Italy’s Strategy for Reforms and Economic Growth

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Ministry of Economy and Finance

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Italy in the global context

- **G8 member**, fifth manufacturing economy worldwide and second largest in Europe
- One of the founders of the **European Union** and an active player in the international scene
- GDP growth expected to gradually approach 2.0% by 2018
- **Strong exports** (almost €500bn of exports of goods and services) and wide presence in high-growth sectors (robotics, mechatronics, biopharma, aerospace), not only the Four Fs (Food, Fashion, Furniture, Ferrari)
Why Italy is increasingly attractive

- **Exports**
  - Consistent growth in exports by SMEs, the backbone of Italy’s economy. Since 2012, Italy is among the 5 countries with more than 100 bn $ of manufacturing trade surplus.

- **Labour market**
  - Less rigid than commonly believed (Doing Business indexes on labour better than Netherlands, France, Spain, Germany 99)

- **Industry on the path to recover**
  - Confidence indexes show that industrial activity is recovering, backed by a robust entrepreneurial base.

- **Tourism industry as a future opportunity**
  - In 2013, Italy welcomed 48.6 millions of international tourists. Travel and tourism total contribution to GDP was almost 160 bn (10.3% GDP), and this share is expected to increase significantly.
REFORMS: WHAT HAS BEEN DONE AND WHAT’S NEXT

Fiscal sustainability and economic growth

- Structural reforms: Shifting gear
- The outlook for the Italian economy: Gradual while still fragile recovery
- Macroeconomic imbalances: Competitiveness must improve
- Public finances: Getting closer to balanced budget
- Debt sustainability: One of the most sustainable among developed economies
- Financial conditions: Still tight but improving

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Italy’s reforms

- **Institutional reforms**: new electoral law, end to bicameralism, simplification of the multilayer governance

- **Labour market reform**: Further flexibility in hiring, “Youth Guarantee National Plan”

- **Labour market reorganization and simplification**

- **Speeding up of payment of general government arrears**: new system of regulation and monitoring; electronic invoicing

- **Spending review**: e-procurement, increasing the efficiency of public administration, cutting unproductive public spending

By the end of the year

- March 2014
- Fall 2014
- By October 2014

Ongoing programs 2014 - 2016
Italy’s reforms

- An ambitious privatization programme: privatizing companies under central government and local authorities control and selling real estate in order to improve efficiency and reduce national debt

- Lower tax rate on labour: cutting the tax wedge

- Simplification of the tax administration: a more transparent and growth-oriented tax system

- Finance for Growth: alternative forms of funding especially for SMEs, tax credit for investment, incentives to private investment in infrastructure projects

- PA Reform: Open Data, transparency and digitalization for a modernized public service. Recruitment of younger officials
EU Italian Presidency

Two main priorities:

**Structural Reforms and Growth**
- EU growth recovery still too weak
- To promote growth and job creation through structural reforms, a growth friendly budget composition, exploiting Single Market potential, reviewing EU 2020, etc.

**Finance for Growth**
- To significantly reduce financial market fragmentation and create favourable condition for longer term investment
- To pursue a Single Market without unjustified credit constraints
- To support SMEs in the challenging financial system
## Privatization Plan 2014

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Relevant sectors</th>
<th>Transaction description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poste Italiane</td>
<td>Postal services, financial services, ICT, logistics</td>
<td>40% of the company to be sold through IPO</td>
</tr>
<tr>
<td>ENAV</td>
<td>Air traffic control</td>
<td>49% of the company to be sold through IPO</td>
</tr>
<tr>
<td>SACE</td>
<td>Export finance, credit insurance</td>
<td>60% of the company to be sold through IPO</td>
</tr>
<tr>
<td>Fincantieri</td>
<td>Shipbuilding – cruise liners, mega yachts, naval vessels, oil &amp; gas vessels</td>
<td>40% of the company to be sold through IPO, including a capital increase</td>
</tr>
<tr>
<td>Eni</td>
<td>Oil &amp; Gas</td>
<td>4% of the company to be sold through market placement</td>
</tr>
<tr>
<td>CDP Reti</td>
<td>Gas transportation and power high voltage</td>
<td>49% of the company to be sold through trade sale</td>
</tr>
<tr>
<td>Rai Way</td>
<td>TLC infrastructure provider for RAI broadcast</td>
<td>Opening to private capital</td>
</tr>
</tbody>
</table>
ITALY’S PRIVATIZATION PLAN

Privatization Plan 2015

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<tr>
<th>Company Name</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Ferrovie Italiane</td>
<td>• Italian national railways</td>
<td>• 40% of the company opened up to private capital</td>
</tr>
<tr>
<td>Eni</td>
<td>• Oil &amp; Gas</td>
<td>• Possible further reduction of the State-owned stake under study</td>
</tr>
<tr>
<td>Enel</td>
<td>• Electric utility</td>
<td>• Possible further reduction of the State-owned stake under study</td>
</tr>
</tbody>
</table>

Further measures

- Municipal utilities
  - Companies that provide public utilities at local level (water, electricity, waste collection and management)
  - Opening to private control and significant reduction of their numbers through merger

- Public real estate assets
  - Public real estate assets - State and Local authorities properties
  - Disposal plan of public real estate assets
  - Decrease the rent of real estate for the PA, increase the efficiency of locations’ distribution

0.7% GDP yearly from 2014 to 2017 – expected income from privatization schemes and real estate assets disposal plan