

BANCA D'ITALIA

Inauguration of the Donato Menichella Centre

Address by the Governor

Frascati, 15 September 1999

Mr. President, Ladies and Gentlemen,

The inauguration of the Donato Menichella Centre marks the completion of a project for the construction of a new office complex of great organizational and logistical importance for the Bank of Italy; the scale and scope of the project make it one of the most important in Italy and Europe.

The Centre was built according to the most advanced criteria of functionality and security. Particular care was taken in drawing up the plans to safeguard the environment and achieve harmony with the surrounding landscape.

Situated on the continuation of the Via Nazionale - Via Tuscolana axis chosen by Guido Carli for the expansion of the Bank's main buildings, the Centre is consistent with the city's policy for decentralizing activities to the area south-east of Rome; it is a material contribution to relieving congestion and improving the relationship between the centre and the outskirts of the city.

The Centre is in an area that also includes the University of Tor Vergata, the National Research Council, the Agency for New Technologies, Energy and the Environment, the European Space Agency and the National Institute for Nuclear Physics.

In the future, there will also be a hospital, a botanical garden and an archaeological park; the area is destined to become an internationally important scientific and technological hub. Next year there will be Jubilee celebrations at

which the Holy Father will be present. This is a territory that is taking shape, endowed with considerable potential.

The necessary action by the competent authorities with regard to infrastructure and public services will have beneficial effects for the local population in terms of job opportunities and living standards.

The Bank of Italy is in the middle of a period of innovation affecting its organization and operations; in order to respond to the growing complexity of the economic and financial environment, its capabilities are being strengthened.

Together with the other national central banks, the Bank of Italy determines the monetary policy of the Eurosystem; in accordance with the principle of subsidiarity, it is responsible for implementing the policy in Italy's monetary and financial markets.

Decisions that have a European and global impact require more extensive and detailed market analyses and economic research than in the past. The instruments employed are growing more complex; higher levels of expertise are required. Economic analysis is more closely integrated with institutional analysis, along lines suggested by the most advanced academic research. Supervision is being reinforced.

The consolidation under way in the banking system, the introduction of new specializations and the different ways in which production is organized call everywhere for continual improvements in prudential regulations and the instruments and procedures of control. The Bank of Italy's institutional duties of controlling intermediaries, safeguarding competition in the banking industry and

supervising markets remain and have increased in some respects. Supervisory action requires firmness and observance of the “rules of the game”. Twelve months ago the Bank took over the running of the government’s central treasury service; it is charged with overseeing the payments system, in concert with the European Central Bank.

The transfer of the first departments to the Menichella Centre has allowed the Bank to respond promptly to new functional and logistical needs. At the same time a start has been made on the planned relocation of the other operative structures in the Rome area. When it is completed, there will be three “poles”: Via Nazionale for institutional functions; Via Tuscolana for the printing of banknotes; and Frascati for information technology and organizational functions.

The need to overcome the logistical problems of the structures operating in Rome and demand for additional space first came to the fore in the second half of the seventies. It was necessary to find a home for the Bank’s EDP Centre and its continuously expanding data processing and information services. At the beginning of the eighties this 37 hectare site was acquired in the municipality of Frascati, bordering on that of Rome.

Planning agreement was reached for a total volume of 707,000 cubic meters. Obtaining the building permit was a lengthy process that was completed not without difficulty, primarily owing to the passage of new laws while the application was being examined.

The agreement included the construction of a sports facility seating 600, playing fields, a crèche and a nursery school; these were completed in 1992 and

given to the municipality of Frascati as compensation for the cost of building the necessary infrastructure.

Legislation imposing landscape constraints on vast areas of Italy and the regional law on freeing land from rights of common for town planning purposes held up the decision on the application and the building permit was not granted until March 1990.

The experience gained in carrying out this project made us even more conscious of the need for the start made on streamlining the procedures for the issue of authorizations, including those for building and infrastructure works, to be followed up with determination but without detriment to the public interest.

Eleven companies and groups were invited to tender. Six groups accepted: Vianini, Condotte, Rendo, Grassetto, Grandi Lavori and Fiat Engineering. I would like to commend them all for the high architectural value of their plans, the merit of the engineering solutions proposed and the coherence of the designs with the environmental context.

We have decided to pay tribute to the design effort embodied in the various proposals by devoting space in the Centre to an exhibition of the models that were built by the competing firms.

The construction of the complex was entrusted to the Condotte group, which had set up a consortium named SEIFRA. This offer was chosen after an internal Commission chaired by the Deputy Director General, Carmelo Oteri, had made a thorough evaluation based on criteria of maximum transparency. It appeared to be the one that best met the Bank's operational and security needs and at the same time it was the least costly.

As information technology evolved, the project was revised and adapted.

The ground-breaking ceremony took place on 28 June 1990. In describing the Centre, Governor Ciampi, who had followed the planning phase, emphasized its ability to “meet the Bank of Italy’s needs in the long term” and noted that the complex systems for managing the ancillary plant and security equipment qualified it as an “intelligent building”; he also underscored the “liveableness” of the whole.

All these features have been fully realized in the finished work. The Director General, Lamberto Dini, devoted particular attention to the site preparations and the supervision of the first phase of the construction.

The project was largely completed in the autumn of 1998.

The programme for the transfer of employees was completed a few months ago. Contacts with the competent authorities are continuing with a view to improving accessibility and transport services.

The focus of the architectural design is the court where the religious ceremony has just been held. Its central position is intended to evoke the classical agora and it is an ideal place to meet and socialize.

The Centre measures 120,000 square meters, of which only little more than half is above ground; it is made up of twelve buildings connected by covered walkways and has room for 1,400 employees; it includes this 600-seat auditorium, an ample conference room and twelve meeting rooms. There is also a barracks housing 160 Carabinieri police, who serve as security guards and escorts for the transport of banknotes.

In addition to the electric power supplied by Enel, the Centre has gas turbine cogeneration plant that ensures a high degree of independence in the production of electricity and heat.

In its meeting of May 1998 the Bank's Board of Directors voted to name this complex after Donato Menichella.

Governor of the Bank from 1948 to 1960, Menichella made a decisive contribution in the difficult years after the war first to subduing inflation, then to guiding the Italian economy towards a long period of growth and gradually inserting it into the international context.

In those thirteen years, which offer us no lack of stimuli to reflection and action, Italy's economy was transformed from prevalently agricultural into industrial.

GDP grew in real terms at an average annual rate of 5.6 per cent. The period saw the full ascendancy of the triad of monetary stability, economic growth and fiscal balance. Economic, political and cultural developments enabled Italy to be among the first signatories of the Treaty of Rome in 1957. The return to the convertibility of the lira in 1958 represented this path's point of arrival.

Together with Alberto Beneduce, Menichella was the architect of the 1936 Banking Law. The defence of savings, so characteristic of his subsequent work as Governor and solemnly sanctioned by the Constitution, symbolized his abiding concern for the stability of intermediaries and his acute perception of the need for the Italian economy to increase the share of resources allocated to investment in

infrastructure and social capital in the more backward regions, in productive capital in the more advanced ones.

The basic concepts of the 1936 Banking Law remain valid; they are to be found, albeit in a profoundly changed juridical culture, in the 1993 Banking Law.

Governor Menichella's experience and insight imbued the policy of banking supervision, which he implemented with great firmness, protecting the general interest, paying no heed to partisan pressures or the criticisms of sectoral interests. He was conscious of fulfilling a constitutionally-based mandate to perform a function without which a true banking market could not exist. In his vision of serving the economy, a vision of great relevance today, financial stability is fundamental for monetary stability and for growth.

The memory of Menichella and, above all, the example of his action are alive in the Bank of Italy, with regard both to decisions concerning economic management and supervision and to those concerning the Bank's internal administration. His governorship saw the start of what was then called mechanization, which was to lead to the development of today's information technology and systems, whose nerve centre is in this new complex.

In Menichella's work, carried on and developed in changing circumstances by his three successors, we see the expertise and rigour that have always been the hallmarks of the Bank's personnel in serving the general interest.

The Bank is proud of this legacy.

The Centre houses the Head Office structures responsible for information technology and systems, statistics, organization, staff training, procurement of

goods and services and the operation of the Centre itself. There is also a branch of the Bank of Italy, which handles treasury procedures and relations with banks for the distribution of banknotes.

The architecture of the information system comprises three basic telematic linkages: with the Bank's branch network, with banks and markets, and with the European System of Central Banks.

The flow of information from the branches enables the Head Office to collect data for subsequent analysis and processing on the activities that the nationwide branch network performs in handling payments, supervising and monitoring local credit and financial markets, and gathering information on the regional economies. In many cases the data are collected in real time.

The linkages with the banking and financial system are ensured by the national interbank network. A dedicated network connecting the Bank of Italy with the other national central banks and the European Central Bank serves the needs of the common monetary policy.

It is a motive of satisfaction that the functionality and reliability of our IT structures and procedures within the European System of Central Banks have been judged excellent. Within the Eurosystem the Bank has been specially commended for the smooth transition to the third stage of Economic and Monetary Union and for its efficient management of payment system procedures.

The new dimension of monetary policy, the globalization of the financial markets and the growing international openness of credit intermediaries require continuous adjustment of the statistical bases and make it necessary to re-examine and update the perspective adopted and the detail in which phenomena are observed. Increasingly, the scope of inquiry is tending to shift from the

circumscribed national sphere to the complex world of transnational monetary and credit relations.

The Bank's principal asset is its personnel, with their expertise and tradition of service in the interest of the country.

They are the resource that enables the Bank to perform its functions in conditions of autonomy and independence, authoritatively defined as vital for the country.

The professional and human qualities of staff are ensured by recruitment and selection procedures based exclusively on the evaluation of the merit and potential of young people, and by training activities that have grown considerably in recent years, to involve nearly 6,000 employees in 1998. The programmes in coming years will be even more intense and differentiated in content and method.

The concentration in this technological pole of the Bank's operational functions that I mentioned earlier will offer new opportunities for relations with other organizations established in the area, within the framework of an open and fruitful approach to external relations.

The advance of new technologies and organizational capacities will be studied and stimulated in this setting. In the history of the Bank, the progress of information technology has been fundamental for several key innovations, such as the introduction of the econometric model in order to clarify the link between monetary and financial variables and the performance of the real economy, the creation of the Central Credit Register, the integrated linkages with banks and markets.

The development of information and communications technology is a crucial requirement for a country to be able to participate actively in globalization and, in the final analysis, foster the expansion of economic activity.

Technological development permits radical innovations in work processes and product quality; together with policies aimed at increasing the flexibility of markets, it is decisive for raising productivity, investment and employment.

The year 2000 is just weeks away. Italy, like other countries, will have to face the technical problems connected with the date change. The Bank of Italy has conducted rigorous tests in order to verify the adequacy of its internal information procedures and systems. The financial system has been involved in similar activity. The links with the international financial markets have been thoroughly tested. Contingency procedures have been readied. The stocks of banknotes at branches have been increased so as to cope with any spikes in demand.

The conditions exist for an orderly and secure passage of the Italian financial system to the new millennium. We are confident that adequate preparation has also been made in the public administration and in the services that are essential for everyday life and productive activity.

In Europe, and in Italy, some of the signs of recovery that we glimpsed in the past months are being confirmed.

To seize the opportunities that could arise, to bring about rapid growth that will foster a stable recovery of employment, prompt and systematic action is necessary. The confidence of markets and economic agents must be strengthened. There must be a clear perception, based on concrete acts, that a process is in full swing intended to prepare suitable conditions for profitable investment, eliminate the legal, fiscal and financial impediments to entrepreneurial activity, and foster an increase in company size. Strengthening the competitiveness of firms and fostering a stronger innovative drive are crucial.

Continuing along the path already taken in this field, it is necessary to define a new incomes policy that will tackle, in particular, the issues of flexibility in the use of productive factors and closer correlation between wages, productivity and corporate profits.

The flexibility and the innovations must be of a kind that will create new jobs.

A special effort is required to ensure that the measures reforming the public administration adopted in recent years produce, by having recourse to extraordinary measures where appropriate, radically streamlined rules and procedures and make possible a relationship between individuals, firms and the public sector that fosters economic activity.

The Italian economy can return to high rates of expansion and create the virtuous circle of monetary stability, growth and fiscal consolidation. The availability of enormous resources of savings, labour and entrepreneurial ability means that this goal is achievable, the future of young people requires that it should be achieved.

I thank you, Mister President, ladies and gentlemen, for having honoured the Bank by attending this ceremony. And I thank the local and national authorities, who in the spirit of cooperation have contributed to creating this Centre.

For our part, it is our commitment that this new facility will further testify to the values of competence, efficiency and institutional mission that constitute the linchpin of the century-old tradition of the Bank of Italy.