current European ATM system so as to make it more economic, secure and efficient, and better able to handle the ever-increasing volumes of traffic;

- implementation of IT platforms in strategic sectors:
  - ° healthcare IT platform aimed at standardizing and sharing healthcare information between all parties involved in the national healthcare system;
  - ° tourism IT platform, to be achieved via implementation of the "Scegli Italia" (Choose Italy) project, which comprises a variety of measures aimed at relaunching "brand Italy", to promote the nation's heritage in terms of culture, environment and food/agriculture, and improve the Italian tourism industry's product offering, including via creation of digital tourism districts;
  - ° integrated infomobility platform, to create a new system for handling mobility of passengers and merchandise;
  - ° project for making available public databases, to improve their quality and accessibility for citizens and companies;
  - ° national infrastructure for accessing and exchanging regional data, with the aim of standardizing such information and making it more accessible;
- National Logistics Pact, which consists of an agreement between the Italian government and various stakeholders to provide an answer to the challenges posed by intermodal transport and to provide companies with high value-added, lower-cost logistics services, optimizing the entire production cycle at the manufacturing, distribution and consumption stages;
- secure interoperability for national citizen identification systems project: this is a supporting infrastructure for the introduction of electronic ID cards.

Amounts set aside to implement the above measures and projects total approximately € 31,384.5m, € 26,148.4m of which has already been provided in the budget, and € 5,236.1m of which is to be charged to the method of financing identified above, without impacting on the state's finances for the 2006-2008 period, as agreed at European level.

3.5 protecting the environment

The "Gothenburg pillar" has been fully reflected in PICO as an integral and essential part of the Lisbon Strategy. Measures adopted so far in this direction refer to two CIPE resolutions (including insofar as regards funding):

- resolution no. 57/02 on the Environmental action strategy for sustainable development in Italy, implementing directives issued at the Gothenburg European Council in 2001;
- resolution no. 120/02, approving the National plan to reduce greenhouse gas emissions, which will allow Italy to comply with the commitments of the Kyoto protocol in a manner consistent with the aim of modernizing and increasing the efficiency of the Italian economy.

Included among the system-impacting measures it is proposed to initiate and complete are:

- implementation of the government mandate provided for under Italian Law 308/04 to reorganize, co-ordinate and complete environmental legislation;
- approval of a framework law being approved by the Italian Senate (*Atto del Senato* no. 188) to make environmental accountability part of national accountability;
- implementation of urban mobility plans (Italian Law 340/00) which consist of an organic body of tangible and intangible measures to abate atmospheric and noise pollution levels, increase transport and traffic safety levels, minimize use of cars and increase use of collective transport systems in order to reduce congestion in urban areas;
- follow-up to local Agenda 21 processes and other pilot measures to increase sensitivity to environmental issues (CIPE resolution 27/04);
- introduction of tax incentives to encourage energy saving by facilitating market penetration for reduced CO2 emission and low-consumption motor vehicles;

- promoting public and private contract tender procedures based on environmental services ("green contracts").

Alongside measures to be implemented in 2006-08, Italy has already taken action and launched initiatives to promote eco-compatible growth. These include:

- introduction of a Fund to promote sustainable development (Italian Laws 338/00 and 448/01), for use in respect of measures to encourage sustainable production and consumption. In particular, the Fund aims to promote environmental management systems for SMEs, to foster technological innovation for sustainable use of water and irrigation resources, and encourage pilot measures in respect of environmental sustainability;
- the obligation incumbent upon the Italian public administration to ensure that at least 30% of its own supplies come from products obtained from recycled materials (Italian Ministerial Decree 30/03) with a view to promoting the growth of a management culture that is based on respect for the environment ("greening").

In addition to the above, system-impacting measures, the Plan includes projects to achieve areas of excellence in the field of environmental technologies, promoting innovation and encouraging respect for the environment. These are:

- development and distribution of high efficiency industrial motors. Increasing energy efficiency in the industrial sector represents a key tool for reducing greenhouse gas emissions. Implementing this project will lead to energy savings of 7.2 TWh, with corresponding CO2 emission abatement of up to 3.6 Mt, providing extra momentum for technological renewal and encouraging exports by the Italian electrical/mechanical engineering sectors;
- production of electricity, heat and air-cooling via distributed high-yield small scale cogeneration. This has the dual aim of reducing CO2 emissions by approx. 8 Mt per annum, and

reaching approx. 20% of Italian national electricity demand by 2012, in this way helping to bridge the gap between domestic demand and supply;

- developing methods for using hydrogen as an alternative energy source. This will involve supporting research and development programmes at national and Community levels and scientific and technological co-operation between Italy and the U.S. to produce, store and use hydrogen, via joint subsidies disbursed by the public administration, scientific institutions and business. It is envisaged that a European pole of excellence will be set up in the Veneto region;
- developing alternative technologies for use of solar power; this consists of two pilot projects to focus the results of highly innovative research which originated from and was developed at Italian scientific institutions: (1) production of high-efficiency, thin-film photovoltaic solar panels, (2) production and storage at high temperatures of heat from the capture of solar energy (the "Archimedes project");
- promotion of use of alternative automotive fuels (LPG, methane gas, bio-combustible fuels) via incentives, and revision of regulations governing installation and use of LPG and methane gas storage and distribution equipment;
- planning and building a district with decentralized production and distribution of electricity, with a view to developing new technologies and organizational forms to manage the distribution network transferable *inter alia* to other contexts, which will make the structure of the Italian national electricity system more flexible and environment-friendly.

The foregoing projects are in addition to the following measures already implemented:

- development of a bio-mass research centre, which was set up in 2003 with the aim of unifying action initiated at national and regional levels in respect of use of bio-masses for energy generation, and increasing its effectiveness;
- granting certain categories of SMEs incentives to develop environmental management systems, with the objective of

giving impetus to environmental certification in Italy, especially in the manufacturing sector and for activities impacting most on the environment;

- developing and completing the risk prevention programme (seismic, vulcanic and hydro-geological risks).

Amounts set aside to implement the measures and projects outlined above total € 2,086.4m, € 369.4m of which has already been provided in the budget and € 1,717m of which is to be charged to the method of financing previously identified, without impacting on the public finances for the 2006-2008 period as agreed at European level.

Table 1 below provides a summary of the priorities and funding amounts described hitherto:

Table 1 – COST OF AND FUNDING FOR ACTION CONTEMPLATED UNDER PICO

	Priority	AMOUNTS PROVIDED IN 2005 (€ m)	AMOUNTS PROVIDED FOR 2006-2008 (€ m)	AMOUNTS CHARGED TO PICO FUND (€ m)	TOTAL COST (€ m)
1	Extending area of free choice for citizens and companies	599.6	217.4	1,322.8	2,139.8
2	Promoting research and innovation	4,333.6	903.0	4,088.3	9,324.9
3	Strengthening training of human capital	956.4	193.4	407.2	1,557.0
4	Upgrading tangible and intangible infrastructure	23,645.4	2,503.0	5,236.1	31,384.5
5	Protecting the environment	352.9	16.5	1,717.0	2,086.4
	TOTAL	29,887.9	3,833.3	12,771.4	46,492.6

4. Regional cohesion policy

Action in respect of the regional cohesion policy aimed at re-establishing economic and social equilibrium as dictated by the EU Treaty (Articles 158 and 159) and the Italian Constitution (Article 119, paragraph 5), has made and will continue to make a significant contribution to reducing regional dualisms and increasing competitiveness, due to the strengthening of the public administration and rules of assessment applied before, during and after such action

has been implemented. The positive gap in terms of growth in Southern Italy, driven by net exports and private investments, can be further broadened to the stage where the growth rate for this area is higher than that of the European average on a stable basis. Such action also helps Central and Northern Italy to recover competitiveness.

Financial resources, both at the Community and national levels, have been programmed for the 2006-2008 period for additional expenditure in Southern Italy of up to € 15bn per annum, of which € 7bn relates to the Fund for underused areas. Such figures reflect, *inter alia*, approval of the 2007-2013 community cohesion programme as envisaged by the Luxembourg Presidency in June 2005. The main measures contemplated for Italy in connection with the regional cohesion policy are listed below according to the objectives chosen for PICO:

- *extending the scope of free choice for citizens and companies.* Over the three years of the Plan, the effects of the regional cohesion initiatives aimed at improving the efficiency and transparency of Italian public administration will certainly be seen. Especially worthy of note among such initiatives are the following:

  - reward mechanisms to improve the capacity and quality of expenditure, concerning the implementation of the most up-to-date practices in order for the Public Administration to work efficiently (operational control has been initiated in all six of the regions covered by "Objective 1", managerial staff have been appointed and results-based reward systems put in place in five out of the six regions); sharing a culture of measurement, evaluation and assessment, including with the help of the newly-set up assessment unit network (32 units in central and regional administrations, with the involvement of over 350 experts); instruments of vertical co-operation between central and regional administrations, in particular the 350 Programme Framework Agreements executed between states and regional authorities;
  - major sector reforms, such as the integrated water service, are now active in all six of the regions covered by "objective 1";
  - reform of the incentives system (Italian Law 80/05), with the transition from capital subsidies to a system which hinges on

risk-taking by banks. This will help make the incentives themselves more effective and improve relations between banks and companies;

- *incentives to strengthen scientific research and technological innovation.* Some 5% of total community funds for the 2000-2006 period (approx. € 3bn), and 4.6% of the national regional funds for Southern and Central-Northern Italy allocated between 2000 and 2004 were (over € 3bn) have been ring-fenced for research and innovation.

The following in particular are currently being implemented:

- financing R&D investment projects in under-used areas, from the revolving enterprise support fund set up under the 2005 Italian budget law;
- co-ordinated joint ventures between the public system and the Italian industrial system;
- establishment of high-tech districts;
- support for projects submitted by industrial companies, including in conjunction with public entities, for product and process innovation and for developing digital technologies;
- relaunching basic strategic research at universities and public research institutes;

- *action to improve education and training*. The gap in certain key human capital indicators shown by the regions in Southern Italy has reduced in recent years, such as average number of years' school attendance, percentage of population involved in studying, etc. However, other indicators (e.g. skills) are still worryingly high. The gap can be further closed by implementation of the following projects:

- action forming part of the Community "School" project aimed at reducing drop-out rates and improving teacher training;
- a total of 111 measures initiated via the national-regional Programme Framework Agreements (PFAs) in favour of education and professional training;
- action aimed at mitigating social exclusion, promoting adult education and combating crime;
- action aimed at students and teachers to improve pupils' core skills;

- *action to complete tangible and intangible infrastructure:*

  - around 15% of the Community's 2000-2006 and national resources are earmarked for improving the provision of infrastructure: some of the main projects in this area include: improving the Salerno-Reggio Calabria motorway, laying a second track on the Patti-Messina railway, modernizing the Jonica no. 106 main road, and implementing the Campania underground railway system. Others we would highlight include: rebalancing modal transport in favour of railways; upgrading the port network; a logistics base for sorting merchandise linked to East/West trade; and increased attention to air transport, the airport system and fast airport-city links;

- *action to protect the environment:* under regional policy in recent years, 13% of the 2000-2006 structural funds for Southern Italy have been ring-fenced for projects to safeguard and enhance the value of the country's cultural and environmental heritage. This sector includes initiatives relating to:
  - reduction of polluting emissions and the greenhouse effect;
  - increasing production of alternative energy;
  - development and completion of the risk prevention programme (seismic, vulcanic and hydro-geological risks);
  - creation of value from Italy's natural and cultural heritage to be used in local sustainable development;
  - the water and waste sector, e.g. modernizing the sewerage system and water purification equipment. Implementation of such projects may be speeded up by setting minimum performance targets.

Full implementation of the action outlined in the Plan should help bring about growth in the area over the 2006-2008 three-year period which the 2005 DPEF puts in the region of 6%. According to an estimate of the mid/long-term impact carried out via a simulation model for action policies in Southern Italy contained in a 2004 report by the Department for Development Policies of the Italian Ministry of Economy and Finance, this could rise by as much as a further 1% in

the presence of positive externalities linked to improvements in operators' expectations regarding the effectiveness of such action and if these are translated to the total factor productivity.

5. Reconciling the regulatory framework, priorities chosen and action to be implemented

In describing the political, economic and social framework forming the basis of PICO, we have focused on the premises for European action as expressed in the official documents, and the interpretations of the economic and social features peculiar to Italy reflected in the Plan.

General measures and specific projects to be implemented have been presented according to the priority objectives chosen. Now it is necessary to show how the stated aims of the European Union in relaunching the Lisbon Strategy are consistent with the instruments identified to pursue it and the characteristics of the country concerned.

It should be emphasized first of all that implementing some of the measures referred to herein assumes simultaneous action on the part of both the Commission and the member states of the Union. PICO will be more or less effective according to the degree to which the Action plan which the Commission will submit to the European Council in Spring 2006 and the other 24 member states' action plans are consistent with their objectives, incisive in their action and substantial in terms of the results they deliver. One of the most significant foundations of relaunch of the Lisbon Strategy is the sharing of responsibilities and the capability of the proposed initiatives to put the European economy back on the path to higher and more stable growth. Insofar as Italy's individual responsibilities are concerned, the pursuit of sizes and structures better suited to developments on global markets and technological innovations has been entrusted to the combined effect of market stimuli and direct public incentives/action.

The following in particular have been targeted:

- liberalization of supply, with particular attention to the service sector which accounts for 70% of GDP;

- liberalization of prices, exposing them to objective rules where the market form requires it, and
- liberalization of markets, reflecting indications given in this connection by antitrust and sector authorities.

A further series of measures is envisaged, which aims at:

- reducing and streamlining economic legislation in order to cut costs burdening the country's productive system;
- improving the efficiency and effectiveness of public administration action;
- increasing the size of companies, sharing the IT culture, promoting the introduction of innovation and strengthening of productive districts, with a view to increasing productivity and hence also competitiveness;
- helping small businesses in their activity to penetrate non-Italian markets on both the export and investment sides.

As a support for these goals, measures have also been decided to improve:

- the education base and vocational training in the public and private sectors, and
- the institutional set-up for research and development.

The anticipated progress in the areas of education and training, like the changes envisaged to the R&D environment, will take time to become fully effective, but will nonetheless make an effective contribution to releasing the restrictions on growth that derive from the peculiar characteristics of the Italian economy and society which we have highlighted in this document. The way to reduce pressure on the state's and companies finances, deriving from wrong choices with regard to the forms of assistance used to meet the needs of the social provision culture so deeply embedded in Italy, has been identified in improved education and vocational training, which can put young people on the path of career progression on the basis of merit as opposed to belonging, and more generally, can help citizens become more aware of the need for fiscal and monetary stability as the

foundation for distributive justice and social welfare, modernization of bureaucratic structures and market efficiency.

Competitive disadvantages for companies, especially small firms or companies operating in Southern Italy will be removed *inter alia* by:

- enhancing provision of tangible and intangible infrastructure, and
- advancing the frontier of technology and the technological implications to be obtained through implementation of major investment projects, some of which are to be decided in the light of:
- better environmental protection, to complement firmer implementation of the "Gothenburg pillar" and the "Kyoto protocol".

To conclude, as invited in the Commission's report to the European Council, we have thought what Europe could be, and have sought to provide an answer, finding that the 24 guidelines for re-launching the Lisbon Strategy are entirely consistent with the removal of the restrictions on growth for Italy which derive from the nation's peculiar economic and social features. Although the policies we have proposed should yield immediate results, in terms of higher income and employment levels, their effectiveness will only become fully clear in their application over the long term, to bring about the requisite changes in knowledge and resources for the Italian economy and society.

Popular wisdom teaches us that a long journey begins with a single step. Many steps have already followed the first in this particular instance, and many others will come to as the initiatives put forward in this document are implemented.

However, to anticipate the effects on the expectations of producers, investors and consumers, much can be achieved by

- the European and national communication strategy

to be developed in Italy when the Plan is unveiled; and this will be all the more effective, the more it is accompanied by coherent implementation of national and European measures and projects.

PAGINA BIANCA

Appendice A

Elenco riassuntivo e prospetto finanziario delle proposte; schede provvedimenti e progetti

TAVOLA COSTI E STANZIAMENTI PER GLI INTERVENTI DEL PICO

		STANZIATI FINO AL 2005 (mln di Euro)	STANZIAMENTI NEL TRIENNIO 2006-2008 (mln di Euro)	A CARICO FONDO PICO (mln di Euro)	TOT. COSTO (mln di Euro)
1	**Ampliare l'area di libera scelta dei cittadini e delle imprese**	599,6	217,4	1.322,8	**2.139,8**
2	**Incentivare la ricerca e l'innovazione**	4.333,6	903,0	4.088,3	9.324,9
3	**Rafforzare la formazione del capitale umano**	956,4	193,4	407,2	1.557,0
4	**Adeguare le infrastrutture materiali e immateriali**	23.645,4	2.503,0	5.236,1	31.384,5
5	**Tutelare l'ambiente**	352,9	16,5	1.717,0	2.086,4
	TOTALE	**29.887,9**	**3.833,3**	**12.771,4**	**46.492,6**

PROVVEDIMENTI E PROGETTI PER

1. AMPLIARE L'AREA DI LIBERA SCELTA DEI CITTADINI E DELLE IMPRESE

PROGETTI e PROVVEDIMENTI	TOT. COSTO	STANZIATI fino al 2005	STANZIATI NEL TRIENNIO 2006-2008	A CARICO PICO	FONTI DI FINANZIAMENTO
- per favorire un allargamento dell'area di mercato competitivo e migliorare la legislazione	108,9	3,9	10,0	95,0	
Introdurre una più ampia liberalizzazione dell'offerta nel settore dei servizi	0,0	0,0	0,0	0,0	
Rendere oggettivi e trasparenti i criteri di determinazione dei prezzi controllati e ampliare l'area dei prezzi liberi	0,0	0,0	0,0	0,0	
Completare la liberalizzazione dei mercati recependo le indicazioni dell'Autorità per la Concorrenza e delle Autorità di Settore	0,0	0,0	0,0	0,0	
Porre il cittadino e le imprese al centro dell'attività amministrativa (Human Governance)	3,9	3,9	0,0	0,0	Il progetto è stato ammesso al finanziamento dal Comitato dei Ministri per la Società dell'Informazione nella seduta dell'8 febbraio 2005. Il finanziamento, a valere sul Fondo istituito dall'art. 26, comma 1, della legge 27 dicembre 2002, n 289, è stato definitivamente assegnato con decreto del Ministro per l'Innovazione e le Tecnologie di concerto con i Ministri per la Funzione Pubblia e dell'Economia e delle Finanze, attualmente in corso di registrazione.
Snellire le procedure burocratiche (better regulation)	10,2	0,0	0,0	10,2	
Migliorare l'efficienza della Pubblica Amministrazione (Codice per l'Amministrazione Digitale, progetto "Verso il governo agile")	50,0	0,0	0,0	50,0	
Introdurre una legge di prevenzione delle frodi comunitarie	0,0	0,0	0,0	0,0	
Rafforzare l'Ufficio dell'Alto Commissario per la lotta alla contraffazione	14,8	0,0	10,0	4,8	
Ulteriori interventi per la sicurezza nel settore commerciale (anche potenziando i sistemi di sicurezza delle PMI)	30,0	0,0	0,0	30,0	
- per rafforzare la base produttiva	1.359,3	480,5	0,0	878,8	
Completare la rforma del sistema degli incentivi agli investimenti	0,0	0,0	0,0	0,0	
Istituire un Fondo per il rilancio delle imprese	225,0	0,0	0,0	225,0	
Favorire il venture capital e capitalizzazione di nuove imprese innovative	359,0	227,0	0,0	132,0	

Favorire l'espansione del mercato del "venture capital" (seed and early stage capital)	3,0	0,0	0,0	3,0	
Migliorare la capacità e la tutela brevettale delle imprese, anche istituendo un fondo europeo per le spese di brevettazione e prevedendo clausole di ritorsione per il furto e la contrattazione dei brevetti	113,8	0,0	0,0	113,8	
Disposizioni per gli interventi del Fondo per l'Innovazione Tecnologica ed il trasferimento delle tecnologie	Vedi Priorità 2 - Incentivare la ricerca scientifica e l'innovazione tecnologica				
Diffondere l'e-government a livello locale	298,5	253,5	0,0	45,0	Commi 1, 2 e 3 dell'art. 103 della legge 23 dicembre 2000, n. 388 – LF 2001; art. 2-quater, coma 2, del decreto legge n. 392 del 27 dicembre 2000, convertito con modificazioni dalla legge 28 febbraio 2001; Fondo ex art. 26, comma 1, della legge 27 dicembre 2002, n. 289 - DM del 27 ottobre 2004
Recepire la nuova normativa UE relativa agli aiuti alle imprese in materia di innovazione	0,0	0,0	0,0	0,0	
Interventi per il rafforzamento della SIMEST	0,0	0,0	0,0	0,0	
Rilanciare le politiche del turismo attraverso azioni finalizzate da attuarsi in sede nazionale ed internazionale	360,0	0,0	0,0	360,0	
Rafforzare le misure a favore del commercio elettronico	0,0	0,0	0,0	0,0	
Provvedimenti collegati alla manovra	0,0	0,0	0,0	0,0	
Riforma della legge fallimentare	0,0	0,0	0,0	0,0	
Riforma del mercato del lavoro ("Legge Biagi")	0,0	0,0	0,0	0,0	
Interveti diversi per la semplificazione normativa	0,0	0,0	0,0	0,0	
Aggiornamento e semplificazione degli adempimenti per il Registro delle imprese	0,0	0,0	0,0	0,0	
Riforma degli incentivi alle imprese e il coordinamento delle competenze in materia di turismo, riforma della legislazione nazionale sul turismo contenente misure per lo sviluppo di sistemi turistici locali	0,0	0,0	0,0	0,0	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Creazione di una struttura di missione per la formazione del personale delle PP.AA.	Vedi Priorità 3 - Rafforzare il capitale umano				