

ITALY'S JUSTICE SYSTEM HAS QUITE LONG ROAD AHEAD BUT ALREADY SCORES BETTER

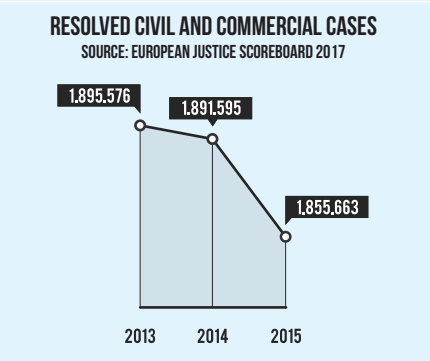
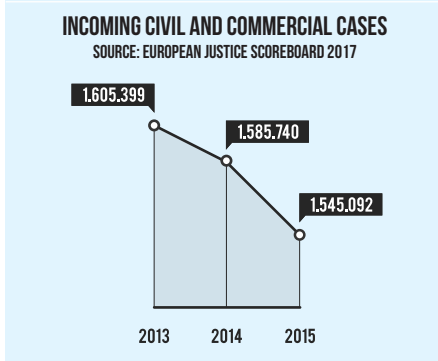
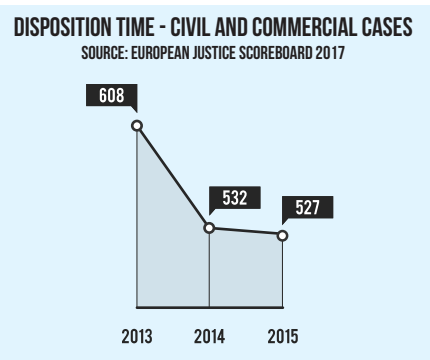
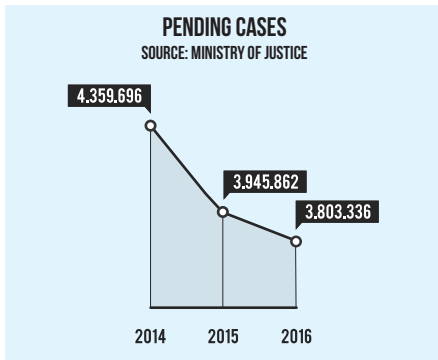
Italy's justice system is gaining greater efficiency, thus gradually closing its paradoxical gap. On the one hand, the clearance rate (measured as the ratio of the number of resolved cases to the number of incoming cases) is 120% and Italy ranks second in the European Union after Slovakia. On the other hand, Italy ranks last for the average length of civil or commercial proceedings, because of the huge backlog that weighs on courts and slows down the wheels of justice. Disposition time decreased by 13% in 2 years, but it still is as high as 527 days compared with a European average of 248 days. In 60% of Italian courts 1 out of 5 cases has been pending for more than 3 years, thus exceeding the "reasonable time" envisaged in the Pinto law of 2001. As priority will be

given to recent cases, disposition time in courts that have a bigger backlog will lengthen. The longer a legal case remains unsettled, the longer the court will take to reach final disposition. The total backlog of civil cases has decreased by 4% from 2015 to 2016 and by a significant 34% from 2009. Nonetheless, the total civil and commercial litigious cases backlog was still as high as 4,400 cases pending (1st instance/ per 100,000 inhabitants) in 2005, 2.6 times higher than the EU average. Court performance varies geographically. Sicilian courts have a backlog of cases 50% of which have been pending for more than three years and less than 10 or 15% of which have been pending for more than three years. With €4.8 bn of public expenditure,

Italy is still the third biggest spender in the EU after Germany (€9.6 bn) and the UK (€6.6 bn). Despite the crisis, total expenditure increased by 4.2% a year from 2006 to 2016. Better performances are not just a matter of increasing staff levels. Evidence published by the CSM (Consiglio Superiore della Magistratura – the High Council of the Judiciary) shows no correlation between staff shortages and poor performance, at least in conditions of relative and temporary lack of resources. With 1,75 million new legal cases per year, litigation rates in Italy are now in line with the EU average.

Efficiency gains have been achieved thanks to the far-reaching reorganization of the Italian judicial system and the adoption of new best practices in case management. First, e-filing has continued since its introduction in 2014. E-filing of notices increased by 6.7% over 2016, increasing savings by 10% and speeding up the issuing of digital payment orders by over 50% in some districts. E-filing by lawyers and professionals increased by 12% last year (after a first +88% in 2014/15), increasing the average e-files stock by 50% over the last 3 years.

Alternative dispute resolutions (ADR) contributes to unburdening courts in terms of dispute settlements. ADR includes referral to arbitration, negotiation assisted by a legal counsel (out-of-court settlement procedure) and civil mediation. On average around 186,000 civil mediation processes have been initiated each year since 2014. The last two years have seen an increase in filings, followed by more than 30% increase in the number of judgments pending. This has slowed



down resolution time from 83 days in 2013 to 115 days in 2015, which remains considerably shorter than that of in-courts settlements; however, a further increase, would affect the effectiveness of the process. The most evident reduction has been observed in commercial litigation, **whose disposition time decreased from 40 to 29 months**. Figures show that **the older and more complex cases are now being settled, thereby contributing to rendering the justice system fairer**. Specialization also helps in better managing the workflow. Since their introduction in 22 provinces in 2012, business courts have performed well. They deal exclusively with cases involving industrial property, company law, public contracts and services and European Union public work contracts. **The number of resolved cases increased from an initial 404 to over 5,600 at the end of 2016**. The increase in registrations raised resolution time: **in 2016 the percentage**

of disputes which took less than a year to be resolved fell to 57% from 74% in 2014. Predictable outcomes and the number of confirmed rulings remain high, which reflect the quality of pronouncements and the effectiveness of judges and prosecutors' specialization. In Milan verdicts are confirmed in 70-80% of cases. Alternative dispute resolution is accompanied by measures to discourage initiation of proceedings when unneeded (i.e. no more free appeal proceedings before Justices of the Peace after administrative sanctions have been imposed) and the introduction of a formula to determine attorney fees (together with the possibility of requesting quotes). **These rules contributed to decrease the demand for judicial services (civil and commercial cases), from 4 to 2.5 (1st instance/per 100 inhabitants) between 2010 and 2015**. However, the drop may also be ascribed to the economic crisis (a low GDP means fewer filings).

There is a positive correlation between economic growth and a healthy, efficient, fair judicial system. This is an even more important aspect especially during an upswing such as the one Italy is now experiencing. Lengthy proceedings and high enforcement create a climate of uncertainty and skepticism which affects the business environment and keeps investors away from opportunities. Given the same infrastructure and initial business conditions, evidence has shown that differences in the efficiency of judicial systems at provincial level can determine a difference in turnover of €31 K - or 8% of turnover - for an average Italian medium-sized company. A few years ago ECB President Mario Draghi stated that the cost of Italy's slow judicial system accounts for over 1% of GDP. **Gains in efficiency remain a top priority for the Government, which keeps working on reforms to speed up digitalisation and increase the overall effectiveness of the justice system.**

FURTHER INFORMATION

The 2017 EU Justice Scoreboard (full report)
http://ec.europa.eu/newsroom/document.cfm?doc_id=43918

CEPEJ Italy Country Profile
http://www.coe.int/t/dghl/cooperation/cepej/evaluation/2016/Par_Pays/Italy%20data%20file.pdf

Monitoring Civil Justice
https://www.giustizia.it/giustizia/it/mg_2_9_13.page



**GDP
GROWTH RATE**

AUG 2017

+1.5%
YEAR ON YEAR

SOURCE: ISTAT

EXPORT

AUG 2017

+4.7%
YEAR ON YEAR

SOURCE: ISTAT

MACRO ACCELERATION

The GDP growth rate in the second quarter of 2017 rose by 0.4% over the first quarter of 2017 and **by 1.5% year on year**. As to the second quarter of 2016, **final consumption expenditure increased by 1.2 per cent, gross fixed capital formation by 2.6 per cent, imports by 5.8 per cent, and exports by 4.7 per cent**. **Business confidence returned to 2007 levels in August 2017**. **Consumer confidence has risen, too, confirming the positive trends of the previous months**. Advances in Italy's confidence level in the EU resulted in an improvement of the Economic Sentiment Indicator published by the European commission. Despite a monthly decrease in both exports (-1%) and imports (-2.9%), on a year-on-year basis **outgoing flows increased by 8.2% and incoming flows by 9.9%**.

A DIGITAL NATIONAL HEALTH SYSTEM



Italy has the highest life expectancy in the EU and one of the highest among OECD countries. Performances of the health system are improving also thanks to a process of deep modernisation.

Since 2003, every citizen and resident entitled to National Health System (NHS) Insurance has been issued a personal NHS Insurance Card and an NHS Insurance identification number. The card system was set up to monitor and register items of health expenditure and to improve governance in the National Health System.

The State General Accounting Department in cooperation with Sogei, the Ministry of Health, the National Pharmaceutical Agency, the National Authority for personal data management and the Regions is responsible for managing the IT system of the National Health Insurance Card.

The NHS Card is at the heart of the modernisation process of the whole National Health System.

All medical prescriptions for pharmaceuticals and health checks are issued electronically through an integrated network system that covers all pharmacies (17.000), public and private hospitals, clinics etc. in Italy.

All family doctors (65.000) are connected to an online network so that all digital prescriptions are available to local authorities for monitoring performance and efficiency. Each prescription (roughly 800.000 items of expenditure every year) can, therefore, be tracked from generation to delivery.

If a worker is sick, the family doctor issues a digital sick note, which is sent electronically to all concerned institutions, that calculate all charges for social security or the NHS in real time. This also ensures stricter control over the issuance of sick notes that are now recorded and sent to the system so as to be included in the worker's


health profile.

As the NHS Insurance number is the same as the Tax Identification Number, NHS Cards have a twofold purpose. The new card relies on an embedded chip that ensures the unequivocal identification of patients and access to online and digital health services, as well as a direct link to patients' tax returns. In addition, a NHS Card shows the patient's health profile, including exemptions that may be claimed, thereby preventing fraud or abuse.

The combined NHS Insurance Card and National Tax Number enables each pharmacy, doctor or clinic to record every health expense on the tax return of each patient. Taxpayers are no longer required to keep the receipts of medical treatments as they are electronically recorded through the card by the Tax Agency.

Finally, all patients covered by NHS Insurance now have their electronic health record that includes all checks, diagnoses, treatments, medical records and prescriptions. All NHS Cards record information through the chip, so that every patient can, at any time, provide all the details of their medical history to all health professionals. This is a real revolution which, in addition to modernising the medical records filing system, will also bring efficiency savings to the NHS by improving the effectiveness of health professionals through access to all the necessary information at all times. This latest innovation is still being implemented. So far, 15 out of 20 regions have set up the system, more than 11 million electronic health records have already been generated and 23 million medical records have been digitalised.

SOURCE: DIGITAL ITALY AGENCY

ACTIVE REGIONS	15/20 REGIONS
ACTIVE CARDS	11.1 MILLION
DIGITALISED MEDICAL REPORTS	23.9 MILLION
REGIONS ENDOWED WITH FULL DIGITAL HEALTH FILE TECHNOLOGY	11/20 REGIONS
FURTHER INFORMATION	
<p>State General Accounting Department http://www.rgs.mef.gov.it/ENGLISH-VE/Institutio/Social-exp/</p>	

INCREASED PREDICTABILITY FOR FOREIGN INVESTORS: THE TAX RULING ON LARGE INVESTMENTS

Introduced in late 2015, the tax ruling on large investments enables investors to obtain a preventive opinion by the revenue agency on the tax consequences of a planned investment.

Qualifying condition to apply for the ruling is that the investment amounts to at least 30 million Euros and presents a significant and long-lasting impact on employment levels, whether in terms of creation of new jobs or maintenance of existing ones. The investment may be realised in multiple years and may include the realization of a new economic activities or the restructuring of an existing ones. The request may cover all aspects related to the investment and focus on issues such as the correct interpretation of tax provisions, the application of anti-avoidance rules, the existence of permanent establishment and the availability of specific incentives.

The reply of the revenue agency has to be provided within 120 days from the request, is binding on the tax administration and determines the exclusive competence of central office of the Revenue Agency for any issues related to it.

The ruling is part of the broader efforts to increase cooperative compliance in Italy and is starting to bear significant fruits.

20 ruling requests have been submitted so far (4 in 2016 and 16 in 2017), covering investments for more than €6 billion, with an impact on employment equal to more than 77,000 jobs.

A REAL-LIFE EXPERIENCE: BAKER HUGHES – A GE COMPANY

In the context of the Committee on Attracting Foreign Investments, GE requested a ruling on the tax consequences of the merger with Baker Hughes and the related investment plan. Following the issuance of a large investment ruling by the Italian Revenue Agency, Baker Hughes, – a GE Company (BHGE) decided to establish in Italy its global headquarters for the Turbomachinery & Process Solutions business.

Commenting on the experience with the institute, Rod Christie, President and Chief Executive Officer of Turbomachinery & Process Solutions at BHGE noted: “The decision to establish the decision-making center of Turbomachinery & Process Solutions in Italy is a result of all the activities that we have realized in Italy over the past 20 years and the reputation that the country has built in our industry. Italy represents and will continue to represent for BHGE a center of excellence for engineering skills and manufacturing capabilities, and is a global reference point for turbomachinery and digital industry applications (industry 4.0).” Christie continues: “Here we have found some key partners in the public institutions with whom we have been able to build strong partnerships in recent years to carry forward projects of value and interest to the company and to the country. This factor had a significant impact on the specific choice of confirming the decision-making center of the TPS business in Florence, Italy.”

SOURCE: THE ITALIAN REVENUE AGENCY

RULING REQUESTS

20
SUBMITTED

INVESTMENTS

6
BILLION EUROS

FURTHER INFORMATION

Advance tax ruling on new investments
http://www1.agenziaentrate.gov.it/english/invest_italy/advance_tax.htm



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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.