GTIPA PERSPECTIVES:

COVID-19 IMPACTS ON PUBLIC HEALTH AND THE ECONOMY OF GTIPA MEMBER NATIONS

OCTOBER 2020

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The Alliance gives world-class think tanks a space to collaborate on events, research, and reports while enjoying a platform that highlights and cross-pollinates member organizations' work on trade, globalization, and innovation policy.

Think tanks interested in joining the Alliance should contact Stephen Ezell, vice president for global innovation policy at the Information Technology and Innovation Foundation (ITIF), at sezell@itif.org.

Italy

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The Italian Response to the Coronavirus Pandemic

Introduction

The COVID-19 pandemic has rapidly spread in Italy, the first Western nation to be massively hit, and the country's national health system has never had to face so hard a challenge. Meanwhile, the economic and social context was also put under great pressure. In the following paragraphs we analyze the Italian health and economic response to the COVID-19 crisis.

1. The COVID-19 Pandemic in Italy and the Threats to the National Health Service

The latest updated data (September 8, 2020) registered 280,153 confirmed cases of COVID-19 in Italy from the beginning of the epidemic (January 29, 2020) with 35,563 deaths, while there have been 210,801 recoveries or dismissals.[211] (See Figure 50 and Figure 51.) During the peak of the pandemic, Italy's number of active cases was one of the highest in the world, with a medium rate of 588 deaths per million population. According to the Ministry of Health, at the end of August an increase in new cases was reported for the fifth-consecutive week with a cumulative incidence in the last 14 analyzed days (period August 17 to 30) of 23.68 per 100,000 inhabitants, up from the period of July 6 to July 19, and similar to the levels observed at the beginning of May. In the same month, with the analyses of the results from the epidemiological national survey, it was estimated that nearly 1.5 million Italians had been infected by SARS-CoV-2 since the beginning of the pandemic. With the slow and progressive relaxing of restrictive measures, the number of cases sharply declined between the beginning of May and the first two weeks of August, but, thereafter, due to the increased movement of people inside and outside Italy during the summer, a significant number of COVID-19 outbreaks were again identified leading to an increase in new daily registered cases of infection. The median age of cases diagnosed in the last week is 32 years, showing a circulation occurring more frequently in younger adult age groups, due to an advanced reopening of activities (including places of aggregation) and an increased mobility. According to cumulative data, the mean age is 58 years.[212] Health workers were significantly exposed to the COVID-19 risk and, according to the latest update of cumulative data (September 9), 11 percent of health workers have been affected by the virus out of total COVID-19 cases.

Figure 50: Cumulative Number for 14 Days of COVID-19 Cases per 100,000 Population[213]

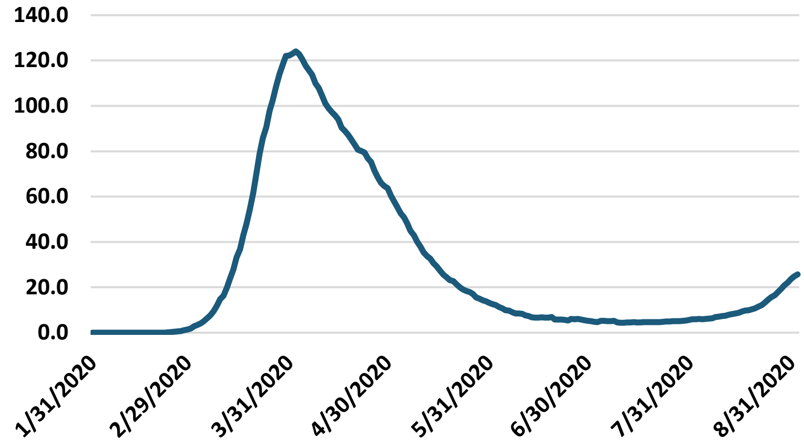
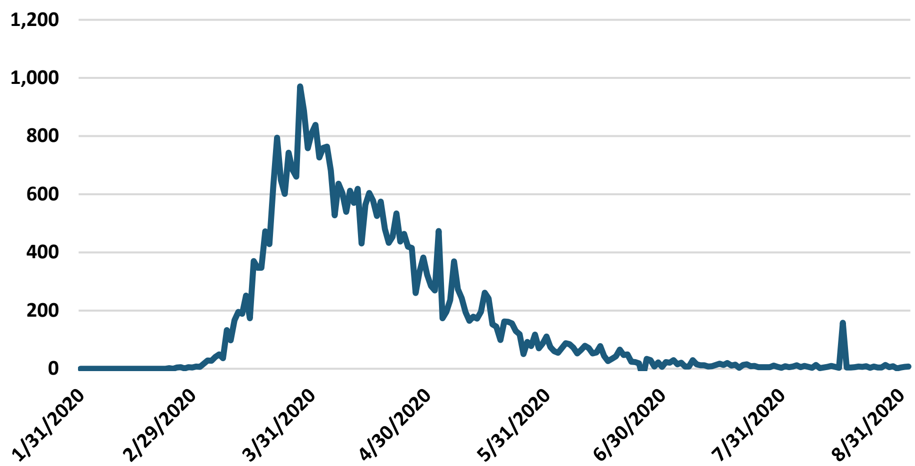


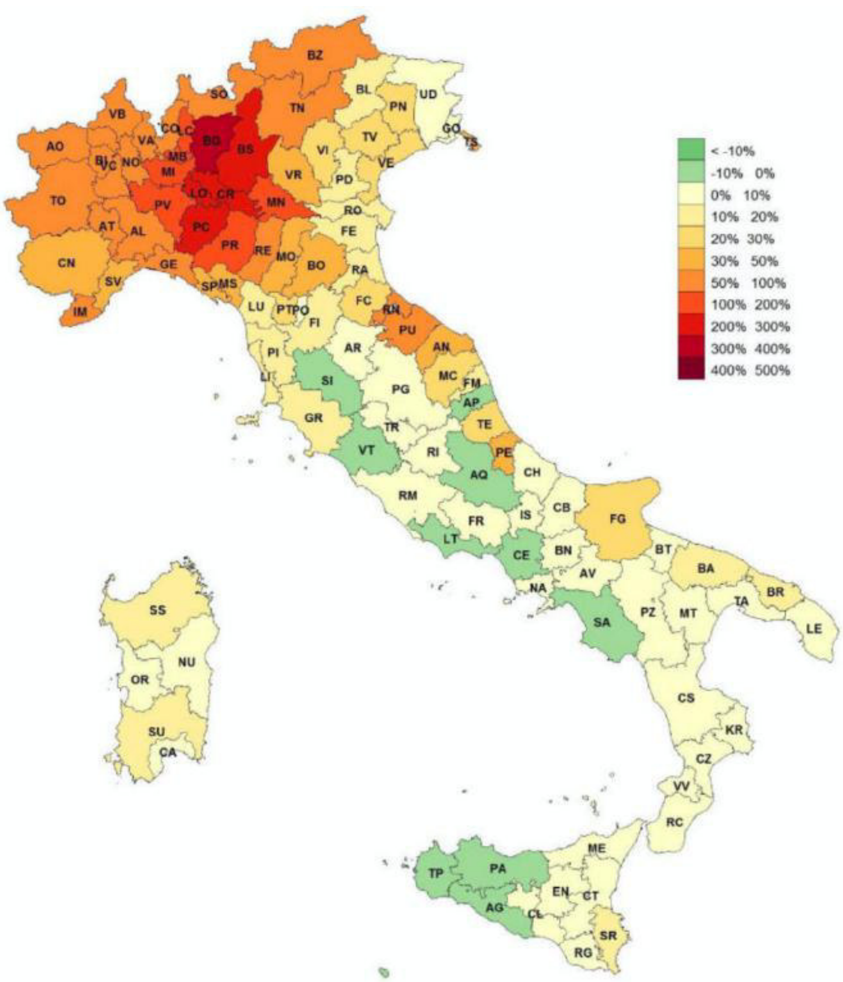
Figure 51: New Registered Daily Deaths Due to COVID-19 in Italy[214]



The increase in new daily cases in the latest weeks is also connected to the increased testing capacity in the country, which has led to a significant increase in daily tests and throat swabs. The latter results in a constant rate of between new registered COVID-19 cases and performed swabs, which is at present around 1.3 percent, far from the more than 40 percent registered during the peak of the epidemic in the second half of March. However, this is an increase if compared with the values observed during the months of June and July which were permanently under the 1 percent threshold.[215] According to the scientific society and to the experts of the Scientific Committee working with the Italian government, the situation is under control but requires, on the one hand, a strengthening of the testing capacity in the country in order to perform 400,000 throat swabs per day and, on the other hand, supporting correct citizen behavior. This increased capacity will require a great public resources investment and will have to be clearly addressed to schools, border officials, and public administration workers. Indeed, during September, Italian schools opened for the first time after the lockdown and, together with other working activities, increased interaction will become unavoidable. According to the latest updated data, in the week from August 25 to September 1, 2020, the weekly rate of new swabs recorded the highest values in the northern regions (17.6 per 1000 habitants in Friuli

Venezia Giulia, 17.2 in Veneto, and 15.1 Emilia Romagna) while the lowest value was recorded in Sicily (4.28).[216] On average, in Italy, a value of 9.94 is recorded with an increase on the precedent week in which the registered value of new swabs per 1,000 habitants was 8.02. According to the positivity index on tests carried out, 1 new test subject out of 43 is positive. Figure 52 shows how different the effects of COVID-19 have been among the various Italian regions. The figure, elaborated by INPS (the national social security institute), compares the general death rates at a provincial level in Italy registered in the period from the March 1 to April 30, 2020 (the epidemic peak), with the general death rates estimated in a baseline as the average of daily deaths occurring in the years 2015 to 2019 weighted with the resident population (thus in absence of the epidemic).[217] It can be seen that in many provinces in central and southern Italy, the mortality rate had even fallen with respect to the baseline despite the spread of the virus. Meanwhile, the northern part of Italy registered an increase in the mortality rate of more than 50 percent, and in some cases, mainly in the region Lombardy, between 100 percent and 400 percent.

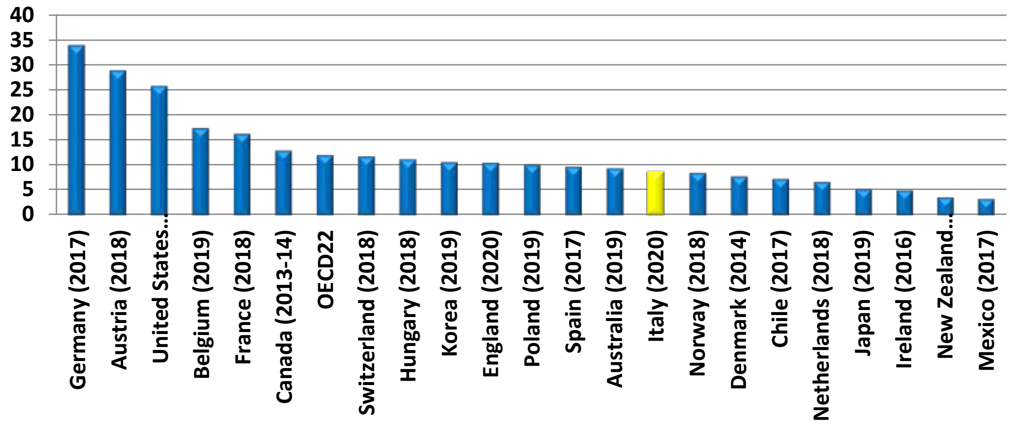
Figure 52: Percent of Deaths at the Provincial Level Recorded in the Period From March 1 to April 30, 2020 With Respect to a Four Year Baseline for the Same Period[218]



The coronavirus outbreak has rapidly progressed globally, and Italy, as one of the main pandemic hotspots, may provide some hard lessons. When on January 30, the World Health Organization (WHO) declared the COVID-19 outbreak a public health emergency of international concern, the Italian government banned air traffic from China and, the following day, declared a six-month state of health emergency, entrusting the Civil Protection Department with the responsibility for the coordination of interventions necessary to deal with the emergency nationwide. The first case of pneumonia due to SARS-CoV-2, without exposure abroad, was diagnosed in northern Italy (Lombardy) at the end of February. Within a few days, several COVID-19 cases were confirmed in surrounding areas, including a number of critically ill patients. Meanwhile, another cluster of patients with COVID-19 was simultaneously identified in Veneto, an Italian region bordering on Lombardy. At the end of February, the Ministry of Health ordered a mandatory supervised quarantine of 14 days for all individuals who had come into close contact with confirmed cases and, thereafter, the government imposed increasingly strict physical distancing measures, starting with the closure of 10 municipalities in Lombardy and Veneto. On February 23, the Ministry of Health suspended all public events and closed facilities of any nature open to the public in five regions in northern Italy (e.g., schools, gyms, public places). Subsequently, lockdown measures were extended to the national level, through several decrees enacted by the President of the Council of Ministers, closing schools (March 5), banning public events (March 9), limiting movement of people except for proven work needs or situations of necessity (March 11, national lockdown ordered), and suspending all retailing and business activities, with the exception of essential goods and production activities strategic or relevant to the management of the crisis (March 22). The national lockdown, with exception of some retailing and business activities, was prolonged until May 3.

The continued increase in SARS-CoV-2 transmission has placed tremendous pressure on the health care system and overburdened hospitals and territorial care, both unprepared to respond to the sudden increase in demand due to the spread of the infection. The peak of the epidemic occurred at the beginning of April. However, since then, the effect of the above-mentioned proactive measures has become evident, and a flattening of the contagion curve trajectory and a reduction in the number of new cases can be observed, with a consequent lightening of the pressure on hospitals and intensive care wards. Nevertheless, the progressive reduction in the pressure on the health system has also resulted from a number of measures introduced by the Italian government in order to strengthen the National Health Service (NHS, in Italian, SSN, or Servizio Sanitario Nazionale) and to the commitment both of doctors and of the scientific community to improve treatment efficacy. To understand the different measures put in place to face the COVID-19 threat and the related critical issues, the organization of the National Healthcare Service needs to be explained. The Italian NHS is regionally based, with local authorities responsible for the organization and delivery of health services, leaving the strategic leadership to the Italian government. Over the last 10 years, the NHS has suffered financial cuts that should have gone hand in hand with an important restructuring of public assistance, leading to a greater efficiency through the strengthening of the local health systems. However, the latter has never been completed and, where actions were taken in this direction, they were not uniform among the different Italian regions, thus creating huge differences in being able to answer to the demand for assistance and treatment. (See Figure 53.) This has led to shortcuts in the entire governance of the system, leading to an increase in private health care expenditure and the privatization of health care services and to an increase in patient mobility between regions, de facto competing for better health service management and supply.

Figure 53: ICU Beds per 100,000 Inhabitants[219]

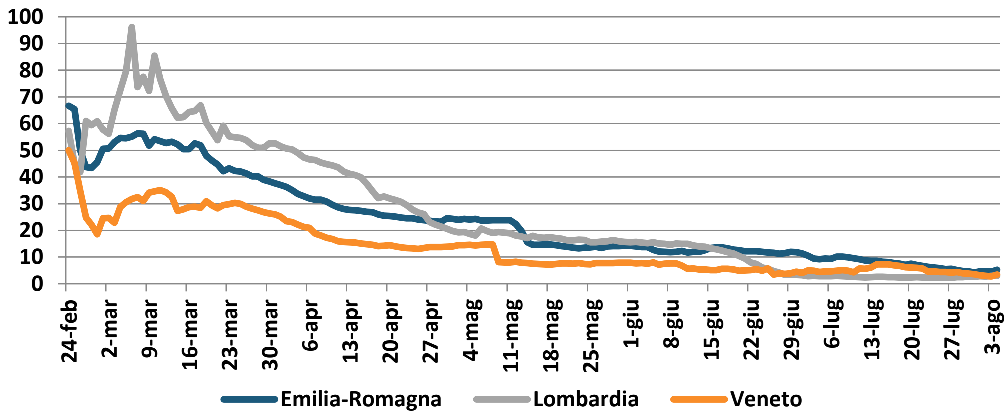


2. The National Response to Managing the Epidemic

The national response to contain the COVID-19 epidemic came in the form of a series of decrees from the Presidency of the Council of Ministers progressively extending counter-measures, with the Italian Prime Minister taking over some responsibilities from the regions and autonomous provinces, being in charge of implementing health care but ill-prepared to face a national emergency. With these decrees, the national lockdown was extended until May 3, 2020 and, thereafter, the restrictive measures were progressively removed. However, only during the month of June were many of the restrictive measures relaxed, with the exception of schools to be reopened in September. The last decree (September 7, 2020) confirmed, among the measures to contain the contagion in this phase of coexistence with the virus, the obligation to wear masks while in closed spaces and every time it is impossible to maintain a physical distance. Moreover, it establishes the rules to follow for public transport and the closing of stadiums and discos to the public, and, as well, a list of countries defined at risk from where entry into Italy is forbidden.

Concerning the health response, the approaches taken by the Italian regional health systems to the COVID-19 emergency fell into three broad types: a hospital-based model, a territorial-based model, and a combined hospital-territorial model. The first type places the main emphasis on the role of hospitals, with a relatively low level of community testing. This has been associated with substantial pressure on hospitals and, particularly, ICU (intensive care unit) beds. In Lombardy, an average of 50 percent of those diagnosed with COVID-19 have been admitted to hospital, and once considering the duration of stay in ICUs, the ratio of patients treated in ICUs to those treated at home has been twice as high in Lombardy than in Veneto, Emilia-Romagna, or Piedmont (the other three regions more hit by the emergency). This also means that daily occupancy of ICU beds has exceeded 100 percent, compared to Emilia-Romagna, the second-most severely affected region, where the occupancy rate was 38 percent during the epidemic peak. An interesting Italian case study on the value of a territorial response may be provided by the Veneto Region, which probably benefited from an early but circumscribed outbreak.[220] (See Figure 54.) In this region, proactive case and contact investigation, testing, and quarantine or home isolation, along with an organised home care for mild cases, were the cornerstones of the territorial response strategy that was based on a well-established network of public health and primary care services. Veneto has reported higher rates of coronavirus testing and home isolation and lower rates of hospital admissions and fatalities, in comparison to other Northern Italy regions impacted by the outbreak. Veneto opted for a strict containment of the outbreak and piloted mass testing in selected areas, whereas Lombardy reported high transmission and disease rates and strengthened its hospital services to meet a massively increased demand for hospitalization and intensive care unit beds.[221] Nationwide, coordinated partnerships between the private and public sector have been created increasing the health care system's ability to deal with patients, especially COVID-19 victims.

Figure 54: Hospitalized COVID-19 Patients Out of Total Positives, by Region (%)[222]



2.1 Main Actions Undertaken in Support of the Health System

The extraordinary containment measures launched through the various government decrees have been the only possible emergency strategy to avoid the collapse of the national health system. Meanwhile, the government has also intervened, introducing different measures, both financial and organizational, to strengthen the NHS in order to improve its ability to face the crisis. With the decree-law No. 18 of March 17, 2020, containing measures to strengthen the NHS and economic support for families, workers, and businesses, new resources of about €3.2 billion ($3.72 billion) were allocated to respond to the health emergency. The decree provides for an increase of €1.41 billion ($1.64 billion) for 2020 in the level of state financing for national health needs and an increase of €1.65 billion ($1.92 billion) in the fund for national emergencies. A total of €250 million ($290 million) is earmarked to increase the resources allocated for overtime remuneration of health care personnel directly employed to fight the epidemiological emergency, and €100 million ($116 million) for recruiting self-employed professionals, including medical students enrolled in the final and penultimate year of specialization. The decree also authorizes the regions, autonomous provinces, and health care companies (ASLs) to enter into agreements for the purchasing of health services exceeding the spending threshold provided by the current legislation for an expenditure of €240 million ($280 million) in 2020. In addition, the setting up of health care areas, even of a temporary nature and as an exception to the requirements for authorization and accreditation, has been permitted. For this purpose, €50 million ($58 million) was allocated, a sum included in the already-programmed fund for health care construction and technological modernization. Moreover, funding for companies manufacturing medical devices and personal protective equipment paid through Invitalia was activated, for a spending authorization of €50 million ($58 million) for the current year.

The decree also contains new rules regulating clinical trials for drugs and medical devices, with reference to patients affected by the virus, as well as the compassionate use of drugs still in their trial phase. The measures are intended to improve the ability to coordinate and analyze the available scientific evidence and are applicable until the end of the state of emergency. In particular, the decree makes it possible for the Italian Medicines Agency (AIFA) to access all data relating to experimental studies and compassionate use, with exclusive reference to patients affected by COVID-19. It also identifies the Ethics Committee of the National Institute for Infectious Diseases-IRCCS "Lazzaro Spallanzani" as the only national ethics committee for the evaluation of the above-mentioned trials, with the right and duty to express the relevant opinion, therefore at a national level, taking into account the assessment of AIFA's technical-scientific advisory commission. This will overcome the critical issues that usually characterize the evaluation of clinical trials in Italy: the non-uniformity of the evaluation criteria, the excessive number of ethical committees, and the excessive bureaucracy. This is an unprecedented move leading to collaboration and partnership between institutions, research structures, and centers and pharmaceutical companies opening the door for a new study and research model which, appropriately regulated, will serve to define the rules and procedures of clinical trials and of the Ethics Committees of the post-COVID-19 phase. It will be based on three fundamental variables: the speed, the simplification of the procedures (without ignoring the rigor of the evaluations), and the essentiality of the objectives and end points, which refer to mortality and the duration of treatment.

To overcome the bottlenecks created by the emergency, Italian regions have been called on to activate specific regional operations centers, with the appropriate personnel and equipment for tele-monitoring and tele-medicine, linked to the territorial services and the emergency-urgency system, in order to ensure the coordination of health and social-health territorial activities, as implemented in the regional plans. In line with these measures, integrated home care has been strengthened, thus helping to reduce the use of institutionalized forms of assistance and care (long stays and hospitalizations).

In May, having passed the most critical phase of the emergency, with decree-law No. 34, then converted to Law No. 77 of July 2020, other health services related to emergency measures were added, such as the extension of treatment plans and the duration of medical prescriptions. Moreover, the decree contains programmatic measures including funds to strengthen local health care and reorganize the hospital network. About €430 million ($500 million) has been allocated for the recruitment of health personnel, while the Emergency Fund has been increased by €1.5 million ($1.75 million) for the year 2020. Last but not least, in order to increase and support scientific research, the government has provided facilitation for the use of health data, allowing, for example, the National Institute for Statistics (ISTAT) to also process sensitive personal data in order to carry out statistical surveys and analyses aimed at understanding the Italian economic, social, and epidemiological situation. In order to improve the availability of data, the electronic health record system has also been enhanced to facilitate the collection of data and digital documents of a health and socio-medical nature generated by present and past clinical events concerning patients.

The last interventions were introduced in August with decree-law No. 104 providing standards for the normalization of waiting lists for health care services. To this end, the National Health Fund for 2020 has been increased by a further €478 million ($556 million), accessible to all regions and autonomous provinces that have submitted a Regional Operational Plan for recovery to the Ministry of Health and the Ministry of Economy and Finance.

3. The Economic Consequences of the Pandemic in Italy

As already mentioned, in order to stop the spread of COVID-19, the Italian government on March 2, 2020, published a decree suspending all industrial and commercial activities, with certain exceptions for "essential activities." The suspension directive applied to the whole of Italy and was effective from March 23 until May 3, 2020. An extension of the list of "essential activities" was communicated in early April 2020. Exceptions to the decree's provisions included only the access to the premises of the companies of those activities that had been suspended for maintenance, supervisory, cleaning activities, and for the payments management. Following the lockdown measures, in March, 72 percent of the 6,000 firms surveyed reported to be directly affected by the situation mainly due to a huge drop in demand, problems along the supply chain, and transport/logistics issues.[223] One-third of respondents estimated a decrease in revenues above 15 percent, and an additional 18 percent of firms anticipated a drop of 5 to 15 percent. Many companies reduced or halted their productions and, following the decree-law "March 22, 2020," were forced to shut down all non-core or strategic production activities.

The latest economic forecasts issued by the Bank of Italy (BoI) for the year 2020 show that the baseline projection points to GDP contract by 9.5 percent on average this year, followed by a gradual recovery over the next two years (4.8 percent in 2021 and 2.4 percent in 2022).[224] (See Table 5.) The worse scenario elaborated by the BoI in the last macroeconomic bulletin takes into consideration the resurgence of COVID cases next autumn. In that case, Italy's GDP is expected to decrease by 13.1 percent this year with a slow recovery in 2021 and 2022 (respectively 3.5 percent and 2.7 percent).

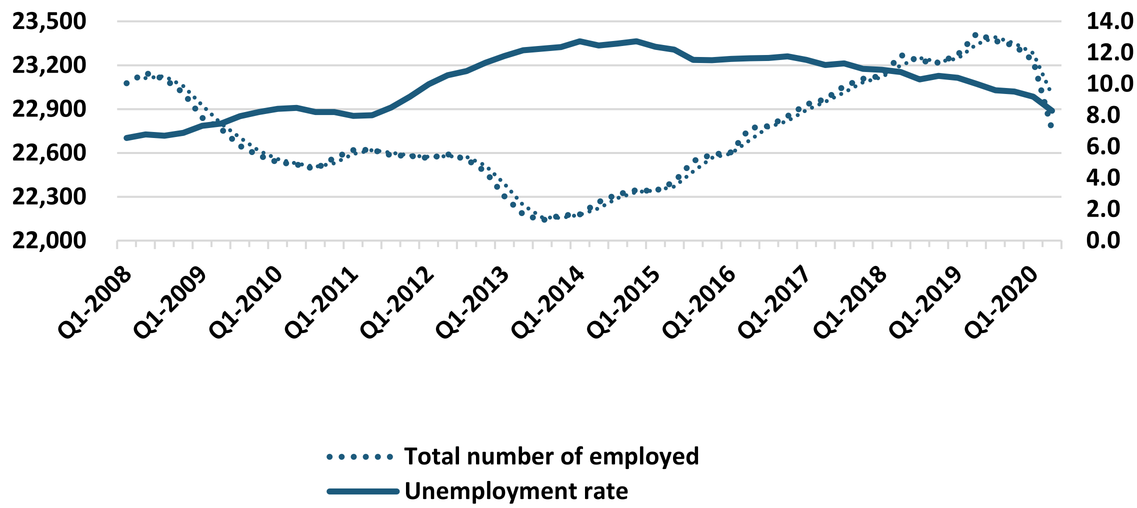
However, after falling very sharply in the first half of the year (by about 15 percentage points overall), GDP is projected to return to growth in the second half, largely owing to the fading of the effects of the containment measures. The negative repercussions of the pandemic on international trade, tourist flows, and households' and firms' behaviors appear to be persistent and are likely to hold back aggregate demand over the entire forecasting horizon. At the end of 2022, GDP is projected to remain about 2 percentage points below the level recorded in the fourth quarter of 2019.

Table 5: Macroeconomic Projections by the Bank of Italy (Baseline + Severe Scenarios)[225]

	Baseline Scenario			Severe Scenario		
	2020	2021	2022	2020	2021	2022
GDP	-9.5	4.8	2.4	-13.1	3.5	2.7
Household consumption	-9.9	4.8	1.5	-13.1	4.1	2.1
Government consumption	0.9	0.6	1.8	1.1	0.4	2.4
Gross fixed investment	-18	7.3	6.5	-19.5	-1.4	7.4
Exports	-16.2	7.6	4.3	-20.3	4.8	3.9
Imports	-15.9	8.3	4.5	-17	4.5	6.2

As a consequence of the lockdown, employment is projected to decrease by about 12 percent in 2020 in terms of hours worked, and then to recoup about three-quarters of the fall over the next two years. (See Figure 55.) The number of persons in employment decreased by 500,000 units since February 2020, also due to the extensive use of wage supplementation. Use of this measure appears to have been during the second quarter of the year, involving about 3 million full-time-equivalent employees. Under the current legislation, the use of wage supplementation is expected to be more moderate in the last quarter of the year and to realign with pre-pandemic levels at the end of the forecasting scenario. According to Istat and BoI estimations, “[Th]e job-seeking activities could begin to intensify in the second half of 2020 despite a persistent weakness in labor demand. Such developments would lead to an increase in the unemployment rate, which would average around 11 per cent in 2020 and would continue to grow in the next two years, to around 12 percent.”[226]

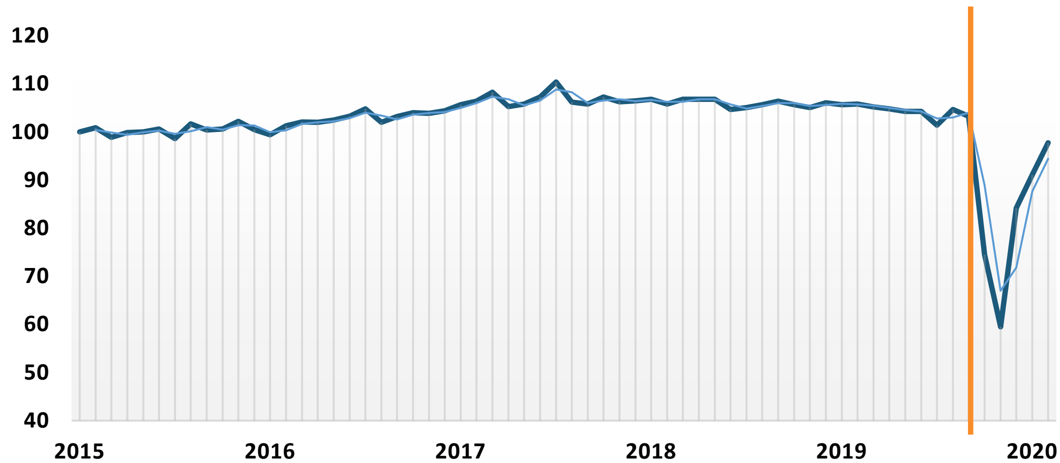
Figure 55: Total Number of Employed (Left Axis) + Moving Average and Unemployment Rate (Right Axis)[227]



After declining in the first quarter (-8.4 percent compared with the previous year), industrial production registered another sharp fall in April (-19.1 percent compared with the previous month), reflecting the lockdown of “non-essential” activity. (See Figure 56.) With the gradual easing of the lockdown, industrial activity began to grow again in May and June, (by 40 percent compared with April), but still almost 25 percent below the levels prior to the spread of the epidemic.

The epidemic affected particularly the demand for goods and services, as reported by most of the firms, both domestic and foreign. Furthermore, the obstacles to the procurement of raw materials and workforce availability were major factors of the production drop.

Figure 56: Industrial Production Index (Base 2015 = 100) + Moving Average (Red Line Indicates the Implementation of Lockdown Measures)[228]



In the first quarter of 2020, the volume of exports of goods and services fell by 8 percent compared with the previous quarter. The primary cause must be identified in the lockdown of non-essential activities, which tend to be more export-oriented, and to a general decrease in foreign demand.

Goods sales declined by 4.7 percent, with consequences for all the main outlet markets (apart from the United States) and all sectors. Food, chemical, and pharmaceutical segments were the only ones to register better performance during the considered period. Exports to markets outside the euro area contracted less noticeably, thanks to the improvement in export-weighted price competitiveness. Exports of services fell much more markedly (-21.8 percent), mainly because of lower demand for tourism services.

After the sharp fall recorded in April, exports to non-EU markets rose by 37.6 percent in May, compared on a monthly basis. Despite this, they were one-third lower than the levels observed prior to the spread of the epidemic. On average, in the second quarter, manufacturing firms' assessments of foreign orders were at their lowest level since the time series began.

The current account surplus was €5.5 billion ($6.4 billion) in the first four months of 2020, decreasing by €1.7 billion ($2 billion) compared with the same period a year earlier.

Before the pandemic, the Italian economy was already in a perilous state, having yet to recover from the sharp double-dip recession in 2009-10 and 2012-13. Its public finances were under heavy pressure even before the pandemic; and mounting a fiscal response to the decline in aggregate demand will create even greater strain, with public deficit and public debt over GDP expected to rise in 2020. The current recession has featured a surge in household savings that reflects growing fears for the future. There is therefore a serious and justifiable concern that the outbreak may have long-lasting and highly damaging consequences.

After COVID-19, the productivity sickness that has plagued Italy for the past quarter of a century risks worsening in the "new normal," unless high-growth start-ups find a more favorable ground to flourish on.

4. The Economic Policy Response to the COVID-19 Economic Crisis

To counter economic downturns during the COVID-19 pandemic, the Italian government issued three sets of measures through the Cura Italia Decree, the Liquidity Decree (Decreto Liquidità), and the Relaunch Decree (Decreto Rilancio).

4.1 Decreto Cura Italia "Cure Italy Decree" (DL 18/2020): Allocated Amount €25 Billion

Published in the Official State Gazette (Gazzetta Ufficiale della Repubblica Italiana) on March 17, 2020, it was converted in Law (L 27/2020) on April 24, 2020. The decree suspends all industrial and commercial activities, with certain exceptions for "essential activities." It's the first significant intervention in support of the Italian economic system, businesses, and families implemented by the government. The main objectives of this measure are:

- Increasing the financial capacity of the National Health System, the Civil Protection (a special Department of the Prime Minister Cabinet for emergency and national security), and other public bodies involved in the emergency;
- Supporting employment and worker income;
- Stimulating financial credit and loans through the banking system and the use of a central guarantee fund. The European Central Bank has a pivotal role in this regard. The Pandemic Emergency Purchase Program (PEPP) of €1.350 billion ($1.57 billion) aims at lowering borrowing costs and increase lending in the euro area; and
- Providing the deferral of taxes and social security payments.

The government and EU measures' goal in this situation is to maintain consumption in the eye of the pandemic recession by sustaining the internal demand. By focusing on credit expansion measures and low interest rates, these measures ought to preserve the psychological and economic situation of Italian citizens.

Regarding the health care system, the decree provided special resources (€1.41 billion, $1.64 billion) to reinforce the medical personnel and equipment of the National Health Service to address COVID-19 epidemic. Additional resources (up to a total of 250 million euros) have been earmarked in order to remunerate the overtime work by health care staff (employed by National Health Service bodies) directly employed in anti-COVID-19 activities. The portion of current health funding for 2020 was increased by €100 million ($116 million) to enroll doctors, physicians, and nurses under several atypical forms of contract (freelance, retired personnel).

5. Economic Stimulus Measures

Concerning the fiscal measures implemented by the Italian government to prompt an economic stimulus amid the COVID-19 pandemic, moratoriums on payment slips and executive assessments, customs executive assessments, tax injunctions by local authorities and executive assessments by local authorities have been put off.

A tax credit is being granted, for the year 2020, equal to 50 percent of the expenses incurred for the sanitation of working environments and tools. The tax credit is reserved for businesses, art, or professional activities up to a maximum amount of €20,000 ($23,265) for each beneficiary, and a total limit of €50 million ($58 million). A tax credit equal to 60 percent of the rent for the month of March was also granted to shops and boutiques. Other measures include the introduction of tax incentives for donations, in cash and in kind, made to fund the containment and management of the epidemiological emergency by COVID-19.

The operativity of the Solidarity Fund for first home purchase-mortgages to self-employed workers and freelancers who have suffered a fall in turnover of more than 33 percent compared to the last quarter of 2019 was extended for nine months following the closure or restriction of their activities in implementation of the measures adopted for the coronavirus emergency.

The measures in support of work mainly concern special rules on social shock absorbers. Several procedural simplifications have been introduced (i.e., exemptions from additional contributions for ordinary payroll integration and ordinary allowances required for suspension or reduction of work).

A bonus of €100 ($116) was awarded to employees, public and private, with a total income not exceeding €40,000 ($46,530) who, during the health emergency period, continued to work at their workplace in March 2020. All self-employed workers, seasonal workers, and other forms of work under stress due to the restrictive measures that followed the health emergency were granted a financial transfer of €600 ($768) for the month of March.

Following the suspension of educational services for children, public and private employees are granted leave, either continuous or split, for a total of no more than 15 days, if they have children not older than 12 years (or even older in the case of severely disabled children), with an allowance equal to 50 percent of the salary and with recognition of the notional contribution. As an alternative to the previously mentioned benefits and under the same conditions, workers will be able to benefit from a voucher for the employment of baby-sitting services up to a total maximum limit of €600 ($700), raised to €1,000 ($1,160) for employees in the health sector (public and private), as well as for employees of the state police and for staff in the security, defense, and public aid sector employed for the epidemiological emergency. A total of €85 million ($100 million) was given to schools in order to implement the distance learning; and €10 million ($11.6 million) was used by educational institutions to promote the use of e-learning platforms and to immediately equip themselves with digital tools useful for distance learning. A further €70 million ($81.4 million) was used to make digital devices for distance learning available to less-affluent students on free loan. The remaining €5 million ($5.8 million) was used to train school staff. Approaching the environmental and energy issues, a series of deadlines relating to waste management was provided. With regard to energy, suspension of payment terms for invoices and payment notices was issued for electricity and gas supplies for the municipalities most affected by the COVID-19 epidemic.

5.1 Decreto Liquidità (DL. 23/2020) – Allocated Amount €400 Billion ($465 Billion)

Published in *Gazzetta Ufficiale della Repubblica Italiana* on June 6, 2020, it was converted in Law (L 40/2020) on June 5, 2020.

The conversion of the Decreto Liquidità (April 8, 2020) into law made a number of changes, including providing €200 billion ($232 billion) to all Italian companies affected by the pandemic. It includes measures that are intended to assist businesses by providing loan guarantees, government assumption of non-market risks, and certain targeted tax relief.

The main measures included in this decree are related to the facilitation of access to credit (loans) and the guarantee by the government on them of 100 percent or 90 percent, depending on the amount of the loan.

- 100 percent guarantee for loans not exceeding 25 percent of revenues up to a maximum of €25,000 ($29,000), without any creditworthiness assessment. In this case, the banks will be able to grant the loans without waiting for the go-ahead from the Guarantee Fund;
- 100 percent guarantee (of which 90 percent is state and 10 percent Confidi) for loans not exceeding 25 percent of revenue up to a maximum of €800,000 ($930,000), without any evaluation of creditworthiness;
- 90 percent guarantee for loans up to €5 million ($5.82 million), without performance appraisal; and
- Support for liquidity and exports is also included (through the Guarantee fund and the public agency SACE) in the form of loans.

Extension of tax and social security payments is also very important. The fiscal deadlines have been deferred during the pandemic. This extension was in particular directed to the subjects who, due to the coronavirus, have had a reduction in turnover equal to:

- At least 33 percent for revenues/fees under €50 million ($58 million); or
- At least 50 percent above this threshold.

Moreover, for those enterprises residing in the municipalities most affected by the health emergency, a temporary VAT suspension is applied.

Concerning the Golden Power mechanism, the regulatory shield to prevent Italian companies in strategic sectors from being acquired by foreign capital, it was reinforced allowing the state to intervene whenever there are acquisitions of shareholdings of just over 10 percent within the EU.

5.2 Decreto Rilancio (DL 34/2020): Allocated Amount €55 Billion ($64 Billion)

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The decree includes measures that are intended to assist businesses by providing loan guarantees, government assumption of non-market risks, and certain targeted tax relief. The decree extended the list of “essential activities” provided originally by the previous one.

A non-repayable grant is allocated to businesses, self-employment and agricultural income earners, and freelancers, with a turnover in the last tax period of less than €5 million ($5.8 million). The amount of the contribution varies in relation to turnover, with a minimum value of €1,000 ($1,160) for individuals and €2,000 ($2,325) for partnerships and corporations.

The tax credit regarding the renting of real estate for non-residential use was confirmed. It was applied for the months of March, April, and May, for some people carrying out businesses, art, or professional services, with revenues or fees not exceeding €5 million ($5.8 million).

Various interventions to strengthen the capital position of small and medium enterprises were put in place. In addition to the refinancing of the SME Guarantee Fund for 2020 for €3.95 million ($4.6 million), in the decree are provided:

- Tax credit for investments in Italian companies that have suffered a reduction in revenues;

- Tax credit on losses recorded in 2020; and
- A Fund for the support and relaunch of the Italian economic and productive system, called the SME Equity Fund, aimed at subscribing to newly issued bonds or debt securities of medium sized companies, under the legal conditions.

Regarding another social security measure, the "emergency income" was introduced for the month of May (that has been requestable until July 31). It provided an extraordinary support for households in economic need after the epidemiological emergency by COVID-19.

In order to strengthen services and projects to support home care for disabled and dependent people, and for the support of their careers, a fund for non-self-sufficient people was increased by €90 million ($105 million).

The state guaranteed of up to €5 million ($5.8 million) for small and medium-sized businesses, through the Central Guarantee Fund for SMEs, providing a guarantee, free of charge, for a single enterprise, up to €5 million ($5.8 million), aimed at financing operations. The decree brings:

- €100 million ($116 million) in additional resources for Invitalia's Smart & Start program, which would otherwise have ended its funds in September; and
- €200 million ($232 million) for the Ministry of Economic Development's venture capital support fund, €10 million ($11.6 million) in vouchers for the purchase by start-ups of support services and a tax deduction increased to 50 percent for individuals investing in innovative start-ups and SMEs (directly or through venture capital funds).

The decree contains a number of measures aimed at providing economic support to local and regional authorities, with the aim of coping with the reduction in revenue linked to the economic crisis, as well as facilitating the payment of their trade debts. Among the most important provisions is the creation of a fund with an endowment of €3.5 billion ($4.1 billion) for the year 2020, which is intended to provide municipalities, provinces, and metropolitan cities with the necessary resources to carry out their fundamental functions in relation to the possible loss of local revenues connected to the COVID-19 emergency.

In order to contain, in state schools, the epidemiological risk in relation to the start of the 2020/2021 academic year, the Ministry of Education established in the estimates of the Ministry of Education the Fund for the epidemiological emergency from COVID-19, with a budget of €378 million ($440 million) in 2020 and €600 million ($700 million) in 2021.

6. Conclusions

The political economy of the pandemic has proven rather complex. COVID-19 has brought about an unprecedented concentration of powers in the hands of the government. The role of the state in the economy, as regulator, owner, and facilitator, has grown in a matter of weeks, sometimes reflecting broader European trends, sometimes reflecting a deep-rooted suspicion toward market mechanisms. The long-term implications for the labor market—likely to be devastating, especially for low-educated and informal workers as well as young people and women—and the economic uncertainty led to a focus more on demand-side interventions rather than supply-side ones. The policies implemented by the Italian government to contrast the negative impact of the pandemic aimed primarily at sustaining consumption and employment. Despite the (announced) intention of presenting a structural package of measures to relaunch investments in the country, the intervention on the supply side relied mainly on credit guarantees and various tax measures. Innovation and technology were almost excluded by the major actions taken by the government.

Italy’s role in the EU was also challenged by the reluctant position shown by the so called “frugal” countries (Netherlands, Austria, Denmark, and Sweden) to extend mutual support to Italy. Even though a €750 billion ($872 billion) package of grants, loans, and guarantees to be partially financed by EU taxes and an extension of EU budget have been approved, the future of the EU remains uncertain, torn between the completion of political and economic union and the possibility of it imploding. Finally, the economic impact of the coronavirus in Italy will depend on the duration and the extent of the second wave of contagion in the country and the institutional responsiveness in the disbursement and allocation of funds, especially the mutual ones of the European Union (Recovery Fund and EU Budget provisions). This will determine—from both demand and supply sides—the order of magnitude of economic impact of COVID-19 for Italy. Should the situation not escalate further and remain stable, Italy is likely to have the chance for a faster recovery and even a major role in the international arena. But should the situation escalate, a different economic and fiscal policy discussions are likely to dominate the next years.

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