THE ITALIAN VIEW
# THE NARROW PATH

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## SCORING POLICY MAKING AGAINST WELLBEING INDICATORS

**The economic and financial planning package** (*Documento di economia e finanza* - DEF), which the Government recently released, **sets out twelve wellbeing indicators** covering various dimensions ranging from inequality and education to health, the environment, and security (see chart in this page for a detailed list of indicators). **This is a major novelty - not just in terms of economic policy**.

Everything started two years ago, when Italy reformed the budget process and introduced several innovations, including a rule whereby Government is required to **take into account fair and sustainable wellbeing in its economic policy making. Italy is the first among developed economies to take such a step**.

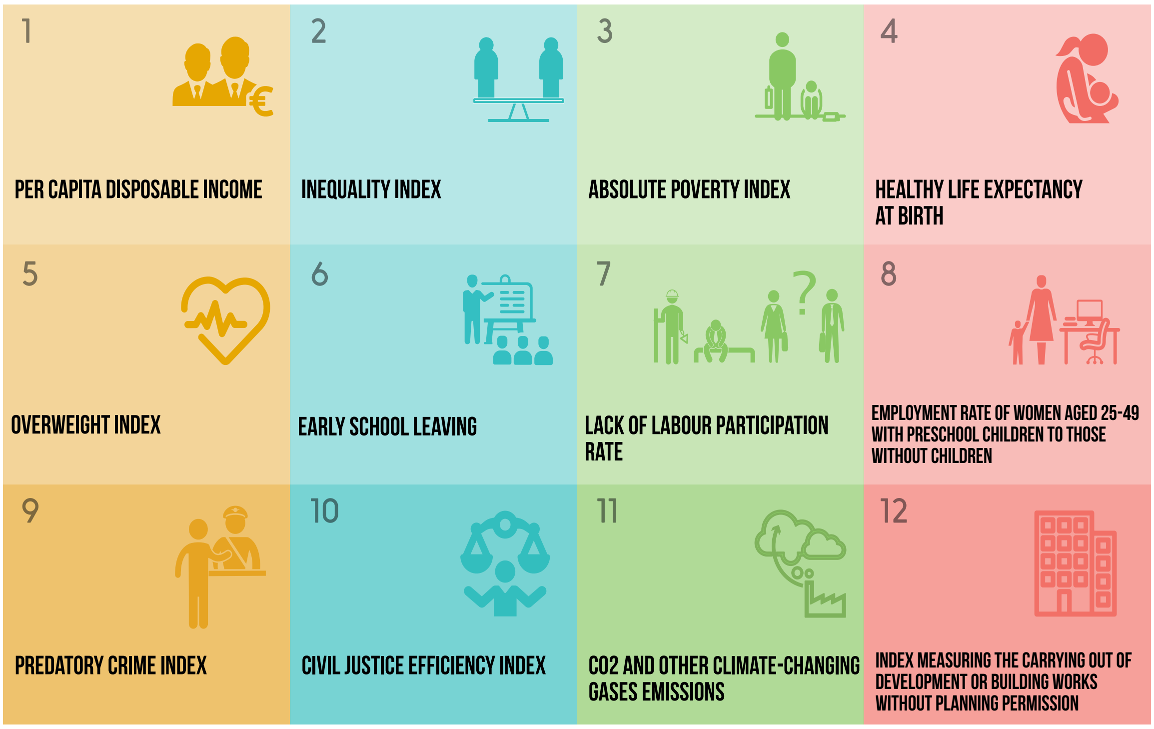
From now on the DEF, which includes the stability programme and the national reform programme to be sent to the EU, will also take into account twelve wellbeing indicators alongside the usual economic variables normally forecast under no-policy and new-policy scenarios (GDP, employment, inflation, public debt and deficit).

The reform prescribes that the performance of the last three years of the wellbeing indicators, as well as their forecasts for the following three-year period - under no-policy and new-policies scenarios – should be reported in the document. At a later stage, in mid-February, the Government shall submit to Parliament an updated forecasts based on the latest Budget Law.

The economic, social and political consequences of the crisis pressured most countries to address quality of life in the public debate. Many were spurred into action by the publication of the report by the Stiglitz, Sen, Fitoussi Commission (2009), or by the European Commission Report 'Beyond GDP' (2009), as well as the OECD 'Better Life Index' or the 'UN Sustainable Development Goals'. Some countries require their national statistical offices to monitor wellbeing, others require their Parliament to discuss past trends in some dimensions of wellbeing, while in others still it is Government that is responsible for monitoring quality of life trends.

Nevertheless, **Italy is the first country to include a set of wellbeing indicators among the variables to be forecast, under no-policy and new policies scenarios.**

**The aim is not so much to shelve GDP, which will obviously continue to be a key element of policy making, as to enrich the debate and bring economic policy closer to meeting citizens' needs**, so that it can best reflect the impact of the Budget Law on the different dimensions of quality of life.

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The indicators were selected, 'once and for all' by an ad-hoc committee according to the followingcriteria: limited number, policy sensitivity, analytical treatability and timeliness, extent and frequency of time series.

The number of indicators was kept limited because while a set of several indicators would better capture the complexity of wellbeing and better fine-tune specific policies and their impact, it would also divert attention, thereby complicating the uneasy transition from a public debate focused almost exclusively on GDP to a broader discussion.

**The new system ensures that the inclusion of wellbeing indicators in the budget process is not a mere compliance exercise Public policy sensitivity** was chosen as a criterion because one of the main aims of this innovation is precisely impact policy assessment, possibly within the timeframe of the DEF, i.e. three or four years.

**Analytical treatability** is needed because the variables discussed in the scientific debate cannot always be the subject of economic analyses and simulations performed by general government agencies. A clear example is subjective or perception indicators, whose importance is stressed in the relevant literature but they cannot be predicted nor can the impact of policies be simulated.

**Timeliness, extent and frequency of time series** are key because updated, long and sufficiently frequent series ensure that the relevant indicators can be used for describing developments and for assessing public policies. Currently available indicators with the necessary requisites have therefore been taken into account as well as the possibilities for ISTAT (the Italian national statistical institution) to further increase timeliness, while at the same time providing a high level of accuracy.

All things considered, this is a challenge for Italy's general government agencies, the Ministry of Economy and Finance, ISTAT as well as other ministries: **they must equip themselves with the analytical tools to deal with issues that are not usually explored and this will probably take some time**.

It is now up to the scientific community, political and social forces as well as the media to enrich to the public debate around wellbeing.

**Federico Giammusso**

Chairman of the Wellbeing Indicators Committee

# NPLS SHOW PERSISTENT DOWNWARD TREND

**Over the past 14 months the stock of net non-performing loans (NPLs) shrank by over 37%, and by 39% compared to the peak level reached in November 2015 (€88.8 bn)**.

The stock of net NPLs reached **€54.5 bn** in February 2018, a decline of €5bn on the January figure.

**The net NPL ratio (non-performing loans to total gross loans) decreased to 3.16% in February, i.e. a 1.73% reduction on the December 2016 figure**.

Lending to households has increased by 2.1% on an annual basis while the mortgage market has grown by 2.6% on a monthly basis.

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| STOCK OF NET NPLS | €54.5bn<br>February 2018 |
| 14 MONTHS | -37% |

SOURCE: BANK OF ITALY, MONEY AND BANK, MARCH 2018

On April 4, Istat released updated data on Italy's public debt and deficit figures ([presented in issue 8]) that take into account the liquidation of two banks in Veneto in 2017. According to the latest estimate, in 2017 the deficit stood at 2.3%, higher than previously estimated (1.9%). The debt-to-GDP ratio has been revised upward to 131.8% from the previous estimate of 131.5%, however declining against the previous year.

## ITALY'S NATIONAL DIGITAL IDENTITY SYSTEM: SPID

SPID (*Sistema Pubblico Identità Digitale*) is Italy's national digital identity system for citizens and businesses.

It enables access to all e-services delivered by general government agencies through a single set of credentials that can be used on all computers and portable devices.

General government agencies can integrate their own authentication systems through SPID, thereby increasing both security and efficiency.

SPID was first launched in 2012, but it suffered several problems in terms of technological choices, governance and processes. At the time, the system was not supported by a clear plan for the provision of accessible e-government services. Up to September 2016, when the Digital Transformation Team took over the project, fewer than 200,000 Italian citizens had registered.

The Team introduced a new and straightforward governance system; it improved key technological choices by simplifying procedures and improving the user experience. The new User Experience guidelines shall be implemented by Identity Providers as well as Service Providers.

In addition, the Team created a roadmap to make SPID the only or preferred way for the authentication of citizens through which they can easily access the most common online services such as paying their vehicle tax, etc. In due course, INPS (*Istituto Nazionale Previdenza Sociale*), the National Social Security Institution as well as the Revenue Agency (*Agenzia delle Entrate*) will ensure that SPID can provide a secure and convenient way to access all services and become the preferred authentication scheme for specific services such as tax return filing etc. It should be noted that these agencies are the ones with which citizens and businesses interact most frequently, which might lead to a significant increase in the number of SPID digital identities issued. All of the largest cities in Italy offer SPID-based services (around 4,000 services available to date).

Thanks to the combination of technological improvement and the provision of useful services, the number of digital identities surged from 200,000 in September 2016 to 2.3 million in March 2018.

International comparisons show that France Connect, a digital identity system for government online services similar to SPID, introduced in 2014, has 3.8 million users to date. GOV.UK Verify, a system enabling access to government services such as filing tax or checking information on one's driving licence, was launched in 2014 and has 2.02 million accounts to date.

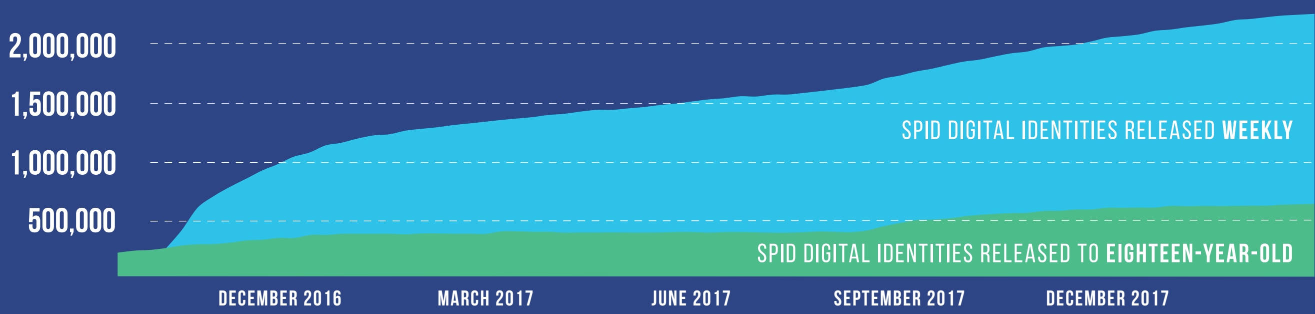
There are, however, new developments that may induce general government agencies to embrace SPID more readily. Italy is the second country, after Germany, to put forward SPID to the European Commission. Italian citizens and businesses could use their SPID credentials to access public services in other Member States. SPID is compliant with the eIDAS regulation and with the most recent General Data Protection Regulation (GDPR); the system therefore ensures secure electronic interaction between citizens, businesses and government authorities, thereby increasing the effectiveness of public and private online services not only in Italy but also in the EU. As such, SPID is certified as intrinsically compatible with other Member states solutions.

The Digital Transformation Team's next step will be a joint effort with ABI (the Italian Banking Association) and the Bank of Italy to open up SPID to the banking system and create a banking identity provider so that home banking credentials can be associated to SPID.

DATA UP TO APRIL 2018

**2,308,741**

**DIGITAL IDENTITIES RELEASED**




SOURCE: THE DIGITAL TRANSFORMATION TEAM

# A DELIVERY-DRIVEN POLICY FOR INFRASTRUCTURE UPGRADE

**Italian infrastructure has long been suffering from protracted time of poor project implementation or ineffective delivery**, absence of an integrated policy approach, resulting from a lack of good quality projects, uncertain funding, conflicts between central government and peripheral governments over governance or priority. **These issues have slowed down the renovation and development process of existing infrastructure**, so that only 8.4% of the planned infrastructure projects (as envisaged in the so-called "Legge Obiettivo" of 2001) had been completed by 2014. It takes on average 15 years to complete an infrastructure. 66% of the time (i.e. 10 years) is spent on preliminary phases preceding the on-site construction. Given these circumstances, **in 2015 the Ministry of Infrastructure and Transport decided to shift gear by adopting a new strategy called "Connecting Italy" characterized by a more holistic approach to infrastructure design**. The aim of the strategy is to put in place efficient and homogeneous transport and logistics systems that can be resilient and meet the changing needs of citizens and businesses. An increased integration is expected to direct mobility demand towards different transport modalities, **so as to reduce traffic congestion and increase sustainability**. The reform effort is also aimed at **reducing regulatory fragmentation and increasing harmonization of national laws with European legislation**. Some of the key elements of this new policy are outlined below.

***A new public procurement code***

The new public procurement code **has reformed project design, reshaped feasibility studies and introduced ex-ante assessment** of public investment, including quantitative impact assessment. In order to improve the quality of projects, **a fund for financing project design has been envisaged by the new code**. The reform also envisages project review activities aimed at speeding up the implementation of existing and approved projects.

***Railway infrastructure***

Between 2017 and 2021, **a total of €113 bn will be allocated to the national railway network**, €66 bn of which for the development of the core network, €15 bn for the regional network and €32 bn for the Venice -Milan- Turin high speed line. €6 bn will be earmarked for the the upgrade of the whole network. The policy also promotes **better connections with urban transport systems, city airports as well as connections with ports to create integrated logistics area at a national level**. Enhancing national infrastructure will also help with integration with TEN-T corridors (Trans-European Transport Networks) at European level.

***Port infrastructure***

**The Government has approved a new plan for ports and logistics that reduces the number of Port Authorities from 24 to 15 for the administration of 58 ports of national relevance**. This streamlining effort has also been accompanied by a series of measures to simplify rules and operations over logistics chains as well as to speed up approval procedures.

As for incentives, the sector will also benefit from *Marebonus*, a set of incentives to foster integration between road and maritime infrastructure. Moreover, the development of new SEZ (Special Economic Zones), **providing tax breaks in specific geographical areas, in logistics areas** in Southern Italy and in Special Logistics Zones will also sustain ports' growth.

***Local Public Transport (LPT)***

**Up to 64% of the population of metropolitan areas use private transport on a daily basis**. This has a high impact on environmental quality and traffic congestion. The "Connecting Italy" strategy aims at consistently improving the quality of LPT, **stabilizing resources for the National LPT Fund with appropriations of €5 bn per year, as well as renovating trains and buses**. 5,000 new buses will be put on the national streets by 2019 and more than 30,000 by 2033.

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| €110m FOR THE FEASIBILITY PROJECTS FUND | 2018 - 2020 |
| €40,7bn OF SAVINGS | FROM CONCLUDED PROJECT REVIEW |
| €113bn NEW RESOURCES FOR RAILWAY INFRASTRUCTURE | 2017 - 2021 |

SOURCE: MINISTRY OF INFRASTRUCTURE AND TRANSPORT

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In Italy, since the financial crisis, our duty as policy makers has been stabilising a high public debt while bringing the economy out of sluggish or negative growth and The Narrow Path is an image of the difficulties we are facing and the goals we are achieving. Here we update periodically a professional audience about the evolution of structural conditions affecting the economic activity in the country.