

Sbilanciamoci!
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ALTERNATIVES TO NATIONAL BUDGET LAW

Sbilanciamoci!

Italian campaign for rights, environment and peace

C/o Lunaria

Via Buonarroti, 39

00185 Rome, Italy

Tel. +39 068841880

fax. +39 068841859

info@sbilanciamoci.org

Skype: **Sbilanciamoci**

www.sbilanciamoci.org

Sbilanciamoci!¹ is a campaign involving 45 associations, NGOs and networks working on globalisation, peace, human rights, environment, fair trade, ethical finance. Since 1999 *Sbilanciamoci!* has proposed alternatives to the Italian budgetary policies, arguing for social and environmental priorities. *Sbilanciamoci!* publishes yearly reports, meets policy makers, organizes conferences to promote a different use of public resources and new role of public actors in the economy.

The *Sbilanciamoci!* campaign thinks it is necessary to radically change the perspective of public policies, giving new economic and social priorities in order to push for a solid world in which more attention is put to people's rights and environment instead of the needs of a market economy based on privileges, rents, wastes, inequalities.

Sbilanciamoci! elaborates an annual report where, after reviewing the orientations of economic politics emerging from the Budget Law and from the State Budget, develops alternative proposals about how to use public expenditure for society, environment and peace.

In the year 2000 the campaign published the first report, edited by Lunaria, which was focused on the Budget Law 2001. This report underlined the need for changing radically the perspective of public policies, and questioning social and economic priorities. The old indicators, first of all the GNP, do not explain any more, or maybe had never explained, which is the real welfare of a society. During six years of activity, the campaign elaborated research tools, critical analysis and proposal that are the essential part of its activity of information, politic pressure and mobilisation.

Sbilanciamoci! has published 18 reports of national diffusion (6 on State Budget, 5 on indicators, 1 on Irak, 2 on development cooperation 2 on military expenditures, 1 on tax justice, 1 global taxes), has organised 12 congresses and convention, has promoted 180 local initiatives, such as seminars or debates, has collected more than 30,000 signatures sustaining the State Budget proposals; moved 57 amendments to the Budget Law through the MPs supporting the campaign.

¹ *Sbilanciamoci!* – www.sbilanciamoci.org - member NGOs are:

AIAB www.aiab.it **Altreconomia** www.altreconomia.it **Antigone** www.associazioneantigone.it **Arci** www.arci.it **Arcs** **Arci Cultura e Sviluppo** www.attivarci.it **Arci Servizio Civile** www.arciserviziocivile.it **Associazione Finanza Etica** www.finanza-etica.org **Associazione Obiettori Nonviolenti** www.obiettori.org **Associazione per la Pace** www.assopace.org **Beati i Costruttori di pace** www.beati.org **Campagna per la Riforma della Banca Mondiale** www.crbm.org **Carta** www.carta.org **CIPSI** www.cipsi.it **Cittadinanzattiva** www.cittadinanzattiva.it **Cnca** www.cnca.it **Comitato Italiano Contratto Mondiale sull'Acqua** www.contrattoacqua.it **Comunità delle Piagge Firenze Cocis** www.cocis.it **Consorzio Italiano di Solidarietà** www.icsitalia.org **Cooperativa "Roba dell' Altromondo"** www.roba.coop **Crocevia** www.croceviaterra.it **CRS** www.centroriformastato.it **CTM-Altromercato** www.altromercato.it **Donne in nero** www.donneinero.org **Emergency** www.emergency.it **Emmaus Italia** www.emmaus.it **Fair** www.faircoop.it **Fondazione Responsabilità Etica** www.bancaetica.com **GESCO** www.gescosociale.it **ICEA** www.icea.info **SICSALI Italia** www.sicsal.it **Legambiente** www.legambiente.it **Lila** www.lila.it **Lunaria** www.lunaria.org **Mani Tese** www.manitese.it **Medicines Sans Frontieres** www.msf.it **Microfinanza** www.microfinanza.it **Movimento Consumatori** www.movimentoconsumatori.it **Nigrizia** www.nigrizia.it **Pax Christi** www.paxchristi.it **Rete Lilliput** www.retelilliput.net **Terre des Hommes** www.tdhitaly.org **Uisp** www.uisp.it **Un Ponte per...** www.unponteper.it **Unione degli Studenti** www.unionedeglistudenti.it **Unione degli Universitari** www.udu.org **WWF** www.wwf.it

ALTERNATIVES TO NATIONAL BUDGETS

1.1 *The Budget is our concern*

Using the Finance Law – and other provisions connected to it – the Government can make the *economic manipulation*, namely to choose *where* to take and *how* to spend public money the following year. Since we are dealing with public money it seems obvious that these choices should reflect the pursuit of the group, the general interests of every one of us. Instead the “finance law” is too often discussed, negotiated, drawn up according to special interests and, above all, the choices deriving from it are given as inevitable, unquestionable, shrouded in the drabness of figures and graphs that should represent collective welfare but which seem of little importance to the uninitiated or distracted reader. Instead, behind those terms, those percentages, it means deciding how to use public money to deal with the needs of society: it is therefore speaking of us, of the money and needs of each of us. Remaining outside this discussion means leaving one’s future in other people’s hands.

The State does the accounts

Everything starts with the discussion of the State Budget, the accounting document drawn up by the Government and debated in Parliament which shows the receipts and expenses relative to a certain financial year. Its determination is reached by following a long and complex process consisting of expenditure forecasts, final expenditure, negotiations, controls and approvals. The Finance Law – introduced in 1978 with law n° 468 – is considered the peak of this long and complex process: it is, in fact, the law that allows the Government to make the financial manipulation for transforming the State Budget into a tool of economic policy. In fact it serves to correct the State Budget, which reveals the existing, and introduces those novelties that – as revenue (taxes, dues, etc.) or as expenses (school, health, environment but also ventures, arms, etc.) derive from the political negotiation phase.

The attachments are the bills that accompany the Finance Law and complete its manipulation for those parts that need changes to the legislation in force and that could not be implemented with the Finance Law that, in fact, confines itself to defining an “accounting” framework. These bills, in fact, contain *substantial* regulations (*namely* that affect the budget equilibriums) on specific subjects (taxation, social security, health, public employment, etc.) relative to decisions about revenues (to be increased or reduced) and expenses (to be made or cut) to respect the accounting constraints established by the Finance Law.

Over the years the so-called “corrective manipulation” (like the one of July 2004) has been added to the Finance Bill and that Governments produce between Spring and Autumn to approach the budget objectives that are often undervalued during preparation of the Finance Law.

A complex route

The Budget process follows a very precise route each year, starting with the work of the technicians who work on the public administration expenditure forecasts for the following year and ending, after its approval by both houses in Parliament, by the President of the Republic signing the Financial Law.

The State Budget process can be divided into two major stages – a technical one consisting of meetings and negotiations between representatives of the Treasury and of each Minister – and a political one, when the budget design is transferred by Accounts to the executive, which will

transform the balances established during the technical stage into actual political decisions. The definition of the Finance Law and the budget manipulation is reached through the production of a series of legislative documents. At the end of this stage, having passed the text of the Finance bill, the task of political formulation by the Government is concluded. The parliamentary discussion stage then starts for the discussion and approval of the bills.

The discussion in Parliament

The 1988 reform instituted the budget session, namely a period of parliamentary work exclusively devoted to accounting documents, a preferential passage with the purpose of ensuring that the manipulation reaches port within the predefined terms. During the budget session the meeting and commissions cannot resolve on draft bills that involve new or greater expenditure or reduction of revenues. The activity is reduced to the examination of the bills for converting law decrees, the vetting of projects connected to the manipulation contained in the FEPP (Financial-Economic Planning Document) and the final ratification of international treaties.

1.1.1 How the annual public financing manipulation is presented

Once approved and in its final form, the manipulation is presented as follows: the actual Finance Law is divided into a text of numerous articles (55 this year), the first of which is intended to identify the provisions of financial nature, while the last, dedicated to the *final provisions*, gives the terms for the law coming into force. In the middle there are the *substantive provisions*, grouped around the various headings on the subject of revenue: security, health etc.

Together with the actual Law, Parliament approves certain annexes, the famous Financial Law tables, which in reality hide the established modifications to the fundamental public intervention chapters and that determine:

TABLE A and B – the funds intended for the *new laws on expenditure*;

TABLE C – the financing of a series of *laws with variable quantification*;

TABLE D and E – the refinancing or reduction of financing of certain expenditure laws with the end of *supporting the economy* and remodulation of the items defined by multi-year expenditure laws (namely medium term public investments).

Ten years of Finance Laws that have changed Italy

From 1979, the year the Finance Law came into force, till today the average manipulation settled at 1.4% of GDP for an amount of approximately 30 thousand billion old Lire. The maximum value was reached with the 1993 Finance Law of the Amato government, that of turnaround, defined by the same government documents as “the mother of all manipulations”. This manipulation moved approximately 93,500 billion Lire, putting a heavy hand on the social security system and touching 6% of GDP. A manipulation that started the correct process of turnaround of the public banks but that – at the same time, with the complicity of increasing liberalist ideology – opened the roads to downsizing the redistribution role of the State. Another year to remember was 1996, with the “corrective” manipulation. In general the average amount of these corrections – made in March to settle the public accounts with respect to the provisions of the Financial Law – has been approximately 11 thousand billion over the last ten years, with an average impact on GDP of 0.6%. But the maximum of these adjustment manipulations was touched in 1996: this was the year of the “tax on Europe”, of 13 thousand billion Lire on its own, and was part of a corrective manipulation of approximately 19 thousand billion, equal to 1% of GDP.

Table 0.1 The Finance Laws of the last few years (values in millions of Euro)

YEAR	GOVERNMENT	LEGISLATURE	GDP	Financial Law	Correction	Manip. Total	Manip. Total on GDP
1993	Amato I	XI	807.36	46.85	6.46	53.31	6.6%
1994	Ciampi	XI	853.91	15.77	3.42	19.18	2.2%
1995	Berlusconi I	XII	923.05	25.92	7.38	33.30	3.6%
1996	Dini	XII	982.44	16.84	9.82	26.66	2.7%
1997	Prodi	XIII	1026.29	32.28	8.21	40.49	3.9%
1998	Prodi	XIII	1073.02	12.93	2.32	15.26	1.4%
1999	D'Alema I	XIII	1107.99	9.61	1.29	10.90	1.0%
2000	D'Alema II	XIII	1166.55	7.75	6.51	14.25	1.2%
2001	Amato II	XIII	1220.15	22.98	-	22.98	1.9%
2002	Berlusconi II	XIV	1258.35	17.00	-	17.00	1.4%
2003	Berlusconi II	XIV	1300.93	20.00	-	20.00	1.5%
2004	Berlusconi II	XIV	1351.87	16.20	-	16.20	1.2%
2005	Berlusconi II	XIV	1354.72	24.00	-	24.00	1.7%
2006	Berlusconi III	XIV	1437.50	19.10	-	-	1.3%

N.B. GDP values for 2004 and 2005 are estimates (taken from FEPD 2006-2009)

The absolute figures are expressed in billions of current Euro

Starting from 1997, with the deficit below 3% and a debt that was starting to fall, more could have been dared, rather than, by signing the Pact of Stability and European growth, reviving the public financing objective towards balancing (and, for Italy, actually having a surplus) the budget, an objective that, whatever the economic approach that is used, in itself has no economic, but rather political, sense. The public financing choices of the last few years reveal the basic inability of the policy to imagine and pursue ambitious objectives and ones involving change. Starting from the defeatist strategy of the 2001 Finance Law that, faced with a “bonus” that would have allowed manipulations able to structurally affect the country’s development model to be started, chose to devote those larger resources to a series of electioneering measures (relief for companies and cuts in personal income tax), forgoing both the idea of reviving development through the introduction of environmental and social constraints, and an active role for the state as promoter of development.

The situation got even worse with the arrival of the government of the right. Partly the economic crisis, but above all the inability to identify a coherent development strategy and assign resources for that purpose, led to the current quasi-disaster: the process of reducing the public debt stopped, while the public deficit increased. The enormous resources, which the increase of the deficit and the saving generated by low interest rates on the public debt certainly made available, were frittered away in enormous wastage, without a strategy. It is also so in the current context, Only minimum resources are allocated to schools, universities, research and the completion of welfare institutes, all those available ending up in messy interventions, often sadly linked to the interests of a few lobbies close to the government (if not actually the then Premier’s personal ones).²

1.2 The Sbilanciamoci! Campaign’s main proposals

1.2.1 Fiscal lever, the proposals in detail

² Now, after the 2006 parliamentary elections, we must wait and see what the new centre-left government does.

a) ABOLISHING TAX REFORM MODULE II

In 2005 the Berlusconi government passed module II of the tax reform, which advantaged the higher income classes and took away resources from public policies in favour of Welfare. The cost of module II is 6 billion Euro, that could have been used in this way for social and environmental expenditure.

b) RESTORING DEATH DUTIES

The Berlusconi government abolished death duties in its first year of activity: a strong symbolic act that obviously advantaged the wealthier social classes. The restoration of death duties would, instead, bring an income of 1.2 billion into the State coffers and restore a principle of cohesion and social justice.

c) READJUSTING TAXATION ON FINANCIAL INCOME

Interest on bank deposits is currently taxed at 27%, while interest on bonds, capital gains and returns from individual and group managements are subject to a levy of only 12.5%. The Sbilanciamoci! proposal is to unite the two rates, instituting a single rate of not less than 20% for all financial income, an operation that would restore the principle of equality and rationality and contribute to increasing revenue. Forecasts are very difficult on this latter point. However, using the provisional revenue data for 2004 the unification of the two rates at 20% would have led to an increase in net revenue of approximately 2.5 billion Euro, derived from the difference between approximately 3 billion of additional revenue generated by the rate increase in incomes taxed at 12.5% and the loss of 0.5 billion Euro caused by lowering the rate on interests taxed at 27%.

d) HITTING DUMMY COMPANIES

Reinforcement on the legislation on dummy companies (article 30 of Law 23 December 1994, n° 724) should be planned. The logic of the legislation on dummy companies is that of discouraging the use of company schemes for the sole purpose of managing considerable assets and unloading the relative costs. Many companies, especially joint-stock ones, although showing large values from their activities, contextually declare they produce a very low or actually negative added value. This would allow a sort of minimum tax to be introduced in our regulation similar to the one in force in some foreign systems, notably the United States one. It seems plausible to consider that an additional revenue could be obtained from these measures of not less than 2.5 billion Euro equal to approximately 4% of the evasion of joint-stock companies alone estimated in 1994 (the last available official estimate).

e) TAXING ADVERTISING

Advertising investments in Italy were approximately 9 billion Euro at the end of 2005. In the age of large concentrations of the media and advertising agencies nobody can deny the distorting effect this has on consumption, lifestyles and regularity of the competition between companies. Thus the proposal is to put a brake on the profit margins of the entire advertising sector by increasing the levy on profits by 5%, with the dual objective of reducing its intrusiveness and draining resources to be devoted to schools and cultural activities for all. The expected revenue is approximately 450 billion Euro.

f) TAXING TELEVISION RIGHTS FOR SPORT-ENTERTAINMENT

As for advertising, the sport-entertainment business has distorting effects on the market and removes resources from sport for all. It is therefore proposed to adopt the French method of taxing television rights for financing sport for all and building multipurpose public facilities. Approximately 31 million Euro could be collected with a rate of 5% on the total rights paid.

g) TAXING TOBACCO AND SPIRITS

For the purpose of supporting the National Health System, too, a 10% rise is proposed in taxes on tobacco, spirits and products derived from them. This is also a measure that could discourage smoking and prevent serious illnesses. The revenue that could be raised is around 970 million Euro.

1.2.2 Welfare: the proposals in detail

a) INCREASE IN RESOURCES FOR THE NATIONAL FUND FOR SOCIAL POLICIES, THROUGH THE INTRODUCTION OF A CAPITATION RATE

We propose a standard minimum capitation rate of 110 Euro per inhabitant for the composition of the National Fund for Social Policies to be transferred to the Regions according to a weighting that takes account of the socio-economic structure of the territory with particular attention paid to the handicapped, elderly and children. The Regional Transfer Fund – excluding special plans established in collaboration with the Regions – should thus be 6.38 billion Euro. This allocation should include the creation of two Special Plans directing the Regions to building new crèches and the introduction of minimum placement income programmes.

b) SPECIAL PLAN FOR BUILDING 3000 CRÈCHES

Given the profound lack of public crèches, that cover little more than 15% of the demand and – even summed to private ones – leave 80% of children not catered for, we propose to launch a national programme. Considering the average monthly pro capita cost per child to be 700 Euro, general expenses and possible restructuring expenses, an investment of 1 billion Euro would permit the inauguration in 2006 of approximately 3000 new crèches throughout Italy, with an additional 125 places and a 106% increase in coverage.

c) SPECIAL PLAN FOR EXTENDING MINIMUM PLACEMENT INCOME TO A NATIONAL SCALE

Income integration guaranteed to family nuclei in conditions of poverty (identified through the EESI – Equivalent Economic Situation Indicator) and accompanied by a set of interventions and services promoting placement promoted, monitored and managed by the territorial social services network instituted by Law 328/2000. Income integration must be backed by interventions for the purpose of protecting minors, fighting crime, accompanying and directing in the active search for work, social health protection and rehabilitating living conditions.

d) SPECIAL INTERVENTION FOR THE RIGHT TO A HOME

The problem of the home is now becoming extremely serious, especially in large cities. Rents can even be well over 50% of family income. Public intervention is needed for controlling prices and offering new possibilities of council and social housing at subsidised prices – both by building new housing and extending the subsidised rents of existing council housing – that in this case, too, can have a controlling effect on rents. The allocation proposed by Sbilanciamoci! for 2005 was 800 million Euro.

e) MULTIYEAR INVESTMENT PLAN FOR SCHOOL BUILDINGS

School buildings are a subject that is always ignored notwithstanding the state of many Italian schools. Funds continue to fall and there is not even a shadow of the special plans that were promised. The only thing remaining is a few dribbles of the last Finance Law (30 million). After whole yearly financing allocations that have been forgotten, ignoring the laws of the State (Law 23/96, Masini Law), the trend reversal of the last few years is only too clear. Thousands of schools in both North and South are experiencing precarious situations. We are asking for a multiyear investment plan of at least 5 billion Euro over 10 years. For the first year, considering the

seriousness of the situation, an investment of approximately 1 billion Euro is needed to immediately cover the most serious cases and the first 2 years of the plan.

f) CLOSING OF THE CPTs AND ASSIGNMENT OF THE FUNDS SAVED TO INTEGRATION AND CITIZENSHIP POLICIES FOR IMMIGRANTS

A profound change is needed in the migration, asylum and immigration policies through the abolition of the Bossi-Fini Law, opening of regular entries and overcoming the entry quota mechanism and closing of the CPTs (Short-term Holding Centres), veritable places of suspension of law. Starting from the new Finance Law it would be necessary to increase the level of expenditure regarding immigration and asylum, which fell by 29% in 2004 with respect to 2003, at least returning it to an overall total of 200 million Euro. The budget intended for social inclusion and citizenship policies should be taken to at least 100 million Euro. The item of expenditure allocated to finance the operation of the Central Commission for the Recognition of Refugee Status (flanked by 7 decentralised commissions from April) should be increased; over the last few years this has had a ridiculous balance sheet budget of an average of only 810,000 Euro. The very decentralisation of the procedure requires larger resources: it is proposed to raise this item of expenditure to at least 15 million Euro. Financing of 70 million Euro would also be needed to support the establishment of local guarantee funds for facilitating placement, this would permit advancing the coverage for paying the deposit (4500 Euro) for 15,500 foreign citizens.

g) SUPPORT FOR THE CREATION OF RECEPTION STRUCTURES AS ALTERNATIVES TO PRISON DETENTION AND HEALTH

Rather than regarding the question in terms of more prisons, possibly private, and more detention, the number of convicts who benefit from alternative instruments and who work must be increased. Full implementation should be given to the law that transfers responsibilities for health in prisons to the National Health System, currently totally ignored, and offer training courses that guarantee learning “spendable” jobs once out and not only poorly qualified ones, like those currently offered. It is proposed to allocate the figure of 150 million Euro for all this and to promote the position of civic penitentiary defender.

h) INSTITUTION OF A NATIONAL FUND FOR THE RIGHT TO STUDY

A national fund should be instituted for the right to study aimed at university and high school students. An initial investment of at least 700 million Euro is needed, to be distributed – as regards the part of the fund for high schools – to the regions on the basis of income pro capita and quality of life indicators. Part of the funds for this project can be obtained by the abolition of funds for private schools as well as the school voucher (530 and 120 million Euro respectively).

i) INTEGRATION OF THE NATIONAL HEALTH FUND AND NEW STRUCTURES

Given the insufficient allocations in the 2006 Finance Law, it is proposed to allocate an additional 2 billion Euro to the National Health Fund to be transferred to the Regions, to support the dynamics and growth of health expenditure, as proposed by the Regions. It is also proposed to allocate 200 million Euro for new hospices for assisting the terminally ill, 10 million for new radiotherapy units and 70 million for 15 new spinal units by the end of 2006.

j) ABOLITION OF TAX INCENTIVES DIRECTED TO INTEGRATIVE SOCIAL SECURITY AND COMPENSATION TO COMPANIES FOR LOSS OF THE TFR (SEVERANCE TREATMENT)

It is proposed to cut the measures defined by this 2006 Finance Law and by other provisions: 155 million destined to the public employment fund, 407 million of guarantee funds for companies and approximately 1 billion of tax income losses for the deductibility of pension contributions for IRPEF (Personal Income Tax) purposes. This is, in all, 1 billion 562 million Euro for 2006. These

are choices that make profits for banks and insurance companies and encourage “individual and private” solutions – and ones not without risks – for those who are able to do it to provide tomorrow’s pension (very small) for themselves, while these and other resources could be directed at reforming and re-launching public social security on new bases.

k) SPORT FOR ALL

Allocation for new multipurpose public sports facilities and support of sport for all (10 million Euro), to enhance – beyond the logic of the business – the social, citizenship and cultural dimension of taking part in sports.

ENVIRONMENT: THE PROPOSALS IN DETAIL

a) ENERGY SAVING AND DEVELOPMENT OF RENEWABLE SOURCES, IN PARTICULAR WIND AND SOLAR POWER;

It is proposed to introduce the energy certification of buildings and to raise the current exemptions of 36%, of expenses for restructuring work on buildings, up to 51% of expenses for all interventions that create an improvement in the energy performance and efficiency of buildings. It is proposed to reduce the excise duty of 20% on methane gas for micro-cogeneration plants, so as to encourage their diffusion. It is proposed to double the mandatory energy saving quota for energy distribution companies. As regards the diffusion of solar heating it is proposed to issue regulations that simplify the authorisation procedure, to completely remove VAT and to allow total deductibility from the income declaration of expenses sustained for the installation of solar panels for domestic hot water. As regards the diffusion of renewable energy production sources, it is proposed to extend the energy account mechanism defined by Law 387, currently only applied to solar photovoltaic, to all renewable sources, differentiating the incentive tariff according to source, size, technology and environmental quality. Finally, in conformity with the provisions of the European Directive, it is proposed to extend the quota of biofuels exempt from excise duty to 5.75% of all fuels consumed in the country. The costs and benefits of these measures balance each other out, without any increase in public expenditure.

b) REINTRODUCTION OF THE CARBON TAX

The Carbon Tax (art. 8 Law 448/1998) taxes carbon dioxide emissions and produced a revenue (in 1999) of 2300 billion Euro. It has not been applied since then. The tax contributes in making the use of fossil fuels less advantageous and helps to gather the resources needed for the production of renewable energy. The measure would bring 1.2 billion Euro into the State coffers.

c) PROMOTION AND INSTALLATION OF PHOTOVOLTAIC SYSTEMS

A small-sized plant (up to a power of 5 kW at peak) costs approximately 8000 Euro. A public investment of little more than 110 million Euro (covering 50% of installation costs) could promote the creation of approximately 20 thousand systems, ready to cover the annual energy requirement of the same number of families (of 2-3 people each). In this way a number of polluting electricity power stations (of medium size) could be eliminated and an approach made to the Kyoto objectives.

d) PROMOTION OF SUSTAINABLE AND EFFICIENT FORMS OF MOBILITY, ENCOURAGING RAIL TRANSPORT AND CLEAN TECHNOLOGIES

It is proposed to allocate a total of 370 million to finance a whole range of provisions for the purpose of favouring sustainable urban mobility: cycle tracks, car sharing, group taxis, conversion of old vehicles from petrol to methane, town planning, etc. to combat atmospheric pollution and traffic congestion and to improve the urban and environmental quality of our cities.

Table 0.2 Mobility Plan

Urban mobility (Law 194/98)	150.00
Mobility Management	25.00
Group taxi plans	25.00
Car sharing programmes	25.00
Urban mobility plans (Law 340/2000)	100.00
Producing urban traffic plans (Law 285/1992)	4.00
Incentives for converting from petrol to LPG or methane (D. Direct. 22/12/2000)	30.00
Cycle tracks	20.00

e) TAX ON SPORTS UTILITY VEHICLES (SUV)

SUVs pollute town centres, causing very serious accidents and provoking serious distortions and problems, especially to urban traffic. SUV growth is exponential: they were 5.6% of vehicles registered in 2004 (trend estimate: approximately 2.5 million vehicles). This means – also taking those registered in previous years into consideration – approximately 250,000 vehicles circulating in Italy. They are very expensive vehicles and Sbilanciamoci! proposes that they should be subject to an annual tax of 1000 Euro, for an overall total of 250 million, to be allocated to measures for improving urban mobility.

f) ALLOCATION OF ADEQUATE FUNDS FOR THE KYOTO PROTOCOL

Contrary to the objectives defined in the Kyoto agreements, in Italy it is the fossil energy sources that still enjoy the largest public economic support. Instead it is necessary to redirect our energy consumption privileging renewable sources and discouraging recourse to fossil ones and incinerating refuse. At least 500 million Euro must be allocated immediately for these measures, some of which do not have a cost, like those for reforestation and incentives for public transport.

g) DEFENCE OF THE SOIL AND RECLAMATION OF POLLUTED SITES

As seen in the previous chapter, the 2006 Finance Law drastically cut resources for defence of the soil and reclamation of polluted sites. It is an irresponsible choice given the dramatic consequences the country suffers each year in result of floods and landslides. At the same time, reclamation of polluted sites cannot be an option but an institutional duty to guarantee the safety of the territory and health of the citizen. As well as cancelling the cuts planned in the Finance Law, an additional allocation of a further 100 million Euro on the two items of expenditure is proposed.

h) FIGHT AGAINST HOUSING ABUSES AND THE ECO-MAFIAS

The State should institute a National Fund of 100 million Euro for monitoring, safeguarding, controlling and preventing abuses in the territory and consequently for implementing the demolition of abusive works. The charges deriving from actuation of the National Fund will be provided by a corresponding reduction of the allocation entered, for the purpose of the 2006-2009 three-year budget, in the “Special Fund” current part of the base prevision unit of the prevision status of the Ministry of Economy and Finance for 2006, partially using the appropriation relative to the same Ministry. The Municipalities could draw from the National Fund to provide for monitoring, safeguarding and controlling the territory and preventing abuses. The Municipalities could also use the National Fund for carrying out demolition work on abusive constructions.

i) PACKAGING, TIN AND GLASS

In Denmark and Germany the buying of products with non-returnable packaging is prohibited: the value of the glass or tin is also paid for and when it is returned (to any commercial point) its value is paid back. This allows the materials to be reused directly, without the costly re-transformation processes that take place in the case of recycling. Such a system would obviously have start-up costs, but these are negligible in view of the benefits – including economic – that would be produced. It is therefore proposed to allocate 30 million Euro to help with its start-up.

j) ADAPTATION OF MINERAL WATER CONCESSION RENTALS

Water is a “common asset” that must be removed from the uncontrolled logics of the market and privatisation. The mineral water business is a source of large profits for the concessionaires who – by bottling in plastic containers – cause considerable damage of an environmental nature, passing on the costs to the whole community. The rentals for exploiting the sources are very low. An additional rental is therefore proposed linked to the quantity of water bottled, which would provide the not indifferent sum of approximately 7 million Euro to meet the costs that the public administration bears in this sector.

k) TAX ON PLASTIC BAG MANUFACTURE

As regards the reintroduction of the tax on plastic bags, one can think in terms of a manufacturing tax (and boundary surtax) of five eurocents per bag. Estimating the production of plastic bags to be 8 billion per annum, a figure of 400 million Euro can be put into the budget.

l) ENVIRONMENTAL ACCOUNTING

The need to integrate monetary information with that relative to the flows of materials and natural resources that typify production and our economic system in general, makes the definition of an environmental accounting model impossible to delay. Each year all public administrations should approve, at the same time as the economic-financial planning and budget documents, the environmental accounting documents relative to the environmental sustainability of development. This measure would involve a very small charge, equal to 1 million Euro.

1.2.3 Disarming the economy: the proposals in detail

a) ABOLITION OF THE SPECIAL FUND FOR MILITARY MISSIONS ABROAD

The 2006 Finance Law provided a special reserve fund of 1 billion Euro for the costs of military missions abroad (of which 600 for the mission in Iraq). These funds are not part of the official count of funds allocated to Defence. We propose the total abolition of the fund and, in any case, of funds that will be entered under other budget heading for this purpose.

b) REDUCTION OF MILITARY EXPENDITURE

We propose a reduction of 4 bill. on the whole Defence budget (little more than 20%), cutting the budget entries relative to the building/modernisation of arms systems and those relative to professionalising the Armed Forces. This objective can be reached by cutting the Armed Forces from the planned level of 190,000 to 120,000 professional soldiers, a more than sufficient number for the tasks provided for constitutionally and strictly peace-keeping commitments under the aegis of the United Nations.

c) TAX ON THE ARMS TRADE AND GUN LICENCES

Italy continues to be among the leading arms exporters in the world, as the banks continue their activity of financing this funereal sector of the economy. The twisting of Law 185/90 has made controlling these operations even more difficult. The proposal, therefore, is to discourage these operations by increasing taxation on the turnover of the whole arms export industry by 4%. The revenues that would result for the public coffers would be approximately 63 million Euro. This measure could be backed by an increase in the rate for gun licences: it can be hypothesised that an increase for hunting guns to 200 Euro (against the current 168) would bring in 160 million Euro in increased revenue (800 thousand licences), while the increased revenue deriving from an increase (which we propose anyway) of 150m Euro for licences for arms for personal defence (42 thousand licences) would be marginal: 6 million Euro.

d) ABOLITION OF THE REVERSAL OF THE 8x1000 FOR MILITARY MISSIONS

Each year about 80% (80 million Euro) of the 8x1000 fund [optional minimum income tax allocation to a “charity” of choice] is reversed to finance Italian military missions abroad. This is a de facto infringement of Law 222 of 1985 relative to the allocation of 8x1000 funds. It is proposed to abolish the regulation of the 2002 Finance Law that permitted this operation, assigning these funds – as provided for by the law – to the “fight against famine in the world” and to international cooperation activities.

e) RECONVERSION AND LAW 185

Support is proposed for reconverting the national warfare industry, with financing of at least 200 million Euro for a special fund and restoration of the arms trade control regulations as specified by Law 185 of 1990 and the one on dual use technologies – n° 222 of 1992.

f) INCREASE AND REFORM OF PUBLIC AID TO DEVELOPMENT

Italian cooperation has been in a state of extreme crisis for some time. The 2006 Finance Law reduced the funds even further. We are in last place among the OECD countries as regards the cooperation:GDP expenditure ratio. We are also far away from the objectives set by the FEPD 2002-2006 that set the objective of 0.33% for the coming year. The proposal is for an increase of 570 million Euro for cooperation with development, attainment of the Millennium Goals and the interventions specified by Law 49 of 1987.

g) APPLICATION OF THE LAW OF 2000 ON DEBT CANCELLATION

To date Italy has cancelled 2.5 billion Euro out of the 6 billion established by debt Law n° 209/2002. Out of a total of 80 developing countries Italy has cancelled the debt of 38 HIPC countries (Highly Indebted Poor Countries). The text of the law is unequivocal. The legislator intended to cancel the debts of not only the HIPC countries but of all 80 developing countries involved. Cancellation of the debt does not imply the allocation of new resources, but only a cancellation, of accounting type, of the matured credits. Law 209/2000 on debt cancellation should therefore be applied immediately, to back up the commitments taken.

h) AVIATION FUEL TAX

Considering the heavy pollution of the upper layers of the atmosphere caused by air traffic, one can think of an all-in tax of 1 Euro per corridor, to be paid along with airport taxes, which could bring in 100 million Euro a year to be allocated to cooperation for development or the Global Fund for AIDS.

i) CONSTITUTION OF CIVILIAN PEACE CORPS

There have been numerous conflicts and wars in these years. A non-governmental civilian presence is increasingly important in contributing to rebuilding a space for reconciliation and dialogue as well as – sometimes – intervening between the warring parties. A sum of 5 million Euro should be allocated for the training and support of the experiences of small peace corps – institutionally anchored to the European Voluntary Service community programme – able to summon up to 300 peace volunteers who can be used in conflict areas.

j) CIVIC NATIONAL SERVICE

Civic national service is having a great success. Thousands of young people want to have this experience: estimates speak of over 35,000 young people. There was a risk of lack of money in 2005, at least 50-60 million. So 7-8000 young people ran the risk of staying at home. An allocation of at least 270 millions for civic national service was proposed for 2006 so that all young people had the guarantee of carrying out the service.

1.2.4 Alternative economy: the proposals in detail

a) SUPPORT FOR PERSONAL ENTERPRISE

After the positive experience of some provisions aimed at promoting personal enterprise in areas of heavy social marginalisation, this involves supporting the creation of small enterprises and work in run-down urban areas and Southern Italy. The proposal is to allocate 500 million for a programme of social and economic animation that leads to the provision of facilitated incentives, credits and financing. The expected impact, based on available data, could be of over 5000 small businesses and approximately 25,000 jobs connected with the local economy.

b) SUPPORT FOR RESEARCH, UNIVERSITIES AND INNOVATION

The depressing state of research and innovation in Italy (the resources allocated put it on the lowest steps of the European ranking) and the crisis in the university system are currently a heavy handicap for development policies and for the renewal of an economic policy that must be capable of fighting the country's economic and social decline. Research and the universities can be the flywheel for the pick-up of the development of quality in our country. Only the public sector has the means and resources for making strategic investments in this sector. This is why an allocation of at least 1 billion Euro is proposed for taking on 2000 temporary research workers in the Universities and the research institutes such as the National Research Council.

c) INCENTIVES FOR OPEN SOURCE AND COPYLEFT

The spread of Linux and Open Source systems in general is gathering importance at world level because it offers numerous advantages of inexpensiveness, safety and freedom of information. Following examples that range from Brazil to Rome Municipality, we propose a programme for spreading free software in the public administration by holding training courses. At the same time, to favour freedom in spreading culture and knowledge a fund should be created for copyleft distribution of cultural products. The funds for promoting these initiatives can come from the re-introduction of the tax on patents (40 million): useless – it is not a few hundred Euro per patent that condition investments into research – as well as harmful because the patents office would be submerged by patents without any foundation or credibility.

d) SUPPORT FOR NON-PROFIT PUBLISHING

In Italy there are 6000 magazines from non-profit organisations that have no commercial intention and carry out work of information and social communication. These magazines pay VAT at 4% like magazines and means of communication of a commercial nature. The proposal is to remove the VAT to free these magazines from being burdened by a useless cost without any “ratio” with respect to the mission of these activities. Cost to the Treasury: approximately 10 million Euro.

e) EQUITABLE AND JOINT VAT REDUCTION ON COFFEE

Equitable commerce has had a significant development over the last few years: new equitable and joint commerce shops have been started, the products have also been distributed through mass distribution channels and this has allowed thousand of workers in the Southern Hemisphere to benefit. Only a very small sum – 500,000 Euro – would be needed to finance equitable and joint commerce products by reducing VAT from 20 to 10%, starting with coffee in particular for all those importers who accept the price fixed by the *International Coffee Register*.

f) TAX REDUCTIONS FOR JOINT PURCHASES

Dozens of GAS (Gruppi di Acquisto Solidale – Joint Purchase Groups) are being founded in these months that activate experiences for provisioning and distribution of primary consumer goods. These experiences have the merit of fostering a responsible and ethical approach to consumption, controlling prices and fighting poverty and social hardship with a communal joint approach. The proposal – with an allocation of only 500,000 Euro – is to support the creation of these Groups by removing VAT on supply of services to third parties and to obtain state subsidies for covering the VAT on purchases of trucks for distribution and financing of up to 25% of rental costs for the warehouses used.

g) INCENTIVES FOR THE CREATION OF JOINT ECONOMY DISTRICTS

The Joint Economy Districts (Distretti di Economia Solidale – DES) represent an important new tool for putting experiences and parties from the “other economy” active in the same territory into the network. These can represent the flywheel for the development of a different, joint economy that relates to objectives and strategies of local development. This means creating partnerships and encouraging synergies that convert into the multiplication of new companies and people in the field of joint economy. We wish to support a pilot programme with financing of 5 million Euro – through financing linked to access to structures and services – for the creation or development of at least 100 Joint Economy Districts in at least 10 Italian regions.

h) SUPPORT FOR ETHICAL FINANCE

An incentive should be provided for those ethical finance parties who perform the social and environmental investigation of economic projects. This could translate into these expenses being tax deductible. The amount that would weigh on the budget would be around 2.5 million Euro. Coverage could come from cancellation of the funds (5 million) intended for that electioneering and patronising invention of the Banca del Sud.

i) ECO-CERTIFIED TIMBER COMPANIES

Eco-certification in the environmental field is a fundamental tool for directing the production world towards virtuous behaviour that encourages less unsustainable consumption of natural resources. Our country is the second largest European timber importer and the leading exporter of furniture in the world. It is therefore proposed to introduce a tax benefit, under the form of a tax discount in favour of companies in the timber and paper sector who use eco-certified raw material or that coming from refuse reclamation provided with adequate and internationally recognised certification issued by third party bodies. The cost of this measure is estimated at 25 million Euro.

j) PROMOTION OF FAIR TRADE AND SOCIAL PUBLIC PROCUREMENT

Support for equitable and joint commerce by the institutions is of crucial importance, from both the quantitative and the conceptual point of view. Indeed, together with the products, the “ethos” of equitable commerce is promoted by the involvement of the institutions. This means encouraging the inclusion of Fair Trade products in public contracts (municipalities, hospitals, schools, etc.) going beyond the voluntary choice of the body, as currently happens. The reference model is what happened in the 2000 Finance Law in relation to biological products (art. 59 “development of biological and quality agriculture”, Law 488/99).

k) SUPPORT FOR GROUP AND SELF-MANAGED SAVING

Given the creditability and authority crisis of the banking and financial system that – also due to the money-grubbing non-transparent mazes with the entrepreneurial world – has caused very heavy losses to thousands of savers, it is proposed to set up a fund of 25 million Euro for supporting the activation and animation of 50 experiences of loans and other company forms of self-managed saving, located in areas and territories affected by marginalisation and social hardship to favour

group savings management processes and micro-credit programmes (this year is United Nations Micro-credit Year) aimed at local and social development.

l) PROGRAM FOR “SMALL WORKS” IN THE SOUTH OF ITALY

Faced with Pharaonic programmes of “major works” that produce large public expenditure, few social benefits and environmental damage to the territory (and business for a few companies), we propose, instead, a programme of “small works” for the South of Italy that regard integrated interventions – social, economic, town planning, environmental – that can go from repair of the local water mains to urban recovery of small centres to environmental reclamation of coasts and mountain areas. Obviously tourist ports and other invasive and environmentally distorting interventions are not included among the “small works”. It is proposed to set up a fund of 500 million, to be financed by the allocations provided for strategic infrastructures.

m) DISTRICT CONTRACTS

This is a programme linked to a Law of 1998 (431), then reinforced in 2002, for the social, economic, environmental and urban rehabilitation of peripheral or degraded urban areas of large cities. These are methods of development and intervention with local participation and integration (social, economic, town planning, environmental) that have had a good outcome in most cases, with a positive impact on local economic dynamics as well. It is proposed to reinforce the fund with an additional allocation of 500 million.

Table 2.3 The Sbilanciamoci! proposals for the 2006 Finance Law

<i>in millions of Euro</i>	Income (Expenditure lower)	Expenditure (Income lower)
1. THE FISCAL LEVER		
ABOLISHING FISCAL REFORM MODULE TWO	6000	
RESTORING DEATH DUTIES	1200	
READAPTING TAXATION ON FINANCIAL INCOME	2500	
MINIMUM TAX ON INSUFFICIENT AND DUMMY COMPANIES	2500	
TAXING ADVERTISING	450	
TAXING TELEVISION RIGHTS FOR SPORT/ENTERTAINMENT	31	
INCREASED RATES ON TOBACCO AND SPIRITS	970	

2. DEFENDING WELFARE

INCREASE OF THE FUND FOR SOCIAL POLICIES BY A CAPITATION RATE of which:		6380
<i>SPECIAL NATIONAL PLAN FOR A MINIMUM PLACEMENT INCOME</i>		3654
<i>SPECIAL PLAN FOR BUILDING 3000 CRÈCHES</i>		1000
SPECIAL INTERVENTION FOR THE RIGHT TO A HOME		800
MULTIYEAR INVESTMENT PLAN FOR SCHOOL BUILDINGS		1000
CLOSING OF THE CPTs, ASSIGNMENT OF THE FUNDS SAVED TO INTEGRATION AND CITIZENSHIP POLICIES FOR IMMIGRANTS	111	385
LABOUR RIGHTS AND FLEXICURITY		200
SUPPORT FOR THE CREATION OF RECEPTION STRUCTURES AS ALTERNATIVES TO PRISON DETENTION AND HEALTH		150
INSTITUTION OF A NATIONAL FUND FOR THE RIGHT TO STUDY		700
ABOLITION OF FUNDS FOR PRIVATE SCHOOLS AND THE SCHOOL VOUCHER	650	
INTEGRATION OF THE NATIONAL HEALTH FUND AND NEW STRUCTURES		2295
ABOLITION OF TAX INCENTIVES DIRECTED TO PRIVATE SOCIAL SECURITY AND COMPENSATION TO COMPANIES FOR LOSS OF THE TFR (SEVERANCE TREATMENT)	1562	
SPORT FOR ALL		10

3. THE ENVIRONMENT FOR SUSTAINABLE DEVELOPMENT

ENERGY SAVING AND DEVELOPMENT OF RENEWABLE SOURCES	<i>Balanced out</i>	
REINTRODUCTION OF THE CARBON TAX	1200	
PROMOTION OF PHOTOVOLTAIC SYSTEMS		110
PROMOTION OF SUSTAINABLE AND EFFICIENT FORMS OF MOBILITY, ENCOURAGING RAIL TRANSPORT AND CLEAN TECHNOLOGIES		380
TAX ON SPORTS UTILITY VEHICLES (SUV)	250	
ALLOCATION OF ADEQUATE FUNDS FOR APPLYING THE KYOTO PROTOCOL		500
INCREASE IN THE FUND FOR PROTECTED AREAS		40
INCREASE IN FUNDS FOR DEFENCE OF THE SOIL AND RECLAMATION OF POLLUTED SITES		100
NATIONAL FIGHTING FUND AGAINST HOUSING ABUSES AND ECO-MAFIAS		100
CANCELLATION OF THE 2006 FINANCING FOR STRATEGIC INFRASTRUCTURES	239	
PACKAGING, TIN AND GLASS		30

ADAPTATION OF MINERAL WATER RENTALS	7	
TAX ON THE MANUFACTURE OF PLASTIC BAGS	400	
ENVIRONMENTAL ACCOUNTING		1

4. DISARMING THE ECONOMY

	Income	Expenditure
ABOLITION OF THE FUND FOR MILITARY MISSIONS ABROAD	1000	
REDUCTION OF MILITARY EXPENDITURE	4000	
ARMS TRADE AND GUN LICENCES	229	
ABOLITION OF THE 8X1000 REVERSAL ON MILITARY EXPENDITURE	80	
RECONVERSION FOR WAR		200
RAISING PUBLIC AID TO DEVELOPMENT TO 0.24% OF GDP		606
TAX ON AVIATION FUELS	100	
CIVILIAN PEACE CORPS		5
CIVIC NATIONAL SERVICE		58

5. THE COMPANY OF A DIFFERENT ECONOMY

SUPPORT FOR PERSONAL ENTERPRISE		500
SUPPORT FOR RESEARCH, UNIVERSITIES AND INNOVATION		1000
RE-INTRODUCTION OF THE TAX ON PATENTS	40	
SUPPORT FOR <i>COPYLEFT</i> AND <i>OPEN SOURCE</i>		40
SUPPORT FOR NON-PROFIT PUBLISHING		10
VAT REDUCTION ON EQUITABLE AND JOINT COMMERCE COFFEE		0.5
TAX REDUCTIONS FOR MEANS, STRUCTURES AND SERVICES FOR JOINT PURCHASES		0.5
INCENTIVES FOR THE CREATION OF JOINT ECONOMY DISTRICTS (DES)		5
INCENTIVES FOR ECO-CERTIFIED TIMBER PRODUCTION		25
SUPPORT FOR ETHICAL FINANCE		2.5
SUPPORT FOR ACTIVATION OF SELF-MANAGED AND GROUP SAVING		25
CANCELLATION OF THE FINANCIAL MEASURE ON THE BANCA DEL SUD	5	
“SMALL WORKS” PROGRAMME IN THE SOUTH OF ITALY		500
DISTRICT CONTRACTS PROGRAMME		500
ABOLITION OF THE COMPANY SOCIAL RESPONSIBILITY FOUNDATION	3	

MANIPULATION TOTAL	23524	16658.5
Balance to correct the deficit		6865.5