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E DELLA PROGRAMMAZIONE ECONOMICA

Italy's report on economic reform

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I. INTRODUCTION

During last years Italy continued the privatisation, market liberalisation and opening-up programme, as well as initiatives to improve the quality of regulation. Simplification and reorganisation of the public administration has come about through the modernisation of public finances and the streamlining of the bureaucratic apparatus. In terms of market liberalisation, Italy has moved rapidly ahead.

Consistently with the 2000 Broad Economic Policy Guidelines (BEPG), a high priority has been given to the functioning of product and capital markets, public procurement, state aids and the development of venture capital.

Furthermore, the creation of one-stop shops, the development of *e-government* and the introduction of regulatory impact analysis are producing a better quality and trade-friendlier regulatory framework.

Despite the progress made, however, the present phase calls for an evaluation of future challenges and current weakness.

Efforts are still required in several areas:

- The process of simplifying administrative procedures takes time and demands a long-standing commitment to reform in all areas of public administration. Government and Parliament daily re-introduce new regulations and new administrative burdens, so the State now faces the phase of implementing the new regulatory discipline and verifying its effectiveness in reducing the accumulated weight of inefficient laws;
- some services, such as the insurance and oil sectors, still lack competition. This indicates the need to pursue pro-competitive reforms;
- the Italian regulatory framework remains complex to market participants: despite the recent progress, reforms must be followed by implementation in key business activities. Further improvements in setting-up one-stop shops will be important in this respect;
- the success of the reforms largely depends on the regional governments which must take specific actions in traditionally monopolised sectors. One example is the reform of retail distribution, still being held back by the delay on the part of regional governments which has stalled the process of implementing national legislation;
- in order to assure the contribution of the recently-introduced Regulatory Impact Analysis (RIA), this should be incorporated in day-to-day administrative practices and periodically reviewed.

II. ASSESSMENT OF MARKET PERFORMANCE AND STRUCTURAL REFORMS

II.A. PRODUCT MARKETS

1. Furthering economic integration and streamlining regulatory environment

Over the past few years Italy has experienced the first attempts to reform the burdensome bureaucracy that has inhibited economic activity in the country for several years, by progressively eliminating anti-competitive and inefficient laws and regulations⁽¹⁾.

Results are now becoming evident and in a number of sectors administrative costs to the general public are being visibly reduced.

A recent survey evaluating the effectiveness of “self-certification” programme showed a reduction of nearly 58 per cent in the total number of certifications issued by the public administration between 1996 and 2000. This corresponds to estimated savings of 2,200 billion Lire for citizens and enterprises.

The effectiveness of the simplification programme is also confirmed by a survey conducted by the Department of Public Administration (*Dipartimento della Funzione Pubblica*) which found that 93.8 per cent of the population knows about “self-certification” and 76.2 per cent considers it a good way of improving relations between the public and the government (*for more details see Annex I.B*).

The Regulatory Impact Analysis (RIA) introduced by a Directive of March 2000⁽²⁾ together with a Legal-Technical Analysis (ATN - *Analisi Tecnico Normativa*), is designed to improve the quality of regulatory measures. The ongoing regulatory analysis project includes tools for a thorough appraisal of the impact of proposed regulations on the economy, and reinforces the mechanisms for checking their compliance with international law. The Directive emphasises the need to evaluate the impacts, specifying that the RIA

⁽¹⁾ A summary of the government reforms in Italy is available at http://www.funzionepubblica.it/slides/domingo_en.ppt.

⁽²⁾ The text of the directive is available at: <http://www.funzionepubblica.it/gb/air.rtf>.

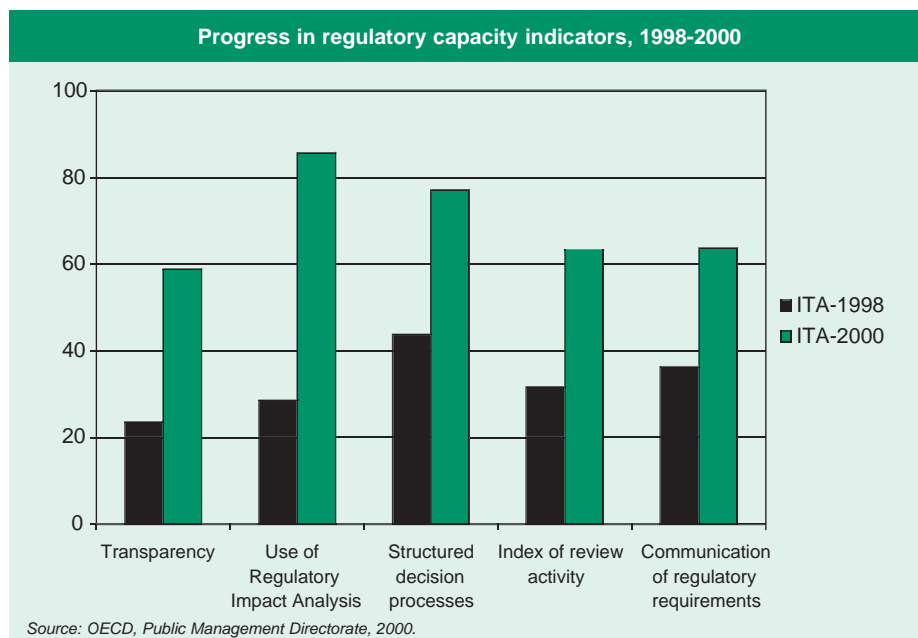


should include an “assessment of the costs and benefits deriving from regulation”, for the organisation of central government agencies and for the activities of citizens and enterprises. Moreover, the Italian RIA tool comprises an experimental phase to test and adjust the system from the outset, with the aim of overcoming the problems frequently caused by the lack of expertise on the part of the rule-makers.

The BEPG's recommendations for the year 2000, stressed that Italy should give high priority to continuing progress in transposition of Internal Market legislation.

The simplification of legislative procedures has helped Italy to make up for past delays in transposing European directives. The indices of implementation of Single Market directives has substantially improved: despite the general standstill at European level, Italy has consistently accelerated the process of incorporating these directives into law. In the period May 1999-November 2000 the transposition deficit fell from 5.5 per cent to 3.2 per cent, making Italy one of the most effective Member State in the enactment into law of EU directives.

The BEPG also advised to strengthen efforts to simplify the regulatory environment for companies and to develop one-stop shops. In line with this recommendation the institution of one-stop shops has been accelerated. This process has clearly achieved some results: a survey conducted by FORMEZ for the Department of Public Administration reveals that, in May 2000, about 40 per cent of all Italian municipalities had already activated a one-stop shop, while another 35 per cent were in the process of setting them up; it is estimated that about 65 per cent of the population are currently served by one-stop shops. This has led to a significant reduction in the time taken to set up a business: instead of the former 2-5 years, it takes now an average of three months, or a maximum of eleven months to complete the process (in a sample of 100 operational one-stop shops the average time amounted to 57 days). In addition, the more extensive use of the rule that “silence is consent” has facilitated start-ups and reduced the statutory procedures to one single document (called “Notification of the beginning of an activity” – *Denuncia di inizio attività*). In May 2000, the government adopted an Action Plan to promote an adequate operation of one-stop shops, which includes training and support programmes to the shops and information in the various public administration (tutoring, consulting service, purchase of software and hardware, assistance during the introductory phase of the one-stop



shops). The implementation of this programme, including its funding, has been announced in August 2000.

The recent “annual simplification law”, issued in autumn 2000, disciplines a costless and quicker establishment of new companies of all kinds, as well as company mergers and de-mergers, stating that judicial authorisation and publication on official bulletin are no more required.

The Italian customs authorities have taken measures to simplify the customs procedures within the framework of the European rules set in the EU Common Customs Code. A recently implemented updated customs electronic data interchange system (EDI system) will hasten the clearance process as it makes possible to target inspections, harmonise practices between different border points and facilitate information sharing, thereby reducing the number of red tape formalities, increasing the efficiency of controls, and enhancing the predictability of the system to operators.

With the aim of improving services to enterprises, a system (named SINCE) has been realised to circulate on a national network - operating through the Internet and open to public and private operators - all the information needed by the enterprises to facilitate the internationalisation of their activities.

This system allows the enterprises to evaluate national and foreign markets, by supplying them information on: structural and economic



situation, commercial flows and competitive environment, fiscal and customs procedures and technical standards. Moreover, it gives information about: *i*) funding from international agencies and organisations, *ii*) any national and international tender.

2. Competition policy and business taxation

The motivation and design of Italy's competition policy forms the background of market-oriented regulatory reforms.

The role of the Competition Authority⁽³⁾ in Italy is particularly significant and its independence has been critical in supporting and complementing the structural reforms. The Authority has been provided with substantial resources, and over the last five years its personnel had increased by about 30 per cent and the budget by 50 per cent (*see Annex II, table 26*).

Many of the sectors in which the Authority has taken actions are those occupied by traditional monopolies, such as transport (24 measures adopted up to March 1999) and telecommunications (5 measures). The Authority is paying increasing attention to restrictive agreements: the number of actions against abuse of dominant position has fallen since the mid-1990s from 12 investigations opened in 1991-1993, in response to a total of 44 notifications, to 4 investigations (out of a total of 15 notifications) in 1999.

The number of investigations into restrictive agreements has also fallen (from 31 in 1991-1993 to 12 in 1999), but the number of violations found has risen. Merger notifications are also at record levels after a period in which they seemed to be decreasing: they rose from a total of 282 in 1995 to 423 in 1999; in the last year only 6 notifications out of 423 resulted in an investigation by the Authority.

This clearly shows that, driven by changes in the economy, in the work of the Authority there has been a shift in priorities toward problems about restrictive agreements.

State aids

As a part of the commitment to the BPEG for the year 2000, further efforts have been put on reducing the overall level of non-agricultural state aids. Data taken from the 8th Report on state aids for the years

⁽³⁾ For an overview of the Competition Authority activities see also the web site: <http://www.agcm.it/eng/index.htm>.



1996/1998 show a reduction in the total amount of state aids from 10,451 million Euro in the period 1993-1995 to 8,864 million Euro in the period 1996/1998.

In terms of GDP, the total volume of aids granted in Italy in the 1996/1998 period fell to 1.57 per cent from the 1.83 per cent of the previous survey. In 1999 the total amount of aids allocated to enterprises by the government stood at 13, 600 billion Lire.

In line with the indications of the Lisbon European Council aimed at reducing regional disparities, half of Italian state aids was specifically targeted at the *Mezzogiorno* and other depressed areas.

An important instrument of government intervention is Law 488/92, which is the main source of financing in favour of enterprises located in depressed areas of the country; in 1999 about 17,000 projects were given incentives, totalling a consistent amount of new investments and 22,000 new employed expected.

During the first half of 2000, 6,800 projects have been concluded which resulted in the creation of 7,900 new jobs.

An investment tax credit - up to the limits regionally set by the European Union for state aids - will be automatically granted from 2001 to all new net investments in the depressed areas.

Business taxation

Revenues relative to the years 1998, 1999 and 2000 have shown a structural increase. Taking this element into consideration, the government has implemented a structural reduction of total fiscal pressure.

In particular, direct business taxation has been reduced from 37 per cent to 36 per cent and a further lowering of the rate to 35 per cent is planned from 2003.

In line with the commitment taken at the Lisbon and Santa Maria de Feira summits, the government is actively pursuing a policy determined to encourage employment. A tax credit has therefore been made available to all firms taking on new employees during the period October 1st 2000 - December 31st 2003, provided that the positions offered are permanent and the firms exceed their average level of new employees.

The dual income tax, which favours the equity financing of corporations, has been reinforced and its range broadened by the abolition of one of its conditions. Previously, firms were subject to a lower threshold of their average tax-rate equal to 27 per cent (20 per cent for companies which get listed in the Stock Exchange), in order to switch to the dual income tax regime.



Beginning in 2001 this threshold will be abolished.

On the other hand, following the European directives, the impossibility of deducting car expenses has been extended to firms in every sector.

3. Utilities and other network industries.

The electricity industry⁽⁴⁾

Starting from 1999 and just ahead of ENEL's IPO (Initial Public Offering) - through which the Treasury sold 31.74 per cent of the company's share capital via a global offering (*see Annex II, table 29*), raising a gross 16.55 billion Euro (more than 32,045 billion Lire) - Italy has redesigned the regulatory regime and structure of its electricity sector. These changes go well beyond the minima specified in the EU Directive on the electricity market liberalisation.

At present ENEL controls about 73 per cent of generation capacity (the rest being covered by industrial producers and municipal companies) and around 93 per cent of distribution.

In compliance with Legislative Decree 79/99, in August 1999, prior to ENEL's IPO, the government approved a plan whereby ENEL spun-off a set of 15 GW of generating capacities that was conferred to three newly created generating companies (Eurogen, Elettrogen and Interpower, which are also referred to as Gencos), which are expected to be sold to private investors in a short timeframe.

ENEL is currently in the process of selling Elettrogen, the second largest Genco with a total capacity of 5,400 MW, and interested parties must submit their interests for the purchase of the company by 10 of November 2000. In order to achieve real privatisation, the government has decided that no more than 30 per cent of capital of the purchaser (either a single company or a consortium) can be state-owned.

The management of the national power transmission network has been entrusted to a state-owned joint-stock company controlled by the Treasury - *Gestore della rete di trasmissione nazionale* (Transmission System operator) - which began operating independently in April 2000. Relations between the *Gestore* and the companies owning the networks

⁽⁴⁾ An overview of the Italian energy market is available at http://www.autorita.energia.it/inglese/pres_speech_ar00.htm.



- in which TERNA, as a wholly owned ENEL subsidiary, plays a major role - are currently being defined.

At present, all final customers and consortia with a minimum annual consumption of 20 GWh (about 35 per cent of total Italian demand) can choose their own suppliers. The so-called "Single Buyer" - a joint-stock company wholly owned by *Gestore della Rete* - will make purchases on behalf of small, captive consumers thereby ensuring that non-eligible customers pay the lowest competitive price. Liberalisation is scheduled to be extended to smaller buyers, as either individuals or grouped into consortia. From January 1st 2002 the new threshold is set at 9 GWh and, after the disposal of 15,000 MW by ENEL, the threshold for the final customer will be lowered to 0,1 GWh, corresponding to a market opening of about 70 per cent. Until the Single Buyer becomes operational, distributors will continue to purchase electricity from the generating companies.

Under the Bersani Decree, starting in Spring 2001, electricity generation will be subject to a competitive bidding process conducted through the *Borsa dell'Energia Elettrica*, or pool market for spot trading in electricity. The pool market will be administered by the Market Operator, a wholly owned subsidiary of *Gestore della Rete*.

As far as tariffs are concerned, the independent Authority recently defined a price cap which implies that the tariff component for transmission, distribution and supply is bound to fall in real terms by an annual 4 per cent from 2001 to 2003. For the year 2000, following a careful study of costs, the Authority has reduced the parts of the tariff intended to cover the industrial costs of gas transport, and the generation, transport and distribution of electric power. This has made it possible to contain the effects of the increase in the international price of crude oil and of the Euro depreciation on the tariffs charged to consumers (*for tariff levels, see Annex II, tables 7 and 8*).

Given its particular production structure and the ban of nuclear generation plants in the national territory, Italy's electricity sector is particularly vulnerable to oil market shocks; in 2000, 77.4 per cent per cent of its domestic electricity production was in fact generated through combustible fuels plants compared to an average EU of 50.2 per cent, being 34 per cent of EU electricity generated by nuclear plants⁽⁵⁾.

⁽⁵⁾ OECD, "Oil, Gas, Coal & Electricity" – Quarterly Statistics, second quarter 2000.



The gas industry

With the Legislative Decree enacted in May 2000, implementing European Directive 98/30, Italy is greatly revising the regulation of the gas sector.

The key aspects of the liberalisation of the gas market are the quotas placed on supply inputs and sales by a single operator: the concept of imposing temporary “antitrust limits” on shares that any single company can have of potentially competitive activities is innovative and the ceiling of 75 per cent imposed by the decree has the effect of further reducing the ENI market share by 39 per cent by the end of 2010.

The liberalisation of consumers is extensive and quick, with all consumers over 200,000 m³ annual consumption liberalised immediately, and all consumers liberalised by the beginning of 2003. The free market will therefore expand rapidly on the demand side, unleashing powerful forces for lower costs.

Moreover the requirement of public tendering for gas distribution will allow competition for the market. The legislative decree also requires corporate separation between many of the activities in the gas sector.

In sum, the Italian legislation goes far beyond the minima required under EU gas directive toward a more competitive environment.

The powers of the Authority (AEEG) have been better defined and considerably strengthened with the aim of reinforcing guarantees of non-discriminatory access tariffs to all essential infrastructure (storage, transmission, and distribution networks). More specifically, the AEEG may oblige the owners of the transmission network, storage facilities and local networks to grant access where previous refusal is deemed unjustified.

One measure of great importance in the liberalisation decree is the unbundling of high pressure transport, storage, despatch and secondary distribution from other activities in the sector; in particular, the unbundling of the national transmission network, albeit under the control of ENI Spa, is envisaged. The process will be reinforced by the company separation as well as the planned quotation of the high pressure transmission network.

The Authority is in the process of defining the rules for accounting and administrative unbundling.

AEEG sets tariffs for consumers autonomously using the price cap mechanism aimed at protecting the consumers' interests through the promotion of efficiency. It also ensures the diffusion of the service at suitable quality levels, while taking into account the economic and financial equilibrium of the operators (*for tariffs levels, see Annex II, tables 9 and 10*).



Market gas liberalisation will be fostered by the reorganisation of local public services, now being debated by the Italian Parliament, under which a tender-based award of local public services is envisaged.

Quality of service in the energy sector

In order to improve service quality, customer relations and additional services supply, the third annual survey on quality of the electricity and gas sector has now been completed.

First results for the electricity sector show that the quality of service provided by the incumbent had increased in the last years, as a consequence of the growing pressure due to the expected opening of the market (*see Annex II, tables 17-20*).

For both sectors, the Authority has placed ceilings on the time required to provide users with the services. These ceilings are uniform throughout the country and are mandatory for all operators, and include provisions for automatic refunds to users whenever they are exceeded.

Telecommunications

The Italian TLC market is characterised by a high penetration of fixed lines per household (97.5 per cent). Following deregulation in January 1998, Telecom Italia has been faced with heightened competition due to the market entry of new operators. As a result, Telecom Italia, while remaining the dominant operator, has lost 23 per cent of its market share in the long distance segment. In the mobile telephony segment, TIM was the largest operator in Europe with over 20 million subscribers as at August 2000, while Omnitel, with over 13 million subscribers, has now become Europe's second largest with a market share, in Italy, of 35 per cent. Wind, the third mobile operator, has reached around 3.6 million customers in less than one year of operation. Blu, whose licence was issued in August 1999, began commercial operations in August 2000.

The Authority for Communications (*Autorità per le Garanzie nelle Comunicazioni*, AGC) has undertaken to review and simplify the licensing procedures. A new electronic-based template has been introduced to speed up the process⁽⁶⁾.

⁽⁶⁾ Decision of the AGC no.217/99 modified by Ministry of Communication Decree of November 25th 1997.



In Italy, the UMTS (Universal Mobile Telecommunications System) licence allocation process - which is regulated by a Decision of the AGC of January 2000, following the 1998 Decision of the European Parliament - has reflected the combination of a beauty contest and an auction. The government raised 23,550 billion Lire (12 billion Euro) granting five licences, valid for 15 years, starting on 1st of January 2002 (*see Annex II, table 30*). Each of the five licences has the same spectrum (2x10 MHz paired and 1x5 MHz unpaired). On top of the core spectrum there was an additional paired spectrum in two blocks of 2x5 MHz reserved for potential new entrants, to compensate for their lack of a 2G spectrum for the provision of voice services.

As two new entrants (*Andala* and *IPSE 2000*) were awarded the core spectrum (UMTS licences) and, as they were required to do, they expressed an interest in the additional spectrum during the bidding phase, they were allocated two blocks at a fixed cost of 1,600 billion Lire (826 million Euro) for each block. The total government revenues from the UMTS licences is therefore 26,750 billion Lire (14 billion Euro) and, according to the government *Financial Budget Plan for 2001*, 10 per cent of this revenue will be allocated to finance scientific research and programmes in the information technology.

Each of the five successful bidders has the option to pay the cost of its license in full or to pay the difference between the minimum amount (4,000 billion Lire) and the total cost of each licence in a maximum of 10 yearly instalments starting in 2001. Interest is charged at 12-month Eurolibor flat (currently about 5.3 per cent).

Following the allocation of UMTS licences measures have been taken for the introduction of the Wireless Local Loop (WLL), as the AGCOM approved the procedure to assign the frequencies and grant the associated WLL licences.

The implementation of WLL implies that the operators that will grant the WLL licences will no longer need Telecom Italia's last mile to terminate their calls, thus realising an alternative access until the unbundling of local loop (ULL) will become fully operative. The introduction of WLL will speed up the pace of competition as it will reinforce the market position of new entrants in the fixed sector.

The liberalisation of the market will be completed with the unbundling of the local loop, which is now in an experimental phase in three cities (Rome, Milan and Turin). The trials, started in October, have involved 11 operators and will be concluded at the end of this year; it will



be used by the Authority to test and verify the mechanism through which the dominant operator, Telecom, will grant access to the local loop.

The liberalisation process and the revision of tariffs being carried by the Authority under the price cap scheme has led to further reductions in prices (*see Annex II, tables 13 and 16*). The AGCOM has recently adopted a decision to complete the rebalancing of tariffs structure by the end of 2002. This measure will accelerate the pace of competition also in the local segment.

With regard to fixed telephony (*see Annex II, tables 12 and 15*) on average the percentage reduction in tariffs' levels, over the period 1996-1999, has been remarkable. The disparity in the extent of decrease is due to the different degree of competition in the sub-markets, as well as to the rebalancing of tariffs. The fixed component of the tariffs (monthly rental fee), which is paid to the incumbent until the ULL and the WLL will become effective, has instead increased, in compliance with the EU requirement of rebalancing and elimination of the access deficit.

In the mobile market, the competitive forces have driven tariffs down (*see Annex II, table 14*). The mobile tariffs are no longer regulated.

In 2000, the ISTAT price index for telephony services is expected to be 2.8 per cent lower than in 1999. *Assinform* - the Italian association of ICT companies - has produced a study on the impact of the first 18 months of liberalisation, which shows a consensus on the perceived reduction in prices, often accompanied by an improvement in the quality and range of services available on the corporate business market (*for quality of services data see Annex II, table 21*).

Postal services

In June 2000 CIPE (*Comitato Interministeriale per la Programmazione Economica* - Interministerial Committee for Economic Planning) approved the master plan (*Contratto di programma*) for Poste Spa, laying down stringent quality standards for the delivery times of ordinary and priority mail. A price cap formula is also defined for the period 2001-2002, under which tariffs will be reduced in real terms to align them to average European levels (*see Annex II, table 11*).

Rail Transport

In 2000, the Railway company *Ferrovie S.p.a.* carried out its restructuring process by splitting into two companies, one for



infrastructure and one for transport services (now *Trenitalia*), under a single holding company. The separation into infrastructure and transport companies exceeds the EU Directive requirement that these activities be accounting separated. A decree of the Minister of Transport has granted *Trenitalia* the licence for transport services thereby, de facto, liberalising the market for all types of operators; the licence also automatically abolished the previous government concession to FS.

Four new licences have already been issued. The market for medium and long haul transport, both passenger and freight, has now been opened up, and by the end of 2003 competitive bidding for franchises to operate local rail transport will be introduced.

Measures to ensure non-discriminatory access to the network have been implemented. A network code on general access conditions to the network has been reviewed and approved by the Ministry of Transport.

As for tariffs, the CIPE decision of November 1999 introduced a price cap regulation to set fares for medium and long haul passenger services, linking tariffs to cost-effectiveness and to the attainment of predetermined quality standards. The price cap formula, to be applied to a basket of fares, implies annual average increases of 4.7 per cent for the period 2000-2003, so as to bring Italian fares in line with European fares and enable the railway company to reach economic and financial break-even.

To the aim of assuring the tariffs containment and the financial break-even of the rail sector, the *Budget Law for the year 2001* has revoked the concessions which entitled TAV (the FS company entrusted with the planning and building of high speed routes) to build the infrastructures needed to operate high speed trains. Following this provision the concession for the construction of the high speed lines (with the exception of the *Milano-Torino* route), previously assigned to TAV, will be subject to a public tender, in conformity with the European legislation.

Air transport

During 2000, the reorganisation of the air transport industry has been designed to regulate the airport services offered on an exclusive basis by the airport operators. Master plans (*Contratti di programma*) to be signed by ENAC - the Italian Civil Aviation Agency (*Ente Nazionale per l'aviazione civile*) - and each airport operator, with the subsequent



approval of the Ministers responsible, will be designed to orient revenues to: *i*) efficient costs, *ii*) a reasonable rate of return on capital, *iii*) investment programmes related to traffic demand development prospects. Moreover, each operator will have to elaborate separate accounting for cost and revenue units in order to guarantee transparent management of the services offered.

It is planned to convert ENAV (*Ente Nazionale per l'assistenza in volo*), the Italian agency for air control, into a joint stock company by December 2000. In this context, the new master plan that was recently approved is designed to give the agency financial autonomy in order to gradually phase out government subsidies.

4. The liberalisation of the service sector

Retail trade

Since the reform of the retail trade sector is still very recent, it is too early to assess the actual results. However, the final data on the first eight months (May to December 1999) following the abolition of the licensing system for small retail outlets, indicate a positive net balance between registration and closing down of 5,568 new small retailers. In the same period, because of the reduction in red tape formalities, traders have shown particular interest in expanding their areas, pooling and moving, in order to gain efficiency in terms of both the dimension and the location of their retail outlets.

Municipalities are still engaged in implementing the reform, after the completion of the regional programme. A survey carried out by ANCI (*Associazione Nazionale dei Comuni d'Italia*, the association of Italian municipalities) at the end of July 2000 shows that more than 60 per cent of Italian municipalities have adopted (or are about to adopt) measures designed to adapt urban areas to take the reform on board.

Removal of barriers

As regulatory reform stimulates structural changes, the enforcement of competition policy is needed to prevent private market abuses from reversing the benefits of the reforms. In this context, the challenge facing the Competition Authority is how to sustain policy effectiveness as the focus of competition policy shifts towards more difficult issues, such as restraints imposed by undisclosed agreements.



Such restraints, principally in non-traded services, prevented the reduction of the Italy's core inflation level.

In the year 2000, the main measures adopted by the Competition Authority have been against the insurance and oil companies⁽⁷⁾. In the insurance sector the Authority has found competition to be weak, following evidences gathered by the Custom and Excise Police (*Guardia di Finanza*) who revealed that 15 of the leading motor vehicle insurers practised identical terms and conditions of insurance. After an investigation which was completed at the end of July, the Competition Authority resolved that a large number of insurance companies (about 40) had concluded an anti-competitive agreement by exchanging strategic information to make possible for the parties to set insurance premiums at a higher level than they would have been in a competitive market. In view of these particularly serious aspects of the offence, the Authority imposed fines amounting in total to approximately 700 billion Lire.

Further progress is expected from the agreements regarding third party motor car insurance recently signed by the Ministry of Industry, the insurance companies and the consumers' association; the agreements cover a number of critical issues such as the transparency of tariffs for consumers, fraud prevention, quality improvement and the containment of repair costs. On these issues, the following actions are planned: a national campaign to inform consumers on tariffs, using comparative data; a proposal to prosecute insurance fraud as a crime; monitoring the time taken and the repair charges in damages settlements.

In the oil sector, the Competition Authority instituted a proceeding following complaints from associations representing consumers, service station operators and road hauliers. With the conclusion of the investigation in June 2000, the Authority resolved that the 8 member companies of the *Unione Petrolifera* had concluded a complex horizontal agreement designed to reduce their mutual uncertainty about the retail price of fuels. The agreements were designed to discourage service station operators from selling petrol below the "recommended price" set by the oil companies. In view of the seriousness of the offence, the Authority imposed fines totalling 640 billion Lire (3.5 per cent of turnover).

(7) The text of conclusions of investigation is available at <http://www.agcm.it/eng/tema04.htm>.



Provision of services by professionals

The liberal professions in Italy are subject to wide-ranging public regulation, defining exclusive functions, restricting entry, setting minimum fees, controlling advertising and regulating forms of business structure. In Italy, some of the EU directives in this field have not yet been incorporated into national legislation, or their implementation still gives rise to discrimination. This is the case of services provided by lawyers and architects.

5. Fostering a knowledge-based society

A new strategic goal for the decade was established in Lisbon: Europe needs to turn into a knowledge-based economy. The development of a knowledge-based society entails a thorough review of the statutory and regulatory framework, institutional tasks, organisational structures and arrangements and an even greater emphasis on education and training.

Italy's primary goal is to create favourable environment to enable society to adapt more adequately to take on the new challenges. The reform of the public administration, the policies leading to flexible labour arrangements and the reform of the vocational training and education system are some of instruments that have been introduced to meet these requirements.

R&D and Innovation

In the light of the very low ratio of R&D expenditure to GDP, the BEPG for the year 2000 recommended to reinforce initiatives to promote R&D and innovation in Italy.

As stated in the 1999 Report, the use of formalised research in Italy has been delayed in certain aspects by the structure of the industrial system, mainly composed of small and medium firms, industrial districts and traditional low-technology sectors.

In 1999 total Italian expenditure (both private and public) on R&D amounted to 23,000 billion Lire, accounting for 1.15 per cent of GDP. The EU average in 1999 was about 2.2 per cent of GDP.

In terms of breakdown, in 1999 the government share of expenditure on R&D amounted to 0.49 per cent of GDP, slightly above the previous year (0.48 per cent), while industry-financed R&D accounted for 0.66 per cent.



Provisional data for the year 2000 indicate an increase in the industry financed R&D, that accounts now for 0.67 per cent of GDP (*see Annex II, table 42*). The same data show that the total expenditure of industries in R&D activities passed from 19,407 billion Lire to 20,159 billion Lire, corresponding to a nominal growth of 5 per cent with respect to 1999.

The government plan for R&D investments set out in the *2001-2004 Economic and Financial Planning Document* aims at bringing the ratio of R&D spending to GDP close to 2 per cent within six years. Under the plan, a Fund will be created for investments in basic research (FIRB) to act as a financial instrument to stimulate projects with a high technological and scientific content.

The combined effect of public and private investments under the plan will be to raise R&D expenditure over the next six years to a total of 42,000 billion Lire, corresponding to an increase of 82 per cent.

Italy, like other European countries, is facing radical changes in the transition to a knowledge-based economy as a result of developments in the field of Information Technology; however, the Italian position in many hi-tech sectors still suffers from a competition gap both with the EU countries and the US, with significant exceptions such as the mobile sector (*see below*).

In 1999 public investment in high technology services accounted for 0.53 per cent of GDP, below the 0.7 per cent of EU countries and 0.78 per cent of the US.

The capitalisation of high tech industries in Italy is about 1.1 per cent of GDP, compared to the 3.4 per cent of the EU and the 57.3 per cent of the US. The national gap is also confirmed by the share of hi-tech exports in 1998, which constituted about 7.6 per cent of the manufacturing sector, compared to the 19.2 per cent of the EU.

Italy's 4.2 per cent share of technological patents is still low compared with the 14.2 per cent of the EU countries and the 19.7 per cent of the US.

However, with respect to the time needed to issue new patents, some important improvements are expected from the computerisation of the Offices of the Ministry of Industry responsible for issuing patents. The stated goal is to set up a system which will permit to manage the documentation electronically and improve the quality and reliability of the service (*for an overview of the present situation see Annex II, tables 45 and 46*).



The Information Society

Technological changes coupled with increased competition has brought great economic benefits that are particularly evident in the mobile telephony market: with over 30 million mobile phones in use, Italy is by far the Europe's largest mobile market and the world's third largest, after the US and Japan. The use of mobile phones has expanded rapidly in the past few years and the number of subscribers per 1000 inhabitants rose from 69 in 1995 to 526 in 1999.

The Italian market is now the largest in Europe in terms of subscribers and value. After the introduction of pre-paid card services the mobile penetration rate showed a visible growth, reaching the 63 per cent in 1999, among the highest in Europe and the 8th among OECD countries.

Like other European countries, in Italy the penetration of the Internet is growing fast: it is estimated that by the end of 2000 there will be 5.4 millions of Internet connections, 1.3 millions more than in 1999; a breakdown of 1999 data shows that, out of a total of 4.1 millions of access, 1.15 were for business use while the remaining 2.96 millions (corresponding to 14.1 per cent of Italian households) were residential.

Even more positive is the figure on the number of Internet users showing the real penetration of the Internet among the population and the Italian market potential: according to a recent survey conducted by the Italian Association of ICT Companies (*Assinform*) the number of Internet users per 1000 inhabitants rose from 149.3 (or 8.6 millions of users) in September 1999 to 201.4 (or 11.6 million users) in June 2000 (*see Annex II, table 36*).

As a result of this growth, *e-commerce* also experienced a rapid increase and, of the 2.96 millions of households with an Internet connection, about 2.1 per cent used the Internet for home-shopping and this number is forecasted to grow at an annual rate of more than 40 per cent (*see also Annex II, table 39*).

The growth in Internet hosts and secure servers is evidence of the fact that electronic commerce is growing faster in countries with unmetered Internet access pricing. In Italy, driven by competition for telephony, Internet access offers are becoming increasingly competitive (*see Annex II, table 37*). Since the beginning of 2000 some unmetered offers have been introduced. In May, the Italian telecommunications carrier, *Infostrada*, launched unmetered telecommunications services, enabling users to make unmetered local, regional and national calls. In



April 2000, *Tiscali*, a telecommunications carrier and an ISP (Internet Service Provider), began offering to pay for local calls to the Internet users who agreed to accept an advertising banner on their screens.

In June 2000, Telecom Italia responded to the increasingly competitive market by launching a new tariff package including unmetered access to local and long distance calls as well as to the Internet.

Free internet access and unmetered offers contributed to the expansion of ICT market, which in 1999 registered a growth rate of 10.9 per cent, slightly above the previous year figure (9.0 per cent) and fairly close to the European average (10.8 per cent; *see Annex II, table 38*).

Despite this, Italy has a low level of PC penetration (11 per cent) and the Internet market is dominated by three players (*Seat/Tin.it*; *Infostrada* and *Tiscali*) that together account for about 80 per cent of the subscriber base (approximately 2.8 million subscribers).

Recent policy measures

The *Budget Law for 2000* allocated considerable resources to innovation. Bills relating to the package of budget adjustment measures contain new initiatives aimed at the diffusion of computer media in schools, the promotion of electronic commerce, technological innovation in businesses and the provision of computer equipment to employees.

Moreover, in June 2000, the Italian Committee of Ministers for the Information Society approved the Action Plan for the Information Society. The objectives for 2001 are: 15 laboratories and university courses in economics and information and communication technology; 5 university-based centres of excellence devoted to ICT; and 40 public multimedia centres for training and access to ICT; 1 computer for every 25 primary school pupils; 1 computer for every 10 secondary school students; 900,000 hours of training for teachers, organised at the regional level; professional ICT training for 150,000 workers, with 1,000 new trainers; free training courses for the unemployed in southern Italy (*for a complete list of objectives see Annex I.A*).

Consistently with the implementation of this programme, the *Budget Bill for 2001* allocates resources to innovation as follows: the financing of R&D within the framework of the National Programme for Research (also including the ICT sector) and the financing of programmes to develop the information society, such as the introduction of ICT in the public administration.



e-government⁽⁸⁾ and e-society

In June 2000 the Italian government released an “*e-government Action Plan*” aimed at strengthening the use of ICT in modernising the civil service. This plan includes projects to enhance efficiency in individual departments and agencies, to provide more services to individuals and companies via the electronic media, to provide end-users with ICT access to government services and information (*for more details see Annex I.A*).

The technological infrastructure necessary to implement the Action Plan includes a national IT network, and an “Extranet” linking all local and central government information systems on the Internet pattern. The central government departments will create a set of portals (information portals and service provision portals) to provide electronic access to both the information and services provided by the main departments.

Other instruments provided by the Action Plan are: the electronic ID card, that will be used not only as a personal identity document but also as a multi-purpose card providing access to all on-line government services requiring user-identification (an electronic identity card is already being used in an experimental phase in seven municipalities: *Torino, Milano, Trieste, Bologna, Siena, Catania, Bari*, and in one year's time one million cards will be issued); the digital signature, that will represent the main form of secure access to the information and online services provided by public and private agencies and the guarantee of legal validity of documents transmitted electronically; the computerised document registration system (*protocollo informatico*).

Some of the services to individuals are already available, such as the unified access to tax and social security information and services (the “Inps-Inail-Ministry of Finance-Ministry of Treasury” one-stop shop) and access to personal and social security data through the Italian consulates. The Ministry for Foreign Affairs has also activated a system, open to the public, especially targeted to the procedure of issuing visa documents in the framework of Schengen Treaty. The system is also designed to allow communication with the European Union, OECD, UEO, United Nations and main international agencies.

As a result of the substantial investment programme implemented since 1998 by *Poste Italiane* (the Italian postal service), computers and

(⁸) The complete text is available at: <http://www.funzionepubblica.it/download/actionplan.pdf>; a summary is also available at: <http://www.funzionepubblica.it/slides/ocse.ppt>.



on-line connections have now been installed in all the 14,000 postal offices in Italy and *Poste Italiane* has been able to develop Internet-based services and introduce new postal and financial services, such as the *Conto BancoPosta*, through which people can make on-line payments of bills and carry out banking transactions.

By the end of 2000, *Poste Italiane* will be the first in Europe to introduce the electronic stamp service directly through the *Poste.it* website.

The Italian postal service has also been commissioned to create and manage, through its Internet company *Postecom*, the digital signature to be used on the Public Administration Unitary Network (*Rete Unitaria della Pubblica Amministrazione* - RUPA).

II.B. CAPITAL MARKETS AND FINANCIAL SERVICES

1. Legal and Regulatory Framework

Italy is still pushing ahead with initiatives to update legislation governing the financial sector. New regulations have been adopted to enforce the principles set out in the *Testo Unico dei Mercati Finanziari*, the 1998 legislation which replaced various laws that previously governed the financial sector.

In particular, new structural rules for mutual funds have been adopted in order to introduce new products and facilitate new investment opportunities (hedge funds and non-harmonised funds are now permitted under the new legislation, for instance). In terms of taxation, there have been various reforms aimed at removing the distortions caused by the application of different tax regimes to different securities and to collective investment schemes of different nationality.

The rationale of the regulatory reforms fits in with the targets of the Financial Services Action Plan. The new Italian legal framework is designed to integrate the Italian financial market into the European and other international financial markets.

To this extent, Italian regulation of mutual funds is already in line with the European Commission's proposal concerning changes to the regulation of European mutual funds. The national regulation of pension funds gives considerable freedom to fund managers to determine their own investment policy. There are no restrictions based on the nationality of the investments.



The proposed law on bankruptcy and insolvency, recently approved by the government and submitted to the Parliament, is perfectly consistent with the recommendation of the European Commission concerning the importance of ensuring that the consequences of business failure do not discourage desirable risk taking. This measure considers the high probability of insolvency of new or innovating firms, and the importance of not discouraging risk taking by managers.

2. The Role of Privatisation and the restructuring of the Financial Services Sector

Since July 1992 the Italian privatisation programme has generated revenues of about 113 billion Euro (*see Annex II, table 28*), of which 33 billion Euro has been raised since 1999.

The programme has contributed greatly to the development of Italy's financial markets and the economy as a whole. Moreover, in order to achieve the public finance objectives (reduction of public debt and deficit), between 1995 and October 2000 the Treasury bought back government bonds worth about 110,000 billion Lire (about 57 billion Euro), reducing the debt/GDP ratio from 123.8 per cent in 1994 to 115.1 per cent in 1999. This ratio is expected to decrease below 113 (112,1) per cent by the end of this year and to fall below 100 per cent by year 2003.

On June 27th 2000, IRI was put into liquidation having completed its mandate, and a project to sell off its activities and allocate shares to its shareholder is currently being studied by a trustee committee. Between the end of 1999 and mid-2000, IRI's activity had focused on creating alliances and joint ventures for the companies in which it held a stake and completing the remaining privatisations. Particularly prominent among these projects were: the privatisation of *Finmeccanica* (*see Annex II, table 29*); the disposal of the remaining 54.2 per cent stake in *Aeroporti di Roma* by sale after an auction; the restructuring of maritime cabotage transport through the sale of 15 per cent of *Tirrenia* and the capital increase of *Fincantieri* also through private investors intervention.

More recently (October 2000), IRI trustee committee has sold off its stake in *Cofiri*, a financial services company, via a private sale to a group of Italian industrial and financial investors for 975 billion Lire (504 million Euro).



Most importantly, privatisation has contributed substantially to the development of the equity capital market in Italy. Selected statistics underline the extraordinary progress that has been made since 1994:

- the bulk of the MIB30 (52 per cent of the total, at the end of November 2000) is now made up of privatised shares;
- from the end of 1992 to November 2000 Italian market capitalisation increased from 96 billion Euro to 852 billion Euro; the market capitalisation/GDP ratio jumped from 12.2 per cent to 73.4 per cent;
- daily average turnover increased from 71 million Euro in 1992 to 3.5 billion Euro in the period between January and November 2000 (*see Annex II, table 50*).

Following the implementation of the new business taxation (*see also "Business taxation" in section 2 - Chapter II.A*) the number of equity offerings from the corporate sector has increased, thus developing further the Italian equity capital markets. According to Italian Exchange data, there was only one Italian corporate IPO (Initial Public Offering) in 1994, which raised about 60 million Euro. In 1999, there were 24 IPOs (including non-privatisation flotation and *Nuovo Mercato* flotation), which increased the Italian market capitalisation by 1.9 billion Euro. More recently, during the first ten months of this year, there were 8 new listing on the Main Exchange and 28 new listing on the *Nuovo Mercato*, which alone has increased the Italian market capitalisation up to 27 billion Euro (i.e. 2.4 per cent of GDP).

Europe's traditional exchanges are undergoing a complex consolidation in the form of mergers of parent bourses (earlier this year the bourses in Paris, Amsterdam and Brussels merged to form Euronext). As a consequence of the mergers, the EURO.NM alliance, a grouping of European high-growth markets that includes the *Nuovo Mercato*, will cease to exist at the end of this year.

Domestic institutional investors have played an important role in the development of equity investments. Significant equity positions have been acquired by Italian institutions: from 1996 to 1999 their total investments (domestics and international) have increased by 5.2 times, whilst the total equity investment/GDP ratio has increased from 4.7 per cent in 1996 to 22 per cent in 1999 (*see Annex II, table 47*). Foreign equities in domestic portfolios have increased from 2.5 per cent in 1996 to 7.6 per cent in 1999 (*see Annex II, table 52*). Since 1997, foreign investors participation to volume traded on the equity market represents approximately one third of the total turnover.



Banking Consolidation

Since 1996, most of the Italian banks have been actively attempting to strengthen their domestic positions. During 1999, 64 M&A (Mergers and Acquisitions) transactions were carried out, involving institutions representing approximately an aggregate 15 per cent market share, measured by assets under management. It was the largest annual figure ever recorded.

At the end of 1996, 42 per cent of total banking assets under management belonged to public entities, while at the end of 1999 this figure had fallen to 17 per cent, as result of privatisation and major changes in banking corporate structure.

After the sale of a 16 percent stake in *Banco di Napoli*, the Italian State no longer owns any significant stake in the banking sector; the remaining non-private participations are owned by Foundations, which are mainly controlled by municipalities.

Among Italian banks three main trends have become evident: 1) a strong loan volume growth but with margin pressure, as a result of increasing competition and of the fact that the new loan growth is being financed via capital markets rather than deposits; 2) the redefinition of a business model by developing digital channels (i.e. to launch portals in retail banking) and integrated multichannel distribution systems alongside traditional distribution channels; 3) strong technology cost growth to enhance fee-generating businesses (e.g. investment advisory services).

Restructuring of the Banking Sector

The restructuring of the banking system, brought about by the opening-up of international financial markets and by the progress towards the creation of a single financial market in Europe, should provide a new impetus for the sale of controlling stakes held by the banking foundations.

Following this process, the five principal banking groups now control about half of credit intermediation, compared with a figure of 35 per cent in 1996 (*see Annex II, table 48*).

3. SME's access to financing

In line with the recommendation made in the BEPG for 2000, to encourage the development of venture capital in Italy, substantial progress has been made toward the expansion of risk capital. According



to the Risk Capital Action Plan the figures show a significant increase in the role of investors in venture capital activities.

According to the AIFI (the Italian Venture capital association) equity investments in Italy has increased from 998 billion Lire in 1996 to 5,112 billion Lire in 2000.

Moreover, the number of investment directed to high tech firms have increased from 6 per cent in 1996 to 46 per cent in 2000.

The number of funds targeting the SMEs has increased since the regulation of closed-end funds has changed and the focus of the new regulation has shifted from protecting investors' interests through the imposition of strict orders towards streamlining the guidelines and thereby create a larger number of opportunities.

A further improvement for the Italian venture capital market will be provided by the *Nuovo Mercato*, which is expressly dedicated to innovative small and medium business with strong growth prospects. This market provides high-growth firms with a simplified means to access the Italian capital markets and offers high-growth companies the opportunity to acquire capital that will help finance their dynamic development.

II.C. OTHER REFORMS AFFECTING THE PRODUCT AND CAPITAL MARKETS

Recently, several measures have been put in place to reform the public administration in Italy. In view of the implementation of the 2000 BEPG for Italy, particular attention has been devoted to public procurement, developing project financing and improving the taxation framework.

A measure recently approved by the Cabinet will substantially simplify civil registries. Under the reform, the civil registries and family status registries will be integrated into a single computerised registry, instead of the four currently in place.

Furthermore, a specific permanent committee was created in April 1999, called the 'Observatory on simplification' (*Osservatorio sulla semplificazione*). The committee is charged with reporting to the authorities on all measures adopted to simplify the administrative procedures, giving advice to the government on draft regulations, monitoring their implementation, and assessing the impact of reforms.



Moreover, since 1999, Parliament can mandate the government to prepare consolidated texts (*testi unici*) of regulations. The authorities have set up specific task forces and planned the preparation of a number of consolidated texts for the end of 2001; 8 consolidated texts had already been drafted (on local governments, cultural heritage, administrative documentation, building activities, expropriations, university, civil service, justice expenses) and 3 of them are in force.

Public procurement and on-line auctions

The BEPG for the year 2000 recommended Italy to strengthen efforts to reduce remaining problems in the area of public procurement. Accordingly, also with a view to reinforce the modernisation process of the public administration, a new procedure for public procurement has been set up that assigns the task of advising and assisting the civil service to a single body (*Consip*), which is a joint-stock company managed by the Treasury. Moreover, draft legislation currently under discussion in Parliament would end the *de facto* monopoly provision of local government services by making the tendering of such services compulsory. Deregulation will also make the provision of local authority services more efficient, for example, by allowing different local entities to provide services jointly.

The Italian government also launched an initiative to foster “e-procurement”. By the end of 2000, all public administrations should publish on the website www.acquisti.tesoro.it (in the Ministry of Treasury website) any tender whose value is below the EU-set threshold. Moreover, for some categories of public procurement it will be possible to tender directly through the Web. The system will allow government departments to appraise all the bids and submit orders electronically. The firms participating in the electronic tender will be required to meet quality criteria set by the Treasury.

Two tenders already held for the purchase of fixed telephony and photocopy machines resulted, for the public administration, in a total saving of respectively 67 per cent and about 40 per cent with respect of previous level of expenditure; it has been estimated that in the first year of operation of the e-procurement, there will be an overall saving of around 200 billion Lire.

Public - Private Partnership

The Italian government has also adopted measures to enhance the involvement of the private sector in financing, building and operating



infrastructures and public services. Since 1998 the government has been reinforcing the development of project financing and public-private partnership (PPP) techniques. PPP mechanisms have been introduced for infrastructures whose construction is included in the local authorities' economic planning documents. Certain major projects (the *Salerno-Reggio Calabria* and *Pedemontana Veneta* motorways; the link between Sicily and mainland Italy) have also been identified.

In the Spring 2000, the government created an *ad hoc* Project Finance Task Force (*Unità Tecnica Finanza di Progetto*, UFP). The UFP is composed of 15 professionals with legal, financial and technical expertise, some from the private sector and some from the public sector. The primary objective of the Task Force is to assist government in identifying, structuring, tendering and financing projects that are likely to attract private capital. The UFP is also entrusted with the task of proposing amendments to the current Italian legal framework aimed at fostering the use of project financing techniques in Italy according to best practices and established European Community principles.

Use of modern management and communication techniques by the public administration: the "Rete Unitaria della Pubblica Amministrazione"

In the first few months of 2000 the *Rete Unitaria della Pubblica Amministrazione* (Public Administration's Unified Network) was put in place, as a technological linkage between all government departments and agencies. This central gateway provides the administrations with web-based infrastructure and services (i.e., e-mail, web services and file transfer), and will provide secure access to the data and procedures of other administrations, irrespective of the operating systems used by the departments concerned.

More than half of the 6,000 government offices (corresponding to 95 per cent of the central administration offices) planned to be connected to the network this year, are already in operation. Ten regional governments (about half of the total) have already signed the agreement with the Authority for the Computerisation of the Public Administration (AIPA) to be connected to the network.

The recent introduction of the *Rete Unitaria* brought a considerable acceleration in the level of connection to the local network of central administrations and public agencies, which increased from 53 per cent in 1998 to 68 per cent in 1999, corresponding to more than 198,000 work stations.



The process of modernising the public administration with the aim of radically modifying the general framework of reference for public activities demands a revolution in the organisational culture of the civil service, in which the new technologies will play a critical role. This is recognised in the Action Plan for *e-government*, which states that the utilisation of ICT has the potential to yield high returns in terms of services to citizens and firms and to make a satisfactory response to the increasingly widespread social demand for innovation (*for more details see paragraph 5 in section II.A, and Annexes I.A and I.B*).

In this context, significant progress have been made in modernising the public administration through the provision of personal computer and training to public employees. Excluding public schools (whose endowment for administrative purpose amount to about 23,000 personal computers), about 75 per cent of the employees in the central administration has been equipped with a personal computer; this accounts for a total of 193,000 personal computers provided.

Of particular evidence is the progressive introduction of portable PCs, connected to the Internet, among the public administration. Starting from the second half of 1990s 120,000 units have been bought, with an evident contribution to the overall quality of work and organisation of public offices.

Between 1995 and 1999 the total number of public employees who benefited of training in information technologies increased of more than 520 per cent, from about 19,000 to more than 113,000.

As a consequence of the training activity promoted by the public offices the ratio between employees in the field of ICT and total number of employees has increased, in the public administration, of more than 125 per cent in the years 1995-1999.

In 1999 a programme called "Regulations on the Net" (*Norme in rete*) was launched to offer single access to various sources of information. This Internet site now covers all Community legislation, laws enacted by the present parliament, laws enacted by the regions and autonomous provinces, and a selection of regulations issued by individual ministries and government departments.

"Fisco on-line" and the reform of fiscal administration

Italy has also made significant progress over the last few years in the use of the new technologies to ensure a more efficient public administration. Many new initiatives have been taken.



An example is the so-called “Tax on the Net” (*fisco on-line*). From April 2000, taxpayers have been able to download, complete and submit tax returns directly via the Internet. Since November 2000 it is possible to pay taxes in the same way. Similarly, tax formalities for professionals, including VAT registration, can be cleared through the Web. From 2001, the declaration through the Internet will be partly precompiled on the basis of the tax return submitted in the year of reference. In addition, to drastically reduce the time taken to process the tax returns both by the taxpayer and the tax authorities, the new system makes it possible to correct mistakes promptly. Last year, when the network was available only to intermediaries, 68 per cent of all the tax returns were submitted electronically.

The reform of the tax administration

As described in last year's National Report, the tax authorities recently introduced major reforms. It is now possible to assess the results, which have been proved to be positive: the estimated revenues for 2000 exceed expectations by approximately 7 billion Euro.

The raising of revenues depends mainly on two factors: expanding the tax base and raising the capital gains tax. While the latter should be mainly considered to be a temporary result, the former is undoubtedly the result of the structural reforms of previous years.

In particular, the introduction of “sectoral studies” appears to have contributed to the emergence of a substantial area of the economy. What goes under the name of sectoral studies is actually a statistics-based algorithm for computing expected returns from each economic activity performed by each firm or professional. This method enables the tax authorities to focus their attention on tax returns which are inconsistent with the outcome of the relative sectoral studies. These studies are available on the Internet and constitute a simple framework on which taxpayers may base their tax returns. Their effect on the previously partially undeclared economy is judged to have raised revenues by about 4 billion Euro.

From January 2001, all the direct functions of the fiscal authorities will be performed by four agencies: Revenues, Customs, Territory, and Real Estate, which will replace several branches of the central fiscal administration. The operation is designed to enhance the efficiency of the whole system. The agencies will have a greater degree of independence, while the central administration will focus on monitoring the revenues



flow, fiscal policy planning, and the surveillance of the agencies. The reform of the internal organisation of the Ministry of Finance is a first step towards the programme to merge it with the Treasury.

Dismissal of public real estate

The main Italian Public Pension Funds owns sizeable real estate assets which shows an annual return of less than one per cent, according to the Funds' own data. The government has started two disposals programmes, one for residential and one for non-residential real estate. The total value of the real estate asset disposals is about 25 per cent of the Funds' total real estate assets.

Moreover, the Central Tax Administration is also disposing of its real estate assets. The income from the sale is expected in the first half of 2001.

The two corporations, *Poste S.p.a.* and *Ferrovie S.p.a.*, whose sole stakeholder is the Treasury, are also disposing of large proportions of their real estate assets. These operations form part of the general restructuring plans of the two companies.



ANNEX I

SUPPLEMENTS

I.A. Transition to a Knowledge-based society

I.B. Benefits to consumers/citizens



ANNEX I.A.

TRANSITION TO A KNOWLEDGE-BASED SOCIETY

The Information Society

A new strategic goal for the decade was established in Lisbon: Europe needs to turn into a knowledge-based economy.

The corresponding national strategies to be adopted relate to learning, working, the modernisation of public administration and building an appropriate framework for entrepreneurship, consistently with EU guidelines. The development of the Information Society entails a thorough review of the normative framework, the institutional tasks, the organisational arrangements and an even stronger emphasis on education and vocational training.

Italy's primary goal is to create a favourable environment for the broader involvement of society to the new challenges. The reforms of the public administration, the policies leading to flexible working arrangements, and the reform of the training-education system are some of the instruments to meet these requirements.

A number of provisions that were already being implemented now have an innovative outcome in the new European strategy. Examples of these provisions are the "digital signature" (*firma digitale*), the "information protocol" (*protocollo informatico*), and what has been called "telematic taxation" (*fisco telematico*).

The occupational deficit of the Information Society in the Italian labour market is estimated at over fifty thousand individuals (1999)⁽¹⁾. The government's actions to deal with this situation differ depending on their targets: the development of education infrastructure, the school curricula, and the training of workers.

With the 1997-2000 "Programme for the development of educational technologies", access to the Internet and multimedia will be available in every school. A general infrastructure framework (wide-band) is currently being implemented, requiring huge national and European investment at both the public and private levels.

The programme is currently being implemented as follows:

- Over 10,000 projects have been financed for the purchase and management of multimedia workstations for teachers and for the related training courses. Two-thirds of these projects are in compulsory education facilities, one-fourth in higher secondary establishments, and the rest in nursery schools. Some additional 3,000 projects will be financed in 2000, thereby reaching nearly every school.

⁽¹⁾ Source: Ministry of Labour.



- Over 6,000 projects have been financed for the purchase and management of multimedia workstations to be used for teaching purposes. Sixty per cent of these projects are in compulsory education facilities, 37 per cent in secondary schools, and 3.5 per cent in nursery schools. Some additional 1,775 projects will be financed in 2000 (see *Box 1* for a review of the results of the projects).

BOX 1

A review of the projects being financed shows that:

1. 135,000 computers were present in the 6,112 schools monitored (60 per cent of those being financed), making an average of 19 computers per school. Out of these, 80,000 were multi-media units, 5,000 were used as servers and 50,000 were not multi-media units. The current situation is as follows:
 - schools connected with Internet: 62.4 per cent (nearly 60 per cent through an ISDN line);
 - schools with units connected to a Local Area Network: 54.6 per cent;
 - schools with their own Web page: 22 per cent;
 - schools that have provided teacher-training: 91 per cent;
2. Out of 440,323 teachers working in the schools being monitored, 191,228 were involved in the projects and 55 per cent of them said that they use multi-media units regularly.

For the period 2000-2002, the Ministry of Education has allocated additional funds for the purchase of computer equipment to schools with the aim of completing the “Programme for the development of educational technology”, so that teachers can familiarise themselves with the use of this equipment.

The strengthening of school IT equipment is backed up by additional provisions that include: *i)* the free assignment to schools of the IT equipment that no longer meets the operational requirements of the offices by the public administrations; *ii)* tax exemptions for private individuals who assign IT equipment free of charge to schools.

The national broadcasting corporation, RAI, and the Ministry of Education have drawn up a plan to meet the training requirements of the teaching staff. Starting on January 21 2000, through a satellite channel, RAI is broadcasting lessons to update and improve the teaching staff in every kind of school.

Thanks to the tax facilities granted to employers who assign, free of charge, IT equipment to their employees, an attempt is being made to spread IT knowledge among workers and their families, while at the same time promoting the renewal of corporate IT equipment.



Refunding (2001-2002) and enhancement of the 1997-2000 Programme for the Development of Teaching Technologies

Objectives	2001	2001+2002	Costs in 2001	Costs in 2002
Computers in primary and lower secondary schools with a PC/student ratio (including replacement) of:	1/25	1/15	200 billion Lire	250 billion Lire
Computers in upper secondary schools with a PC/student ratio of:	1/10	1/10	40 billion Lire	80 billion Lire
Number of schools with an Internet connection	all	all	40 billion Lire	80 billion Lire
Internal wiring of schools	2,000	5,000	200 billion Lire	300 billion Lire

Finally, substantial incentives are available to all higher secondary school students to purchase a personal computer under agreement between the government and the Italian Association of Banks which provides a zero interest rate honour loan.

Additional measures include a programme being promoted by *Sviluppo Italia* and a number of banks which involves companies, universities, schools, local government and business associations, to provide in a short time the professional staff required by companies as well as a three-year plan to teach basic skills in IT and English to 600,000 young unemployed in Southern Italy.

The Information Society Forum (ISF)

The Information Society Forum (ISF), a unit at the Office of the Prime Minister was established in February 1999. The main task of the Forum is to co-ordinate the drafting of the National Action Plan and to promote initiatives for the development of the Information Society in Italy. From the outset, the ISF was conceived as a working forum open to the public and local institutions, business enterprises, trade unions, universities, research bodies, associations and private citizens.

The Forum has created five inter-operating working groups: "Network Infrastructure and Technology"; "Employment and New Forms of Work"; "Technology and Industrial Organization"; "Digital Literacy, Vocational Training and Digital Technology for Research and Education"; "Services and Contents"; "Public Administration and On-line Services".

The Information Society in the 2000 Budget Act

The *2000 Budget Act* has allocated substantial resources to innovation.

A reform plan introducing computerised technology and services into the administrative system, has been brought forward. The government has allocated resources for the acquisition of advanced technology and for training in new professions.



Within this framework, the *Budget Act* allocates new resources to innovation for a total of 1,300 billion Lire, broken down as follows:

- 450 billion Lire for IT innovation measures;
- 330 billion Lire for data transmission links and electronic commerce;
- 100 billion Lire for innovative projects connected with the introduction of information technology;
- 430 billion Lire for telecommunications ventures sector with co-financing under EU programmes.

Internet Sites and Electronic Commerce

Three hundred and thirty billion Lire have been allocated to the special fund for technological innovation at the Ministry of Industry for the period 2000-2002. The aim is to develop business through new technologies and electronic commerce.

An annual 80 billion Lire has been allocated to businesses that set up or renew Internet sites for electronic commerce. This will take the form of tax credits within the limits set by the community regulations governing “*de minimis*” state aids.

The Technological Innovation of Businesses

The Ministry of Industry special fund for technological innovation will allocate an annual 30 billion Lire for technological innovation, particularly in the textile and footwear industries.

e-Europe 2002. An Information Society for All

The eEurope 2002 initiative which was approved by the European Council at Feira in June 2000, aims to extend the benefits of the Information Society to all European citizens.

In accordance with the objectives of the e-Europe 2002 initiative, the government has launched its Action Plan for the Information Society.

The areas of intervention relate to:

- **human capital** (training, education, research, development);
- **e-government** (government services);
- **e-Commerce⁽²⁾** (coordination, rules and procedures);
- **infrastructure, competition and access**, including the auction for the allocation of UMTS mobile telephony frequencies.

The Action Plan for the Information Society

- considers the transition to the Information Society a strategic priority;

⁽²⁾ The plan for e-commerce will be presented shortly.



- is based on the premise that trends in the development and adoption of new information and communication technologies (ICT) are largely spontaneous and decentralised;
- aims to facilitate and accelerate this process by:
 1. encouraging cooperation and links between all the participants (firms, financial markets, universities, non-profit organisations, workers, citizens, government);
 2. supporting research and education using existing flexible tools (minimum use of laws, heightened coordination, promotional and co-financing arrangements);
 3. fostering competition in the ICT sector;
 4. implementing training and social inclusion policies for southern Italy.

Actions for human capital development will involve:

- enterprises, development, employment, social inclusion;
- local government and citizens;
- universities;
- schools.

The thrust of the measures will be to coordinate, promote and disseminate best practices at the local level, involving private sector resources wherever possible.

New public spending is limited and mainly covered by existing laws. It largely focuses on universities and schools.

Finally, the Action Plan has quantitative objectives that can be verified at the end of the first year of the plan.

Within the framework of its relations with the social partners, the government intends to pay close attention to:

- training;
- research;
- relations between industry and the universities.

Areas of intervention

1. promoting exchange programmes for researchers between university and industry; supporting the hiring of young researchers; providing scholarships for doctorate studies;

2. encouraging academic spin-offs; ensuring the rapid implementation of the fund for financing industrial research, pre-competitive development and the diffusion of technology during the start-up phase of high-technology enterprises. Providing additional support to academic spin-offs during the production launch phase;

3. coordinating public and private research in ICT; within the framework of Legislative Decree 297/1999, the government intends to ensure effective coordination between universities, research bodies and business in the ICT sector;



4. implementing training programmes in ICT financed with part of the firms' contribution of 0.3 per cent of their payroll earnings for continuing training. The programme will begin with a priority initiative to train at least 1,000 workers. Assuming that one-sixth of the 0.30 per cent is devoted to this programme, each year it would be possible to finance 3 million hours of training involving some 150,000 participants;

5. implementing programmes for the training and social inclusion of the unemployed and for workers in the South; two major free training programmes are devoted to:

- young unemployed persons in southern Italy, focusing on new technology literacy: computer skills and English (200 billion Lire, already approved by the Interministerial Committee for Economic Planning - CIPE);
- workers and unemployed persons in southern Italy, in order to increase employment in the high-skill careers;

6. enhancing efforts to increase the number of listed "high-growth" companies in *Nuovo Mercato* and of "traditional" companies in *Borsa*.

7. reforming the bankruptcy law; the aim is to create conditions that encourage the establishment of high-risk start-ups;

8. disseminating best practices through local sectoral portals and "business incubators"; the government is committed to disseminating and supporting best practices in local portals at the district level and incubators for multimedia companies. For example, the local portal for the *Prato* district envisages total investment of 2 billion Lire. The *Milano Nord* incubator has invested nearly 5 billion Lire in setting-up for business and hosts more than 20 new firms.

Objectives	2001	2001-2002
Local portals	12	30
Incubators	12	25

9. Other measures include the 50 per cent co-financing of libraries and multimedia centres (private, non-profit and municipal) providing access and training to the public outside normal working hours: i.e., late evening, weekend.

Objectives	2001	2001-2002	Total investment 2001(1)	Total investment 2002(1)
Local portals	40	100	80 billion Lire	120 billion Lire
Users	80,000	200,000		
Training hours(2)	10,000	30,000		

(1) The amount financed by the State accounts for 40 billion Lire in 2001 and 60 billion Lire in 2002.

(2) Assuming 5 hours of training per week for classes of 30 people, 42 weeks per year.



OTHER MEASURES

Culture

The creation of a portal dedicated to culture is at an advanced stage. It will be integrated with the local portals. The National Library Service will be reinforced and completed. The Service will link libraries and multimedia training centres via network.

The *Mediateche 2000* programme will be reinforced and completed.

Universities

The government's measures for university education and research are based on principle of autonomy and form part of the overall reform of university education.

Using existing Budget allocations, the government is:

- co-financing university courses in economics and information technology;
- encouraging the exchange of university researchers with industry and the development of academic spin-offs;
- promoting centres of excellence;
- supporting basic research in ICT.

Co-financing laboratories, university courses, technology and economics-related Master's programmes in ICT and the New Economy (co-financing covers laboratory expenses and course start-up; staff costs not included)

Objectives	2001	2001-2002	Total investment 2001 ⁽¹⁾	Total investment 2002 ⁽¹⁾
Laboratories+degree courses	15	30	30 billion Lire	30 billion Lire

(1) The amount financed by the State accounts for 15 billion Lire in 2001 and 15 billion Lire in 2002.

Centres of excellence

The programmes launched by the Ministry of Universities and Scientific and Technological Research envisage the creation of centres of excellence within the universities. Over the three-year programme period the government will encourage centres devoted to ICT.

Objectives	2001	2001-2002
Centres of excellence devoted to ITC	5	10



Diffusion of computers

The government is also committed to obtaining approval for measures to increase computer access by students and employees.

Current market trends will see the sale of about 2.5 million computers in 2001, including 700,000 to households.

The incentives already set out in the accompanying measures to the Finance Act for 2000 are expected to increase the number of computers available to students and workers by about 20 per cent.

SUMMARY

Quantitative objectives for 2001:

- 15 laboratories and university courses in economics and information and communications technology;
- 5 centres of excellence devoted to ICT;
- 40 multimedia centres for training and ICT access;
- 1 computer for every 25 students at the primary school level, 1 computer for every 10 students at the secondary school level;
- 900,000 hours of teacher training organised at the regional level;
- professional ICT training for 150,000 workers;
- courses for computer literacy and social inclusion in southern Italy;
- 12 local portals at the district level and 12 business incubators;
- academic spin-offs;
- exchange of university researchers with firms;
- development of the *Nuovo Mercato* stock exchange with 20 new listings;
- reform of bankruptcy legislation.

The “e-government Action Plan”

In June 2000 the Italian government published the “*e-government Action Plan*” that refers to the use of modern ICT in the modernisation of public administration. This plan includes actions to improve efficiency in individual departments and agencies, the use of IT for services to citizens and firms, and the provision of ICT access to end-users of government services and information. These actions will be especially centred around local governments in the context of a strengthened federal system. Like all other local authorities, the regions will be peer partners in the *e-government* plan: the plan assigns them an additional role in developing infrastructures and services that should be shared among the other local governments of the region, in order to optimise the system as a whole.



With a targeted investment of 200 billion Lire, the regions are asked to promote the development of initiatives consistent with the plan.

The plan calls for expenditure of 1,335 billion Lire in the next two years, that will be spent within a specific time frame on objectives that are precisely identified:

- 580 billion Lire for local authorities: regional, provincial and city council governments;
- 163 billion Lire on infrastructure: networks and on-line services;
- 317 billion Lire on general-purpose actions: electronic identity cards, electronic signature, integration of municipal civic registers;
- 275 billion Lire on basic computer training for public employees.

The technological infrastructure needed to implement the Action Plan will be a national IT network, i.e. an all-government Extranet that can interlink all local and central government information systems to each other on the Internet pattern and compatible Internet protocols in all the administrative domains. The central administrations will create a set of portals (information portals and service provision portals) to provide electronic access both to the information and to the services of the main departments.

The creation of the national network will make it possible to integrate the civil registry so that the public will not have to supply information already in the possession of the public administration. Citizens need only to notify the public administration once of any changes in their personal data, which often imply changing the civil registry entries. They are also entitled to receive services from a government office accessing, either physically or virtually, any front office, regardless of their place of residence. An integrated system of civic registries requires the management of an index of residents (index of civil registries), which is necessary to locate, check and maintain the consistency of personal data at the national level. The index is connected to a single citizen identification code, which is presently the personal tax code number.

Creating the civic registers is the first step towards a portal for citizen services and a portal for access to certifications. Other portals for special groups of users are also envisaged, such as an employment service portal and the business registration portal.

Similarly, all the information related to real estate registers will be put on the national network, and will therefore be available to municipalities, professionals and the public at large, to facilitate the acquisition of local data and for other administrative procedures.

Other instruments provided by the Action Plan are:

- The electronic I.D. card that will be used not only as a personal identity document but also as a multi-purpose card for gaining access to all on-line government services requiring the identification of the user. The Ministry of Interior, in co-operation with some local administrations, will start a project to test the circuit for issuing electronic I.D. cards. It is planned



to distribute 100,000 I.D. cards to the municipalities participating in the test. During this phase the services associated with the card will be local services developed and supplied by the participating municipalities. Once the first testing phase is completed, 1,000,000 I.D. cards will be issued.

- The digital signature, which will be the main instrument to guarantee secure access to the information and on-line services provided by public and private agencies and the legal validity of documents transmitted electronically. As the official "Certification register" has already been formed, the digital signature is now a reality, usable not only by private individuals and businesses but also - and indeed above all - by civil servants with the power of signature. A call for tender for the provision of electronic signature certificates to 10,000 public employees has been recently published. The Action Plan calls for the creation of a fund to finance the endowment of local and central civil servants with signature cards. Initiatives will be introduced to encourage the use of digital signatures by private individuals and businesses, especially in their dealings with government through the portals.
- The systems of computerised document registration which, together with the possibility of registering traditional paper documents through electronic media, will make it possible: to register electronic documents; directly link the registration system with the filing and archive system; offer more effective forms of access and guarantee the transparency of administrative acts.

On 25 September, the Prime Minister's Office instituted its permanent Strategic Unit for the *e*-government, with the responsibilities of: forging the vision and formulation of strategic guidelines; assuring the involvement of all governmental departments; making sure that for citizens and businesses the services of the integrated national information system are equally available in any location of the country.

The Information Society in the 2001 Budget Bill

Consistently with the realisation of the above programme, the *2001 Budget Bill* for financial will allocate substantial resources to innovation.

New and additional resources will be generated by the allocation of UMTS licenses but will not exceed 10 per cent of such receipts over the multi-year period.

These resources are allocated as follows:

- to the financing of R&D within the framework of the National Research Programme, which will also include the ICT sector;
- to the financing of programmes to develop the information society, such as the introduction of the ICT into public administration.

Moreover, the government has allocated resources to the financing programmes aimed at the start-up and development of hi-tech industries. Tax credits are being provided for industrial enterprises investing in R&D.



ANNEX I.B.

BENEFITS TO CONSUMERS/CITIZENS

The main achievements of the administrative reform

In 1996 a wide-ranging strategy to reform the government was defined. The reform covers both central and local government as well as the health care, schools and university systems. government efficiency and accountability and the participation and empowerment of the citizens are the guiding principles of this strategy. Several specific policies have been started, focusing on making the administration more outward-looking and delivering better quality services while curbing the costs of over-regulation.

Within the reform strategy a great emphasis has been given to the simplification of the administrative procedures and legislation. The main achievements in this area can be summarised as follows:

- Self-declaration now replaces 95 per cent of certificates;
- Notification of the beginning of an activity and the “silence is consent” principles replace authorisations and licenses;
- A *Conferenza dei servizi* (combined services conference) replaces many administrative acts;
- Fixed deadlines have been defined to end an administrative procedure;
- One-stop-shops have been set up, so that a single procedure is now needed to start up a new productive plant, replacing the 43 authorisations previously needed;
- The system has been oriented towards a more rapid establishment of new companies of all kinds: court authorisation and the publication in official bulletins are no longer required;
- A Regulatory Impact Analysis to measure the cost of new regulations on the public and business is being implemented;
- The constitution of a central “Regulatory Simplification Unit”: a task force of 65 experts exclusively monitoring “regulation quality”;
- The setting up of the Simplification Observatory (*Osservatorio per la semplificazione*): a consultative body with representatives of Ministries, Regions, Local Authorities and social parties.

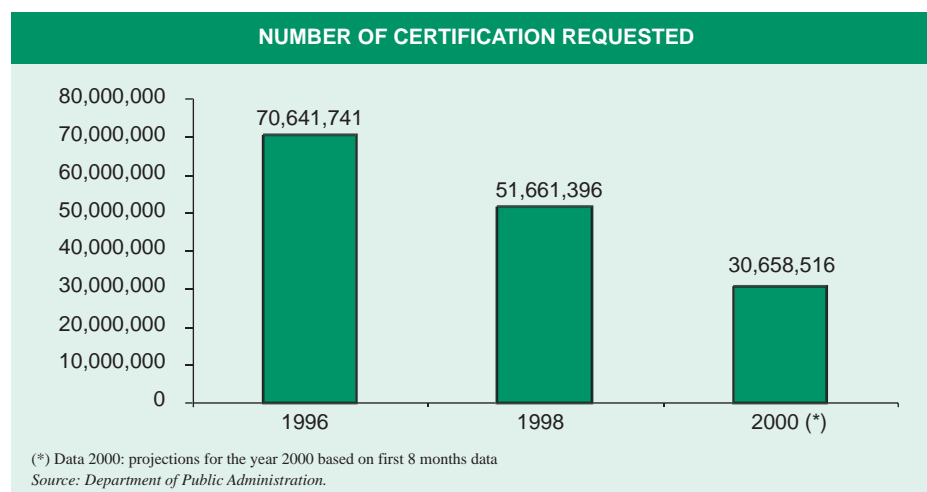
The policy to achieve transparency, openness, predictability and client participation in the administrative process has so far brought substantial results that have been summarised in a survey recently conducted by the Office of the Prime Minister and by the Department of the Public Administration showing the first results of the administrative simplification project in terms of the benefits to consumers and firms.



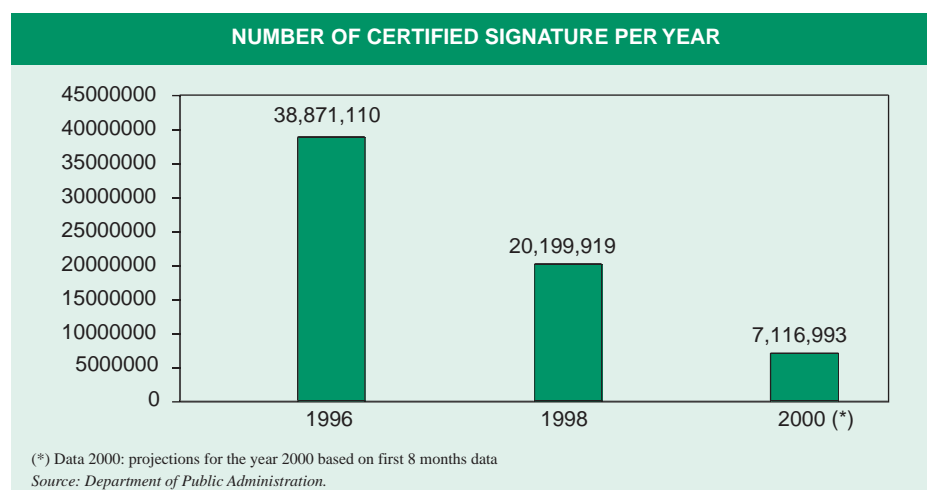
“Self-certification” programmes and certified signature

Starting in March 1999, all requests for certification and certified signature to a sample of municipalities have been monitored and evaluated to ascertain the effectiveness of the “self-certification” programmes.

In the period January-August 2000, the number of certification requested has been reduced by about 57 per cent. This means that, whereas in 1996 the Italian civil registries issued 70 million certificates, in 1999 this figure was halved to 34 million, and projections for the year 2000, based on the first 8 months, indicate that the number of certificates will be around 30 million (see figure below).



At the same time the number of certified signatures fell by about 82 per cent, from 38 million Lire in 1996 to about 7 million Lire foreseen in 2000 (projection based on the first 8 months).

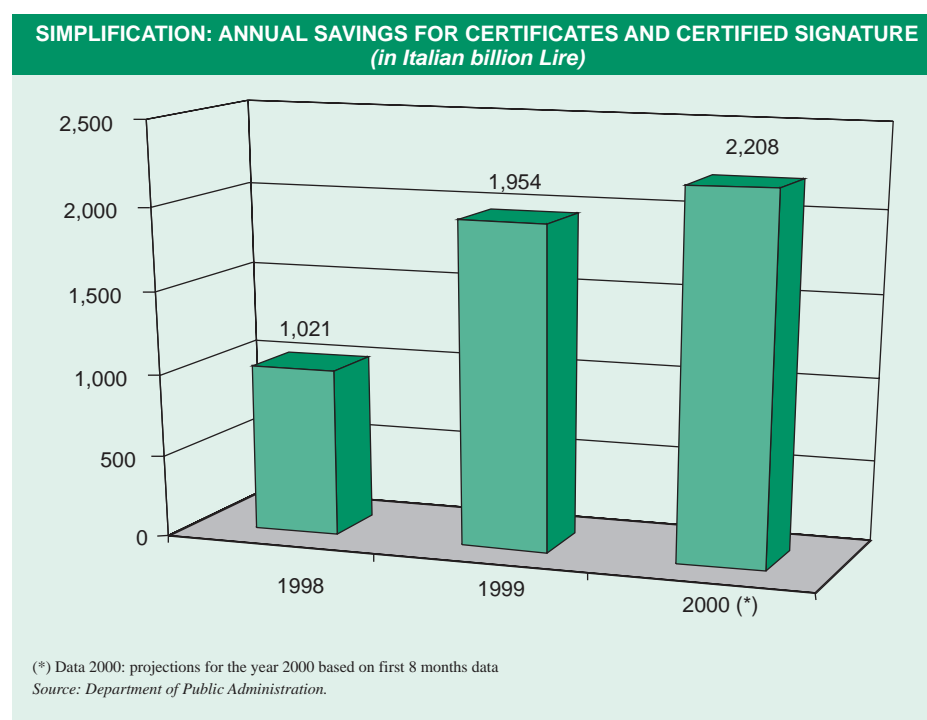




The reduced number of certifications and certified signatures represents an important saving for the public: the mentioned survey estimated that expenditure on administrative formalities fell from 2,997 billion Lire in 1996 to 1,107 billion Lire in 1999. This led to an estimated saving of about 2,208 billion Lire for the year 2000 (*see figure below*).

Figures for 2000 show further improvement in this year : in January the number of certificates fell to about 62 per cent of those issued in 1996.

This data shows that there has been a marked change in the mentality and behaviour of the public administration and that the public is now more aware of its rights and require an extensive application of new rules.



Relations between the public and the public administration

This approach has significantly changed relations between the general public and the public administration; the reforms have played a critical role in enhancing the government's reliability and raising public confidence.

According to a fact-finding survey conducted by Lexis for the Department of Public Administration, in February 2000 more than 64 per cent of the citizens interviewed declared that they had a positive opinion of public offices, which is even more considerable if compared with the



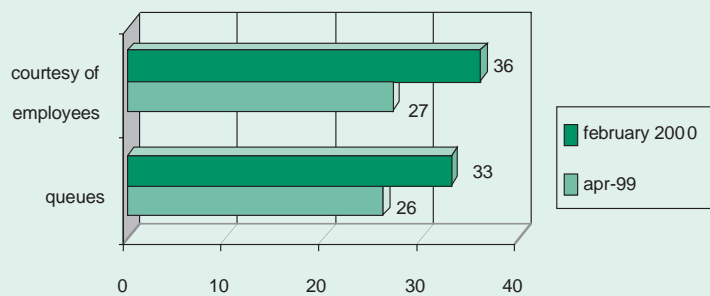
results of the same survey in April 1999, when only 49 per cent expressed satisfaction.

The recent reforms were based on a new approach towards citizens and consumers, basically through setting a performance-oriented public administration. The formal approach based exclusively on compliance with laws and procedure, without regard to quality and results, has been replaced by a consumer-oriented approach.

Traditional legal control is now complemented by new performance controls, attention to quality of service and customer satisfaction, promotion of professional growth through special training programme and publication of service charters.

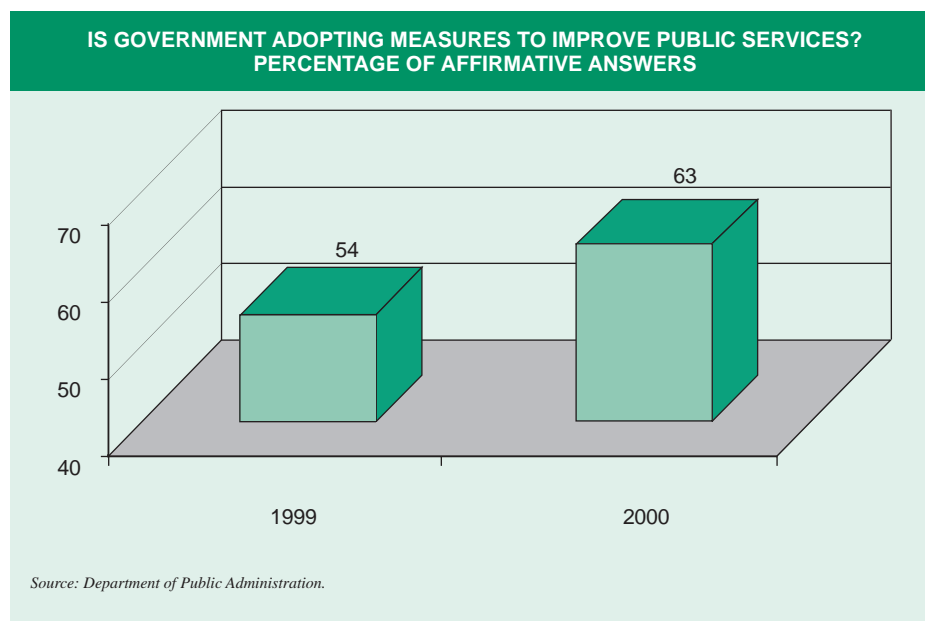
Two aspects of the change have been seized on more frequently: greater courtesy is being shown by public servants and waiting time in public offices is being reduced; the following table shows the perception of the improvement with regard to these two variables.

PERCENTAGE OF CITIZENS DECLARING OF HAVING PERCEIVED IMPROVEMENTS WITH RESPECT TO QUEUES AND COURTESY OF EMPLOYEES



Source: Department of Public Administration.

The considerable efforts, put by government to keep the knowledge and skills of public employees up-to-date, have so far had some effect on citizens' perception: the same survey showed that in February 2000, 37 per cent of consumers considered that the professional skills of public employees had improved, as had the use of new technologies by the public administration, whose introduction was positively perceived by 72 per cent of the interviewees. About 63 per cent of the same sample of citizens said that government was taking evident steps to adopt measures to improve public services; as the figure below shows, the number of positive reactions are slightly above the previous year's figure (54 per cent).



Of the recently introduced reforms, the most beneficial to private citizens and business are self-certification and the one-stop shop for productive activity.

In February 2000, 94 citizens out of 100 said that they knew about self-certification and, more importantly, 92 out of 100 approved and expressed satisfaction with the use of these instruments; as far as the actual use of self-certification is concerned, the percentage of people using it at least once rose from 22 per cent in April 1999 to 38 per cent in February 2000.

The same results apply to a sample used in a survey conducted by the ISPO (The Italian Institute for Studies on Public Opinion) on eight Italian cities between February and March 2000. The data on this survey show that in general there is a high level of awareness of recent administrative reforms. These reforms contribute significantly to enhancing government reliability and consumer confidence.

The positive attitude of citizens towards the reforms was uniform in all the cities surveyed, irrespective of the actual level of implementation of reforms: on average 15.7 per cent of people knew about the innovation, while 52 per cent had only heard of it.

As far as self-certification and one-stop shops are concerned, 86 per cent declared that self-certification is potentially an effective tool for saving time and money, while 88 per cent were already using it; among entrepreneurs and traders who had already used the one-stop shops, about 60 per cent said they were satisfied, and half of them considered it a sound means of saving time and money.



The radical reform process has profoundly modified the general framework of reference of public activities in the last few years and requires a revolution in the organisational culture of the public administration that can only be brought about by new technologies. This is recognised in the Action Plan for *e-government*, approved on June 2000, in which the Italian government states that the use of new information technologies has the potential to yield high returns in terms of services to citizens and business and to respond satisfactorily to an increasingly wide-spread social demand for innovation.

The Italian *e-government* Action Plan offers to administrative bodies, and in particular to local governments, a new vision of the services to be provided to citizens and businesses made possible by the use of modern ICT (*for more details see Annex I.A*).

The government Action Plan

New information technologies are central to implementing the reform of the government and improving the general welfare of citizens.

The objectives of the Action Plan in this respect can be summarised as follows:

- citizens can receive all the public services to which they are entitled by applying to any front office administration authorised to perform the service, regardless of their place of residence;
- when requesting a service, citizens need to supply no personal information that is already in the possession of any other branch of the administration, apart from their personal identity document. Once the citizen has been identified, the front-office information system must be capable of obtaining any information needed;
- citizens can request a service exclusively on the basis of their own needs and do not have to know how the State is organised to perform services or to which department they must apply;
- citizens must be able to notify the administration only once of any changes in their life events: this notification will automatically produce all the consequential effects. The administration must keep a file on every citizen to enable notification of changes to all the departments and agencies affected and activate the consequent services;
- the objectives above must be achieved by all sections of society. Particular attention should be devoted to the less favoured sections and to the depressed areas.



ANNEX II

STRUCTURAL INDICATORS

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STRUCTURAL INDICATORS OF PRODUCT MARKETS

Performance indicators - Functioning of markets:

Table 1 - Intra-EU and total trade
(as a percentage of GDP)

Years	Intra EU trade	Total trade
1996	0.108	0.187
1997	0.112	0.193
1998	0.115	0.195
1999	0.113	0.191

Source: Istat, data processed by Ministry of Treasury

Table 2 - Intra EU 11 FDI inflows and outflows
(as a percentage of the Italian GDP)

	1996	1997	1998	1999(*)
Direct Investments from:				
		inflows		
Austria	0.00	0.01	0.00	0.00
Belgium	0.01	0.01	0.00	0.00
Finland	0.00	0.00	0.00	0.00
France	0.05	0.05	0.06	0.10
Germany	0.04	0.02	0.04	0.12
Ireland	0.00	0.00	0.00	0.00
Luxembourg	0.04	0.08	0.01	0.02
Netherlands	0.00	0.02	0.03	0.03
Portugal	0.00	0.00	0.00	0.00
Spain	0.00	0.00	0.00	0.01
Euro-Zone	0.15	0.19	0.14	0.29
Direct Investments to:				
		outflows		
Austria	0.01	0.02	0.01	0.01
Belgium	0.02	0.01	0.00	0.00
Finland	0.00	0.00	0.00	0.00
France	0.02	0.04	0.04	0.06
Germany	0.02	0.03	0.03	0.23
Ireland	0.01	0.03	0.00	0.04
Luxembourg	0.15	0.22	0.14	0.12
Netherlands	0.13	0.05	0.09	-0.29
Portugal	0.03	0.01	0.00	0.01
Spain	0.01	0.01	0.01	0.06
Euro-Zone	0.39	0.41	0.34	0.23

(*) data only partially comparable with those of the previous years because of the introduction of a methodological change (see methodological notes)

Source: Ufficio Italiano Cambi (UIC) and Istat, data processed by Ministry of Treasury

Table 3 - Cross border mergers and acquisitions
(EU Member States' share relative to GDP share - per cent ratios)

	Inward				Outward			
	1996	1997	1998	1999	1996	1997	1998	1999
France	84.2	60.4	65.3	62.4	57.0	101.3	69.7	88.2
Germany	32.3	56.6	68.6	50.4	88.5	49.0	77.6	67.0
Italy	48.4	49.0	18.3	24.4	18.7	22.6	36.2	18.7
Portugal	71.4	52.8	7.0	22.3	13.7	24.9	92.3	16.2
United Kingdom	381.7	260.7	236.4	214.2	227.3	163.1	229.6	259.8
Spain	33.9	68.6	39.2	22.6	79.6	155.3	55.6	64.4

Source: KPMG Corporate Finance, Dealwatch Database 2000 and Eurostat New Cronos, data processed by Ministry of Treasury

Table 4 - Harmonized index of consumer prices (1996=100)

	1997	1998	1999
EU15	101.7	103.0	104.3
Belgium	101.5	102.4	103.6
Denmark	101.9	103.3	105.4
Germany	101.5	102.1	102.8
Greece	105.4	110.2	112.6
Spain	101.9	103.7	106.0
France	101.3	102.0	102.5
Ireland	101.2	103.4	106.0
Italy	101.9	103.9	105.7
Luxembourg	101.4	102.4	103.4
Netherlands	101.9	103.7	105.8
Austria	101.2	102.0	102.5
Portugal	101.9	104.2	106.4
Finland	101.2	102.6	103.9
Sweden	101.9	102.9	103.4
United Kingdom	101.8	103.4	104.8

Source: Eurostat New Cronos

Table 5 - Level of labour productivity
(annual index: Italy 1990=100)

	product per hour worked		product per labour unit	
	1990	1999	1990	1999
Italy	100	117	100	114
United States	92	103	104	118
Japan	83	99	99	106
United Kingdom	75	89	77	90
France	117	136	114	129
Germany	132	128	123	118

Source: Eurostat and OECD, data processed by Istat

Table 6 - Profitability (annual index, 1995=100)

Years	Agriculture, forestry and fisheries	Industry excluding construction	Construction	Trade, hotels restaurants transport communication	Credit services, insurance real estate services, renting professional services	Education, Health system, other public and private services
INPUT DEFLATOR						
1996	104.1	100.3	100.9	102.1	105.4	102.4
1997	103.0	101.2	103.7	105.1	108.9	103.5
1998	100.8	100.6	104.5	105.9	113.2	107.2
1999	100.4	100.9	106.1	109.4	117.8	111.6
2000(*)	102.9	107.9	109.8	110.9	119.5	113.9
OUTPUT DEFLATOR						
1996	104.1	101.5	102.0	103.5	106.0	105.5
1997	103.2	102.3	104.4	105.0	108.0	109.2
1998	100.8	101.2	104.1	105.3	109.0	108.4
1999	99.4	101.4	105.9	108.0	112.3	111.4
2000(*)	102.1	106.6	109.2	109.6	115.7	115.1
UNIT VARIABLE COSTS						
1996	99.5	101.5	100.2	102.9	105.5	105.6
1997	97.6	103.1	105.4	105.1	108.8	109.3
1998	93.3	102.0	104.5	105.2	111.7	108.8
1999	87.8	102.2	106.5	108.1	116.9	112.1
2000(*)	89.9	107.4	109.2	109.9	118.7	114.1
LABOUR COST PER UNIT OF OUTPUT						
1996	97.7	106.0	99.3	104.0	103.5	106.7
1997	96.7	106.2	107.3	103.2	102.4	111.0
1998	91.3	103.3	103.6	101.8	100.4	107.7
1999	84.7	104.4	106.7	104.3	105.0	109.4
2000(*)	85.1	103.2	106.2	106.8	108.1	110.3
MARK-UP - MARGINS ON UNIT VARIABLE COSTS						
1996	104.7	100.0	101.8	100.6	100.5	99.9
1997	105.7	99.3	99.0	99.9	99.3	99.9
1998	108.2	99.3	99.6	100.1	97.6	99.7
1999	113.3	99.2	99.5	100.0	96.2	99.4
2000(*)	113.7	99.3	100.0	99.7	97.5	100.9

(*) first semester

Source: Istat, Conti Trimestrali SEC. 95

Performance indicators - Network industries:

Table 7 - Electricity prices for households
(Italian Lire/KWh, current exchange rates)

	600 KWh		1200 KWh		annual consumption 3500KWh		7500KWh	
	2000	2000/1999	2000	2000/1999	2000	2000/1999	2000	2000/1999
	Lire/kwh	Δ%	Lire/kwh	Δ%	Lire/kwh	Δ%	Lire/kwh	Δ%
Italy - Total tariff	138.2	19.6	144.6	12.1	307.0	-7.2	280.2	-7.5
Italy - Part of the tariff linked to variable costs (mainly oil)(*)	46.0	127.7	46.0	127.7	99.0	40.2	99.0	40.2
Italy - Tariff excluding variable costs (mainly oil)	92.2	-3.3	98.6	-9.4	208.0	-20.1	181.2	-22.0
EU weighted average	305.9	-2.8	242.3	-3.4	200.2	-3.8	183.8	-4.2

(*) estimates

Source: Eurostat, data processed by the Italian Energy and Gas Authority

Table 8 - Electricity prices for industrial users
(Italian Lire/KWh, current exchange rates)

	160000 KWh		2GWh		annual consumption 10GWh		24GWh	
	2000	2000/1999	2000	2000/1999	2000	2000/1999	2000	2000/1999
	Lire/kwh	Δ%	Lire/kwh	Δ%	Lire/kwh	Δ%	Lire/kwh	Δ%
Italy - Total tariff	201.0	2.7	150.0	-0.3	150.0	-0.3	131.2	3.4
Italy - Part of the tariff linked to variable costs (mainly oil)(*)	62.5	75.6	62.5	75.6	62.5	75.6	62.5	75.6
Italy - Tariff excluding variable costs (mainly oil)	138.5	-13.4	87.5	-23.8	87.5	-23.8	68.7	-24.8
EU weighted average	173.7	-3.1	118.4	-3.5	112.2	-7.7	96.3	-6.1

(*) estimates

Source: Eurostat, data processed by the Italian Energy and Gas Authority

Table 9 - Gas prices for households
(Italian Lire/m³, current exchange rates)

	8.37GJ	annual consumption 83.7GJ	125.6GJ
1999			
Italy - Total tariff	743.1	593.2	581.5
Italy- Part of the tariff linked to variable costs (mainly oil)(*)	179.0	142.9	140.1
EU weighted average	931.9	486.7	464.8

(*) estimates

Source: Eurostat, data processed by the Italian Energy and Gas Authority

Table 10 - Gas prices for industrial users
(Italian Lire/m³, current exchange rates)

	418.6GJ	4186GJ	annual consumption 41860GJ	41860GJ
1999				
Italy - Total tariff	572.3	384.7	247.9	208.6
Italy- Part of the tariff linked to variable costs (mainly oil)(*)	137.9	92.7	208.6	175.5
EU weighted average	458.1	305.7	261.5	210.4

(*) estimates

Source: Eurostat, data processed by the Italian Energy and Gas Authority

Table 11 - Prices trend in Postal services
(Harmonized consumer price index, 1996=100)

	1997	1998	1999
Austria	109.5	118.9	118.9
Belgium	106.3	106.3	106.3
Denmark	100.0	100.0	103.4
Finland	100.3	102.7	114.0
France	101.2	101.2	101.3
Germany	103.0	107.5	107.2
Greece	104.7	121.7	129.8
Ireland	100.0	99.5	99.3
Italy	108.1	112.2	112.2
Luxembourg	100.0	100.0	100.0
Netherlands	108.6	108.6	108.6
Portugal	104.6	106.2	107.2
Spain	108.1	141.7	141.7
Sweden	117.4	124.1	129.8
United Kingdom	101.9	103.0	103.7
EU15	104.3	107.9	108.2

Source: Eurostat, New Cronos

Table 12 - Incumbent's telephone charges: effects of the tariffs rebalancing
(decisions of the Authority 85/1998 and 101/1999)

Services	Δ%
Access	8.2
Local	0.0
District	-57.2
National long distance	-12.0
International	-14.5
Total	-8.7

Source: The Italian Competition Authority

Table 13 - Incumbent's telephone charges*(Telephone charges for 3 minutes calls, including set up, excluding VAT, Italian Lire)*

Fixed to fixed	1996		1997		1998		1999	
	peak	off-peak	peak	off-peak	peak	off-peak	peak	off-peak
Local	254	127	127	127	127	127	192	153
Long distance (over than 30 km)	1,330	635	1,143	584	983	584	924	567
International (France)	2,815	2,267	2,274	2,106	2,133	1,936	1,990	1,697
International (USA)	3,283	3,041	2,792	2,517	2,133	1,936	1,990	1,697
International (Japan)	8,412	7,060	6,467	5,845	5,194	4,685	5,115	4,631
Monthly rental basic subs. (B-simplex)	13,100		15,300		16,800		18,000	
Percentage changes	Δ% 1997/1996		Δ% 1998/1997		Δ% 1999/1998		Δ% 2000/1999	
	peak	off-peak	peak	off-peak	peak	off-peak	peak	off-peak
Local	-50.0	0.0	0.0	0.0	51.2	20.5	-24.4	20.5
Long distance (over than 30 km)	-14.1	-8.0	-14.0	0.0	-6.1	-3.0	-30.6	-10.7
International (France)	-19.2	-7.1	-6.2	-8.1	-6.7	-12.4	-29.3	-25.1
International (USA)	-15.0	-17.2	-23.6	-23.1	-6.7	-12.4	-39.4	-44.2
International (Japan)	-23.1	-17.2	-19.7	-19.8	-1.5	-1.2	-39.2	-34.4
Monthly rental basic subs. (B-simplex)	17.2		9.8		7.1		37.9	

Source: The Italian Communication Authority

Table 14 - Mobile telephone charges - August 2000 (USD PPP)

	Fixed	Usage	Total
Italy	2.37	255.42	257.78
OECD	235.51	131.33	366.84
EU	178.55	136.53	315.08

Source: OECD and Teligen

Table 15 - Average international call charges*(Average rate to all other OECD countries, USD per minutes at peak time)*

	1995	1996	1997	1998	1999	2000	Δ% 2000/1998
Italy	0.77	0.69	0.76	0.69	0.92	0.31	-55
OECD	1.07	0.98	0.91	0.77	0.69	0.52	-32

Source: OECD and Teligen

Table 16 - Telephone charges
(Prices at July, 31st 2000 - Value expressed in Italian Lire, VAT excluded)

	Length/Cost							
	1 minute		3 minutes		5 minutes		10 minutes	
	peak	off-peak	peak	off-peak	peak	off-peak	peak	off-peak
1. Urban calls								
Telecom Italia	131	118	192	153	253	189	406	277
Infostrada	128	115	184	145	240	175	380	250
Wind	55	40	165	120	248	180	385	280
Tiscali								
E-Planet	59	47	177	141	295	235	590	470
2. Long-distance calls								
Telecom Italia	393	274	924	567	1,455	860	2,782	1,592
Infostrada	310	213	680	388	1,050	563	1,975	1,000
Wind	215	145	645	435	1,021	689	1,828	1,233
Tiscali	125	70	375	210	625	350	1,250	700
E-Planet	129	69	387	207	645	345	1,290	690
3. Fixed / mobile calls								
Telecom Italia	690	411	1,817	978	2,943	1,546	5,760	2,965
Infostrada	740	465	1,820	995	2,900	1,525	5,600	2,850
Wind	600	300	1,800	900	2,850	1,425	5,100	2,550
Tiscali	590	320	1,770	960	2,950	1,600	5,900	3,200
E-Planet	595	325	1,785	975	2,975	1,625	5,950	3,250
4. International calls								
	Length/Cost							
	1 minute		3 minutes		5 minutes		10 minutes	
4.1 Directed to France/United States								
Telecom Italia	900		1,700		2,500		4,500	
Infostrada	600		1,300		2,000		3,750	
Wind	400		1,200		2,000		4,000	
Tiscali	336		1,008		1,680		3,360	
Planet	330		990		1,650		3,300	
4.2 Directed to East Europe (Poland)								
Telecom Italia	1,100		2,300		3,500		6,500	
Infostrada	950		2,350		3,750		7,250	
Wind	500		1,500		2,500		5,000	
Tiscali	595		1,785		2,975		5,950	
E-Planet	600		1,800		3,000		6,000	
4.3 Directed to Japan								
Telecom Italia	1,900		4,700		7,500		14,500	
Infostrada	1,500		4,000		6,500		12,750	
Wind	1,400		4,200		7,000		14,000	
Tiscali	595		1,785		2,975		5,950	
E-Planet	600		1,800		3,000		6,000	

Source: The Italian Communication Authority

QUALITY OF SERVICE PROVIDED BY NETWORK INDUSTRIES

Table 17 - Electricity: long unplanned outages in Enel's network serving domestic users

	Italy	Northern Italy	Central Italy	Southern Italy	Urban areas	Country areas
Number of outages per user						
1996	4.8	3.5	5.1	6.1	2.7	6.4
1997	4.6	2.8	5.7	6.1	2.7	6.0
1998	4.1	2.6	4.9	5.4	2.2	5.5
Average outage length (minutes per user)						
1996	272	159	285	403	150	378
1997	209	125	229	302	123	283
1998	196	121	230	270	107	269

Source: The Italian Energy and Gas Authority

Table 18 - Electricity: long unplanned outages in local providers' networks serving domestic users

Year 1998	Number of consumers	Number of outages per user	Average outage length (minutes)
Acea- Roma	766,331	2.5	99
Aem-Milano	431,239	1.2	37
Aem-Torino	247,529	1.2	39
Acegas-Trieste	139,661	1.4	44
Asm-Brescia	116,076	0.5	20
Aec-Bolzano	114,954	1.2	40

Source: The Italian Energy and Gas Authority

Table 19 - Electricity: average time necessary for each kind of services

	Enel		Local energy providers	
	1997	1998 (number of days)	1997	1998
Estimate of connection costs	15.8	16.5	20.1	16.8
Connection to the network	5.5	5.0	10.8	9.6
Answer to written questions	16.7	13.3	14.4	15.4
Answer to complaints	20.2	23.5	14.2	15.2
Bill correction	11.3	8.7	8.8	9.5
Meters inspection	9.9	9.0	6.8	6.3
Tension inspection	9.7	7.1	1.1	5.2

Source: The Italian Energy and Gas Authority

Table 20 - Gas: average time necessary for each kind of services

	Large size gas providers		Medium size gas providers		Small size gas providers	
	1997	1998	1997	1998	1997	1998
	(number of days)					
Estimate of connection costs	8.9	8.1	13.1	11.1	6.7	9.0
Connection to the network	15.9	10.8	22.3	18.9	15.3	14.1
Complete installation	30.1	22.0	28.8	26.2	27.3	24.1
Answer to written questions	15.1	12.7	16.3	18.1	15.7	14.8
Answer to complaints	18.1	7.8	24.5	18.0	9.5	14.5
Bill correction	7.0	2.4	8.8	18.1	5.6	6.6
Meters inspection	5.2	4.6	8.6	10.9	4.6	3.5
Pression inspection	4.1	2.4	3.7	2.4	2.4	2.7
Urgent intervention (minutes)	66.3	25.0	41.6	43.7	29.4	29.6

Source: The Italian Energy and Gas Authority

Table 21 - Quality of telephone service

INDICATORS	1995	1996	1997	1998	1999
Per cent of faults repaired within 24 hours					
- Italy	93.3				92.0
- France	88.3	90.6	87.3		
- Germany	83.4	71.0	83.2		85.9
- Spain		94.4	97.2	95.8	95.5
- UK	84.0	84.5	82.4	72.0	92.0
Number of payphones per 1,000 people					
- Italy	6.7	6.7	6.7	6.7	6.3
- France	3.5	3.6	3.9	4.1	4.1
- Germany	2.0	2.0	2.0	1.8	1.7
- Spain	1.3	1.5	1.6	1.6	1.7
- UK	2.4	2.5	2.5	2.4	2.6
Percent of payphones in working order					
- Italy	96.0	96.0	96.0		98.9
- France	100.0	100.0	100.0		
- Germany					
- Spain		96.2	96.0	97.3	97.2
- UK	95.0	94.8	95.6	96.1	96.3
Itemised billing- Potential service availability (per cent)					
- Italy	100.0	100.0	100.0	100.0	100.0
- France	100.0	100.0	100.0	100.0	100.0
- Germany	59.0			100.0	100.0
- Spain	100.0	100.0	100.0	100.0	100.0
- UK	99.0	99.0	100.0	100.0	100.0
Cost of itemised billing in USD (monthly charge)					
- Italy	1.8				0.0
- France	2.0	2.0	0.0	0.0	0.0
- Germany			0.0	0.0	0.0
- Spain	0.0	0.0	0.0	0.0	0.0
- UK	0.0	0.0	0.0	0.0	0.0

Source: OECD

*DISTRIBUTION SECTOR INDICATORS:***Table 22 - Market structure in retailing - large and small store density**
(Number of large and small stores per 1,000 inhabitants)

	1997	1998
Large stores	0.11	0.12
Small stores	10.77	10.70

Source: Ministry of Industry and Istat, data processed by Ministry of Treasury

Table 23 - Market share of the five leading groups in modern retail distribution

	1999
Italy	40%

Source: The Italian Competition Authority

Table 24 - Profitability in the distribution sector (annual index, 1995=100)

Years	Mark-Up margins on unit variable costs
1992	97.1
1993	95.8
1994	99.1
1995	100.0
1996	100.0
1997	99.7
1998	99.1

Source: Istat, Conti trimestrali SEC 95

Performance indicators - Entrepreneurship and SMEs:**Table 25 - Employment in SMEs and self employment**

Enterprise size:	ITALY		EU15	
	1996	1997	1996	1997
as percentage of total employment				
Zero(self employment)	9.99	8.93	7.90	7.75
Between 1 and 9	26.38	26.11	19.35	19.44
Between 10 and 49	15.42	15.59	14.89	14.89
Between 50 and 249	8.64	8.34	10.37	10.29
250 or more	15.36	14.67	26.77	26.97
Total SMEs	75.80	73.64	79.28	79.33

Source: Eurostat New Cronos, data processed by Ministry of Treasury

Policy indicators - Competition:**Table 26 - Human and financial resources of Regulatory Authorities**

HUMAN RESOURCES		FINANCIAL RESOURCES	
Evaluating time	Employment	Years	Total Expenditure (billions of italian Lire)
The Competition Authority			
31st March 1992	61	1991	10.3
31st March 1993	79	1992	12.3
31st March 1994	107	1993	18.7
31st March 1995	132	1994	23.5
31st March 1996	138	1995	29.5
31st march 1997	146	1996	33.6
31st march 1998	167	1997	34.9
31st march 1999	174	1998	35.0
31st march 2000	172	1999	37.7
The Energy and Gas Authority			
30th April 1998	60	1997	12.7
30th April 1999	73	1998	19.1
30th April 2000	80	1999	22.4
The Communication Authority			
30th June 2000	178	1999	68.3

Source: The Italian Competition, Energy and Gas, and Communication Authorities

Table 27 - Market shares of public enterprises

Years	Employment		
	Total labour units (thousands)	Labour units in public enterprises (thousands)	% of total labour units
1990	23,425.8	1,241.6	5.3
1991	23,608.9	1,204.1	5.1
1992	23,457.2	1,172.9	5.0
1993	22,750.3	1,114.8	4.9
1994	22,528.9	1,036.3	4.6
1995	22,528.1	968.7	4.3
1996	22,599.9	949.2	4.2
1997	22,666.3	929.3	4.1

Source: Istat, data processed by Ministry of Treasury

Table 28 - Privatisation-Gross amount raised

Selling Entity	Period	Gross Amount Raised ITL billion	Gross Amount Raised Euro billion
Ministry of Treasury	1994-December 2000	123,802	63.9
IRI Group	July 1992-October 2000	83,688 ⁽¹⁾	43.2 ⁽¹⁾
Eni Group	July 1992-December 1998	10,633 ⁽²⁾	5.5 ⁽²⁾
Total	July 1992-December 2000	218,123	112.6

(1) excluding 22,883 billion Lire for Telecom Italia and 1,624 billion Lire for Seat, both carried out directly by Ministry of Treasury

(2) including debt transferred

Source: Ministry of Treasury

Table 29 - Major recent privatisations from October 1999 to December 2000

Companies	Selling Entity	Industry Sector	Offer Date	Offer Type	Gross Amount Raised (ITL billions)	Percentage of Capital sold
Autostrade	IRI	Infrastructure	Oct-99	Direct sale	4,911	30.0
Autostrade	IRI	Infrastructure	Dec-99	Secondary Public Offer	8,105	52.4
ENEL	Ministry of Treasury	Utility	Nov-99	Public Offer IPO	32,045	31.7
Mediocredito Centrale of Treasury	Ministry of Treasury	Banking	Dec-99	Direct sale	3,944	100.0
UNIM	Ministry of Treasury	Real Estate	Dec-99	Tender share to take over bid	43	1.9
Aeroporti di Roma	IRI	Infrastrutture	Nov-99 June-00	Direct sale	100 2,569	3.0 51.2
Finmeccanica	IRI	Aerosp./Defence	June-00	Secondary Public Offer	10,660	43.7
Credito Industriale Sardo	Ministry of Treasury	Banking	May-00	Direct sale	41	53.3
Meliorbanca	Ministry of Treasury	Banking	July-00	Direct sale	82	7.3
Mediolombardo	Ministry of Treasury	Banking	Sept-00	Direct sale	79	3.4
Cofiri	IRI	Financial services	Oct-00	Direct sale	975	100.0
Banco di Napoli	Ministry of Treasury	Banking	Dec-00	Tender share to take over bid	955	16.2

Source: Ministry of Treasury

Table 30 - UMTS licences

Consortia	Major members/shareholders	Last bid price billion Lire
Omnitel Pronto Italia ("OPI")	Omnitel Sistemi Radiocellulari 70%; Pronto Italia 30% Indirect share holders in OPI: Vodafone group (76%); Bell Atlantic (23%); small investors (1%)	4,740
Ipse 2000	Telefonica 39.25% (Telefonica Intercontinental 5%; Solivella 34.25%); Sonera 19%; Atlantet 12%; Banca Roma 10%; Telexis 5.6%; Xera 5%; Goldenegg Ventures 4.8%; Edison 3%; Falck 2%; Affaire SA 0.82%; e-Planet 0.5% and others	4,730
Wind	ENEL (56.63%); France Telecom (43.37%)	4,700
Andala Opco	Andala Spa 99.9995% (Hutchinson 51%; Tiscali 25.5%; Cir holding 15%; San Paolo-IMI 5%; Bernabè 2%; HDP-Gemina 1.5%); Lanka Cellular Ltd 0.0005 % (100% Hutchinson)	4,700
TIM	Telecom Italia (60.97%); Banca d'Italia 1.77%; Merrill Lynch 1.18%; Barclays Bank group 1.07%; Intesa Asset management 0.95%; the balance is free float	4,680
Total consideration for five licenses		23,550

Source: Ministry of Treasury

Table 31 - Planned privatisations

	Period	Gross Revenue billion Lire
Government's Forecasts	2000-2001	65,000

Source: Ministry of Treasury

Policy indicators - Entrepreneurship and SMEs:**Table 32 - Company Registration (Administrative costs)**

Years	Company		Sole trader	
	1998	2000	1998	2000
Administrative costs (ECU-Euro)	7,700	3,500	1,150	500

Source: Ministry of Industry

Table 33 - Company Registration
(Total number of procedures and delays)

Years	Company		Sole trader	
	1998	2000	1998	2000
Number of procedures	21	5-7(*)	11	5-7
Number of Government services to contact	4	2(*)	1	1
Delay: number of weeks	22	4	16	4

(*) plus a notary

Source: Ministry of Industry

STRUCTURAL INDICATORS OF KNOWLEDGE-BASED SOCIETY

Performance indicators - R&D and innovation:

Table 34 - Number of innovating SMEs
(as a percentage of total number of SMEs in each size class)

SMEs size: number of employees	1996
20-49	45.6
50-249	57.6
250-499	61.5

Source: Istat

Table 35 - Exports of high technology products
(as a percentage of total exports)

	1996	1997	1998
EU 15	16.0	17.6	19.2
EU 11	12.8	14.2	15.5
Denmark	11.2	14.4	15.7
Germany	11.1	12.2	13.1
Greece	4.0	3.7	5.5
Spain	8.0	7.4	7.6
France	20.1	22.3	23.6
Ireland	37.4	39.7	45.2
Italy	7.1	7.0	7.6
Netherlands	17.0	19.5	21.3
Austria	5.7	9.8	9.8
Portugal	4.9	5.4	5.7
Finland	15.4	17.5	20.2
Sweden	19.4	21.0	22.5
United Kingdom	24.7	25.7	28.0

Source: Eurostat New Cronos, data processed by Ministry of Treasury

Performance indicators - Information society

Table 36 - Internet on-line users per 1,000 inhabitants

	Sept.1999	Dec. 1999	March 2000	June 2000
Total Users	149.3	161.5	173.6	201.4
Frequent Users	60.8	67.7	86.8	102.4

Source: Assinform and Istat, data processed by Ministry of Treasury

**Table 37 - Internet access costs and call charges
(year 2000 - costs in USD PPP)**

	PSTN fixed charge	PSTN usage charge	ISP charge	Total
Austria	16.4	14.8	0.0	31.2
Belgium	16.2	22.3	0.0	38.5
Denmark	12.4	12.6	4.3	29.2
Finland	11.4	5.5	7.0	23.9
France	11.2	0.0	22.8	34.0
Germany	11.9	17.3	9.6	38.8
Greece	9.8	10.2	21.3	41.4
Ireland	16.6	11.0	0.0	27.6
Italy	14.0	8.5	0.0	22.5
Luxembourg	13.4	0.0	26.6	40.0
Netherlands	18.1	14.7	0.0	32.8
Portugal	17.5	14.4	25.9	57.8
Spain	14.1	11.5	0.0	25.6
Sweden	10.1	12.1	2.3	24.6
United Kingdom	12.7	0.0	12.6	25.3
OECD average	13.5	12.0	10.7	36.1

Source: OECD

**Table 38 - Value of ICT market
(ICT expenditure as a percentage of GDP)**

	1997	1998	1999
Hardware	0.44	0.47	0.50
Technical assistance	0.11	0.11	0.10
Software and other services	0.81	0.85	0.94
Total	1.36	1.43	1.53

Source: Assinform and Istat, data processed by Ministry of Treasury.

Table 39 - E-commerce (millions of on-line buyers)

	1998	1999	Δ% 99/98
Italy	0.36	0.96	167
Western Europe	4.60	12.40	170

Source: IDC 2000

**Table 40 - Mobile phones
(number of mobile phone service subscribers per 1,000 inhabitants)**

	1995	1996	1997	1998	1999	August 2000(*)
France	24	43	99	192	353	
Germany	46	71	102	171	284	
Italy	69	112	206	355	526	657
Spain	24	76	109	176	375	
Sweden	227	288	362	511	574	
United Kingdom	94	117	143	223	410	
Western Europe	59	92	143	237	399	

(*) Istat and the Italian Communication Authority, data processed by Ministry of Treasury

Source: Mobile Communication 2000

Policy indicators - R&D and innovation:**Table 41 - R&D expenditure financed by government
(as a percentage of GDP)**

Years	
1996	0.50
1997	0.48
1998	0.49
1999	0.51

Source: Istat, data processed by Ministry of Treasury

**Table 42 - R&D expenditure financed by the private sector
(as a percentage of GDP)**

Years	
1997	0.62
1998	0.62
1999	0.66
2000	0.67

Source: Istat, data processed by Ministry of Treasury

**Table 43 - Full time researchers in industry, universities and public research centres
(number of full time equivalent units, as percentage of total labour force)**

Years	Public institutions	Industry	Total
1993	0.204	0.123	0.326
1994	0.209	0.124	0.334
1995	0.213	0.119	0.332
1996	0.213	0.121	0.335
1997	0.212	0.121	0.332

Source: Istat, data processed by Ministry of Treasury

**Table 44 - Researchers in industry, universities and public research centres
(total number of researchers, as percentage of total labour force)**

Years	Public institutions	Industry	Total
1996	0.310	0.131	0.441
1997	0.309	0.130	0.439

Source: Istat, data processed by Ministry of Treasury

**Table 45 - Patents registrations broken down by date of filing
(percentage of total registered patents in each year)**

CATEGORY	Patents registered in 1996				Patents registered in 2000			
	Utility	Design	Invention	Trademark	Utility	Design	Invention	Trademark
Date of filing relative to date of registration:								
more than 6 years before	8.4	5.1	0.7	0.0	9.5	1.1	0.2	0.0
6 years before	9.1	24.1	0.3	0.0	41.1	44.6	0.0	0.0
5 years before	81.2	69.3	1.4	0.0	23.4	54.1	0.2	0.2
4 years before	0.3	0.5	44.5	0.3	0.2	0.0	1.3	0.3
3 years before	0.2	0.0	51.9	44.5	24.2	0.1	5.1	58.5
2 years before	0.2	0.2	1.1	51.2	1.5	0.1	93.2	36.9
1 year before	0.5	0.7	0.0	1.3	0.1	0.0	0.0	2.1
same year	0.1	0.0	0.0	2.6	0.0	0.0	0.0	1.9

Source: Italian Patent Office - Ministry of Industry data processed by Ministry of Treasury

**Table 46 - Invention patents registrations broken down by date of filing
(percentage of total registered patents in each year)**

	1996	1997	1998	1999	2000
Date of filing relative to date of registration:					
more than 6 years before	0.7	0.5	0.8	1.0	0.2
6 years before	0.3	0.2	0.1	0.0	0.0
5 years before	1.4	0.9	0.1	0.4	0.2
4 years before	44.5	15.7	1.2	0.6	1.3
3 years before	51.9	48.2	21.3	2.7	5.1
2 years before	1.1	34.6	65.4	91.5	93.2
1 year before	0.0	0.0	11.0	3.8	0.0
same year	0.0	0.0	0.0	0.0	0.0

Source: Italian Patent Office - Ministry of Industry data processed by Ministry of Treasury

STRUCTURAL INDICATORS OF CAPITAL MARKETS

Capital markets structure

**Table 47 - Investments in equity by institutional investors relative to GDP
(billion Lire)**

Years	Investment funds	Insurance companies	Assets management	Pension funds	TOTAL	GDP at market prices	Total/GDP %
1996	36,359	35,412	15,339	2,454	89,564	1,902,275	4.7
1997	78,382	43,176	26,555	2,531	150,644	1,983,850	7.6
1998	160,395	53,807	35,408	3,077	252,687	2,067,703	12.2
1999	327,307	78,695	59,197	2,993	468,192	2,128,165	22.0

Source: Banca d'Italia and Istat, data processed by Ministry of Treasury

**Table 48 - Five - firm banking concentration
(market shares of top five banks by total assets)**

	1996	1997	1998	1999
Market share	34.98	34.51	41.79	51.03

Source: Banca d'Italia

Table 49 - Merger patterns in the financial sector

	1996	1997	1998	1999
Number of domestic banks' mergers	19	21	24	25
Number of cross-border banks' mergers	6	10	13	17
Total number of banks' mergers	25	31	37	42

Source: Banca d'Italia

Table 50 - Main Indicators of the Italian Stock Exchange Market capitalisation

Year	Main Exchange	Listed companies			Capitalisation		Turnover	
		Nuovo Mercato	Parallel Market for small cap companies	Total	Total Amount in (Euro bn)	(% GDP)	Total value (Euro bn)	Daily average turnover (Euro mln)
1990	229	-	37	266	94	13.8	27	108
1991	231	-	41	272	99	13.3	16	66
1992	229	-	37	266	96	12.2	18	71
1993	222	-	37	259	128	15.9	54	212
1994	223	-	37	260	156	18.2	98	392
1995	221	-	33	254	172	18.6	73	292
1996	217	-	31	248	203	20.6	81	322
1997	213	-	26	239	315	30.7	175	697
1998	223	-	20	243	485	45.4	425	1,680
1999	247	6	17	270	726	66.1	507	1,998
2000 ⁽¹⁾	238	36	15	289	852	73.4	812	3,455

(1) data as at the end of November 2000

Source: Borsa Italiana S.p.A.

Capital markets integration

Table 51 - Cross-border banking penetration
(Italian banks' and investment funds' cross-border assets and liabilities as percentage of total)

	1996	1997	1998	1999	2000 ⁽¹⁾
Assets	11.0	11.1	12.4	11.2	10.9
Liabilities	12.9	13.6	14.5	14.7	16.1

(1) data as at the end of October 2000

Source: Banca d'Italia

Table 52 - Percentage of foreign equities in domestic portfolios

Years	Foreign equities	Shares of foreign investment funds	Total
1996	2.5	0.4	2.9
1997	3.7	0.6	4.3
1998	4.7	0.6	5.3
1999	7.6	1.0	8.6

Source: Banca d'Italia

SMEs and innovation financing

Table 53 - Venture Capital Investments
Stage distribution of investments (as a percentage of total investments)

	1996	1997	1998	1999	2000 (1)
Seed - Start-up	8.9	12.2	15.8	8.3	11.8
Expansion	43.4	26.4	36.2	22.1	25.3
Replacement capital	17.5	29.0	13.8	4.8	29.2
Buy-out	30.2	32.4	34.2	64.8	33.7

(1) first semester

Source: AIFI

Methodological notes

Table 1

Intra-EU and total trade.

The Intra-EU trade indicator represents the ratio between intra-EU imports (CIF values) plus intra-EU exports (FOB values) and twice the GDP at market prices (current prices).

The Total trade indicator represents the ratio between total imports (CIF values) plus total exports (FOB values) and twice the GDP at market prices (current prices).

Source: Istat National Accounts, data processed by Ministry of Treasury.

Table 2

Intra-EU FDI inflows and outflows, as a percentage of the Italian GDP

The table shows the Euro-Zone Countries' Direct Investment balances (investments minus disinvestments) in Italy (annual flow data - millions of Italian Lire) and the Italian Direct Investment balances (investments minus disinvestments) in Euro-Zone Countries, as percentage of the Italian GDP at market prices (current prices – millions of Italian Lire).

In 1999 a methodological change widened the definition of Direct Investments including 10% (instead of 20%) stock shares in foreign enterprises, all the financial relationships among the participant enterprises and the participated one (commercial credits and loans) and the banking sector investments.

Source: Ufficio Italiano Cambi (UIC) and Istat National Accounts, data processed by Ministry of Treasury.

Table 3

Cross-border mergers and acquisitions

The indicator shows the ratios, multiplied by 100, of EU Member countries' shares of EU15 total value (billions of United States Dollars) of international merger and acquisition deals to EU Member Countries' shares of EU15 total GDP at market prices (millions of Euro).

Source: KPMG Corporate Finance, DealWatch Database 2000 data and Eurostat New Cronos database- National Accounts, data processed by Ministry of Treasury.

Table 4

Harmonized index of consumer prices

The harmonised index of consumer prices is computed on the basis of a harmonised methodology following a minimum standard approach set at the European level. The table shows a comparison of annual average indices (1996=100) between Italy and other European Countries.

Source: Eurostat New Cronos database-Economy and Finance-Prices and Purchasing Power Parities.

Table 5

Level of labour productivity

The following labour productivity indices (Italy 1990=100) are considered:

Product per hour worked as the ratio between value-added at factor costs (constant prices) and the total number of hours worked;

Product per labour unit as the ratio between value-added at factor costs (constant prices) and the total number of standard labour units SEC 95.

Source: Eurostat and OECD, data processed by Istat.

Table 6**Profitability**

Input deflator annual indices (1995=100) - seasonally adjusted data.

Output at factor costs deflator - annual indices (1995=100) - seasonally adjusted data.

Unit variable costs, annual indices (1995=100) - seasonally adjusted data.

Unit variable costs are calculated as ratios between the sum of labour and input costs and the product at factor costs (1995 prices).

Labour cost per unit of output annual indices (1995=100) - seasonally adjusted data.

Mark-up margins on unit variable costs, annual indices (1995=100) - seasonally adjusted data.

Mark-up margins on unit variable costs are calculated as the ratios of the output deflator to unit variable costs.

Source: Istat Conti Trimestrali SEC 95.

Table 7**Electricity prices for households**

1st January 1999 and 1st January 2000 prices (Italian Lire/KWH- at current exchange rates), excluding taxes, broken down by annual consumption classes. EU weighted average is calculated with 1997 national consumption as weight.

Source: Eurostat, data processed by the Italian Energy and Gas Authority.

Table 8**Electricity prices for industrial users**

1st January 1999 and 1st January 2000 prices (Italian Lire/KWH- at current exchange rates), excluding taxes, broken down by annual consumption classes. EU weighted average is calculated with 1997 national consumption as weight.

Source: Eurostat, data processed by the Italian Energy and Gas Authority.

Table 9**Gas prices for households**

1st July 1999 prices (Italian Lire/m³ – at current exchange rates) excluding taxes broken down by annual consumption classes expressed in GJ (1GJ = 26 m³). EU weighted average is calculated with 1999 national consumption as weight.

Source: Eurostat, data processed by the Italian Energy and Gas Authority.

Table 10**Gas prices for industrial users**

1st July 1999 prices (Italian Lire/m³ – at current exchange rates) excluding taxes, broken down by annual consumption classes. EU weighted average is calculated with 1999 national consumption as weight.

Source: Eurostat, data processed by the Italian Energy and Gas Authority.

Table 11**Prices trend in Postal services**

The harmonized consumer price index (1996=100) of postal services in Italy and in the other European Countries. Cross-country comparison must refer only to prices trend as 1996 price levels in each Country (the bases of the indices) were different.

Source: Eurostat New Cronos database-Economy and Finance-Prices and Purchasing Power Parities.

Table 12**Incumbent's telephone charges: effects of the tariffs rebalancing**

The table shows the effects on Telecom Italia telephone charges generated by the Authority's decisions n. 85/1998 and n.101/1999.

Source: *The Italian Communication Authority*

Table 13**Incumbent's telephone charges.**

The table shows Telecom Italia telephone charges for 3 minutes fixed to fixed calls.

End of period data (Italian Lire), including set up, excluding VAT.

Source: *The Italian Communication Authority*

Table 14**Mobile telephone charges-August 2000**

The table shows the OECD basket of consumer mobile telephone charges (fixed part, usage part and total), including taxes.

The basket includes 50 minutes per month and excludes international calls.

The Italian tariffs relates to the Telecom Italia's Menu Family.

Source: *OECD and Teligen*

Table 15**Average international call charges**

The table shows the trend (from 1995 to 2000) in international collection charges per minute at peak time. Data refer to average charges for calls directed to all OECD Countries.

Source: *OECD and Teligen*

Table 16**Telephone charges**

Telephone charges of the main telephone service providers.

Telecom Italia's and Infostrada's local call charges include the 100 Lire call set-up charge. Telecom Italia's long-distance charges refer to calls over more than 30 kilometres and include the 127 Lire call set-up charge. Infostrada's long-distance call charges refer to calls to a different region and include the 125 Lire call set-up charge; the off-peak price is the average of the early evening and all-night charges. Tiscali's and E-Planet's long distance call charges refer to calls to numbers with a different code number. Telecom Italia's fixed / mobile call charges per minute are calculated as arithmetic averages of the prices charged by Telecom Italia for calls from mobile operators to residential users and include the 127 Lire call set-up charge. Infostrada's fixed/mobile call charges include the 200 Lire call set-up charge. Wind's fixed/mobile call charges exclude calls to Wind mobile phone number. Telecom Italia's international call charges include the 500 Lire call set up charge. Infostrada's international call charges include the 250 Lire call set-up charge.

Source: *The Italian Communication Authority.*

Table 17**Electricity: long unplanned outages in Enel's network serving domestic users**

Enel is the dominant energy provider.

Urban areas are localities with more than 30,000 inhabitants; Country areas are localities with fewer than 10,000 inhabitants.

Data based on Enel's reports to the Energy and Gas Authority

Source: *The Italian Energy and Gas Authority Report, 2000.*

Table 18**Electricity: long unplanned outages in local providers' networks serving domestic users**

Data based on Local energy providers' reports to the Energy and Gas Authority.

Source: *The Italian Energy and Gas Authority Report, 2000.*

Table 19**Electricity: average time necessary for each kind of services**

Actual time-weighted average.

The data refer to Enel and to Local energy providers with more than 10,000 consumers.

Data based on Enel's and Local energy providers' reports to the Energy and Gas Authority.

Source: *The Italian Energy and Gas Authority Report, 2000.*

Table 20**Gas: average time necessary for each kind of services**

Actual time-weighted average

Data based on Gas providers' reports to the Energy Authority.

Source: *The Italian Energy and Gas Authority Report, 2000.*

Table 21**Quality of telephony service**

The table shows telephony service quality indicators with reference to: fault repair time, public payphones, itemised billing.

Source: *OECD Communication Outlook 2001*

Table 22**Market structure in retailing - Large and small store density**

Large stores density is calculated as the number of large stores (Department stores plus supermarkets plus hypermarkets) per 1,000 inhabitants (resident population).

Small store density is calculated as the number of small stores (total number of stores less large stores) per 1,000 inhabitants (resident population).

Source: *Ministry of Industry Trade and Handcraft, Report on the Structural Aspects of the Italian Distribution System data; Istat, Resident Population, data processed by Ministry of Treasury.*

Table 23**Market share of the five leading groups in modern retail distribution**

Modern retail distribution= large stores

Source: *The Italian Competition Authority, document.*

Table 24**Profitability in the distribution sector**

The data refer to the wholesale and retail trade, and repairs. Annual indices 1995=100.

Mark-Up margins are calculated as the ratios of the output deflator to unit variable costs.

Unit variable costs are calculated as ratios between the sum of labour and input costs and the product at factor costs (1995 prices).

Source: *ISTAT Conti Trimestrali SEC 95.*

Table 25**Employment in SMEs and self employment**

Self-employment and SME employment (SME national data- total employment) in Industry and services (excluding public administration; education; activities of membership organizations; private households; extra-territorial organizations) as percentage of total employment in industry and services (Labour Force Survey data).

Source: Eurostat New Cronos database-SME national data in NACE Rev.1 and Labour Force Survey, data processed by Ministry of Treasury.

Table 26**Human and financial resources of Regulatory Authorities**

Time series availability differs according to the date of institution of each Authority.

The Competition Authority was instituted by Law 287 of 10th October 1990,

The Energy and Gas Authority was instituted by Law 481 of 14th November 1995,

The Communications Authority was instituted by Law 249 of 31st July 1997.

Source: The Italian Competition, Energy and Gas, and Communications Authorities data.

Table 27**Market shares of public enterprises**

The table shows the employment of public enterprises as a percentage of total employment.

Source: Istat Conti dei settori istituzionali, 1998. Data processed by Ministry of Treasury.

Table 28**Privatisation - Gross amount raised**

Value expressed in billions of Italian Lire and Euro.

Source: Ministry of Treasury .

Table 29**Major recent privatisations from October 1999 to December 2000**

List of recent privatisations with information on: companies, selling entity, industry sector, offer date, offer type, gross amount raised (billions of Italian Lire) and percentage of capital sold.

Source: Ministry of Treasury.

Table 30**UMTS licences**

The table shows the major members or shareholders and the last bid offer of each winning consortium.

Source: Ministry of Treasury.

Table 31**Planned privatisations**

Gross revenue forecasted.

Source: Ministry of Treasury DPEF 2001-2004.

Table 32**Company registration (administrative costs)**

Administrative costs for sole-trade and company start-up. Years 1998 and 2000 comparison.

Source: Ministry of Industry.

Table 33**Company registration (total number of procedures and delays)**

Total number of procedures and delays for sole-trade and company start-up. Years 1998 and 2000 comparison.

Source: Ministry of Industry.

Table 34**Number of innovating SMEs**

Number of innovating SMEs as a percentage of total SMEs in each size class - 1996.

Innovating SMEs are SMEs that declared having introduced technological innovations during the year.

Source: Istat, *Rilevazione sull'innovazione tecnologica nelle imprese industriali*, 1998.

Table 35**Exports of high technology products**

High technology products exports as percentage of total manufacturing exports.

The considered high technology products are: television and radio receivers, sound or video recording or reproducing apparatus and associated goods; television and radio transmitters and apparatus for line telephony and line telegraphy; aircraft and spacecraft; instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment; pharmaceuticals, medicinal chemicals and botanical products-office machinery and computers.

EU15 data exclude intra-EU 15 flows.

EU 11 data exclude intra-EU 11 flows.

Source: Eurostat New Cronos database - External trade, data processed by Ministry of Treasury.

Table 36**Internet on-line users per 1,000 inhabitants**

Italian market data

Source: Assinform (2000) and Istat Resident Population, data processed by Ministry of Treasury.

Table 37**Internet access costs and call charges**

OECD Internet access basket for 20 hours at off-peak times using discounted PSTN rates, including VAT, 2000.

Off-peak time: price of local calls at 20:00 h during weekdays.

Discounted PSTN rates: best available discount scheme for the selected basket.

PSTN fixed charge: monthly line rental for residential users plus additional charges related to discount plans if applicable.

PSTN usage charge: price of local phone calls to an ISP for residential users.

ISP charge: price of internet access from the largest telecommunication operator.

Source: OECD, *Internet Pricing comparison March 2000*.

Table 38**Value of ICT market**

ICT expenditure (billions of Italian Lire) as a percentage of GDP at market prices (current prices-billions of Italian Lire). Technical assistance includes hardware maintenance, software maintenance and technical assistance for new services. In ICT total expenditure VAT and expenditure for intra muros staff are excluded.

Source: Assinform-Net Consulting "Rapporto 2000 sull'informatica e le telecomunicazioni" data and Istat National Accounts, data processed by Ministry of Treasury.

Table 39**E-commerce**

Millions of on-line buyers.

Source: IDC 2000.

Table 40**Mobile phones (Number of subscribers per 1,000 inhabitants - international comparison)**

Number of mobile phone service subscribers per 1,000 inhabitants.

August 2000 indicator represents the ratio between the number of mobile phone service subscribers, (The Italian Communication Authority data), and the 31st December 1998 Italian resident population (Istat data).

Source: *Mobile Communication 2000; Istat and The Italian Communication Authority, data processed by Ministry of Treasury.*

Table 41**R&D expenditure financed by government**

R&D Expenditure at current prices (billions of Italian Lire) financed by government (Public Administrations and Universities) as percentage of GDP at current market prices.

Public Administration data for 1999 are provisional.

Universities data for 1998 and 1999 are provisional.

Source: *Istat National Accounts data and R&D in Italy survey 1999 and 2000. Data processed by Ministry of Treasury.*

Table 42**R&D expenditure financed by the private sector**

R&D Expenditure at current prices financed by private enterprises as percentage of GDP at current market prices.

The 1999 and 2000 data are provisional.

Source: *Istat National Accounts data and R&D in Italy survey 1999; and 2000. Data processed by Ministry of Treasury.*

Table 43**Full time researchers in industry, universities and public research centres**

Intra muros researchers expressed in full time equivalent units as percentage of total labour force.

Source: *Istat Labour Force Survey, R&D in Italy survey 1999. Data processed by Ministry of Treasury.*

Table 44**Researchers in industry, universities and public research centres**

Intra muros researchers as percentage of total labour force.

Source: *Istat Labour Force Survey, R&D in Italy survey 1999. Data processed by Ministry of Treasury.*

Table 45**Patents registrations broken down by date of filing**

Patents registration, 1996 and 2000 comparison.

The data refer to four different patent categories: Utility, Design, Invention, Trademark. All patents registered in each year are classified according to the time elapsing from filing of application to grant of patent.

Time classes data are percentages of total number of patents registered in each year.

Bold type indicates the most frequent time classes.

Source: *Italian Patent Office - Ministry of Industry. Data processed by Ministry of Treasury.*

Table 46**Invention registrations broken down by date of filing**

Invention-patents registration, 1996-2000 comparison.

All patents registered in each year are classified according to the time elapsing from filing of application to grant of patent.

Time classes data are percentages of total number of patents registered in each year.

Bold type indicates the most frequent time classes.

>

Source: Italian Patent Office - Ministry of Industry. Data processed by Ministry of Treasury.

Table 47**Investments in equity by institutional investors relative to GDP**

End of period stocks data. GDP at market prices (current prices).

Pension Funds data exclude investments in foreign equities. Insurance companies data are provisional for 1998 and 1999.

Source: Banca d'Italia Annual Reports, years 1999 and 2000; Istat National Accounts. Data processed by Ministry of Treasury.

Table 48**Five-firm banking concentration**

Market shares of five leading groups.

Source: Banca d'Italia.

Table 49**Merger patterns in the financial sector**

Number of banks' mergers per year (domestic and cross-border mergers).

Source: Banca d'Italia.

Table 50**Main Indicators of the Italian Stock Exchange Market capitalisation**

Time series of Listed Companies, Capitalisation and Turnover.

Source: Borsa Italiana S.p.a.

Table 51**Cross-border banking penetration**

Italian banks' and investment funds' cross-border assets and liabilities as percentage of the total.

Source: Banca d'Italia.

Table 52**Percentage of foreign equities in domestic portfolios**

Foreign equities and foreign investment funds' shares as percentage of domestic portfolios.

Source: Banca d'Italia.

Table 53**Venture capital investments**

SMEs stage distribution of investments as a percentage of total investment.

Source: AIFI, Associazione Italiana Investitori Istituzionali nel capitale di rischio.

