prison sentences for corruption convictions, eliminating the statute of limitations after a first degree judgment (for all judicial cases not just for corruption), allowing for undercover agents in corruption investigations and setting a measure of debarment (so called Daspo) for both public officials and private individuals, as well as companies, convicted for corruption, which will be banned from contracting with public administrations. The reform of the Criminal Codes, entered into force in August 2017 includes a reform of the time limitation regime, thus enhancing the capability of the criminal system to fight corruption.</p> <p>As for the Civil Code, an important step forward has been made with the introduction of innovative provisions regarding corruption in the private sector</p>
<p>Reduce public ownership, especially in TV media, transport and energy utilities, and local public services. Privatise and liberalise energy and transport sectors. Complete framework for regulation of water and other local public services, ensuring regulatory independence. Introduce national oversight of regional regulatory competences (e.g. retailing, land-use planning).</p>	<p>Privatisation programme has made little progress. The latest large privatisation concerns the disinvestment of 46.6% equity stake in the air traffic controller (ENAV) in 2016.</p> <p>A 2018 decree (Mille Proroghe decree) postponed the price liberalisation for gas and electricity by one year to 1<sup>st</sup> July 2020.</p>
<b>Environmental policy</b>	
<p>Make taxation more environmentally-friendly by reducing the gap between duties on diesel and petrol.</p>	<p>No progress</p>
<p>Shift the tax burden from electricity to the energy products used to generate it, with the respective rates set to reflect the carbon emissions and other pollutants associated with each fuel.</p>	<p>No progress</p>
<b>Active labour market programmes</b>	
<p>Fully implement the unified unemployment benefit system. Require recipients to actively seek work, and to accept employment or training when offered.</p>	<p>The new system has been implemented.</p>
<p>Encourage social partners to allow modification of national wage agreements at the firm level, through agreement with representatives of a majority of the firm's employees</p>	<p>Fiscal incentives to encourage firm-level wage bargaining are in places and yielding fruit. Social partners are negotiating additional benefits for employees, generally in workplaces with higher productivity and margins. But use overall remains limited.</p>

Past Survey Recommendations (Key recommendations of the 2017 Survey are in bold)	Actions taken since 2017 Survey
<p><b>Raise the efficiency of public employment services by decreasing job seeker-to-staff ratio. Employ profiling tools and specialised counsellors.</b></p> <p>Ensure ANPAL has the powers to coordinate local employment services offices and set national standards on job search and training policies.</p>	<p>Public employment services continue to be managed by regions. In December 2017 the State-Regions Conference approved a plan to strengthen active labour market policies based on further developing profiling tools, integrating IT systems and improving public employment services. ANPAL has the responsibility of monitoring the plan's implementation and reporting progress once per year. The government has set minimum quality standards for public employment services. ANPAL is expected to supervise the implementation of such standard but has very limited power. The 2019 budget allocates EUR 1 billion for 2019 to the reform of PES including to increase staffing by 125% and invest in processes.</p>
<p><b>Implement a systematic assessment of the labour market impact of activation programmes and focus funding on those that are performing well.</b></p> <p>Facilitate labour mobility between regions, occupations and sectors through skills recognition and the use of skills assessment.</p>	<p>INAPP has broadly evaluated labour market skill needs, and conducted deeper evaluation of apprenticeship programmes.</p> <p>Skills certification is growing among participants in joint inter-professional funds. A process has started to define the Guidelines for a National Skill Certification System ("Linee guida del Sistema Nazionale di Certificazione delle Competenze") as envisaged by a 2013.</p>
<b>Skills and education</b>	
<p><b>Strengthen the post-secondary vocational education and training (VET) system following the example of Istituti Tecnici Superiori.</b></p>	<p>The government has allocated up to EUR 50 million to reorganise the vocational education and training system in order to better respond to the business sector's needs. The reform come into effect for the school years 2018/2019 and 2019/2020.</p> <p>A 2017 Ministerial Decree introduces for the first time the possibility for Universities to set up, from 2018/2019, three-year experimental programmes at first cycle of higher education known as professional degrees ("lauree professionalizzanti"). The content of the courses are defined at national level in cooperation with professional bodies ("Ordini Professionali"), and with enterprises.</p>
<p><b>Establish a national body on VET involving the business sector and key stakeholders to link the training component of VET with apprenticeships, ensure high-quality workplace training and identify skills needed in the labour market.</b></p>	<p>A national body has not been established. However links between businesses and key stakeholders to link the training component of VET with apprenticeships are being strengthened.</p>
<p>Introduce minimum training quality standards to the firms providing traineeships, internships and apprenticeships.</p>	<p>No progress</p>
<p>Target the low skilled in lifelong learning by facilitating integration into formal education through part-time programmes in post-secondary education and vocational training.</p>	<p>A pilot programme is ongoing in public employment services and in provincial centres for adult education for the self-assessment of adults' skills based on PIAAC.</p>
<p>Develop digital skills at all levels of education and training.</p>	<p>Digital skills are being developed into context of National Plan for Digital Education and Industry 4.0. Resources have been allocated to create dedicated teams to implement the Plan for Digital Education over 2019-2021. ANAPL</p>
<p><b>Develop a career-based system for teachers based on a well-functioning system for evaluating teachers to attract and retain the best qualified teachers and improve career development.</b></p>	<p>The government reiterated its intention to improve the training system for new teachers in lower and upper secondary schools. Funds have been allocated for the training needs of teachers and to support their professional development. Moreover, a digital system has been established that provides more than 30 000 training courses for teachers.</p>
<p>Create partnerships between schools and the business sector to create quality work-based learning opportunities for students as envisaged by the Good School reform.</p>	<p>The total number of hours for work-based learning foreseen by the 'Good School' reform have been reduced according to the specific educational path. The government intends to create a 'National Network of Vocational Schools' to strengthen links with the labour market, regularly updating career and professional profiles and facilitate the transition from school to work.</p>

**Product markets**

<b>Employ public funds to help develop a private venture capital industry by crowding in private investors and adopting strict investment selection criteria.</b>	Invitalia SGR is a public-private venture capital fund started in 2015. It has EUR 86 million under management of which EUR 50 million from the state and the remainder from private investors. It invests in innovative start-ups and SMEs. A new public-private fund (Italia Venture II) was established in 2018 with EUR 150 million seed funds from the government to invest in innovative start-ups and SMEs in southern regions. No private investors have yet joined this fund. The 2019 budget law introduced the possibility for the government the government to participate in venture capital funds. To this end, a Venture Capital Support Fund has been set up, with a yearly allocation of EUR 30 million for the 2019-2021 period and EUR 5 million yearly for 2022-2025. The dividends and distributed profits received from SOEs can be invested in venture capital funds.
Maintain current policies to diversify sources of business finance, especially for SMEs such as allowance for corporate equity, the tax advantages and streamlined procedures to issue bonds by unlisted SMEs (minibonds).	The 2019 budget will abolish the allowance for corporate equity that have proved effective in reducing the debt bias and contribute to the capitalisation of Italian firms. The Start-up Act is supporting access to finance but largely through bank loans.
<b>Target research and development incentives towards innovative start-ups and small and medium enterprises. Make them refundable.</b>	Industry 4.0 and the Start-up Act made progress in this area. Some of the incentives are targeted and refundable.
Increase as planned the share of research funding allocated through competitive procedures; publish clear guidelines to allocate research funds to universities and public research institutes based on research assessment.	Pools of funds are allocated to universities on the basis of research results. Funding shares are published.
<b>Approve the competition law being discussed by parliament so as to increase competition into professional and services sectors.</b>	Law approved August 2017. Reformed merger notification requirements. Opening of retail gas and electricity markets postponed to 1 July 2019 from 30 June 2017. Introduced measures in regulated professions, the insurance sector, the telecommunications industry. Increased supply of notaries reduced some exclusive functions of Poste Italiane. Anti-trust arrangements [strengthened?–need to assess] by January 2017 Legislative Decree. Some key provisions of the law were softened during parliamentary approval process, something that was criticised by the Competition Authority.
Reform the bankruptcy legislation in an organic and comprehensive way as envisaged by the enabling law being discussed by parliament.	The enabling law for a comprehensive reform of the bankruptcy code became effective November 2017. The government has yet to issue the implementing decrees that will need to be approved by parliament.

**Subnational fiscal relations**

Follow through the reform of parliament and the re-assignment and clarification of competences between the central and sub-national governments.	After the proposed constitutional reform failed to pass, various levels of government are reaching agreements on managing certain subjects, such as active labour market programmes (ALMPs), in the current institutional setting.
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**Tax administration**

<b>Improve tax collection by investing more in IT systems and updating cadastral values used for properties taxes.</b> <b>Use additional tax receipts to permanently lower social security contributions for new permanent contracts.</b>	E-invoicing system was introduced to all transaction from Jan 2019. Some smaller steps were completed. For example, digitalisation of tax trials was extended to the whole country. Comprehensive reforms of tax administration and enforcement is yet to progress. Cadastral value reforms are yet to be designed and implemented. Reduced social security contribution rates are only temporary or limited to some categories of workers (the young). In 2018, split payments to combat VAT evasion were abolished for self-employed.
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