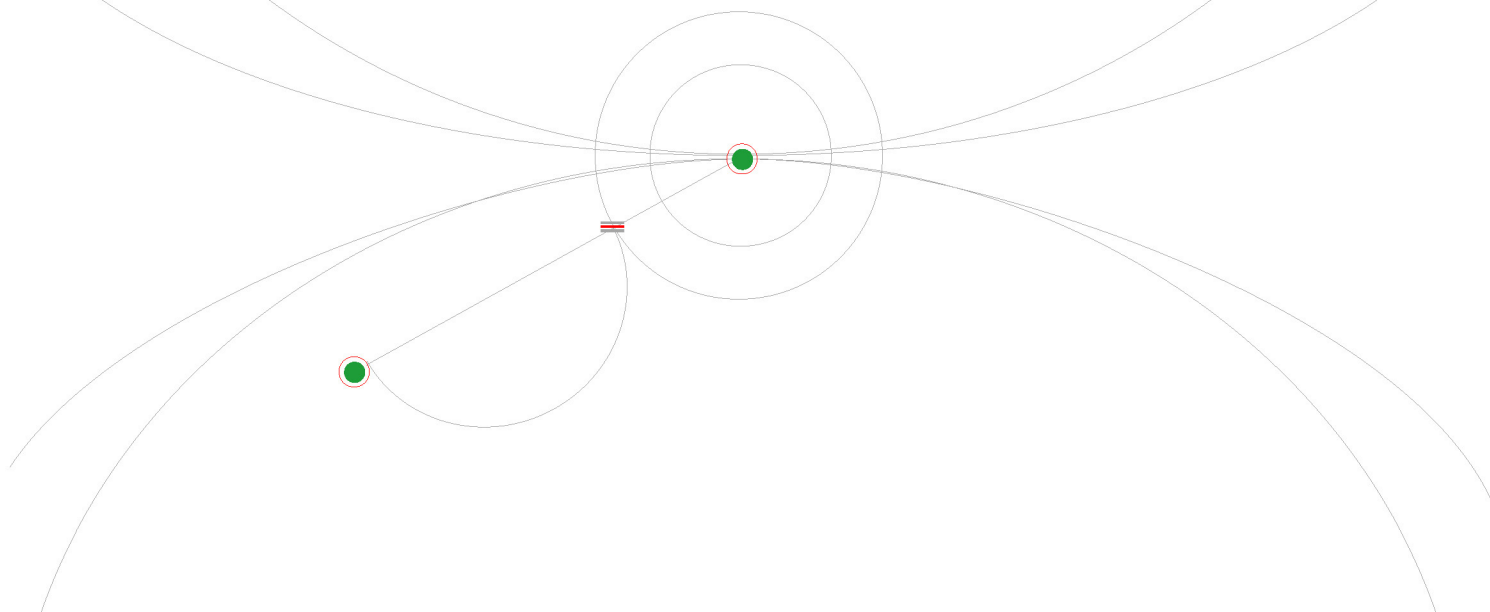




MINISTERO DELL'ECONOMIA E DELLE FINANZE



ITALY'S DRAFT BUDGETARY PLAN 2017





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Submitted by Minister of Economy and Finance
Pier Carlo Padoan

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I. MACROECONOMIC OUTLOOK AND FISCAL POLICY

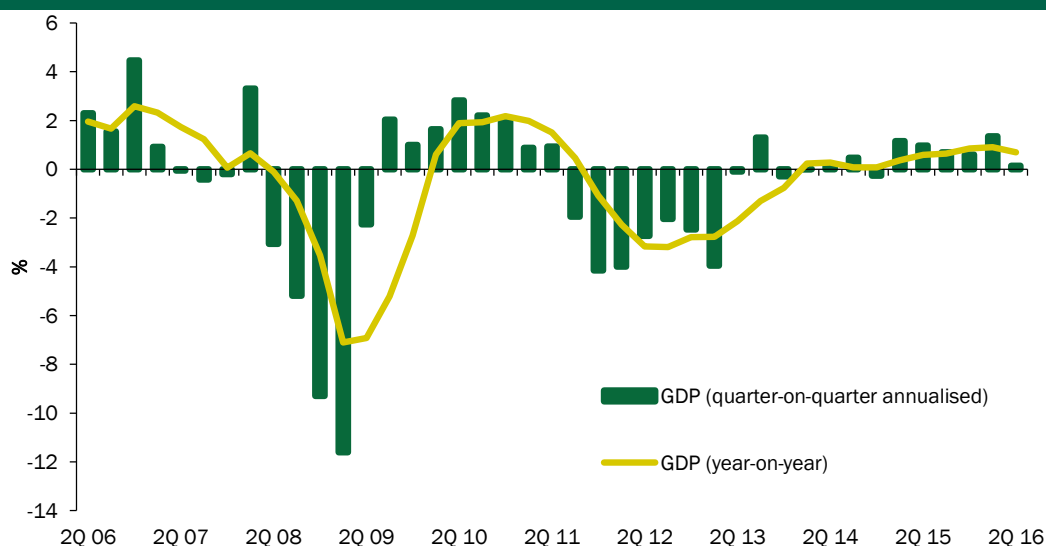
Italy's recovery continues

The Italian economy has now been recovering for almost three years. According to revised national accounts data, real GDP rose 0.1 percent already in 2014, whereas previous estimates had pointed to a -0.4 percent contraction¹. The economy then grew by 0.7 percent in 2015² and is projected to post a 0.8 percent advance this year.

This recovery, although slow, must be viewed in a positive light, as it came on the heels of a recession of unprecedented proportions and has weathered a series of adverse external developments, such as the significant contraction of trade with Russia, the slowdown in Emerging Markets, the terrorist attacks in Europe and, most recently, the British electorate's vote to leave the EU.

Nonetheless, the growth rate of the Italian economy is still lower than what would be necessary to return to the pre-crisis trend by 2025.

FIGURE 1.1-1 QUARTERLY REAL GDP GROWTH



Source: ISTAT.

Both the government and the consensus have been compelled to revise down their 2016 and 2017 growth forecasts due to signs of deceleration since the second quarter of this year.

¹ A year ago, ISTAT's estimate of 2014 real GDP growth was -0.4 percent, which was revised up in to -0.3 percent in the March 2016 release.

² The initial estimate of 2015 real GDP growth, released in March 2016, was 0.8 percent. The growth estimate was revised down in September 2016 even though the 2015 GDP level was raised - the reason being that the upward revision to 2014 was larger than the one to the 2015 data.

April's Stability Program projected a real GDP growth rate of 1.2 percent for 2016 and 1.4 percent for 2017, while the median consensus forecasts at the time were 1.1 and 1.2 percent for the two years, respectively³. In September, the government lowered the forecast to 0.8 percent for 2016 and 1.0 percent for 2017 in the policy scenario (and 0.6 percent in the scenario based on unchanged legislation)⁴. The median consensus forecast in September was 0.8 percent for both 2016 and 2017⁵, but it is important to note that the fiscal stimulus measures postulated by the government in the policy scenario had not yet been disclosed.

Limited initial impact from Brexit for EU area, but medium-term risks are significant

Italy's real GDP in the first quarter of 2016 grew 0.3 percent quarter-on-quarter (1.4 percent at an annualised rate) but then slowed to just over zero in the second. Growth in the second half of the year is expected to average just over 0.2 percent per quarter (0.9 percent at an annualised rate), yielding an annual average of 0.8 percent based on the quarterly data.

On the supply side of the economy, the growth slowdown in the second quarter was mostly due to a decline in industrial production, while activity in services continued to expand at a moderate pace. On the demand side, exports rebounded following a weak first quarter, but household consumption and investment slowed. The growth slowdown in the second quarter was common to the whole Euro Area.

Around mid-year, new risks emerged as a result of 'Brexit', political events in Turkey and a new wave of terrorism in Europe. In the event, business confidence held up in the third quarter, rising in September after a moderate decline in the two previous months. The available indicators suggest Italy's real GDP should have grown at least 0.2 percent in the third quarter, thanks to a rebound in industrial production and continuing moderate growth in services.

Britain's exit from the European Union could influence the Italian economy through four main channels:

- financial contagion in combination with other destabilising factors, such as market concerns about the European banking system;
- uncertainty on the duration and modalities of Britain's EU exit and the dampening effect of this uncertainty on business activity and investment;
- a sharply weaker sterling exchange rate and a potential downturn in Britain's domestic demand on European and Italian exports;
- weaker private consumption growth in Italy due to reduced income generation, negative wealth effects and worsening expectations.

In formulating a post-Brexit forecast for Italy it has been assumed that financial contagion will be limited, but the sterling exchange rate will remain weak at least through to end-2017 and UK imports from the EU will decline in the second half of 2016 and in 2017.

³ In April 2016, according to Consensus Economics, the forecast range was 0.7-1.4 percent for 2016 and 0.9-1.6 percent for 2017. The official forecast was thus well within the range for both years.

⁴ *Nota di Aggiornamento del Documento di Economia e Finanza 2016*, 27 September 2016.

⁵ Consensus Economics, September 2016.

Caution is warranted when assessing the medium-term outlook of Brexit. Indeed, while the UK government has announced that it intends to trigger Article 50 of the European Treaty by the end of March 2017, it remains unclear what arrangement will be sought and what will be the ultimate outcome of negotiations with EU partners. Uncertainty over 'hard' versus 'soft' Brexit may thus weigh on European economic activity and investment decisions well into 2017.

At any rate, risks and opportunities entailed by Brexit reinforce the case for making Italy a more attractive investment destination, a goal that features prominently in this year's National Reform Program and underlies the recently published 2016 Stability Program Update (*Nota di Aggiornamento del Documento di Economia e Finanza*).

Weaker growth in global trade as oil prices remain low

The forecast presented in this report also reflects the slowdown in Emerging Markets and downward revisions in projected global trade growth by leading international organisations. In its new World Economic Outlook, the IMF revised down its projection for world trade growth in 2016 from 2.7 to 2.3 percent, and the one for 2017 from 3.9 to 3.8 percent. The assumptions used in the present forecast are more cautious, as 2016 world trade growth is projected at 2.1 percent in 2016 and 2.6 percent in 2017.

As for oil prices, the forecast is based on a Brent oil price of 46.6 dollars per barrel in 2016 and 52.5 in 2017. The euro exchange rate versus the dollar is set at 1.12 this year and 1.13 in 2017⁶.

On the whole, compared to the April 2016 Stability Program, the changes in exogenous variables have an estimated impact on Italy's real GDP growth of -0.12 percentage points in 2016 and -0.42 points in 2017. The net impact on the two following years is positive, 0.13 points in 2018 and 0.23 in 2019. Growth forecast under the policy scenario

Under the policy scenario, Italy's real GDP for 2017 is projected to grow by 1.0 percent, or 0.4 percentage points above the forecast in the no-policy-change scenario. The economy is then expected to expand by 1.2 percent both in 2018 and in 2019. The new 2018 forecast is 0.3 percentage points below the one featured in the Stability Program; the new 2019 projection is 0.2 points lower.

Significant employment gains in 2016, jobs growth set to continue

The labour market has continued to improve this year, even as tax incentives on new permanent contracts were tapered. According to the Labour Force survey, in the second quarter of this year employment rose 0.8 percent on a seasonal and calendar adjusted basis over the previous quarter (the largest increase since the start of the recovery) and 1.7 percent year-on-year. The average growth rate in the first half of 2016 over the same period of 2015 was 1.4 percent. At 22.8 million, seasonally adjusted employment in the second quarter was 616 thousand units higher than in the fourth quarter of 2013.

⁶ These are technical assumptions based on market prices in the weeks preceding the September forecast round for the 2016 Stability Program Update (*Nota di Aggiornamento del Documento di Economia e Finanza*).

The latest monthly surveys suggest that in July and August employment was broadly unchanged compared to the second quarter but still 0.9 percent higher than a year ago. Assuming that the third quarter will be roughly flat over the second and that employment increased moderately in the fourth, the year would close with a 1.3 percent gain in employment, higher than the 0.8 percent increase recorded in 2015.

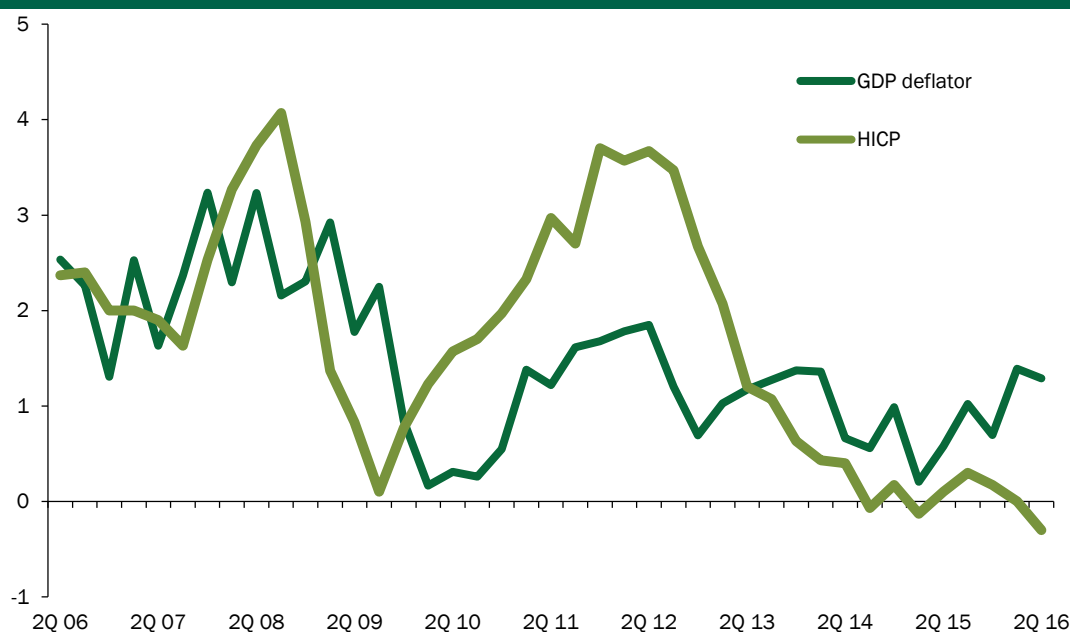
In terms of number of persons employed, employment grew 0.6 percent in 2015. The official forecast looks for growth of 1.2 percent this year, 0.9 in 2017 and 0.8 in each of the two following years. Productivity (real GDP per unit of labour) would decline by -0.1 percent this year and then increase by 0.3 percent in 2017, 0.4 in 2018 and 0.4 in 2019.

The average unemployment rate was 11.9 percent in 2015 and is expected to decline to 11.5 percent this year and then gradually fall to 9.9 percent in 2019. The August 2016 seasonally adjusted reading was 11.4 percent, down from a peak of 12.9 percent in October 2014.

Zero inflation this year, moderate increase expected in 2017

Italy's average harmonised inflation rate is projected at 0.1 this year, following a 0.2 percent reading in 2014 and 0.1 percent in 2015. An average inflation rate of 0.9 percent is expected for 2017.

The GDP deflator has had a more favourable evolution, as its average growth was 1.0 percent in 2014 and 0.6 percent in 2015. Even with a prudent projection for the second half, a 1.0 percent increase is projected for this year (the average increase in the first half of 2016 was 1.4 percent). In the policy scenario, the deflator would grow by 1.0 percent in 2017, 1.9 percent in 2018 and 1.8 percent in 2019. The higher growth rate in the last two years of the forecast is explained not only by the evolution of the oil price and the narrowing of the output gap, but also by fiscal policy assumptions.

FIGURE I.1-2 GDP DEFLATOR AND CONSUMER PRICES (YEAR TO YEAR % CHANGE)

Source: ISTAT.

Budget deficit set to decline despite lower GDP forecast and extraordinary outlays

The general government deficit this year is expected to decline to 2.4 percent of GDP, from 2.6 percent in 2015. The deficit ratio would thus be only 0.1 percentage points higher than the 2.3 percent estimate published in the 2016 Stability Program even though the growth forecast has been lowered by 0.4 points. In fact, tax revenue is evolving in line if not better than the original projections, thanks to solid growth in domestic demand and to the effectiveness of new methods of VAT withholding that were introduced last year. Noninterest expenditure is in line with the April estimate and interest payments are expected to close the year slightly lower.

In the recent 2016 Stability Program Update, the deficit target for 2017 was raised from 1.8 percent of GDP to 2.0 percent of GDP⁷. The government, however, asked Parliament to authorise a further deficit increase of up to 0.4 percentage points of GDP in order to deal with extraordinary expenses related to immigration, the recent earthquake in central Italy and an investment plan for anti-seismic buildings and infrastructure that can no longer be postponed given the frequency of destructive earthquakes⁸. On 12 October, Parliament authorised the additional fiscal space of up to 0.4 points of GDP.

⁷ *Nota di Aggiornamento del Documento di Economia e Finanza*, approved by the Council of Ministers on 27 September 2016.

⁸ *Relazione al Parlamento - Nota di Aggiornamento del DEF 2016*, approved by the Council of Ministers on 27 September 2016.

In the event, the government decided to use three quarters of the additional margin authorised by Parliament in order to keep the deficit on a downward trend and to achieve an unchanged structural balance, at -1.2 percent of GDP. Indeed, the latest technical assessment would seem to suggest that the aforementioned expenditure increase might be classified as 'extraordinary' in calculating the structural budget balance for 2017.

2017 budget policy targets investment, social cohesion and development

In view of the changed macroeconomic outlook, the budget balance projection for 2017 under the scenario based on unchanged legislation has been revised up to 1.6 percent of GDP, from 1.4 percent of GDP in the April Stability Program.

The policy scenario takes into account a deficit increase by 0.9 percentage points of GDP due to the repeal of the January 2017 VAT hike envisaged in previous Stability Laws.

In addition, the government intends to implement policy measures for socio-economic development and growth; increase public investment; renew (with a more selective approach) the incentives for private investment ('super-amortisation') and for innovative industries ('Industry 4.0'), research and development; support SMEs financing (through state guarantees and tax breaks); implement measures to support families; increases in pension benefits for low-income retirees; resources for new public sector wage contracts (a wage freeze has been in place since 2010).

Including the extraordinary expenditure for earthquakes and migration mentioned above, the overall expenditure increase is equivalent to 0.6 percent of GDP in 2017. Added to the repeal of the VAT hike, that would take the deficit to 3.1 percent of GDP.

The 2.3 percent deficit target will be achieved via measures worth 0.7 percent of GDP in tota, based on expenditure cuts and revenue increases realised through the improvement of the fiscal compliance, excluding tax increases and in fact continuing their reduction. Savings will derive from a new round of the Spending Review and the reduction in various budget allotments. Revenue increase will be achieved via enhanced mechanisms of VAT collection along the lines successfully implemented in 2016; a realignment with market interest rates of the notional return for ACE (the reinvested earnings allowance); an extension of the 'voluntary disclosure' and auctions for transmission frequencies.

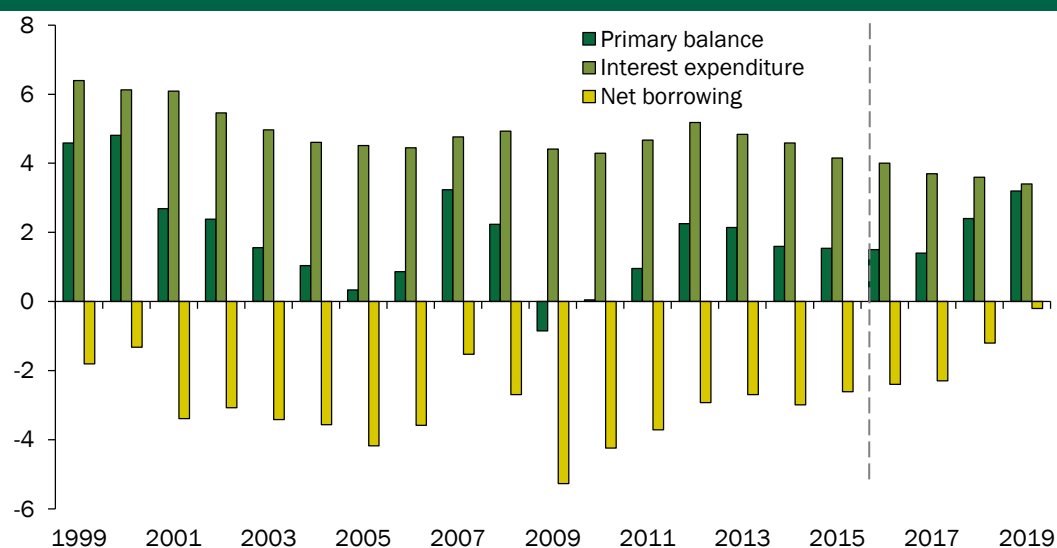
The additional fiscal stimulus provided by the extraordinary expenditure programs for immigration and earthquake reconstruction and prevention have not been explicitly included in the real GDP growth forecast for 2017, which remains unchanged from the Stability Program Update even though the deficit target is being raised from 2.0 to 2.3 percent of GDP. The government decided to adopt a very prudent assessment of the impact of the additional measures on GDP growth.

The bulk of the impact on growth comes from measures supporting private and public investment already included in the Update.

Budget plan for 2018-2019

As for the 2018-2019 period, the program continues to target a sharp drop in the budget deficit (to -1.2 percent of GDP in 2018 and -0.2 percent in 2019). The structural balance under the policy scenario should improve to -0.8 percent of GDP in 2018 and -0.2 percent in 2019, effectively marking the achievement of Italy's Medium-Term Objective (a balanced structural budget).

FIGURE 1.1-3 NET BORROWING, PRIMARY BALANCE AND INTEREST EXPENDITURE (% OF GDP)



Source: ISTAT. From 2016, the targets in the EFD Update under the policy scenario.

The privatisation plan

The forecast revenue from privatisations for 2016 has been revised down, from 0.5 percent to 0.1 percent of GDP. The government implemented the planned sale of 46.6 percent of ENAV, the air traffic operator, and additional revenue will come from the sale of real estate. Other planned transactions were postponed due to market volatility. The government remains firmly committed to continuing the privatisation process. The forecasts of revenue from privatisations for 2017, 2018 and 2019 remain unchanged.

The outlook for the debt-to-GDP ratio

The national accounts data released by ISTAT on 23 September included an upward revision of nominal GDP levels in 2014 e 2015 and have thus reduced the debt-to-GDP ratio for 2015 from 132.7 percent to 132.3 percent. However, the projection for 2016 has been increased compared to the Stability Program, from 132.4 percent to 132.8 percent, due to both a lowering of nominal GDP projections, that decreases from 2,2 per cent to 1,8 per cent, and a significant reduction of revenues expected from privatisations.

The debt-to-GDP is projected to decline during the 2017-2019 three-year period, reaching 126.7 percent in the final year of the forecast under the policy

scenario. The government is firmly committed to achieving a larger reduction in the debt ratio over the medium/long term, not only through more substantial primary surpluses, but also via a budget policy aimed at raising nominal GDP growth. Under the policy scenario, nominal GDP growth will rise above the implicit debt financing cost in 2018, which will considerably accelerate the decrease of the debt-to-GDP ratio in the next years⁹.

Forecast endorsement by Parliamentary Budget Office

In full compliance with European regulations, the macroeconomic forecasts in this Draft Budgetary Plan were submitted for validation to the Parliamentary Budget Office (UPB). UPB has already endorsed the government's macroeconomic forecasts under the policy scenario for 2016 and 2017.

Exceptional events

The planned budget comprises exceptional expenditures amounting to about 0.5 percent of GDP for next year, in relation to the following factors:

- the continuous emergency regarding refugees (0,16 per cent of GDP) and the need to set up a comprehensive policy of migration management, including investment in key countries of transit and origin of the flows (0.02 per cent of GDP)
- the earthquake of August 24, 2016 and the need to ensure - in addition to the measures directed to deal with immediate damages, already considered among the *one-offs*¹⁰ - the protection of the national territory, in particular by preventing hydrogeological risks and by securing schools (about 0.3 per cent of GDP)

Migrants

The Mediterranean Sea continues to be the arena of increasing migration flows. Because of its geographical position, Italy is at the forefront for the control of the borders of the European Union and the respect of humanitarian obligations towards those fleeing from wars and persecutions.

Since 2014 more than 150,000 people have landed in Italy every year: more than three times than those recorded in 2013, well above the trends of the last two decades and also above the values recorded in 2011 and 2012 following the so-called North Africa humanitarian emergency. Since the beginning of the year the sea rescue operations have saved more than 145,000 people¹¹.

The sharp rise of the phenomenon poses a considerable pressure on the territory, testing the reception capacity. A common European response is desired and

⁹ The financing cost at issuance fell below the nominal GDP growth rate in 2015 (0.7 percent versus 1.4 percent). The average cost of general government borrowing is nonetheless equal to 3.2 percent, due to higher yields on past issues.

¹⁰ Amounting to about 2.8 billion of euro for earthquakes

¹¹ Source: Ministry of internal Affairs, data as of 14th October 2016.

necessary as concerns the re-evaluation of asylum system mechanisms¹², the protection of human rights, and the management of external borders as stated in the document *A Shared European Policy Strategy for Growth, Jobs and Stability* issued by the Government in February 2016¹³.

The decisions of the EU Justice and Internal Affairs Council, adopted in July and September 2015, concerning the reallocation of refugees between European countries has not been realized: the relocation plan foresaw a total of 160,000 transfers from Greece and Italy by September 2017, of which 40 thousand from Italy within the first year (and about 12,000 others later). Compared to these figures only 1,345 asylum seekers have been relocated from Italy to other EU countries (about 3 percent of the total)¹⁴.

In Italy the hospitality system has to face an exponential increase in attendance: from 22 thousand units in 2013 to 104 thousand in 2015 up to the current 165 thousand units¹⁵. (Figure I.2-1). Most refugees are placed in specially set temporary structures and within the local protection network for asylum seekers. Almost 20,000 are unaccompanied minors, a figure 50 percent higher in September 2016 than the total of 2015 (12,360 units), placing an enormous challenge in terms of adequacy of accommodation, supervision and school introduction (Figure I.2-2).

Asylum applications confirm past year trends and amount to 72,000 applications in the first 8 months of 2016¹⁶. Five hotspots have also been activated for about 1,800 places (Pozzallo, Porto Empedocle, Trapani, Lampedusa, Taranto) which provide for the identification of migrants in collaboration with officials of Easo, Frontex and Europol. The procedures for the construction of two new hotspots in Mineo and Messina are underway, and the realization of other identification and sorting centers in Calabria, Apulia and Sardinia is being evaluated.

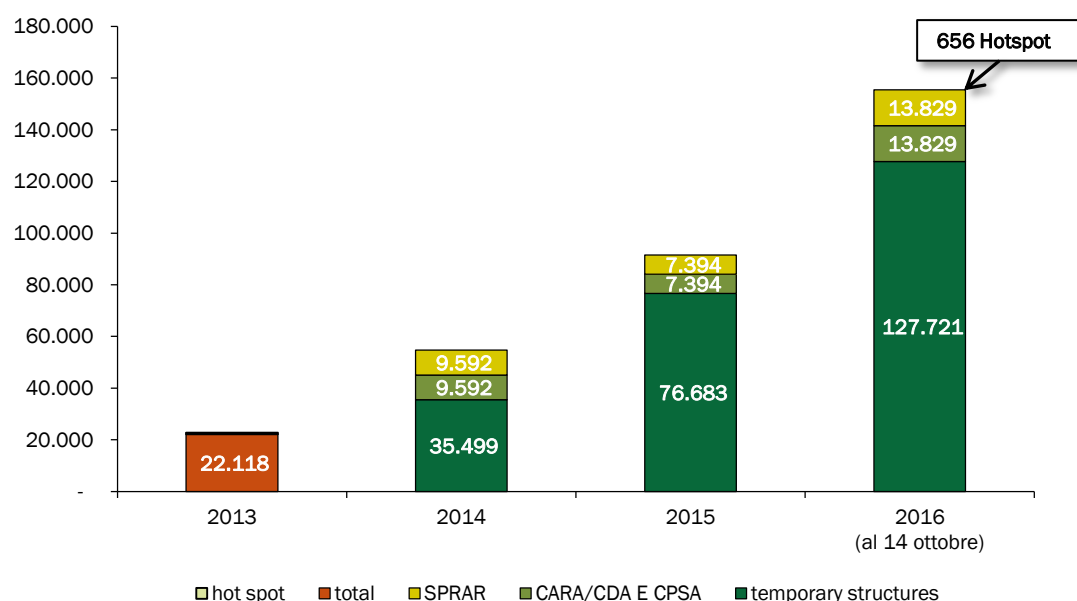
¹² Currently governed by EU Regulation No. 604/2013 of 26 June 2013 (Dublin III) which establishes the criteria for determining the Member State responsible for reviewing an application for international protection presented in one of the Member States by a citizen of a third country or a person without citizenship.

¹³ http://www.governo.it/sites/governo.it/files/ASharedPolicyStrategy_20160222.pdf

¹⁴ Source: European Commission, DG Home Affairs, http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-migration/press-material/docs/state_of_play_-_relocation_en.pdf). Data as of 14 October 2016.

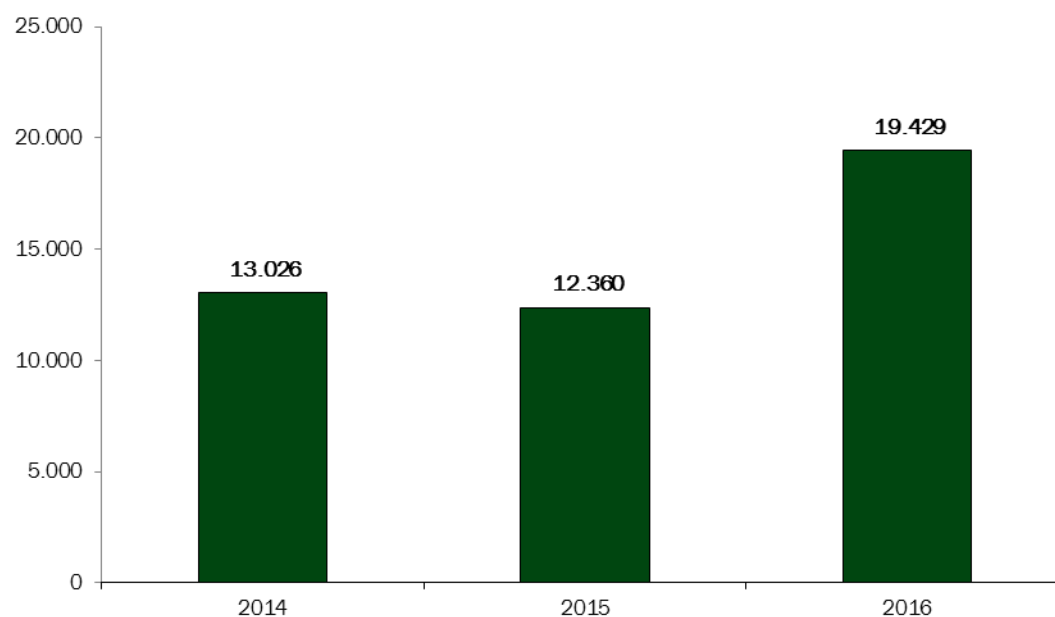
¹⁵ Source: Ministry of internal affairs, data as of 14 October 2016.

¹⁶ Source: Ministry of internal affairs, data as of 14 October 2016.

FIGURE 1.1-4 MIGRANTS IN RECEPTION FACILITIES (2013 – 2016)

Legend: CPSA: Emergency healthcare and reception facilities; CDA: Reception facilities, CARA: Reception facilities for asylum seekers; SPRAR: System of protection for asylum seekers and refugees run by local entities; Hotspot: facility where first reception of migrants and refugees takes place

Source: Ministry of Internal affairs.

FIGURE 1.1-5 UNACCOMPANIED FOREIGN MINORS (2014 – 2016)

*in August 2016

Source: Interior Ministry.

Due to the dramatic increase of refugees and asylum-seekers, the Italian Government already asked the European Union with last year *Draft Budgetary Plan* to recognize the exceptional nature of the economic and financial impact of the phenomenon. The estimated spending was subsequently updated and revised on the occasion of the *Economic and Financial Document 2016*.

The overall impact on the Italian budget spending for migrants, in terms of net borrowing and net of EU contributions, is currently estimated at 2.6 billion for 2015, forecast at 3.3 billion for 2016 and 3.8 for 2017, in a constant scenario, that is assuming no a further escalation of the crisis (Table .I.1-1)¹⁷.

This estimate takes into account hospitality expenditure, sea rescue and immediate effects on healthcare and education. In particular, the armed forces are engaged for the sea rescue in addition to the personnel and assets of both the port authorities and the Italian Finance police. Moreover, the estimate includes the costs resulting from the healthcare provided by the National Healthcare Service (NHS) and from the education for young migrants entering the national school system for the first time. No value has been assigned to the indirect costs related to the overall immigrant integration in the host country, as they are not directly related to the management of the "European border". The estimated expenditure is calculated gross and net of EU contributions coming from the EU share of the External Borders Fund, the Return Fund, the Refugee Fund and Integration Fund for non-EU country nationals¹⁸.

TABLE I.1-1 ESTIMATE OF EXPENDITURE INCURRED FOR MIGRANT CRISIS. YEARS: 2011 - 2017

	2011	2012	2013	2014	2015	2016	2017
	In € mn						
Total constant scenario	922.1	898.6	1,355.8	2,204.7	2,735.6	3,430.6	3,914.1
Total growth scenario	-	-	-	-	2,735.6	4,227.2	4,261.7
	In % of total						
<i>Sea rescue</i>	32.8	22.5	35.4	44.5	28.6	25.4	20.8
<i>Welcome</i>	36.2	43.6	41.5	33.1	51.2	58.3	64.9
<i>Healthcare and education</i>	31.0	34.0	23.1	22.4	20.2	16.3	14.3
	In % of total						
<i>Current</i>	95.7	93.0	78.7	84.6	90.7	87.7	90.0
<i>Capital</i>	4.3	7.0	21.3	15.4	9.3	12.3	10.0
	In € mn						
EU subsidies	94.3	65.2	100.7	160.2	120.2	112.1	87.0
Total, net of EU subsidies - constant scenario	827.8	833.5	1,255.0	2,044.5	2,615.4	3,318.5	3,827.1
	% of GDP						
<i>Total, net of EU subsidies</i>	0.05	0.05	0.08	0.13	0.16	0.20	0.22
<i>Diff. respect to t-1</i>	0.00	0.00	0.03	0.05	0.03	0.04	0.026
Total, net of EU subsidies - growth scenario					2,615.4	4,115.1	4,174.6
	% of GDP						
<i>Total, net of EU subsidies</i>					0.16	0.25	0.24
<i>Diff. respect to t-1</i>						0.09	-0.001

Note: The data do not include the expenditure related to the North African emergency, which was classified as such in 2011 and was officially ended on 1 January 2013. The growth scenario considers the arrival since 2016 of: another

¹⁷ The activation and management of a welcoming system capable of dealing with the pressure entails an effort on all levels of government but the resources are almost entirely booked to the State budget.

¹⁸ Cfr. Economic and Financial Document 2016- Section I Stability Programme, page 54

approximately 1,000 minors each year at an average cost of €45 per day; another approximately 62,000 people at the government's reception and temporary facilities, at an average cost of €32.50 per day; and approximately 3,500 asylum seekers and refugees added to the protection system at an average cost of €35 per day.
Source: Analyses by MEF, State General Accounting Department.

For 2017, the total expenditure for migrants is projected to range between 0.22 and 0.24 per cent of GDP. The present forecast is more cautious and is coherent with estimates provided by international organizations on this subject: the fiscal impact of the expenditure for migrants in Italy carried out by the International Monetary Fund is even higher, up to 0.24 percent of GDP in 2016¹⁹.

The initiatives taken by Government include - in addition to resources available for migrants in the Budget Law approved by the Council of Ministers on October 15, 2016 - a strengthened action to relieve the pressure on some local territories, in which the presence of such phenomenon is highly concentrated.

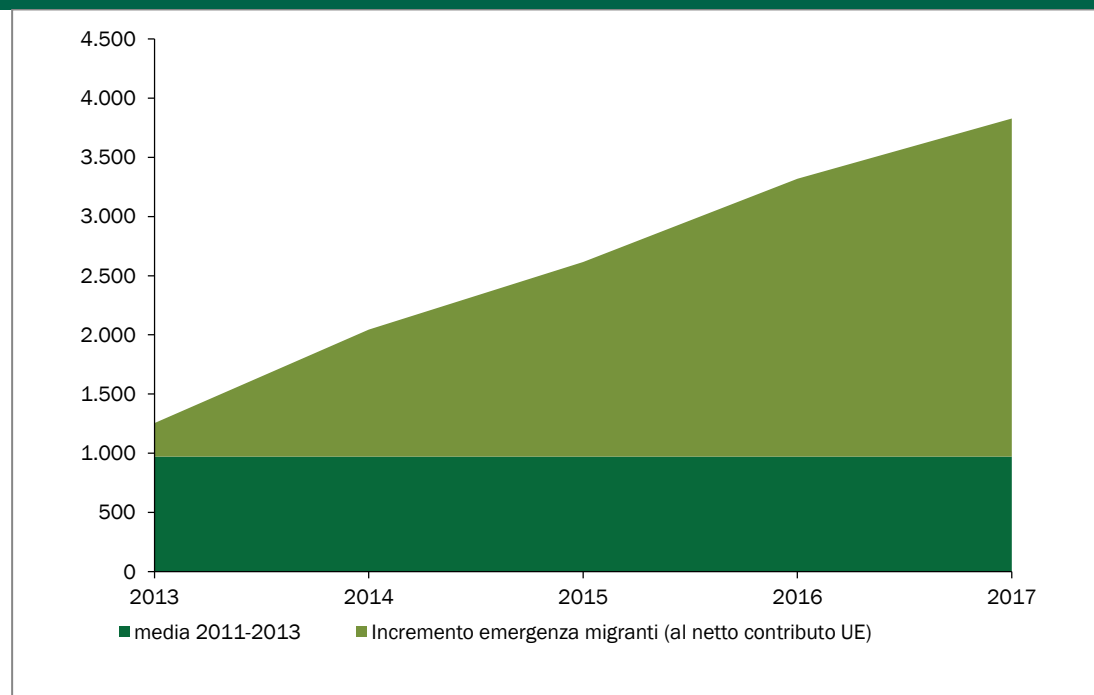
Indeed, a new "reception Plan" is currently under development, based on proportionality and sustainability criteria, which aims to basically achieve a fair distribution of migrants among the 8,000 municipalities. The Plan takes also into account the need to adopt specific legislation to allow community work, training and integration of migrants into society.

Italy is spending every year - from 2014 onwards - 2 to 3 times the average for the period 2011-2013, before the humanitarian emergency exploded²⁰ (Figure I.2-3). The spending on migrants that Italy is supporting cannot be evaluated only in terms of increased expenditure for emergency which is excluded from the Stability and Growth Pact constraints, but it should take into account the overall effort put into this field compared to a situation with no emergency. Such overall effort is worth almost 2.8 billion (0.16 percent of GDP)²¹. The differential between the expenditure net of EU contributions supported for the current humanitarian crisis and the one supported in the years 2011-2013 is about 8 billion in cumulative terms.

¹⁹ Cfr. International Monetary Fund: *The Refugee Surge in Europe: Economic Challenges*. The fiscal costs for asylum seekers are estimated to Italy as a percentage of GDP for the years 2014-2016: 0.17 per cent of GDP for the year 2014, 0.20 per cent of GDP for the year 2015, 0.24 per cent of GDP for the year 2016. <https://www.imf.org/external/pubs/ft/sdn/2016/sdn1602.pdf>.

²⁰ The average value comparison 2011-2013 is calculated net of the crisis known as the "North Africa", following the "Arab Spring," he has resulted in extraordinary wave of refugees between late 2011 and 2012.

²¹ With the publication of the Winter Forecasts, the European Commission announced it would be carefully monitoring the situation related to expenditure for the refugees, on the basis of the data supplied by the authorities of the Member States affected, so as to determine eligible amounts, including for the calculation of the structural borrowing, as provided by Article 5.1 and Article 6.3 of the EC Regulation No. 1466/97, and Article 3 of the Fiscal Compact²⁵. The information will be used for an ex-post evaluation of possible deviations from the 2015 and 2016 objectives due to the additional costs related to the refugee emergency. So far the change in expenditure in GDP of 0.03 percent in 2015 over the previous year and 0.04 percent in 2016 compared to 2015 has been considered "eligible".

FIGURE 1.1-6 COMPARISON BETWEEN SPENDING FOR MIGRANTS SUPPORTED OVER THE YEARS FROM 2013 TO 2017 AND THE AVERAGE SPENDING INCURRED IN THE PERIOD 2011 – 2013 (BENCHMARK PERIOD NET OF EMERGENCY)

Source: Analyses by MEF, State General Accounting Department.

The expenditure for the immigration emergency incurred is mostly due to Italy's geographic position, with the refugees considering Italy primarily as a country of transit. Considering the short-term costs incurred, these factors reduce Italy's potential to reap the medium-/long-term economic benefit generated by the integration of the migrants in the productive fabric, which instead will occur in countries of refugees' final destinations.

This situation reinforces the consideration that in our case the costs incurred are related to monitoring the common European border and the first welcome. As argued in the Government's proposal for a reform of European governance (*A Shared European Policy Strategy for Growth, Jobs and Stability*²²), the total expenditure incurred by border countries such as Italy and Greece performs common functions and it should be regarded for all these functions.

In addition to the costs for migrants that Italy tackles on its territory and in the Mediterranean Sea, the Government intends to launch an extraordinary plan for cooperation with key countries of Africa for the transit of migrants by sea, with resources for investments in response to commitments on the management of flows. In order to start a real Migration Compact, which should promote a comprehensive policy on migration management, the Budget Law approved by the Council of Ministers in October 15, 2016 foresees 200 million euro for this purpose.

²² http://www.governo.it/sites/governo.it/files/ASharedPolicyStrategy_20160222.pdf

Prevention of anti-seismic risk, hydrogeological instability and securing schools

The earthquake that struck central Italy on August 24, 2016 is the third earthquake of significant intensity in recent years. The large number of casualties and extensive damage to buildings, road conditions and the historical and artistic heritage require the adoption of measures to support the economic recovery of the affected areas but also the assumption of extraordinary action to foster the safeguard of the territory.

The additional expenditure to manage the immediate emergency and begin reconstruction in the territories directly affected by the new quake is equal to about 4.5 billion euro, appropriated on a multi-annual basis in the recent decree-law for the seism and in the budget law approved by the Council of Ministers on October 15th, 2016.

Italy has been living with natural disasters for a long time. Its morphological features, wide geophysical activities of the subsoil and strong propensity for hydrogeological instability, exposes the country to the risk of destructive events and frequent landslides. The impact of catastrophes are even greater because of the lack of surface planning, the inadequacy of maintenance works, abuse of soil and of the environment. These factors of deterioration of the land, put at risk the population, and constitute a negative item in the economic balance as well as contributing to the accumulation of future debt.

The Government's action for the prevention of hydrogeological instability has already begun. However, to abandon the emergency logic it must be further intensified and accelerated. Financial sources are manifold: they include the resources from the Development and Cohesion Fund specifically allocated to the prevention of hydrogeological instability, resources in special extra-budgetary accounts managed by the Regional Commissioners designed to this task, the plan against flooding in the cities and the specific actions taken by the Ministry of Environment and the Ministry of the infrastructure and transport. Many interventions can finally be realized on the ground through the measures put forth with the decree-law "*Sblocca Italia*", on one hand and, on the other hand, through further investment resources for local authorities and Regions provided by the Budget Law approved by the Council of Ministers October 15, 2016.

The Government is giving special attention to the state of schools all over the country. A number of school buildings needs significant interventions in security or complete reconstruction, as well as immediate action to comply with safety regulations concerning fire, asbestos, architectural barriers, etc. The regional requirements are variable in terms of priority interventions: a relevant share is connected to the need for new buildings, extensions compatible with anti-seismic regulations and specific safeguard and anti-seismic measures.

II. STRUCTURAL REFORMS

The reform program and responses to the 2016 country-specific recommendations

In the past three years Italy has undertaken a broad and ambitious reform effort while maintaining a high degree of budgetary discipline. Reducing the public debt ratio remains a priority, and to this end privatisation of government companies and the sale of real estate assets will continue. Privatisation revenue this year will probably close below target because of the postponing of planned operations due to the equity market volatility and to the complexity of some of the transactions that were originally envisaged. The government, however, maintains the existing revenue targets for the next three years.

The Spending Review has already yielded €25 billion of savings relative to trend. The reform of the budget process tabled by the government was approved by Parliament in August. Its key goal is to enhance the efficiency of the budgeting process and ultimately make the Spending Review an in-built aspect of the budgeting process.

The reform of Public Administration reform is close to be fully implemented. Eleven legislative decrees have already been published, while a further six have been approved by the government, targeting full implementation by February 2017.

Reform of the legal system continues. Online trials for tax disputes are already fully operational and the administrative ones will be rolled out in January 2017. Further reforms regarding civil and criminal trials, as well as the statute of limitations, are being discussed by the Parliament, while the Government has been delegated for the comprehensive reform of out-of-court arbitration.

To sustain a streamlined and pro-competitive business environment the Tax Administration is focused on carrying out activities directed to prevent and fight tax evasion, while incentivising voluntary compliance. The Annual Competition Law has been approved by the Chamber of Deputies and is currently being read by the Senate. It should be approved by the end of 2016, and a new Competition law will be tabled in the first half of 2017 based on the recommendations of the Antitrust Authority.

Economic growth also depends on the stimulus to public and private investment. Injecting capital flows into the Italian productive system and in particular SMEs in order to stimulate, through access to the capital market, the growth of firm size. These objectives are complemented by the 'Industry 4.0' program, which provides among other things a 250 percent amortisation rate for eligible investments.

Public investment has been increased thanks also to resources provided through the Junker Plan. Moreover, the new Code of Conduct for public works has enhanced the quality and transparency of public tenders, by improving the ability of public administrations of planning and monitoring projects. The port system has been reorganised and the Broadband Plan is being implemented.

As for the banking system, important changes in governance have been introduced, including the reforms of cooperative banks (Banche Popolari) and mutual savings Banks (Banche di Credito Cooperativo) and a new code of conduct for the Foundations that used to control large parts of the system. The Government

intervened to facilitate the disposal of non-performing loans. Following last year's reform of insolvency procedures, a further law that introduces simplified contractual forms for collateral pledging and out-of-court procedures was recently passed by parliament. A Guarantee mechanism on Securitisation of nonperforming loans (GACS) was introduced.

A special effort has been devoted in the past two years to labour market and education reforms. In the labour market, following the monitoring of reform's impact, this year the Government approved some supplementary provisions of the Jobs Act's implementing decrees, while proceeding with the approval of legislation for the self-employed.

The promotion of merit of teachers and school directors - on which the education system relies - will progress through the National Plan for teachers training. In the first seven months of implementation of the National Plan for Digital School, 65 percent of the 35 planned actions were launched.

Meanwhile, the government has launched a renewed effort to fight poverty and inequality. The National Plan against Poverty is financing two projects: the support for Active Inclusion (SIA) and the unemployment benefit (ASDI). Measures to reinforce welfare in favour of the most vulnerable elderly groups are also in the pipeline.

TABLE II.1-1 REFORM TIMETABLE			
Policy Area	Policy Area	Policy Area	Policy Area
Institutional reforms	Electoral Law Chamber of Deputies (L. 52/2015)		May 2015
	Implementation Law of L.52/2015: Definition of electoral constituencies for the Chamber of Deputies		August 2015
	Constitutional Law to overcome the perfect bicameralism and modify the allocation of legislative powers between State and Regions.		April 2016
		Confirmatory referendum on constitutional reform	By 2016
		Bill on the prevention of conflict of interest for Deputies and Government members (A.S. 2258).	March 2017
Labour market and social policies	Enabling Law on labour market reform (L.183/2014).		December 2014
	Implementing decrees of L.183/2014		
	Legislative decree on standard open-ended contract (Lgs. D.23/2015)		March 2015
	Legislative decree on new unemployment benefit scheme (Lgs. D.22/2015).		
	Legislative Decree on work-life balance (Lgs. D. 80/2015)		June 2015
	Legislative Decree on labour contracts and review of tasks' regulation (Lgs. D.81/2015)		
	Legislative Decree on wage supplementation scheme (Lgs. D.148/2015)		September 2015
	Legislative Decree on rationalization and simplification of inspection activities (Lgs. D. 149/2015)		
	Legislative Decree on labour services, active policies and setting up of National Agency for active labour market policies- ANPAL (Lgs.D.150/2015).		
	Legislative Decree on simplification of procedures and equal opportunities (Lgs. D. 151/2015)		
	Legislative decree (approved by the CoM of September 23, 2016) taking integrative and corrective provisions to the Lgs.Ds n. 81, 148, 149, 150 and 151 of 2015).		September 2016
		Implementation of Lgs. D. 150/2015 Definition of the strategy implementing the new ALMPs and agreements with the Regions. Implementation of the ALMPs strategy and issuance of activation vouchers for dedicated training paths.	By 2016
	Presidential Decree – transferring resources from Ministry of Labour and ISFOL to ANPAL		April 2016
	Adoption of the ANPAL and the INL statutes (Presidential Decrees 108/2016 and 109/2016)		May 2016
	Enabling law to reform non-profit sector, social enterprises and Universal social service regulation (L. 106/2016)		June 2016

TABLE II.1-1 REFORM TIMETABLE			
Policy Area	Policy Area	Policy Area	Policy Area
		Implementing decrees of L.106/2016 Legislative decrees for: - revision of Title II, Book I of the Civil Code relating to associations and foundations; - revision of the legislation on national civil service; - revision of the legislation on social business; - reorganization and organic revision of the special legislation and other provisions related to the non profit sector organizations (the Non Profit Sector Code)	June 2017
	Youth Guarantee - First Phase		May 2014
	Youth Guarantee - Second Phase ("Superbonus"; and "selfiemployment")		March 2016
	Interventions on the second level contractual bargaining. (Ministry of Labour and Ministry of Economy and Finance Decree of March 25, 2016)		March 2016
		Draft Law attached to 2016 Stability Law for self-employed workers and for flexible organisation of job's time for work-life balance. Approved by the Council of Ministers on January 28, 2016- now before the Senate (AS 2233).	By 2016
		Enabling Law for the reunification and coordination of the legislation on support to family. Single Family Code	June 2017
		Refinancing the Fund for the Plan for the early childhood's educational services	By 2016
	Provisions on the donation and distribution of food and pharmaceutical products for social solidarity and to limit waste (L 166/2016)		August 2016
		Provisions against undeclared work, labour exploitation and wage realignment in the agricultural sector (approved by the Senate, now before the Chamber of Deputies - A.C. 4008)	By 2016
Justice	Delegated law on non-prison penalties and reform of the sanction system (L. 67/2014)		April 2014
	Reform of criminal justice (D.L. 92/2014 cvt. L. 117/2014)		August 2014
	Reform of civil justice (D.L. 132/2014, cvt. in L. no. 162/2014)		November 2014
	Urgent measure on bankruptcy, civil procedure, judicial organization and functioning of the judicial administration. (D.L. 83/2015 cvt. L. 132/2015)		August 2015
	Implementation of L. 67/2014: Provisions on de-criminalisation (Lgs. D.7/2016)		January 2016
	Measures to deflate the criminal justice system (Lgs.D. 8/2016)		

TABLE II.1-1 REFORM TIMETABLE			
Policy Area	Policy Area	Policy Area	Policy Area
		Draft Law to modify the criminal legislation so as to strengthening the defensive guarantees and the reasonable duration of proceedings, already approved by the Chamber of Deputies, currently before the Senate (A.S. 2067)	By 2016
		Draft Law on statute of limitations, already approved by the Chamber of Deputies, currently before the Senate (A.S. 1844)	
		Enabling Draft Law to reinforce the jurisdiction of firms and family courts; rationalisation of civil trials; revision of proceedings stages. Already approved by the Chamber of Deputies, currently before the Senate (A.S. 2284)	March 2017
	Enabling law for the reform of the honorary magistrates and other provisions for judges of the peace (L. 57/2016)		April 2016
	Implementation of L. 57/2016: Lgs.D. on appointments to honorary judges (Lgs. D. 92/2016)		May 2016
	D.L. 168/2016 to define litigation before the Cassation Court, for the efficiency of judicial offices and for administrative justice		November 2016 (for conversion into Law)
		Draft Law delegating the Government to reform the rules on corporate crisis and insolvency procedures, approved by the Council of Ministers on February 10, 2016, currently before the Chamber of Deputies (A.C. 3671)	June 2017
		Draft Law on measures to fight organized crime and illicit patrimonies (A.S. 1687)	
	Provisions on crimes against the Public Administration, 'mafia' association and false accounting (L. 69/2015)		May 2015
	Provisions on same-sex civil partnerships and discipline of cohabitation (L. 76/2016)		May 2016
Fiscal system	Enabling Law on tax reform (L. 23/2014).		March 2014
	Implementation of Enabling Law on tax reform L. 23/2014: Lgs.D. 175/2014: Fiscal simplification and pre-compiled income tax return.		November 2014
	Lgs. D. 188/2014: Tobacco products; Lgs. D. 198/2014: Revision of Cadastral committees.		December 2014
		Cadastre: The revision of cadastral values will be subject to a general and organic intervention after an alignment of the databases needed to accurately assess the revenue and distributional effects on taxpayers.	2016-2018

TABLE II.1-1 REFORM TIMETABLE			
Policy Area	Policy Area	Policy Area	Policy Area
	Lgs. D. 128/2015: legal certainty between tax authorities and taxpayers; Lgs. D. 127/2015: VAT electronic invoicing		August 2015
	Lgs. D. 147/2015: simplifying taxation for international businesses; Lgs. D. 156/2015: litigation procedures; Lgs. D. 157/2015: reorganisation of fiscal agencies; Lgs. D. 158/2015: sanction system; Lgs. D. 159/2015: simplification of collecting system; Lgs. D. 160/2015: monitoring of tax evasion.		September 2015
Taxation	VAT and taxation on capital gains (D.L. 66/2014 cvt. in L. 89/2014).		June 2014
	Permanent reduction of tax wedge on labour (2015 Stability Law – L. 190/2014).		December 2014
	Reform of the local taxation on properties (IMU) and indivisible services for principal residences (TASI) (2016 Stability Law - L. 208/2015).		December 2015
		IRPEF: with the next Budget Law the possibility of acting on IRPEF, will be evaluated according to the available public finance space.	2018
	Reduction of corporate taxation (2016 Stability Law: reform of local taxation on farmland and on "bolted equipment"; reduction of IRES at 24% in 2017)		December 2015
	Fiscal measures to boost investments (2016 Stability Law: amortisation of 140% for the purchase of capital goods; exclusion of instrumental properties from the firm's assets)		
		Tax measures of VAT regime and taxation of business income	By 2016
Privatisation	Selling of public shares: Listing of Fincantieri (from CDP); dismissal of CDP Reti share; divestiture (from CDP) of Trans Austria Gasleitung GmbH – Tag; Listing of RAIWay.		2014
	IPO of <i>Poste Italiane</i> and selling of further shares of ENEL.		2015
	IPO of ENAV (49% of capital) and stock exchange listing		July 2016
		<i>Ferrovie dello Stato</i> . The Council of Ministers of May 16, 2016 approved the Prime Minister decree defining privatization criteria and methods for disposal of the participation held by the MEF in the capital of <i>Ferrovie dello Stato S.p.A.</i>	By 2017
Infrastructures	National Plan for Ports and logistics (L. 164/2014)		August 2015
	Identification of national interest airports (Presidential Decree 201/2015)		September 2015
	National Plan for social and cultural re-development of deprived urban areas (2015 Stability Law). Prime Minister Decree for the establishment of the Committee for the evaluation of projects		October 2015

TABLE II.1-1 REFORM TIMETABLE			
Policy Area	Policy Area	Policy Area	Policy Area
	Contributions for intermodal combined transport services (2016 Stability Law - "FerroBonus" and "MareBonus")		December 2015
	Enabling law for the reform of public tenders (L. 11/2016)		January 2016
	Implementation of Law 11/2016 Lgs. D. 50/2016 to implement EU Directives 23, 24 and 25 of 2014 and review public tender legislation		April 2016
	Four guidelines by Anti-Corruption Authority (ANAC) implementing the new Code of public procurement 1) to entrust engineering services; 2) to assign tenders with the 'most economically advantageous' criteria; 3) to define tasks of the responsible of tender procedures; 4) to define criteria for selecting commissioners.		June 2016
		Other 4 guidelines by Anti-Corruption Authority (ANAC) are still being approved: 1) criteria in case of insufficient execution of a previous procurement contract; 2) reputation criteria to qualify firms; 3) monitoring systems for awarding administrations on economic operator's activity in public-private partnership contracts; 4) procedures for awarding contracts of amount lower than the European threshold.	By 2016
		Three MIT decrees on: a) the approval of ANAC guidelines on the works director; b) approval of ANAC guidelines on the managers responsible for executing contract; c) the identification of the works for which is needed highly technological works or components or relevant technical complexity and requirements of specialization for their execution	
	MIT - Ministerial Circular no. 3/2016: Guidelines to fill the European form for tender (DGUE)		July 2016
	Ministerial Decree Min. of Justice in concert with Ministry of Infrastructure on parameters to be used as baseline in tenders for planning design. (M.D. June 17, 2016)		June 2016
	National Plan for Defence and security (cyber security, defense systems, police forces) (2016 Stability Law).		December 2015
	Ultra-Broadband Plan (2020 target: 85% of population covered with connection of at least 100Mbps)		2015-2020

TABLE II.1-1 REFORM TIMETABLE			
Policy Area	Policy Area	Policy Area	Policy Area
	Implementation of the Ultra - Broadband Plan. Agreement with the Regions on the joint use of regional and national resources and the DCF allocation		February 2016
	Extraordinary Plan for the redevelopment of peripheries (2016 Stability Law)		May 2016
	Measures for the improvement of urban quality: National Plan for electric vehicle recharging.(Prime Minister Decree April 18, 2016 New investments for subways (CIPE Decision of August 10, 2016)		August 2016
		Other measures for the improvement of urban quality: Recovery program for the residential public building. University residences realization. New investment for underground. Interventions for the development of cycle-stations and soft mobility facilities.	By 2016
Competitions and competitiveness	Measures for productive investments: 'Nuova Sabatini' (D.L. 69/2013); 'Competitiveness Decree' (D.L. 91/2014); tax credit for R&D investments; Patent box		December 2015
		Extension of incentives for firms signing network contracts; incentives for specific networks (green and international); support for "catalyst subjects" and regulatory simplification.	By 2016
		Provisions for relaunching of firms investment. - Provided tax credit for investments in SME capital. The measure will be implemented inf the Plan for Industry 4.0	By 2016
		Strengthening of Central Guarantee Fund for SMEs - Starting the reform of Fund and the funding	
		2015 Annual law on competition (Draft Law)	
		2016 Annual law on competition (Draft Law)	By 2017
		Plan for relaunching Italian manufacturing (<i>Manifattura Italia</i>)	By 2016
		Strengthening of incentives for start-up and innovative SMEs	
	Extraordinary Plan for Made in Italy		2015-2017
		National Plan to fight counterfeiting	2016-2017
Credit	Measure on non-performing loans and bankruptcy (D.L. 83/2015 cvt. in L. 132/2015).		August 2015
	Reform of mutual-loan banks (<i>Banche Popolari</i>) (D.L. 3/2015 cvt. in L.33/2015).		March 2015
	Transposition into national law of the European Directive 2014/59/EU on Bank Recovery and Resolution (Lgs. D. 180/2015)		November 2015
	20% of Guarantee Fund to firms located in the South (2016 Stability Law)		December 2015

TABLE II.1-1 REFORM TIMETABLE			
Policy Area	Policy Area	Policy Area	Policy Area
	Cooperative banks' reform; State guarantee mechanism as part of securitization transactions whose underlying assets are banks' non-performing loans (D. L.18/2016 cvt. In L. 49/2016).		April 2016
	Self-reform of Foundations.		2015 - 2016
	'Finance for growth' measures: mini bond (D.L. 83/2012); simplification for SMEs listing (D.L. 91/2014); allowance for corporate equity (ACE and superACE - D. L. 201/2011; L. 147/ 2013)		2012 - 2016
		Measures 'Finance for growth 2.0'	By 2016
	Implementation of directive 2014/49/UE on deposit guarantee schemes (Lgs. D. 30/2016)		February 2016
	D. L. 59/2016 (cvt. in L. 119/2016) concerning executive and bankruptcy proceedings, and for investors in banks in liquidation		June 2016
	L. 150/2016 - Enabling law to reform the system of Confidi. Delegated laws to be adopted within February 20, 2017		July 2016
Education	'La buona scuola' reform (L. 107/2015).		July 2015
	Tax credit for donations from private to schools - School Bonus (M.D. April 8, 2016)		April 2016
		Implementing decrees of Law 107/2015. Legislative Decrees on: - National education and training system; - Initial training and access to teaching positions in secondary school; - Promotion of inclusion in schools for students with disabilities and recognition of different forms of communication; - Review of vocational education pathways and link with education and training pathways; - Integrated system of education and school from zero to six years; - Effectiveness of the right to education; - Promotion and dissemination of culture and support to creativity; - Italian educational institutions and initiatives abroad; - Evaluation and certification of students skills; - National Plan of training on the job; - Charter of rights and duties of students in school-job transition.	By 2016
	Strengthening of measures for school building: EIB loans (L. 107/2015) and exclusion of the costs of school building projects from the budget balance of local authorities (2016 Stability Law)		July - December 2015
	National Plan for digital school (M.D. October 27, 2015).		October 2015
	National Plan for Research		May 2016

TABLE II.1-1 REFORM TIMETABLE			
Policy Area	Policy Area	Policy Area	Policy Area
Public Administration and simplification	Simplification Agenda 2015-2017:		2015-2017
	Enabling Law on reforming the Public Administration (L.124/2015).		August 2015
	Implementing legislation of L.124/2015: Lgs. D. 10/2016 on the repealing of obsolete and out of date secondary legislation and implementing decrees. Lgs. D. 97/2016 on the revision and simplification of regulation to prevent corruption and for the transparency of PA (FOIA). Lgs. D. 116/2016 changing dismissal rules on Public employment Lgs. D. 126/2016 on regulation of <i>Segnalazione Certificata di Inizio Attività</i> (SCIA) Lgs. D. 127/2016 on reorganisation of State-Regions Services' Conference Lgs. D. 169/2016 on rationalisation and simplification of ports' authorities Lgs. D. 171/2016 on transparency on Health System Managers Lgs. D. 174/2016 on the reorganization of procedures for the judgements before the Court of Auditors Lgs. D. 175/2016 related to Single Code on State Owned enterprises Lgs. D. 177/2016 on reorganisation of state forestry and police corps Lgs. D. 179/2016 on digital citizenship and Code of Digital Administration		January – August 2016
	Presidential Decree finally approved on simplification and acceleration of administrative procedures (CoM on July 28, 2016)		July 2016
		Further legislative decrees implementing L.124/2015, approved as provisional draft by the CoM, related to: - single code on local public services (CoM on January 21, 2016); - administrative regulation of private activities (SCIA 2); CoM on June 15, 2016); - reform of public management (CoM on August 25, 2016); - Chambers of Commerce reform; (CoM on August 25, 2016); - simplification of the activity of public research entities (CoM on August 25, 2016); - Provisions for Paralympics Committee (CoM on August 25, 2016).	By 2016

TABLE II.1-1 REFORM TIMETABLE			
Policy Area	Policy Area	Policy Area	Policy Area
		Further legislative decrees to fully implement L. 124/2015 on: - reorganization of the Presidency of the Council of Ministers, of Agencies, of non economic public entities, of Independent Authorities and of local offices of Government - reorganization and rationalization of public entities, and ACI-Pra; - redefinition of careers of the police force, fire department and sea forces; - one or more legislative decrees for the reorganization of labor discipline in the employ of PA	February 2017
		Implementation of the Defence White Book: Further revision of the National Military Forces, reconfiguration and streamlining of internal organisation of the Defense Ministry, the redefinition of careers.	By 2016
Reducing regional disparities	Masterplan for the <i>Mezzogiorno</i>		2015
	Implementation of the Masterplan for the <i>Mezzogiorno</i> : signed Agreements for Abruzzi, Molise, Campania, Basilicata, Calabria, Sardinia, Sicily, Apulia and the following towns: Bari, Taranto, Reggio Calabria, Catania, Palermo.		July 2016
		Implementation of the Masterplan for the <i>Mezzogiorno</i> : signature of the remaining Agreements planned for metropolitan cities (Naples, Messina, Cagliari) to define the specific strategic actions to each local context.	2016-2018
	Tax credit for investment in capital goods in the South (2016 Stability Law)		December 2015
Poverty and social inclusion		Enabling Draft Law attached to the 2016 Stability law, providing measures to fight poverty and reorganize social services -approved by the CoM on January 28, 2016 and now before the Chamber of Deputies (A.S. 2494)	By 2016
	Provisions on assistance for persons with severe disabilities without family support (L. 112/2016 – ‘Dopo di noi’ Law)		June 2016

TABLE II.1-1 REFORM TIMETABLE

Policy Area	Policy Area	Policy Area	Policy Area
Agriculture	Implementation and simplification of the Common Agricultural Policy Adoption of all non-legislative implementing act: MD 162/2015 Simplification of the CAP 2014 - 2020 management; MD 1922/2015 Additional provisions regarding the simplification of the management of the CAP 2014 - 2020; MD 5145/2015 National regulations for the implementation of delegated Regulation (EU) 2015/1383 of the Commission of 28 May 2015; MD 3282/2015 National program to support for the wine sector. Distribution of the overall budget for the 2015-2016; MD 'National implementing provisions of Regulation (EU) No. 1308/2013 of the European Parliament and the Council on the common organization of the markets in agricultural products. Authorization system for viticulture; MD 5811/2015 'National implementing provisions of Regulation (EC) No. 436/2009 of the EU Commission of 26 May 2009 on harvest and wine production'; MD 765/2016 'Allocation methods of financial resources contained in the Delegated Regulation (EU) no. 2015/1853 of the EU Commission of 15 October 2015, which provides for exceptional aid of a temporary nature for farmers in the livestock sectors'; MD 2173/2016 establishing rules for the application of Article 55 of Regulation (EU) No. 1308/2013 on a common organization of the agricultural products market, as regard aid in the beekeeping sector;		March 2015
	Measures for the milk and dairy industry (D.L. n. 51/2015 cvt. L. 91/2015).		July 2015
	Implementing legislation of the D.L. 51/2015: Setting a quarterly survey of milk production costs, entrusted to ISMEA, based on a methodology approved by the Ministry (Rules for transparency of contractual agreements in agricultural supply chains)		August 2015
	Provisions on the recognition of Producer Organizations (POs) (MD 387 on February 3, 2016)		February 2016
		Implementing legislation of the D.L. 51/2015: Provisions on organization of Single National Commissions for each type of agricultural product to increase transparency in prices.	By 2016
	Forecast framework agreements for the definition of essential contractual conditions in the dairy sector (Art. 23 D. L. 113/2016) (Rules for transparency of contractual agreements in agricultural supply chains)		June 2016
	Support measures for agricultural sector (2016 Stability Law): IRAP exemption, IMU exemption for farmland, tax credit for the purchase of capital goods for production facilities, fund for agricultural machinery, agro-energy tax, extension of the National Program of Fisheries and Aquaculture.		December 2015
	Enabling law for simplification, rationalisation and competitiveness of agricultural, agri-food and fishing sectors (L. 154/2016)		July 2016
Healthcare	Strengthening of Health Pact 2014-2016 (EAL, reference prices, drugs)		December 2015

TABLE II.1-1 REFORM TIMETABLE			
Policy Area	Policy Area	Policy Area	Policy Area
		Implementation of the Health Pact 2014 - 2016: - upgrade of the Essential Assistance Levels; - National Plan of chronicity; - New guarantee system for healthcare monitoring. Health responsibility (A.S. 2244)	By 2016
Culture and Tourism	Young Culture Card, tax credit for filmmaking industry, stabilisation of Art Bonus, 2x1000 to cultural associations (2016 Stability Law)		December 2015
		Draft Law attached to the 2016 Stability Law on Regulation of Cinema, Audiovisual and Performing Arts (A.S. 2287)	By 2016
	Reform of RAI and TV public service		December 2015
Environment	Law on crimes against the environment (Law 68/2015).		May 2015
	Law to promote green economy measures and for the containment of excessive use of natural resources (L.221/2015)		December 2015
		Enabling Law on Government concerning the remuneration of ecosystem and environmental services.	By 2017
		Remediation and environmental damage: simplification of remediation process; reform of SIN management (provisions contained in Lgs. D on SCIA 2)	By 2016
		Waste management: regulatory authority and progressive transition from tax (Tarsu) to tariff; Reform of the consortia (provisions contained in Lgs. D on SCIA 2)	
		Hydro-geographic districts	
		Green Act Draft Law (environmental taxation; circular economy, renewables, mobility)	By 2017
		Reform of the governance of National Parks (AS 1034)	By 2016
Spending Review and tax expenditures		With the new regulatory framework for tax expenditures (Lgs. D. 160/2015) the Government will annually review existing tax expenditures according to their economic impact and present a Report to Parliament together with the Budget Law.	By 2016
	Spending review – Phase I (rationalisation of purchasing centres, processes digitalisation and standard costs) savings achieved: 3.6 bn in 2014 and 18 bn in 2015 Strengthening the programme of rationalization for e-procurement and of the central buyers bodies ('centrali di committenza'); setting up of the 'aggregators Table'; extension of the obligations for the PA and its subsidiaries to use Consip (the National e-procurement Agency) for their purchases.		2015

TABLE II.1-1 REFORM TIMETABLE			
Policy Area	Policy Area	Policy Area	Policy Area
	Annual decrees on market categories and maximum thresholds for independent tenders (if exceeded authorities must resort to Consip or to another party aggregator). Definition of new benchmark prices based on 'essential characteristics' of the goods and services (MEF MD on June 21, 2016)		June 2016
	Standard requirements and fiscal capacity rules (Fiscal Federalism) for local authorities. Updating of the methodological notes (MEF MD on May 13, 2016)		May 2016
	Phase II of spending review (revision of Budget Law). Estimated savings: €25 billion in 2016, €28 billion in 2017 and 29 billion in 2018 - Lgs.D. 90/2016 on completing the reform of State budget structure - Lgs.D. 93/2016 on reordering the State budget management		Structural savings planned until 2018. May 2016
	Draft Law modifying L. 196/2009, providing for Budget law contents, implementing art.15 L. 243/2012 (L. 163/2016)		July 2016
	Draft Law modifying L. 243/2012 providing for the implementation of the principle of balanced budget for regional and local authorities (L. 164/2016)		August 2016

Note: Reforms are split according to their state of advancement in two categories: i) reforms presented in Parliament for approval (in progress) and ii) reforms who have already completed the process of approval and have been published in the Official Journal (done).

Reform's implementation and legislative monitoring

The implementation rate of reforms of Government reached 74.9 per cent after two years and a half being in office²³. The stock of the decrees inherited from the two previous governments which amounted to 889 measures, fell to 162, with an implementation rate of 83.8 percent.

Since the Government is in office, 369 legislative acts have been adopted , 275 have been published in the Official Gazette, of these 56.7 per cent are self-enforced and do not need further acts to be enforced. The percentage of self-enforced legislative acts is constantly growing, starting from a percentage of 29 per cent (may 2014) up to the current 56.7 per cent.

Concerning the progress in the web based information system for monitoring the implementation of the measures, it should be noted that the system has been put in place in line with the time schedule and after a trial phase, it is now in use by all ministries.

²³ For further details see <http://www.programmagoverno.gov.it>

III. TABLES

TABLE III.1-1 BASIC ASSUMPTIONS (O.I)

	2015	2016	2017
Short-term interest rate (annual average)	n.d.	-0.1	0.1
Long-term interest rate (annual average)	1.7	1.4	1.8
USD/€ exchange rate (annual average)	1.1	1.1	1.1
Nominal effective exchange rate	-4.9	1.5	0.2
World excluding EU, GDP growth	3.2	3.3	3.7
EU GDP growth	1.9	1.7	1.5
Growth of relevant foreign markets	3.5	2.6	2.9
World import volumes, excluding EU	0.8	0.9	2.2
Oil prices (Brent, USD/barrel)	53.5	46.6	52.5

TABLE III.1-2 MACROECONOMIC PROSPECTS (1.A)

	ESA Code	2015	2015	2016	2017	2018	2019
		Level	rate of change	rate of change	rate of change	rate of change	rate of change
1. Real GDP	B1*g	1,553,876	0.7	0.8	1.0	1.2	1.2
Of which							
1.1. Attributable to the estimated impact of aggregated budgetary measures on economic growth					0.4		
2. Potential GDP		1,608,993	-0.3	-0.3	0.2	0.2	0.4
contributions:							
- labour			0.1	0.0	0.3	0.3	0.3
- capital			-0.1	-0.1	0.0	0.0	0.1
- total factor productivity			-0.2	-0.2	-0.1	-0.1	0.0
3. Nominal GDP	B1*g	1,642,444	1.4	1.8	2.0	3.1	3.1
Components of real GDP							
4. Private final consumption expenditure	P.3	935,005	1.5	1.3	1.0		
5. Government final consumption expenditure	P.3	311,778	-0.6	0.5	0.7		
6. Gross fixed capital formation	P.51g	261,096	1.3	2.0	2.9		
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53		0.1	-0.4	0.0		
8. Exports of goods and services	P.6	469,778	4.3	1.7	2.5		
9. Imports of goods and services	P.7	430,733	6.0	2.1	3.6		
Contributions to real GDP growth							
10. Final domestic demand		-	1.0	1.2	1.2		
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	-	0.1	-0.4	0.0		
12. External balance of goods and services	B.11	-	-0.4	-0.1	-0.3		

TABLE III.1-3 PRICE DEVELOPMENTS (1.B)

	ESA Code	2015	2015	2016	2017	2018	2019
		Level	rate of change	rate of change	rate of change	rate of change	rate of change
1. GDP deflator		105.7	0.6	1.0	1.0	1.9	1.8
2. Private consumption deflator		107.1	0.0	0.1	0.9		
3. HICP		100.0	0.1	0.1	0.9		
4. Public consumption deflator		99.7	0.0	-0.1	0.7		
5. Investment deflator		104.7	0.2	0.6	1.3		
6. Export price deflator (goods and services)		105.1	-0.4	-0.7	1.7		
7. Import price deflator (goods and services)		102.9	-2.6	-3.4	1.3		

TABLE III.1-4 LABOUR MARKET DEVELOPMENTS (1.C)

	ESA Code	2015	2015	2016	2017
		Level	rate of change	rate of change	rate of change
1. Employment, persons		24,476	0.6	1.2	0.9
2. Employment, hours worked		42,175,832	0.9	1.7	0.7
3. Unemployment rate (%)			11.9	11.5	10.8
4. Labour productivity, persons		63,485	0.2	-0.5	0.1
5. Labour productivity, hours worked		36.8	-0.2	-0.9	0.3
6. Compensation of employees	D.1	649,791	1.7	1.9	1.9
7. Compensation per employee		39,949	0.4	0.5	1.2

TABLE III.1-5 SECTORAL BALANCES (1.D)

	ESA Code	2015	2016	2017
	B.9	% GDP	% GDP	% GDP
1. Net lending/net borrowing vis-à-vis the rest of the world		1.8	2.9	2.8
<i>of which:</i>				
- Balance on goods and services		3.1	3.7	3.6
- Balance of primary incomes and transfers		-1.5	-1.0	-1.0
- Capital account		0.2	0.2	0.2
2. Net lending/net borrowing of the private sector	B.9	4.4	5.3	5.1
3. Net lending/net borrowing of general government	B.9	-2.6	-2.4	-2.3
4. Statistical discrepancy				

TABLE III.1-6 GENERAL GOVERNMENT BUDGETARY TARGETS BROKEN DOWN BY SUBSECTOR (2.A)

	ESA Code	2016 % GDP	2017 % GDP	2018 % GDP	2019 % GDP
Net lending (+) / net borrowing (-) (B.9) by sub-sector					
1. General government	S.13	-2.4	-2.3	-1.2	-0.2
1a. Central government	S.1311	-2.6	-2.5		
1b. State government	S.1312				
1c. Local government	S.1313	0.1	0.1		
1d. Social security funds	S.1314	0.1	0.1		
2. Interest expenditure	D.41	4.0	3.7	3.6	3.4
3. Primary balance ²		1.5	1.4	2.4	3.2
4. One-off and other temporary measures ³		0.1	0.2	0.0	-0.1
5. Real GDP growth (%) (=1 in Table 1.a)		0.8	1.0	1.2	1.2
6. Potential GDP growth (%) (=2 in Table 1.a)		-0.3	0.2	0.2	0.4
<i>contributions :</i>					
<i>- labour</i>		0.0	0.3	0.3	0.3
<i>- capital</i>		-0.1	0.0	0.0	0.1
<i>- total factor productivity</i>		-0.2	-0.1	-0.1	0.0
7. Output gap (% of potential GDP)		-2.5	-1.6	-0.7	0.1
8. Cyclical budgetary component (% of potential GDP)		-1.3	-0.9	-0.4	0.1
9. Cyclically-adjusted balance (1 - 12) (% of potential GDP)		-1.1	-1.4	-0.8	-0.3
10. Cyclically-adjusted primary balance (13 + 6) (% of potential GDP)		2.9	2.3	2.7	3.2
11. Structural balance (13 - 8) (% of potential GDP)		-1.2	-1.6	-0.8	-0.1

¹ TR-TE= B.9.² The primary balance is calculated as (B.9, item 1) plus (D.41, item 2).³ A plus sign means deficit-reducing one-off measures.

TABLE III.1-7 GENERAL GOVERNMENT DEBT DEVELOPMENTS (2.B)

	ESA Code	2016	2017	2018	2019
		% GDP	% GDP	% GDP	% GDP
1. Gross debt¹		132.8	132.6	130.1	126.7
2. Change in gross debt ratio		0.5	-0.3		
Contributions to changes in gross debt					
3. Primary balance (= item 3 in Table 2.a.)		1.5	1.4		
4. Interest expenditure (= item 2 in Table 2.a.)	D.41	4	3.7		
5. Stock-flow adjustment		0.4	0	0.3	0.2
<i>of which:</i>					
- Differences between cash and accruals ²		0.5	0.4		
- Net accumulation of financial assets ³		0.2	-0.2		
<i>of which:</i>					
- privatisation proceeds		-0.1	-0.5		
- Valuation effects and other ⁴		-0.3	-0.2		
p.m.: Implicit interest rate on debt⁵		3.1	2.9		
Other relevant variables					
6. Liquid financial assets ⁶					
7. Net financial debt (7=1-6)					
8. Debt amortization (existing bonds) since the end of the previous year					
9. Percentage of debt denominated in foreign currency					
10. Average maturity					

**TABLE III.1-8 GENERAL GOVERNMENT EXPENDITURE AND REVENUE PROJECTIONS AT UNCHANGED POLICIES
BROKEN DOWN BY MAIN COMPONENTS (3)**

	ESA Code	2016	2017
General government (S13)		% GDP	% GDP
1. Total revenue at unchanged policies	TR	47.0	47.0
Of which			
1.1. Taxes on production and imports	D.2	14.4	15.2
1.2. Current taxes on income, wealth, etc	D.5	14.8	14.4
1.3. Capital taxes	D.91	0.2	0.1
1.4. Social contributions	D.61	13.1	13.1
1.5. Property income	D.4	0.7	0.6
1.6. Other		3.7	3.7
<i>p.m.: Tax burden</i>		42.6	42.8
2. Total expenditure at unchanged policies	TE	49.5	48.7
Of which			
2.1. Compensation of employees	D.1	9.7	9.6
2.2. Intermediate consumption	P.2	8.0	7.9
2.3. Social payments	D.62,D.632	20.3	20.2
<i>of which Unemployment benefits</i>		0.9	0.9
2.4. Interest expenditure	D.41	4.0	3.7
2.5. Subsidies	D.3	1.7	1.5
2.6. Gross fixed capital formation	P.51g	2.2	2.3
2.7. Capital transfers	D.9	1.2	1.2
2.8. Other		2.3	2.2

TABLE III.1-9 GENERAL GOVERNMENT EXPENDITURE AND REVENUE TARGETS, BROKEN DOWN BY MAIN COMPONENTS (4.A)

	ESA Code	2016	2017
General government (S13)		% GDP	% GDP
1. Total revenue target	TR	47.0	46.7
Of which			
1.1. Taxes on production and imports	D.2	14.4	15.3
1.2. Current taxes on income, wealth, etc	D.5	14.8	13.7
1.3. Capital taxes	D.91	0.2	0.2
1.4. Social contributions	D.61	13.1	13.0
1.5. Property income	D.4	0.7	0.6
1.6. Other		3.7	3.8
<i>p.m.: Tax burden</i>		42.6	42.3
2. Total expenditure target	TE	49.5	49.0
Of which			
2.1. Compensation of employees	D.1	9.7	9.7
2.2. Intermediate consumption	P.2	8.0	7.9
2.3. Social payments	D.62, D.632	20.3	20.3
<i>Of which Unemployment benefits</i>		0.9	0.9
2.4. Interest expenditure (= item 2 in Table 2.a)	D.41	4.0	3.7
2.5. Subsidies	D.3	1.7	1.5
2.6. Gross fixed capital formation	P.51g	2.2	2.4
2.7. Capital transfers	D.9	1.2	1.2
2.8. Other		2.3	2.2

TABLE III.1-10 AMOUNTS TO BE EXCLUDED FROM THE EXPENDITURE BENCHMARK (4.B)

	ESA Code	2015	2015	2016	2017
		Level	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue		4,300	0.3	0.1	0.1
2. Cyclical unemployment benefit expenditure ¹		2,956	0.2	0.2	0.1
3. Effect of discretionary revenue measures ²		-3,214	-0.2	-0.6	0.0
4. Revenue increases mandated by law		0	0	0	0

TABLE III.1-11 GENERAL GOVERNMENT EXPENDITURE ON EDUCATION, HEALTHCARE AND EMPLOYMENT (4.C)

Expenditure category	Available information
Education	Education expenditure ¹ averages on 3.7% as a share of GDP in the five year-period 2012-2016 (3.6% in 2017). As for the mid-long term trends, see the latest forecasts carried out based on the methodology and the long term scenario elaborated at the European level within the Economic Policy Committee - Working Group on Ageing Populations and Sustainability ²
Health	Health care expenditure as percentage of GDP averages on 6.8% in the five-year period 2012-2016 (6.8% in 2017). As for the mid-long term trends, see the latest forecasts carried out based on the national scenario and that elaborated at the European level within the Economic Policy Committee - Working Group on Ageing Populations and Sustainability ²
Employment ³	The employment expenditure to GDP ratio decreased in the 5-year period 2010-2014, falling from 0.35% in 2010 to 0.30% in 2014. The most recent data pertaining to 2014 shows a decrease in expenditure compared to 2013, when the figure was 0.35%. Currently there is no data that enables one to quantify expenditure in the 3-year period 2015-2017 for a figure other than 0.30%. However, that must be considered in light of the implementation of the provisions on active labour market policies contained in Law No. 183/2014, envisaging a greater streamlining and reformed allocation of resources.

1 Ageing Working Group definition: the aggregate includes educational levels ISCED 1-6 according to the OECD classification. It does not include Lifelong training and pre-primary level of education.

2 Source: Ministero dell'economia e delle finanze - Ragioneria Generale dello Stato (2016), "Le tendenze di medio-lungo periodo del sistema pensionistico e socio-sanitario. Previsioni elaborate con i modelli della Ragioneria Generale dello Stato aggiornati a settembre 2016 - Nota di Aggiornamento del Rapporto n. 17, to be published".

http://www.rgs.mef.gov.it/VERSIONE-I/Attivit-i/Spesa-soci/Attivita_di_previsione_RGS/2016

3 The employment expenditure contains government spending related to active labour market policies including public employment services. Source: Ministry of Labour and Social Policy

TABLE III.1-12 DISCRETIONARY MEASURES TAKEN BY GENERAL GOVERNMENT (5.A)

List of measures	Detailed description	Target (Expenditure / Revenue component) ESA Code	Budgetary impact			
				2017	2018	2019
				% GDP	% GDP	% GDP
Disattivazione delle clausole di salvaguardia delle precedenti leggi di stabilità	Motivazione: Riduzione della pressione fiscale Contenuto delle misure: Sterilizzazione per il 2017 degli aumenti accise e IVA, grazie all'efficacia dei provvedimenti e i maggiori risparmi di spesa derivanti da interventi di razionalizzazione e revisione della spesa pubblica.	D.2	E	0,900	-0,862	-0,206
Razionalizzazione ACE	Motivazione: Semplificazione del sistema fiscale Contenuto delle misure: Razionalizzazione degli incentivi fiscali al rafforzamento patrimoniale d'impresa (cd. razionalizzazione agevolazione ACE (Aiuto alla Crescita Economica)) e abrogazione della "super ACE" per le società quotate)	D.5	E	-0,100	0,010	0,006
Istituzione dell'IRI	Motivazione: Semplificazione del sistema fiscale e lotta all'evasione Contenuto delle misure: Armonizzazione del trattamento fiscale delle imprese al livello delle società di capitali (24%), indipendentemente della forma giuridica, anche allo scopo di rafforzare la struttura patrimoniale delle PMI.	D.5	E	0,000	0,113	-0,041
Voluntary disclosure	Motivazione: Semplificazione del sistema fiscale e lotta all'evasione Contenuto di alcune delle misure: Proroga per tutto il 2017 dei termini per la presentazione delle istanze di "voluntary disclosure" sui redditi e patrimoni detenuti all'estero e ampliamento della platea, tramite la possibilità di optare per un prelievo forfetario, a titolo di imposte, interessi, sanzioni e contributi. Ulteriori misure saranno previste nel caso in cui la collaborazione volontaria abbia ad oggetto denaro in contanti, valori al portatore e altri valori.	D.5	E	-0,117	0,114	0,000
Recupero evasione fiscale	Motivazione: Semplificazione del sistema fiscale e lotta all'evasione Contenuto di alcune delle misure: (1) Recupero elusione fiscale alle dogane IVA petroli, tramite un ampliamento dei beni che possono essere introdotti nel cd. "deposito IVA" che consente di differire il pagamento dell'imposta (in quanto l'assolvimento della stessa si ha non nel momento in cui i beni sono introdotti nel deposito ma nel momento in cui vengono estratti) e contemporanea revisione delle modalità di assolvimento dell'IVA che dovrà essere assolta mediante versamento diretto /senza possibilità di compensazione) all'atto dell'estrazione dei beni diversi da quelli introdotti in forza di un acquisto intracomunitario, compresi quelli di provenienza extracomunitaria. (2) Introduzione di alcuni obblighi di comunicazione telematica dei dati e delle fatture e (3) ulteriori misure per il recupero dell'elusione e evasione fiscale	D.2	E	-0,145	-0,123	0,071
Revisione e riprogrammazione della spesa dei Ministeri	Motivazione: Riquilibrificazione della spesa pubblica e riprogrammazione. Contenuto delle misure: Misure di efficientamento e razionalizzazione mirate, individuate puntualmente dai singoli Ministeri o da attività di revisione della spesa, anche attraverso riallocazioni tra diversi settori di spesa, e riprogrammazione	varie	S	-0,173	0,082	-0,171
Riquilibrificazione della spesa sanitaria e revisione della governance del settore farmaceutico	Motivazione: Riquilibrificazione della spesa pubblica. Contenuto di alcune delle misure: (1) Ulteriori impulsi alla razionalizzazione degli acquisti (linee-guida per la definizione delle gare da parte dei soggetti aggregatori e la determinazione delle fasce di valori da porre a base d'asta; attività dirette ad efficientare la gestione dei magazzini degli enti del Servizio sanitario nazionale) (2) Accelerazione e efficientamento del fascio sanitario, tramite la messa a disposizione delle Regioni dell'infrastruttura e delle banche dati già disponibili del Sistema Tessera Sanitaria (3) Criteri più stringenti per l'individuazione degli enti chiamati a predisporre un Piano di rientro (il valore soglia passa da uno scostamento del 10% o da pari almeno a 10 milioni al 5% o pari almeno a 5 milioni, tra i costi rilevati dal modello di rilevazione del conto economico consuntivo e i ricavi determinati come remunerazione dell'attività) (4) Stabilizzazione medici del Sistema Sanitario Nazionale (5) Rifornimento del Fondo Farmaci innovativi per il concorso al rimborso alle regioni per l'acquisto dei medicinali innovativi	varie	S	-0,001	-0,053	-0,110
Asta frequenze	Motivazione: Riordino del sistema delle concessioni in scadenza Contenuto delle misure: Allineamento delle scadenze dei diritti d'uso delle frequenze in banda 900 e 1800 Mhz (in scadenza il 30 giugno 2018) al 31 dicembre 2029 e passaggio alla tecnologia 5G, con previsione della possibilità di un pagamento anticipato forfetario			-0,114	0,114	0,004
Passaggio alla cassa per il regime in contabilità semplificata	Motivazione: Semplificazione del sistema fiscale e lotta all'evasione Contenuto delle misure: Si introduce, per le imprese individuali e le società di persone in regime di contabilità semplificata, la determinazione del reddito e del valore della produzione netta secondo il criterio della cassa, in sostituzione del criterio della competenza. Questo determina una revisione delle regole di tassazione dei redditi delle piccole imprese, nell'ottica della semplificazione.	D.5	E	0,000	-0,076	0,104
Super- e iper-ammortamento	Motivazione: Competitività Contenuto di alcune delle misure: Proroga al 31 dicembre 2017 del bonus sugli ammortamenti fiscali con gli investimenti in macchinari e attrezzature effettuati nel 2017 per contribuire al rinnovamento del capitale produttivo delle imprese e introduzione iperammortamento	D.5	E	0,000	0,064	0,044

Detrazioni fiscali per interventi di ristrutturazione edilizia, riqualificazione antisismica, riqualificazione energetica e acquisto mobili e credito d'imposta per strutture ricettizie	Motivazione: Interventi per la crescita e la messa in sicurezza del territorio Contenuto delle misure: 1) Proroga al 31 dicembre 2017 e aumento della detrazione per gli interventi ristrutturazione edilizia, dal 36 per cento al 50 per cento (da suddividere in 10 quote annuali). 2) Proroga al 31 dicembre 2017 e aumento della detrazione per gli interventi di efficienza energetica, dal 36 per cento al 65 per cento (da suddividere in 10 quote annuali). 3) Proroga al 31 dicembre 2021 della detrazione gli interventi di efficienza energetica realizzati sulle parti comuni degli edifici condominiali e degli Istituti autonomi per le case popolari e aumento della detrazione dal 36 per cento al 70 per cento, per interventi sull'involucro, e al 75 per cento, per miglioramento della prestazione energetica invernale e estiva. 4) Proroga al 31 dicembre 2021 e aumento della detrazione per interventi antisismici su edifici ricadenti nelle zone sismiche 1 e 2, dal 36 per cento al 50 per cento (da suddividere in 10 quote annuali), e estensione del beneficio alla zona sismica 3. 5) Proroga al 31 dicembre 2017 della detrazione pari al 50 per cento per l'acquisto di mobili e di grandi elettrodomestici di classe energetica elevata 6) Riconoscimento del credito di imposta per le imprese alberghiere per interventi di ristrutturazione edilizia, manutenzione straordinaria, restauro e risanamento conservativo o a interventi di eliminazione delle barriere architettoniche. Estensione della misura anche agli agriturismo.	D.5	E	-0,002	0,046	0,047
Proroga e potenziamento del credito d'imposta in R&S	Motivazione: Competitività Contenuto di alcune delle misure: (1) Proroga fino al 31 dicembre 2020 del credito d'imposta riconosciuto nella misura unica del 50% delle spese sostenute in eccedenza rispetto alla media degli investimenti in ricerca e sviluppo realizzati nei tre periodi d'imposta precedenti (2) Innalzamento dell'importo massimo del beneficio annuale riconoscibile per ciascun beneficiario dai precedenti 5 milioni di euro a 20 milioni di euro		E	0,000	0,041	0,000
Interventi per le aree colpite dal sisma del 24 agosto	Motivazione: Emergenza dovuta al sisma Contenuto delle misure: Interventi per la ricostruzione pubblica e privata dei territori colpiti dal sisma del 24 agosto 2016	varie	S	0,035	0,011	0,011
Rilancio investimenti a livello territoriale	Motivazione: Favorire gli investimenti e la messa in sicurezza del territorio Contenuto delle misure: - investimenti EELL e Regioni	varie	S	0,042	0,018	-0,002
Rilancio investimenti a livello nazionale	Motivazione: Favorire gli investimenti	varie	S	0,041	0,087	0,103
Abolizione IRPEF agricola e decontribuzione giovani agricoltori	Motivazione: Riduzione della pressione fiscale per le imprese Contenuto delle misure: i redditi dominicali e agricoli non concorrono cioè alla base imponibile Irpef di coltivatori diretti e imprenditori agricoli professionali. Per gli agricoltori under 40 è prevista la decontribuzione. Inoltre, il reddito d'impresa degli imprenditori persone fisiche viene assoggettato all'aliquota Iri del 24%, la stessa dell'Ires, anziché essere ricompreso nel reddito complessivo ed essere sottoposto alla progressività dell'Irpef: in questo modo l'imposta scenderà significativamente	D.4	E	0,000	0,014	-0,005
Misure per la famiglia	Motivazione: Misure per la famiglia Contenuto di alcune delle misure: (1) Voucher baby sitter (2) Integrazione del finanziamento del Fondo per le politiche della famiglia con una quota finalizzata allo sviluppo del sistema territoriale dei servizi socio-educativi per la prima infanzia (3) Incremento del Fondo dedicato alla non autosufficienza.	varie	varie	0,042	0,002	0,000
Contrasto alla povertà	Motivazione: Contrasto alla povertà Contenuto delle misure: Incremento, dal 2018, della dotazione del Fondo per la lotta alla povertà e all'esclusione sociale	D.62p	S	0,000	0,028	0,000
Capitale umano e scuola	Motivazione: Promozione del capitale umano Contenuto di alcune delle misure: (1) Revisione delle norme sulla contribuzione studentesca alle università statali e dei criteri per l'esonero dal pagamento del contributo (2) Finanziamento del fondo integrativo statale per la concessione delle borse di studio e borse nazionali per il merito e la mobilità (3) Istituzione di un Fondo per il finanziamento delle attività base di ricerca, al fine di incentivare l'attività base di ricerca dei docenti delle università statali (4) Rifinanziamento della Carta elettronica per i giovani residenti nel territorio nazionale che compiono i diciotto anni di età (5) Completamento della riforma della "Buona scuola", con riferimento al settore infanzia da 0 a 6 anni (6) Contributo per le scuole paritarie		S	0,048	0,003	0,002

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Interventi in materia pensionistica	Motivazione: Interventi in materia pensionistica Contenuto delle misure: a) per i pensionati in essere: a1) un aumento dell'importo della c.d 14esima (del 30%) per i pensionati con reddito fino a 1,5 volte il TM (750 euro mensili) e l'estensione della stessa nel suo importo originario ai pensionati con reddito compreso tra 1,5 volte il TM e 2 volte il TM (tra 750 euro e 1.000 euro mensili); a2) l'incremento della no tax area per i pensionati; b) per i futuri pensionati: b1) agevolazioni per l'accesso al pensionamento per i lavoratori con anzianità contributive in più gestioni prevedendo il cumulo dei periodi assicurativi senza oneri aggiuntivi per gli stessi; b2) potenziamento delle agevolazioni per l'accesso al pensionamento dei lavoratori sottoposti ai c.d. lavori usuranti. Il beneficio è riconosciuto nell'ambito di risorse programmate; b3) agevolazioni per l'accesso al pensionamento dei lavoratori c.d. precoci (con almeno 1 anno di lavoro effettivo prima dei 19 anni) prevenendo una riduzione del requisito contributivo indipendente dall'età anagrafica di 1 anno e 10 mesi per gli uomini e di 10 mesi per le donne (per le donne già a normativa vigente il requisito contributivo è inferiore di 1 anno a quello degli uomini). Tale riduzione è limitata a determinate categorie (disoccupati senza ammortizzatori sociali, lavoratori con invalidità superiore al 74%, soggetti dediti all'assistenza di congiunto con handicap grave, lavoratori dediti ad attività usuranti e/o particolarmente gravose come definite da specifiche disposizioni). Il beneficio è riconosciuto nell'ambito di risorse programmate; b4) in via sperimentale, dal 1° maggio 2017 al 31 dicembre 2018 per soggetti in condizioni particolari (disoccupati senza ammortizzatori sociali, lavoratori con invalidità superiore al 74%, soggetti dediti all'assistenza di congiunto con handicap grave, se in possesso di anzianità contributiva non inferiore a 30 anni di contributi, lavoratori dediti ad attività particolarmente gravose come definite da specifiche disposizioni, se in possesso di anzianità contributiva non inferiore a 36 anni di contributi) la possibilità di conseguire una prestazione assistenziale non superiore a 1.500 euro mensili di accompagnamento alla pensione se di età non inferiore a 63 anni. Il beneficio è riconosciuto nell'ambito di risorse programmate E' inoltre previsto, sottoposto alla previa verifica delle autorità statistiche circa l'assenza di impatto sulle finanze pubbliche, un meccanismo sperimentale di prestito a garanzia pensionistica per i soggetti con 63 anni e un'anzianità contributiva minima di 20 anni.	S	0,110	0,048	0,018	
Pubblico impiego	Motivazione: Pubblico impiego Contenuto delle misure: Risorse finalizzate al rinnovo dei contratti della pubblica amministrazione, alla stabilizzazione cd. "Aumento 80-euro forze di Polizia", e all'assunzione di personale	D.1	S	0,061	0,020	0,000
Emergenza migranti	Motivazione: Emergenza migranti Contenuto delle misure: Reperimento di risorse ulteriori per l'accoglienza, a fronte del protrarsi dell'emergenza relativa ai migranti, e risorse per investimenti nei paesi chiave di transito e di origine dei flussi	varie	S	0,030	-0,030	0,000
Enti territoriali e autonomie speciali	Motivazione: Enti territoriali e autonomie speciali	varie	S	0,065	-0,001	0,000
Misure per la competitività	Motivazione: Competitività Contenuto delle misure: Varie misure per promuovere la competitività tra cui: Detassazione premi di produttività+esenzione assicurazione rischi; Interventi auto-imprenditorialità e per le start-up innovative; Riduzione dell'aliquota contributiva dei lavoratori autonomi al 25% dal 2017; revisione regime IVA per gruppi societari (cd. "Iva di gruppo")	varie	varie	0,030	0,042	-0,019
Altro risorse (varie)	Misure varie, tra cui il recupero evasione fiscale già registrata a consuntivo, l'efficientamento dell'amministrazione fiscale e la revisione alcune agevolazioni fiscali (crediti non riscossi) e altre entrate da adesione volontaria	varie	varie	-0,186	0,068	-0,060
Altro oneri (varie)	Contenuto delle misure: (1) finanziamento delle politiche invariate (2) agevolazioni fiscali e interventi straordinari nel settore della cultura (3) altri interventi di minore impatto finanziario	varie	varie	0,138	-0,059	-0,004
TOTALE				0,706	-0,278	-0,211

TABLE III.1-13 DISCRETIONARY MEASURES TAKEN BY CENTRAL GOVERNMENT (5.B)

TABLE III.1-13 DISCRETIONARY MEASURES TAKEN BY CENTRAL GOVERNMENT (5.B)						
List of measures	Detailed description	Target (Expenditure / Revenue component) ESA Code	Budgetary Impact			
				2017	2018	2019
				% GDP	% GDP	% GDP
Disattivazione delle clausole di salvaguardia delle precedenti leggi di stabilità	Motivazione: Riduzione della pressione fiscale Contenuto delle misure: Sterilizzazione per il 2017 degli aumenti accise e IVA, grazie all'efficacia dei provvedimenti e i maggiori risparmi di spesa derivanti da interventi di razionalizzazione e revisione della spesa pubblica.	D.2	E	0,900	-0,862	-0,206
Razionalizzazione ACE	Motivazione: Semplificazione del sistema fiscale Contenuto delle misure: Razionalizzazione degli incentivi fiscali al rafforzamento patrimoniale d'impresa (cd. razionalizzazione agevolazione ACE (Aiuto alla Crescita Economica)) e abrogazione della "super ACE" per le società quotate)	D.5	E	-0,100	0,010	0,006
Isituzione dell'IRI	Motivazione: Semplificazione del sistema fiscale e lotta all'evasione Contenuto delle misure: Armonizzazione del trattamento fiscale delle imprese al livello delle soceità di capitali (24%), indipendentemente della forma giuridica, anche allo scopo di rafforzare la struttura patrimoniale delle PMI.	D.5	E	0,000	0,113	-0,041
Voluntary disclosure	Motivazione: Semplificazione del sistema fiscale e lotta all'evasione Contenuto di alcune delle misure: Proroga per tutto il 2017 dei termini per la presentazione delle istanze di "voluntary disclosure" sui redditi e patrimoni detenuti all'estero e ampliamento della platea, tramite la possibilità di optare per un prelievo forfetario, a titolo di imposte, interessi, sanzioni e contributi. Ulteriori misure saranno previste nel caso in cui la collaborazione volontaria abbia ad oggetto denaro in contanti, valori al portatore e altri valori.	D.5	E	-0,117	0,114	0,000
Recupero evasione fiscale	Motivazione: Semplificazione del sistema fiscale e lotta all'evasione Contenuto di alcune delle misure: (1) Recupero elusione fiscale alle dogane IVA petroli, tramite un ampliamento dei beni che possono essere introdotti nel cd. "deposito IVA" che consente di differire il pagamento dell'imposta (in quanto l'assolvimento della stessa si ha non nel momento in cui i beni sono introdotti nel deposito ma nel momento in cui vengono estratti) e contemporanea revisione delle modalità di assolvimento dell'IVA che dovrà essere assolta mediante versamento diretto /senza possibilità di compensazione) all'atto dell'estrazione dei beni diversi da quelli introdotti in forza di un acquisto intracomunitario, compresi quelli di provenienza extracomunitaria. (2) Introduzione di alcuni obblighi di comunicazione telematica dei dati e delle fatture e (3) ulteriori misure per il recupero dell'elusione e evasione fiscale	D.2	E	-0,145	-0,123	0,071
Revisione e riprogrammazione della spesa dei Ministeri	Motivazione: Riqualificazione della spesa pubblica e riprogrammazione Contenuto delle misure: Misure di efficientamento e razionalizzazione mirate, individuate puntualmente dai singoli Ministeri o da attività di revisione della spesa, anche attraverso riallocazioni tra diversi settori di spesa, e riprogrammazione	varie	S	-0,173	0,082	-0,171
Asta frequenze	Motivazione:Riordino del sistema delle concessioni in scadenza Contenuto delle misure: Allineamento delle scadenze dei diritti d'uso delle frequenze in banda 900 e 1800 Mhz (in scadenza il 30 giugno 2018) al 31 dicembre 2029 e passaggio alla tecnologia 5G, con previsione della possibilità di un pagamento anticipato forfetario			-0,114	0,114	0,004
Passaggio alla cassa per il regime in contabilità semplificata	Motivazione: Semplificazione del sistema fiscale e lotta all'evasione Contenuto delle misure: Si introduce, per le imprese individuali e le società di persone in regime di contabilità semplificata, la determinazione del reddito e del valore della produzione netta secondo il criterio della cassa, in sostituzione del criterio della competenza. Questo determina una revisione delle regole di tassazione dei redditi delle piccole imprese, nell'ottica della semplificazione.	D.5	E	0,000	-0,076	0,104
Super- e iper-ammortamento	Motivazione: Competitività Contenuto di alcune delle misure: Proroga al 31 dicembre 2017 del bonus sugli ammortamenti fiscali connessi con gli investimenti in macchinari e attrezzature effettuati nel 2017 per contribuire al rinnovamento del capitale produttivo delle imprese e introduzione iperammortamento	D.5	E	0,000	0,064	0,044

Detrazioni fiscali per interventi di ristrutturazione edilizia, riqualificazione antisismica, riqualificazione energetica e acquisto mobili e credito d'imposta per strutture ricettive	Motivazione: Interventi per la crescita e la messa in sicurezza del territorio Contenuto delle misure: 1) Proroga al 31 dicembre 2017 e aumento della detrazione per gli interventi ristrutturazione edilizia, dal 36 per cento al 50 per cento (da suddividere in 10 quote annuali). 2) Proroga al 31 dicembre 2017 e aumento della detrazione per gli interventi di efficienza energetica, dal 36 per cento al 65 per cento (da suddividere in 10 quote annuali). 3) Proroga al 31 dicembre 2021 della detrazione gli interventi di efficienza energetica realizzati sulle parti comuni degli edifici condominiali e degli Istituti autonomi per le case popolari e aumento della detrazione dal 36 per cento al 70 per cento, per interventi sull'involucro, e al 75 per cento, per miglioramento della prestazione energetica invernale e estiva. 4) Proroga al 31 dicembre 2021 e aumento della detrazione per interventi antisismici su edifici ricadenti nelle zone sismiche 1 e 2, dal 36 per cento al 50 per cento (da suddividere in 10 quote annuali), e estensione del beneficio alla zona sismica 3. 5) Proroga al 31 dicembre 2017 della detrazione pari al 50 per cento per l'acquisto di mobili e di grandi elettrodomestici di classe energetica elevata 6) Riconoscimento del credito di imposta per le imprese alberghiere per interventi di ristrutturazione edilizia, manutenzione straordinaria, restauro e risanamento conservativo o a interventi di eliminazione delle barriere architettoniche. Estensione della misura anche agli agriturismo.	D.5	E	-0,002	0,046	0,047
Proroga e potenziamento del credito d'imposta in R&S	Motivazione: Competitività Contenuto di alcune delle misure: (1) Proroga fino al 31 dicembre 2020 del credito d'imposta riconosciuto nella misura unica del 50% delle spese sostenute in eccedenza rispetto alla media degli investimenti in ricerca e sviluppo realizzati nei tre periodi d'imposta precedenti (2) Innalzamento dell'importo massimo del beneficio annuale riconoscibile per ciascun beneficiario dai precedenti 5 milioni di euro a 20 milioni di euro		E	0,000	0,041	0,000
Interventi per le aree colpite dal sisma del 24 agosto	Motivazione: Emergenza dovuta al sisma Contenuto delle misure: Interventi per la ricostruzione pubblica e privata dei territori colpiti dal sisma del 24 agosto 2016	varie	S	0,035	0,011	0,011
Rilancio investimenti a livello nazionale	Motivazione: Favorire gli investimenti	varie	S	0,041	0,087	0,103
Abolizione IRPEF agricola e decontribuzione giovani agricoltori	Motivazione: Riduzione della pressione fiscale per le imprese Contenuto delle misure: i redditi dominicali e agricoli non concorrono cioè alla base imponibile Irpef di coltivatori diretti e imprenditori agricoli professionali. Per gli agricoltori under 40 è prevista la decontribuzione. Inoltre, il reddito d'impresa degli imprenditori persone fisiche viene assoggettato all'aliquota Iri del 24%, la stessa dell'Ires, anziché essere ricompreso nel reddito complessivo ed essere sottoposto alla progressività dell'Irpef: in questo modo l'imposta scenderà significativamente	D.4	E	0,000	0,014	-0,005
Misure per la famiglia	Motivazione: Misure per la famiglia Contenuto di alcune delle misure: (1) Voucher baby sitter (2) Integrazione del finanziamento del Fondo per le politiche della famiglia con una quota finalizzata allo sviluppo del sistema territoriale dei servizi socio-educativi per la prima infanzia (3) Incremento del Fondo dedicato alla non autosufficienza.	varie	varie	0,042	0,002	0,000
Contrasto alla povertà	Motivazione: Contrasto alla povertà Contenuto delle misure: Incremento, dal 2018, della dotazione del Fondo per la lotta alla povertà e all'esclusione sociale	D.62p	S	0,000	0,028	0,000
Capitale umano e scuola	Motivazione: Promozione del capitale umano Contenuto di alcune delle misure: (1) Revisione delle norme sulla contribuzione studentesca alle università statali e dei criteri per l'esonero dal pagamento del contributo (2) Finanziamento del fondo integrativo statale per la concessione delle borse di studio e borse nazionali per il merito e la mobilità (3) Istituzione di un Fondo per il finanziamento delle attività base di ricerca, al fine di incentivare l'attività base di ricerca dei docenti delle università statali (4) Rifinanziamento della Carta elettronica per i giovani residenti nel territorio nazionale che compiono i diciotto anni di età (5) Completamento della riforma della "Buona scuola", con riferimento al settore infanzia da 0 a 6 anni (6) Contributo per le scuole paritarie		S	0,048	0,003	0,002

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Interventi in materia pensionistica	Motivazione: Interventi in materia pensionistica Contenuto delle misure: a) per i pensionati in essere: a1) un aumento dell'importo della c.d 14sima (del 30%) per i pensionati con reddito fino a 1,5 volte il TM (750 euro mensili) e l'estensione della stessa nel suo importo originario ai pensionati con reddito compreso tra 1,5 volte il TM e 2 volte il TM (tra 750 euro e 1.000 euro mensili); a2) l'incremento della no tax area per i pensionati; b) per i futuri pensionati: b1) agevolazioni per l'accesso al pensionamento per i lavoratori con anzianità contributive in più gestioni prevedendo il cumulo dei periodi assicurativi senza oneri aggiuntivi per gli stessi; b2) potenziamento delle agevolazioni per l'accesso al pensionamento dei lavoratori sottoposti ai c.d. lavori usuranti. Il beneficio è riconosciuto nell'ambito di risorse programmate; b3) agevolazioni per l'accesso al pensionamento dei lavoratori c.d. precoci (con almeno 1 anno di lavoro effettivo prima dei 19 anni) prevedendo una riduzione del requisito contributivo indipendente dall'età anagrafica di 1 anno e 10 mesi per gli uomini e di 10 mesi per le donne (per le donne già a normativa vigente il requisito contributivo è inferiore di 1 anno a quello degli uomini). Tale riduzione è limitata a determinate categorie (disoccupati senza ammortizzatori sociali, lavoratori con invalidità superiore al 74%, soggetti dediti all'assistenza di congiunto con handicap grave, lavoratori dediti ad attività usuranti e/o particolarmente gravose come definite da specifiche disposizioni). Il beneficio è riconosciuto nell'ambito di risorse programmate; b4) in via sperimentale, dal 1° maggio 2017 al 31 dicembre 2018 per soggetti in condizioni particolari (disoccupati senza ammortizzatori sociali, lavoratori con invalidità superiore al 74%, soggetti dediti all'assistenza di congiunto con handicap grave, se in possesso di anzianità contributiva non inferiore a 30 anni di contributi, lavoratori dediti ad attività particolarmente gravose come definite da specifiche disposizioni, se in possesso di anzianità contributiva non inferiore a 36 anni di contributi) la possibilità di conseguire una prestazione assistenziale non superiore a 1.500 euro mensili di accompagnamento alla pensione se di età non inferiore a 63 anni. Il beneficio è riconosciuto nell'ambito di risorse programmate E' inoltre previsto, sottoposto alla previa verifica delle autorità statistiche circa l'assenza di impatto sulle finanze pubbliche, un meccanismo sperimentale di prestito a garanzia pensionistica per i soggetti con 63 anni e un'anzianità contributiva minima di 20 anni.	S	0,110	0,048	0,018
Pubblico impiego	Motivazione: Pubblico impiego Contenuto delle misure: Risorse finalizzate al rinnovo dei contratti della pubblica amministrazione, alla stabilizzazione cd. "Aumento 80-euro forze di Polizia", e all'assunzione di personale	D.1 S	0,061	0,020	0,000
Emergenza migranti	Motivazione: Emergenza migranti Contenuto delle misure: Reperimento di risorse ulteriori per l'accoglienza, a fronte del protrarsi dell'emergenza relativa ai migranti, e risorse per investimenti nei paesi chiave di transito e di origine dei flussi	vare S	0,030	-0,030	0,000
Misure per la competitività	Motivazione: Competitività Contenuto delle misure: Varie misure per promuovere la competitività tra cui: Detassazione premi di produttività+esenzione assicurazione rischi; Interventi auto-imprenditorialità e per le start-up innovative; Riduzione dell'aliquota contributiva dei lavoratori autonomi al 25% dal 2017; revisione regime IVA per gruppi societari (cd. "Iva di gruppo")	vare varie	0,030	0,042	-0,019
Altro risorse (varie)	Misure varie, tra cui il recupero evasione fiscale già registrata a consuntivo, l'efficientamento dell'amministrazione fiscale e la revisione alcune agevolazioni fiscali (crediti non riscossi) e altre entrate da adesione volontaria	varie varie	-0,186	0,068	-0,060
Altro oneri (varie)	Contenuto delle misure: (1) finanziamento delle politiche invariate (2) agevolazioni fiscali e interventi straordinari nel settore della cultura (3) altri interventi di minore impatto finanziario	varie varie	0,138	-0,059	-0,004
TOTAL			0,599	-0,242	-0,098

TABLE III.1-14 COUNTRY SPECIFIC RECOMMENDATIONS (6.A)

Specific Recommendation	List of measures	Description of direct relevance
CSR 1- In 2016, limit the temporary deviation from the required 0,5 % of GDP adjustment towards the medium-term budgetary objective to the amount of 0,75 % of GDP allowed for investments and the implementation of structural reforms, subject to the condition of resuming the adjustment path towards the medium-term budgetary objective in 2017. Achieve an annual fiscal adjustment of 0,6 % or more of GDP towards the medium-term budgetary objective in 2017. Finalise the reform of the budgetary process in the course of 2016 and ensure that the spending review is an integral part of it; [...]	For information about public finance budgetary objectives see previous tables .	PUBLIC FINANCE BALANCES Public Finance and Spending Review
	With the Law 163/2016, the Stability Law and the Budget Law become a single document and the spending review is integrated in the budgeting cycle: according to specific spending targets assigned to each administration and the policy scenario priorities and objectives indicated by the EFD, the central government will define the financial planning for each Ministry (see the Update of the EFD 2016, page 101).	BUDGET REFORM Public Finance and Spending Review
	New accounting rules for territorial entities have been implemented (see the Update of the EFD 2016, page 98).	LOCAL AUTHORITIES Public Finance and Spending Review
	For further spending review measures provided by the 2017 Stability Law, see table 5 and the Update of the EFD 2016.	FURTHER MEASURES Public Finance and Spending Review
	The centralised purchasing of goods and services by the Public Administration has been strengthened; from August 2016, centralised public procurement through CONSIP or other central purchasing body also holds for local authorities. A MEF Ministerial Decree sets the main characteristics of the 34 Consip agreements scheduled in 2016. The agreements are taken as benchmark and precise parameters of quality-prices are used. Purchasing tools of CONSIP also cover maintenance activities (see the Update of the EFD 2016, page 99).	PURCHASING IN PA Public Finance and Spending Review
	The note relative to the methodology of calculating standard requirements for public education, roads, transports, territory and environment, waste management, social sector and daycare centres in Municipalities has been presented to the parliamentary committees at the end of September 2016	STANDARD REQUIREMENTS Public Finance and Spending Review
	To update the minimum standard healthcare provision (ELC), a decree defines the activities and services to be guaranteed to citizens with public resources from NHS, as well as updates the nomenclatures of outpatient specialised services and assistance for prosthesis (see the Update of the EFD 2016, page 99).	UPDATE OF THE ELC Public Finance and Spending Review

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CSR 1 - [...] ensure the timely implementation of the privatisation programme and use the windfall gains to accelerate the reduction of the general government debt ratio; [...]	In May, the 35 per cent of <i>Poste Italiane</i> has been sold to <i>Cassa Depositi e Prestiti</i>. Rules to divest <i>Ferrovie dello Stato Italiane S.p.A</i> have been set. The market placement of shares of <i>ENAV S.p.A</i> has been implemented in July (see the Update of the EFD 2016, page 101).	PUBLIC DEBT State-owned enterprises and privatisation
	The targets set by the Government in the Update of the EFD 2016 for 2016 as regard expected revenues from privatisation is 0.1 per cent of GDP in 2016, 0.5 per cent of GDP for 2017-2018 period and 0.3 per cent of GDP for 2019.	PUBLIC DEBT State-owned enterprises and privatisation
CSR 1 - [...] shift the tax burden from productive factors onto consumption and property. Reduce the number and scope of tax expenditures and complete the reform of the cadastral system by mid-2017. Take measures to improve tax compliance, including through electronic invoicing and payments.	During the period 2016-2018, more comprehensive and systematic actions will be taken in terms of cadastral values after an alignment	CADASTRAL REGISTRY
	of the databases needed to accurately assess the revenue and distributional effects on taxpayers.	Fiscal policy
	According to the legislative decree No. 160/2015, the Government will annually present a Report for the monitoring and review of tax expenditures.	MONITORING TAX EXPENDITURE Fiscal policy
	From January 2017, there will be a reduction of the IRES (corporate income tax) from 27,5 to 24 per cent.	IRES TAXATION Fiscal policy
	Refinance of the 'New Sabatini' (see the Update of the EFD 2016, page 82).	'NEW SABATINI' REGULATION Fiscal policy
	In August 2016, an amount of €40 billion assigned by the Interministerial Committee for Economic Programming (CIPE) to public investments. Moreover, €12.6 billion from the Cohesion and Development Fund assigned to transportation and transport infrastructures, €13.4 billion to the Agreements for the South implementing the Masterplan for the <i>Mezzogiorno</i> for the revitalization of southern Italy. 16 Agreements for Abruzzo, Molise, Campania, Basilicata, Apulia, Calabria, Sicily and Sardinia and for the cities of Bari, Taranto, Reggio Calabria, Catania and Palermo have been signed.	MASTERPLAN FOR THE MEZZOGIORNO OF ITALY Regional disparities
	Plan's main measures: a) extension of the super amortization; b) introduction of an iper amortization for I4.0 goods; c) tax credit on expenditure in R&D, d) incentives for startup and innovative SMEs; e) refinancing of the Guarantee Fund for SMEs with a focus on I4.0 investments; f) creation of the Digital Innovation Hub and the I4.0 Competence Center; g) strengthening of public investments in I4.0 education and research; h) measures to reinforce technological clusters; i) progress in the Ultra Broadband Plan; j) Extraordinary Plan for Made in Italy; k) assignment of resources from development contracts to I4.0 projects; l) measures to incentivise the change between wage and productivity (see the Update of the EFD 2016, page 81)..	THE 'INDUSTRIA 4.0' PLAN AND 'FINANCE FOR GROWTH' MEASURES' Credit access and firm growth
	Measures to combat VAT evasion and fraud through the strengthening of electronic procedures for invoicing. Enhancements of the measures to fight tax evasion and to increase fiscal compliance. Implementation of the European directive on international tax avoidance (see the Update of the EFD 2016, page 97).	FIGHT AGAINST TAX EVASION Taxation and compliance
	11 delegated legislative decrees implementing the enabling law have been approved until October 2016. Some of the remaining decrees concerning Chambers of Commerce, Research Institutes, public managers, Paralympics committee and public utilities have been preliminary approved. The deadline for the completion of the reform is February 2017 (see the Update of the EFD 2016, page 73).	ENABLING LAW REFORMING THE PUBLIC ADMINISTRATION Riforming and modernising the Public Administration
	In July 2016, the Government and the Regions have reached an agreement about the Digital Health Pact for the implementation of the electronic healthcare folder (<i>Fascicolo sanitario elettronico</i>, FSE).	DIGITAL HEALTHCARE Health
CSR 2 - [...] Step up the fight against corruption including by revising the statute of limitations by the end of 2016; [...]	The reform of the criminal code has been approved by the Chamber of Deputies and is currently being considered by the Senate. It aims at the safeguards of defence and the rights of people involved in proceedings. It also deals with the review of the penitentiary system and the statute of limitations.	PENAL JUSTICE REFORM Criminal justice and statute of limitations
CSR 2 - [...] reduce the length of civil justice proceedings by enforcing reforms and through effective case-management.	In August 2016, the Decree Law no. 168/2016 concerning the Cassation court and the efficiency of courts has been implemented.	CASSATION COURT AND EFFICIENCY Justice
	Approved by the Chamber of Deputies in March, the enabling act aims at guaranteeing a more immediate and effective safeguarding of rights as well as greater efficiency. Main measures: a) consolidate the specialisation of firms' courts; b) strengthen the protection of individual rights, children and families, through dedicated courts; c) ensure greater rapidity in the judgment, by revising the different phases of proceeding.	CIVIL JUSTICE REFORM Civil justice and transparency
	In April 2016, the enabling act for the overall reform of the honorary judiciary has been approved. (See the Update of the EFD 2016, page 77).	REFORM OF THE HONORARY MAGISTRATES Justice

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	According to the Law no. 161/2016, the digital administrative trial will be launched in January 2017 (see the Update of the EFD 2016, page 78). After the experimental phase started in the local and regional Tax Commissions of Tuscany and Umbria, the digital fiscal trial will be gradually extended to other 6 regions (Abruzzo, Molise, Liguria, Piedmont, Emilia-Romagna and Veneto).	DIGITAL TAX AND ADMINISTRATIVE JUSTICE
		Tax justice
	In 2015, total outstanding backlog in all degrees of judgment went down to less than 4.5 million from nearly 6 million pending in late 2009. The seniority of civil cases and analysis of the performance of the courts in the last year shows some improvement both for seniority in lying causes (-14 per cent of contentious ultratriennial causes compared to 2014) and national average duration (-5 per cent). Even the Courts of Appeal show the first improvements in efficiency in terms of backlog reduction (-8.2 per cent). In 2015, 20 per cent fewer new civil cases were registered and also registrations in the Court of Appeal went down by 10 per cent. The backlog of civil cases has diminished by 6.8 per cent in 2014 relative to 2013.	JUSTICE PERFORMANCE
	In Apr-June 2016 there has been a reduction of 9,5% of backlog relative to 2015. Fiscal trials benefited from the introduction of new forms of negotiation for dispute resolution.	
		Judicial system
	A draft law about corporate crisis and insolvency procedures is being considered by the Chamber of Deputies.	CORPORATE CRISIS AND INSOLVENCY Justice
CSR 3 - Accelerate the reduction in the stock of non-performing loans, including by further improving the framework for insolvency and debt collection. Swiftly complete the implementation of ongoing corporate governance reforms in the banking sector.	In 2015, many measures have been implemented in the Italian banking system: the reform of the mutual banks (<i>banche popolari</i>), cooperative banks and banking foundations; the reform of credit-recovery proceedings (see the Update of the EFD 2016, page 78).	BANKING SYSTEM Financial services and bank system
	Many measures implemented to solve the issue of NPLs such as the 'Guarantee for the Securitisation of the Non-Performing Loans' (GSNPL). In order to shorten time to recuperate loans, other actions have been taken: 'Patto Marciano' (a real estate asset can be given as security for the loan by the borrower with a financing contract), non-possessory pledge, facilitation for auction sales. Some initiatives come from the private sector (<i>Atlante</i>).	NPL GUARANTEE Financial services and bank system
	By the end of June 2016, around €418 million financing from the Guarantee Fund for SMEs assigned to 1,065 innovative start up.	PERFORMANCE START UP Innovative start up
	The program 'Italia Startup Visa' has been strengthened (see the Update of the EFD 2016, page 82).	ITALIA STARTUP VISA Innovative start up
	The enabling law concerning the Confidi reform has been launched in July 2016.	CONFIDI REFORM Credit access
	Cassa Depositi e Prestiti has invested over €1 billion to rise credit to SMEs thanks to a securitization's purchase program, started in May 2016, to buy credits towards SMEs.	SME Credit access
	From May 2016, a share of the Fund for sustainable growth can contribute to the financing of internationalisation programs toward extra-EU markets and to increase the capital of SMEs.	FUND FOR SUSTAINABLE GROWTH Business environment
	After the completion of the enabling law to reform the labour market, in Sept. 2016 additional measures concerning ancillary works, wage supplementation scheme, ALMPs and apprenticeship have been approved.	JOBS ACT Employment
	A draft law containing measures against undeclared work in agriculture is currently being considered by the Chamber of Deputies.	UNDECLARED WORK Employment protection
	The Senate is considering a draft law to extend the Jobs Act to self-employed and to support performance flexible job organization (<i>lavoro agile</i>) that can be performed in part within the business premises and partially outside facilitating the work-life balance (see the Update of the EFD 2016, page 84).	JOBS ACT FOR SELF-EMPLOYED Employment protection
CSR 4 - Implement the reform of active labour market policies, in particular by strengthening the effectiveness of employment services. Facilitate the take-up of work for	Hiring incentives for employers who have being recruiting in 2016 through new open-ended contracts. These employers are exempted from their contribution liability (40 per cent of exemption) for 2 years and for a maximum amount of €3,250.	FISCAL BENEFITS FOR PERMANENT WORKERS Employment protection
	The second phase of Italian Youth Guarantee has started with two new measures: a 'Superbonus' for the employer who transform a professional training in a permanent contract as well as an apprenticeship contract for a young people aged 16-29, and 'selfiemployment', a revolving fund for access to subsidised loans to support self-employment initiatives. In September 2016, the number of young people registered to Italian Youth Guarantee is 1,163,701 (+ 24,4 per cent relative to December 2015).	YOUTH GUARANTEE
		Active labour market policies

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second earners; [...]	Possibility for all private sector employees with permanent contracts maturing pension requirements by 2018 to reduce working hours. Measures for early retirement (APE) and for the protection of arduous works are being examined (see the Update of the EFD 2016, pages 84 and 92).	WELFARE Incentives for second earners
	Tax exemption for productivity bonuses will be strengthened in 2017 (see the Update of the EFD 2016, page 84).	MEASURES FOR PRODUCTIVITY WAGES Wage and wage-setting
	Before the end of the year, a new employment incentive to facilitate reallocation of workers (' <i>assegno di ricollocazione</i> ') will be implemented.	EMPLOYMENT INCENTIVE Active labour market policies
	In May 2016, €40 million assigned by the Interministerial Committee for Economic Programming (CIPE) to the program self-employment, allocating the 80 per cent of the total amount to South Regions.	SELF-EMPLOYMENT Employment initiatives
	Labour Inspectorate statute approved in May 2016; the inspection activity has been simplified while the monitoring activity has been strengthened. Also the statute of the Agency for Active Labour Policies has been definitively approved. Moreover, ISFOL is now named INAPP, National Institute for the analysis of public policies.	LABOUR INSPECTORATE Active labour market policies
CSR 4 - [...] adopt and implement the national antipoverty strategy and review and rationalise social spending.	Adoption of a Fund to fight poverty and social exclusion equipped with €600million for 2016 and €1billion starting from 2017. The Fund supports the triennial Plan for fighting poverty that identifies or updates the set of actions to achieve basic level of social assistance which have to be ensured throughout the country. The priority for 2016 is given to poor families proportionally to the number of children and disabled. Two measures are financed by the Plan: the Support for Active Inclusion (SIA) and the unemployment benefit scheme ASDI. Measures to strengthen lower pensions are being considered (see the Update of the EFD 2016, page 91).	PLAN FOR FIGHTING POVERTY AND SOCIAL EXCLUSION Poverty
	Approved by the Chamber of Deputies, the enabling Law for fighting poverty introduces a measure for the fight against poverty based on an economic support scheme assigned to poor people making efforts towards autonomy (' <i>reddito di inclusione</i> ') (see the Update of the EFD 2016, page 91).	'REDDITO DI INCLUSIONE' Poverty
	The non-profit sector reform has been approved in May 2016. €900million assigned to different actions such as the simplification of the regulation, a review of voluntary work and social promotion, legal and tax incentives, civil service, taxation and economic support (see the Update of the EFD 2016, page 93).	NON- PROFIT SECTOR Social expenditure
	The annual draft law on competition is pending before the Senate (see the Update of the EFD 2016, page 93). The 2016 annual draft law on competition is expected in 2017.	ANNUAL LAW ON COMPETITION Competition
	In February, the National Plan for Professional Reform has been presented to the European Commission in order to implement the European Directive no. 2005/36/CE on the recognition of professional qualifications. The plan takes into account all the professions regulated in Italy allowing a deep exam of all of them.	NATIONAL PLAN FOR PROFESSIONAL REFORM Competition
	The new Public Tenders Code (Legislative Decree no. 50/2016) is entered into force in April 2016. For its implementation, the ANAC has approved 4 guidelines, while other 4 are being drafted after the public consultation (see the Update of the EFD 2016, pages 95-96).	PUBLIC TENDERS CODE Transport, infrastructures and tenders
CSR 5 - [...] take further action to increase competition in regulated professions, the transport, health and retail sectors and the system of concessions.	The first round of tenders for the implementation of the network in white areas - Cluster C and D according to the National Ultra Broadband Plan has been published (see the Update of the EFD 2016, page 94).	NATIONAL ULTRA BROADBAND PLAN Transport, infrastructures and tenders
	The PA reform also involves the administrative reorganization of ports, with the creation of 15 authorities instead of the former 24 (see the Update of the EFD 2016, page 94).	PORTS Transport, infrastructures and tenders

TABLE III.1-15 TARGETS SET BY THE UNION'S STRATEGY FOR GROWTH AND JOBS.

National 2020 headline targets	List of measures	Description of direct relevance to address the target
1- Employment rate [67-69%]	Tax incentives on new permanent contracts extended for 2016. 120,000 teachers recruited in 2015 and 2016 with the extraordinary plan of recruitment and entries in the role of the current year as well as 10,294 administrative staff, technical and auxiliary (see Update of the EFD 2016, page 87). For further measures on employment and active labour market policies see table 6A.	RECRUITMENTS Fiscal policy and employment protection
2 - R&D [1,53% of GDP]	Tax credit for R&D will be extended and strengthened in 2017. For other measures to reinforce investment as 'New Sabatini' Law, Industria 4.0' Plan and 'Italia Startup Visa' Program see table 6A.	STRENGTHENING INVESTMENT R&D
	To support the access of young people to research, the Fund for the financing of the universities (FFO) has been equipped with €47 million in 2016 and €50.5 million from 2017 and the Ordinary Fund for research bodies (FOE) with €8 million in 2016 and €9.5 in 2017. The allocation of funds to universities and research bodies takes into account the quality of research results from 2004 to 2010 for universities and the FOE allocation criteria for research institutions.	YOUNG PEOPLE IN RESEARCH SECTOR R&D
	1,076 researchers have been provided for universities and ipublic research bodies due to the extraordinary plan foreseen by the Stability Law for 2016.	YOUNG PEOPLE IN RESEARCH SECTOR R&D
	An amount of €120 million available to support important projects in R&D in the information and communication technologies area for the implementation of the Digital Agenda. To benefit from Sustainable Industry €410 million have been allocated for relevant projects in R&D for environmental sustainable growth (see Update of the EFD 2016, page 89).	R&D IN SMEs Business environment
	To reduce the gap between North and South, the incentive for research and innovation for SMEs and professionals in the South designed in NOP businesses and competitiveness 2014-2020 is operational with the publication of MISE decrees for providing €380 million of planned ERDF funds (see Update of the EFD 2016, page 90).	R&D IN SMEs Business environment
	The National Research Programme 2015-2020 was launched in May 2016 and aims to boost industrial competitiveness and to promote the development of the Country (see Update of the EFD 2016, page 90).	NATIONAL RESEARCH PROGRAMME R&D
	A first tranche of €20 million allocated for the promotion of 230 innovative PhDs with strong industrial vocation. A budget of €30 million provided for the attraction of researchers of excellence to support measures for Italians researchers who intend to participate in European tenders for the European Research Council (ERC). In addition, resources for €3 million from FISR Fund assigned to the creation of 4 new clusters (Made in Italy, Culture, Energy and Blue Growth) which together with the other 8 that already exist, could participate to the call of about €400 million earmarked for industrial research and public-private cooperation between the end of 2016 and early 2017(see Update of the EFD 2016, page 90)..	RESOURCES FOR INDUSTRIAL RESEARCH R&D
	A draft legislative decree within the reform of the PA assigns a strong autonomy in planning to public research bodies.	PUBLIC RESEARCH BODIES R&D
3 - Greenhouse gas emissions [-13%]*	The involvement of local authorities in the energy and environment sustainability has been strengthened (for example 'Mayors' Agreement').	ENERGY SUSTAINABILITY Environmental policies
	The supervision and assessment on substances depleting ozone (greenhouse gases fluorinated emissions, the monitoring of businesses registered in the F-gas Register) have been strengthened.	SUPERVISION ON SUBSTANCES DEPLETING OZONE Environmental policies
	€5 million in 2016 assigned to the special program of tests on new vehicles and vehicles in circulation. In February 2016 with a MIT decree, technical arrangements and procedures for the implementation of this programme have been defined	VEHICLES Environmental policies
	A Fund for the purchase or rental of vehicles used in local and regional public transport and for the upgrading of the electric vehicles has been created at MIT. Additional financial resources of €210 million for each of the years 2019 and 2020, €130 million for 2021 and €90 million for 2022 have been assigned.	FUNDS FOR SUSTAINABLE MOBILITY Environmental policies
	€35 million allocated for an experimental national program of sustainable mobility from home-to-school and from home-to-work (see Update of the EFD 2016, page 97)..	SUSTAINABLE MOBILITY PROGRAMME Environmental policies
	Implementation of the National Strategy of adaptation to climate change by agreement of the Ministry for the Environment, Land and Sea, to be concluded at the Conference of State and Regions to define roles and responsibilities for the implementation of actions and adaptation measures, as well as coordination instruments between different levels of territorial government, and the arrangements for monitoring and evaluation of the effects of adaptation actions.	NATIONAL STRATEGY OF ADAPTATION TO CLIMATE CHANGE Environmental policies
	Upgrading of the <i>Conto termico</i> for renewable heating (incentive mechanism scheme for energy efficiency measures in the public administration buildings and for installing facilities of thermal energy from renewable sources).	ENERGY EFFICIENCY Environmental policies
4 - Energy from renewables [17%]	Managing projects implemented through the public call on the analysis of the carbon footprint in the lifecycle of consumer products and public call for co-financing projects carried out by public entities for the use of technologies for energy efficiency and renewables.	ENERGY EFFICIENCY Environmental policies
	Energy plants fuelled with biomass, biogas and sustainable biofuels will benefit from an incentive on produced energy until the end of 2020, calculated as the 80 per cent of the incentive for new plants. The incentive will be distributed by GSE after the EU Commission decision on State aid.	INCENTIVES ON SUSTAINABLE PLANTS Environmental policies
	Extension - until 31 December 2016 - of the 50 per cent tax deduction for the installation of photovoltaic systems in buildings. Introduced procedural simplifications for the authorization of the same plant	DEDUCTIONS FOR PHOTOVOLTAIC Environmental policies
	Incentives for the construction of new electricity production plants from renewable sources different from the photovoltaic, with a power of about 1300 MW.	INCENTIVES ON SU-STAINABLE PLANTS Environmental policies
	Program of buildings energy requalification of the central Public Administration, for the implementation of which € 350 million has been allocated in the period 2014-2020.	ENERGY REQUALIFICATION Environmental policies
5 - Energy efficiency [15,5 Mtep/anno]**	The implementation of measures to promote the transition towards a circular economy and improve the efficiency and sustainability in the use of resources continues (see Update of the EFD 2016, page 97).	CIRCULAR ECONOMY Environmental policies

6 - School drop-out rates [16%]	At least 400 hours in the last three years of technical and professional institutes and 200 in the high schools (<i>licei</i>) foreseen for the school-job transition, with a budget of €100 million per year (see Update of the EFD 2016, page 88).	SCHOOL-JOB TRANSITION Education
	For students of the last years of high school, job experience during their education has been strengthened as well as the involvement of Italian businesses in their professional growth (see Update of the EFD 2016, page 85).	DUAL SYSTEM Active labour market policies
	The teaching staff has been strengthened (<i>organico di potenziamento</i>) and schools are now operating to expand the training offer, make projects and activities against the dispersion and the school inclusion, for the short substitutions (see Update of the EFD 2016, page 86).	SCHOOL AUTONOMY Education
	Resources allocated for professional training of teachers (387 million) and for the promotion of merit (200 million). Resources will be assigned according to the quality and value added of teacher's job (see Update of the EFD 2016, page 86 and 87).	PROFESSIONAL TRAINING OF TEACHERS Education
	From March 2016, a new methodology for the allocation of resources to Higher Technical Institutes model (ITS) has been applied (see Update of the EFD 2016, page 88).	HIGHER TECHNICAL INSTITUTES MODEL (ISTITUTI TECNICI SUPERIORI -ITS) Istruzione
	For the first time, self-assessment reports have been published through which schools identify their strengths and weaknesses and some specific improvement goals for the next three years.	ASSESSMENT of SCHOOLS Education
	€230 million allocated for the daily running of schools. €45 million for high-tech areas where schools can do school-job transition, combating dispersion and involve young people who do not study and do not work. The extraordinary plan of inspections of private schools affecting 673 schools has been launched. Particular attention paid to secondary schools (see Update of the EFD 2016, pages 87-88)..	FUNDS FOR THE FUNCTIONING OF SCHOOLS Education
	Tax credit of 65 per cent for donations to state and private schools for the construction of new buildings, maintenance and promotion of projects dedicated to the employability of the students (see Update of the EFD 2016, page 89).	SCHOOL BONUS Fiscal policy
	Allocated resources for €1 million for projects related to the enhancement of Italian as a second language and for hospitality dedicated to unaccompanied minors (see Update of the EFD 2016, page 88).	INTEGRATION AND HOSPITALITY Education
	90,000 special needs professors have been hired and 6,000 new job opportunities from the plan to strengthen teaching staff and schools (<i>'organico di potenziamento'</i>) have been created. 106 desks to promote the inclusion of autistic students have been created throughout the Country (see Update of the EFD 2016, page 87)..	STUDENT INCLUSION Education
	€240 million allocated to open around 6,000 schools in the afternoon and during non-class time (see Update of the EFD 2016, page 87).	'SCUOLA AL CENTRO' School dropout
	After 7 month of implementation, 65 per cent of the total 35 actions considered by the Plan has been started, requiring €360 million more than the initial endowment of €1 billion. Remaining actions will be implemented by the end of 2016 (see Update of the EFD 2016, page 88).	NATIONAL PLAN FOR DIGITAL SCHOOL Education
	School managers have been evaluated for the first time in Italy (see Update of the EFD 2016, page 86).	EVALUATION OF SCHOOL MANAGERS Education
7 - Tertiary Education [26-27%]	A three-year plan for the development of the university system for the 2016-2018 period has been implemented to give more flexibility and independence in defining the training offer, also taking into account student's needs (see Update of the EFD 2016, page 89).	THREE-YEAR PLAN FOR UNIVERSITIES Tertiary education
	The plan for the recruitment of professors through direct call has been extended and the limits to turnover have been removed.	RECRUITMENT UNIVERSITY PROFESSORS Education
	The 'Giulio Natta' merit award programme is being implemented to finance a recruitment plan for hiring full professors and associate professors predicated on excellence criteria based on international standards (see the Update of the EFD 2016, page 89).	SCHOLARSHIP Education
8 - Poverty / social exclusion [Reduction of 2,200,000 people in or at risk of poverty, deprivation and social exclusion].	More than €90 million to finance actions to take care of persons with severe disabilities without family support (see the Update of the EFD 2016, page 93).	'DOPO DI NOI' Poverty
	Adoption of a Fund to fight poverty and social exclusion equipped with €600million for 2016 and €1billion starting from 2017. The Fund supports the Plan for fighting poverty that is organised over a three-year period and identifies or updates the set of actions to achieve basic level of social assistance to be ensured throughout the country. The priority for 2016 is given to poor families proportionally to the number of children and disabled. Two measures are financed by the Plan: the Support for Active Inclusion (SIA) and the unemployment benefit schemes ASDI. Measures to strengthen lower pensions are being considered (see the Update of the EFD 2016, pages 91).	PLAN FOR FIGHTING POVERTY AND SOCIAL EXCLUSION Poverty
	The enabling Law for fighting poverty has been approved by the Chamber of Deputies; it introduces a measure for the fight against poverty based on an economic support scheme assigned to poor people making efforts towards autonomy (<i>'reddito di inclusione'</i>) (see the Update of the EFD 2016, page 91).	REDDITO DI INCLUSIONE' Poverty
	An amount of €400million for the 2016-2018 period has been assigned to the fund to fight poverty in education (see the Update of the EFD 2016, page 92).	POVERTY AND EDUCATION Poverty
	Some measures to affect poverty and welfare are being considered such as actions to strengthen lower pensions (see the Update of the EFD 2016, pages 91-92).	POVERTY AND WELFARE Pension

*The Italian target of 13 per cent for reduction in emissions compared to 2005, in 2020 concerns the non-ETS sectors.

** The energy efficiency target is detected in savings on end-use as required by the EU Directive.

TABLE III.1-16 DIVERGENCE FROM LATEST STABILITY PROGRAMME (7)

	ESA Code	2015	2016	2017
		% GDP	% GDP	% GDP
Target General Government net lending/borrowing	B.9			
Stability Programme		-2,6	-2,3	-1,8
Draft Budgetary Plan		-2,6	-2,4	-2,3
Difference				
General Government net lending projection at unchanged policies	B.9			
Stability Programme		-2,6	-2,3	-1,4
Draft Budgetary Plan		-2,6	-2,4	-1,6
Difference				

IV. METHODOLOGICAL NOTES

Two notes are provided with reference to the methods and models used for the estimates contained in the DBP:

- 1) A note containing a brief description of the models used in the DBP²⁴ for the macroeconomic framework and the impact of structural reforms;
- 2) A methodological note on the forecasting criteria provided as an exhibit to the 2014 Economic and Financial Document, with detailed information supplied about the methodology, the forecasting process, and the models used for the macroeconomic and public finance forecasts²⁵.

IV.1 BRIEF DESCRIPTION OF THE MODELS USED

The Italian treasury econometric model (ITEM)

The Italian Treasury Econometric Model (ITEM) has been developed and used in the Department of Treasury of the Italian Ministry of the Economy and Finance. ITEM describes the behaviour of key aggregates for the Italian economy at a macroeconomic level. The model includes 371 variables (247 of which are endogenous), and is based on 36 behavioural equations and 211 identities. It is an economic quantitative analysis tool used for both forecasting (it computes medium-term projections conditioned on the international economic framework) and assessing the macroeconomic impact of economic-policy measures or changes in international economic variables. One of ITEM's key features is the joint and explicit representation of the economic environment on both the demand and the supply side. However, the demand conditions influence the responses for the near term, whereas the conditions on the supply side determine the level of equilibrium of the economy in the medium term.

Recently (2016) an important revision of the ITEM econometric model has been carried out, both following the introduction of the new European System of Account (ESA 2010), and to take into account the need of an update sample including most recent data. Indeed the prolonged and severe recession of the Italian economy after the financial crisis has requested to check whether it has led to structural changes in the relations between the variables underlying the different equations of the model. The ITEM model was then re-estimated using the time series of national accounts built according to ESA 2010, considering an estimation sample between 1996: Q1 (starting date of time series defined with ESA 2010) and 2013: Q4. It has been necessary to introduce, in the specification of the different equations, innovations and improvements to capture more appropriately the relationships between the different aggregates taking into account both of the new system of accounts and the estimation sample updated with recent data.

²⁴ For additional information, see:

http://www.dt.mef.gov.it/it/analisi_programmazione_economico_finanziaria/modellistica/

²⁵ In particular, see Chapters I-III.

Italian General Equilibrium Model (IGEM)

IGEM is a medium-scale Dynamic General Equilibrium (DGE) model specifically designed for the Italian economy. The model, which is based on explicit microeconomic foundations, has been used to evaluate alternative economic-policy measures, to study the response to temporary shocks of a varying nature and also for effecting long-term analyses (structural reforms). IGEM has all of the main characteristics of a New Keynesian (NK) model, such as the presence of real and nominal rigidities, but it is extended and adapted to the Italian labour market which incorporates a heterogeneous mix of contracts and professional positions. This heterogeneity is an essential factor in pinpointing some of the key mechanisms for transmission of fiscal policies and the effects thereof on GDP and employment. As a result of the flexibility with which IGEM was designed, the additional differentiation allows for simulating a vast array of economic-policy measures, including from a demand perspective, and for replicating the main stylised facts in line with current literature.

QUEST III - Italy

QUEST III with R&D is one of the latest versions of the class of Dynamic Stochastic General Equilibrium (DSGE) models developed by the European Commission. The QUEST model is a simulation tool to analyse the effects of structural reforms and the response of the economy to a variety of shocks or policy measures. In particular, the version of model used at the Department of Treasury is an extension of the DSGE model developed at the DG ECFIN for quantitative policy analysis and modified for endogenous growth. The Department of Treasury's simulation exercises use the version of the model calibrated for Italy, already employed by the European Commission in multi-country analyses of structural reforms. The endogenous growth version of QUEST III is particularly well-suited to analysing the impact of structural, growth-enhancing economic reforms in relation to the Lisbon Strategy. By including several nominal and real rigidities and imperfectly competitive markets, the model can be used, for example, to study the effect of policies to stimulate competition and reforms aimed at upgrading the quality of human capital.

MACGEM-IT - A New CGE model for Italy

MACGEM-IT is a static Computable General Equilibrium Model (CGE) for the Italian economy created by the Direction I at the Treasury Department in cooperation with the Department of Economics and Law of the University of Macerata. Built to reflect the characteristics of Italian economy, MACGEM-IT is able to quantify the disaggregated, direct and indirect impacts of fiscal policies.

The model is based on the economic flows identified by the national accounting system and it follows the assumptions on functions and exogenous parameters that are generally accepted. MACGEM-IT model formalizes the relationships among agents in the economy by modelling the functions of behaviours (production, consumption and accumulation) which are able to represent the interdependencies among activities, primary factors and institutional sectors.

Although its framework traces the general equilibrium model, MACGEM-IT includes proper rigidities and imperfections regarding the behaviour of some agents and markets, such as the Government and the labour market.

The impacts of policy measures are observed within the income circular flow and are assessed through the main macroeconomic aggregates' performance, expressed both in real and nominal terms, and are broken down by commodity, activity and Institutional Sector.

In its current version, MACGEM-IT is a static and disaggregated model with multi-input and multi-output production functions. Each agent maximises its own objective function represented by: the maximum profit given the production capacity for activities; the maximum utility given the resources exogenously determined for Institutional Sectors (Households, Firms, Government and Rest of the World).

As mentioned, the production of goods and services by activity (multi-output production function) is modelled using a nested production function in order to capture the substitutions and complements across primary factors and/or intermediate goods in the production process (multi-input production function).

Flows that refers to Government are fully detailed in MACGEM-IT. It takes into consideration the current institutional and regulatory framework, outlining the complex transmission mechanisms of the policy measures with respect to the creation of Government revenues and expenditures.

More specifically, taxes are modelled in detail according to the current fiscal regulation in order to reflect the actual tax bases and tax rates. They also include taxes on products, taxes on activities and taxes on incomes.

According to its characteristics, MACGEM-IT is therefore able to quantify the overall and sectoral impact of those policies having a sectoral feature on both the production and income side. The simulation of fiscal policies designed to stimulate different types of final demand, to support specific activities and/or production and/or goods, are just a few of the possible application of MACGEM-IT.

IV.2 ESTIMATION OF POTENTIAL GDP, THE OUTPUT GAP AND STRUCTURAL BALANCES

The method used for estimating Italy's potential GDP and output gap is the one agreed at EU level, and is based on a Cobb-Douglas²⁶ production function whose specifications are to be discussed and decided by the Output Gap Working Group (OGWG) which is part of the European Council's Economic Policy Committee. For additional details on the model, see Section III.3 of the Methodological Note²⁷ provided as an exhibit to the 2016 EFD.

The estimates in this document have been produced on the basis of the macroeconomic scenario contained in the Update to the 2016 EFD for the years of

²⁶ For additional details, see: D'Auria et al., 2010, 'The production function methodology for calculating potential growth rates and output gaps, European Economy', Economic Papers n. 420)

²⁷ In this regard, see: http://www.mef.gov.it/doc-finanza-pubblica/def/2014/documenti/Allegato_alla_Sezione_II_del_DEF_-_Nota_metodologica_previsioni_tendenziali_.pdf

2016-2019²⁸, with a distinction made between the projections based on trend scenario and those based on the policy scenario. Moreover, estimates have been updated to take into account the recent national account release by Istat that occurred after the publication of the 2015 Update of EFD. The parameters reported in the following table were used for the computation of the Non Accelerating Wage Rate of Unemployment (NAWRU). The initialization priors of the trend-cycle decomposition model for Total Factor Productivity (TFP) have also been revised. More specifically, the mean and the variance of the innovation process driving the variance of the cycle equation have been increased by almost 4 times with respect to the values of the 2016 Spring Forecasts. In addition, the mean and the variance of the innovation process driving the variance of the capacity utilisation equation have been increased by almost 2 times. Finally, the mean and the variance of the trend innovation has been halved vis-à-vis the parameters of the 2016 Commission services Spring Forecasts.

TABLE IV.2-1 INITIAL PARAMETERS FOR THE NAWRU ESTIMATE

Unchanged Policies		Policy Scenario	
	Value		Value
LB Trend innov var	0	LB Trend innov var	0
LB Trend slope var	0.025	LB Trend slope var	0.015
LB Cycle innov var	0	LB Cycle innov var	0
LB Innovation var 2nd eq.	0	LB Innovation var 2nd eq.	0
UB Trend innov var	0.095	UB Trend innov var	0.095
UB Trend slope var	0.035	UB Trend slope var	0.025
UB Cycle innov var	0.145	UB Cycle innov var	0.185
UB Innovation var 2nd eq.	0.00081614	UB Innovation var 2nd eq.	0.000826688
Exogenous 2nd eq.	0	Exogenous 2nd eq.	0

IV.3 METHODOLOGICAL NOTE ON THE CRITERIA FOR FORMULATING MACROECONOMIC AND BUDGETARY PROJECTIONS

See the document “*Nota metodologica sui criteri di formulazione delle previsioni tendenziali*” (in Italian only).

²⁸ For further details on the growth sensitivity analysis, see section III.2 of the EFD 2015 Methodological Note. It has to be noted that the formula:

$$R_A^{ca} = \left(\frac{R_B^{ca}}{Y_B} \right) * \left(\frac{Y_B}{\bar{Y}_A} \right) * \left[1 + \varepsilon_R * \left(\frac{\bar{Y}_A - \bar{Y}_B}{\bar{Y}_B} \right) \right]$$

has been modified as follows :

$$R_A^{ca} = (R_B^{ca}) * \frac{\bar{Y}_A}{\bar{Y}_B} * \left[1 + \varepsilon_R * \left(\frac{\bar{Y}_A - \bar{Y}_B}{\bar{Y}_B} \right) \right]$$

Where R_B^{ca} and R_A^{ca} represent cyclically-adjusted tax receipts in terms of GDP respectively in the baseline and in the alternative scenario; $\bar{Y}_B$ e $\bar{Y}_A$ are the level of potential GDP in the baseline and alternative scenario. Finally, ε_R represents the semi-elasticity of tax receipts to economic growth.

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