

## Italy

### *Key facts and issues*

Italy is a unitary country with a population of 60.7 million. Subnational governments are responsible for almost 29% of public expenditures, ranking Italy 19<sup>th</sup> in terms of decentralisation in the OECD, with regards to spending. Italy is moderately urbanised, as 37 % of the population lives in predominantly urban areas. GDP growth is driven by the best performing regions. Between 2000 and 2013, over 80% of GDP growth was due to the performance of the top 20% fastest growing regions. Italy ranks 2<sup>nd</sup> in the OECD in terms of the share of its population 65 and over, behind Japan, and also has the second highest elderly dependency rate.

Italy's GDP per capita, at nearly USD 36 000, is 87% of the OECD average. The employment rate barely grew between 2000 and 2014, and Italy has the 3<sup>rd</sup> largest disparities among regions compared to the OECD for employment rates. In terms of unemployment rates, the top region outperforms the bottom one by a factor of 5, but the gap has been shrinking since 2001. Youth unemployment is also a challenge, as it is in the group of countries where youth unemployment rose the fastest between 2008 and 2014. The regional disparities in youth unemployment rates are the largest, with a 47 percentage point difference between best and worst performing regions. Youth neither in employment nor in education and training (NEETs) are also a concern in most regions of Italy. Sicily, for example, has 42.1% of its youth in this situation. In terms of labour productivity, most of Italy's regions had negative labour productivity growth for the period 2000-2013.

### **Italy: regional, urban and rural development policies**

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	<a href="#">Partnership Agreement with the EU (2014-2020)</a>	Reducing regional disparities, especially between the North and the South through infrastructure investments; focus on institutional capacities and access to public services	Department for Cohesion Policy – Presidency of the Council of Ministers
Urban	<a href="#">Partnership Agreement with the EU (2014-2020)</a>	Overcoming administrative boundaries with a focus on curbing sprawl and congestion, and promoting better infrastructure and housing	Inter-ministerial Committee for Urban Policy
Rural	<a href="#">Partnership Agreement with the EU (2014-2020)</a>	Knowledge transfer and innovation in rural areas, organisation of the agricultural sector through direct support, social inclusion sustainability	Ministry of Agricultural, Food and Forestry Policies

### *General policy approach*

In coherence with Article 119 of the Italian Constitution, EU Structural Funds (and national co-financing) together with the Fund for Development and Cohesion (*Fondo per lo sviluppo e la Coesione*) are part of a unitary planning approach to support regional development in all areas of the country and, in particular, in regions lagging behind. There are several comprehensive monitoring and evaluation systems put in place to better track and evaluate the impacts of regional development investments. In 2012, an Inter-ministerial Committee for Urban Policy was created to address planning, congestion, and housing. The recent metropolitan cities local governance reform is another element in national efforts for cities. The operational programme “Metropolitan Cities 2014-2020” is seeking to improve the quality and efficiency of urban services and social inclusion. In addition to the Rural Development Programme associated with EU funding, the Italian National Strategy for Inner Areas is designed to revitalise inner territorial areas suffering from depopulation and marginalisation through greater access to service delivery, including urban-rural linkages, thus triggering local development projects.

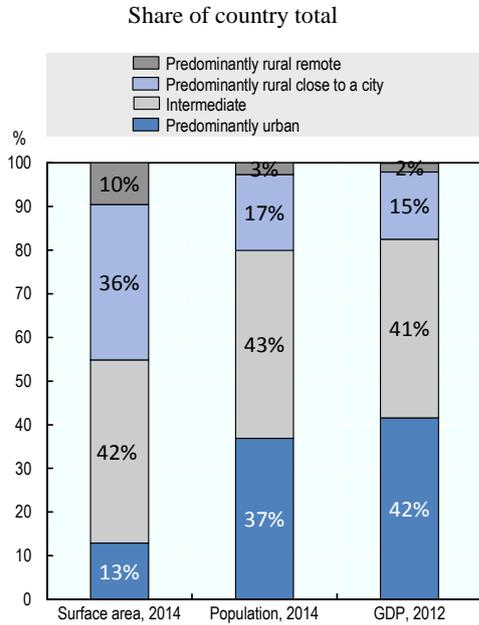
### Recent policy changes

- In 2013, Italy established the Agency for Territorial Cohesion to monitor ESIF funds which strengthens the role of the central government in steering, monitoring and co-ordinating the funds.
- Over the last several years there has been significant investment in bolstering administrative capacity and in promoting the modernisation of public administration to improve the effectiveness of public investment. The Agency for Territorial Cohesion has been providing technical support to central, regional and local administrations in the implementation of programmes and investment projects.
- Several territorial reforms have recently taken effect, notably reforms of the provincial level along with the establishment of metropolitan cities.
- The operational programme “Metropolitan Cities 2014-2020” was approved by the European Commission in 2015 to support 14 cities focusing on five priorities: a metropolitan digital agenda, sustainability of public services and urban mobility, services for social inclusion, infrastructures for social inclusion and technical assistance.
- The National Strategy for Inner Areas was established to revitalise inner territorial areas through greater access to service delivery and local development projects. It involves multilevel governance arrangements, with multi-fund financing for transparently selected areas that benefit from different EU and national funds through an agreement (contract) to support integrated actions.

### Italy: Main regional, urban and rural development policy tools

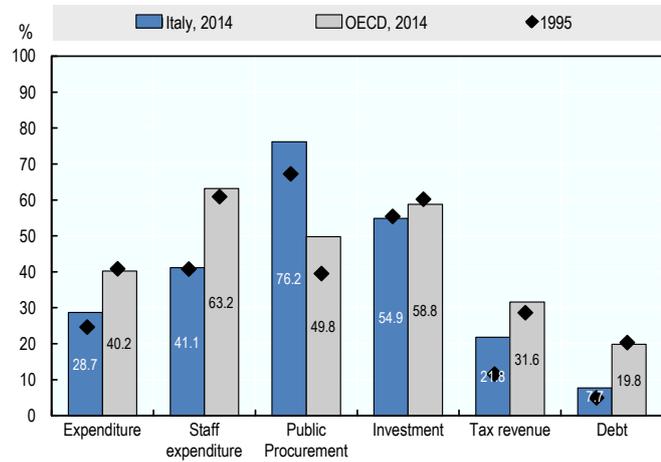
Policy Instrument	✓	Examples
Transport Infrastructure investments and systems of cities	✓	<i>Regional:</i> <a href="#">Operational Programme “Network Infrastructure”</a> , Contractual Agreements with major (mostly state owned) infrastructure operators/concessionaires <i>Urban:</i> <a href="#">National Operational Programme on Metropolitan Cities</a> (bike trails)
Other Infrastructure investments	✓	<i>Regional:</i> Broadband infrastructure in territorial areas with market failures <i>Rural:</i> Regional RDPs, national policies <i>Urban:</i> <a href="#">National Operational Programme on Metropolitan Cities</a> (mainly broadband)
Service delivery (subsidies for public services)		
Business development/ innovation support	✓	<i>Regional:</i> the <a href="#">National Operational Programme for “Research and Innovation”</a> focuses on education and business investment in research and innovation, the <a href="#">National Operational Programme for “Business and Competitiveness”</a> targets research and SME competitiveness.
Urban renewal		
Urban form and land use		
Sustainability policies		<i>Rural:</i> Regional RDPs, national RDP, national policies
Rural-urban linkages	✓	<i>Rural:</i> Provincial and Municipal Spatial Plans
Clusters/technology platforms/ centres of expertise	✓	<i>Regional:</i> <a href="#">National Operational Programme for “Research and Innovation” through research infrastructure</a> <a href="#">National Operational Programme for “Business and Competitiveness”</a> through firm collaboration
Special economic zones		
Rural landscape preservation	✓	<i>Rural:</i> Provincial and Municipal Spatial Planning
Skills/training programmes	✓	<i>Regional:</i> <a href="#">National Operational Programme on Education</a> to fight early school leaving, also skill upgrading and life-long learning
Capacity building for subnational governments	✓	<i>Regional:</i> the Agency for Territorial Cohesion, created in 2013, provides technical support to central, regional and local administrations in the implementation of programmes and investment projects

### Land, population and economy in rural and urban regions



### Subnational government role in public finance

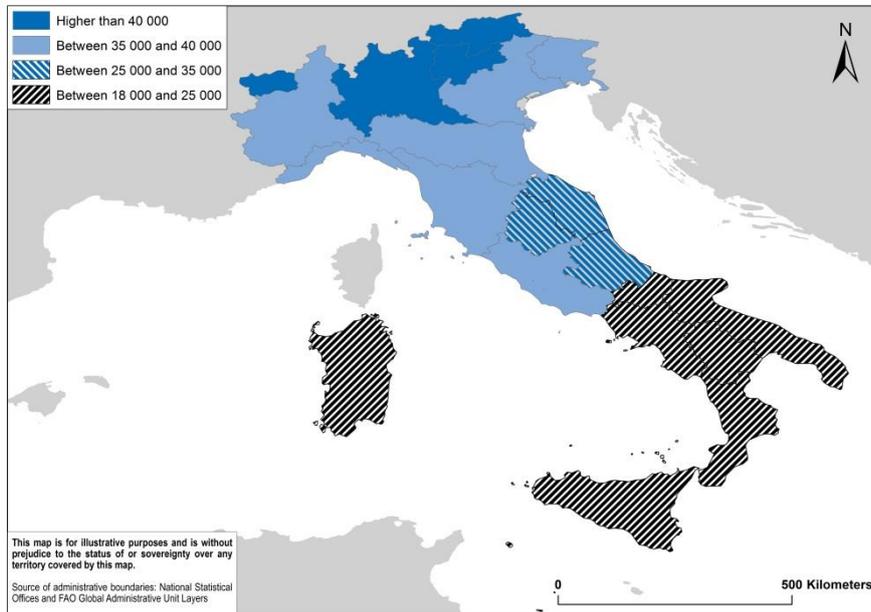
Share of general government



### Number of subnational governments

Municipal level	Intermediary level	Regional or state level	Total
8 047	107	22	8 176

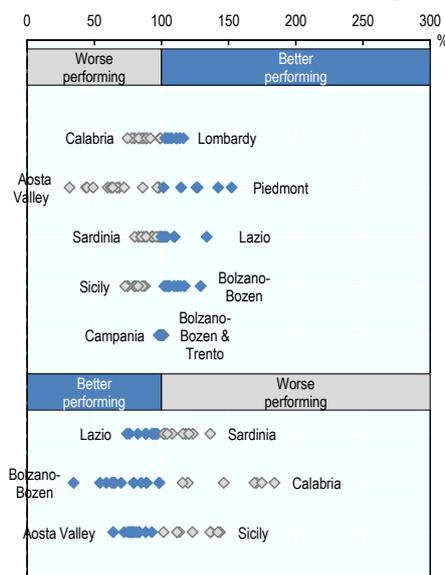
### Regional differences in GDP per capita levels, 2013



Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

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### Inter-regional disparities (as a % of the country average)

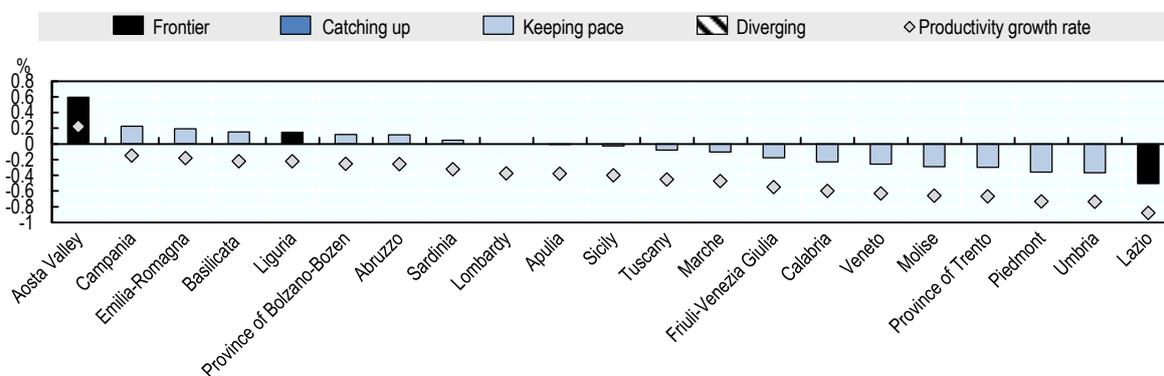


Variable	Min.	Max.	Country Avg.	OECD Avg.	Disparities up or down since 2001
GDP per worker (2013)	60 884	94 756	81 403	74 520	down (2011)
R&D expenditure as a % of GDP (2013)	0.41	1.98	1.3	2.4	down
Share of labour force with tertiary education	15.5	25.8	19.3	32.3	up (2005)
Disposable household income (2012)	20 982	37 141	28 759	34 866	down (2004)
Life expectancy (2013)	81.1	83.9	82.8	80	down
Share of workforce with only primary education	25	45.8	33.6	25.2	up (2005)
Unemployment rate	4.4	23.4	12.7	7.3	down
Gender gap in participation rate	-11.6	-25.7	-18.1	-15.9	down

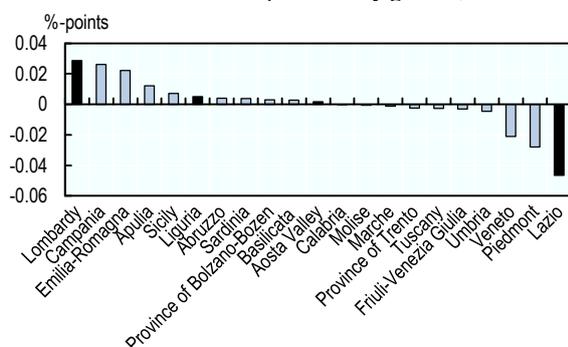
Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.

### Productivity and catching-up trends among regions

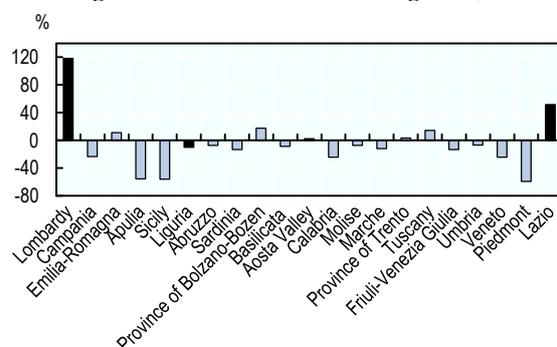
Average annual labour productivity (GDP per worker) growth rate [diamonds] and deviation from the growth rate of the country's productivity frontier [bars], 2000-2013  
See country page notes for classification of regions



Contribution to labour productivity growth, 2000-13



Percentage contribution to national GDP growth, 2000-13



Note: Difference between national labour productivity growth as calculated with and without the indicated region.

Note: The contribution is the product of a region's GDP growth rate by its initial share of GDP.

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## Country page notes

### Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km <sup>2</sup> grid cell population weighted average of satellite-based estimates of small particulate matter (PM <sub>2.5</sub> ).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

### Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

### Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016*, [http://dx.doi.org/10.1787/reg\\_glance-2016-en](http://dx.doi.org/10.1787/reg_glance-2016-en).