

Reforms in Italy: challenges and opportunities

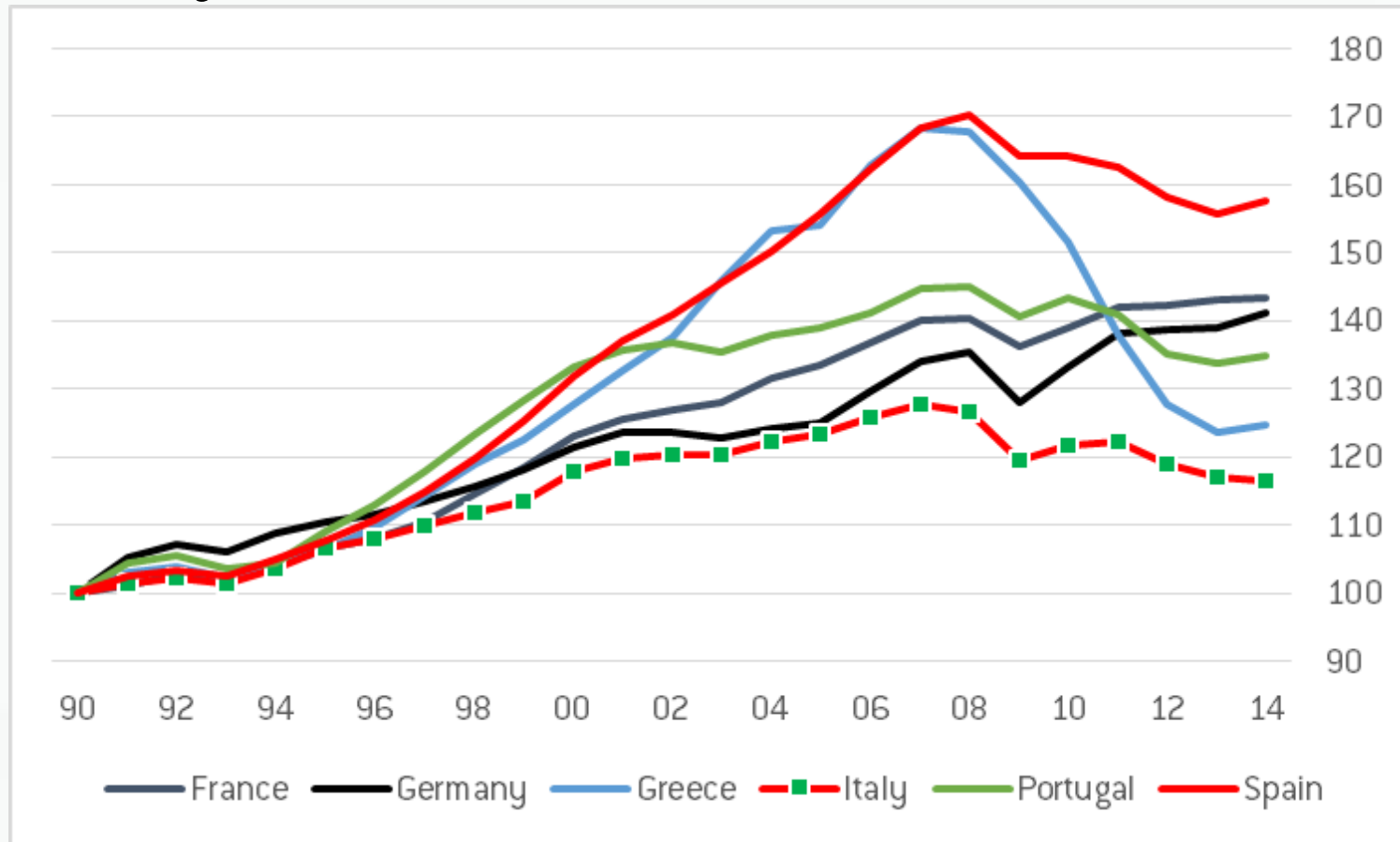
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Structural reforms workshop
2 November 2015

1. *The origins of the Italian malaise*
2. *Three reform priorities*
 - #1: *Labour productivity*
 - #2: *Business environment*
 - #3: *Institutional quality*
3. *Reform progress and challenges ahead*
4. *Conclusions*

The long-term origins of the Italian malaise

Real GDP growth (1990=100)

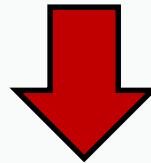


Source: OECD

What is wrong with Italy?

Pellegrino and Zingales (2014) offer a cogent micro-based explanation:

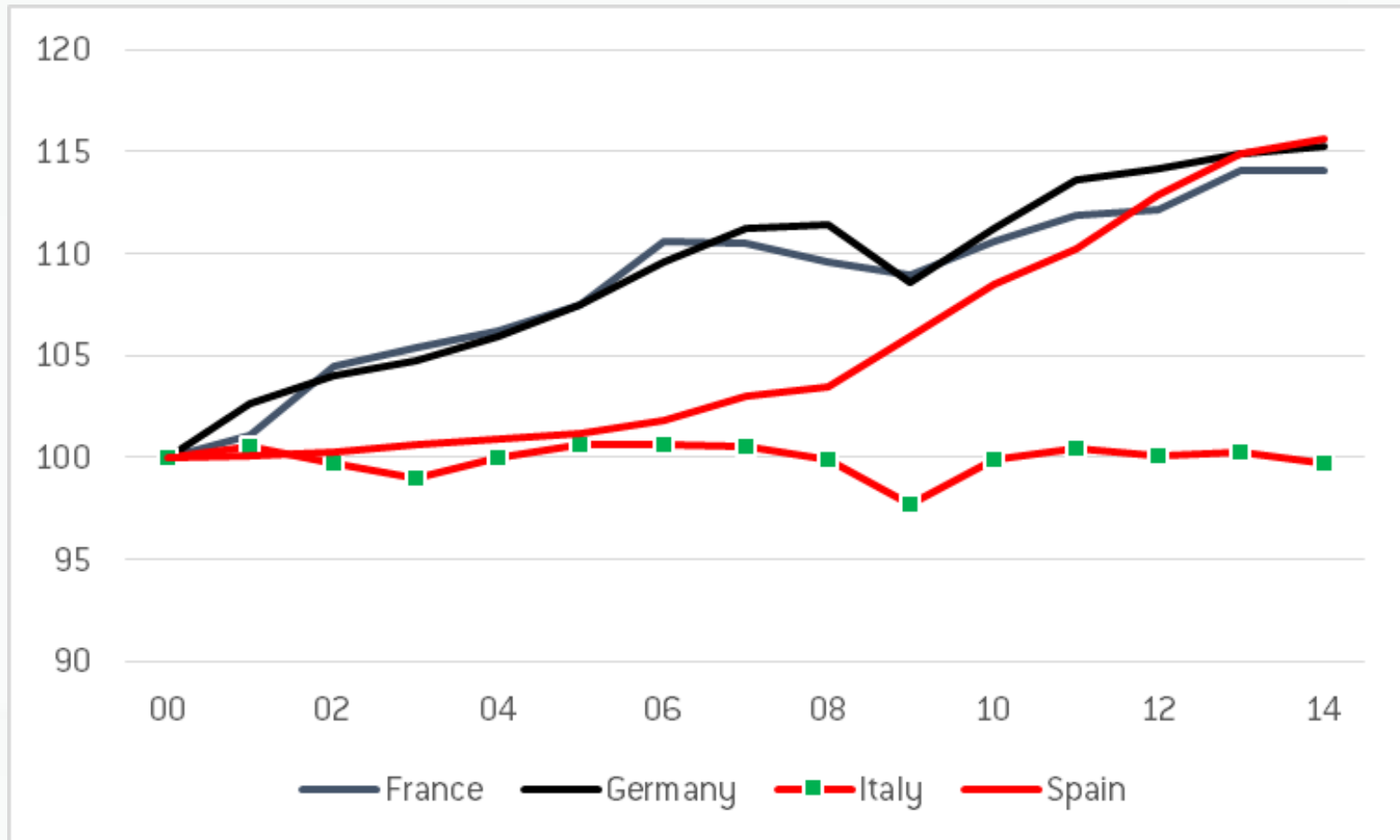
1. Italy failed to embrace the *ICT revolution* and its...
2. Excessively *small family-owned firms* were incapable to raise to the...
3. Challenge posed by *Chinese competition*



Reforms objective: set the conditions for a new growth model to emerge

Reform priority #1: Labour productivity

Real GDP per hour worked (2000 = 100)



Source: OECD

Reform priority #2: Business environment

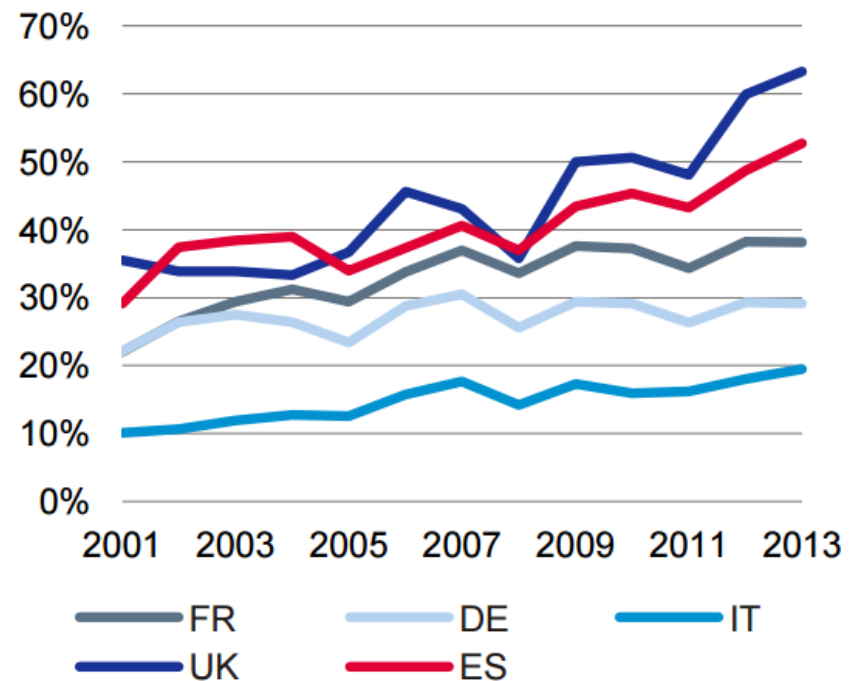
World Bank Rankings

Ease of doing business	
Germany	15
Ireland	17
Portugal	23
France	27
Spain	33
Italy	45

Source: World Bank Doing Business Report 2015

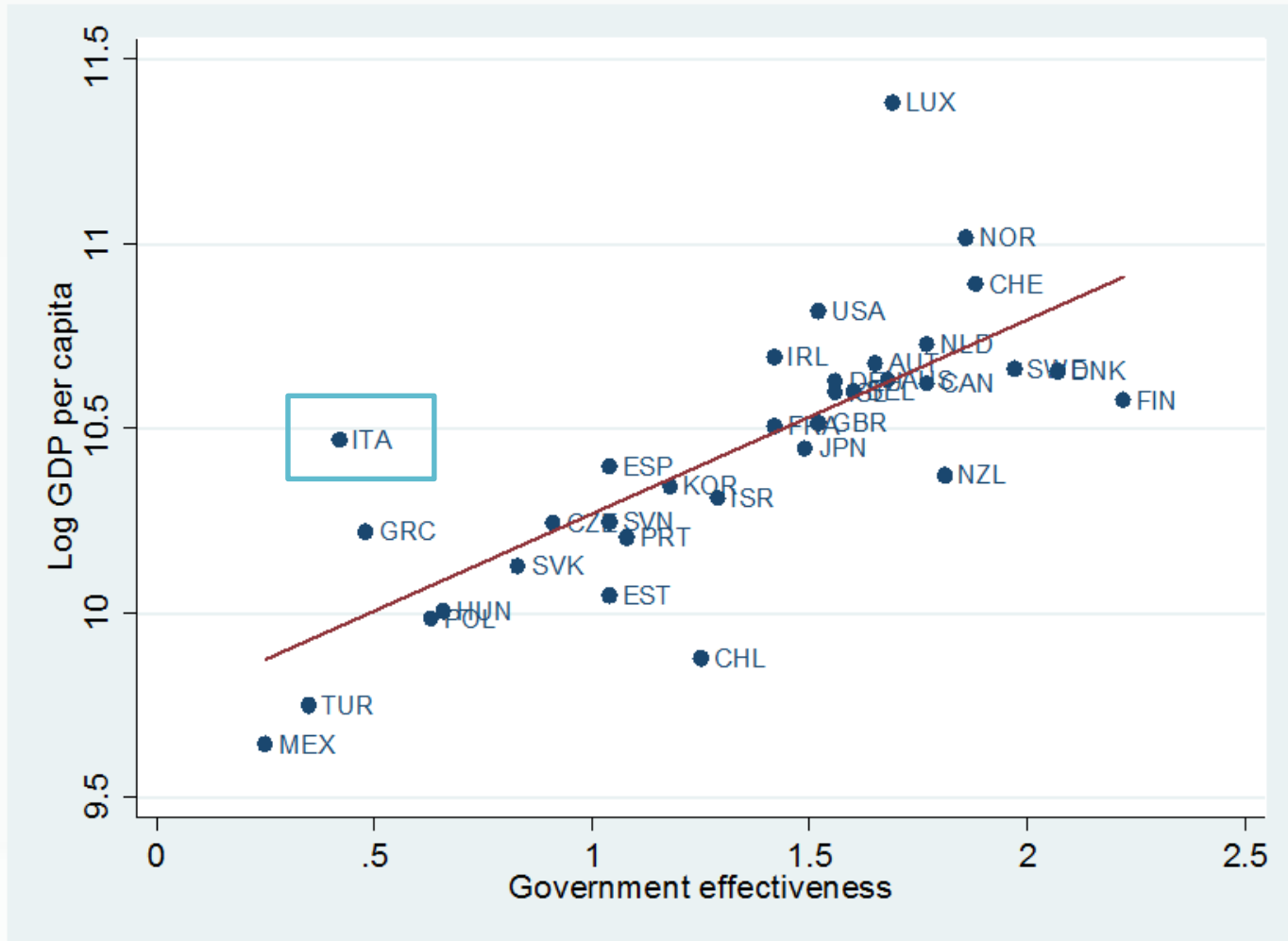
Italy attracts far less FDI than other large EU countries

Inward FDI stocks, % of GDP



Source: Deutsche Bank Research

Reform priority #3: Institutional quality



Source: Terzi (2015)

Reforms in progress

1. *Labour productivity*

- ✓ *Monti labour market reform + “Jobs Act”*
- ✓ *Education reform “Buona scuola”*
- ☐ *Wage bargaining system reform*

2. *Business environment*

- ✓ *Monti product market liberalisations*
- ✓ *Some progress on banking sector reform and NPL liquidation*
- ☐ *Tax system reform*
- ☐ *Judicial procedure reform*
- ☐ *More on product market reforms and closed professions*

Reforms in progress cont'd

3. Institutions

- ✓ *Anti-corruption law “Legge Severino”*
- ✓ *Reform of the public administration (framework law)*
- ✓ *Agreement on the Constitutional reform*
- ✓ *Privatisations (Poste Italiane, Ferrovie dello Stato)*
- Public sector transparency (lobbying)*
- Spending review to increase public sector efficiency*
- Restructure public examinations to improve bureaucratic quality*
- Reduce gov't formalities and paperwork*

Key takeaways

1. *Italy's long-standing competitiveness problems call for a **wide-ranging reform programme***
2. ***Important steps have been taken**, particularly over the last 15 months*
3. ***The reform agenda is far from completed**, especially for what concerns business environment reforms*
4. *As the recovery gains traction over the coming months, the greatest **challenge will be to keep reform momentum going***

Thank you!