

COUNTRY PROFILE

Republic of San Marino



as of April 2017

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HISTORICAL BACKGROUND

The territory of the Republic of San Marino was frequented and inhabited since remote times, as testified to by the discovery of several archaeological remains dating back from the Eneolithic Age (third millennium B.C.) onwards. Important traces of human presence have been found for the Bronze and Iron Ages, as well as for the Villanovan, Roman and Goths' Ages. With regard to the latter, the remains found include some furnishings and objects of very refined jewellery dating back to the 5th and 6th centuries A.D. On Mount Titano, where the San Marino community first settled, the remains of an important cultural site have also been found. In this place, which started to be frequented in the 5th century B.C., a divinity was worshipped, which was thought to have thaumaturgic powers.

The community, from which the State of San Marino subsequently originated, consolidated during the late **Middle Ages**, probably around a monastery, which had been built on Mount Titano already in the 6th century B.C. The legendary origin of the San Marino society is instead connected with the arrival on Mount Titano of a Saint Man, Marino, coming from the island of Rab, Dalmatia. In 257 A.D., Marino arrived in Rimini to work as a stonecutter and subsequently he decided to move to Mount Titano to live as a hermit. Marino lived here, surrounded by people attracted by his charisma, until his death in 301 A.D. He received Mount Titano as a gift from the legitimate owner, in favour of whom he had performed a miracle and subsequently he bequeathed it to those who had lived around him. Hence the mythical foundation of the Republic, which, still today, coincides with Saint Marino's death year.

In fact, the territory, on which the San Marino society subsequently consolidated, was under the political control of the Pope and of the Bishop of Montefeltro. Only starting from the late 13th century, during the **Age of the Commune**, San Marino citizens started to slowly free themselves from this dominion, by developing their own statutes, judiciary and political bodies able to autonomously manage the community. In this regard, San Marino citizens could count on the help of the Montefeltros, Lords of Urbino, who were at war with the Malatestas, Lords of Rimini, and with the Pope. Indeed, the Montefeltros considered San Marino as a powerful outpost and an important ally, therefore they favoured its territorial development, military strengthening and desire for autonomy.

In 1300s, San Marino continued to slowly free itself from the Bishop's political powers and to increase its territory, which reached today's dimensions (61 square kilometres) in 1463. Indeed, in this year, San Marino received some villages and Castles as a reward for having contributed to the defeat of the army of Sigismondo Malatesta, who, at that time, was at war with the Pope.

In early **1500's**, San Marino was invaded and occupied for some time by Cesare Borgia, who was trying to create its own personal dominion in central Italy with the help of his father, Pope Alessandro VI. In mid 1500s, San Marino was subject to other two invasion attempts, always favoured by Rome, which did not tolerate the presence of an enclave within its territory. However, these attempts were unsuccessful and had no relevant consequences.

During the **early 1600s**, the Duchy of Urbino became part of the Papal State. However, San Marino, thanks to its diplomatic ability, managed to remain independent, although it had to accept the "protection" of Rome, which actually consisted in a steady control over its freedom of action and autonomy. Indeed, the Papal State considered the freedom of San Marino as something partial resulting from its exclusive concessions. In 1739, in the light of this, the Papal State tried to put an end to this situation by occupying the small State through **Cardinal Giulio Alberoni**. However, after some months, the Pope understood that the majority of San Marino citizens did not admit the fact of losing their own freedom and that this occupation had created some discontent in various European Courts. Therefore, on 5 February 1740, it decided to give back to San Marino its ancient independence, although it remained subject to "protection" and supervision as in the past.

Tensions between Rome and San Marino continued until the end of the Papal State. However, in the late 1700s, the Republic had to face another danger: the arrival of the Napoleonic troops at its borders. Fortunately, **Napoleon** preferred to respect this small State and also offered San Marino some economic concessions, certainly for propagandistic purposes and because it was a political entity with a republican government.

When, during the **Congress of Vienna**, the European nations decided to restore the pre-Napoleonic political situation, San Marino had no problem in this sense since it had not benefited from any specific advantage during the period of the French dominion. However, in the following years, during the Risorgimento, San Marino had to face some problems again since the Revolutionaries used its territory as a shelter to hide, thus creating great concern in Rome. Moreover, on 31 July 1849, the Republic was surrounded by the Austrian and Papal armies since San Marino had given shelter to **Garibaldi**, who was escaping with its army of about 2,000 people after the fall of the Roman Republic. Negotiations were immediately started to solve this delicate issue, but Garibaldi decided to flee at night from San Marino with a few very faithful soldiers.

After these events, the situation remained troublesome because San Marino continued to be accused of giving shelter to rebels. This debate continued for a long time and was also characterised by disputes and concerns with regard to the preservation of San Marino independence. Finally, in 1854, the local authorities managed to establish diplomatic relations with Napoleon III, the newly-elected French Emperor, who wanted to follow in his more famous predecessor's footsteps.

He was an important guarantee for the protection of San Marino independence also some years later, when Italy was united under Vittorio Emanuele II. However, the latter never expressed the intention to annex San Marino, although he requested the signing of a Convention of good neighbourhood aimed at offering "protection" to the Republic in exchange for guarantees against smuggling and other problems which could have arisen. This **treaty, signed in 1862**, was important mainly because, for the first time, the Republic of San Marino was recognised as a sovereign State.

The last decades of 1800's were quiet and more prosperous than the past years and this allowed San Marino citizens to improve their road system and to build important infrastructures, such as the new Government Building inaugurated in 1894. At the end of the century, some internal tensions, due to a period of economic and political crisis affecting the country, led to the meeting of the **Arengo in 1906**. This assembly of all heads of family, which met again after several centuries, decided through a referendum to elect the San Marino Parliament, as opposed to the previous renewal through co-optation.

Subsequently, San Marino participated in all Italian historical and social events, for better or for worse. It witnessed the development of political parties and of the violent discussions between Catholics and laics, which characterised the first decades of **1900s**; it was affected by the rationings and problems connected with World War I; it went through two decades of Fascist regime; it suffered from the terrible consequences of World War II. During the latter, San Marino was bombed by the allies and several people died, despite the neutrality explicitly declared by the Republic in respect for its long-lasting tradition of peace, which has always characterised San Marino since the Middle Ages. In the 60s, the economic boom benefitted the country, which managed to create a significant industrial system and became an important tourist destination, attracting millions of visitors all over the year.

During the first half of the 20th century, San Marino was still mainly based on agriculture, with a little more than 10,000 inhabitants. This figure had been reached only during the preceding century since at the end of 1700s the entire territory was inhabited by a maximum of 3,500 people. However, starting from the 60s, San Marino profile radically changed on account of the extremely rapid increase in the

population, now amounting to about 32,000 inhabitants, and because of the development of connections, both internally and with the surrounding areas, as well as of commerce, industry and services.

GENERAL INFORMATION

Official name:	Republic of San Marino
Surface:	61.16 km ²
Capital:	San Marino (4,063 inhabitants as of December 2016)
Municipalities:	The Republic of San Marino is divided up into nine Castles; the most populous one is Serravalle/Dogana (10,851 inhabitants as of December 2016)
Form of Government:	Parliamentary Republic
Heads of State:	Captains Regent H.E. Mimma Zavoli - H.E. Vanessa D'Ambrosio (1 April 2017 - 1 October 2017)
Legislative body:	Great and General Council (60 Parliamentarians)
Executive body:	Congresses of State (7 members)
Law:	<i>Ius commune</i>
Suffrage:	Universal

COAT OF ARMS



The official coat of arms of the Republic is surmounted by a closed crown, symbol of the sovereignty. Three green mountains are represented in the light-blue shield. On each mountain rises a silver embattled tower with windows and outlined in black, and a silver ostrich feather is over each of them. A green laurel branch on the left and a green oak branch on the right, with golden fruits, protect the shield's sides and intersect under its point. These branches are wrapped together by a silver band on which LIBERTAS is written in black capital letters.

Constitutional Law no. 1 of 22 July 2011 has supplemented Law no 59 of 8 July 1974 with technical and graphical details on the San Marino coat of arms and flag. Moreover, Law no. 190 of 5 December 2011 provides for the protection and use of the official coat of arms of the Republic and of other public coat of arms, signs and emblems, through which San Marino reiterates its sovereignty and independence within the international community.

FLAG



The present flag of San Marino was adopted on 6 April 1862 and is formed by two horizontal bands having the same dimensions: the upper one is white standing for peace and the lower one is light blue standing for liberty. In the middle of the flag there is the official coat of arms of the Republic.

RELIGIOUS AND NATIONAL HOLIDAYS 2017

1 January	New Year's Day
6 January	Epiphany
5 February	Commemoration of the liberation from Cardinal Alberoni's occupation (1740) and Saint Agatha's Day, Co-patron Saint of San Marino
25 March	Anniversary of the 1906 Arengo and commemoration of the Militia
1 April	Investiture of the Captains Regent (Heads of State)
16 April	Easter
17 April	Easter Monday
1 May	Labour Day
15 June	Corpus Domini
28 July	Anniversary of the Fall of Fascism and Day of Freedom
15 August	Assumption of the Virgin
3 September	San Marino National Holiday and Foundation of the Republic (301 A.D.)
1 October	Investiture of the Captains Regent (Heads of State)
1 November	All Saints Day
2 November	All Souls' Day
8 December	Immaculate Conception
25 December	Christmas
26 December	Boxing Day
31 December	New Year's Eve

MILITARY AND POLICE CORPS

Although it a neutral State with a universally recognised vocation to peace, the Republic of San Marino has voluntary Uniformed Military Corps representing the sovereignty of the State. Therefore, there is no compulsory military service but all citizens aged 16 to 55 may be recruited, in special circumstances, to defend the State. These traditional military institutions, which have ancient origins, represent a sort of “small peace army” and testify to the affection felt by San Marino citizens for their country and traditions.

Voluntary Military Corps are the following:

- the **Uniformed Militia**, which participates in official ceremonies and cooperates with the maintenance of public order on special occasions; the Military Band is also part of this Corps;
- the **Guard of the Great and General Council**, called Noble Guard in ancient times, is a special corps entrusted with the task of defending the Captains Regent and the Great and General Council; it participates in official ceremonies and cooperates with the maintenance of public order on special occasions, mainly of an institutional nature; it performs guard duties during parliamentary sittings;
- the **Fortress Guard-Artillery Unit**, which is equipped with cannons to fire salvoes, according to an ancient military protocol, during official ceremonies and institutional events.

There are also three Police Corps:

- the **Gendarmerie**, established to prevent and repress crimes, maintain public order, protect citizens and their property, monitor the observance of the State laws and offer assistance in case of calamities (it is a military corps);
- the **Uniformed Fortress Guard**, entrusted with the task of monitoring the observance of the laws and patrolling the State borders, the Government Building and the institutional seats; it also cooperates in the prevention and repression of crimes, maintenance of public order and security and monitoring of compliance with customs regulations, as well as with monetary and financial laws, and it offers assistance in case of calamities and accidents (it is a military corps);
- the **Civil Police** is entrusted with the task of supervising the citizens’ freedom and rights, public order and security, as well as the observance of laws, preventing and repressing crimes and offering assistance in case of calamities and accidents; it also performs some specific functions concerning taxes, hygiene and social security, civil protection and fire fighting, protection of employees and of the environment, control, protection and prevention in the fields of commerce, tourism, food and road traffic, verification of personal/demographic data (it is not a military corps but it is equipped with arms);
- the **National Central Bureau of Interpol** is entrusted with the task of favouring cooperation between San Marino Police Forces and those of the other member countries;
- the **Police Department** is responsible for coordinating San Marino law enforcement agencies.

SAN MARINO: UNESCO WORLD HERITAGE

The outstanding value of the historical and institutional heritage of the Republic of San Marino was recognised on **7 July 2008** with the inclusion of Mount Titano and the Historic Centre of San Marino in the prestigious list of the UNESCO World Heritage sites.

According to the Statement of Outstanding Universal Value adopted by UNESCO: “San Marino is one of the world’s oldest Republics and the only surviving city-state, representing an important stage in the development of democratic models in Europe and worldwide. The tangible expressions of the continuity of its long-lasting existence as the capital of the Republic, its unchanged geo-political context and its juridical and institutional functions are testified to by its strategic position on top of Mount Titano, its historic urban structure, its urban spaces and its numerous public monuments. San Marino iconic status is widely recognised as symbol of a free city-state, illustrated in the political debate, literature and arts throughout the centuries... San Marino and Mount Titano are an exceptional testimony of the establishment of a representative democracy based on civic autonomy and self-governance, with a unique uninterrupted continuity as the capital of an independent Republic since the 13th century. San Marino is an exceptional testimony to a living cultural tradition that has persisted over the last seven hundred years...”.

POPULATION AND SOCIAL INDICATORS

Resident population	33.196 (as of December 2016)
Growth rate	0.59% (December 2016 compared to December 2015)
Birth rate	7.92% (2016; per 1000 inhabitants)
Mortality rate	7.65 (2016; per 1000 inhabitants)
Old age rate	131.99 (2016; per 1000 inhabitants)
Life expectancy	Males: 82.37 years (2016) - Females: 86,94 years (2016)
Literacy rate	Graduations: 2,578 + 1,093 university diplomas (as of December 2016 out of 33,196 residents) Diplomas: 6,806 + 2,873 professional diplomas (as of December 2016 out of 33,196 residents)
Unemployment rate	6.82% (unemployment in the strict sense - December 2016)
Main ethnic groups	Sammarinese, Italian
Religion	Roman Catholic
Language	Italian
Parties, political movements, electoral results	<p>Allocation of seats to parties based on the results of the general elections held on 20 November 2016 and second round of voting on 4 December:</p> <p><i>Repubblica Futura</i> (Future Republic), 11 seats <i>Civico10</i> (Civic 10), 10 seats <i>Sinistra Socialista Democratica</i> (Democratic Socialist Left), 14 seats <i>Partito dei Socialisti e dei Democratici</i> (Party of Socialists and Democrats), 3 seats <i>Partito Democratico Cristiano Sammarinese</i> (San Marino Christian Democratic Party) 10 seats, <i>Partito Socialista</i> (Socialist Party), 3 seats <i>Movimento Civico R.E.T.E.</i> (Civic Movement R.E.T.E.), 8 seats <i>Movimento Democratico San Marino Insieme</i> (Democratic Movement San Marino Together), 1 seat</p> <p>No seat assigned to <i>Lista delle Persone Libere</i> (List of Free People), <i>Rinascita Democratica Sammarinese</i> (San Marino Democratic Rebirth) and <i>Sammarinesi</i> (San Marino People)</p>

ELECTORAL SYSTEM

In the Republic of San Marino, elections are conducted on the basis of proportional representation under a single constituency. The proportional system is considered as the most suitable to implement the **principle of “representation”** since it enables to translate the different votes expressed by electors directly into parliamentary seats. Through this method, each list is indeed assigned a number of seats proportionally corresponding to the votes obtained by the list itself. The electorate constitutes a **“single constituency”**, therefore the composition of the entire Great and General Council (Parliament) results from the total amount of the votes cast in any polling stations.

The **electoral reform of 2007-2008** has introduced some corrections into the pure proportional system, following an institutional and political debate, which has lasted for some years. Such corrections, representing the main new element of our electoral system, have been envisaged with a view to enhancing the citizens' will, making political forces aware of their responsibilities vis-à-vis electors, countering the fragmentation of parties, guaranteeing Government stability, favouring the presence of women within the Great and General Council, combating vote-buying and preventing the voter from being recognised.

Among the main new elements is the one requiring political forces to preventively declare their government alliances and programme. With a view to supporting stable government majorities, the law favours the creation of coalitions among the lists, although the single lists can also choose to run for elections alone. Single lists and coalitions undertake to draft a Government Programme, to be published before the elections. This is not a different electoral programme for each list as in the past, on the contrary it is a sort of contract between political forces and electors with precise commitments for the legislature. Also a **“stability” prize** is envisaged – consisting in the assignment of additional seats to the winning list or coalition – aimed at guaranteeing stability with long-lasting Governments during the legislature. Moreover, with a view to keeping the promises made to electors before the voting, it is prohibited, in case of government crisis, to create new majorities with the participation of political forces other than those winning the elections. However, it is possible to increase the number of majority parties with the consent of all political forces of the coalition that has won the elections. The fragmentation of the political forces is discouraged through a **“block”** (minimum number of votes to be obtained to sit in the Council). This minimum threshold varies according to the number of lists running for elections and ranges between 0.40% and 3.5%.

The objective of the 2007 and 2008 reforms was to match the fundamental principles of the former electoral discipline with the new needs that the San Marino political and institutional context has developed over the years as a consequence of its natural evolution. The following new elements have been introduced: “female quotas” in the lists of candidates, the income tax return of candidates, further incompatibilities for elected people, the creation of electoral offices, criminal penalties for those violating the freedom to vote. Any Parliamentarians having one of these incompatibilities (see paragraph on the Great and General Council) must opt for the parliamentary mandate and eliminate the causes of incompatibility within the following 3 months, otherwise they can no longer be members of the Great and General Council.

The winning list or coalition is the one that obtains 50% + 1 of the valid votes cast. In case this number is not reached, the winning list or coalition is the one that obtains at least 30 out of 60 seats within the Great and General Council, on the basis of the proportional counting system, which has always been applied (**D'Hondt method**). The winners are favoured through the “stability prize”, which aims at guaranteeing that the Government coalition has at least 35 seats within the Great and General Council. Therefore, if the winning list or coalition does not obtain at least 35 seats, it is assigned the remaining seats so that it can reach 35. These additional seats are to be subtracted from the lists that have obtained the lowest percentages of votes and that are not part of the winning list/coalition. If at the first voting round no coalition or list obtains neither the majority of 50% + 1 of the votes cast nor 30 seats out of 60 within the Great and General Council, a

second ballot is conducted between the two coalitions/lists that have obtained the highest percentage of votes during the first round. The second ballot is only aimed at establishing which of the two competing coalitions/lists wins the elections and receives the “stability prize”, since the proportional allocation of seats within the Great and General Council and the identification of people elected depend on the results of the first voting round. Therefore, in the second ballot, voters do not express a preference but they only vote for one of the two competing lists/coalitions by using specific ballot papers. The coalition that wins the elections is required to remain united throughout the legislature.

INSTITUTIONS

The Republic of San Marino has not a real written Constitutional Charter but its normative references are the Statues, *ius commune* and customary law. Moreover, in 1974, San Marino adopted a law having a constitutional value: **Law no. 59 of 1974 “Declaration on the Citizens’ Rights and Fundamental Principles of San Marino Constitutional Order”**, amended and integrated with Laws no. 95 of 19 September 2000, no. 36 of 26 February 2002 and no. 61 of 28 April 2005. These texts reaffirm the tradition of liberty and democracy of the Republic and define the functions and competences of institutional bodies, besides reiterating the decisions and basic principles that the San Marino State has always adopted with regard to civil and political freedoms, as well as to the protection of human rights.

Therefore, the San Marino institutional system has developed throughout the centuries, starting from the Age of the Commune, and various institutions of this Age still survive today. The main institutional bodies of San Marino are the *Captains Regent*, the *Great and General Council*, the *Congress of State* (Government), the *Council of the Twelve* and the *Guarantors’ Panel on the Constitutionality of Rules*.

CAPTAINS REGENT

The origins of the institution of the Captains Regent date back to 1200, when the existence of two “Consules” is demonstrated. In 1295, they were assigned the title of Captain and Defender and in 1317 they became Captain and Rector, hence the name of “Captain Regent”.

According to Article 3 of the “Declaration on the Citizens’ Rights and Fundamental Principles of San Marino Constitutional Order”, as also provided for in Article 1 of Constitutional Law no. 185/2005, **the Office of Head of State** shall be held **jointly** by two Captains Regent.

The Captains Regent are elected by an absolute majority of the votes cast by Parliamentarians in a secret ballot. In this case, the sitting is valid irrespective of the number of Parliamentarians present (Art.1 of Qualified Law no.186/2005). The couple obtaining the absolute majority of votes is elected.

The requirements to be elected Captain Regent are: to be no less than 25 years of age, not to have held this position in the preceding three years (the so-called “law of prohibition”) and to be a San Marino citizen by origin (that is to say citizenship acquired at birth).

The Captains Regent are elected for a **six-month mandate**: from 1 April to 1 October and from 1 October to 1 April.

Constitutional Law no. 185/2005 has further defined the constitutional functions and duties of the Captains Regent. First of all, they represent the State and are the supreme guarantors of the Republic’ constitutional order (Art.1); as such, they supervise the functioning of public powers and State institutions, as well the compliance of their activities with the principles enshrined in the “Declaration on the Citizens’ Rights and Fundamental Principles of San Marino Constitutional Order” and in the legislation in force (Art.2).

They may send messages to the institutional bodies with a view to guaranteeing respect, both formal and substantial, for the constitutional order and to maintain a correct balance among these bodies. They may also bring attribution conflicts with other constitutional bodies before the Guarantors’ Panel on the Constitutionality of Rules.

One of their tasks is to preside over the Great and General Council (Parliament), without voting right, which they represent in its entirety. They also convene and preside over the Bureau of the Great and General Council. In case of impossibility of one of the two Captains Regent, the Great and General Council and its Bureau may be convened and presided over by the other Captain Regent individually.

The Captains Regent also perform the following tasks:

- dissolve the Great and General Council in the cases provided for by law;
- convene electoral meetings for the renewal of the Great and General Council (political elections);
- coordinate the works of the Congress of State (Government);
- receive referenda proposals, popular legislative initiatives and the *Istanze d’Arengo* (specific popular petitions concerning matters/issues of public interest) and supervise on the correct application of the relevant procedures;
- fix the dates of referenda, as well as of elections of the Heads and members of Township Councils (administrative elections);
- accredit San Marino diplomatic representatives and receive the credential letters of foreign diplomatic representatives;
- convene and preside over the plenary and ordinary sessions of the Judicial Council;
- convene and preside over the Grand Mastership of the Equestrian Order of Saint Agatha;
- confer decorations in conformity with the provisions in force;
- preside over the Conference of the Heads of Township;

- carry out consultations and promote any useful initiative, including the conferral of the exploratory mandate for the Government formation (Art. 3 of Constitutional Law no.185/2005).

The Captains Regent also have the power to promulgate and order the publication of the laws approved by the Great and General Council.

In conformity with Article 5 of Constitutional Law no. 185/2005, the Captains Regent promulgate and order the publication of the decrees falling under their competence and provided for by law, which must be signed also by the Minister of Internal Affairs; they promulgate and order the publication of the decrees adopted by the Congress of State, in conformity with Article 2, paragraph 2, point b) of Constitutional Law no.183/2005 (Constitutional Law on the Congress of State), which must be signed also by the Minister of Internal Affairs. Moreover, they promulgate and order the publication of decrees ratifying international treaties and agreements, following the decision by the Great and General Council, as well as the decrees adopted by the Congress of State in conformity with Article 3 bis, fifth paragraph of the Declaration on the Citizens' Rights, which must be signed also by the Minister of Internal Affairs. Finally, they promulgate and order the publication of the regulations provided for in Article 2, paragraph 2, point h) of Constitutional Law no. 183/2005.

Moreover, the citizens may submit complaints to the Captains Regent concerning the activities carried out by State Bodies and Public Administration Offices, to which the Captains Regent may initiate changes (Article 6 of Constitutional Law no.185/2005).

The Captains Regent cannot be prosecuted in any way during their mandate (Article 7 of Constitutional Law no.185/2005). At the end of their mandate, the Captains Regent are subject to the Regency Syndicate. This judgement, provided for by the Statues (section XIX of the first book), is now entrusted to the Guarantors' Panel on the Constitutionality of Rules, following the revision of the Declaration on the Citizens' Rights. The procedure provides that, within fifteen days after the conclusion of their mandate, every citizen registered in the electoral lists may submit claims against the Captains Regent "for what they have and have not done" during their mandate. The various stages of this procedure are described in Title VI of Qualified Law no.55/2003.

GREAT AND GENERAL COUNCIL (OR COUNCIL OF THE SIXTIES)

The Great and General Council, composed of **60 Parliamentarians**, is the legislative body and is elected every **5 years** by universal suffrage. It can be considered a parliamentary body of a constitutional, **collegial**, representative and **unicameral** nature. According to Article 3, paragraph 7 of the “Declaration on the Citizens’ Rights and Fundamental Principles of San Marino Constitutional Order”, the Great and General Council shall exercise the legislative power, direct and control the Government policy. The internal organisation and the functions of the Great and General Council are disciplined by the Parliamentary Rules of Procedure adopted with Law no. 21 of 11 March 1981, amended by Laws no. 128 of 31 October 1986, no. 47 of 19 May 1994, no. 42 of 21 March 1995 and no. 2 of 12 September 2006. The Electoral Law governs the election, the causes of ineligibility, as well as the incompatibilities of the Parliamentarians. The Parliamentarians are elected by universal and direct suffrage for the duration of the legislature. Their mandate ends with the dissolution of the Council or in case of incompatibilities or disqualification. Besides the requirements to vote, the necessary requirements to be elected are: having attained 21 years of age on the election day, having resided in the Republic, not being a member of the Corps of the Gendarmerie, Civil Police, Uniformed Unit of the Fortress Guard, not being a diplomatic or consular Agent, not performing the functions of Magistrate or *Procuratore del Fisco* (a Prosecuting Magistrate). The Electoral Law also provides for incompatibilities of those elected: first-degree relatives in the direct line, spouses or cohabitants cannot be simultaneously members of the Great and General Council; the office of Head or member of Township Councils is incompatible with the mandate of member of the Great and General Council. Further incompatibilities have been introduced with Qualified Law no. 1/2007 with a view to avoiding that a member of the Great and General Council holds several elected offices. This can happen when a person is simultaneously the legal representative or a member of the management bodies of social, economic and financial organisations or associations. The mandate of member of the Great and General Council has become incompatible also with the following offices: legal representative or elected offices in the management bodies of Trade Unions and in the Executive Board of the CONS (San Marino National Olympic Committee); President of sports federations; President or Secretary General of Professional Associations; elected offices in the management or supervisory bodies of the Central Bank, of Public Bodies and of State Corporations; President of banking foundations; management or legal representative offices within the boards of directors of banking and financial institutions.

According to Article 3, paragraph 7 of the Declaration on the Citizens’ Rights, the Great and General Council shall exercise the legislative power, direct and control the Government policy.

The **legislative power** means, in a few words, the adoption of rules, which are binding on the entire community.

The **direction of the Government policy** mainly consists in determining the objectives of the legislative and administrative activities, with particular reference to the following: the approval of the Government programme and the appointment of the members of the Congress of State; the laws approving the State Budget and Balance Sheet; the laws ratifying international treaties; the provisions concerning the appointment of the State’s highest offices.

Decisions are considered an instrument to direct and control the Government policy since the Government or any other competent body politically undertakes to implement the measures approved through the Decisions, taking into account the financial resources of the State. Also the approval of the *Istanze d’Arengo* (specific popular petitions concerning matters/issues of public interest) can be considered a way to direct the Government policy since, in this case, the Congress of State undertakes to translate the will expressed by the Great and General Council in this regard into concrete measures. The *Istanze d’Arengo* are submitted by San Marino citizens of age to the Captains Regent, at

noon of the first Sunday following the investiture of the Captains Regent, in the Hall of the Great and General Council. By submitting the *Istanze d'Arengo*, San Marino citizens exercise their right of popular petition. These petitions must concern issues of public interest, be drawn up in a clear way and be signed by the petitioners in a legible manner and with an indication of their domicile. By 30 April and 30 October of each semester, the Captains Regent, having heard the opinion of the Bureau of the Great and General Council, decide whether the *Istanze d'Arengo* are compliant with the requirements provided for by law. Only the petitions deemed to meet such requirements are subsequently examined by the Great and General Council. The Great and General Council is required to discuss the *Istanze d'Arengo* within the six-month mandate of the Captains Regent, to whom the petitions are submitted. A petition rejected by the Great and General Council cannot be submitted again unless 3 semesters have passed.

The exercise of **control functions** by the Great and General Council also includes all activities aimed at controlling the Government policies, in particular questions, interpellations and motions. Constitutional Law no.183/2005 has introduced another instrument enabling the Great and General Council to control the Government: the motion of no confidence, a typical institute of the parliamentary form of government, through which it is possible to verify whether the confidence relationship, necessary between the Parliament and the Government, no longer exists. In particular, in case a motion of no confidence is approved, the Congress of State is required to resign (Article 3 of Constitutional Law no. 183/2005). Also a single Minister, with regard to whom a motion of no confidence is voted and approved, is required to resign. However, the motion of no confidence approved vis-à-vis a single Minister has no consequence on the continuance in office of the entire Government.

The Great and General Council also exercises the **administrative powers** envisaged by the law (such as the disposal of the State property and provisions concerning the acquisition or re-acquisition of the San Marino citizenship). Finally, the Great and General Council has the power to grant an amnesty and pardon (Article 113 of the Criminal Code), as well as the so-called “abbreviated” rehabilitation (Article 119 of the Criminal Code).

Law no. 42 of 21 March 1995 has established five **Permanent Parliamentary Commissions**. The following Qualified Law no. 2 of 12 September 2006 has reduced the number of Commissions to four, appointed by the Great and General Council for the entire legislature. The Permanent Parliamentary Commissions are the following:

- Commission for Constitutional and Institutional Affairs; Public Administration; Internal Affairs, Civil Protection, Relations with the Township Councils; Justice; Education, Culture, Cultural Goods, University and Scientific Research;
- Commission for Foreign Affairs, Emigration and Immigration; Security and Public Order; Information;
- Finance, Budget and Planning; Handicraft, Industry, Commerce; Tourism, Services, Transport and Telecommunications; Labour and Cooperation;
- Hygiene and Health, Social Security; Social Policies, Sport; Territory, Environment and Agriculture.

The number of components, presently 15, may be updated through a Regency Decree with a view to guaranteeing proportionality criteria. The Commissions are appointed for the entire legislature through acknowledgement by the Great and General Council. The Ministers and the Captains Regent, throughout their mandate, cannot be members of the Permanent Parliamentary Commissions. The Captains Regent and the members of the Congress of State may participate in the sittings without voting right. The Commissions are composed of the various

Parliamentary Groups on a proportional basis. Their tasks are complementary to those of the Great and General Council with regard to the examination and approval of draft laws and motions. They perform **four specific functions**. More specifically, they meet:

- a) to examine and approve in first reading the draft laws, which are then submitted to the Great and General Council for the second reading;
- b) to examine and approve the articles contained in the draft laws to be submitted to the Great and General Council exclusively for the final approval;
- c) to express opinions on draft laws or matters assigned to other Commissions;
- d) to examine motions deriving from the transformation of interpellations.

Moreover, the Commissions meet to hear and discuss the communications of the Congress of State, as well as to perform the functions of direction, control and information with regard to the matters falling within their competence. As far as their functioning is concerned, the provisions contained in the Rules of Procedure of the Great and General Council apply to the Permanent Parliamentary Commissions, unless otherwise provided for in Law no. 42/1995.

CONGRESS OF STATE

According to the San Marino constitutional order, the Congress of State (Government) is vested with the **executive power** and - in conformity with Article 3 of the Declaration on the Citizens' Rights - it is politically answerable to the Great and General Council.

In particular, the Congress of State, the sittings of which are convened by the Captains Regent, is entrusted with the following tasks:

- it collegially implements international policies, as well as international treaties and agreements concerning general international policies and matters relevant for the State's security, without prejudice to the functions performed by the Great and General Council;
- it determines the general administrative policies by defining the relevant objectives and general programmes and by issuing the necessary general directives of the Public Administration, without prejudice to its autonomy recognised by law;
- it settles any conflicts among the Ministers concerning their attributions;
- it is entrusted with the legislative initiative by drafting the laws to be submitted to the Great and General Council for their approval;
- it decides on any other matter concerning the implementation of the Government programme, unless otherwise provided for in law provisions.

Moreover, the Congress of State:

- adopts delegated decrees provided for in Article 3 bis, fifth paragraph of the Declaration on the Citizens' Rights;
- in case of need and urgency, adopts decrees having force of law and subject to ratification by the Great and General Council within three months, under penalty of nullity;
- submits to the Great and General Council the annual and pluriannual budget law, as well as the relevant financial statements of the State and of State Corporations, accompanied by the necessary reports;
- prepares and submits to the Great and General Council the Budget Law and the relevant decrees to be adopted in this field;
- controls expenditure plans, as well as the single interventions, with a view to verifying their compliance with the approved budget and with the directives issued;
- orders immediate execution, under its own responsibility, of urgent and unpostponable measures, which are subject to the preventive control in conformity with the provisions in force;
- suspends the adoption of provisions by the competent Ministers in case they refer to political or administrative matters requiring an appropriate collegial decision;
- proposes administrative provisions falling within the competence of the Great and General Council;
- adopts regulations concerning the forms and implementation modalities of laws, as well as the organisation and functioning of public offices in conformity with law provisions.

It is composed of a **number of members** which, as expressly provided for by law, **cannot exceed ten**. The members of the Congress of State are appointed by the Great and General Council by absolute majority from among its members at the beginning of the legislature, when the government programme is approved (that is to say every **5 years**, or following a government crisis leading to the formation of a new

government or in case of anticipated elections). All members of the Congress of State assume the title of “Secretary of State” (corresponding to a Minister).

According to what provided for in a law passed in 1997 - subsequently confirmed with the legislative reform of 2005 - the mandate of Minister shall **not exceed a maximum of ten consecutive years** and the subsequent appointment shall not take place before five years have elapsed from the conclusion of the last mandate.

An important new element has been introduced by the above-mentioned reform, that is to say the possibility to appoint the so-called “**technical ministers**”. This means that the Great and General Council may appoint (by two-thirds majority) also citizens not from among its members, provided that they meet the requirements to be elected and on condition that their number does not exceed one third of the members of the Congress of State.

Another new element has been the replacement, within the Great and General Council, of the Parliamentarian appointed as Minister with the first who has not been elected on the same list, and this throughout the mandate of the member of the Congress of State. In his/her turn, the newly-appointed member of the Congress of State is no longer a member of the Great and General Council throughout his/her mandate.

Each Minister is responsible for some specific sectors of the Public Administration, which, according to the last 2005 legislative amendments, are ten. However, it is possible to identify other specific areas of intervention and activity if this is necessary to achieve the objectives envisaged in the Government programme.

The sectors falling within the competence of the Ministers are indicated when these are appointed by the Great and General Council. In particular, the Minister is assigned a Ministry, for which he/she is politically responsible on an individual basis. At the same time, he/she is vested with collegial responsibility as member of the Government.

GUARANTORS' PANEL ON THE CONSTITUTIONALITY OF RULES

Established with Constitutional Revising Law no. 36 of 26 February 2002 - with particular reference to Article 7 of this Law, which has amended Article 16 of the “Declaration on the Citizens’ Rights and Fundamental Principles of San Marino Constitutional Order” - the Guarantors’ Panel on the Constitutionality of Rules is the “youngest” institutional body of San Marino constitutional order. The above-mentioned Article has therefore assigned a jurisdictional character to constitutionality review, which was previously entrusted to the Great and General Council according to Article 16, second paragraph of the Declaration on the Citizens’ Rights. Throughout the years, this solution had indeed presented several limits. The fact that the legislative body was responsible for the constitutionality review was justified, on the one hand, by the fact that the assessments and judgements involved were of a strictly political nature. However, on the other hand, this did not ensure the protection of individual rights since the Great and General Council was the same body that had approved the rule, which was supposed to be in contrast with the constitutional provisions. The fact that all political forces started to support a system of individual guarantees was at the basis of the decision, in 2002, to transfer this important function to a third body.

Constitutional Law no. 67 of 27 May 2003 governs the responsibilities of this Panel, while Qualified Law no. 55 of 25 April 2003 disciplines its organisation, incompatibilities, operation, appeal forms and procedures and the effects of its decisions. Through its own Rules of Procedure (Rules of Procedure of the Guarantors’ Panel no. 1 of 24 March 2004), adopted according to Article 38 of Qualified Law no. 55 of 25 April 2003, the Panel regulated in detail its own functions and the procedures of appeals brought before this body.

The Panel, **the functions of which are similar to those of a Constitutional Court**, is composed of **three effective members** (one performing the function of President) and **three substitute members**. All members are elected by a two-thirds majority of the Great and General Council’s members from among university professors of legal subjects, magistrates and law graduates with at least twenty years of experience in the field of law. The San Marino citizenship does not preclude a person from being elected.

At least one third of the Panel’s members are renewed every two years following the designation, by drawing lots, of two of its members, one effective and one substitute, from among those having served at least for four years during the first mandate. The drawing of lots takes place within the Bureau in the presence of the members of the Panel themselves.

However, the members of the Panel cannot serve for more than two consecutive mandates. Subsequently, they can be re-elected once four years have elapsed since the end of the last mandate. The substitute members may be elected as effective members and the other way round. In this case, the respective periods are aggregated.

After the first mandate, which **lasts 4 years**, one third of the Panel’s members are renewed every two years. The Guarantors’ Panel appoints its President for a two-year term, on the basis of the rotating principle, from among its effective members.

As already pointed out, the functions of the Guarantors’ Panel are similar to those of a Constitutional Court and, more precisely, it shall:

- verify the conformity of laws, of regulations having force of law, as well as of customary rules having force of law, with the fundamental principles of the Declaration on the Citizens' Rights or mentioned in it, upon direct request of at least twenty members of the Great and General Council, of the Congress of State, of five Township Councils, of a number of citizens making up at least 1.5% of the electorate and, with reference to proceedings pending before the Republic's courts, upon request of judges or the parties involved;
- decide on the acceptability of referenda proposals;
- decide in case of conflicts between constitutional bodies;
- act as "Regency Syndicate".

Moreover, according to Constitutional Law no. 144/2003, the Guarantors' Panel is **responsible for deciding on the abstention and rejection of the Judges** of Extraordinary Remedies and of Judges for Civil Liability Actions (verifying the civil liability of magistrates) (Article 5), as well as for **reviewing the magistrates** (Articles 7 and 8).

COUNCIL OF THE TWELVE

The Council of the Twelve is responsible for **authorising companies and foreign individuals to buy real estate**.

The complex appointment procedure provided for by the Statutes and by Decree of 13 October 1921 is actually no longer applied. Some decades ago, the Great and General Council started to appoint the members of the Council of the Twelve by majority from among its members, in proportion to its Parliamentary Groups. The Council of the Twelve cannot include the members of the Congress of State since the latter, according to Article 7 of Constitutional Law no. 183 of 15 December 2005, are no longer members of the Great and General Council throughout their mandate. The Council of the Twelve is presided over by the Captains Regent, who shall coordinate it but have no voting right. Recently, in contrast with the tradition, a practice has been consolidated, according to which the member of the Council of the Twelve elected as Captain Regent is replaced by another member of the Great and General Council. As is customary, the convening procedures and the quorum necessary for the sitting and voting to be valid are the same of the Great and General Council. Law no. 9 of 16 March 1925 - Law regulating the term of office of elected members of Assemblies and Government Commissions - confirms that the term of office of the members of the Council of the Twelve corresponds to the “duration of the Legislature of the Great and General Council in which they have been appointed” (Art. 1) and provides for its dissolution *ipso jure* with the decree on the convening of electoral meetings, although it continues to deal with routine matters until the new members of the Council of the Twelve are appointed by the Great and General Council, possibly on the occasion of its first sitting (Art. 2).

JUDICIAL SYSTEM

In compliance with the Statutes and the Declaration on the Citizens' Rights and Fundamental Principles of San Marino Constitutional Order, the magistrates of the Republic exercise the judicial power, perform institutional tasks outside a relationship of subordination and are liable according to the law.

The magistrates, bound to perform their duties and holding the rights provided for by the law, are entitled, to ensure the objectivity and impartiality of their functions, to specific personal and economic guarantees, as well as in terms of status, envisaged by law and by the international treaty and customary law.

Jurisdiction is entrusted to the **Highest Judge of Appeal**, the **Judge of Appeal**, the **Law Commissioner** and the *Uditore Commissariale* (Clerk).

Extraordinary jurisdictional functions are performed by the **Judge of Extraordinary Remedies** in the cases provided for by law.

Civil liability actions of magistrates are entrusted to the Judges for civil liability actions of magistrates.

The judges perform all jurisdictional functions expressly assigned to them by the law.

The *Uditore Commissariale* assists the Law Commissioner in his/her activities; the Law Commissioner can delegate or entrust the *Uditore Commissariale* with preliminary investigation functions in civil, criminal and administrative matters.

Every judicial office may be assigned to more than one judge, each of whom is guaranteed all jurisdictional functions.

The **Procuratore del Fisco** (Public Prosecutor) is a prosecuting Magistrate.

The Court is internally divided up according to civil, criminal, administrative, juvenile and family matters, to which the single Law Commissioners are assigned by the Head Magistrate.

All magistrates have complete jurisdiction and can therefore be freely replaced in the performance of their functions and duties.

The **Head Magistrate of the Court** is designated for a five-year term by the Judicial Council in plenary session from among Law Commissioners on duty for at least five years, Judges of Appeal confirmed in their appointment, or from among Highest Judges of Appeal.

DOMESTIC POLITICAL FRAMEWORK

The **political elections held in June 2006** have led to the creation of several new political groups, which have resulted in the last years from the break-up of the two main political parties existing in the country, i.e. PDCS (San Marino Christian Democratic Party) and PSD (Party of Socialists and Democrats - resulting from the unification of PSS, San Marino Socialist Party, and PDD, Party of Democrats). Although the two main parties suffered losses, the results of the political elections held in June 2006 have reconfirmed their role of main reference parties.

Following the 2006 elections, PDCS, as relative majority party, received the mandate to form the Government. However, following consultations, PDCS was not able to reach any agreement and the mandate was therefore assigned to PSD, the second party in the country, which formed a Government coalition with AP (Popular Alliance) and SU (United Left), with a majority of 32 members of the Great and General Council.

On **24 October 2007**, after less than one year and a half since the 2006 elections, **the Government faced a crisis**. Indeed, following the rejection of the second article of the draft law concerning the so-called “fair trial”, the draft law was withdrawn and all Ministers resigned.

On 30 October 2007, the Great and General Council acknowledged the resignation of the Congress of State and the Government crisis was officially declared. The Captains Regent assigned the exploratory mandate to PSD and after twenty-six days, on Saturday 17 November 2007, the institutional crisis was solved without having to resort to elections, with the entry of the Centre Democrats into the Government coalition.

The priorities of the new Government were justice, residence granting, Public Administration reform and relations with Italy and Europe. The preceding Government, formed in June 2006, had already identified as a priority the need to provide a strong impetus to foreign policy activities, in particular by strengthening international relations, intensifying economic cooperation with Italy and further integrating with the European Union.

On **27 January 2008**, following a financial scandal that involved the managers of a San Marino banking institution, **the tensions in the Great and General Council started again**, not only with the opposition but also within the Government coalition. Indeed, during the first voting of a Decision submitted by the minority parties - asking for a revision of the role, effectiveness and potentialities of the Central Bank, with particular reference to the Supervision Committee, with a view to guaranteeing the bodies’ authoritativeness and credibility to establish a dialogue with the counterparts of other countries, especially Italy - the majority was short of six votes, with a final result of 28-28, 1 abstention and 1 not voting.

After a period of considerable political turmoil and several consultations among the parties of the Government coalition, the Decision of the minority parties was submitted again to the Great and General Council on 29 January 2008 with a negative result: 33 votes against and 1 vote in favour. However, the political situation was still characterised by tensions and instability.

On **11 June 2008**, **the Government faced another political crisis** when Popular Alliance decided to withdraw its Government delegation, withdrawal that was formalised two days after. On 23 June, the Captains Regent convened all parties to assign the exploratory mandate to PDS. Following the necessary consultations, the latter decided to include in the Government coalition, besides the Centre Democrats and United Left, also the Sammarinese for Freedom.

On 14 June 2008, PDS presented the new Government coalition, composed of 7 Ministers. However, just before its taking office, 2 members of the Great and General Council belonging to PDS resigned. Therefore, the Government faced another crisis since it did not have the majority of members in the Great and General Council. This time, the Captains Regent assigned the exploratory mandate to PDCS but this was not able to form a new coalition. As a result, all Parliamentary Groups (both majority and opposition) resigned.

Following this long political crisis, which had started in June, and since the political parties were not able to create a new Government coalition, on 5 August 2008 Their Excellencies the Captains Regent, having acknowledged the resignation of the members of the Great and General Council and in conformity with the electoral law in force, convened the Electoral Meetings on 9 November 2008 for the renewal of the Great and General Council.

On 9 November 2008, the elections to renew the Great and General Council were held. These were the first elections after the amendment of the electoral law.

The winning coalition was the so-called **“Pact for San Marino”**, representing the centre-right wing, with 54.23% of the total votes cast, equal to 11,375 votes. This coalition gained 32 seats and, thanks to the “stability prize”, the parliamentary representatives of the Government coalition became of 35 members out of 60. The centre-left coalition called **“Reforms and Liberty”** gained 45.77% of the total votes cast, equal to 9,602 votes, and 25 seats within the Great and General Council.

On 1 July 2009, 8 Parliamentarians left the PSD and created a new Parliamentary Group called San Marino Socialist Reformist Party.

On 9 September 2010, 3 EpS Parliamentarians left the PDCS, EpS, AeL Parliamentary Group to create an autonomous Group, however they continued to be de facto part of the majority.

On 10 November 2010, one of these Parliamentarians also left the newly created Group and became independent; since he did not adhere to any other Parliamentary Group, he became part ex officio of the mixed Parliamentary Group. Therefore, the newly created Group became a Parliamentary Representation since the minimum number to be considered a Parliamentary Group was not reached, and also the remaining 2 members automatically became part of the mixed Parliamentary Group.

On 7 March 2011, the Minister of Labour (EpS) resigned his Government position. On 16 March, the Great and General Council acknowledged his resignation. On 17 March, together with the two Parliamentarians mentioned above, he decided to leave the Government Coalition (called Pact for San Marino). The three Parliamentarians joined the Parliamentary Representation of DdC, made up of two Parliamentarians, thus creating a Parliamentary Group called Union for the Republic (UpR), an opposition party.

On 15 June 2011, the former EpS Parliamentarian, who had become independent, entered the Parliamentary Group of the San Marino Christian Democratic Party, as an independent Parliamentarian, and on 28 June 2011 he formally became part of this Parliamentary Group.

On 22 July 2011, a Parliamentarian of the San Marino Union of Moderates became independent and on 28 October 2011 also a Parliamentarian of the San Marino Socialist Reformist Party did the same.

On 16 July 2012, two Ministers resigned, thus effectively starting the Government crisis. The Captains Regent announced the holding of new elections for the renewal of the Parliament, scheduled for 11 November 2012.

The 2012 general elections were won by the coalition **“San Marino Common Good”**, representing the centre-left area, formed by the PDCS-NS, PSD and AP, which obtained 50.70% of the total votes cast, equal to 10,028 votes and 35 seats, 2 of which resulting from the stability prize. The coalition **“Agreement for the Country”**, uniting UpR and PS, obtained 22.28% of the total votes cast, equal to 4,407 votes and 13 seats, then reduced to 12, always as a result of the stability prize. The coalition **“Active Citizenship”**, composed of SU and Civic 10, obtained 16.07% equal to 3,179 votes and 10 seats, then reduced to 9 because of the stability prize. The movement **“Rete”** gained 6.29%, equal to 1,244 votes and 4 seats.

On 21 November 2012 the XXVIII legislature started.

The general elections held on 20 November 2016 and the second round of voting on 4 December (the first in the history of the Republic) led to the victory of the coalition “Adesso.sm”, composed of Repubblica Futura (6 seats), Civico 10 (6 seats), Sinistra Socialista Democratica (8 seats). On 19 December 2016 the 29th legislature started.

GOVERNMENT COMPOSITION

The current Government is led by the Coalition "Adesso.sm", formed by Repubblica Futura, Civico10 and Sinistra Socialista Democratica.

Following the general elections of 20 November 2016 and the second round of voting on 4 December, the Parliament appointed the Ministers forming the Government for the 29th Legislature:

NICOLA RENZI (Repubblica Futura)	Minister of Foreign Affairs, Political Affairs and Justice
GUERRINO ZANOTTI (Sinistra Socialista Democratica)	Minister of Internal Affairs; Public Sector; Relations with the Township Councils; Regulatory Simplification; Institutional Affairs; Peace
SIMONE CELLI (Sinistra Socialista Democratica)	Minister of Finance and the Budget; Posts; Transport; Economic Planning
ANDREA ZAFFERANI (Civico10)	Minister of Industry, Handicraft, Trade; Labour; Cooperation; Telecommunications
AUGUSTO MICHELOTTI (Sinistra Socialista Democratica)	Minister of Territory and Environment; Agriculture; Tourism; Civil Protection; Relations with the Public Works State Corporation; Youth Policies
FRANCO SANTI (Civico10)	Minister of Health and Social Security; Equal Opportunities; Welfare and Social Affairs
MARCO PODESCHI (Repubblica Futura)	Minister of Education, Culture and University; Research; Information; Sport; Technological Innovation; Relations with the Public Utilities State Corporation

ECONOMIC SITUATION

San Marino's economy is based on **small- and medium-sized enterprises**. **Tourism** is thriving, with over 2 million tourists every year. The country has a modest but prestigious **agricultural sector** and a well-diversified **banking and financial sector**.

Like many other countries, during the past five years San Marino's **major economic indicators experienced an overall contraction** due to a combination of various factors negatively impacting on the economy. The economic situation distinguishing the sector was marked by a fluctuating and negative trend compared to the economic performance of previous years.

The analysis of the main macroeconomic indicators, such as GDP, employment indicators and the number of economic activities, shows that such decline was widespread, although marked by reductions of minor entity compared to those recorded at an international level. First of all it must be noted that the **global economic crisis**, which also hit San Marino's economy, caused a slowdown in exports. Indeed, although the crisis has not affected the internal market, the general fall in demand at international level turned into a decrease in exports and, consequently, in a drop in domestic production of goods and services. This phenomenon has been coupled with uncertainties and **consequences resulting from actions taken unilaterally by Italy**, which had a negative repercussion on the economic relations between the two States.

The Republic had to cope with problems not depending on its economy and with extraordinary events, which slowed down the production of added value. The effect of the **Italian tax amnesty**, which led to a reduction of 1/3 of total bank deposits, are an example of this dynamic. Similarly, Italy's adoption of the so-called "**decreto incentivi**" reinforced uncertainties in the economic relations among businesses of the two countries, since, as a result, the Republic of San Marino remained in the *black list* annexed to such decree. This determined for several businesses in San Marino a further reduction in the exports to Italy and in some cases had a negative impact on the conditions under which goods and services were purchased from Italy.

The data on San Marino economy resulting from the factors mentioned above can be summed up as follows. As regards **imports and exports**, after years of constant retrenchment due to the reduction in turnovers on account of the above-mentioned phenomena, the volume of trade in 2014 remained stable compared to 2013.

2009 marked the beginning of a **negative trend in the total number of businesses** present in the territory which continued until the end of 2014. Over the last years, 1274 businesses closed down, making up a 20% decrease. This last figure is also due to the monitoring and control action on economic activities, which led those businesses damaging the Republic and its international relations to close down, either spontaneously or as a result of a decision adopted by the authorities. Compared to 2008, when the highest number of businesses operating on the territory was recorded, as of March 2015 the financial sector decreased by 42.24%, the manufacturing sector by 25.3%, services to businesses by 31.2% and the building and trade sectors respectively by 18.6% and 20%.

Since San Marino was re-included in Italy's tax *white list* in February 2014, and also thanks to the agreement signed with Italy as regards to double taxation, recovery signs concerning the number of businesses present in the territory are expected. The first figures of 2015, referring to the months of January and February, slightly buck the trend compared with the average values of previous years.

Over the last three years, also **labour market indicators** deteriorated. As of December 2014, employees decreased by 173 compared to the previous year, with a percentage decrease of 1.18%. As of March 2015, the rate of unemployment was 8.6%, compared to an average 8.7% of 2014.

As of March 2015, data concerning self-employed workers collected during the past three years do not show significant changes, with 1856 units. With regard to the trend of cross-border workers, mainly from the neighbouring Italian provinces of Rimini and Pesaro and employed in all production sectors, which amounted to 5,435 workers as of 1 January 2013, their number decreased by 188 units by March 2013. Their employment contributes significantly to San Marino's development but also to the economy of the neighbouring Italian provinces.

If we consider public finances, the current economic situation has resulted – since the 2009 fiscal year – in a series of **budget deficits** deriving from a progressive reduction of tax revenue. 2010 budget deficit amounted to EUR 36 million, 2011 to EUR 15.8 million, 2012 to EUR 27.6 million and 2013 to EUR 17 million.

The 2015 budget forecasts a deficit of about EUR 13.8 million and its total gross amount is equal to about EUR 517 million.

According to forecasts, 2015 to 2017 fiscal years will show a deficit, which should gradually decline thanks to the adoption of measures aimed at cutting expenditure and increasing revenues, with a view to achieving a balanced budget.

MAIN MACROECONOMIC INDICATORS*

	2010	2011	2012	2013	2014	2015	2016
GDP (Mln of € prices)	1,536.4	1,390.9	1,286.4	1,247.5	1,235	1,241.9	1,254.3
GDP real variation rate	-4.65%	-9.47%	-7.52%	-3.03%	+0.98%	+0.51%	+1.1%
GDP composition	Manufacturing and building 32.8%	Manufacturing and building 32.3%	Manufacturing and building 32.2%	Manufacturing and building 31.9%	Manufacturing and building 33.4%	Manufacturing and building 35.0%	Manufacturing and building na
	Agriculture 0.1%	Agriculture 0.1%	Agriculture 0.1%	Agriculture 0.1%	Agriculture 0.1%	Agriculture 0.1%	Agriculture na
	Trade 14.5%	Trade 14.4%	Trade 14.7%	Trade 14.4%	Trade 19.5%	Trade 16.5%	Trade na
	Services 44.8%	Services 45.9%	Services 45.4%	Services 45.9%	Services 48.57%	Services 69.31%	Services na
Total Employment rate	98.96%	96.73%	94.36%	93.24%	91.69%	91.10%	91.15%
Tot. Unemployment rate.	4.9%	5.5%	6.9%	8.1%	8.7%	9.2%	8.6%
Inflation rate	2.6%	2.0%	2.8%	1.3%	1.1%	0.1%	0.6%
Exports (Mln €)	2,769	2,959	2,457	2,082	2,069	2,098	na
Imports (Mln €)	2,251	1,985	1,733	1,623	1,629	1,655	na
Main Exports	Manufacturing Services Trade	Manufacturing Services Trade	Manufacturing Services Trade	Manufacturing Services Trade	Manufacturing Services Trade	Manufacturing Services Trade	Manufacturing Services Trade
Main Imports	Manufacturing Trade Services	Manufacturing Trade Services	Manufacturing Trade Services	Manufacturing Trade Services	Manufacturing Trade Services	Manufacturing Trade Services	Manufacturing Trade Services
Main supplying countries	Italy	Italy	Italy	Italy	Italy	Italy	Italy
Main client countries	Italy	Italy	Italy	Italy	Italy	Italy	Italy
Foreign debt	na	12.9%	15.4%	21.6%	22.9%	23.7%	24.4%

*estimates by IMF (IMF Country Report N. 16/111)

LABOUR MARKET AND ASSISTANCE

The general state of employment should be analysed taking into account the **gradual decrease in economic activities** in the last few years; as a matter of fact, the number of activities dropped from 5080 in 2014 to 5141 in 2015. 2016 registered a negative outcome since the number of businesses reached 5079, 62 less than 2015.

Strict **rate of unemployment** had the following trend: 7.15% in 2014, 7.59% in 2015, and reached 6.98% in 2016. In 2014, the **domestic employment rate** was equal to 67.82%; it dropped to 67.39% in 2015, and it reached 67.69% in 2016.

The priority of the Government is tackling the employment emergency and giving answers to those who face the effects of the economic crisis on a daily basis. To this effect, Law no. 71 of 29 April 2014 **“System of provision of incentives concerning Employment and Training and Types of Contracts for Training Purposes”** was approved. Its aim is that of rearranging and rebalancing the safeguards of workers and supporting employment. The law establishes a rationalisation of all interventions in support of employment, adjusting or extending them to those categories which are excluded. It also focuses on the training of workers and on the acquisition of skills. Moreover, Law no. 147 of 19 September 2014 **“Regulation of occasional and ancillary work”** regulates non-continuous activities undertaken within specific and predetermined areas. It mainly refers to tasks where direct contact with the public and family services are needed, which often require quicker recruitment and replacement, and lack a rolling work program.

Law no. 7 of 17 February 1961 **“Law for the protection of labour and workers”** regulates Trade Unions and employers’ associations, rules on both collective and individual agreements, terms of employment and the termination of the employment relationship.

Decree-Law no. 156 of 5 October 2011 **“Urgent measures for the streamlining and efficiency of the labour market”** was partially repealed by Law no. 71 of 29 April 2014. This measure involves some key aspects of this sector, it identifies mechanisms and incentives to support the employment of young people by introducing correcting measures and safeguards to prevent abuse of mobility and wage-supplementation funds and by establishing stricter rules to contrast illegal work.

All the activities aimed at ensuring the employment of workers available on the labour market are regulated by a public office, the Labour Office. Specifically, the Labour Office has the task of facilitating the employment process, as established by Law no. 95 of 19 September 1989 **“Employment Law”**.

Law no. 131 of 29 September 2005 **“Law for the promotion, support and development of employment and training”**, partially repealed by Law no. 71 of 29 April 2014, regulates employment relationships and contracts for training purposes and also establishes the **“Executive Committee for Employment and Training”**. Its aim is that of creating a more direct and efficient link among education, training, work and economic development policies. This Committee is composed of: the Ministers of Labour, of Industry Handicraft and Trade and of Education,

the Rector of the University, the Labour Office Director, the Headmasters of both Junior and Upper Secondary school, the Director of the Vocational Training Centre, a representative of employers' associations and a representative of Trade Unions.

Concerning the access to employment for disabled people, Law no. 28 of 10 March 2015 "**Framework Law for the assistance, the social inclusion and the rights of people with disabilities**" was passed with the aim of protecting people with all forms of disabilities and in respect of the principles established by the "Declaration on the Citizens' Rights and Fundamental Principles of San Marino Constitutional Order" and by the "UN Convention on the Rights of Persons with Disabilities". No changes are made to Law no. 71 of 29 May 1991 "**Access to employment for disabled people**", which imposes on the overall public sector and on private companies with more than 20 employees to hire a disabled person and to ensure their right to security of the person and the quality of life.

Law no. 160 of 21 September 2010 "**Rules on Social and Service Cooperation**" is aimed at favouring the promotion, development and qualification of social cooperation, especially in problematic cases concerning the workforce and the economic crisis. The proposal concerns a reform project that defines new goals, where social cooperation, aimed at achieving the general interest of the Country and the social integration of citizens, can find a more concrete and more modern means of expression.

The main employment subsidies, contained in Law no. 73 of 31 March 2010 "**Reform of Social safety nets and new economic measures for employment and employability**", whose articles no. 20, 25, 26 and 27 have been modified by Law no. 71 of 29 April 2014, refer to:

- (a) *wage supplementation fund* (Law no. 73/2010 art.11): economic allowance designed to partially replace the income of employees. It is paid by employers (without prejudice to the exclusions referred to in art. 6 of the aforesaid Law). Eligible for this allowance are employees who have worked continuously for the same employer for at least five consecutive months, when their employment relationship is suspended or working hours reduced due to:
 - force majeure;
 - temporary market situations that lead to a reduction or suspension of the activity;
 - professional requalification, reorganisation of production, organisational changes;
- (b) *special economic benefit for mobility* replaces the income of dependent workers on open-ended contracts and of members of producers' and workers' cooperatives who have been laid off because of redundancy plans or cessation of the activity of the employer, referred to in Law no.23 of 4 May 1977 "Law on disciplinary sanctions and individual and collective redundancies";
- (c) *unemployment benefit* is intended to replace or supplement the income of dependent workers on a fixed-term contract, as well as of any person having already benefited from the Special Economic Benefit, who are involuntary unemployed;
- (d) *first-employment benefit* is intended for non-employed workers seeking their first employment who have been registered in the employment List laid down in art. 22 of this Law for at least 12 months;
- (e) *re-employment benefit* is intended for severely disadvantaged San Marino citizens or residents (workers over 50 years old, long-term unemployed, women that have been absent from the labour market for more than 18 months) that do not perceive any income support benefit.

The entry and stay of foreigners in the Republic of San Marino are regulated by Law no. 118 of 28 June 2010 and subsequent amendments.

With a view to simplifying and making the labour market more efficient, facilitating the matching of labour market demand and supply, encouraging the employment of non-employed people, increasing employment levels of young people and women, as well as to contributing to improving technical and professional skills of workers, supporting the competitiveness of businesses and combating unlawful employment, Decree-law no.156 of 5 October 2011 “**Urgent measures for the streamlining and efficiency of the labour market**”, partially repealed by Law no.71 of 29 April 2014, regulates, in compliance with Article 80 of Law no. 194 of 22 December 2010, measures aimed particularly at:

- simplifying the recruitment procedures;
- identifying fixed and transparent criteria to determine the non-employment status;
- updating the legislation on flexible contracts and training contracts, also for the purpose of favouring stabilisation;
- providing for new approaches for employment with vocational retraining purposes;
- setting forth corrective and supplementary provisions on social safety nets;
- combating unlawful employment by strengthening supervision and sanctions.

The Republic of San Marino became member State of the **International Labour Organization (ILO)** on 18 June 1982. The ILO is an UN Agency in charge of promoting decent and productive work in conditions of freedom, equality, safety and human dignity for both men and women. Its main objectives are: promoting the rights of workers, encouraging decent working conditions, improving social protection and strengthening the dialogue concerning work challenges. A Tripartite Committee for the coordination and participation of the institutions and the social partners of San Marino in the activities of the ILO periodically meets at the Ministry of Labour. The Republic of San Marino ratified the International Labour Organisation fundamental Conventions, among which the Conventions concerning forced labour, equal remuneration, collective bargaining, enhancement of human resources and the worst forms of child labour.

SOCIAL SECURITY AND WELFARE SYSTEM

In San Marino, also by virtue of the measures adopted throughout the years, there is an average life expectancy which is one of the longest in the world among all WHO Member States.

San Marino social security system provides for the following protection measures and services:

Medical care: Law n. 42 of 1955 establishes “a compulsory Social Security system providing for health services, temporary and life-long benefits, social assistance and family benefits.” (Art. 1). All residents have free access to health assistance, mainly provided through the Social Security Institute, which operates a hospital and three health centres for basic health care, the pharmacies, a rest home and a disabled centre. Since 1955 targeted legislative measures have been adopted to create health and social services provided to children, disabled persons and the elderly. Health services not available on the territory are guaranteed by sending patients to foreign facilities, mainly Italian, which have signed an agreement with San Marino Hospital. In this case, services are provided free of charge. Essential drugs are also free. Health assistance is financed through general income taxation. No co-payments are envisaged.

Sickness benefits: (Law no. 42/1995 and subsequent amendments and supplements). Sick workers (both dependent and independent) receive a temporary benefit ranging from 86% to 100% of their remuneration/income, excluding the first two sick leave days, for which 50% of the remuneration is granted in case the leave lasts less than 5 working days. Such benefits are financed through the social contributions paid by employers in case of employees and by the self-employed themselves in case of independent work.

Maternity benefits: (Law no. 137/2003). Working mothers (both dependent and independent) receive a maternity benefit equal to 100% of their remuneration/income for 150 days. Such benefits are financed through the social contributions paid by employers in case of employees and by the self-employed themselves in case of independent work. Dependent working mothers have the right to be absent from work, following the mandatory maternity leave provided for by law, within the first eighteen months of life of the child. Working mothers shall receive 30% of their daily net wage until the first year of age of the child and 20% for the remaining period, if the child does not attend a nursery school. In alternative to the benefits mentioned above, working mothers resuming their job after the mandatory maternity leave shall be entitled, within the following ten months, and in any case until the first year of age of the child, to be absent from work for two paid hours a day, even separate, for breast-feeding. In case of multiple delivery, the two paid nursing hours a day shall be doubled, till a maximum of half the weekly working hours established by contract. The preceding provisions shall also apply to working mothers registered in the so-called mobility list (working mothers who, involuntarily, have temporarily lost their job). Under Article 5 of Law No. 40 of 25 May 1981, working fathers shall be entitled to post-partum leave instead of the mother. Moreover, in accordance with the provisions in force, a dependent or independent working mother can take an early maternity leave if the activity she carries out may pose a safety risk to her and/or her child. Under Law no. 47/2008, with respect to the post-partum leave, qualifying credited contributions for access to and amount of a future pension shall be credited to the contribution record of the working mother. Such provisions equally apply to adoptive parents.

Old-age benefits: Established by Law no. 42 of 22.12.1955, the San Marino pension system started to be effective on 01.01.1965 (Law no. 37/1964) and provides for a compulsory contribution system. The pension system was reformed for the first time with Law no. 15/1983. If partial legislative measures adopted during the 90s are excluded, Laws no. 157/2005, no. 47/2008 and no. 158/2011 have considerably modified the pension system. In general, pensions are paid to all workers (both dependent and independent, men and women) at the attainment of their 65th year of age and with a minimum contribution period of twenty years. In case of dependent workers, social contributions are paid partly by the employer and partly by the worker himself. Also independent workers (artisans, shop keepers, professionals, entrepreneurs, farmers and trade agents and representatives) must pay social security contributions. Retirement is also envisaged when workers (both dependent and independent), except for farmers and entrepreneurs, at the attainment of their 60th year of age, have paid contributions for 40 or 35 years. In the latter case, the amount of the pension is reduced (disincentive). Under Law no. 15/1983, pension funds are partly financed through the State budget. The State contributes from 10% of the contribution revenue up to 25%, if the fund is running in a deficit.

Invalidity benefits: As regards the social security system, the Convention lays down provisions for the recognition and issuance of life-long invalidity benefits. The requirements to be fulfilled to have access to such benefits are: any age, at least 7 years of contribution and a degree of invalidity of at least 65%.

Survivors' benefits: Surviving spouses and minor children (or even children of age 18 or older, under specific circumstances, such as students or disabled) receive survivors' benefits, the amount of which varies according to the number of survivors and to the contribution period of the dead spouse. Such benefits are financed through the compulsory pension fund.

Social pensions: the San Marino social security regime also provides for a range of economic and social benefits financed through the State budget and, therefore, through the general income taxation. Such benefits are granted to residents that do not have access to the compulsory contributory social security. For instance, social pensions, both old-age and invalidity amount to 525.01 euro per month for the year 2013, with possible supplements in particular economic circumstances. In case of disabled or elderly people, an invalidity benefit guarantees a minimum monthly income of 1,373.15 euro for the year 2015. Such benefits are financed through general income taxation.

Employment injury or occupational disease benefits: in the event of an employment injury or occupational disease recognised by the Social Security Institute, sickness benefits equal to 100% of the remuneration/income are guaranteed. If the employment injury or occupational disease leads to permanent invalidity and reduction of working capacity of at least 15%, a life-long benefit is granted. If a worker dies due to an employment injury or occupational disease, the surviving family members are entitled to receive life-long survivors' benefits, the amounts of which are the same as those envisaged for survivors' benefits.

Family benefits: They are regulated by Decree n. 15/1976 and by Law n. 64/2009 and are granted to dependent workers, retirees and artisans. The amount of such benefits depends on the number of family members for whom the worker has to provide, irrespective of the income received by the right-holder. The last Law has reformed income supplementation benefits, which are granted every year to those who receive family benefits and are in difficult economic situations.

Social Security Conventions or Agreements: San Marino signed a Convention on Pension and Social Security Matters with the Italian Republic, the Swiss Confederation and the French Republic. Under these conventions, for San Marino citizens and the citizens of the interested States it is possible to sum contribution periods completed in Italy, Switzerland, France and San Marino for the pension entitlement calculations.

Supplementary pension scheme: Law n. 191/2011 introduced a supplementary pension scheme. Starting from 1 July 2012, all workers, both employed and self-employed persons, are required to make a monthly contribution. For 2015, in case of employed persons, a contribution of 1% of the salary is paid by the workers and the remaining 1% by the employer. In case of self-employed persons this is equal to 2% of the income. Such contributions flow into the single positions of workers. The purpose is to accumulate a contribution-based sum which, at the retirement age, is used for the payment of an annuity. The Fund created with the above mentioned law is called Fondiss. It is managed by a Board of Directors which, as regards the administrative procedures, relies on the Social Security Institute on the basis of a convention stipulated to this end.

FOREIGN POLICY

Given its special geographic location, San Marino, which is an enclave in Italy, has privileged relations with the Italian Republic. Such relations have been strengthened and numerous agreements have been signed in different fields.

If, on the one hand, since its origins San Marino has had dynamic and active relations with neighbouring Italy, on the other, the small Republic has preferred to adopt a prudent policy vis-à-vis the rest of the world. However, as time went by, the country became aware that it was necessary to play a more dynamic role and, thanks to its century-old history of freedom, neutrality and respect for human rights, San Marino has managed to fully participate in international Organisations, where the values of peace and solidarity promoted by the Republic are universally recognised.

Therefore, the foreign policy of the Republic of San Marino is based on traditional **neutrality** which, however, is **defined as “active”**, because of San Marino’s involvement in major international challenges.

In the mid 70s the country formally opened up to the international community, by firstly taking part in the Conference on Security and Cooperation in Europe (**CSCE**) together with non-aligned countries. In 1988 it became a member of the **Council of Europe**, of which it held the six-month **Chairmanship of the Committee of Ministers** for the first time in 1990, the second time in the semester November 2006-May 2007.

In 1992 San Marino became a Member State of the **United Nations**. Moreover, it is the only small European State that became a member of the **International Monetary Fund**, always in 1992, and of the **World Bank** in 2000.

In the past few years, the Republic of San Marino has actively pursued a policy that has highlighted its **full status as a person having rights and duties in international law**, by broadening and strengthening its international relations. At present, the Republic of San Marino has **diplomatic and consular relations with over 100 European and extra-European countries**. San Marino is a Member State of numerous International Organisations, including the United Nations Organization (UNO) and many United Nations’ Programmes, Funds and Specialised Agencies, such as the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Children’s Fund (UNICEF), the Food and Agricultural Organization (FAO), the International Labour Organization (ILO), the World Health Organization (WHO), the World Tourism Organization (UNWTO), the International Civil Aviation Organization (ICAO), the International Maritime Organization (IMO), the World Intellectual Property Organization (WIPO) and the Organization for the Prohibition of Chemical Weapons (OPCW). San Marino has also joined the International Criminal Police Organization (INTERPOL) in 2006.

In 1983 the Republic established **official relations with the European Union** (for further details, see the relevant section “San Marino and the European Union” available on the home page of the Internet website of the Ministry of Foreign Affairs). It takes part, with its own parliamentary delegation, in the Inter-Parliamentary Union, the Parliamentary Assembly of the Council of Europe and that of the Organization for Security and Co-operation in Europe (OSCE).

In the framework of the **United Nations**, during the most recent debates on the reform, developed according to the new initiative called *Uniting For Consensus*, which have been held within the General Assembly, San Marino has constantly drawn the attention to the objective of guaranteeing increasing representation, democratic nature and transparency of this Organisation. The country plays an active role in coordinating small States' support to the reform of the United Nations, which favours the process of democratisation of this international forum.

The internationalisation of San Marino's economy has become paramount to establish or strengthen business relations between San Marino businesses and those of important markets. For this reason, the interest expressed by some Arab countries in intensifying bilateral relations was a source of satisfaction. Obviously, the signing of double tax agreements or of other economic agreements is the first step to favour the strengthening of such relations and such aspect has been a priority during this legislature. In this regard, some meetings have been organised with local political and economic leading personalities and mass media to make them aware of the opportunities that the Republic of San Marino can offer to foreign investors. On several occasions, also professional associations and the Chamber of Commerce have been involved and they have described and promoted the country as a system and the advantages of establishing business relations with San Marino.

International relations in the Government programme of the 29th Legislature:

Foreign policy is the primary means by which the Republic of San Marino can exercise not only its political, but also its economic, commercial and financial sovereignty. The underlying goal is **to create competitive conditions** necessary to ensure that the system of San Marino can address the complex challenges of globalization.

Our State's approach in international relations is based on three pillars: **bilateral relations with Italy**, multilateral relations – in particular with the **European Union** - and participation in **supranational organizations**.

The relations with Italy are clearly a priority and should be further strengthened. The long process undertaken in the summer of 2008 with the approval of the anti-money laundering legislation and carried on throughout these years through coordinated and concerted action of the Government, the Parliament and the technical administration has resulted in the final normalization of the bilateral relations between Italy and San Marino. Our country is no longer considered a problem by the Italian political and technical administration, and this is a very positive result. However, we cannot and must not settle for: not only should the Republic of San Marino not be considered a problem, but it must become a real opportunity for Italy. We must seek the full support of the Italian counterpart during the in-depth transformation and conversion of our economic and financial system, because San Marino's return to structural growth would have substantial positive effects on the neighbouring territories (Emilia-Romagna and Marche regions).

However, our foreign policy should not be focused only on the relations with Italy. It is necessary to adopt a broader approach than that of the past legislature, being determined to play a leading role in the international context, giving dignity and prestige to the standing of the Republic of San Marino. In this context, it is essential to continue the process of integration with the European Union, which shall be defined with the signing of the Framework Association Agreement. San Marino, indeed, will draw considerable benefits from its access to the European Single Market: the fact that our products, people, capital and services, especially the financial ones, will move freely outside our borders represents a significant opportunity for development. In the negotiations with EU institutions it is fundamental that San Marino shows

a "pro-active" attitude, putting the priorities and the needs of a small State on the table, clearly identifying thematic areas requiring some safeguard clauses, especially with regard to the free movement of persons, taxation and the protection of existing balances in San Marino services market.

The commitment is to maintain a close dialogue with citizens, to keep them constantly informed about the developments in the negotiations, and to carry out training programmes for public employees, professionals and entrepreneurs, so that they will be prepared for the new relations with the European Union. In this context, it is essential to strengthen the negotiating team.

A real breakthrough, however, must be made in the field of multilateralism. To this end, the Government will:

- enhance, in strategic terms, participation in the decision-making processes of the international organizations of which San Marino is a member;
- play a more incisive role in the political dynamics of the Mediterranean region, to which San Marino belongs not only from a geographical, but also from a cultural point of view;
- take an active part in the project for the creation of the Adriatic-Ionian macro-region, whose primary objective is to intensify economic cooperation among the countries bordering the two shores of the Adriatic Sea;
- review, strengthen and qualify the diplomatic and consular corps by reforming the rules governing the diplomatic service, so that it will become a professional profile highly supporting the development of the country and enhancing San Marino human resources;
- develop, in cooperation with employers' associations, missions for growth with countries with which San Marino is willing to establish or strengthen economic relations;
- organize events on international issues of strategic importance on the territory, so as to make the Republic of San Marino a forum for dialogue, discussion and in-depth analysis;
- establish the headquarters of international organizations in San Marino.

The coalition is committed to maintaining San Marino's traditional position of active neutrality by favouring dialogue for conflict resolution and the protection of fundamental human rights (protection of childhood, abolition of the death penalty, fight against economic inequality and poverty, and promotion of sustainable development).

DEVELOPMENTS CONCERNING TRANSPARENCY AND INTERNATIONAL COOPERATION

IN THE FRAMEWORK OF OECD

Since 2008 San Marino has been deeply committed to a process of greater transparency and, as of April 2009, has **concluded Tax Information Exchange Agreements (TIEAs) and Double Taxation Agreements (DTAs) according to the new standards of the Organisation for Economic Cooperation and Development (OECD)** with several countries and jurisdictions. As a first consequence, on 23 September 2009 San Marino was placed on the OECD *white list*. Since that date, the ongoing and unwavering commitment of the San Marino Authorities, also in the framework of the newly restructured OECD's Global Forum on transparency and exchange of information, has led to the signing of several other DTAs and TIEAs, all in line with OECD standards.

As of today, San Marino has concluded **21 DTAs** (including in some cases¹ Amending Protocols aligning the DTA with the most recent OECD standards on exchange of information) and **31 TIEAs**. 48 of these agreements are already in force and all of the signed agreements not yet in effect have been ratified by the San Marino Parliament.

Furthermore, the Amending Protocol to the DTA with Cyprus aligning said agreement with the latest OECD exchange of information standards has been agreed. For more details on the San Marino treaty network see section 4.

The San Marino Authorities are constantly working to expand the country's treaty network and are negotiating agreements (DTAs and TIEAs) with several other jurisdictions. Moreover, **San Marino is an active member of the Global Forum on Transparency and Exchange of Information for Tax Purposes**, as evidenced by its participation in the Peer Review Process.

In this context, since November 2010, significant progress in the field of transparency and exchange of information for tax purposes has been made, also in the framework of the evaluation of San Marino by the Peer Review Group of the Global Forum on Transparency and Exchange of Information for Tax Purposes. These steps, which include amendments to bank secrecy legislation in order to ensure an effective exchange of information, have brought the San Marino legislation into line with international standards, as duly acknowledged in the **Supplementary Report on San Marino published by the Global Forum on 26 October 2011**. Said report concluded Phase 1 Review of San Marino, i.e. the analysis of its legal and regulatory framework and formally admitted San Marino to proceed to the Phase 2 Review. Phase 2 Review, completed in November 2013, examined the actual implementation of San Marino legislation on transparency and exchange of information in tax matters. San Marino was assigned an overall rating of **“Largely compliant”**.

On 21 November 2013, on occasion of the sixth Meeting of the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes in Jakarta, **San Marino signed the Convention on Mutual Administrative Assistance in Tax Matter** (as amended by the 2010

¹ Namely, Amending Protocols to the DTAs with Austria, Belgium, Croatia, Italy, Luxembourg, Malta and Romania.

Protocol), the first official step towards automatic exchange of information. Said Convention entered into force for San Marino on 1 December 2015.

In 2014 **San Marino joined the Automatic Exchange of Information (AEOI) group**, established in 2013 and composed of more than 60 jurisdictions and three observers, including the World Bank and the European Commission.

On 29 October 2014, on occasion of the seventh Meeting of the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes in Berlin, **San Marino signed**, together with 50 other jurisdictions, **the Multilateral Competent Authority Agreement on Exchange of Financial Information**, thus joining the Early Adopters Group, the group of jurisdictions that will apply the new standards as of 2017.

San Marino has recently joined the OECD's new inclusive framework to tackle Base Erosion and Profit Shifting, composed of 84 members, and has committed to implementing **the BEPS package**. To this end, through Decision of the Congress of State (Government) n. 14 of 12 July 2016 a multidisciplinary group was created in San Marino, which includes several San Marino authorities.

In the European context, at the end of October 2015, San Marino concluded negotiations with the European Union for an **Amending Protocol to the 2004 Agreement between the Republic of San Marino and the European Community providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments**. This Amending Protocol transposes the Global Standard on Automatic Exchange of Financial Account Information developed by the OECD and its title, pursuant to Article 1, is Agreement between the European Union and the Republic of San Marino on the automatic exchange of financial account information to improve international tax compliance. This Agreement was signed in Brussels on 8 December 2015 and, pursuant to the relevant provisions, there has been a temporary entry into force as of 1 January 2016. The taxation of cross-border savings income was thus terminated. The Agreement officially entered into force on 1 June 2016.

On 28 October 2015 San Marino signed the **Agreement for the Cooperation to Facilitate the Implementation of FATCA** with the United States of America. This Agreement entered into force on 30 August 2016.

For the purposes of implementing the commitments undertaken within the ongoing process towards transparency and international cooperation, an important domestic step was the adoption of **Law n. 174 of 27 November 2015, "International Tax Cooperation"**, which sets out the principles and procedures for the different exchange of information modalities, thus providing the legal basis for implementing the above international instruments (Convention on Mutual Administrative Assistance in Tax Matter, DTAs and TIEAs, Agreement with the European Union, FATCA).

IN THE FRAMEWORK OF MONEYVAL AND FATF

In the last years, San Marino has taken clear action in the framework of MONEYVAL in order to improve its Anti Money Laundering/Counter Terrorism Financing (AML/CFT) regime and has made great efforts to ensure compliance with Financial Action Task Force (FATF) Recommendations.

As was the case with the OECD, even with respect to MONEYVAL the San Marino Government has adopted resolute and far-reaching measures in order to address the concerns voiced by this organization and has timely and effectively responded to its requests.

Among the recent measures, **the money laundering offence has been expanded in the San Marino Criminal Code** in order to cover the laundering of proceeds from one's own criminal activities (i.e. self-laundering). In fact, in July 2013, the crime of self-laundering was introduced in San Marino through Law no.100 of 29 July 2013 (Amendment to the criminal code, to the criminal procedure code and provisions on civil procedure and judicial matters), which entered into force on 13 August 2013.

During the Plenary Session of April 2015, upon review of San Marino's follow-up report, **MONEYVAL acknowledged the effective action taken by San Marino and removed the country from regular follow-up**; this means that San Marino is now required to report progress made under bi-annual follow-up.