



REGION of SICILY

SICILY **F**INANCIAL

REPORT

2000

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POPULATION
GEOGRAPHY
AND HISTORY

POPULATION, GEOGRAPHY AND HISTORY

With a population of 5.087.794 inhabitants, in 1999, Sicily is the 4th most populous among the Italian regions and with a surface area of 25.710 Sq.Kms is the biggest island in the Mediterranean sea. With Ustica, Pantelleria, and the archipelagos of the Aeolian, Aegadean and Pelagian Islands, Sicily (called later Region) is the biggest Italian region.

Resident population at year end						
	1994	1995	1996	1997	1998	1999
Sicily	5.082.697	5.094.735	5.100.803	5.108.067	5.098.234	5.087.794
Italy	57.268.578	57.332.996	57.460.977	57.563.354	57.612.615	57.679.955

Source: Istat

The territory consists of hills (61%), mountains (25%) and plains (14%).

The geo-morphological structure shows a great quantity of materials, rock formations and vegetation Mediterranean typically that determine a considerably variable climate, with rainfall that can reach 1.000 mm per year in the province of Messina and does not exceed 400 mm on the southern side of the Region.

With time the landscape has undergone the continuous influence of the people who with their work have determined considerable environmental changes, as shown by the images available by satellite link (Ass.to Agricoltura, Corine Landcover, 1993).

Typology	Hectares	%
Artificially shaped territory	112.937	4,4
Agricultural territory	1.785.583	69,1
Half-natural environment and wooded territory	674.510	26,1
Humid zone	2.791	0,1
Waterworks	6.765	0,3
Total	2.582.586	100,0

Source: Assessorato Regionale Agricoltura

Agricultural activities are fundamental to maintain a hydro-geological equilibrium, and in Sicily the number of corporations still active is the highest of the Italian regions (n°. 404.204).

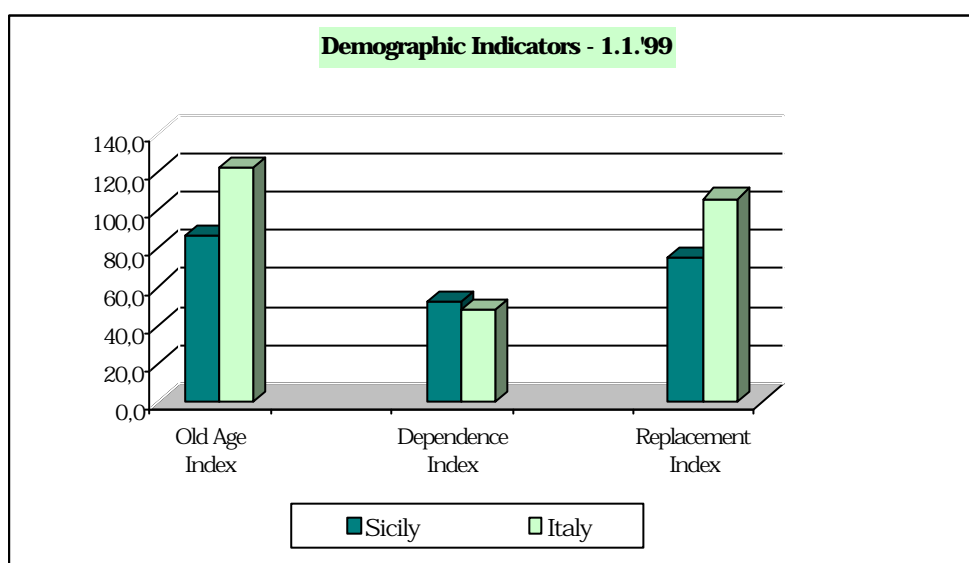
High levels of agricultural employment, low density of inhabitants and a high average altitude typify the environment of the Island and assign the resident population the role of ecological operators. Sicily possesses 7,4% of national protected areas and 9,3% of the territory is subject to protection (**Source:** INEA, 1999).

The average population density of the Region is 198 inhabitants per Sq.Kms (191 in Italy and 115 in the EU) but there is some difference between the internal and coastal zones. Enna, the only

province in Sicily that doesn't border on the sea, has 71 inhabitants per Sq.Kms, compared to Catania with 309 inhabitants per Sq.Kms (**Source: Istat, 1998**).

On the whole the Sicilian population is younger than the Italian one. 18,3 per cent of the population is younger than 15 years (14,6 % in Italy)

The old age index (i.e. the ratio between population older than 65 years and younger than 14 years per cent) was 86,3 per cent in 1999 (122% in Italy). The dependence index (i.e. the percentage ratio between people younger than 14 years plus those older than 65 years and people aged between 15-64 years) is higher in Sicily than in Italy (51,9% vs 47,5%). The replacement index is 75 % in Sicily and 106 in Italy.



Source: Istat - Elaborazione Ufficio di Statistica della Regione

Because of its position in the middle of the Mediterranean sea (only 3 kilometres from continental Europe and 130 kilometres from Africa) the Region is at the heart of geo-political interests.

The history of Sicily shows traces of countless foreign dominations and cultures which, since ancient classical times, have left their mark on both culture and architecture (50% of national cultural assets are to be found in Sicily).

Since the Unification, the Sicily and the south have been regarded as a developing area posing the much discussed socioeconomic question at a national level.

The debate over this question, called "Questione Meridionale" after the Second World War, has permitted the identification of a set of economic policy measures and laws that affect the institutional order and economic structure of Sicily, promoting its economic growth.

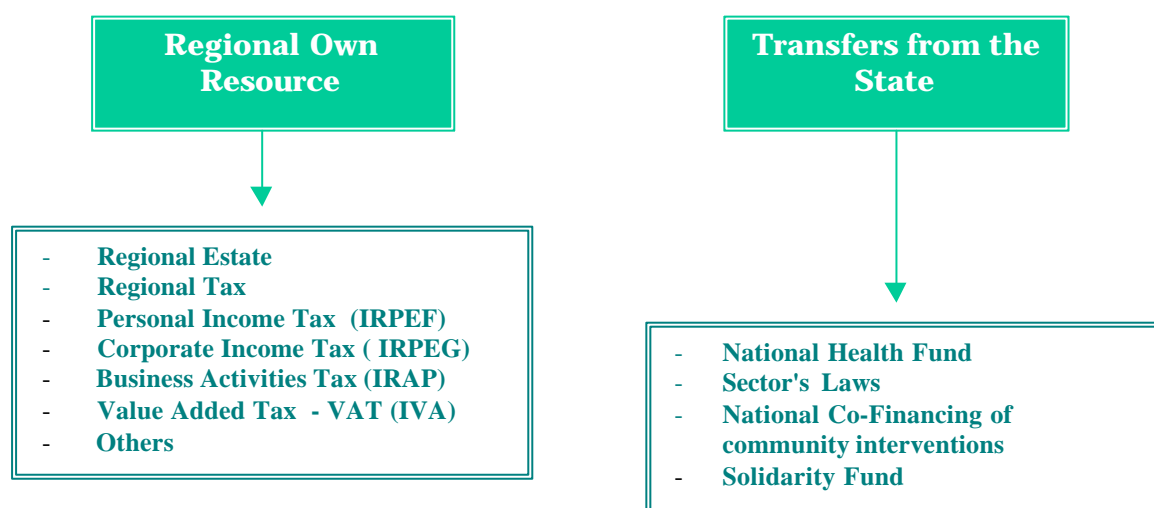
THE INSTITUTIONAL FRAMEWORK

THE INSTITUTIONAL FRAMEWORK OF THE REGION OF SICILY

The Region of Sicily is the largest of the twenty Italian regions and is one of the five special regions of Italy, as established by Special Statute, approved in 1946 and converted into constitutional law in 1948. This statute provides the region with significantly greater autonomy than the one of the fifteen ordinary regions and permits it to regulate the activity of its own members and their skills; it represents the most important law regulating the relationship between the Region and the Italian State.

The Special Statute gives the Region legislative, administrative and financial autonomy, which is greater than that conceded to the other Italian regions with Ordinary Statute.

In particular, the assets of the Region includes public possessions that are internal to the Region, except for possessions that the State uses for national defence. Current revenue includes its own tax income, Central Government transfers with specific destination and public taxes collected locally .



The **REGIONAL BODIES** are: the Regional Parliament (ARS), the Regional Government and its President.

The **REGIONAL PARLIAMENT** (ARS) is composed of 90 members elected for five years. The legislative power of ARS is both "exclusive" and "non-exclusive" (i.e. shared with the State)

The **EXCLUSIVE LEGISLATIVE POWER**, is limited only by constitutional laws and by certain State laws that require social-economic reforms at national level. It concerns the following areas: agriculture and forestry, commerce, industry, public works, mines, public water, hunting and fishing, public charities, tourism, protection of landscape and artworks, local entities, organisation and administration of the Region's offices, primary education, museums, libraries and academies.

The **NOT-EXCLUSIVE LEGISLATIVE POWER**, is restricted by ordinary State law and covers the following areas: communications and transport, health, secondary and university education, insurance and banking activities, social services and all those issues not characterised by a predominant Regional interest.

Once approved by the ARS, Regional laws are referred to the **STATE'S REPRESENTATIVE (COMMISSARIO DELLO STATO)** who may challenge their constitutional legitimacy before the Constitutional Court.

The State's Representative has the power to submit a proposal to the Italian State Government for the dissolution of the Regional Parliament.

The procedure for the dissolution of the Regional Parliament, which has never been applied, requires that there exists a persistent and recurring violation of the Special Statute (one single violation would not suffice) and requires that the dissolution be approved by both Houses of the State Parliament. This procedure is difficult to implement in Sicily given the unique autonomy granted to the Region. Should it happen, the ordinary administration of the Region would be charged to a committee of three members appointed by the Italian State Government upon proposal by the two Houses of the State Parliament.

The **REGIONAL GOVERNMENT**, with administrative and executive functions, is composed of the President (Presidente della Regione) and 12 ministers; the President, in 2001, when the next regional election will take place, will be elected directly by the Sicilian voters according to a recent national law that modifies the Statute. The President will nominate the ministers directly. The new electoral reform will ensure greater parliamentary stability.

The President is the head of the Regional Government, officially represents the Region, and participates with the state status of a national minister at any meeting of the State Government (Consiglio dei Ministri) when issues concerning Sicily are discussed. The President resolves disputes concerning the legitimacy of Regional administrative acts after consulting with the State Council (Consiglio di Giustizia Amministrativa). The ministers are assigned by the President to the different areas of the Administration. In common with State administrative acts, certain Regional administrative acts are subject to the supervision of the Court of Accounts (Corte dei Conti). This body has two divisions in Sicily expressly devoted to issues concerning the Region. The Regional Parliament is presently run by a centre-right majority composed of 56 members out of 90 of the Regional Parliament.

The Regional Parliament (ARS)

Opposition		
	Party	seats
DS	Democratici di Sinistra	13
PPI	Partito Popolare Italiano	3
UDEUR	Unione Democratici	5
	Democratici	6
PRC	Rifondazione Comunista	3
GC	Gruppo Comunista	3
	Others	1
		34

Majority		
	Party	seats
FI	Forza Italia	19
AN	Alleanza Nazionale	13
CDU	Cristiani Democratici Uniti	4
	Democrazia Europea	7
	Rinnovamento	3
	PSS	2
CCD	Centro Cristiano Democratici	6
	Others	2
		56

Source: *Assemblea Regionale Siciliana*

THE ECONOMY OF THE REGION

ECONOMY OF THE REGION OF SICILY

In the post-war period, after the latifundium reform and the migration northwards and outwards, the Region experienced a period of speedy growth due to private consumption and investment.

The productive structure was funded on the petrochemical industry with a resulting in poor expansive effects on the rest of the economy (especially on traditional sectors such as agriculture and the building industry). In this situation the Gross Added Value (GAV) of Services (not for sale Services in particular) became more and more important.

The following table shows the percentage composition of lending and the (GAV) and its long-term trend.

	Sicily comp. % 1963	Italy comp. % 1963	Sicily average % growth 1963-73	Italy average % growth 1963-73	Sicily average % growth 1974-84	Italy average % growth 1974-84	Sicily comp. % 1984	Italy comp. % 1984
Private consumption	51,2	52,3	5,2	5,4	3,5	3,2	58,5	60,7
Gross fixed investments	23,1	27,0	7,1	4,1	-1,4	0,2	18,3	19,8
Public consumption	25,5	19,8	3,2	4,0	3,0	2,6	22,9	18,8
Change in inventories	0,2	0,9	n.c.	n.c.	-19,7	-20,7	0,3	0,8
Total (lending)	100,0	100,0	5,1	4,8	2,3	2,3	100,0	100,0
Agriculture	19,8	11,9	3,2	1,9	1,5	1,1	9,3	5,2
Industry	12,2	29,4	10	7,1	4,1	2,9	17,3	27,6
Constructions	13,7	9,6	0,8	1,6	-1,9	-1	8,5	6,7
Marketable services	37,8	36,9	5,6	5,9	3,4	3,4	46,6	47,3
Non-marketable services	16,5	12,2	3,3	2,9	2,1	2	18,2	13,3
VAT (at factors cost)	100,0	100,0	4,4	4,8	2,4	2,6	100,0	100,0

Source: Istat, *Conti economici regionali*

The resulting weakness of the productive structure, outlined above, affected economic efficiency over the following years.

In Sicily the Gross Domestic Product (GDP) has grown by only 26,6% over 16 years (1980-1996), while the national one has grown by 32,7%. At the same time the GAV contribution created by the public sector has gone from 17,5% to 23,3% while in the rest of the country it has stopped at 13%.

Therefore it is a slow economy, rather dependent on public expenditure and shardedly competitive that had to come to terms, in the 90's, with Maastricht parameters and with a severe crisis in the State accounts that hasn't prevented the economic recovery.

According to Promètea estimates, after the reduction in 1996 and the recovery in 1997, the regional GDP registered, in 1999, modest real growth of 0,6% compared to 1998. This growth was lower than the national average (1,4%) and the whole South (1,3% according to Promètea estimates).

Real growth rates in GDP and Investments

	GDP		Investments	
	Sicily	Italy	Sicily	Italy
1986-1990	10,5	12,6	6,0	17,5
1991-1995	0,1	4,5	-27,1	-7,0
1996-1999	4,7	4,8	13,1	16,7

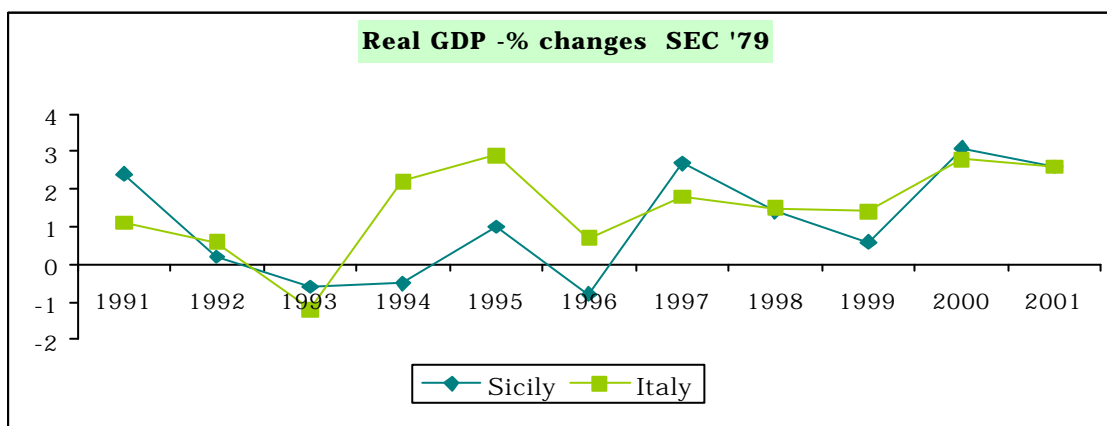
Source: *Promèteia - October 2000 estimate*

In particular, in 1999, the GDP of the Region, was 119.628 ITL billions. In 2000 further growth of the GDP is predicted equal to 3,1% (Promèteia estimates) and lower than the Italian one (2,8%).

The acceleration in economic growth starting in 2000 should be encouraged with both domestic and international demand. During the year 2000 exports should increase more than 13%.

According to Promèteia estimates, a further increase in exportations should be confirmed also in every subsequent year. The dynamics of domestic demand will be generated by increasing consumption and investments in both plant and machinery.

These will expand substantially and in 1999-2001 will reach a growth rate close to 20% per year.



Source: *Promèteia - stime di ottobre 2000*

In 1999, the GAV of the regional economy showed a growth of 2,5% attributed especially to the contribution of sectors like industry (2,1%), services (3,6%) and constructions (1,7%).

GAV and GDP of the Region - Main economic sectors (ITL billions) (1)					
	1995	1996	1997	1998	1999
Agriculture, Forestry and Fishing	5.908	6.179	6.794	6.609	6.098
Industry	19.081	19.047	19.355	19.319	19.735
Services	49.128	51.332	53.856	55.203	56.790
Services not for sale	21.575	23.319	24.357	23.704	24.804
GAV (including imputed banking services)	95.692	99.877	104.362	104.835	107.427
GDP	102.075	106.529	112.464	117.345	119.628

(1) Measured at current prices

Source: 1995-1996 Istat - 1997-1999 Promèteia - October 2000 estimate

The **SERVICES'S SECTOR** is the most important in the economy of the Region and in 1999 accounted for 68,2% of the total GDP (61,6% in Italy).

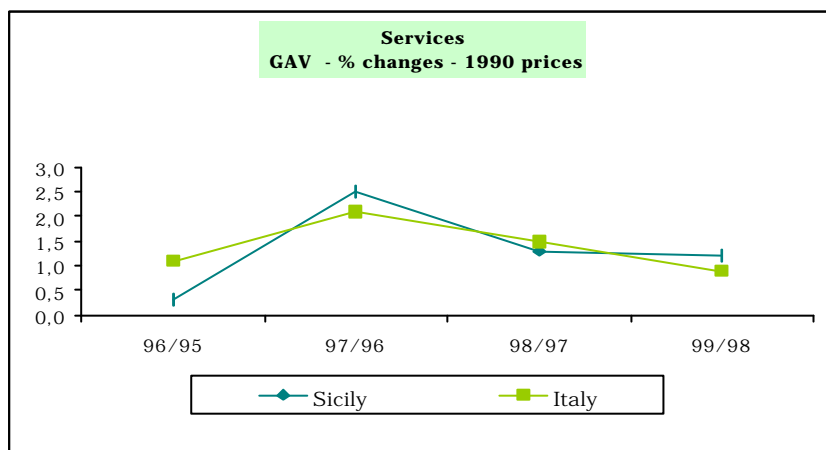
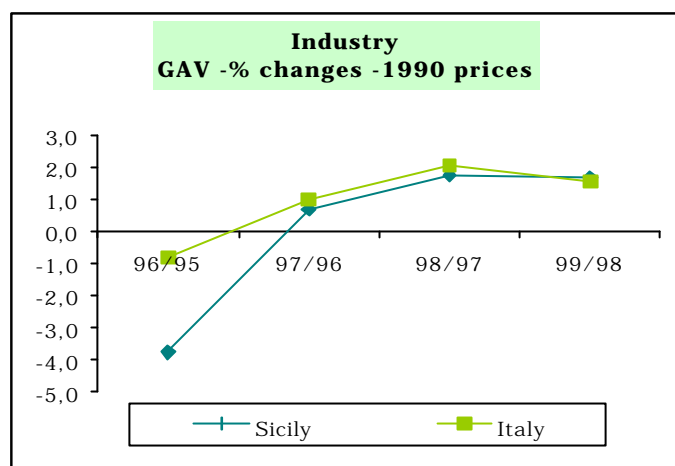
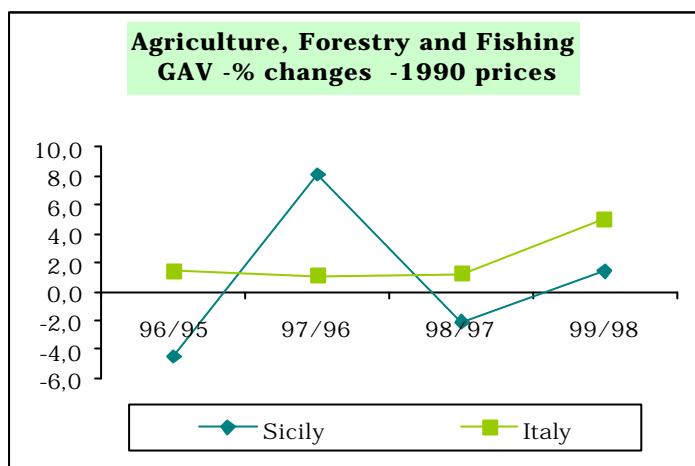
The **INDUSTRY'S SECTOR** is another important sector of activity in the economy of the Region. In 1999 it contributed 16,5% to the total regional GDP. Given the presence of several refineries, the oil industry has an important role in the economy of the Region. In spite of the absence of oil wells both in its territory and in the surrounding sea, this activity, which is the primary Italian source of refined oil, accounted for 39 % of regional exportation in 1999 (plus 2 % compared to 1998).

In 2000-2001, according to Promèteia estimates, the industry's growth rate will be greater than 4 %.

AGRICULTURE, FORESTRY AND FISHING is also an important sector in the economy of the Region and in 1999 contributed 5.1% to the regional GDP. The considerable reduction (-7.7 per cent) in the GAV of Agriculture registered in 1999 has been balanced out by GAV from industry and services.

The agricultural sector, thanks to a favourable climate, is characterised by a growing specialisation of its product both in quantity and in quality (wine production) and specificity (greenhouse product).

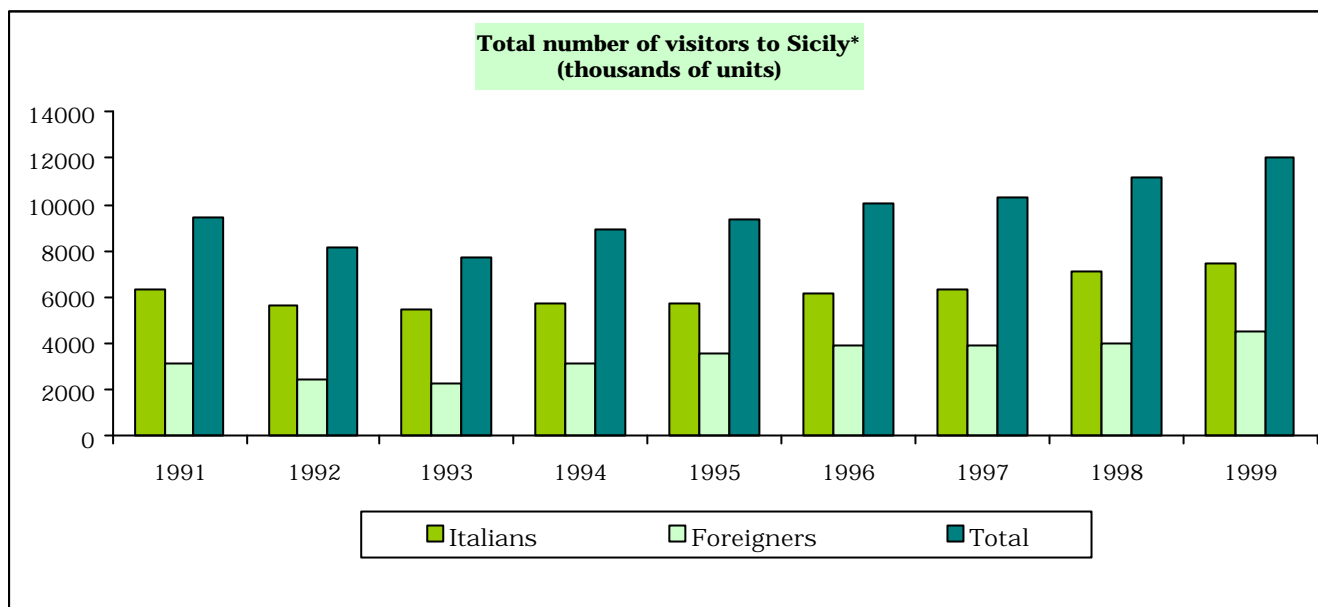
The GAV's percentage variations, represented in the diagrams below, show that industry and services are two sectors that in Sicily have grown more than in Italy.



Source: Prometeia - October 2000 estimates

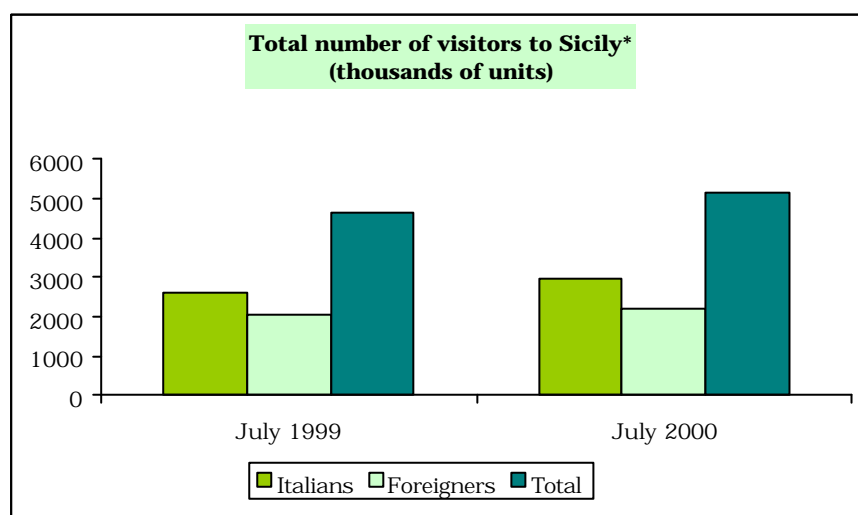
TOURISM

The wealth of archaeological, natural and cultural attractions, a favourable climate and wonderful scenery, with a coast line of 1.000 kms, are, key factors in Sicily, for a constant growth of the tourism industry and make it particularly attractive for tourism. In 1999, the Region, registered further growth in the tourist number (+7.9% compared to 1998) made up Italian visitors (+5.3%), but especially foreign visitors (+12.7%).



* Calculated taking into account hotel-stays and other collective accommodations

Source: Istat - Assessorato Regionale Turismo



* Calculated taking into account the hotel-stays and other collective accommodation

Source: Istat - Assessorato Regionale Turismo

The first six months of 2000 were also characterised by an increasing number of visitors (plus 11 per cent compared to 1999). This increasing trend was mostly determined by Italian visitors (+15 per cent) a number that represents more than 75% of the total number of visitors to Sicily.

TRANSPORT NETWORK IN SICILY

In Sicily there are 33 ports with 24.8% of national sea traffic to Italy.

Palermo and Messina are the most important national ports in Sicily and they account for 16 % and 4% of the regional passenger traffic respectively. In September 1999, in the Region, the recorded total sea traffic was about 617.934 passenger and 7 million tons of goods transported overseas. Many others local ports ensure connections with the small islands of the Mediterranean sea and provide infrastructure for private boats as well.

Fontanarossa airport, located in Catania, is the biggest among the five airports in Sicily and ranks fourth in terms of size in Italy. According to data supplied by Istat and referring to September 1999, Fontanarossa airport handles 4,6 % of all Italian passenger traffic. At the time the number of passenger who travelled by air living from or landing to Fontanarossa, was equal to 375.703 including both international and national flights.

The second ranking airport in terms of size in Sicily, is in Palermo and is called Falcone-Borsellino; in 1999 240.261 passenger passed through it.

FINANCIAL SERVICES

In Sicily, during the first quarter of the year 2000, 55 banks were operating with over 1.627 branches. Most of these belong to leaders Italian banks and are followed by saving banks, and other banks of both average and small size. During this period there were 46.725 ITL billions in short term deposits accounts in Sicily (-0,3 % compared to the same quarter in 1999). Lending amounted to 59.316 billion lire (+5 % compared with the same period of the previous year).

(Source: Banca d'Italia - Bollettino Statistico IV - 1999).

INVESTMENTS

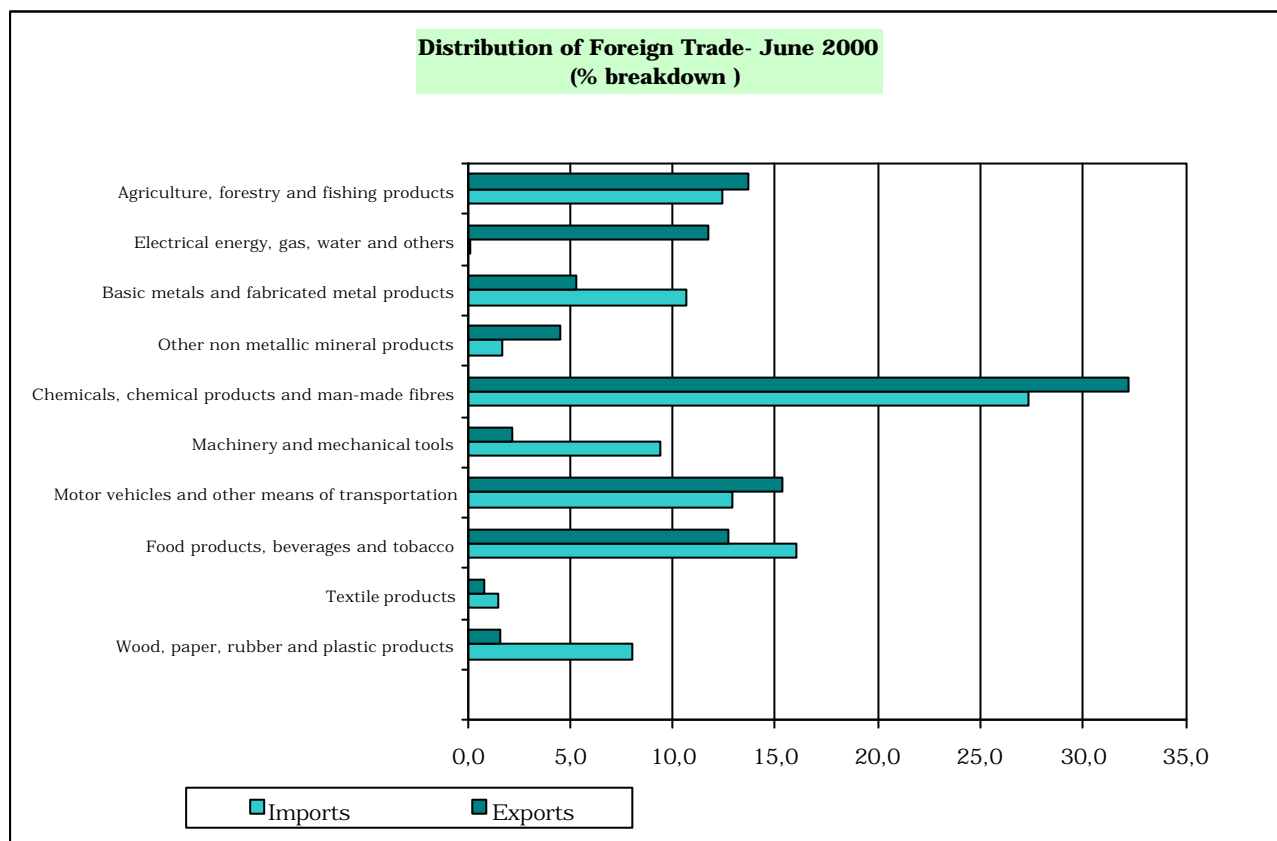
Over the last few years foreign and domestic companies have been increasingly interested in investing in Sicily.



FOREIGN TRADE

Exports represent the most important entry in the commercial balance in the first semester of 2000.

In particular chemical products cover the most of foreign trade (exports 32 % and imports 27 %).



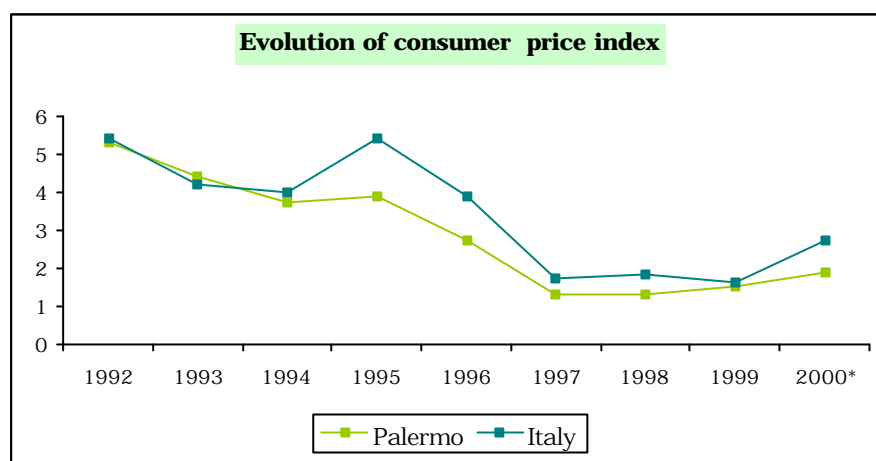
Source: Istat

Analysis of the composition of foreign trade by sectors of economic activities in Sicily, shows that positive trade balances regard vehicles and means of transport, agricultural products, non metallic mineral products, chemical products, electrical energy and food products but to a lesser extent.

INFLATION

Over the last few years the consumer price index recorded in Palermo, the only city in the Region that takes part in the determination of the national index, has shown a reduced growth rate, passing from 3,9 % in 1995 to 1,5 % in 1999. The inflation rate in Palermo shows a trend in line with the national one, although with lower levels.

According to Istat data in August 2000 the consumer price index in Sicily was 1,9 % (0,8 percentage points lower than the national figure).



* August

Source: Istat

EMPLOYMENT

In July 2000 the labour market registered a growth of 1,4% in the labour force, which passed from 1.757 thousand units to 1.781 thousand units.

The Region faces the same difficulties as southern Italy in terms of employment: there is widespread unemployment and there is a large section of the workforce working illegally.

These phenomena, in spite of Government measures applied in the Region, are still alive, although decreasing compared over the last years.

Population aged 15 or over, by status and sex in Sicily (thousands of units)

	July 1999			July /2000			Total % change
	Males	Females	Total	Males	Females	Total	
In Employment (4)	967	374	1.341	983	376	1.359	1,34
Job seekers (1)	227	189	416	217	204	421	1,20
- unemployed	111	35	146	108	38	146	0,00
- first job seekers	101	85	186	98	91	189	1,61
- others job seekers	15	69	84	11	75	86	2,38
Labour force (2)	1.194	563	1.757	1.201	580	1.781	1,37
Non labour force	788	1.583	2.371	787	1.575	2.362	-0,38
Population (3)	1.982	2.146	4.128	1.988	2.155	4.143	0,36
Unemployment rate (1/2)	19,01	33,57	23,68	18,07	35,17	23,64	-0,04
Employment rate (4/3)	48,79	17,43	32,49	49,45	17,45	32,80	0,32
Activity rate (2/3)	60,24	26,23	42,56	60,41	26,91	42,99	0,43

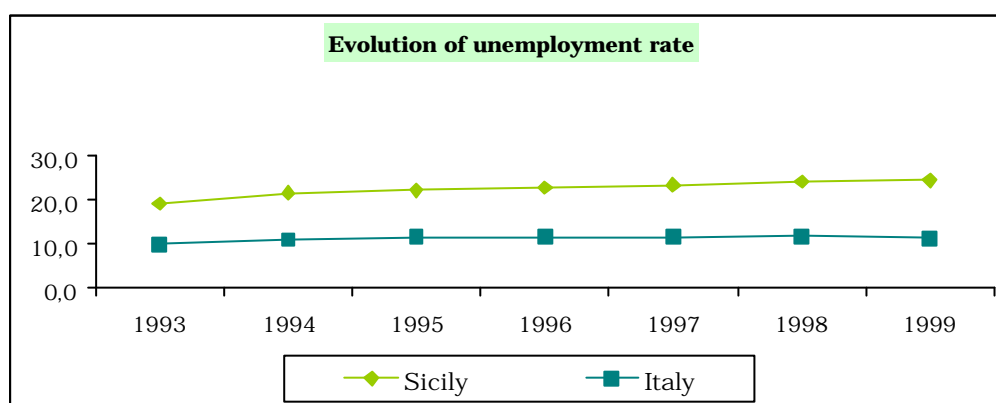
Source: Istat

According to the third quarterly Istat survey, the number of persons seeking employment has increased to 1,2% compared to July 1999, especially among the increasing number of "persons seeking first employment" and "other persons seeking employment". This helps to explain the slight fall in the unemployment rate, which has passed from 23,68 % to 23,64%.

The activity rate and the employment rate have grown slightly.

Therefore it seems that, after years of decline, the stability registered in the number of employed in 1999 marks a positive turning point in the labour market of the Region. Indeed, between July 1999 and July 2000 the number of employers has grown by 1,3%, i.e. 18 thousand units.

In particular, when broken down by area of business activity, Sicily's labour market shows a large amount of employers in the agricultural area (16%) and a more modest amount of employers in the industrial area (3%).



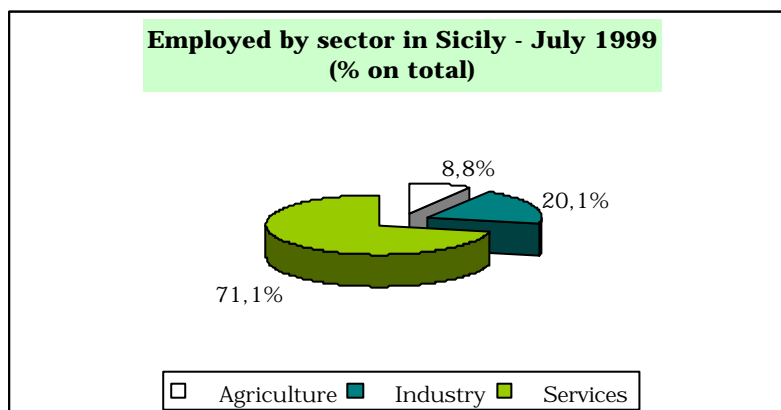
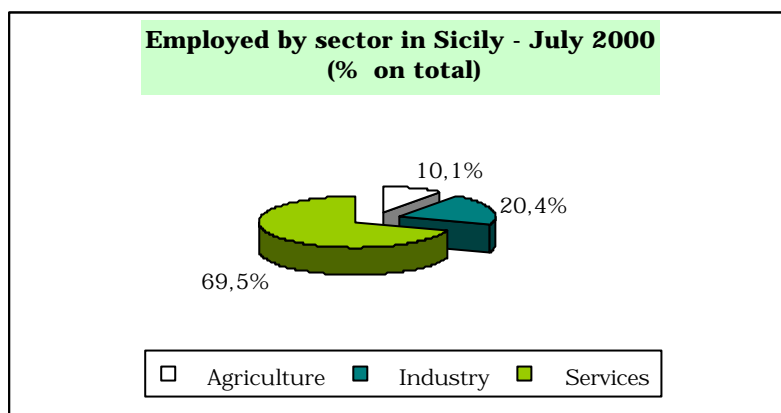
Source: Istat

Employed by sector and percentage of labour force

SICILY (thousands of units)	July 1999		July 2000		% change
	Total	% Labour Force	Total	% Labour Force	
Labour Force	1.757	-	1.780	-	1,3
In Employment	1.341	76,3	1.359	76,3	1,3
- Agriculture	118	8,8	137	7,7	16,1
- Industry	270	15,4	278	15,6	3,0
- Services	953	54,2	945	53,1	-0,8
Persons seeking employment	416	23,7	421	23,7	1,2

Source: Istat

A fall was observed in the number of employers in the services area, in which the number of employers represents anyway the largest part of the force gathered in Sicily (53 %).



Source: Istat

THE ACCOUNTS OF THE REGION

ACCOUNTS OF THE REGION

Over the last few years the Region has started a rebuilding policy for its own accounts with strict financial laws aimed at containing the current expenses and increasing revenues.

Accounts of Sicilian Region (ITL billions)								
	1995°	1996°	1997°	1998°	1999°	2000*	2001*	2002*
Previous year's Financial Surplus (a)						4.600		
Current Revenue	16.016	17.119	17.349	18.572	18.829	17.271	17.428	17.612
- Tax revenues	9.410	9.970	10.948	13.180	14.877	14.454	14.713	14.949
- Current Transfers	6.227	6.119	5.441	5.063	3.342	2.546	2.445	2.393
- Other current revenues	379	1.030	960	329	610	271	270	270
Current Expenditure	15.254	15.839	16.240	18.343	18.662	18.125	16.337	15.702
- Personnel	1.917	1.772	1.931	1.744	1.723	1.810	1.800	1.795
- Institutional bodies	144	161	174	175	195	202	189	189
- Goods and Services	987	820	996	957	930	938	805	768
- Current Transfers	12.056	12.756	12.752	14.652	14.137	12.312	11.265	11.141
- Interest	32	104	194	217	281	371	455	526
- Other current expenses	118	226	193	598	1.396	2.492	1.823	1.283
CURRENT BALANCE (b)	762	1.280	1.109	229	167	-854	1.091	1.910
Capital Revenue	1.292	1.622	2.609	1.759	2.745	1.110	895	920
- Current Capital Transfers	881	1.234	1.595	1.622	2.462	691	777	804
- Other capital revenues	411	388	1.014	137	283	419	118	116
Capital Spending	4.686	4.897	4.981	3.515	4.380	6.753	3.115	2.702
- Real Estate	1.533	1.292	2.026	965	1.498	300	210	144
- Capital Transfers	2.605	2.820	2.627	2.271	2.832	1.613	1.656	1.260
- Other capital expenses	548	785	328	279	50	4.840	1.249	1.298
CAPITAL BALANCE (c)	-3.394	-3.275	-2.372	-1.756	-1.635	-5.643	-2.220	-1.782
BALANCE BEFORE FINANCING d=(a+b+c)	-2.632	-1.995	-1.263	-1.527	-1.468	-1.897	-1.129	128
NET BORROWING REPAYMENT (e)	-335	1.370	-236	1.434	902	1.897	1.129	-128
- Reimbursement (-)	-335	-330	-236	-260	-395	-551	-792	-928
- New Regional Borrowing (+)	0	1.700	0	1.694	1.297	2.448	1.921	800
TOTAL BUDGET BALANCE (d+e)	-2.967	-625	-1.499	-93	-566	0	0	0

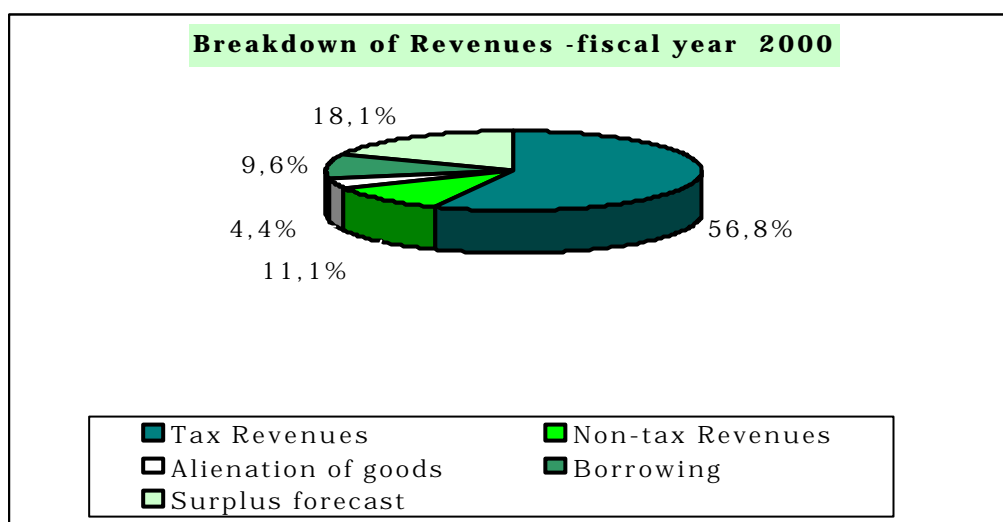
Source: *) *Rendiconto Generale della Regione - dati di competenza*

*) *Legge di Bilancio esercizio finanziario 2000-2002 - previsione*

For the first time in 1999 the Region approved the "Documento di Programmazione Economica e Finanziaria" (DPEF) which includes the macroeconomic Sicilian framework, financial forecasts and projections for restoring the public accounts.

The financial autonomy of the Region is guaranteed by its own taxes, devolution of taxes that replace transfers from the State, which represent, in 2000, 71% of the total amount of revenue and transfers from the EU for investments.

As regards revenue the Region started a rebuilding process consisting in reinforcing the activity joined with the collection of its own revenues in order to improve its financial situation, especially over the last few years.



Source: *Ass.to Reg.le Bilancio - Legge di Bilancio Es. Fin. 2000-2002 - previsione*

The balance of the Region in 2000 forecasts total revenues of 25.429 ITL billions, of which 57% are fiscal revenues (equal to 14.454 ITL billions); 11% is represented by extra-fiscal revenues (equal to 2.818 ITL billions); 4% is represented by alienation of goods and capital account transfers (equal to 1.110 ITL billions); 10% is ascribable to new borrowing (equal to 2.448 ITL billions of which 1.900 ITL billions supported by the Region and 548 ITL billions supported by the State) and 18% comes from the previous year's financial surplus (equal to 4.600 ITL billions).

TAX REVENUES

The Region's main sources of revenues are represented by direct taxes imposed by both the Region and the State on individuals and corporations.

At present, the Region levies the following taxes:

- Personal Income Tax (IRPEF)
- Corporate Income Tax (IRPEG)
- Withholding Tax on Interest and on Capital Income.

Indirect revenues are represented by Value Added Tax (VAT - IVA), stamp duties, taxes on government concession, taxes on vehicles and others.

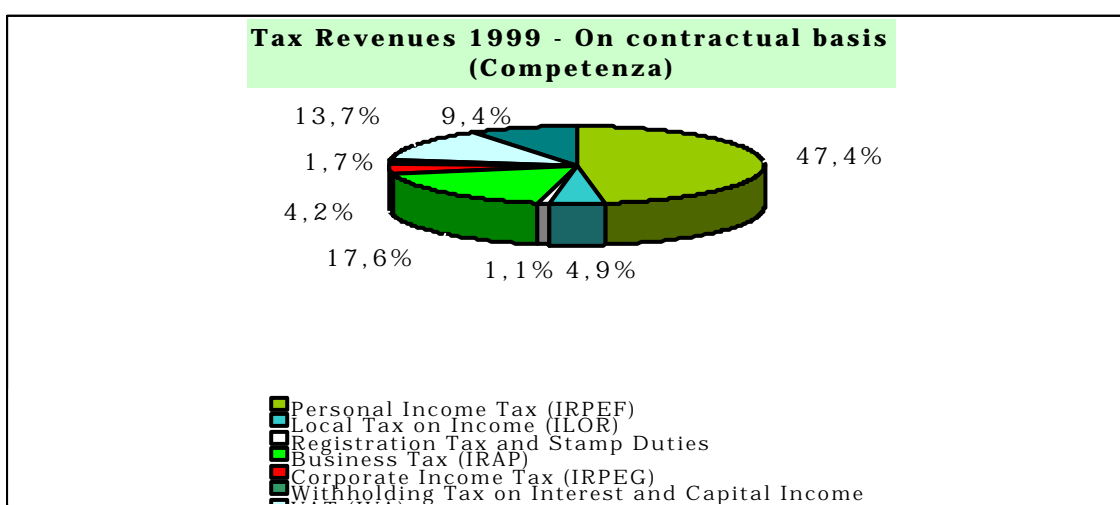
In 1998 the Business Activities Tax (IRAP) was introduced in place of certain taxes in force before (e. g. ILOR. Local Tax on Income). Both direct and indirect taxes within the Region are levied at rates equal to those set by Central Government.

Current Revenues - ASSETS - (ITL billions)

	1995	1996	1997	1998	1999
TAX REVENUES					
Direct taxes	6.312	6.332	7.090	7.335	8.140
⇒ Personal Income Tax (IRPEF)	5.111	5.037	5.531	6.248	7.049
⇒ Corporate Income Tax (IRPEG)	353	329	580	472	626
⇒ Local Tax on Income (ILOR)	45	44	72	28	30
⇒ Withholding Tax on Interest and Capital Income	653	812	790	297	259
⇒ Others	150	110	116	290	176
Indirect Taxes	3.011	3.507	3.719	3.994	3.754
⇒ Registration Tax (Imposta di registro)	289	287	310	239	160
⇒ VAT (IVA)	1.554	1.526	1.857	2.211	2.302
⇒ Stamp Duties (Imposta di bollo)	238	440	239	252	172
⇒ Tax on Government Concessions (Tasse su conc. Gov.)	104	290	250	90	71
⇒ Tax on Vehicles (Tasse automobilistiche)	291	272	243	575	577
⇒ Others	535	692	820	627	472
Excise and Custom Duties (Imp. su consumi e dogane)	68	95	86	61	39
Business Activities tax (IRAP)				1.727	2.620
Additional Tax on Personal Income (Add. IRPEF)				6	257
Others	19	36	53	57	67
TOTAL TAX REVENUES	9.410	9.970	10.948	13.180	14.877

Source: *Rendiconto Generale della Regione*

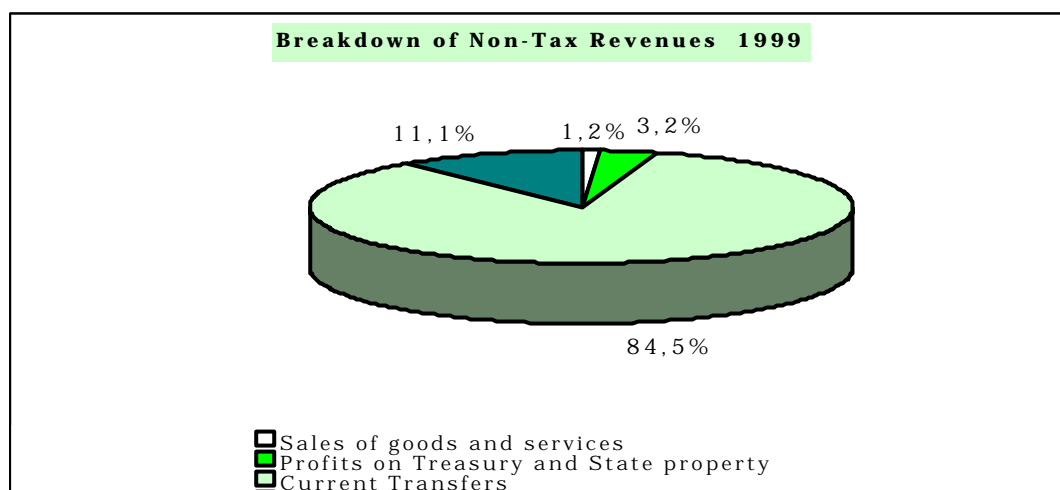
Contractual revenues in 1999, equal to 14.877 ITL billions, has grown by 12.9% compared to the previous financial year. This good fiscal result is due to IRPEF (+12.8% compared with 1998) and to I.R.A.P. IRAP was introduced in 1998 to finance part of the healthcare fund.



Source: *Rendiconto Generale della Regione Siciliana*

NON-TAX REVENUES

In 1999 non-tax revenues of the Region amounted to 3.953 ITL billions and consisted primarily of current transfers from the State or other corporations and property income.



Source: *Rendiconto Generale della Regione Siciliana*

In 1999 current transfers decreased and amounted to 3.342 ITL billions. 80% is related to transfers to the National Health Fund.

Current capital transfer from the State (ITL billions)

	1995	1996	1997	1998	1999
Current Transfers					
Transfers from National Health Fund	2.996	2.113	1.447	3.070	2.668
Health Contributions (<i>by citizens</i>)	2.455	3.056	3.549	694	---
Others	776	950	445	1.299	674
TOTAL	6.227	6.119	5.441	5.063	3.342

Source: *Rendiconto Generale della Regione*

ALIENATION OF GOODS AND CAPITAL TRANSFERS

The most important sources (Title 4) of regional revenues are the transfers of capital from the State and the UE in order to finance specific interventions and community programs.

THE POLICY
OF
EXPENDITURE

THE POLICY OF EXPENDITURE

The main action expected is to limit current expenditure by more precise and rational interventions.

For the financial year 1999, the expenditure amounted to 23.438 ITL billion in all, increasing by about 6 % compared to 1998.

In particular the current expenditure for personnel, both in service and retired, registered a slight fall both in terms of budget and in terms of actual.

Indeed, in terms of actual, the percentage of current expenditure for salaries and indemnity to personnel in service, in 1999, was 5,5 % (in 1995 it was 7,7 %).

The Regional Law n° 10/2000 provides new measures that regulate the organisation of the regional administration's offices and improve the efficacy of administrative actions and the efficiency of employed personnel.

Expenses for goods and services fell remarkably in 1999, compared to 1998.

Finally, as regards current transfers the main rate is set apart for financing regional healthcare services through ASLs (Aziende Sanitarie Locali), health organisations or regional healthcare facilities and hospitals, which absorbs 57,7 % of transfers.

CAPITAL TRANSFERS include transfers from the Central Government and from EU funds (except for ESF - European Social Fund) that the Region receives under EU programs for the development of underdeveloped areas (the Region's per capita income of which is below 75% of the average UE per capita income). EU grants are utilised for: 1) infrastructure development within the Region, such as the Messina-Palermo motorway; 2) financial support to companies; 3) financial aid for environmental protection and scientific research. Part of these grants is specifically targeted for the agricultural sector and to support professional education. To date, there have been no delays in implementing the program which is administered in compliance with the procedures set out by the EU.

EU GRANTS- POP 1994/1999

	1995	1996	1997	1998	1999	Total
	<i>(ITL billions)</i>					
EFRD	-	48.432	263.573	425.786	633.114	1.370.904
ESF	26.027	153.542	52.279	297.858	297.854	827.562
EAGGF	28.715	181.663	153.750	148.971	168.082	681.180
National Administration	39.058	229.752	356.709	614.183	760.658	2.000.361
Others	-	-	14.038	71.836	107.753	193.627
Privates	1.975	213.811	83.533	210.240	282.765	792.324
TOTAL	95.776	827.200	923.882	1.768.874	2.250.226	5.865.957

Source: Decisioni Commissione dell'Unione Europea C(95) 2194 , C(1998) 3092, C(1998) 4095

A new regional strategic program (Piano Operativo Regionale - POR) for the years 2000-2006 was approved by the UE in July 2000 and should provide economic contributions equal to 18.230.941 ITL millions.

Financial Planning for the POR of Sicily 2000-2006 (ITL millions)

	2000	2001	2002	2003	2004	2005	2006	Totale
EFRD	571.436	585.472	599.946	777.122	591.174	623.188	642.143	4.390.481
ESF	190.854	195.542	200.375	259.551	197.445	208.137	212.823	1.464.728
EAGGF	198.375	203.248	208.273	269.780	205.227	216.341	216.758	1.518.003
SFOP	12.675	12.987	13.308	17.239	13.112	13.823	13.670	96.814
National Adm.	940.239	963.335	987.145	1.278.674	972.714	1.025.391	1.050.758	7.218.256
Privates	461.609	472.946	484.637	627.762	477.550	503.413	514.744	3.542.660
Total	2.375.188	2.433.529	2.493.683	3.230.128	2.457.223	2.590.294	2.650.895	18.230.941

Investments by sectors - Agenda 2000 (ITL million)

	Public Financing	Privates	Total
Natural resources	3.820.325	764.064	4.584.388
Cultural resources	1.850.371	277.557	2.127.928
Human resources	1.715.901	171.590	1.887.491
Local Systems	4.631.533	1.851.701	6.483.234
Cities	944.563	141.685	1.086.247
Services	1.680.314	336.063	2.016.377
Technical assistance	45.274	0	45.274
Total	14.688.281	3.542.660	18.230.941

Source: *P.O.R. della Sicilia 2000-2006*

According to CIPE Deliberation of April 21, 1999 the Region benefits from further financing by the Central Government for the years 2000-2002 equal to 999 ITL billions in order to realise and complete public buildings. 477 ITL billions of this financing has been assigned to the Region as "prize" for the best projects submitted.

The state law n°488 passed on December 23, 1999 at the article 55 establishes the distribution, for 15 years, of the amount of 56 ITL billions starting from 2000 and 94 ITL billions starting from 2001, to define the sums of money due for reason of contribution of national solidarity, according to the constitution's article 38.

For these amounts The Region will effect, during the year 2001, a credit updating to finance both investment expenses and a share of co-financing for Sicilian POR 2000-2006.

The functional analysis of the interventions provided for the year 2000 shows that the expenses in the social sphere (38,3%) represent the predominant budget item in Sicily and amount to 9.728 ITL billions.

Regional balance by sector of intervention - financial year 2000

	ITL billions	%
General Administration	964	3,8
Public Safety	21	0,1
Education and Culture	721	2,8
Intervention in Building Industry	660	2,6
Social Services	9.728	38,3
Communication and Transport	326	1,3
Intervention in Economic Area	2.069	8,1
Intervention for local and regional finance	1.772	7,0
Non divisible burden (expense)	9.168	36,1
Total expenses	25.429	100,0

Source: *Ufficio Regionale di Statistica*

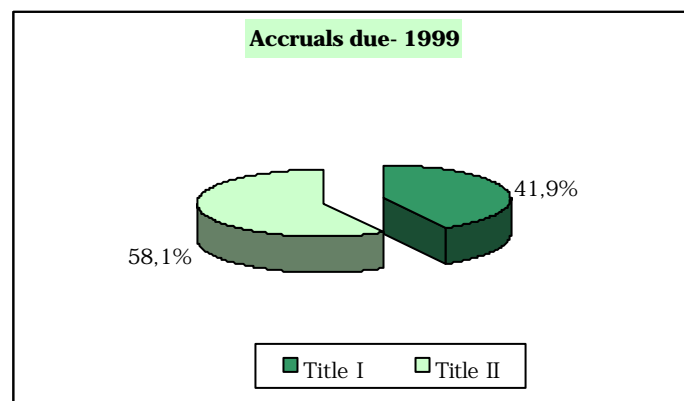
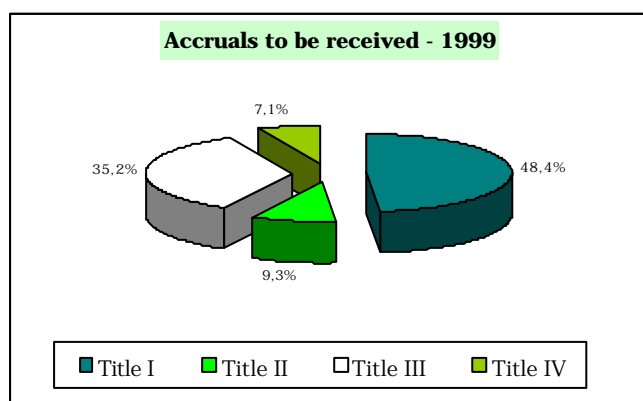
ACCRUALS

Accruals (*Residui*) are a special Italian public accounts item, resulting from the difference between balance due and cash amounts paid in the current year. They consist of accrued income and other receivables as accruals to be received (*residui attivi*) and unpaid expenses and other payables as accruals due (*residui passivi*).

The accruals to be received (*residui attivi*) comprise accruals to be received from local taxes (Title I), non-tax revenues and capital revenues and originate from the difference between the tax assessments by the State institution and the sums actually collected during the fiscal year they are referred to; the accruals to be paid (*residui passivi*) result from the difference between balances due and the amounts actually paid in the current year.

At the end of financial year 1999 the accruals to be paid were 10.144 ITL billions and the accruals to be received were 18.397 ITL billions in all.

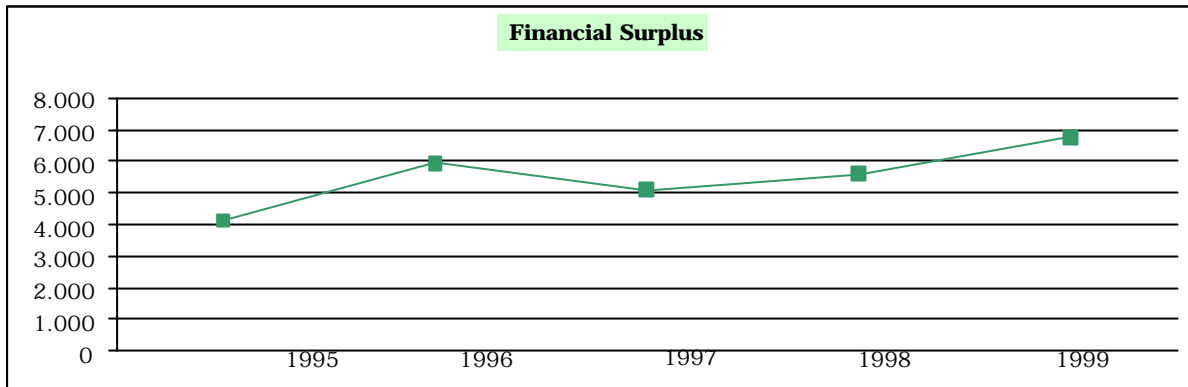
Accruals to be received net of accruals from new borrowings have been historically higher than accruals due.



Source: *Rendiconto Generale della Regione*

FINANCIAL REPORT

As shown in the diagram below, the Region achieved, in 1995-1999, a financial result that was positive and steadily improving from 1997.



Source: *Rendiconto Generale della Regione*

DEBT MANAGEMENT

DEBT MANAGEMENT

DEBT LEVEL

The Region resorted to foreign financial support obtaining a ITL 796 billions loan from Banco di Sicilia for the first time in 1999.

In 1997 the Region entered into a ITL 1.700 billions loan agreement with Credit Suisse First Boston.

The Region has financed its own debt resorting to the capital market and has issued a Euro-bond, lead-managed by Merrill Lynch in two different tranches, both expiring after 10 years, Euro 433 million of floating rate note and Euro 210 million at fixed rate, for the first time in April 1999. The residual part of the 1999 financial transaction, Euro 878 million, was drawn as Shuldsheinlaon and private replacement.

At the beginning of 2000 with rating by Moody's (A1) and Fitch (A) the Region has entered the capital market with greater authority and in order to approach it in a more flexible and dynamic way, in May 2000, the Region established a Global Medium Term Note (MTN) Program (Euro 1.700 millions) with Merrill Lynch and Banco di Sicilia as co-leader manager in which, also in May 2000, the Archimede Bond loan Euro 670 millions was issued, expiring after 10 years bullet at fixed rate, and in December 2000, the Pirandello Bond Euro 568 millions, expiring after 15 years bullet at fixed rate.

For the latter operation there is forecast, contextually with the issue, the gradual reserving of capitals due. For the Archimede operation, the amount expiring in 2010 will be covered within the first four months of 2001.

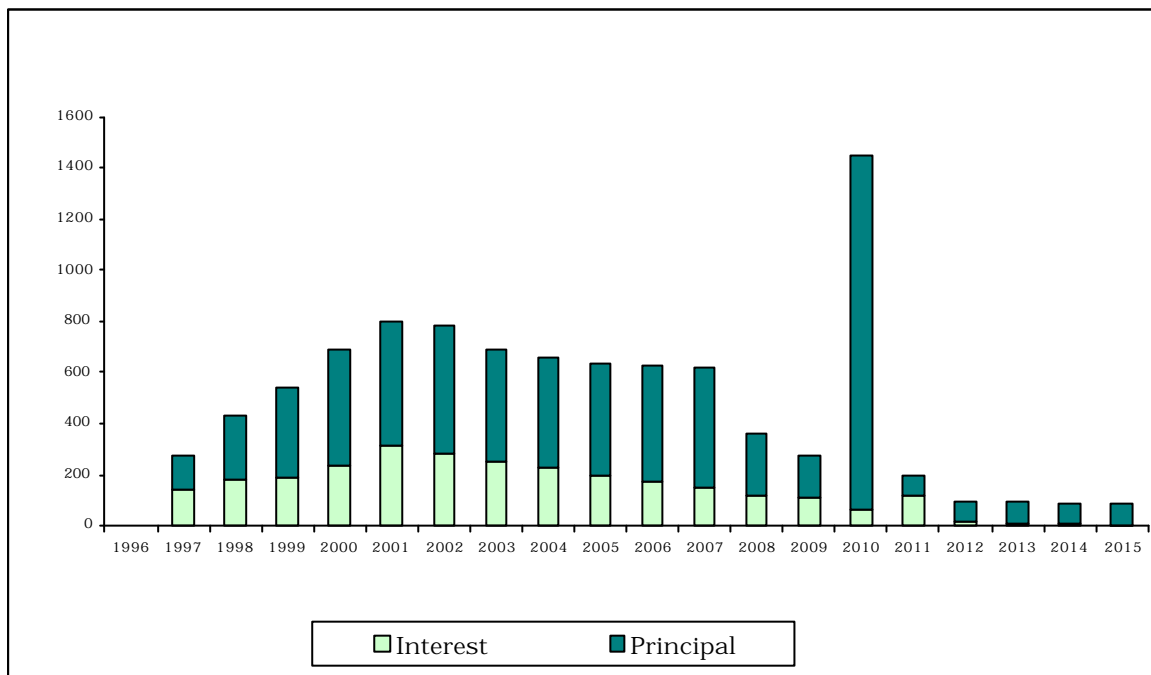
The annual payments profile at 12/31/2000 results from the following diagram, considering that the financing of Euro 670 millions hasn't been completely covered yet.

(ITL billions)	1995	1996	1997	1998	1999	2000
Initial Debt	0	0	796	2.363	2.113	3.462
New Regional Borrowing	0	796	1.700	0	1.700	2.397
Reimbursement	0	0	-133	-250	-351	-454
Outstanding Debt	0	796	2.363	2.113	3.462	5.405

Source: *Assessorato Regionale Bilancio*

All the borrowings of the Region, except for the first one contracted with Banco di Sicilia, are accompanied by a delegation of payment.

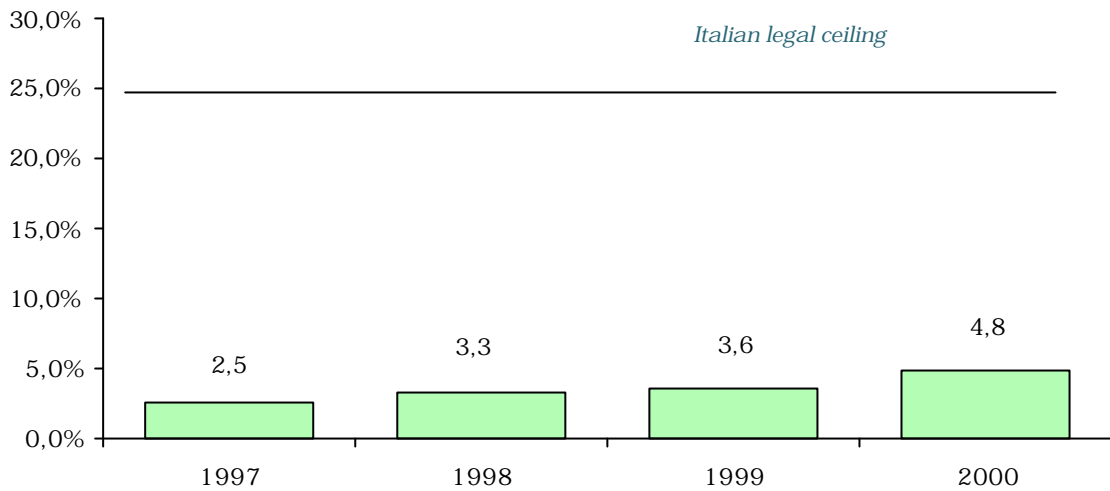
Outstanding Debt Profile



Source: *Assessorato Regionale Bilancio*

In the diagram drawn in the next page there is shown the ratio between debt service and tax revenues according to Title 1 of the regional budget.

Debt Service/Tax Revenues



Source: *Assessorato Regionale Bilancio*

The ratio is lower than 5% and considerably lower than the Italian legal ceiling (25%).

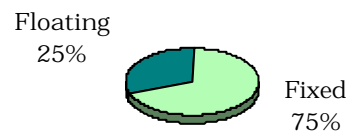
DEBT AND INTEREST RATE

The greatest portion of borrowing of the Region is at fixed rate and is all in domestic currency (Italian EURO).

Breakdown of Lire vs. Euro Rate Debt



Breakdown of Fixed vs. Floating Rate Debt



Source: *Ass. Reg.le*

In the following table there is shown the debt management and there is indicated the

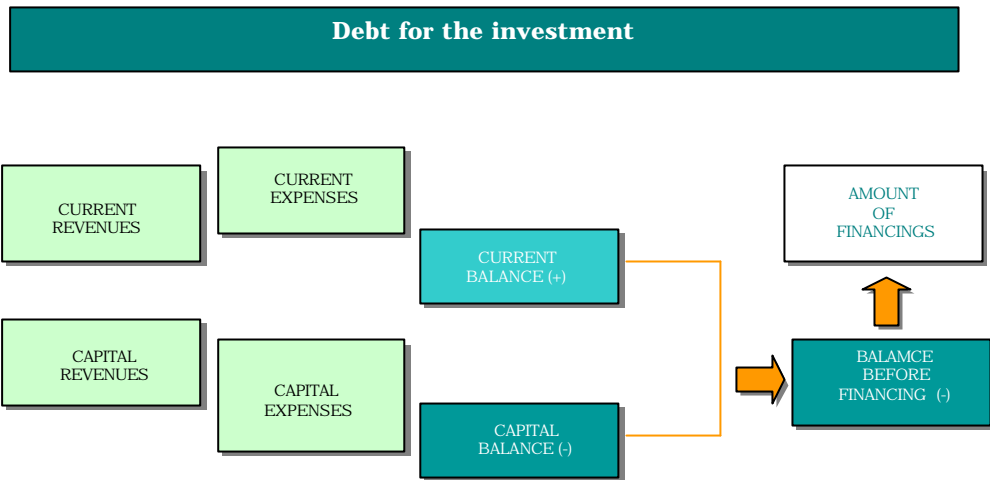
Debt Management at 12/31/2000				
	Debt Service	Interest	Principal	Outstanding debt (at year end)
<i>ITL millions</i>				
1996				796,000
1997	272,901	140,227	132,674	2.363,369
1998	432,705	182,955	249,750	2.113,619
1999	541,035	189,598	351,437	3.462,228
2000	688,905	235,023	453,882	5.405,445
2001	796,796	310,092	486,884	4.918,561
2002	780,047	281,275	498,772	4.419,790
2003	687,543	249,401	438,142	3.981,648
2004	662,198	224,700	437,498	3.544,149
2005	637,525	199,553	437,972	3.106,078
2006	627,497	173,323	454,174	3.423,404
2007	617,569	145,889	471,680	2.180,224
2008	358,542	121,860	236,682	1.943,541
2009	270,873	111,932	158,941	1.784,600
2010	1.444,80	66,300	1378,5	406,100
2011	196,8	115,6	81,2	324,800
2012	98,6	14,4	81,2	243,600
2013	93,9	12,7	81,2	162,400
2014	89,3	8,1	81,2	81,200
2015	84,6	3,4	81,2	0,000

Source: *Assessorato Regionale Bilancio e Finanze*

outstanding debt at year end until 2015.

The long-term debt contracted by the Region during the last few years was used to cover the deficit on capital balance. Furthermore, starting from 2000, according to article 18 of the regional law n°47/77, the issuing of bonds on the market should be finalised to finance capital expenses in investment.

Over the last few years the Region has diversified its capacity to find funds, to enlarge the financial instruments and to develop a more professional policy in capital management.



Source: *Assessorato Regionale Bilancio*