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“ Technological solutions need to be tailored to the Italian market. We need partnerships between Italian and international firms, linking first-class products to deep knowledge of the industry.”

—*Chairman, Italian publishing firm*

“ We are seeing a very positive trend, resulting from a cycle in which Italy is included in the group of countries moving into the Net economy. It is true, however, that conditions of uncertainty are also emerging today, tied to a decreased propensity of small enterprises to invest in IT, and a fall in household demand.”

—*Italian IT leader*

The Italian government recently established a new Ministry for Innovation and Technology, responsible for all ICT policies and projects for modernization of the Italian government. Like the liberalization of telecommunications in Italy, this signals high-level government commitment to more pervasive use of ICTs in Italian society.¹ Networked Readiness is restrained by several factors, including a lack of investment in ICTs by small and medium enterprises (SMEs) and a rigid education sector. Italy ranks twenty-fifth overall in the Networked Readiness Index.

Telecommunications is a bright spot. In 1997, the Italian government privatized the state-owned monopoly, renaming the incumbent telecommunications operator Telecom Italia and establishing a telecommunications authority with the task of ensuring competition. Following the EU agenda, the government liberalized fixed-line telephony in January 1998, completing a process that began in 1994.

As a result, telecommunications competition has been intensifying (Ranking in Effect of Telecommunications Competition: 13). Today, four operators offer mobile services in Italy and a number of companies offer fixed-line services, with more than 200 licenses awarded so far. Mobile telephone use in Italy has overtaken fixed-line telephony, with 46.8 million phones active in June 2001 and a 33 percent annual growth rate.²

An estimated 19.4 million Italians (34 percent of the population) used the Internet in September 2001,³ and 1.5 million have made purchases online during the last year.⁴

At the end of 2000, ICTs represented 5.5 percent of Italian GDP, with a total estimated revenue of US\$51.4 billion.⁵ In June 2001, a 12.2 percent growth rate was estimated for the ICT sector as a whole.⁶ The market is competitive, and at the end of 2000, roughly 64,000 compa-

nies totaling 533,000 employees were operating in the industry.⁷

A recent survey found significant challenges for ICT use among Italian SMEs. The survey found that 48 percent of these firms have ICT equipment, and of those, 40 percent have e-mail and 14 percent have a website. These figures were significantly lower for firms with fewer than ten employees, an important part of the Italian economy. Likewise, the survey found that use of e-commerce among SMEs was in the embryonic stage, with 0.59 percent of total turnover coming from online sales.⁸

While many consider the structure of primary and secondary education in Italy to be rigid and traditional, ICTs are gradually entering the Italian education system (Ranking in Internet Access in Schools: 46). To hasten ICT diffusion and use, the Italian Ministry of Education launched a Program for the Development of Education Technologies in 1997. The program promotes use of multimedia tools by teachers and students in public schools and seeks to modernize the educational system itself.⁹

Italy has also deployed e-government services, including an Electronic Tax Return Service, which began in 1999.¹⁰ By the end of February 2000, the Ministry had received more than 27 million electronic tax returns (Ranking in e-Government micro-index: 28).

The state of Networked Readiness in Italy is mixed, showing areas of excellence as well as challenges. There is broad agreement that reforms aimed at fostering innovation in education, the government, and SMEs are necessary for advancement.

Key Facts

Population	57,300,000
Rural population (% of total population) 1999	33.08 %
GDP per capita (PPP)	US\$23,304
Global Competitiveness Index Ranking, 2001–2002	26
UNDP Human Development Index Ranking, 2001 (adjusted to GTR sample)	19
Main telephone lines per 100 inhabitants	47.38
Telephone faults per 100 main telephone lines	16.20
Internet hosts per 10,000 inhabitants	177.97
Personal computers per 100 inhabitants	13.94
Piracy rate	46.00 %
Percent of PCs connected to Internet	12.76 %
Internet users per host	13.16
Internet users per 100 inhabitants	23.42
Cell phone subscribers per 100 inhabitants	73.72
Average monthly cost for 20 hours of Internet access	US\$32.22

RANK

Networked Readiness Index 25

Network Use component index 19

Enabling Factors component index 26

■ Network Access 23

Information Infrastructure 21

Hardware, Software, and Support 24

■ Network Policy 32

Business and Economic Environment 37

ICT Policy 26

■ Networked Society 33

Networked Learning 41

ICT Opportunities 25

Social Capital 33

■ Networked Economy 23

e-Commerce 21

e-Government 28

General Infrastructure 21