

**REQUEST FOR CLARIFICATIONS ON THE LETTER FROM PM SILVIO BERLUSCONI TO THE
PRESIDENT OF THE EUROPEAN COUNCIL AND THE PRESIDENT OF THE EUROPEAN
COMMISSION**

General question

- 1) Please provide an annotated version of the letter that indicates, for each measure/commitment, whether:
 - i) it is already being enacted - if so, indicate progress with its implementation,
 - ii) it is already adopted by the government but not yet approved by Parliament - if so, clarify the timing of parliamentary approval and of its implementation, or
 - iii) it is a new commitment - if so, provide a concrete action plan for adoption and implementation, including timelines and the type of legal instruments the government intends to use.

Please also indicate, where appropriate, the estimated budgetary impact of each measure/commitment and the means for its financing.

Sustainable public finances

- 2) The letter confirms the government's commitment to the planned fiscal consolidation and recognizes the need for prompt corrective action "if a deterioration of the economic cycle leads to a worsening of the deficit". We understand this as saying that further consolidation measures will be adopted as soon as a deviation from the targeted fiscal path becomes apparent. As we estimate that in the current economic context the planned fiscal strategy does not ensure the achievement of a balanced budget in 2013, additional measures will be needed to achieve the targets for 2012 and 2013. Are contingency measures being prepared already now, and, if so, what kind of measures are they? Would they take the form of further expenditure restraint, based on the results of a thorough spending review?
- 3) Could the government spell out in detail its plans on the sale of state-owned assets? Is the government considering the sale of stakes in large state-owned companies? Does the estimated EUR 5 bn revenue per year over the next three years make allowance for the lower dividends and higher expenditure on rents that can be expected as a result of these transactions?
- 4) Can the government outline the gross debt reduction plan that the authorities intend to launch as from 31 December 2011, with the assistance of the ad-hoc high level committee mentioned in the letter? Which measures are being contemplated, over and above the EUR 5 bn per year revenue of asset sales referred to above?
- 5) In the letter, the government describes the impact of the current pension legislation, including the recently decided anticipated application of the automatic link to life expectancy and of the gradual age equalisation for women in the private sector, which, under the available projections for life expectancy, would bring the statutory age for old age pensions to close to 67 by 2026. However, the retirement age of women in the private sector will remain below that of men for many years to come (contrary to what will happen in the public sector). Furthermore, the rules governing seniority pensions will still allow people to

retire at a relatively young age over the coming years. To address these shortcomings of the recent reform, is the government envisaging measures such as a further tightening of the eligibility criteria for seniority pensions, if not a complete abolition thereof, and a faster transition to gender equalisation of standard retirement age ?

- 6) The letter reiterates the ambition to introduce the balanced budget rule in the Constitution, but there is no reference to the secondary legislation that is required to make this rule operational and consistent with the EU budgetary framework. What is the planned timeline for this secondary legislation and how will it ensure consistency with the new EU budgetary framework? In particular: does the government consider the 'asymmetric approach' in dealing with cycles (deviation from budget balance objective only allowed on the downside) currently proposed in the Constitutional amending bill for Article 81 on the State budget to be always consistent with the satisfaction of the EU debt criterion and the achievement of the MTO? Will there be in this connection an adjustment fund ('control account') to account for ex-post slippages with a clear provision to offset such accumulated slippages within a specified time frame? Is an expenditure rule envisaged to supplement at operational level the balanced budget requirement? How is the budget balance requirement to be implemented at the level of subnational governments? Which monitoring mechanisms/institutions are foreseen? On all these issues, please note that the Commission services are available to provide technical assistance.
- 7) With the tax and social assistance reform, how does the government intend to shift the tax burden from labour to consumption and immovable property? Is the government considering re-introducing the property tax on owner occupied dwellings (ICI)?

Creating structural conditions favourable to growth

Structural funds

- 8) How does Italy intend to speed up absorption of EU funds? In particular, what measures are envisaged to improve administrative capacity in the Convergence regions?
- 9) How is the government planning to help the regions which have recently seen a suspension of EU funding due to poor implementation?
- 10) The government is planning to concentrate spending of EU funds on education, broadband, railways. In which areas does the government plan to reduce funding to compensate for this?
- 11) What will be the budgetary implications of the planned strategic review of the programmes co-financed by the EU structural funds for 2007-2013? What is the reduced rate of national co-financing envisaged by the government?
- 12) Could the government provide us with more details on the Eurosud programme for the development of the Mezzogiorno? What are the safeguards being put in place to ensure that the funds are used appropriately and in accordance with the policy intention?

Human capital

- 13) What will be the features of the restructuring programme for individual schools with unsatisfactory results at the INVALSI tests?
- 14) How does the government intend to valorise the role of teachers in individual schools? What type of incentives does the government intend to put in place?
- 15) Could the government provide us with more details on how the government plans to increase autonomy and competition among universities? What does the "greater room for manoeuvre in setting enrolment fees" imply in practice?
- 16) As regards the university reform, what implementing measures still need to be adopted?

Labour market

- 17) Which concrete measures is the government considering to promote youth and female employment? Is the government considering taking action within the framework of the existing arrangements and contracts, or is it planning to introduce new ones? If so, what type of new arrangements and contracts are envisaged?
- 18) How would the "tax credit for businesses offering work in the most disadvantaged areas" work? Which firms would be entitled? Would it be a temporary or permanent measure?
- 19) As regards the envisaged "new rules on dismissals for economic reasons in permanent employment contracts", would they concern the legislation governing individual or collective dismissals? Which parts of the legislation is the government considering to revise and in which way? In which concrete ways will the new legislation contribute to tackle labour market segmentation between highly protected permanent workers and precarious workers? With this view, are there plans to reduce the high (46) number of labour contract typologies currently in existence?
- 20) Would the envisaged application of stricter conditions in the use of pseudo-subcontracting (contratti para-subordinati) imply changes in social security contribution rates or also in labour regulations? If also changes in labour regulations are envisaged, more details on the specific revisions that the government intends to introduce would be appreciated.
- 21) The euro summit statement (26 October 2011) mentions the "commitment [...] to review the currently fragmented unemployment benefit system by the end of 2011, taking into account the budgetary constraints" but this is not included in the letter. What are the intentions of the Italian government in this area?

Competition

- 22) How does the government intend to strengthen the Competition Authority's "tools of intervention with a view to preventing inconsistency between the promotion of a level-playing field and regulations at the regional and local level"?
- 23) As regards the annual law on competition, the letter underlines that measures on the fuel distribution sector and the compulsory vehicle insurance sector have been/are currently being taken through other legislative means than the adoption of this annual law. Does this mean that the annual law on competition itself, which also covers postal and transport services (i.e. passenger railways, motorways and airports) and energy distribution, will not be adopted?
- 24) The letter refers to "measures to strengthen the opening of professions and local public services". Could the government provide more details about the contents of these measures and the concerned sectors? Do we understand correctly that there is the intention to remove entry barriers to professions? In addition, the euro summit statement (26 October 2011) mentions that Italy is committed to "abolishing minimum tariffs in professional services" but this is not included in the letter. What are the intentions of the Italian government on this subject?
- 25) Could further information be provided to explain which reform measures are envisaged in the water sector, despite the outcomes of the recent referendum?

Entrepreneurship and innovation

- 26) What measures is the government envisaging to promote the capitalisation of firms? Do we understand correctly that the government is considering introducing an Allowance for Corporate Equity? If so, would this be restricted to new investment?
- 27) How will the government's ambition to "turn crisis areas into development areas" be translated into concrete measures?
- 28) Could further information be provided on concrete measures aimed at stimulating SMEs' R&D activity, including their estimated budgetary impact?

Regulatory and administrative simplification

- 29) Could further information be provided on the concrete regulatory simplification measures (particularly targeted at SMEs) that have been envisaged to identify and remove redundant legislation and administrative regulations, and on concrete ways to improve the quality of existing legislation and regulation?
- 30) What exactly will the role of the "Local Office of Government" be?

Modernisation of public administration

- 31) When will the Commission for the Evaluation, Transparency and Integrity of public administrations be fully operational? What will this Commission be in charge of?
- 32) When will the measures concerning staff (compulsory staff mobility; short-time working; overhauling of staff numbers) be fully operational? Could the government provide more details on how these measures will be implemented? In particular, could the government describe the transitory arrangements referred to in the letter for the transfer of the Provinces' personnel to regions and municipalities?
- 33) Could further information be provided on the progress made in the implementation of the "Brunetta" reform in terms of i) the introduction of performance-related pay and career advancement and accountability of administrators for results; and ii) the possibility to file class action lawsuits against public sector inefficiencies?

Justice

- 34) Could further information be provided on the specific measures that have been envisaged to improve the efficiency in the administration of civil justice?
- 35) Could further information be provided on the mandate of the technical group at the Ministry of Justice?

Infrastructure and construction

- 36) Could the policy of the government in relation to airports, port facilities and exceptional road transport be better laid out?

Constitutional reforms

- 37) Could the government provide more details on the features of the envisaged reforms (other than on the introduction of a Constitutional balanced budget rule, which is covered by question 6 above)?
- 38) To what extent do the reforms of the political institutions entail expenditure savings?
- 39) Could the government provide more details on the measures aimed at improving the governance of the country through the reduction in the number of Members of Parliament and the enhancement of decision making arrangements, as well as of the role of the government and the majority?