

**Position of the Commission Services' on
the development of Partnership Agreement and programmes in
ITALY
for the period 2014-2020**

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INTRODUCTION

The European Union faces the daunting challenge of emerging from the crisis and putting economies back on a sustainable growth path. The exit strategy entails restoring sound public finances, growth-enhancing structural reforms and targeted investments for growth and jobs. For the latter, the CSF funds¹ can make an important contribution to sustainable growth, employment and competitiveness and increase the convergence of less developed Member States and regions with the rest of the Union.

To ensure that the CSF funds deliver long-lasting economic, environmental and social impacts, the Commission has proposed a new approach to the use of the funds in its proposal for the **2014-2020 Multiannual Financial Framework**². Strong alignment with policy priorities of the Europe 2020 agenda, macroeconomic and ex-ante conditionality, thematic concentration and performance incentives are expected to result in more effective spending. It is an approach that underlines the need for strong prioritisation and results and away from a culture of entitlement. The CSF funds will thus provide an important source of public investment and serve as a catalyst for sustainable growth and jobs by leveraging physical and human capital investment while they serve as an effective means to support the implementation of the **Country Specific Recommendations** issued in the context of the European Semester. This approach is in line with the European Council's call of 29 June 2012 regarding the use of the Union's budget³.

CSF Funds should aim at jointly fostering **competitiveness, convergence and cooperation**, by setting the right country-specific investment priorities. A general **refocus of spending** towards research and innovation, support to SMEs, quality education and training, inclusive labour markets fostering quality employment and social cohesion, delivering the highest productivity gains mainstreaming of climate change objectives and shifting to a resource-efficient low carbon economy is necessary. In order to do so, planning and implementation of CSF funds have to break through artificial bureaucratic boundaries in the next programming period and develop a strong **integrated approach** for mobilizing synergies and achieving optimal impact both within countries and across borders. The Europe 2020 objectives must be mainstreamed across the different CSF Funds, each of them bringing their contribution to smart, sustainable and inclusive growth. Moreover, CSF Funds have a key role to play in supporting financial instruments that can **leverage private investment** and thus multiply the effects of public finance. In short, we need a carefully targeted and results oriented use of CSF funds that maximises their combined impact.

The purpose of this position paper is to set out **the framework for** dialogue between the Commission services' and Italy on **the preparation of the Partnership Agreement and Programmes** which will start in autumn 2012. The paper sets out the key country specific challenges and presents the Commission Services' preliminary views on the main funding priorities in Italy for growth enhancing public expenditure. It calls for optimizing the use of CSF Funds by establishing a strong link to productivity and competitiveness enhancing reforms, leveraging private resources and boosting potential high growth sectors, while emphasizing the need to preserve solidarity within the Union and ensuring the sustainable use of natural resources for future generations.

There is also a need to concentrate future EU spending on priority areas to maximise the results to be obtained, rather than spreading funding too thinly. EU funding should also be used to fund EU level priorities and to ensure that Italy can draw full benefits from its EU membership. Therefore

¹ The EU funds covered by the Common Strategic Framework (CSF), i.e. the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

² COM (2011) 500 final, COM (2011) 398 final and COM (2012) 388 final.

³ Conclusions of the European Council of 29th June 2012 (EUCO 76/12), cf. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/131388.pdf

the Commission proposes to group and target EU funding to the key challenges outlined in this position paper. National public spending can not only be used to co-finance but also to finance investments which are complementary and linked to EU funded projects in particular at regional and local level.

The starting point of the Commission's considerations are the assessment of Italy's progress towards its Europe 2020 targets in its Staff Working Document on the 2012 National Reform Programme and Stability Programme⁴, underpinned by the country-specific recommendations addressed by the Council last 10 July 2012, and country-specific development challenges. The position paper takes account of the lessons learnt during the 2007-2013 programming period and the Commission's legislative proposals for 2014-2020.

In a context of fiscal discipline, this position paper encourages Italy and its regions to develop and implement medium-term strategies capable of facing the challenges ahead, notably globalisation, while helping preserve the European social model. Moreover, it provides for a flexible framework for Italy and its regions to react and refocus European, national and local resources on creating growth and employment so that fiscal sustainability and growth-friendly policies go hand-in-hand, also dealing with structural and institutional problems in Italy and its regions and across its national borders in its territorial and geographical context, including as per the EU Strategy for the Adriatic-Ionian Region, in order to have maximum impact.

Finally it invites Italy and its regions to exploit to the maximum potential synergies between the CSF Funds and with other sources of EU funding in a strategic and integrated approach. This includes developing cooperation perspectives with neighbouring countries and regions as widely as possible.

1. MAIN CHALLENGES

The global financial crisis exacerbated the long-standing structural weaknesses that had already significantly restrained Italy's economic growth in the previous decade. Over 1999-2007, Italy's real annual GDP growth averaged 1.5%, i.e. around $\frac{3}{4}$ pp. below the performance of the euro area as a whole. Italy's low growth performance mainly reflects persistently weak productive growth, which was held back by lack of innovation, an unfavourable business environment and insufficient human capital. As stagnant or even negative productivity growth was not reflected in wage dynamics, unit labour costs have been on a rising trend, undermining the competitiveness of the economy and fuelling a steady worsening of the current account balance.

The global crisis produced a sharp contraction in Italy's real GDP - by around 7 pps between the first quarter of 2008 and the second quarter of 2012. According to the Commission services' autumn 2012 forecast, real GDP is projected to contract further, by 2.3% in 2012 and 0.5% in 2013. The September 2012 government's update of the Economic and Financial Planning document (DEF) confirms this deteriorating outlook, and projects real GDP to fall by 2.4% in 2012 and 0.2% in 2013. Medium-term prospects for the Italian economy remain challenging under the strain of the remaining structural weaknesses feeding into low productivity growth and further competitiveness losses, as well as high public indebtedness.

These structural weaknesses affect a large number of areas of the Italian economy, as reflected in the country specific recommendations (CSRs) adopted by the Council on 10th of July 2012. Besides addressing public finances issues, these CSRs notably address

⁴ Relevant documents are available on Europe2020 website: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm.

labour market issues, including the participation and employment of youth and women; education and the school-to-work transition; market access in network industries, as well as infrastructure capacity and interconnections; SMEs' access to finance; the judiciary system and the regulatory framework for businesses; and administrative capacity.

The economic trends affect the employment situation significantly, with low and decreasing employment rates (63% in 2008, 61.2% in 2011) and increased unemployment (6.7% in 2008, 8.4% in 2011, forecast 10.6% at the end of 2012). This affects in particular, but not only, young people, where unemployment has risen from 21.3% in 2008 to around 33% in 2012. This happens in a context of an overall activity rate (61.2% in 2011), which is well below the EU average. The gender gap is extremely relevant: the female employment rate is below 50%, which is the lowest in Europe bar Malta, and 22% below the employment rate of men in Italy. The gender/age gaps have a strong regional dimension: in Southern Italy only 20.7% of 18-29 year old women are employed, as opposed to 45.7% in the Centre-North.

Italy's persistent regional disparities in terms of economic development, in particular the dualism between the Centre-North and the South, are an overarching concern, even though they are not specifically addressed by the Council recommendations. Per capita GDP in the two poorest regions (Campania and Calabria) is little more than half that in the three richest ones (Valle d'Aosta, Lombardy, Trentino Alto Adige). In terms of the 2014-2020 programming five regions of the South are categorised as less developed (GDP per capita < 75% of EU average), three as intermediate (GDP per capita between 75% and 90% of EU average), and none as more developed (GDP > 90% of EU average). In general these regions suffer from a lack of (private) economic activities, often in combination with a limited number of rather isolated development poles, high unemployment and decreasing activity rates, a marked presence of undeclared work, poor infrastructures (transport, energy, environment, ICT), poor public services (education, health care), a public administration with serious capacity problems, and in many areas the presence of organized crime.

One should not, however, fail to recognise an increasing stratification within the territory historically referred to as "Southern Italy". Already in previous programming periods Abruzzi, Molise and Sardinia moved to the group of (in 2014-2020 terms) intermediate regions. Basilicata, which is hovering at the demarcation line between the less developed and intermediate categories, and Apulia, which is still in the less developed group, both appear to recover fairly quickly from the recent crisis; both regions displayed in 2011 much better than average economic growth and employment figures. Therefore the Southern development issue increasingly tends to be concentrated in Campania, Calabria and Sicily, where it also appears to be deepening: with negative growth and employment figures in 2011 and negative forecasts for 2012 these regions show no signs of post-crisis recovery and their gap relative to the rest of the country is increasing rather than decreasing⁵.

The regions in the Centre-North of Italy all qualify as most developed areas (GDP per capita > 90% of EU average) and can be characterised as advanced industrial/service economies with a polycentric structure. However, over the past ten years many of them have been losing ground in terms of growth, productivity, innovation, competitiveness and employment when compared to their European peers, which is a prime reason for the sluggish growth and low employment performance of Italy as a whole.

⁵ At the time this paper was finalised, SVIMEZ, the main institute for research on Southern Italy, published its 2012 report on the economy of Southern Italy. It points to a rapid weakening of the economy and employment in major parts of the South, most notably Campania, Calabria and Sicily (the positive exceptions being Apulia and Basilicata). For the South as a whole the mild catching up with the Centre-North in pre-crisis years is being reversed, but this is heavily determined by Campania and Sicily, the two most populous Southern regions.

The country is also characterized by a very slow and cumbersome judiciary system and law enforcement machinery, low transparency, inefficiency and increasing signs of corruption in the public administration, coupled with the penetration of organised crime in critical sectors of the economy. While such phenomena are to different degrees present in the entire country, they tend to be particularly salient in Southern regions. These factors undermine competitiveness, stifle entrepreneurship, and prevent Italy from rewarding excellence and attracting much needed international investment. The available infrastructure, services and public administration are struggling to keep up with the needs of a modern, knowledge-based economy, and for the most function reactively rather than proactively.

These difficulties appear more evident when comparing the current figures for Italy with the EU 2020 objectives. Marked differences in the distance to the targets exist between regions. The overall situation for Italy is summarised in the following table.

Europe 2020 targets, national targets and current situation

Europe 2020 headline targets	Current situation in Italy	National 2020 target in the NRP
3% of the EU's GDP to be invested in research and development	1.26% (2010)	1.53%
20% greenhouse gas (GHG) emissions reduction compared to 1990	- 3% (2020 non-ETS emissions projections compared to 2005) - 9% (2010 non-ETS emissions compared to 2005)	- 13% (national binding target for non-ETS sectors compared to 2005)
20% of energy consumption from renewables	10.3 (2010)	17%
20% increase in energy efficiency – reduction of energy consumption in Mtoe ⁶	n.a.	13.4 or 27.9 Mtoe%
75% of the population aged 20-64 should be employed	61.2% (2012)	67-69%
Reducing early school leaving to less than 10%	18.2% (2012)	15-16%
At least 40% of 30-34 year old completing tertiary or equivalent education	20.3% (2011)	26-27%
Reducing the number of people in or at risk of poverty or exclusion by at least 20 million	14.5 million people (2010)	2.2 million people lifted out of poverty

Consistently with the Council recommendations and taking account of Italy's persistent regional disparities, **the most pressing challenges for Italy are to relaunch its path to sustainable growth and competitiveness overall, to promote employment and to reduce its regional disparities. This can be achieved notably by developing an innovation-friendly business environment; putting in place performant infrastructures and efficient management of natural resources; increasing labour market participation, particularly of young people; and supporting the quality, effectiveness and efficiency of the public administration.**

⁶ Member States will define/revise their targets in line with the newly agreed methodology on target setting laid out in Article 3(3) of the energy efficiency Directive. This will be available only by 30 April 2013.

A business environment unfavourable to innovation

Low or even stagnant productivity growth since the late '90s was driven by dismal Total Factor Productivity (TFP) developments, indicating a disappointing absorption of new technologies. Furthermore, Italy's sectorial specialisation remains mainly concentrated in low-technology and medium-low technology sectors with low intensity of research, development and innovation. When compared to France or Germany, the share of goods with high technological content in Italy's manufacturing exports is still quite low, at 10.4% in 2011, against respectively 18.8% and 26.2% for Germany and France and has even declined between 2000 and 2011. Italy's comparative advantage pattern indeed continues to show a clear specialisation in such sectors as metal, mineral and plastic products, as well as textiles and clothing that have heavily suffered from the crisis, while the share of R&D intensive sectors amounted to only 10.9% in 2009, against 12.1% at the European level. According to the "Global Innovation Index 2012", Italy is the 21st most innovative country of the EU-27, while in the "European Innovation Scoreboard 2012" Italy is classified as a "moderate innovator", below the European average in terms of innovative capacity.

While this issue affects the country as a whole, regionalised figures show important disparities within the country: Southern regions score particularly low on such parameters as R&D intensity, employment of researchers and patent applications⁷.

The relatively small size of Italian firms prevents them to afford the needed high entry costs related to setting up new distribution networks and investing in intangible assets such as patents and brand reputation. Indeed, micro data suggest that the propensity to export and to reach farther markets grows significantly with firm size and those larger firms suffered less during the crisis, although they were more exposed to trade shocks.

There has been relatively more progress on the improvement of the business environment and on the opening of services sectors to competition, but more needs to be done to promote a more innovative industry and to improve access to finance as recommended also in CSR n 6.

Access to venture capital and growth capital is an important issue in Italy, in particular for small and innovative firms also due to the fact that companies, especially small ones, heavily rely on banks to raise funds. SMEs' access to bank lending has decreased between 2009 and 2011, and further worsened over the last months. The Bank of Italy and business organisations indeed report substantial credit tightening for non-financial corporations. Moreover, the seed and early-stage venture capital markets continue to be seriously undeveloped in Italy.

In this context, the main challenges for innovation in Italy are related to the following:

- low R&D investments, in particular in the private sector among SMEs;
- poor interaction between the production system and research centres and low propensity among the companies to collaborate on knowledge transfer projects and public private partnerships;
- lack of sufficient qualified human capital, especially in scientific-technological sectors, and poor promotion of the few available;
- poor access to funding sources for research, both public and private, and lack of venture capital.

Much of the Italian innovation policies are focalised on knowledge transfer and the collaboration between companies in networks and clusters in order to obtain the necessary strength to innovate and compete on the global market. The activity of technological transfer, however, remains a grey area in which the division of the tasks

⁷ See Eurostat Regional Yearbook 2011, pages 204-210.

and responsibilities does not seem to function as well as intended. Both regional and central governments play a role, although in a not completely coordinated way. Most measures should be of regional competence, but often the central government intervenes to support them.

Significant infrastructure gaps in less developed areas and inefficient management of natural resources

As observed also in the CSR 2012⁸ notably the less developed areas of Italy are characterised by significant gaps in their transport, environment, energy and ICT infrastructure endowment, which contribute to impeding economic activity and make Italy less attractive for foreign investment.

Italian railways are underperforming in terms of infrastructure if compared to the other EU countries and this is more salient in the South of the country, which counts 34% of the total railway network, of which more than 40% is still not electrified and 70% is on single tracks (2010 data). Besides, only 20% of major cities in the South are directly connected by rail while in the North all major cities are (2009 data). This situation entails excessive reliance on road transport (which is one of the largest greenhouse gas emitters in Italy). Besides, many TEN-T sections are not yet up to TEN-T standards.

In the area of maritime transport, poor interconnections with inland transport and limited competition are important challenges for Italy, with negative impacts in terms of competitiveness. Also, many port infrastructures need to be modernised. In the South, the situation is particularly critical: only 4% of the berths are connected to the inland railway network, against 32% in the North (2010 data), although the number of ports in the latter is only around 40% of that in the South - 60 against 157.

Broadband infrastructure in the less developed areas, but also in the rural zones of transition and more developed areas, is in need of completion and/or upgrading to ultra-broadband, while access to high speed and very high speed broadband services needs to be improved. In terms of absolute numbers of broadband coverage, most of unconnected households can be found in Poland, Romania, Germany and Italy. Besides, Italy scores below (22.2%) the European average of 27.2% in terms of basic broadband penetration and registers the third EU-wide lowest rate for high speed broadband (30Mbps).

As regards environmental infrastructure in the less developed areas of Italy, waste water networks are often in poor conditions which do not meet the requirements of EU environmental directives and important areas are poorly served by water provision network. Furthermore, Italy exceeds the 20% sustainability threshold of the water exploitation index⁹, which indicates the need to put in place measures to improve water efficiency.

Poor solid waste management may result in urban, sanitary and environmental problems. Recently, in large areas of Italy solid waste management problems have generated the presence for a long time of high quantities of waste in large parts of the cities (cf. Naples). As a consequence, concern has been raised on adverse health effects, particularly among those living in the areas where solid waste is inappropriately handled.

As to renewable energy, although the share of renewables has been steadily increasing in the past years moving up from 6% in 2007 to 10.3% in 2010, regions all over Italy still have a high untapped potential for the development and use of renewable energies and for improved energy efficiency; in urban areas increased low carbon mobility can contribute significantly to resource efficiency and reducing air pollution problems.

⁸ Cf. in particular recital 17.

⁹ Annual total abstraction of fresh water in a country or region compared to long-term average fresh water resources. An index of over 20 % usually indicates water scarcity.

With regard to the environmental performance and sustainability of the Italian agricultural and forestry sectors, major challenges are linked to the need for climate change adaptation and prevention and management of risks, which exacerbate the competitiveness challenges faced by some regions¹⁰. Such risks affect most areas of Italy, albeit to different extents. Some regions are highly sensitive to seismic risks, while others face constant hydro geological risks.

Biodiversity¹¹, soil, water and air are important resources for Italy and, as such, their appropriate safeguarding is of utmost importance for the sustainability of agriculture and fisheries activities, as well as for the attractiveness of Italy's natural heritage. As well as national considerations, all these issues have significant cross-border dimensions.

Low employment, particularly of young people and women, and skills mismatch

Labour force participation and employment rates in Italy are well below EU averages – Italy has the third lowest employment rate and the second lowest activity rate in the EU, and is still far from achieving the 67-69% national target set for 2020 as regards the employment rate. Some vulnerable categories, namely young people but also women and the elderly, are affected with more acuity by the inefficiencies and rigidities of the labour market. This situation reflects a number of factors, notably an education system that does not effectively respond to labour market needs and insufficient focus on adequate active labour market and work-life balance policies. However, the situation varies considerably within the country, with a particularly problematic situation in Southern regions on all employment parameters.

The economic crisis is having serious consequences for youth unemployment. The employability of young people is a critical issue, as shown by the worsening trend of the unemployment rate (29.1% in 2011 and around 33% according to 2012 available data), which places Italy among the eight European countries with the highest unemployment rate. This is coupled with a low and decreasing activity rate, which is far below the EU average. Indeed, a growing proportion of young people is neither in education nor in employment or training (NEET)¹² – this proportion is one of the highest in the EU. Young people in southern regions are particularly hit by this critical situation. It should also be pointed out that youth often live on low quality jobs resulting from the widespread use of temporary contracts accompanied by low transition rates into permanent employment.

For a large part, this is a consequence and a reflection of the weaknesses registered in education and the need to better facilitate the path between education and employment. With a rate of 18.2%, Italy underperforms the EU average in terms of early school leaving and is still a long way from EU 2020 targets - 15-16% in 2020, especially in Southern regions. Another challenge lies in the high drop-out rate from tertiary education - with a tertiary attainment rate of 20.3% in 2011, Italy performs well below the EU average - and the lack of adaptation of skills to labour market needs. This skills mismatch, which is particularly high in Italy, has followed an increasing trend between 2007 and 2010. It is reflected in the fact that Italy shows one of the lowest employment

¹⁰ This assessment is supported, for instance, by the five-year EEA Report on the state of the European environment: SOER (2010) *The European Environment, State and Outlook 2010*. Country Profile: Italy *European Environment Agency* (<http://www.eea.europa.eu/soer>). This document also identifies the most topical environmental issues for Italy as: the sustainable use and preservation of water resources, prevention and mitigation of hydro-geological risk, protection of biodiversity and ecosystems (including mitigation and adaptation to Climate change). Italy also has a National Strategy for Biodiversity in place, to be implemented in the years 2011-2020. Since 2011, the National Strategy for Biodiversity is listed among the priority measures of the Italian National Reform Programme.

¹¹ Italy possesses fully one half of all the plant species currently found in Europe, together with a third of the animal species. However, biodiversity is seriously threatened. For example, the percentage of vertebrate species at risk fluctuates depending on the author consulted, from 47.5 % to 68.4 %. The situation is especially critical for freshwater fishes [...]. 15 % of the vascular flora in Italy is threatened with extinction, while the situation is even more critical for the lower plants, with approximately 40 % of all known species found to be in danger. In addition to natural environments, agricultural areas also play an important role. For instance, approximately 21 % of the UAA (Utilised Agricultural Area) presents characteristics of noteworthy naturalistic value. SOER (2010). *The European Environment, State and Outlook 2010*. Country Profile: Italy *European Environment Agency* (<http://www.eea.europa.eu/soer>).

¹² Over 15% of the age group 15-24 was neither in employment, nor in education or training at the end of 2011.

rates of graduates, especially at the tertiary level. Also, the vocational education and training system is rather fragmented. The absence of a national system for the validation and recognition of skills and qualifications and the lack of effectiveness of public employment services throughout the whole country also play a negative role.

Addressing the low labour market participation of women is another key priority for Italy. The female employment rate in Italy was indeed under 50% in 2011 against more than 70% for men, with an increasing gap compared to the EU and euro-area averages and especially worrying trend. Besides, while the employment rate among childless women of prime working age is already considerably lower than for the euro area average – by almost 12 pps in 2010 – particularly among the low skilled, the gap opens up for women with at least two children. The low provision of adequate and affordable childcare and elderly care facilities and inadequate work-life balance policies contribute to this phenomenon.

The share of the population at risk of social exclusion and poverty is high, as witnessed by the relative position of Italy compared to other EU Member States. Young people and women are at particular risk of poverty. Italy has the highest risk-of-poverty gender gap (4.7%), which is also much higher than the EU average (2.2%). Again, such phenomena are markedly more serious in the Southern regions of the country: these regions are among those in the EU with the highest figures for long term, female and youth unemployment¹³.

Due to both long life expectancy and low birth rates, Italy has a relatively large proportion of elderly population and an increasingly old labour force. It is also among the EU countries with the lowest employment rate of older workers, well below the EU average. One of the explanations lies in the low participation of adults in lifelong learning, in comparison with the EU average. This is especially the case for the low-skilled, who would benefit the most from further education.

Finally, undeclared work represents a major issue in Italy and represents around 12 % of total full-time equivalent employment, with significant differences between sectors (agriculture, services – including personal and household services – and industry being particularly hit) and regions (high incidence of irregular workers in the Southern regions).

Weak administrative capacity and an inefficient public administration

Institutional and administrative capacity in Italy is characterised by deep-rooted weaknesses, as shown by several indicators¹⁴ and international comparative studies¹⁵ and important variations across regions. In particular, the following elements have negative impact on the efficiency of public administration, the quality of business environment and ultimately, the overall competitiveness of the country and thus need to be addressed.

High administrative burden on businesses: the main areas of concern include high compliance costs, lengthy and burdensome licensing and permit procedures, complex and unstable tax legislation and weak contract enforcement. This is reflected in Italy's performance on the World Bank's Doing Business indicators. Italy ranks 87 out of 183 countries as for the total ease of doing business. Its relatively low performance in terms of starting a business (77th position, with a deterioration compared to 2011) and especially enforcing contracts, where Italy ranks 158th notably because of the long duration (1 210 days) of dispute resolution, is a sign that the business environment remains cumbersome and not business-friendly.

¹³ Eurostat Regional Yearbook 2011, pages 42-43 and EUROSTAT regional unemployment statistics 2010-2011.

¹⁴ E.g. in terms of procedures to enforce contracts business start up costs control of corruption, and rule of law.

¹⁵ See e.g. the Global Competitiveness Index (Italy 92nd for Institutions) and the EU 2010 Regional Competitiveness Index (Italy 24th for Institutions).

Low take-up of e-government services by firms and citizens: although it is well equipped in terms of availability and sophistication of online material, Italy ranks among the countries with the lowest levels of e-government use, both by small companies and citizens. Indeed, the 2010 European E-Government benchmark identifies Italy as one of the countries with the best performance in terms of e-government: Italy ranks first for availability of e-government services and second for the sophistication and quality of services. However, the use of e-government services by small enterprises and citizens is below the EU average - less than to fifths of the Italian citizens use e-government services.

In spite of financial and human resources in line with the other major European countries, the efficiency of the Italian civil justice system is hampered by a number of factors. The long duration of proceedings is a major bottleneck – the average duration of a civil case in Italy amounted to 3 449 days in 2008. This translates into a significant amount of backlogs that reached 3 932 259 for litigious civil and commercial cases in first instance courts in 2008, while most of other European as well non-European countries count far less pending cases. The introduction of compulsory mediation as an alternative means of dispute resolution in a number of areas, with a view to alleviating the workload of courts, is for the moment developing quite slowly.

Corruption continues to be a major challenge¹⁶ which entails heavy costs for Italy's productive system - estimated at EUR 60 bn by the Court of Auditors - and obstructs an optimal functioning of the markets.

In addition, the low administrative capacity of bodies involved in the management and delivery of CSF funds programmes, notably in Southern regions, has so far undermined the efficient and effective use of structural funds and their impact on the territory¹⁷. Highly differentiated levels of administrative capacity in the management of the funds, in particular with respect to poor project planning and selection, monitoring and evaluation, as well as slow implementation of programmes exist, again with a clear North-Centre versus South divide, but also with a certain differentiation within the South¹⁸.

2. PRIORITIES FOR FUNDING

The CSF Funds will be one of the most important instruments to tackle the main development challenges for Italy and to implement the Europe 2020 strategy. Each fund should give priority, when relevant, to policy areas addressed in the Country-Specific Recommendations and in the national reform programmes, taking into account possible cross-border links and transnational coordination. For rural development and fisheries, priorities for funding will also contribute to the Common Agricultural and Common Fisheries Policies. To this end, the intervention from the CSF Funds needs to be concentrated on a limited number of priorities. Experience shows that thematic concentration allows for an increase in effectiveness of public interventions by reaching a critical mass with a real impact on the socio-economic situation of a country and its regions. Prioritisation is of particular importance in times of fiscal consolidation.

Four complementary and mutually reinforcing funding priorities are proposed hereunder in line with country-specific challenges¹⁹. They reflect the importance of funding needs

¹⁶ See e.g. the 2011 Corruption Perception Index of Transparency International (Italy among the five EU Member States with lowest scores), the 2011 Eurobarometer on corruption, a 2008 report of the Italian Court of Auditors (the total costs of corruption would amount to 60 billion euro each year - equivalent to approximately 4% of GDP- as reconfirmed by the president of the Court Auditors at the beginning of 2012). Two major issues were identified across the board for all institutions assessed: lack of effective and independent evaluation systems and conflict of interests.

¹⁷ See also Commission Staff working document on the assessment of the 2012 national reform and stability programme for Italy, p. 23 and CSR n° 6.

¹⁸ For example, absorption rates for Structural Funds programmes 2007-2013 across the EU-27 are lowest in Campania, Calabria and Sicily. Campania and Sicily are the two largest Structural Funds beneficiary regions in Italy.

¹⁹ The thematic objectives in the proposed regulations and their link to the funding areas are outlined in Annex I.

and potential contribution to growth and jobs. There is no ranking in the presentation of the funding priorities.

These are the priorities the Commission services would like to be co-financed in Italy for the next programming period 2014-2020. Sufficient flexibility is built into the new programming architecture to respond to new challenges and unexpected events, which allow for reprogramming on justified grounds.

2.1. Developing an innovation-friendly business environment

The quality of the innovation system in Italy will determine the long-term competitiveness of businesses, and thus the prospects for growth and sustainable jobs in a long-term. Therefore, and in line also with CSR n° 6 on a.o. the necessity to enhance innovation and to improve access to finance, this funding priority should receive a major share of the available support in all regions, significantly higher than in the programming period 2007-2013. In particular, significant resources need to be mobilised for research and development, in order for Italy to be able to achieve its EU2020 target of 1.53% GDP.

Increasing private investments in R&D and innovation

Enhancing innovation is required in traditional industrial sectors in order to maintain competitiveness. Coordination and joint initiatives in this sector should be carried out with the neighbouring countries and/or regions. Key industries (manufacturing, mechanical, motor vehicles, agro-industry, transport, office machinery and computers and equipment, media and communication) as well as traditional sectors (culture, tourism, agriculture, textile and clothing, leather and footwear, furniture and wood products) need to boost their productivity and exports in order to avoid further loss of national and international market shares. With regard to the competitiveness of rural SMEs and the agricultural and agro-food sector, priority should be given to increasing added value and productivity through innovation. Innovative relations between primary agricultural producers and other economic actors, also from traditionally unrelated economic areas, should be promoted, while knowledge and innovation transfer should be a priority for less advanced regions.

Promoting the development of ICT-based activities by SMEs

Support for innovative entrepreneurship should therefore play a key role in this area, notably by supporting access to very high speed networks; developing fully interactive services to SMEs; promoting effective use of ICT by SMEs in productive process; and fostering e-commerce activities by SMEs.

Easing access to finance and advanced business services for SMEs

The financial crisis has highlighted and exacerbated the access to finance problems of many businesses in Italy. Re-establishing a normal level of credit flows and restoring normal lending to the real economy remain a challenge for 2014-2020, in particularly for SMEs which suffer from deteriorated credit worthiness and late payments by public authorities.

At the same time, the application of new financial instruments, which is still limited in important areas of Italy, should be further promoted, through a wider access to peer-to-peer lending, private equity and venture capital, and by way of their application to sectors or fields where hitherto their presence has been very limited (such as sustainable transport, renewable energies, environment or climate change adaptation).

A specific priority is the accessibility of very small businesses and SMEs to advanced business services, as the size and financial capacity of such businesses currently often do not allow them to tap such services. With regard to rural SMEs and the agricultural sector, interventions should be, likewise, conducive to a sustainable structural evolution of the sector. There is also a need to strengthen SME's internationalisation.

Incentivising start-ups and growing very small businesses

Incentivising start-ups and helping them to develop from very small businesses into SMEs, as well as assisting existing dynamic SMEs, are important means to foster innovation and help restore the competitiveness of the Italian economy.

Moreover, in many Italian regions, important industrial or service clusters or otherwise leading businesses are already present. For this reason, specific instruments could be developed to enable start-ups and growing dynamic SMEs to take advantage from the presence of such clusters or leading businesses. Further diversification of rural economic activity should be promoted, including into new-generation services SMEs. For the agricultural and agro-food sector, improving both market presences (increased internationalisation for producers from Southern regions) and the producers' position in the supply chain should be prioritised.

2.2. Putting in place performant infrastructures and efficient management of natural resources

CSF Funds should contribute to the necessary modern infrastructure which improves accessibility and connection of regions and their attractiveness for investors and thus lays the foundations for increased competitiveness, business development and economic growth, as well as for the creation of new jobs. CSF Funds should also respond to challenges in the areas of adaptation to climate change, natural risks and eco-system services. Cross-border network infrastructure needs also should be addressed.

Modernising and integrating network infrastructures for rail and maritime transport in less developed areas

For the less developed regions, Italy should frame interventions in the context of comprehensive sectorial development plans for each region in areas like transport (railways and ports), environment (solid waste, waste water and water) and ICT, in order to improve overall coherence at national level. In particular, all projects connected to the TEN-T network should be included in a single national programme for the less developed regions, with regional programmes focusing exclusively on infrastructures with a regional or local character.

As regards land transport, Italy's mobility model is very unbalanced towards roads, in particular in less developed areas where rail connections are in general of low quality. Therefore CSF funds should be used to modernise and extend sustainable, rail-based transport modes, for passenger and freight transport.

Italy should also better exploit its maritime transport potential, including in the wider transnational context, where possible in conjunction with improved rail-based connections to the hinterland. It should be based on a strategy concerning the role and place of the various ports in an overall context of creating efficient integrated logistics corridors and platforms.

Promoting broadband infrastructures in less developed areas²⁰ and access to (ultra-) broadband facilities

CSF funds should be directed towards investments in high and ultra-high broadband connections, in order to meet the EU 2020 Broadband targets for 100% coverage by 30Mbps infrastructure and 50% penetration of 100Mbps. This infrastructure is critical to support the growth of a large range of new applications such as cloud computing, and to stimulate the emergence of a new generation of services and demand for content and innovation. Improved broadband infrastructures are furthermore instrumental for more

²⁰ For EARDF: also in the rural zones of more developed and transition areas.

efficient and effective e-government services and increasing competitiveness and productivity.

Completing infrastructures for the management of water, waste water and solid waste in less developed areas

The status of water and waste water infrastructure in the less developed regions is generally poor. Water quality, also drinking water, in many places does not meet the requirements of EU legislation. Latest available results show that almost 30 million person/equivalents of waste water do not undergo secondary treatment. In many less developed areas, access to drinking water is limited and more than half of it is wasted because of network leakage. Therefore CSF funds should be directed towards completing and modernising water provision infrastructure and the application of secondary and more stringent waste water treatment.

Solid waste management is not on a sustainable footing in a number of less developed regions and there are a significant number of open infringement procedures in this respect. Therefore, CSF Funds should be used for projects high on the waste management hierarchy, notably waste prevention, selection and recycling.

Promoting renewable energies, resource efficiency and low carbon urban mobility

Energy consumption has a high impact on the competitiveness of the Italian economy, Italy is strongly dependent on energy imports (84% of its energy needs were covered by imports in 2010) and on imported fossil fuels. It is expected that the investments from the CSF Funds will increase in comparison to the programming period 2007-2013 with special attention for investments in energy efficiency and renewables. The share of renewable energy sources in the Italian energy mix should increase in a sustainable way, looking especially at the potential of innovative technologies.

Such a shift has the potential to enhance economic convergence and employment creation. Priority should be given to increasing energy efficiency and energy generation capacity from renewable resources (wind, solar, hydro, biomass and geothermic), while excluding further interventions on the grid infrastructure (with the exception of remote rural areas).

Promoting adaptation to climate change and prevention of natural risks

Italy is confronted with deficit in water resources and severe coastal erosion and sea level rise. The preservation of natural resources and in particular preventing biodiversity loss are continuing challenges. Prevention of natural risks should be tackled with structural interventions, designed to enhance the quality of territorial management. Moreover, cooperation across regions and Member States in this field is essential in finding the most suitable adaptation and risk prevention measures.

Protecting ecosystems dependent on agriculture and preserving biodiversity

Soil degradation is accelerating, with negative environmental and economic effects. The main soil concerns are sealing, contamination, erosion, loss of organic matter, salinisation²¹. Nearly 80% of soils in Italy have low organic matter content. The issue of ammonia pollution from agriculture also needs to be addressed in the regions of intensive agriculture (mainly animal husbandry).

Pollution by nitrates, phosphorus and pesticides is significant in many Italian river basins. Most stocks fished are still overexploited and subject to wasteful practices (discards), and therefore they do not yield their full economic potential. There are imbalances between

²¹ For example, the Italian region Campania is, together with the Ebro Valley in Spain, the region most affected by salinization in Europe, for instance. SOER (2010). The European Environment, State and Outlook 2010. Synthesis., p.120 *European Environment Agency* (<http://www.eea.europa.eu/soer>)

certain fishing fleets and resources that Italy should evaluate and address, as well as issues of control and data collection.

Natural and agricultural biodiversity continue to present important economic opportunities, both as enabling factors for the specific attractiveness of Italian rural areas, and in relation to Italian quality food products. In this respect, biodiversity conservation efforts, especially in relation to agricultural activities, are in need of a stronger targeting, and more innovative actions, increasing the synergy between environmental and economic development goals.

2.3. Increasing labour market participation, promoting social inclusion and improving the quality of human capital

Employment and social cohesion are among the core concerns for Italy. CSF Funds should contribute to job-rich growth and their impact in terms of employment should be maximised. This calls for stepping up efforts to concentrate investments on employment and education thematic objectives in line with the Country Specific Recommendations. Thus the relative share of CSF funds' investment in those areas should increase in comparison to the 2007-2013 programming period. Fight against social exclusion and poverty remains a priority for Italy and a sizeable part of available resources should be dedicated to promoting active inclusion.

Fighting youth unemployment by integrating young people in the labour market, also by supporting transitions between education and employment

The situation of young people not in employment, education or training justifies prioritising their integration into the labour market, including by stepping up efforts in providing them with the relevant skills and work experience, also via innovative approaches. This in turn calls for investments in more individualised active labour market measures, such as quality apprenticeships and traineeships, placements in enterprises and vocational guidance, and promotion of youth entrepreneurship. Investing in a Youth Guarantee scheme would allow for a comprehensive approach.

Integrating the most vulnerable (women, older workers, migrants and people at risk of social exclusion and poverty) in the labour market

Integration of the most vulnerable groups on the labour market, notably women, older persons and people at risk of social exclusion, should be the focus of investments in the field of employment and social inclusion in Italy.

The participation of *women* in the labour market should increase substantially. Therefore, promoting equality between men and women and reconciliation between work and private life should be a priority for CSF Funds' investments. Funds' investments should also concentrate on improving quality and access to affordable care services, such as child- and elderly-care services throughout the country, including through investment in public infrastructure.

Given the low employment rate of *older workers*, Italy should allocate funds to support active and healthy ageing measures aimed at enhancing older workers' employability (in particular via lifelong learning comprehensive strategies).

Integration of migrants in the labour market, also through a better recognition of their skills and qualifications, will be an important driver of economic development and help reduce the skill mismatch. The promotion of inclusion of third country nationals will also have as a side effect a reduction of the scope of the shadow economy, migrants being often exploited for work related purposes.

Finally, investments should prioritise active inclusion of individuals who for different reasons face a *risk of social exclusion and poverty*. In this regard due priority should be given to people with disabilities and other persons facing particular risks, including migrants, Roma and people living in deprived areas. Interventions that generate more

employment for vulnerable categories of population should be promoted also in rural and coastal areas. The CSF funds should also support social innovation as a means to better respond to societal challenges such as demographic ageing, diversity, etc. This in turn calls for initiatives to promote the social economy and social enterprises.

Improving the quality of education and training

To increase their impact on the labour market, CSF funds' investments should concentrate more on education and training. Investments should focus on preventing and reducing *early school leaving*, in particular in Southern regions. Measures should target pupils and teachers/staff, as well as the working environment. Participation in *tertiary education* should be fostered. Investments should also focus on improving the *quality* of education and training, taking into account the different situations across regions. To efficiently address the skills mismatch, the relevance of education and training to the needs of the labour market should be improved. Support to *lifelong learning* (LLL) should be further strengthened by CSF Funds in coordination with other funds, while ensuring a greater participation of people most in need of up-skilling and re-skilling, including older workers. CSF funds should invest in skills that will be needed in the future, e.g. the green economy, and address the specificities of rural and coastal areas.

Promoting labour mobility

Labour mobility across jobs and sectors of activity should be a priority for CSF funds' investments. Interventions should focus on providing information and guidance services to make well-informed decisions on educational, training and occupational perspectives, and on supporting mobility actions and schemes. Putting in place a national system for the validation and recognition of acquired skills and qualifications is a key requirement to allow labour mobility within the country. There is a clear need to facilitate mobility of workers across borders.

Modernising and strengthening labour market institutions

The CSF funds should focus on the modernisation and strengthening of labour market institutions. This should help public employment services (PES) provide more effective and efficient services throughout the country. Partnerships with education institutions and other employment services should be fostered. Italy should implement more effectively²² the exchange of job applications and job vacancies and fully capitalize on the enhanced EU tools (reform of EURES) to reinforce its delivery of personalized services to jobseekers. The needs of disadvantaged groups, including older workers and young people, should be cared for.

Combating undeclared work

The fight against undeclared work calls for a wide array of interventions ranging from strengthened labour inspection systems to improved work organization to bringing immigrants into employment in the formal economy, e.g. through training.

2.4. Supporting the quality, effectiveness and efficiency of the public administration

An innovative and efficient public administration is fundamental to provide a better service to businesses and citizens and to ensure that the investment priorities can efficiently deliver results in terms of jobs and growth at both national and regional level. This calls for concentrating investments on enhancing institutional capacity in line with the Country Specific Recommendations. CSF funding should give due priority to measures reducing administrative burden, developing a systemic approach to the development of e-government, improving access to and efficiency of the judiciary while ensuring overall quality, transparency, integrity and accountability in public administrations. The capacity-building of stakeholders should also be promoted. Low

²² According to the obligations laid down in EU Regulation n. 492/2011.

administrative capacity has also hindered smooth implementation of cohesion policy, notably in Southern regions. The CSF funds should also be used to improve the capacity of bodies involved in the management and implementation of the funds themselves, in particular the less developed/transition regions, including transnationally.

Reducing administrative burden for businesses

Interventions to modernise public services and reduce regulatory and administrative burdens for businesses will help increase productivity, strengthen competitiveness and ultimately unleash potential for job creation. Italy should increase the effectiveness and quality of public services, reduce compliance costs, and ensure a better regulatory framework, also as regards licensing and permit procedures and contract enforcement. To do so, overall transparency, integrity and accountability in public administration should be ensured.

Promoting e-government services / e-public procurement

The reduction of administrative burdens and organisational change are part of the European e-government agenda. In the field of on-line public services, Italy should: review the efficiency and effectiveness of government services already in place with a view to increasing penetration; adopt electronic procurement and other measures aimed at increasing the transparency and efficiency of the public administrations at all levels (ref: Commission's proposals to reform the public procurement rule, the switchover is to be completed by mid-2016); ensure access to open data held by the public administrations to stimulate new applications and services. e-government services should be also developed through e-health and e-care services with a view to reducing costs and medical errors.

Ensuring efficiency of the judicial system

In addition to designing an integrated approach to address institutional bottlenecks in the public administrations as a whole, Italy should increase the administrative capacity of the judicial system throughout the country. Due priority should therefore be given to improve the efficiency and quality of the judicial system as well as its performance and transparency. In this regard, Italy should build on the positive experience of previous programming periods, notably the "Judicial offices" project²³. The possibility to transfer the project's methodology to other public administration's sectors should be explored.

Strengthening the capacity of bodies involved in the management and delivery of CSF funds programmes, in particular in the less developed areas

The highly differentiated levels of administrative capacity in the management of the funds, with a clear North/Centre-South divide, continues to represent a major challenge in terms of efficient and effective use of the Structural Funds, as observed also in CSR n. 2. Therefore, the capacity of the bodies involved in the management and delivery of CSF funds particularly in the Southern regions should be strengthened, for example through increased and better use of 'technical assistance'. Such assistance should focus not only on managing and auditing authorities, but also and very importantly on bodies responsible for the conception, preparation and implementation of co-financed interventions.

3. SUCCESS FACTORS FOR DELIVERY

Together with financial consolidation structural reforms play a key role in enhancing the overall efficiency thereby the growth potential of the Italian economy. They are also key

²³ The project has been financed under the 2000-06 and 2007-13 programming periods. It transferred the ESF best practice firstly developed by the Public Prosecutor office in Bolzano to other judicial offices in Italy. It aims at improving the performance and increasing the efficiency of judicial offices, reorganizing work processes, optimizing the utilization of human resources and equipment, improving internal and external communication. The higher quality of performances provided by the judicial offices, due to this project, is to the advantage both of internal users of structures (services, judges, other judicial offices), and external users (citizens, enterprises, legal and other professional categories). This intervention put people "closer" to the justice system and renders them more informed on the operations of the offices and the services they can get, fostering good administrative capacity in a crucial sector throughout the country.

condition for the successful implementation of the CSF Funds which can only have optimal impact, if an appropriate policy, legal and administrative framework is in place.

Therefore the new Common Provisions Regulation will set out ex-ante conditionalities which are preconditions relating to the effective and efficient use of EU Funds which should be fulfilled by the time a programme is approved. The Commission will formally examine the consistency and adequacy of the information provided by Italy in the framework of its assessment of the Partnership Agreement and programmes. Based on experience from the current programming period and the CSRs the Commission Services' have identified a number of ex-ante conditionalities critical for successful implementation of the above funding priorities.

Where ex-ante conditionalities are not fulfilled by the time of submitting the Partnership Agreement to the Commission, Italy will need to lay down a series of actions to be taken at national and regional level and a timetable for implementing them. All ex-ante conditionalities need to be fulfilled by the deadline agreed and at the latest within two years of the adoption of the Partnership Agreement or by 31 December 2016.

- develop national, regional and cross-border research and innovation strategies based on smart specialisation, including an ICT chapter on digital Growth and a national next generation access (NGA) plan (assess intervention needs with regard to NGA networks in underserved areas);
- provide measures for effective implementation of the Small Business Act;
- develop a comprehensive national transport plan covering notably rail transport, maritime transport and integrated logistics corridors, including transnational issues;
- ensure the effective implementation of EU environmental “acquis” in the sectors of waste management (Directive 2009/98/EC) and water management (Directive 2000/60/EC) as well as horizontal provisions concerning environment impact assessment and strategic environment impact assessment (Directives 85/337/EEC; 2001/42/EC);
- ensure the compliance of water pricing policy with Directive 2000/60/EC, especially for the agricultural sector and with regard to every region, with a particular attention to Southern regions;
- increase clarity in the definition of the Good Agricultural and Environmental Conditions (GAEC), minimum requirements for fertilisers and plant protection products and other relevant mandatory standard at national and regional level;
- create/reinforce public and private agricultural advisory services systems, ensuring sufficient advisory capacity for advice on the regulatory requirements and all aspects linked with sustainable management and climate action in agriculture and forestry;
- transposition into national law of Renewable Energy Directive (2009/28/EC);
- complete and adopt a national strategy on the adaptation to climate change with accompanying actions plans underpinning CSF investments in adaptation;
- complete and implement a nation-wide system for the validation and recognition of skills and qualifications;
- define a comprehensive strategy to reduce early school leaving and a national or regional policy framework for lifelong learning;
- in fisheries, develop a strategic plan for aquaculture, improve data collection for fisheries management (to ensure a smooth shift from direct to shared management) and the implementation of a Union control, inspection and enforcement system;
- ensure an appropriate system to record and monitor state aid expenditure and an adequate coordination by a body which is independent vis-à-vis granting authorities, has appropriate dedicated resources (budget, qualified staff), is consulted on the design of state aid measures and its opinions are taken into account;

- adopt a strategy for reinforcing administrative efficiency including public administration reform, with particular attention to the capacity of the bodies involved in the management, implementation and control of interventions co-financed by the CSF funds.

Ensuring effective implementation of CSF Funds (including fulfilment of ex-ante conditionalities) needs further improvement of administrative capacities in particular for effective application of EU legislation (environmental, state aid and public procurement and financial management and management and control), preparing an adequate project selection of innovative projects and carrying out a thorough gap analysis of financing needs of SMEs to design appropriate support schemes.

Territorial development

The partnership agreement and operational programs should set out the contribution of EU funds integrated approaches for territorial development, including - where appropriate - planned integrated approaches to sustainable urban development. Sustainable urban development is understood as a process based on an integrated urban development strategy which harmoniously promotes all dimensions of sustainability (economic, social, environmental and governance) through a comprehensive vision of the urban area. In this way, resources should be concentrated in an integrated manner on target areas with specific urban challenges and at the same time projects funded by Cohesion policy in urban areas should be coherent with the wider objectives of the programs. Transparent criteria have to be adopted for the selection of the zones where such integrated interventions are to take place.

4. PRIORITIES FOR TERRITORIAL COOPERATION

Under the European Territorial Cooperation, the ERDF supports cross border and transnational cooperation. Effective solutions in many areas of development require a cooperative approach to challenges and opportunities that looks across the borders to share experiences.

Cross-border actions should support country-specific programmes by concentrating on removing the main bottlenecks in transport improving accessibility, in particular in the various maritime borders, on removing the existing barriers to labour mobility, on increasing the support to the research and development, favouring exchanges of know-how and joint innovative projects focussing i.a. to the health sector. Promoting climate change adaptation and risk prevention and joint management of environmental resources (water, waste, nature & biodiversity) should also be tackled at transnational level. The level of competitiveness of SMEs remains insufficient; there is a strong need to promote SME's internationalisation.

As regards the Mediterranean and the Adriatic and Ionian maritime approaches, European territorial co-operation should aim at improving coherence, coordination and alignment of policies and instruments having an impact on the maritime economy. The objectives and orientations agreed under the Adriatic and Ionian Sea basin strategy should in particular be taken into account: (1) Maximizing the potential of the blue economy (Competitive and sustainable maritime transport, Coastal and maritime tourism, Fisheries and aquaculture); (2) Healthier marine environment; (3) A safer and more secure maritime space; (4) Sustainable and responsible fishing activities.

ANNEX

The annex contains the arrangements for effective programming and delivery, assessment of funding needs in relation to thematic objectives and assessment of specific aspects of administrative capacities.

A. MAXIMISING SUCCESS - ARRANGEMENTS FOR EFFECTIVE PROGRAMMING AND DELIVERY

Experience from previous programming periods indicates several factors affecting effectiveness of Structural Funds' investments, in particular the need for strategic orientation and concentration, the need to avoid fragmentation of investments and to embed projects in national systems, and to ensure they respond to actual needs.

In the 2000-2006 and 2007-2013 programming periods many regional and local authorities in the less developed and transition regions of Italy had serious difficulties to cope with the sheer magnitude of the financial means allocated to them, and did not have the project planning and implementation capacity to manage EU assistance effectively²⁴. Significantly, the programmes of the least developed regions (Campania, Calabria and Sicily) are precisely those with the most important implementation delays and capacity problems.

In the light of the positive experience with a number of horizontal national operational programmes, notably Education, the future structure of programmes should foresee an increasing share of EU assistance allocated to centrally managed programmes, which should be equipped with adequate human resources. This should give rise to a reduction of the interventions managed by regional authorities and an increase of the interventions managed by ministries, in particular for policy areas which are not region-specific. The regionally managed programmes will include interventions to address regional specificities.

Also, in 2007-2013 there are significant areas of overlap between national and regional programmes²⁵. This should be avoided in the future by establishing clear and logical demarcation lines between programmes intervening on the same geographical territory.

For some programmes the management and control system set-up is excessively complex (i.e. OP Research & Competitiveness, OP Renewable Energies, OP Culture & Tourism), e.g. because of the presence of many intermediate bodies. It is necessary to rationalise such structures and avoid in particular programmes with an interregional set-up, as they have been a singular failure in 2007-2013.

A general shift towards more coherent and innovative approach is necessary, embracing both country-specific and cooperation programmes, in order to demonstrate clearly the impact on attaining the Europe 2020 objectives, as illustrated by the following examples:

- support to sports/cultural/tourist/promotional/entertainment events or to territorial marketing initiatives should not be financed from ERDF due to their low added value;
- support should not be used for local, regional or national road or highway infrastructure, as the transport mix in Italy is already much too strongly skewed towards road transport;
- support to the fish catching sector should only be given if it contributes to an effective reduction in fishing capacity.

²⁴ See also the Cohesion Action Plan, which was launched in 2011 in response to the slow implementation of CSF funds in Southern Italy.

²⁵ E.g. the 2007-2013 national Operational programme Transport includes one half of a railway project in Palermo (Sicily), while the other half is included in the 2007-2013 regional Operational programme Sicily.

Structure of programmes

The proposed 2014-2020 legislation for the CSF Funds offers additional flexibility to set up programmes in each Member State to best match their institutional set-up. In addition, Annex I of the Commission's amended proposal for the Common Provision Regulation includes the Staff Working Document on elements for a Common Strategic Framework²⁶ sets out different options²⁷ for integrated approaches to programming to achieve coordination and synergies during implementation, which Italy is encouraged to explore. Moreover, with regard to the programming structure for the EAFRD, it would be necessary to outline strong and precise coordination activities at central/national level (MIPAAF, the Rural Network and the EIP Network), as regional programming is likely to be maintained. The Member State has the choice to make use of a National Framework Programme.

The single OP foreseen by the EMFF regulation could be structured along regional lines to match Italy's administrative and political organisation thus allowing for maximum synergies with regional interventions of other funds and improving the efficiency of the delivery system.

The structure of programmes should take into account the division of competences for relevant policies between regional and national levels. Distribution of responsibility between the national and regional level should assure overall coherence while respecting at the same time local conditions (avoid "one size fits all approach"). The structure should also reflect the focus of EU interventions on Europe 2020 objectives. The balance of funding, the number of programmes and the most suitable architecture will be developed in partnership with stakeholders in Italy and in negotiations with the Commission. Cooperation at all levels is key to achieving quality of spending.

For specific objectives such as innovation and knowledge transfer in the agricultural and agro-food sectors, as well as for interventions in the agro-food sector that have inter-regional scope, strong guidance and coordination actions should be taken by the central government in order to increase the efficiency and efficacy of interventions and to support the synergy of the instruments employed.

In the 2007-2013 period Italy has a particularly high number of programmes which were or still are the subject of payment interruptions or suspensions, due to inadequate management and control systems.

Management

On the basis of this experience, management verifications should be centralised under the responsibility of the management authority (MA) or, in case of decentralised management verifications, there should be a quality-control unit. The informatics system of any OP should include controls on the existence of management verifications before expenditure can be certified. Also, there has been an excessive turnover at management level causing the slow-down or the interruption of the implementation of the programme. Stability of management and staff in managing and audit authorities, and a more independent control on the use of funds should be targeted.

Many current programmes suffer from insufficient advance planning and preparation of the main stages of projects (call for proposals, major project application where applicable, notification of state aid where applicable, environmental assessment). This causes delays in the initial phase of the programming period, but often even beyond. An adequate advanced project planning/preparation would allow a smoother and faster implementation of the OPs. An enhanced supervisory role of the Ministry for Economic Development, the Ministry of Labour and the Ministry of Agriculture with respect to the regional managing

²⁶ SWD(2012)61 final – Part 1- Section 4; website: http://ec.europa.eu/regional_policy/sources/docoffic/working/strategic_framework/csf_part1_en.pdf

²⁷ COM (2012) 496 final, 11.9.2012.

authorities notably in the less developed and transition regions would contribute to overcome such problems.

Control Systems

Italy should ensure an effective and efficient control environment and be able to confirm in advance the operationality of its control systems.

The fact that many audit authorities (AA) belong to the same administration as the MA may risk limiting their independence. An advanced degree of integration of regional AAs under the responsibility and supervision of a national audit body would guarantee a stronger autonomy with respect to the MAs.

Resources allocated to the AAs are often inadequate, quantitatively (insufficient resources, contracts with limited duration causing delays and discontinuity of the audit activities) and qualitatively (insufficient audit expertise). Adequate resources should be allocated to AAs and recruitment planning has to include the hiring of officials with a specific auditing background.

Coordination, complementarity and synergy

Coordination between policies and complementarity, both country specific and cross-border, of interventions is the key condition for successful implementation of CSF Funds. The management and control systems for 2014-2020 should build on the positive achievements in the period 2007-2013. CSF Funds need to jointly address several thematic objectives. Ministries and Managing Authorities responsible for the implementation of the CSF Funds should work closely together on the preparation, implementation, monitoring and evaluation of the Partnership Agreement and programmes. It is essential that all funds work in an integrated way at the delivery level.

Coordination of policies should be further improved. To that end it is recommended to:

- Ensure strong policy framework through development of binding strategic documents.
- Develop a strong coordination centre to improve enforcement of the development strategy.
- Streamline the implementation structure to ensure clear division of responsibilities and greater accountability of institutions involved. Institutions involved should provide real added value in the management processes.
- The managing authorities should develop in-house expertise for policies in which their operational programmes intervene.

Complementarities between CSF Funds should be designed at policy level and triggered into practice through specific implementation solutions, including, where relevant, Integrated Territorial Investments and Community-led Local Development. Italy is invited to present its approach and corresponding instruments as regards a co-ordinated use of funds in areas, where complementarities of funds are critical for efficient investment: health, education (especially pre-school facilities and vocational training system), entrepreneurship, urban development and public administration reforms.

Where relevant, the CSF Funds should exploit potential for synergies with the other EU instruments, such as the Connecting Europe Facility; Horizon 2020, COSME, the European Institute of Innovation and Technology (EIT) and its Knowledge Innovation Communities (KICs) in view of increasing their countries' innovation capacity through a closer integration of the Knowledge Triangle, Marie Skłodowska-Curie Actions, the LIFE programme, Erasmus for All, the Creative Europe Programme, the Programme for Social Change and Innovation, the Internal Security Fund and the Asylum and Migration Fund, (HOME: the successor of the Thematic Programme "Asylum and Migration").

Past and current experiences point to the need of improving technical assistance instruments in favour of Leader (LAG) and Fisheries (FLAG) groups and of the partners/territories concerned by their interventions. Aspects that merit more attention include the administrative capacity of the LAG/FLAGs, the transparency of procedures

for selecting the LAG/FLAG territories and the groups themselves. Also important are: the selection of interventions through appropriate selection criteria, the need to avoid conflicts of interest and, last but not least, the coherence of the interventions with the objectives of the programme.

Community-led Local Development (CLLD) offers an integrated bottom-up approach in response to complex territorial and local challenges through the involvement of local communities. Italy is invited to present its approach as regards CLLD across the CSF Funds indicating the main challenges, objectives and priorities, the type of territories, the role of local action groups and of different CSF Funds and coordination mechanisms. Italy should also foresee preparatory support for local actors. The proportion of funds devoted to LEADER should be further enhanced, given the proposed multi-fund approach to community-led local development.

Co-ordination with national funds, including the interprofessional ones, should be fostered.

B. ASSESSMENT OF FUNDING NEEDS IN RELATION TO THEMATIC OBJECTIVES

The following sections present the Commission Services' view on priorities for CSF Funds for Italy. They have been developed on the basis of the Commission services' in depth country analysis²⁸ and selected from the 11 thematic objectives, which stem from the Commission proposal for the Common Provision Regulation²⁹. These 11 thematic objectives translate the Europe 2020 strategy into operational objectives to be supported by the CSF Funds.

The 11 thematic objectives are common for cohesion, rural development and the maritime and fisheries policies; they ensure that interventions under these policies are aligned towards the achievement of joint objectives, those of Europe 2020. They provide a menu of possible funding objectives for the whole of the EU. According to each Member State's specific situation a more focussed selection is then made in agreement with the national authorities. The challenges and funding areas for Italy correspond to the following thematic objectives:

Funding priorities	Related thematic objectives
Developing an innovation-friendly business environment	<i>Strengthening research, technological development and innovation (1)</i>
	<i>Enhancing access to, and use and quality of, information and communication technologies (2)</i>
	<i>Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF) (3)</i>
Putting in place performant infrastructures and efficient management of natural resources	<i>Promoting sustainable transport and removing bottlenecks in key network infrastructures (7)</i>
	<i>Enhancing access to, and use and quality of, information and communication technologies (2)</i>
	<i>Protecting the environment and promoting resource efficiency (6)</i>
	<i>Supporting the shift towards a low-carbon economy in all sectors (4)</i>
	<i>Promoting climate change adaptation, risk prevention and management (5)</i>
Increasing labour market participation, promoting social inclusion, and improving the quality of human capital	<i>Promoting employment and supporting labour mobility (8)</i>
	<i>Promoting social inclusion and combating poverty (9)</i>
	<i>Investing in education, skills and lifelong learning (10)</i>
Supporting the quality, effectiveness and efficiency of the public administration	<i>Enhancing institutional capacity and ensuring an efficient public administration (11)</i>
	<i>Enhancing access to, and use and quality of, information and communication technologies (2)</i>

²⁸ SWD (2012) 323 final; (http://ec.europa.eu/europe2020/pdf/nd/swd2012_Italy_en.pdf).

²⁹ COM (2011) 615 final/2; (http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm#1)

B.1. Funding priority: Developing an innovation-friendly business environment

The objectives of the funding priority “*Developing an innovation-friendly business environment*” will be achieved primarily by thematic objectives “Strengthening research, technological development and innovation”, “Enhancing access to, and use and quality of, information and communication technologies”, and “Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF).”

Thematic Objective “Strengthening research, technological development and innovation”
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Europe 2020 headline target	Current situation	National 2020 target in the NRP
3% of the EU's GDP to be invested in research and development	1.26% (2010)	1.53%
Recital 19 of the Council Recommendation on the National Reform Programme 2012 of Italy and delivering a Council opinion on the Stability Programme of Italy, 2012-2015: "... While some measures have been taken to foster private research and development (R&I), in particular the refinancing of the tax credit for business investment in research, the intensity remains low and the implementation of projects of an innovative nature is weak."		
Country Specific Recommendation n° 6 of 2012: " Improve access to financial instruments, in particular equity, to finance growing businesses and innovation"		

The thematic objective should be implemented in line with innovation strategy framework for smart specialisation elaborated in close consultation with the private sector and relevant national and regional R&I actors, including partners in the blue economy. For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific and broader regional challenges to be supported by the CSF funds:

- 1. Enhancing research and innovation infrastructure (R&I) and capacities to develop R&I excellence*
 - o Support service innovation and innovative start-ups required for deployment of technology and co-creation of innovative products and services which are resulting from the applied research.
 - o Support and enhance cluster policy and the quality of business networks, including by building on the potential of industrial districts. Focus on high quality services (full package of services required by innovative companies including support to commercialisation, technical services, accounting, taxation, consulting), multi-cluster strategies and collaboration with other national and international clusters and universities to attract or create innovative businesses and enhance open innovation.
- 2. Promoting business R&I investment, product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation*

- Strengthening private R&I investments by supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities, and first production in Key Enabling Technologies and diffusion of general purpose technologies.
- Support innovation, in particular in SMEs, by supporting applied research, proof-of-concept and investing in pilot lines and early product validation actions including advanced manufacturing capabilities and first production in Key Enabling Technologies.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition the following general considerations would improve governance and delivery:

- ✓ Notably in the “*less developed areas*” of Italy, regional interventions so far suffered from a lack of strategic planning and coordination. Many generalist aid schemes for enterprises have been ineffective. Therefore making resources available for R&D and innovation in the less developed regions has to be accompanied by radical adjustments in strategic orientation, coordination and management capacity. Moreover, improvements are needed as regards reinforced and better targeting of investments for innovation; strengthening connections with poles of excellence with the aim of maximising technological diffusion and knowledge spill over’s; and increasing the capacity to attract foreign direct investments and external (private) investments in R&D.
- ✓ A change in overall strategy appears necessary for the “*more developed areas*”, as data show that Italy's developed centre-north is gradually losing competitiveness³⁰, a.o. because of lower levels of high-end innovation than in other advanced economies. Support for addressing the upgrading of human resources should be conditioned to the existence of strong linkages with R&D programs of businesses and academia.
- ✓ Systemic and medium-long term cooperation projects and integrated activities of universities, research centres and firms should be funded. Technology parks, hi-tech districts and competence centres must be assessed and funded on the basis of measurable results.
- ✓ As regards agriculture the way innovation policy is constructed and promoted should take into account the specificities of Italian local and regional agricultural systems, the climate-change related issues, and the distinctiveness of Italian agriculture with respect to the importance of product quality schemes. Smart specialisation strategies should take the agricultural and agro-food SMEs into account for IT regions where these sectors have much to contribute in terms of innovation (highly competitive at EU and international level).
- ✓ Bring agriculture, forestry and the agro-food sector more into contact with other sectors relevant for tomorrow’s food economy. In this respect, interventions related to key competing or enabling technologies (e.g. ICT, biotechnology) should be prioritized, as well as innovation in greening the economy and resource efficiency.
- ✓ Set up an evaluation and monitoring system on innovation and research policy implementation.
- ✓ Establish regional or national partner facilities for ESFRI Roadmap Projects.
- ✓ Align the research and innovation strategy on energy with the Strategic Energy Technology Plan (SET Plan).

³⁰ Eurostat Regional yearbook 2011, page 98 (map 7.2).

- ✓ Explore possibilities for Joint Programming Initiatives and partnerships under Horizon 2020.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at SMEs, low carbon economy, climate change, environment, employment and education³¹.

Thematic objective: Enhancing access to use and quality of information and communication technologies
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For this thematic objective the funding priority translates into the following priorities and specific objectives concerning development of the e-economy:

1. *Developing ICT products and services, e-commerce and enhancing demand for ICT*
 - o Support to competitiveness of SMEs by the development of new ICT technologies in the entire productive and business process.
 - o Create new, innovative e-services, innovative electronic solutions for businesses and for science. As well as creating electronic services provided between enterprises (B2B) and encourage the use of modern technologies in enterprises and in research and science.
 - o Develop ICT applications and services in support of the sustainability and competitiveness of rural areas (including e-content relevant to the development of rural tourism) and of agriculture and food processing.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition, the following considerations would improve governance and delivery.

- ✓ A Digital Growth chapter with the Smart Specialisation Strategy should stimulate the emergence both nationally and across borders of a new generation of services (including cloud computing and internet of things) support demand for content and innovation, support efficient and effective public services, directly contributing to the increase in jobs, competitiveness and productivity and to the EU goals on a low carbon economy.
- ✓ Assist in the support of different levels of digital and data reading literacy, ICT skills for the labour force, for managers and entrepreneurs, informal re-training towards ICT careers, and for the creation of highly specialised digital specialists (ICT practitioners).
- ✓ Measures supporting demand for ICT in social sectors at risk of exclusion should have an integrated approach and combine PC/device ownership, ICT training and other relevant measures. Digitalisation of schools and universities and the development of e-education should be incentivised and the use of ICT for cultural purposes and preservation of cultural heritage should be encouraged.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under interventions under thematic objectives aimed at R&I, SMEs, employment, education, social inclusion and institutional capacity³².

³¹ Thematic objectives 2, 3, 4, 5, 6, 8 and 10 according to the draft Regulation

³² Thematic objectives 1, 3, 8, 9, 10 and 11 according to the draft Regulation.

Thematic objective: Enhancing the competitiveness of SMEs, the agricultural sector and the fisheries and aquaculture sector
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The thematic objective should be implemented in line with innovation strategy framework for smart specialisation, including partners in the blue economy. For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific and broader regional challenges to be supported by the CSF funds:

1. *Promoting entrepreneurship, start-up and growth of SMEs*

- o Promoting eco-innovation and increased resource efficiency among SMEs, in particular through supporting development of clusters in green technologies
- o Encouraging cooperation between SMEs at territorial or sectorial level and enhance international expansion of Italian business.
- o Replicate competitive technology industrial cluster approaches.
- o Support to innovative products and processes through highly selective incentives.
- o Bringing research outputs closer to market through pre-commercial procurement.

2. *Easing access to finance for start-ups and SMEs, in particular through revolving financial instruments*

- o Support investments and continued development of companies by way of venture capital funds or similar other external financial support such as firm associations, including network contracts.
- o Ensure liquidity and access to finance for new SMEs by creating loan facilities and access to new markets, supporting innovative business models and introducing new technologies and quality standards.
- o Addressing mismatch between demand and supply of different types of financial instruments for SMEs/UDFs.
- o Encouraging investment readiness programmes with external finance such as business angels to enterprises.

3. *Fostering structural changes in the economy by developing new business models in agricultural, fisheries and rural SMEs*

- o Incentives to fostering relations between primary agricultural producers and other economic actors, even from non-traditional economic areas.
- o Support to a sustainable structural evolution of agriculture, and fisheries sector, and to the strength of the supply chain, with a view to a significant improvement of overall productivity. Appropriate attention should be paid to reinforcing the position of the small farmer in the supply chain.
- o Creation and development of micro-enterprises and SMEs providing care facilities in rural areas should be prioritised with a view to promoting more opportunities for women and gender equality.
- o Enhance the competitiveness of SMEs in the fisheries sector. Untapped potential in the aquaculture sector is hindered by low profitability and difficulty to access to finance. Investments should focus in promoting organic aquaculture and innovative and environmentally friendly production techniques. Incentives would be needed for producing market-valuable species and for young entrepreneurs.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition the following general considerations would improve governance and delivery:

- ✓ Knowledge and innovation transfer should be a priority for less advanced regions. Investments should promote innovation and the objectives of Europe 2020 flagships and the policy initiative "Small Business Act".
- ✓ Particular attention should be paid to tackling the factors discouraging women from becoming entrepreneurs.
- ✓ A right balance should be found between support for short supply chains and reinforcing agricultural and agro-food supply chains in general, in light of the pressing need for economic and environmental competitiveness and efficiency.
- ✓ Concerning diversification activities of small farmers and creation of rural micro-enterprises and SMEs, more innovative types of interventions should be envisaged. The capacity and standing of non-agricultural partners and stakeholders in rural areas should be reinforced.
- ✓ All Italian regions should be encouraged to use to their maximum potential agricultural risk management measures, given the general high risks for agricultural and forestry activities entailed by the specific Italian geo-climatic conditions (including phenomena attributable to climate change).

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, SMEs, low carbon economy, environment, employment, social inclusion and education³³.

B.2 Funding priority: Putting in place performant infrastructures and efficient management of natural resources

The objectives of the funding priority "*Putting in place performant infrastructures and efficient management of natural resources*" will be achieved primarily by thematic objective "Promoting sustainable transport and removing bottlenecks in key network infrastructures", "Enhancing access to, and use and quality of, information and communication technologies", "Protecting the environment and promoting resource efficiency", "Supporting the shift towards a low-carbon economy in all sectors", and "Promoting climate change adaptation, risk prevention and management"

Thematic objective: Promoting sustainable transport and removing bottlenecks in key network infrastructures

Recital 17 of the Council recommendation: ... "Italy has adopted important measures to liberalise services, in particular professional services, and to improve competition in the network industries. However, multiple challenges remain in the energy and transport sectors, in particular railways and ports, where infrastructure and market bottlenecks remain significant."

Country Specific Recommendation n° 6 of 2012: "Implement the adopted liberalisation and simplification measures in the services sector. Take further measures to improve market access in network industries, as well as infrastructure capacity and interconnections. [...]"

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific and broader regional challenges to be supported by the CSF funds:

³³ Thematic objectives 1, 2, 4, 6, 8, 9 and 10 according to the draft Regulation.

1. Modernise rail and maritime transport infrastructures

- Key infrastructure investments on the TEN-T network as modified by the revised TEN-T Guidelines, in particular for rail and maritime transport nationally and across borders, as well as multimodal logistic platforms. Interventions on ports and multimodal logistic platforms should be enhanced through last miles links to the multimodal corridors.

2. Better exploit possibilities for intelligent transport systems

- Promote modal integration through interoperable intelligent transport systems at the level of (i) rail interoperability, in particular through the full implementation of the European Rail Traffic Management System; (ii) logistic areas and/or intermodal corridor in the context of a regional/interregional needs analysis, so as to optimise the flow of information in the supply chain and to guarantee more safety (for example, through fine-tuning of administrative procedure, from the maritime single window to the single logistic window); and (iii) urban and metropolitan mobility, in order to improve travel information, traffic and demand management, smart ticketing and urban logistics, in the framework of a comprehensive sustainable mobility plan.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following general recommendations would improve governance and delivery:

- ✓ Any action funded under this thematic objective should focus on building a competitive and resource efficient infrastructure system, particularly sustainable forms of transport with reduced GHG emissions, in line with the Commission's White Paper on Transport.
- ✓ The user pays principle should be applied to ensure partial self-financing arrangements for maintenance, via the introduction of a smart charging scheme to ensure sustainable maintenance of the existing infrastructure. Revenues from pricing and charging systems (and not EU funds) should be used for financing maintenance costs.
- ✓ A future ERDF national/sectorial operational programme for Transport should focus on the development of the TEN-T core network. It should be based on the clear and unequivocal identification of integrated logistic areas and multimodal corridors of national and European interest, directly connected to the development of the TEN-T core network. Infrastructures falling into these key logistic areas should be funded only within the national/sectorial operational programme. Actions on the Motorways of the Sea should fall also under the national/sectorial Operational Programme. Regional programmes should include transport interventions which have a strictly regional or local (urban) character.
- ✓ Promote a stronger involvement of the private sector, e.g. through PPPs, in order to mobilise additional funds in commercially viable areas, including infrastructure investments and ad-hoc arrangements on specific services, development of interoperable electronic systems, traceability, and rail carriers over a given multimodal corridor.
- ✓ Investments in ports and multimodal logistic platforms must be supported by appropriate governance or implementation structures, identified at national level and possibly implemented through contractual instruments such as PPPs, Framework Contract Agreements, and Institutional Contracts. In order to improve governance effectiveness', the integrated projects and/or agreements performing better should be awarded additional resources.
- ✓ Port investments should also be supported by clear and coherent indications on the functional development of each port, eventually inserted in the national transport plan

(ex-ante conditionality), by national actions for improving the ports' governance and ensuring timely customs' operations, and by a policy design focused on fostering synergies with the hinterland³⁴.

- ✓ An overall rail network connecting ports and multimodal logistic platforms should be established and duly supported at national and also cross-border level. The main ports and platforms located in the convergence areas should be fully inserted into this network.
- ✓ The implementation of railway interventions in Southern Italy should be further improved through a more incisive involvement of the railway infrastructure company (RFI) to invest in the Southern network and by a reinforced coordination between RFI and regional railway companies. An organic framework for the development of the railways in the South should be established, eventually inserted in the national transport plan (ex-ante conditionality), which covers all possible sources of regional, national and EU funding.
- ✓ As roads remain predominant for freight and passengers in Italy, the country will be eventually impacted by possible high fuel prices and by restrictions to road transports exerted by neighbouring countries situated at the North of the Alps. Therefore, at national level, adequate taxation and/or incentives measures need to be duly taken to encourage rail freight and ro-ro traffic on the Highways of the Sea.

As regards the interactions between the ERDF actions on transports and other relevant EU policies as well as with other thematic objectives:

- ✓ Actions financed by CSF funds under this thematic objective should be coordinated with actions financed by the *Connecting Europe Facility* (CEF) in order to reach complementarities and synergies. (CEF) can provide funds to finance projects on the TEN-T core networks - especially along TEN-T Core Network Corridors³⁵ - as well as horizontal priorities such as traffic management systems or multimodal connections and related modernisation of customs equipment. CEF can also trigger private investments and PPP through financial instruments. Additionally “Project Bonds” can help to increase debt financing availability for large scale infrastructure.
- ✓ With a view to boosting internationalisation of agricultural and agro-food holdings in Southern regions, it is essential that connecting transport infrastructures be supported by the other CSF funds, with a view to the timely access of the products from the periphery of these regions to the relevant markets. The proper connection between small-scale road infrastructure interventions financed by the EAFRD at local rural levels and the main transport infrastructures should be ensured.
- ✓ Actions financed by CSF should be in line with the EU Paper Roadmap to a single transport Area - towards competitive and resource efficient transport system.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objective aimed at low carbon economy and environment protection³⁶.

Thematic objective: Enhancing access to and, use and quality of information and communication technologies

For this thematic objective the funding priority translates into the following priorities and specific objectives concerning network infrastructure:

³⁴ According to the Recommendation of the European Court of Auditors, EU support for seaport infrastructures should be conditional upon the existence of a comprehensive long-term port development strategy (based on an assessment of needs) for all the ports of the region.

³⁵ In Italy: the Baltic - Adriatic Corridor, the Mediterranean Corridor, the Genova – Rotterdam Corridor, and the Helsinki–Valletta Corridor.

³⁶ Thematic objectives 4 and 6 according to the draft Regulation.

1. Extending broadband deployment and the roll-out of high-speed networks

- o Develop networks that assure access to high speed and very high speed internet (next generation access NGA).
- o Develop complete solutions, including distribution and access networks, including "last mile" investments with the special focus on remote, sparsely populated areas or rural areas.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition the following success factors would improve governance and delivery:

- ✓ Exploit synergies in civil engineering so that ICT components are incorporated into other infrastructure projects (transport, energy, water, and sewer).
- ✓ Ensure coordination between national (between relevant ministries) and regional level and prevent duplication of efforts activities by setting up impact evaluation and assessment mechanisms and synergies between the private and public sector to technically design and deploy ICT programmes.
- ✓ Reinforce regional capacity to plan, manage and implement ICT/BB projects by setting up centres of ICT competence.

Undertake regular mapping of existing broadband and other infrastructures and future investments to aid efficient planning of broadband measures and carefully monitor of market development to identify areas for market failure to avoid crowding out of private investments.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives such as those aimed at R&I, SMEs, low carbon economy, environment, employment, social inclusion, education and institutional capacity³⁷.

Thematic objective: Protecting the environment and promoting resource efficiency

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific and broader regional challenges to be supported by the CSF funds:

1. Improve sustainable management of solid waste, drinking water, waste water

- o Construct modern solid and integrated waste management installations. Waste prevention and recycling should be strongly promoted in line with the waste hierarchy, in particular re-use, recycling and non-recyclable materials, recovery.
- o Addressing significant needs for investments in drinking water provision (e.g. ensuring that EU quality standards are met) and waste water management (ensuring collection and at least secondary treatment) in line with the applicable EU directives.
- o With regard to investments in the agricultural sector, priority could be given to more efficient and well-targeted irrigation systems, the reuse of waste-water for irrigation (especially for non-food crops), agricultural machinery able to prevent soil erosion, as well as the maintenance or reestablishment of traditional soil-stabilisation and erosion-prevention elements. Specific agro-environment actions to address soil erosion and low soil organic matter should be prioritized.

³⁷ Thematic objectives 1, 3, 4, 6, 8, 9, 10 and 11 according to the draft Regulation.

2. *Protecting and enhancing biodiversity, soil and air quality protection and promotion of ecosystem services including Natura 2000, High Nature Value areas and green infrastructure*

- o Restore, preserve and enhance biodiversity and the ecosystem services (i.e. Natura 2000 management plans, protecting species), controlling also for invasive species.
- o Promote the remediation and rehabilitation of contaminated sites in accordance with the polluter-pays principle, also to limit land take on green fields
- o Support the reduction of ammonia emissions from agriculture in areas of intensive agriculture (especially animal husbandry).
- o Typical Mediterranean forestry problems need to be addressed.
- o Marine litter initiatives and measures against invasive species should be supported

3. *Protection of coastal and marine areas*

- o Support to the sustainable exploitation of marine waters and coastal areas through implementation of the Marine Strategy Framework Directive, Integrated Coastal Zone Management (ICZM) and Maritime Spatial Planning (MSP), in joint activity with neighbouring countries.
- o Nutrient over-enrichment leading to eutrophication and occurrences of harmful algal blooms that needs to be addressed.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition the following general considerations would improve governance and delivery:

- ✓ As regards water, drinking water and waste water the priority is to achieve compliance (Water Framework Directive etc.) in all areas over 2,000 person/equivalents and in all sensitive areas by co-financing biological and tertiary treatment plants and sewage systems.
- ✓ As regards solid waste management, new or updated waste management plants and waste prevention programmes have to be drawn up under the Waste Framework Directive. In order to ensure compliance with the latter, interventions to be co-financed should focus on instruments high on the waste management hierarchy, such as prevention, separate collection, recycling, recovery and composting. Economic instruments, extended producer responsibility and pay-as-you-thrown systems should be expanded.
- ✓ The implementation of the reformed Common Fisheries Policy (CFP) and the development of sustainable coastal fishing communities. (i.e., fishing at Maximum Sustainable Yield, identifying and addressing any remaining overcapacity, introduction of a discard ban strategy, improvement of data collection and strengthening the control of the implementation of CFP rules) should be supported.
- ✓ Full consistency with the prioritised action framework (PAF) being prepared by Italy has to be ensured, in order to strengthen the integration of Natura 2000 in EU funding instruments.
- ✓ Stronger targeting and more appropriate monitoring of trends with regard to biodiversity conservation. *Natura 2000* management plans, which should be already approved at the start of the programming period, need to contain clear commitments, in line with the objectives to be reached. The positive environmental impact of organic and, especially, integrated farming should be reinforced with further specific commitments.
- ✓ Complementarity and coordination with LIFE, in particular with integrated projects should be ensured at national and regional level.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under should be coordinated with interventions under thematic objectives aimed at R&I, SMEs, low carbon and climate change³⁸.

Thematic objective: Supporting the shift towards a low-carbon economy in all sectors

Europe 2020 headline target	Current situation	National 2020 target in the NRP
20% greenhouse gas (GHG) emissions reduction compared to 1990	- 3% (2020 non-ETS emissions projections compared to 2005) - 9% (2010 non ETS emissions compared to 2005)	-13% (national binding target for non-ETS sectors compared to 2005)
20% of energy consumption from renewables	10.3 (2010)	17%
20% increase in energy efficiency – reduction of energy consumption in Mtoe ³⁹	n.a.	13,4% or 27,9 Mtoe

For this thematic objective the funding priority translates into the following priorities and specific objectives related to renewable energy and energy efficiency:

1. Reaching the EU 2020 target for renewable energy and energy efficiency

- o Increase the share of renewable energy sources in final energy consumption by production of electricity and enhance the potential of the bioeconomy sectors.
- o Promote energy efficiency and the use of renewables in public buildings, housing and in SMEs.
- o Develop RES technologies and low-carbon emission technologies and relevant industries by targeted support schemes for SMEs.
- o In rural areas, priority could be given in Italy to energy from sustainable biomass resources due to their concomitant positive effects in terms of sustainable forest and waste-management, with due regard to local/regional environmental conditions and constraints. In this respect the deterioration of soil, water and biodiversity should be avoided. Solar energy, both for electricity and for heating and cooling, could also constitute an opportunity for farmers, provided that aspects such as competition for the use of agricultural land are taken into account.
- o In coastal areas, clean ocean energy generation and supply could be encouraged.

2. Lowering emissions and carbon sink

- o Strengthen agro-environment interventions, and design new innovative measures, with a view to a more effective in targeting in relation to specific local/regional needs and conditions (e.g. actions regarding carbon sequestration and increase of soil organic matter). With regard to future forestry-related interventions, more emphasis should be placed on the redesign of reforestation and on active forest

³⁸ Thematic objectives 1, 3, 4, 5 according to the draft Regulation.

³⁹ Member States will define/revise their targets in line with the newly agreed methodology on target setting laid out in Article 3(3) of the energy efficiency Directive. This will be available only by 30 April 2013

management. Sufficient funding should be allocated to forest fire prevention and restoration actions.

- o Support integrated, sustainable and accessible urban mobility concepts in cities, city-regions and metropolitan areas. On a voluntary basis, some cities may carry out pilot schemes introducing charges on congestion and facilitating the use of public transports, cycling and walking.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition the following general considerations would improve governance and delivery:

- ✓ Most climate-related investment should be made by the private sector. Italian regions should ensure that public funding complements and leverages private investment instead of crowding it out. In the energy efficiency sector, the option of creating value for energy savings through market mechanisms (energy saving obligations, energy service companies, energy performance contracting, etc.) should be considered before public funding or used to leverage additional private capital.
- ✓ Complementarity and coordination with LIFE, in particular with integrated projects in the areas of promoting low carbon should be ensured at national and regional level.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, SMEs, climate change, environment, employment, social inclusion and education⁴⁰.

Thematic objective: Promoting climate change adaptation and risk prevention and management

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific and broader regional challenges to be supported by the CSF funds:

1. Promoting investments to address specific risks, ensuring disaster resilience and developing disaster management systems

- o Support for the elaboration of measures and projects to protect, restore and regenerate coastal and marine zones, better management of urban sprawl, defence/protection from, and mitigation of, climate change (e.g. fighting desertification, coastal flooding and erosion).
- o Handling of natural disasters including early intervention measures related to forest fires, earthquakes and extreme weather events.

2. Adaptation to climate change and flood prevention

- o Increasing the resilience of infrastructure and services vis-à-vis extreme weather events and other natural risks especially in urban areas and areas with a high concentration of businesses, and give preference to innovative and eco-system based approaches.
- o Rehabilitation of critical infrastructure or priority buildings to protect them from adverse impacts of climate change, earthquakes or other risks (e.g. heighten bridges).

3. Climate-change adaptation of agricultural systems

- o On agro-environment, the focus could be on the introduction of crops with lower water needs and more resilient to water scarcity, as well as water-saving

⁴⁰ Thematic objectives 1, 3, 6, 7, 8, 9 and 10 according to the draft Regulation.

agricultural techniques; crop rotation, low-tillage, intercropping, targeted selection of crops in order to prevent soil degradation, as well as on the conservation of endangered crop varieties and breeds.

- o With regard to related investments in the agricultural sector, priority could be given to water storage facilities for emergency use in case of droughts, investments for preventing hydro-geological risks and strengthening soil resilience, targeted forestation and agro-forestry systems (e.g. protection belts against soil erosion) and weather-monitoring facilities.
- o Promote measures to manage the risk of loss of income for agricultural holdings resulting from adverse climatic events.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities in advance of 2014. In addition the following general considerations would improve governance and delivery:

- ✓ Set up a climate change adaptation strategy clearly identifying and coordinating the responsibilities of different governmental bodies when implementing the necessary investments in a wide variety of sectors.
- ✓ Synergies and complementarities between CSF Funds should be sought particularly in types of interventions that could be funded by different funds. The EAFRD can complement activities in this area by integrating climate change adaptation in farm advisory services, knowledge transfer and information actions. Complementarity and coordination with LIFE, in particular with integrated projects in the areas of climate change mitigation should be ensured at national and regional level. In the context of seismic risk specific measures to adapt accessibility and business infrastructures to such risks should be envisaged.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at R&I, SMEs, environment and human capital development⁴¹.

B.3 Funding priority: Increasing labour market participation, promoting social inclusion, and improving the quality of human capital

The objectives of the funding priority "*Increasing labour market participation, promoting social inclusion, and improving the quality of human capital*" will be achieved primarily by thematic objectives 'Promoting employment and supporting labour mobility', 'Promoting social inclusion and combating poverty' and 'Investing in education, skills and lifelong learning'.

Thematic objective: Promoting employment and supporting labour mobility		
Europe 2020 headline target	Current situation	National 2020 target in the NRP
75% of the population aged 20-64 should be employed	61.2% (2012)	67-69%

⁴¹ Thematic objectives 1, 3, 6, 8 and 10 according to the draft Regulation.

Country Specific Recommendation n° 3 of 2012: "Take further action to address youth unemployment, including by improving the labour market relevance of education and facilitating transition to work, also through incentives for business start-ups and for hiring employees. Enforce nation-wide recognition of skills and qualifications to promote labour mobility. Take measures to reduce tertiary education dropout rates and fight early school leaving"

Country Specific Recommendation n° 4 of 2012: "Adopt the labour market reform as a priority to tackle the segmentation of the labour market and establish an integrated unemployment benefit scheme. Take further action to incentivise labour market participation of women, in particular through the provision of childcare and elderly care [...]"

Country Specific Recommendation n° 5 of 2012: "Pursue the fight against tax evasion. Pursue the shadow economy and undeclared work, for instance by stepping up checks and controls [...]."

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific and broader regional challenges to be supported by the CSF funds:

1. *Sustainable integration of young people not in employment, education or training (NEET) into the labour market*
 - o Improve the labour-market relevance of education and facilitate transition to work, also by increasing the participation of young people in apprenticeship-type vocational training.
 - o Support the access of young people to regulated professions, notably during the compulsory traineeships, and the continuous professional development of professionals exercising a regulated profession, as foreseen in the recent reform of professional orders.
 - o Develop appropriate career orientation and guidance services.
 - o Introduce a "youth guarantee" by establishing schemes to offer further education, (re)training or activation measures to every young person not in employment or in education or training, within 4 months of leaving school.
 - o Promote self-employment and entrepreneurship for young people.
2. *Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility*
 - o Support employability of young people, including by active and preventive labour market measures.
 - o Develop targeted labour market measures to support employability of older people and promote elderly friendly work conditions and forms of work organisation.
 - o Increase employment of low-skilled, migrants (as non-EU nationals) and Roma.
 - o Reduce the number of people in long-term unemployment by providing adequate support to people at risk.
 - o Enforce nation-wide system of skill validation and recognition of vocational and training standards.
 - o Support job creation in particular areas offering new sources of growth such as the green economy, ICT, personal services and health and social services.
3. *Equality between men and women and reconciliation between work and private life*
 - o Tackle gender stereotypes in education and training systems.

- o Develop work-life balance policies.
 - o Promote innovative ways of work organization, including teleworking and flexible working arrangements.
 - o Provide access to affordable and quality social and health care services, such as child care, out of school care or care for dependent persons, including the elderly and persons with disabilities.
4. *Modernisation and strengthening of labour market institutions, including actions to enhance transnational labour mobility*
- o Improve the effectiveness and quality of the public employment services.
 - o Anticipate long-term employment opportunities created by structural shifts in the economy and on the labour market.
 - o Create partnerships between employment services, employers and education institutes.
 - o Exploit the labour market potential of qualified migrants also via recognition of their qualifications.
 - o Promote innovative, more productive and greener ways of work organisation, including health and safety at work and deployment of active ageing solutions in line with the European Innovation Partnership on Active and Healthy Ageing (EIP-AHA).
 - o Improve the effectiveness and capacity of labour inspectorates and other labour law enforcement bodies.
 - o Address the issue of seasonality in the maritime and coastal tourism sector, including when necessary cooperation with third countries of origin of potential seasonal workers.
 - o Reduce undeclared work in the most affected sectors, notably agriculture, construction and services. CSF funds should seek ways to channel support only for beneficiaries that are compliant with labour legislation.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities by 31.12.2013. In addition the following general considerations would improve governance and delivery.

- ✓ Based on the experiences for investments in child care infrastructure (which is required for enhancing labour market integration of women) in the current period, the Commission services recommends for future investments to demonstrate financial sustainability while taking into account the affordability of services in the framework of a comprehensive needs analysis. New investments in infrastructure should be justified by comprehensive needs assessment.
- ✓ The highest possible job efficiency of measures should be ensured.
- ✓ CSF Funds should react flexibly to respond to particular needs and conditions of vulnerable persons to counteract any kind of discrimination on the labour market.

Both the EAFRD and the ERDF could reinforce their support for the creation of rural care facilities, in a complementary manner, as both a means of economic diversification in rural areas (providing mainly female employment) and as a crucial enabler of female employment – rural care facilities generate jobs and allow women to enter the job market. These interventions would be particularly needed in Southern regions.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objective aimed at R&I, ICT, SMEs, low carbon economy, environment, climate change, social inclusion and education⁴².

Thematic objective: Promoting social inclusion and combating poverty

Europe 2020 headline target	Current situation	National 2020 target in the NRP
Reducing the number of people in or at risk of poverty or exclusion by at least 20 million	14.5 million people (2010)	2.2 million people lifted out of poverty
CSRs for Thematic Objective n° 8 " Promoting employment and supporting labour mobility " also apply adjusted to the needs of the most vulnerable groups.		

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific and broader regional challenges to be supported by the CSF funds:

1. Active inclusion

- o Reduce the number of people at risk of poverty and exclusion by developing integrated and comprehensive active inclusion strategies -encompassing active labour market policies and access to personalised services- to help people at risk to access / return to employment or to receive further training.
- o Develop local (territorial) strategies with a strong cultural dimension promoting wider access to cultural resources, diversity, intercultural dialogue and competences for the inclusion of marginalised groups.
- o Decrease employment gap of people with disabilities.
- o Provide preventive support at an early stage for children and teenagers of vulnerable groups to help them integrate in the labour market.
- o Develop policies for beneficiaries of international protection
- o Contribute to physical and economic regeneration of deprived urban and rural communities through integrated plans.
- o Facilitate the shift from institutional to community-based care in childcare, in mental care, and in services for people with disabilities.

2. Promoting the social economy and social enterprises

- o Foster capacity-building and support structures for the promotion of social enterprises e.g. through social entrepreneurship education and training, networking, the development of national or regional strategies.
- o Promoting the creation of new enterprises in the social and health care and ageing-related industries for the provision of community based care services to individuals and families.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities by 31.12.2013. In addition the following general considerations would improve governance and delivery.

- ✓ Based on the experiences for investments in social- and health infrastructure in the current period, the Commission services recommends for future investments to demonstrate financial sustainability while taking into account the affordability of

⁴² Thematic objectives 1, 2, 3, 4, 5, 6, 9 and 10 according to the draft Regulation.

services in the framework of a comprehensive needs analysis. New investments in infrastructure should be justified by comprehensive needs assessment.

- ✓ The highest possible job efficiency of measures should be ensured.
- ✓ The participation of vulnerable groups such as Roma, beneficiaries of international protection, to CSF actions and measures should be increased through targeted information actions. It should also be encouraged through the setting of specific priorities and selection criteria.
- ✓ CSF Funds should react flexibly to respond to particular needs and conditions of vulnerable persons to counteract any kind of discrimination on the labour market.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under thematic objectives aimed at ICT, SMEs, low carbon economy and employment and education⁴³.

Thematic objective: Investing in education, skills and lifelong learning

Europe 2020 headline target	Current situation	National 2020 target in the NRP
Reducing early school leaving to less than 10%	18.2% (2012)	15-16%
At least 40% of 30-34 year old completing tertiary or equivalent education	20.3% (2011)	26-27%
Country Specific Recommendation n° 3 of 2012: " Take further action to address youth unemployment, including by improving the labour market relevance of education and facilitating transition to work, also through incentives for business start-ups and for hiring employees. Enforce nation-wide recognition of skills and qualifications to promote labour mobility. Take measures to reduce tertiary-education dropout rates and fight early school leaving."		

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific and broader regional challenges to be supported by the CSF funds

- 1. Reducing early school-leaving and promoting equal access to good-quality early-childhood, primary and secondary education:**
 - o Implement evidence-based, comprehensive and consistent policies to reduce early school leaving encompassing prevention, intervention, guidance and counselling, and compensation measures, with a particular focus on some vulnerable groups, such as Roma, migrants, etc.
 - o Support capacity building of teachers, trainers and staff, especially in mathematics, science and foreign languages also through the use of ICT tools.
 - o Promote quality assurance in early childhood, primary and secondary education systems.
 - o Improve the performances of pupils, also through the provision of a fulfilling working environment, by improving the quality of school infrastructures, supporting the development of access to new technologies and the provision of adequate learning tools.
- 2. Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels**

⁴³ Thematic objectives 2, 3, 8 and 10 according to the draft Regulation.

- Widen access to higher education e.g. through targeted measures for low-income groups.
 - Reduce drop-out rates e.g. by improving guidance and counselling services to students on the choice of career paths.
 - Improve quality and efficiency of higher education e.g. by promoting innovation in higher education through more interactive learning environments.
 - Enhance the relevance of higher education programmes to labour market needs e.g. by fostering strategic cooperation between higher education institutions and enterprises.
3. *Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems*
- Improve the quality of adult education systems.
 - Provide young people with labour-market relevant vocational education and training.
 - Increase participation in lifelong learning, especially for the people most in need of up-skilling and re-skilling, including as regards ICT skills.
 - Promote open and easily available on-line learning resources, open on-line educational practices and the use of open networks.
 - Develop a national qualification framework and register, providing learning outcomes for each qualification.
 - Invest in particular skills required by sectors offering new sources of growth such as the green and blue economy, personal services and health and social services.
 - Strengthen agricultural advisory services by improving the quality of training, outreach to beneficiaries and alignment with programmed priorities.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities by 31.12.2013. In addition the following general considerations would improve governance and delivery.

- ✓ Based on the experiences for investments in education infrastructure in the current period, the Commission recommends for future investments to demonstrate financial sustainability while taking into account the affordability of services in the framework of a comprehensive needs analysis. New investments in infrastructure should be justified by comprehensive needs assessment.
- ✓ The highest possible job efficiency of measures should be ensured.
- ✓ CSF Funds should react flexibly to respond to particular needs and conditions of vulnerable persons to counteract any kind of discrimination on the labour market.

Actions under this thematic objective may contribute, if relevant, to related interventions identified under interventions under thematic objectives aimed at R&I, ICT, SMEs, low carbon economy, environment, climate change, labour market and social inclusion⁴⁴.

B.4 Funding priority: Supporting the quality, effectiveness and efficiency of the public administration

The objectives of the funding priority "Supporting the quality, effectiveness and efficiency of the public administration" will be achieved primarily by thematic objectives "Enhancing institutional capacity and ensuring an efficient public administration" and

⁴⁴ Thematic objectives 1, 2, 3, 4, 5, 6, 8 and 9 according to the draft Regulation.

“Enhancing access to, and use and quality of information and communication technologies”

Thematic objective: Enhancing institutional capacity and ensuring an efficient public administration

Country Specific Recommendation n° 6 of 2012: “[...] Simplify further the regulatory framework for businesses and enhance administrative capacity. [...] Implement the planned reorganisation of the civil justice system, and promote the use of alternative dispute settlement mechanisms.”

Recital 15 of the Council recommendations: “[...] important deficiencies in terms of administrative capacity, in particular in the convergence regions, continue to hamper the absorption of funds.”

Country Specific recommendation n° 2 of 2012: “[...] Pursue a durable improvement of the efficiency and quality of public expenditure through the planned spending review and the implementation of the 2011 Cohesion Action Plan leading to improving the absorption and management of EU funds, in particular in the South of Italy.”

For this thematic objective the funding priority translates into the following priority and specific objectives reflecting country specific challenges to be supported by the CSF funds:

- 1. *Investment in institutional capacity and in the efficiency of public administrations and public services with a view to reforms, better regulation and good governance***
 - o increase innovation, effectiveness, cost-effectiveness of the public administration and synergies between authorities, including through data sharing; improve the quality of public services,
 - o improve transparency, integrity and accountability in public administration, in particular with reference to anti-corruption policies and to the use of public funds (where relevant, a link to the EU Anti-Corruption Report due in 2013 should be established),
 - o improve the speed of payments due by public administrations to businesses, and reduce administrative burden for companies,
 - o improve the control on the achievement of expected results of financed projects,
 - o enhance the capacity of stakeholders in employment, education and social policies to provide their contribution to policy making and delivery,
 - o improve the efficiency and quality of civil justice procedures, promote mediation and other alternative means of dispute resolution, modernise court organisation and develop the judiciary’s human resource management, transparency and ICT tools,
 - o improve the performance of the customs administration for fast, secure and efficient EU external trade.

As for project and programme management of structural funds, the separation between technical assistance interventions, which focus on structural fund delivery only, and institutional capacity ones, whose goal is much wider, should be made clear, to ensure that institutional capacity resources are not diverted and can actually foster improvements in the overall public administration performance.

Actions under this thematic objective will contribute to many other thematic objectives as well as related interventions identified under thematic objective aimed at ICT⁴⁵.

Thematic objective: Enhancing access to and, use and quality of information and communication technologies

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by the CSF funds:

1. Strengthening ICT applications for e-government

- o Increase availability and/or take up of e-government and digitization of public services in view to increase efficiency and transparency of public services and ensure access to open data held by the public administrations to stimulate new applications and service (including e-health and e-care services in coordination and the strong support of relevant actors with a view to reducing costs and medical errors).
- o Increase the digitization of the justice and law enforcement systems to enhance its efficiency and effectiveness.
- o Facilitate exchange of data between different authorities to increase efficiency, notably for cross-cutting issues.

The interoperability and reliability of IT systems and tools (Monit, SFC etc.) employed in CSF funds management should be insured, especially with regard to the information flow between the Managing Authority and the Paying Agency.

Actions under this thematic objective will contribute to many other thematic objectives as well as related interventions identified under thematic objective aimed at ICT⁴⁶.

C. ADMINISTRATIVE ARRANGEMENTS

Administrative burden

Experience in implementing Cohesion and CFP policies in Italy shows that administrative capacity is weak, notably in the Southern regions, at regional and local level. Regional programmes in particular have a lengthy problematic implementation record, with absorption rates which are currently among the lowest in the EU and continuing control and audit problems. The managerial and technical capacity of many regional and local administrations, implementing bodies and beneficiaries is not up to the magnitude of co-financed EU interventions. Often there is insufficient knowledge or awareness of EU legislation and policies which constitute the framework of the Structural Fund programmes.

In the 2007-2013 programming period the implementation of the institutional capacity priority is implemented via several heterogeneous small-scale projects. In order to attain the objective of improved public administration effectiveness, a higher concentration on a relatively limited number of projects is needed, to obtain significant and sustainable added value.

Uniform and clear guidance should be provided to beneficiaries. This guidance should be precise and regularly updated to integrate the lessons learned by the identified deficiencies. Guidance should be easily accessible by all the beneficiaries.

⁴⁵ Thematic objective 2 according to the draft Regulation.

⁴⁶ Thematic objective 2 according to the draft Regulation.

The Italian authorities will need to further develop their IT systems in order to comply with the regulation requirement stating that all exchanges of information between beneficiaries and authorities responsible for management and control of programmes can be carried out solely by electronic data exchange.

Complementarity and synergies should be sought *ex ante*, during programming and implementation of programmes both nationally and across borders. The actual methods and instruments of coordination employed should constitute clear steps forward with reference to the past, when they have often been merely formal, inefficient exercises.

Simplification and adequate information will also assist in diminishing overhead administration costs for the bodies managing the programmes and for beneficiaries, and greatly the required transparency of the procedures.

Partnership

Active participation of relevant partners at each stage of the programming cycle improves the quality of implementation. To this end the following should be considered:

- Social partners should continue to be properly involved both at national and regional level.
- The role of the civil society to act as a partner and to team up with government should be strengthened in Italy. Stakeholders representing the society are often weakly involved in the development of policies, and when consultations take place, they usually remain limited to formal procedures.
- Partnerships with bodies specialised in non-discrimination to be integrated in the policy planning, including equality authorities and civil society.
- Further develop and make better use (including effective dissemination of developed knowledge) of the existing networks) mobilising citizens, business, NGOs and other partners for initiatives essential for the smooth implementation of operational programmes. The performance and needs of the networks should be regularly assessed.
- Enhance the presence of environmental organisations in the monitoring committees for the CSF Funds' programmes.

Monitoring and evaluation

Monitoring and evaluation system needs to be adjusted to the requirements of the new regulations (in particular performance framework and result orientation). Actions in this field should include:

- The expansion of the information system for ERDF and ESF and development of an IT system for EAFRD and EMFF enabling the electronic submission of aid applications.
- Improvement of the follow up system for recommendations from evaluation studies allowing for their effective implementation.

Horizontal principles

All Italian OPs should take into consideration the following transversal priorities: (i) integration of people with (i) disabilities, (ii) equal opportunities, (iii) equality between men and women, (iv) active and healthy ageing, (v) innovation, (vi) sustainable development, including disaster resilience and risk prevention, (vii) transnational or interregional dimension.

Support needs to be granted in accordance with EU public procurement and state aid rules. Financing should address real market failures and be limited to the minimum necessary, so that funds are used efficiently, overcompensation is avoided and distortions of competition are limited.

Concerning infrastructures and state aid rules, following the 2011 ECJ judgment in the Leipzig/Halle case, specific attention needs to be paid to the issue of public funding for infrastructures, as this may constitute state aid. The number of interventions and beneficiaries potentially concerned by this issue is high and it affects sectors traditionally considered as not or hardly state aid sensitive (transport, environment).

Italy should consider the environment and climate mainstreaming as a cross-cutting theme in accordance with Article 8 of the proposed General Provisions Regulation. In this respect legal requirements of the environmental acquis, in particular as regards environmental and climate infrastructure and actions required, as well as commitments in key environmental and climate policies should be respected. It is recommended to ensure that environmental requirements are mainstreamed in all policy areas (horizontal environmental integration). The national network (*Rete Ambientale*) should be continued and strengthened along with using Technical Assistance for improving better application of environmental legislation (EIA&SEA) and integration.