



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS)
Unit D-2: Excessive deficit procedure 1

Luxembourg, July 2021

FINAL FINDINGS

EDP dialogue visit to Italy

7-8 January 2021

Executive summary

Eurostat undertook an EDP dialogue visit to Italy on 7-8 January 2021, as part of its regular visits to Member States, with the aim to assess the existing statistical capacity, data exchanges and institutional cooperation, to review data sources for the EDP/GFS data compilation and to verify the implementation of ESA 2010 methodology, mainly for the sector classification of units, for the accrual recording of investment, taxes and other flows, and for the recording of specific government operations. Due to the COVID-19 pandemic, Eurostat and ISTAT, the Italian statistical office, agreed to hold the meeting by video conference.

Eurostat reviewed the institutional responsibilities in the framework of the reporting of EDP and GFS data and took note that no major changes occurred since the previous EDP dialogue visit in 2018.

As regards the data sources, this part of the discussion focused on the progress achieved in the implementation of the data collection system (BDAP). The Italian statistical authorities informed Eurostat that, in the April 2021 EDP notification, nonfinancial data for 2019 for local government, excluding Regions, would be reported for the first time, using the BDAP. Due to persisting quality issues, direct survey administered by ISTAT remains the main source of data for Regions.

A particular attention was devoted to the delimitation of general government. Eurostat took note of a considerable increase of cases, where ISTAT's decisions on sector classification of units were challenged by the Court or where ISTAT had to exclude units from general government, following the Court judgement. As a temporary solution, new legislation was adopted in 2020 that enabled the Italian statistical authorities to include these units in the general government sector for statistical purposes.

Eurostat also reviewed the sector classification of public financial entities such as the *Banca del Mezzogiorno – Mediocredito Centrale*, SACE, SIMEST, *Cassa Depositi e Prestiti* and some of its subsidiaries. In this context, the existence of the operations that could be carried out by those entities on behalf of government was discussed. As concerns the classification of AMCO, Eurostat considered that the classification of the entity in the financial corporations sector is not justified and therefore requested a detailed analysis of AMCO's governance and activities.

In the case of taxes and social contributions, the recording of tax and social contributions deferrals was mainly discussed. Eurostat explained that tax revenues for 2020 have to include estimates for taxes and social contributions deferred, deducted by amounts unlikely to be collected. The Italian statistical authorities informed about the change in the calculation of advances for income taxes that might have an impact on the current method for accrual recording of taxes. The recording of newly introduced tax credits was also discussed.

Concerning the recording of gross fixed capital formation, the Italian statistical authorities will apply in the April 2021 EDP notification for the first time the commitments for investments, resulting from the application of the 'enforced legal accrual' by local government units.

In relation to specific government transactions, Eurostat reviewed various measures introduced by the Italian government in the context of the COVID-19 pandemic. The recording of particular measures, introducing for instance new tax credits, new guarantee schemes or extending the existing ones will be discussed on a case-by-case basis with Eurostat.

Concerning Public Private Partnerships, Eurostat welcomed the introduction of a new portal, where important information about PPPs delivered by participating government units could be shared with various stakeholders, including ISTAT. Furthermore, Eurostat expected that this project would solve the problem of the lack of data for some PPP projects, mainly at the local government level.

Eurostat took note that the Italian statistical authorities planned to continue the analysis of concession contracts, mainly for airport operators, and EPCs.

Final findings

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Italy on 7-8 January 2021. After agreement with ISTAT, the meeting was held as a virtual meeting due to restrictions caused by the COVID-19 pandemic.

Eurostat was represented by Mr Luca Ascoli, Director of Directorate D ‘Government Finance Statistics (GFS)’. Eurostat was also represented by Ms Gita Bergere, Mr Philippe De Rougemont, Mr Vaclav Rybacek and Ms Daniela Ilavska.

The European Central Bank (ECB) and DG ECFIN were also represented, as observers.

The Italian statistical authorities were represented by ISTAT, the Italian Ministry of Economy and Finance (MEF) and the Bank of Italy (BoI).

The previous Eurostat EDP dialogue visit to Italy took place on 20-21 November 2018 (Part I) and on 28 November 2018 (Part II).

The overall purpose of this EDP dialogue visit was mainly to review the EDP arrangements in place and to ensure that the provisions of the European System of National and Regional Accounts (ESA 2010), of Eurostat's Manual on Government Deficit and Debt (MGDD 2019), as well as Eurostat's decisions, are duly implemented as regards the production of the Italian EDP and Government Finance Statistics (GFS) data.

The visit aimed to review, in particular, the existing institutional responsibilities as regards the compilation of EDP statistics and government accounts, to discuss the quality and exhaustiveness of data sources, to examine the classification of some categories of institutional units and to review the recording of specific transactions, in particular in the context of the COVID-19 crisis.

With regard to procedural arrangements, the *Main conclusions and action points* were sent to Italy for review. Within the following months, the *Provisional findings* were sent to Italy for review and comments. Afterwards, *Final findings* were sent to the Italian statistical authorities and to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat is grateful to ISTAT for accepting a video conference meeting instead of the usual on-the-spot visit. Eurostat appreciated the information provided by the Italian statistical authorities prior to the EDP dialogue visit and also thanked the Italian statistical authorities for the cooperation during the virtual meeting and considered that the discussions were transparent and constructive.

1. Statistical institutional issues

1.1. Review of institutional responsibilities in the framework of the EDP data reporting and GFS compilation

Introduction

The institutions involved in the compilation of EDP/ GFS statistics are ISTAT, the Ministry of Economy and Finance and the Bank of Italy. The cooperation of ISTAT with these institutions as well as with other key data providers such as the Court of Auditors, the Department of the Presidency of the Ministers' Office (DIPE) and the Ministry of Health is defined by formal agreements (memoranda of understanding, *Protocolli d'intesa*, *Convenzioni*, etc.). These agreements in detail specify the conditions of data exchanges and the workflows between institutions.

ISTAT is responsible for the compilation of non-financial accounts and the delimitation of the general government sector. The MEF is responsible for the State and public sector working balance and for all forecasts. The BoI compiles data for the Maastricht debt and for the financial accounts of general government.

Discussion and methodological analysis

The Italian statistical authorities confirmed that, as concerns the institutional arrangements between ISTAT and other statistical authorities involved in the GFS/ EDP compilation, there were no changes since the previous EDP dialogue visit in 2018. In general, cooperation agreements are reviewed every three years and updated, if necessary. The last review took place in 2020 and did not result in any changes in the existing formal agreements.

In relation to the internal organisation of ISTAT, the latest major reorganisation took place in 2016 and implied changes in the management of data collection. Two divisions of the National Accounts Directorate – Quality management and processing of input data on institutions and enterprises Division and the Compilation of GFS Division – are in charge of the management and data processing of the EDP/ GFS compilation. ISTAT confirmed that no major changes in the organisation occurred since then.

Findings and conclusions

Eurostat took note of the explanations.

1.2. Progress on the data collection system (BDAP)

Introduction

The BDAP is a centralized system for data collection that was introduced in 2017 alongside with the accounting reform implementing new accounting rules for general government units. The system currently covers local government units and aims to be extended to other general government units in the future. ISTAT has a full access to the BDAP that is ensured through a formal protocol with the MEF (*Protocollo d'Intesa*).

Discussion and methodological analysis

The Italian statistical authorities recalled that the BDAP data were partially used for the first time for the compilation of nonfinancial accounts already in October 2020. This mainly concerned Municipalities, Provinces and main local government bodies, for which the quality checks proved to be consistent and without major discrepancies. In order to assess the quality of the BDAP database, the Italian statistical authorities introduced a series of quantitative checks mapping the (i) internal coherence (within and among accounting schemes and analytical data) and the (ii) consistency between the BDAP data and financial statements. The results of the analysis for 2017 and 2018, presented during the meeting, pointed to certain improvement on the revenue side but, at the same time, to persisting discrepancies between cash expenditures reported by Regions in accounting schemes and analytical data. In the April 2021 EDP notification, the Italian statistical authorities intended thus to report nonfinancial data for 2019 for local government, excluding Regions, for the first time, fully using the BDAP.

With regard to the Regions, moving to BDAP as the main data source was not possible due to quality issues observed for the whole reporting period. As a result, the direct survey administered by ISTAT remains the main source of data for Regions. As concerns the further work on the improving of quality of the BDAP data, the Italian statistical authorities committed to continue the analysis for the 2019 data and to resolve particular issues directly with the concerned Regions, if deemed necessary.

Furthermore, Eurostat recalled the possibility of replacing monetary and banking statistics by administrative data coming from BDAP for the financial accounts and Maastricht debt of local government. Such option was already discussed in the EDP dialogue visit in 2018 and followed up in the action points 3-5. The Italian statistical authorities at that time admitted a possibility to use the BDAP for the compilation of stocks of financial assets, however, questioned a potential use of BDAP for the Maastricht debt of local government. During the current meeting, the BoI reiterated its intention to use the BDAP data for the compilation of stocks of financial assets but emphasized that several compilation issues would need to be solved before the money and banking statistics could be replaced by the BDAP. As explained, some reconciliation would be inevitable after the financial assets stock data are recalculated, without changing flows (already compiled using the money and banking statistics) and without changing the liabilities side at the same time.

Concerning the timetable, the Italian statistical authorities anticipated that the first financial accounts data compiled by using the BDAP could be available in March 2022, taking into account the ongoing changes in the accounting legislation that are expected to stabilize in 2021. As further explained, this pilot exercise would only serve during the first years for cross-checking purposes. A complete change of the data source was not considered realistic by the Italian statistical authorities due to a number of differences that have to be solved beforehand. Those mainly concern a different coverage of units, time of recording of loans in the BDAP, valuation principles, etc.

Eurostat therefore retained the action point 3 from the EDP dialogue visit in 2018 and asked the Italian statistical authorities to report about the action plan for changing the current compilation practice for financial accounts towards BDAP in the future. On this basis, when finally available, the Italian statistical authorities will analyse the stock data reported for end-

2020 and end-2019 on financial assets and on other accounts payable (AF.8) reported in BDAP for local government units that could be used for the compilation of financial accounts (ESA table 27 and EDP table 3). Furthermore, they will provide to Eurostat a comparison of the stock of debt data as reported in BDAP for local government units, which could potentially be used for improving the compilation of Maastricht debt as well as of ESA debt (ESA tables 27/28 and EDP table 1 and 3), and current data using money and banking statistics.

Findings and conclusions

- (1) In relation to the BDAP, Eurostat took note of the progress in the reporting of budget flows data of local government units for 2019, with the exception of Regions, for which a direct ISTAT survey would continue to be used as the main data source. In the April 2021 EDP notification, the Italian statistical authorities will report nonfinancial data for local government for 2019, except for Regions, for the first time, using the BDAP.
- (2) Eurostat retained action point 3¹ from the EDP dialogue visit in 2018 and recalled the need to use the direct data coming from the BDAP, as a primary data source, for compilation of financial accounts for local government units. As regards the stock data from BDAP balance sheets, Eurostat took note of coverage issues and different compilation practices (valuation, time of recording, etc.) that prevented a full consistency of the BDAP data with money and banking statistics currently used by the Bank of Italy for the compilation of financial accounts and Maastricht debt. The Italian statistical authorities will inform Eurostat about the action plan for changing the current compilation practice for financial accounts towards BDAP in the future.

Deadline: before the October 2021 EDP notification

- (3) The Italian statistical authorities were asked to carry out a pilot exercise analysing the stock data reported for end-2020 and end-2019 on financial assets and on other accounts payable (AF.8) reported in BDAP for local government units that could be used for the compilation of financial accounts (ESA table 27 and EDP table 3).

Deadline: before the October 2021 EDP notification

- (4) In addition, the Italian statistical authorities will provide to Eurostat a comparison of the stock of debt data as reported in BDAP for local government units, which could potentially be used for improving the compilation of Maastricht debt as well as ESA debt (ESA tables 27/28 and EDP table 1 and 3), and current data using money and banking statistics.

Deadline: before the October 2021 EDP notification

¹ Action point 3: In relation to the compilation of the financial accounts for local government, Eurostat emphasized the need to use the direct data coming from the BDAP as a primary data source when they will be available, while continue using the counterpart data, but mainly as a tool to cross-check the direct data. Eurostat called for the Italian statistical authorities, and particularly the financial accounts compiler (Banca d'Italia), to proactively prepare for the new availability of accrual data in BDAP (financial statements and detailed general ledger). To this effect, the Italian statistical authorities will inform Eurostat about the undertaken action and/or the envisaged action plan

1.3. EDP Inventory

Introduction

In July 2020, the Italian statistical authorities provided to Eurostat the updated EDP Inventory that was afterwards published on Eurostat's website.

Discussion and methodological analysis

Eurostat thanked the Italian statistical authorities for providing the updated version of the EDP Inventory. The document describes, in an exhaustive way, the data sources and methods used by for the compilation of EDP/ GFS statistics.

Separately, Eurostat enquired about the recording of the Treasury system, described in the Inventory. Apart from the government units obliged to keep their deposits within the Treasury, there are also some non-government units that held their deposits with the Treasury. The Italian statistical authorities clarified that the Treasury system is managed by the BoI. The liquid assets held at the BoI mainly consist of the Treasury Payments Account (so-called *Conto disponibilità*) and other (investment) operations with the banking system conducted on behalf of the Treasury (so-called OPTES). The deposits of the Treasury in the BoI amounted to EUR 30 billion at the end of 2019 and to around EUR 42 billion in 2020².

Both the Treasury Payments Account and the OPTES funds are assets of the general government recorded as AF.2A. The deposits of public units classified outside general government, such as the *Ferrovie dello Stato*, are included in the Maastricht debt. Eurostat took note that the amount of deposits on liability side was EUR 227 billion in 2019, of which EUR 150 billion was liability towards *Cassa Depositi e Prestiti*.

Eurostat further enquired about the accounts of local government units in the Treasury. It was explained that local governments who receive State transfers, are obliged to keep their deposits at the Treasury. These accounts cannot have a negative balance. Eurostat observed zero currently reported in consolidation of F.2 and wondered whether some liabilities of central government towards local government units should not be consolidated.

Finally, as regards the OPTES, the Italian statistical authorities explained that these operations appear only on the asset side. Until now, there were no securities received as collateral, however, the situation should change in 2021.

Findings and conclusions

- (5) The Italian statistical authorities will explain the recording in GFS of (1) deposits held by government units in the Bank of Italy and of the (2) Treasury system, where the Bank of Italy manages debit and credit relations between the MEF and public units. As concerns the latter, the Italian statistical authorities will clarify why consolidation in F.2 instrument is currently reported as zero in GFS/EDP.

² The Italian statistical authorities clarified later on that at the end of 2020, the balance on the Treasury Payments Account was EUR 34 billion and of the OPTES funds was about EUR 8 billion).

*Deadline: April 2021 EDP notification*³

2. Methodological issues and recording of specific government transactions

2.1. Delimitation of general government sector

2.1.1. Court decisions on sector classification of units by ISTAT

Introduction

A number of units previously classified by ISTAT inside the general government sector contested the ISTAT's decision in front of the Italian Court of Auditors (CoA). In some cases, the CoA confirmed their sector classification, however, in a number of cases the CoA ruled against the ISTAT's decision. In almost all these cases, the Italian CoA referred to the ruling of the European Court of Justice (ECJ) on two Italian sport federations⁴.

Discussion and methodological analysis

First, ISTAT stressed that the problem of court rulings that in several cases contradicted ISTAT's decisions on classification of units inside general government, gained importance mainly after the publication of the ECJ's decision in September 2019. Due to the increasing number of trials, a considerable amount of time and resources in ISTAT was devoted to the preparation of complex notes and defensives. It was mentioned during the meeting that certain decisions of the CoA, however, did not reflect the same interpretation of ESA paragraphs as of ISTAT and Eurostat or seemed to contradict the interpretation described in the ECJ's ruling. As explained further, ISTAT was therefore in a difficult situation, on one hand, to implement the CoA's decisions to exclude the units in question from the list of general government units and, on the other hand, to respect ESA rules for sector delimitation and Eurostat's requirements.

The main reason triggering appeals of units in the CoA is Law No 196/2009 that uses the list of units defined by ISTAT not only for statistical purposes but also for the delimitation of units subject to administrative and budgetary control by government. According to the Italian statistical authorities, one of the solutions is thus the change of the respective Law, which however might be a long-time process.

In the period December 2019 – November 2020, 17 cases (out of 29 in total) received a positive ruling of the CoA, according to which they should be excluded by ISTAT from the list. In particular, these were *Acquirente Unico*, five regional financial entities, nine sport

³ The note was sent to Eurostat on 31 March 2021.

⁴ In 2016, two sport federations FIG and FISE introduced an action before the CoA and requested the annulment of the ISTAT's decision to classify them in general government. In its statement, the CoA concluded that there was a disagreement on the concept of public control and on the application of the indicators of control in these two cases and, consequently, in 2017, referred them to the ECJ with three related questions for a preliminary ruling. In September 2019, the ECJ published the final ruling and interpretation of relevant ESA paragraphs: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A62017CJ0612>. In the course of the court proceedings, following the ECJ's request, the European Commission (Eurostat) provided written and oral observations.

federations and two cultural foundations. In November 2020, following legal requests, ISTAT published an amended list of general government units, which excluded all above-mentioned units except for the five regional entities.

One of the consequences was the unavailability of data for the units excluded from the list and thus exempted from the obligation to report data. To solve the problem, ISTAT and the MEF introduced in Article 5 of Decree Law No 154, converted in Law No 176 of 18 December 2020, specific conditions for eight units listed in the annex. The units specified in the annex were the three entities previously excluded from the list, i.e. *Acquirente Unico* and the two cultural foundations, and the five regional financial entities. The annex did not include the nine sport federations. These public entities, even though not included in the amended list published by ISTAT in November 2020, were considered as part of general government for the purpose of deficit and debt calculation of general government. In addition, these entities continued to have reporting obligations towards the national authorities, including ISTAT. As a result, data for these entities were to be included in government accounts without a need of rearranging the stocks and flows.

By means of the Law, the Italian statistical authorities initiated the process of decoupling of the list of general government units for ‘statistical purposes’ from the list for ‘administrative and budgetary control’. It was assumed that any potential future rulings of the CoA on the ISTAT’s decisions about the sector classification of public units would thus concern only the ‘administrative list of units’ and not the one for ‘statistical purposes’.

As concerns the two cultural foundations *Accademia Nazionale di Santa Cecilia* and *Teatro alla Scala di Milano*, it was agreed during the meeting that, following a formal ISTAT’s request, Eurostat would provide and afterwards publish the methodological advice on its website. The outcome of the advice will be implemented in the April 2021 EDP notification.

The Italian statistical authorities further explained that the situation concerning the sport federations was more complex. The final decision of the CoA referred to the ECJ’s interpretation of ESA paragraphs on public control and, on this basis, ruled against the ISTAT’s classification of the sport federation inside government. It was stressed that Eurostat did not share the opinion of the CoA on the absence of government control in the case of the sport federations, while ISTAT deemed necessary to reconsider their original preferred statistical classification due to the ECJ’s ruling, which placed the burden of the decision on the CoA.

Eurostat understood that ISTAT was now obliged to follow the CoA’s ruling that resulted in excluding the sport federations from the official list of general government units. From the methodological point of view however, according to Eurostat, these units continue to be controlled by government and, with the exception of some sport federations with market revenues, they do not comply with the market/non-market test. Eurostat thus considered that the sport federations in question had to be included in government accounts through rearrangement of stocks and flows.

Finally, Eurostat expressed support to ISTAT and offered assistance with providing an official methodological advice on specific cases that would be raised by ISTAT. The advice letters provided to countries are, as a rule, published on Eurostat’s website. Eurostat took note

of the Decree Law that was aimed at the decoupling of the list of general government units for statistical purposes from the one for administrative purposes.

Findings and conclusions

- (6) Eurostat took note that the number of public units that challenged their sector classification in Court substantially increased in 2019 and 2020. To prevent such cases in the future, the Italian statistical authorities initiated the adoption of Law No 176 that specified a list of public units, for which provisions on reporting obligations and budgetary objectives apply, although they were excluded from the official list of GG units published by ISTAT. According to the Law, the Court's judgements shall apply strictly for purposes of an administrative surveillance of public units and not for statistical reporting. The Italian statistical authorities committed to provide the Law and annex with a list of public units in question to Eurostat.

Deadline: April 2021 EDP notification

- (7) Concerning the classification of sport federations, ISTAT informed that these units were excluded from the statistical list of general government units published by ISTAT, following the judgement of the Court of Auditors and of the European Court of Justice. Eurostat took note and recalled the rules for the recording of rearranged transactions, according to which stocks and flows that could be carried out on behalf of government are to be included in GFS/ EDP, if deemed applicable.

Deadline for note: April 2021 EDP notification⁵

- (8) The Italian statistical authorities will implement Eurostat advice on the sector classification of two lyrical-symphonic foundations *Accademia Nazionale di Santa Cecilia* and *Teatro alla Scala di Milano*, for which the Italian Court of Auditors had ruled against the Istat's decision to classify the entities inside general government.

Deadline: April 2021 EDP notification⁶

2.1.2. Classification and rerouting of operations of public financial entities

2.1.2.1. National development institutions

Introduction

⁵ In the April 2021 EDP notification, the Italian statistical authorities informed that nine sport federations, for which the CoA ruled against the ISTAT's classification, were excluded from the S.13 list and the related stocks and flows were temporary rearranged in government accounts.

⁶ The note analysing the sector classification of both foundations was provided by ISTAT on 6 December 2020 and the official Eurostat's advice was published on Eurostat's website on 18 February 2021: <https://ec.europa.eu/eurostat/documents/1015035/12427511/Italy+-Sector+classification+of+Accademia+Nazionale+di+Santa+Cecilia+and+Teatro+alla+Scala+di+Milano.pdf/8036ce45-e016-166c-61ed-f6c568b05654?t=1613634314052>. Both foundations were classified inside general government and included in government accounts in the April 2021 EDP notification.

As a follow up of the EDP dialogue visit in 2018, the Italian statistical authorities analysed a number of public financial entities that operated in the area of EU grants distribution or of the management of public funds on behalf of regional authorities. As a result, most of the entities were reclassified inside general government. In a few cases, Eurostat agreed that ISTAT would monitor further activities of these units.

Discussion and methodological analysis

Eurostat recalled that, following a thorough analysis by the Italian statistical authorities, a number of public financial entities proved to be government agencies acting on behalf of central or local authorities, and thus were reclassified inside general government. Other units, for which the discussion on the sector classification had not been finalised, were intended to be discussed in the meeting.

Eurostat noticed that currently in table 13 of the Questionnaire relating to EDP tables, only minor transactions of SACE, the export credit agency, are reported as carried out on behalf of government. In addition, Eurostat wondered if sub-section 1.2.4.5 Rearranged transactions of the 2019 MGDD was not yet fully implemented in the Italian government accounts. The Italian statistical authorities admitted that some analysis was in the process of being done, including those relating to the CDP's activities, but no relevant operations to be rearranged had been identified yet. A potential transaction to be rerouted via government accounts could be the recent recapitalisation of the *Banca Popolare di Bari* by the state-owned *Banca del Mezzogiorno-Mediocredito Centrale*. The classification of the latter was intended to be discussed later on. Eurostat recalled the obligation to comply with the existing methodological guidance and requested the Italian statistical authorities to carry out a thorough analysis in this respect.

Banca del Mezzogiorno-Mediocredito Centrale (MCC)

The MCC is a government-controlled bank, owned by Invitalia S.p.A (S.13), and classified in the financial corporations sector (S.12). The MCC has a banking licence. In recent years, the MCC expanded its activities in the area of implementation of regional development projects. In 2017, Invitalia became the only shareholder of the MCC.

In its presentation, ISTAT described the main activities of the MCC and its corporate governance. All members of the Board of Directors (currently five) and of the Supervisory Board (three plus two alternates) are appointed by the Assembly and at least a quarter of the members of the Board of Directors must be independent.

The MCC operates in the area of credit activities and development interventions. The core business is the management on behalf of the government of the SME Guarantee Fund that facilitates the access of SMEs to credits and guarantees. In 2019, the volume of provided guarantees amounted to EUR 13.3 billion and of loans to EUR 19.4 billion. Eurostat referred to the 2019 Annual Report of the MCC and noted that public funds managed on behalf of government, disclosed as an off-balance item, are significantly higher than the MCC's own funds. The Italian statistical authorities argued that the MCC provides services typical for a bank, including some financial products on strictly market terms, and for the management of the public funds receives fees that amounted to EUR 55 million in 2019.

In 2020, the MCC was involved in the recapitalisation of the *Banca Popolare di Bari (BPB)*. The Italian government allocated funds of EUR 430 million to Invitalia with a view to further enhance the financial capacity of the MCC and to promote the development and investment activities. In July 2020, this amount was injected to BPB, thus resulting in the MCC becoming the main shareholder of BPB with the 96.8% ownership.

The capital injection provided by the MCC was part of the wider restructuring plan to relaunch activities of the BPB, which was placed under extraordinary administration by the Bank of Italy. To prevent the resolution of the BPB, FITD, the Italian deposit guarantee scheme intervened with capital injections in 2019 (EUR 310 million) and 2020 (EUR 860 million) that were aimed to cover past losses and to maintain the minimum capital ratios. The following capital injection by the MCC (EUR 430 million) was provided with the aim to recapitalise the BPB. Separately, the non-performing loans of the BPB were sold to AMCO, the asset management company established by government, for a gross book value of EUR 2 billion in June 2020.

According to the Italian statistical authorities, both capital injections of FITD should be recorded as capital expenditures (D.9). In contrast, they considered that the capital injection of the MCC (EUR 430 million) should be treated as a financial transaction (F.5) since it was aimed to provide new capital to BPB, after accumulated losses were already covered by FITD and private shareholders. Eurostat wondered about the motivation of the MCC to participate in the recovery plan of BPB if the Bank was loss-making over years. The Italian statistical authorities argued that, according to the BPB's business plan, the MCC should receive a sufficient rate of return on this investment, but acknowledged that this recapitalisation might have features of being carried out on behalf of government.

Eurostat further asked about the participation of FITD in the recapitalisation of BPB. As explained by the Bank of Italy, although FITD is a deposit guarantee scheme, it might also be involved in specific situations of bank recovery operations. In this particular case, it was decided to use the FITD resources to prevent the resolution of BPB.

Eurostat requested the Italian statistical authorities to analyse the sector classification of MCC, taking into account the fact that the majority of MCC resources are public funds managed on behalf of government. In relation to the BPB's recapitalisation, the Italian statistical authorities will examine the capital injections provided by FITD and by MCC. In particular, the capital injection provided by MCC is to be recorded in government accounts if proved to be carried out on behalf of government.

SACE (Export Credit Agency)

SACE S.p.a. is a public corporation fully owned by *Cassa Depositi e Prestiti (CDP)* and classified in the insurance corporations subsector (S.128). SACE mainly operates in the area of export credit insurance provided to Italian export companies and SMEs. The Board of Directors is composed by nine members and has full powers concerning the administration of the company. The Board of Statutory Auditors supervises compliance with the law and the Articles of Association. Out of eight members, there is one acting representative of the Court of Auditors and external auditors of PwC.

The Italian government grants a last resort guarantee to SACE within the limits of the Budget Law and, since 2015, it also guarantees the obligations of SACE based on the risk sharing stipulated by Decree Law No 91/2014 converted into Law No 116/2014). According to the latter, SACE benefits from (1) the 10% guarantee on the entire SACE's portfolio and from (2) the exceeding guarantee that is granted, at the request of SACE, on a case-by-case basis and within pre-established limits. The latter is undertaken by a MEF decree for the operations, where the maximum level of risk was reached (concentration thresholds).

During the discussion, the Italian statistical authorities informed about ongoing changes introduced in Decree Law No 23/2020. These changes were proposed to enhance the SACE's role in the export credit insurance and to support the Italian exporters but might have implications on the treatment of SACE in government accounts. The first important change is the reversal of the 10/90 ratio in the risk sharing described above between SACE and the State. In relation to governance, the new decree implies a transfer of decision-making powers from the CDP, the 100% shareholder of SACE, towards the State, represented by the MEF and the Ministry of Foreign Affairs and International Cooperation. By this, SACE would not be anymore subject to the management and coordination by the CDP, which in practise would mean that SACE should consult business decisions relating to export credit insurance, investments and support measures with both Ministries, prior to their realisation. The new law in addition establishes that the Committee for public financial support for exports, consisting of the Ministries' representatives, (1) approves the annual activity plan, (2) expresses opinion on those transactions determining a high concentration of risk and for which the preliminary authorization of the MEF is required (via an ad hoc Decree) and (3) oversees the proper functioning of the government support to the export credit insurance. Finally, article 67 of Decree Law 104/2020 foresees a transfer of the ownership of the SACE Group from the CDP to the State. Further details, including the acquisition price of shares, were however at the time of the meeting not known yet.

Eurostat noted that, indeed, the proposed arrangements might imply a significant transfer of risks from SACE to the State and the sector classification of SACE should be reviewed in this respect. The MEF representative however argued that SACE will remain owned and controlled by CDP and that the prior consultation for business decisions with both Ministries in fact does not mean an authorisation or a potential interference of the State in SACE' operations. SACE, as further explained, would remain a subsidiary of CDP, consolidated within the CDP Group. Eurostat took note of the arguments and explained that, from an ESA perspective, there are two main issues. First, there is a possible lack of autonomy of decision if SACE would be instructed by the Ministries to undertake day-to-day business or specific operations and, in such case, SACE should be consolidated with government. If however SACE remains owned by CDP but, after implementing the proposed changes, will have to consult for business and strategic decisions with the Ministries, and not CDP, the presence of government controlled if duly justified. Eurostat stressed that the proposed changes to the existing mechanism clearly benefit SACE by transferring the majority of risk burden to the State. This pattern might also be observed in case of newly introduced guarantee schemes, counter-guaranteed by the State, where SACE would be a manager on behalf of the government, not bearing any risk resulting from these schemes. This is particularly the case of the "*Garanzia Italia*" aiming to facilitate businesses' access to credits affected by the COVID-19 pandemic, guarantees to support trade credit insurance and guarantees on loans for green new deal projects.

Concerning the sale of the ownership of the SACE Group from CDP to the State, Eurostat took note that details of the transaction were not available yet. Following the Eurostat's question on the sale price, the MEF representative clarified that negotiations were currently ongoing between CDP and the State. Eurostat raised some doubts on the markets terms of the transaction, as both the CDP and SACE are owned by the same owner – the State. Eurostat understood that, according to the Italian corporate law, having a common owner facilitated portfolios' transfers or restructuring between companies/ subsidiaries. Finally, Eurostat requested the Italian statistical authorities to analyse the law proposing changes to the governance of SACE and whether the changes would have statistical implications on the sector classification of SACE.

SIMEST

SIMEST is a public company established with the aim to promote investments of Italian companies abroad by acquiring minority holdings in companies established with Italian partners and providing financial support to Italian exporters. In 2012, the Italian government sold a major part of SIMEST (76%) to CDP and in 2016 CDP transferred its ownership in SIMEST to SACE S.p.A.

The Board of Directors is composed by seven members. Five members are appointed by the majority shareholder and two are appointed by the Ordinary Assembly. The Chief Executive Officer is appointed in the Assembly by the majority shareholder. The Board of Statutory Auditors is composed of three acting members and two alternate members.

The provisions of Decree Law No 104/2020 extended since August 2020, the SACE's obligation for a prior consultation with the MEF and the Ministry of Foreign Affairs and International Cooperation of the business decisions involving SIMEST. In this sense, the governance of SIMEST is to be taken away from CDP and exerted by the Ministries. Further details of the SIMEST's reorganisation should be adopted in the MEF decree agreed with the Ministry of Foreign Affairs and International Cooperation.

Eurostat enquired about the proportion of activities carried out on behalf of government and on own account by SIMEST. The Italian statistical authorities explained that on-balance activities, carried out at SIMEST's risk, mainly concern the acquisition of direct minority shareholdings in companies established by Italian companies abroad, including non-EU countries. This might take place in the incorporation phase or via the acquisition of shares from third parties. The participation of SIMEST in the capital of companies may not exceed 49% of the total and, in any case, cannot be higher than that of the Italian partner. Furthermore, the participation is limited to eight years and, afterwards, it is usually sold to the Italian partner at a predetermined price. Eurostat enquired whether the obligation of SIMEST to sell shares should not be seen as debt (F.4L) at inception. It was explained that when SIMEST enters into a contract, it has the right to sell shares anytime before the period of eight years and, therefore, it might be rather be considered as a put option.

Concerning the off-balance sheet activities, SIMEST manages on behalf of government several funds providing financial resources to Italian export companies in the form of export credits or subsidized loans. This is the case for the 'Law No 295/73 Fund' and for 'Law No 394/81 Fund'. Within the Venture Capital Fund, SIMEST acquires shares in cooperation with Italian partners in foreign companies, in addition to those purchased on its own account

(described above as on-balance activity). Eurostat noticed that SIMEST, as a manager of all those funds, seems not to have autonomy in business decisions, e.g. about beneficiaries of financial instruments, and it was rather government that, through legislation, specified a list of countries where SIMEST should intervene by providing subsidized loans and export credits. In this context, Eurostat pointed at the need to investigate the proportion of activities carried out by SIMEST on its own account and on behalf of government, since currently it seemed that the latter prevailed. The Italian statistical authorities were therefore requested to analyse and report to Eurostat the proportion and volume of the on- and off-balance activities of SIMEST. The analysis should also focus on the autonomy of decisions of SIMEST as concerns the nature of financial support, the beneficiaries of financial instruments, possible limitations on operations, etc.

FINTECNA

Fintecna S.p.A. is a 100% subsidiary of CDP since 2012. According to the Italian statistical authorities, Fintecna is as a head office that manages the disposal of corporate assets entrusted to the company by the State and realises some technical and engineering services. It is considered by the Italian statistical authorities as a borderline case of an S.11/S.12 entity. It was established in 1990 but has undergone many organisational changes since then. Fintecna also established several subsidiaries that were involved in the management and liquidation of assets and liabilities of various public companies. In 2013, as part of the reorganization of the CDP Group, Fintecna transferred its own compendium of real estate assets to CDP. In 2019, Fintecna sold its equity investments in Fincantieri (71.32%) and CDP Equity (2.87%) to CDP.

The situation changed in 2020, when activities of Fintecna started to be mostly related to the liquidation of assets of state-owned companies, i.e. the activity previously carried out by its subsidiaries. Although Fintecna is still owned by CDP, this activity seems rather to be carried out on behalf of government. Following the Eurostat's enquiry, the Italian statistical authorities clarified that Fintecna (or its subsidiaries) pays a provisional amount to the MEF at time of the transfer of liquidated assets to its portfolio. If at the end of the liquidation process, a different value of the assets is determined, 70% of the higher amount is assigned to the MEF and the remaining 30% to the transferee company. Eurostat remarked that these activities might be assimilated to securitisation, where government provides ownership rights over assets or the right to receive specific future flows to a securitisation unit (Fintecna or its subsidiary in this case) that in return pays an amount from its own source of financing. It is thus necessary to investigate the nature of the provisional payment to government, in particular whether it was determined according to the market price of the asset, and the nature of the amount paid to government at the end of the liquidation process. The Italian statistical authorities were requested to analyse the activities of Fintecna and to verify whether it is not an auxiliary unit entrusted to carry out the management of liquidated assets on behalf of government and, therefore, to be reclassified inside general government. Alternatively, if the activities of Fintecna prove to be carried out on behalf of government, a rearrangement of the related flows and stocks have to be implemented in government accounts.

Furthermore, Eurostat enquired about the reason for classifying the public units in liquidation, under Fintecna's management, outside general government. According to the MGDD rules, in the case of a public unit under a liquidation process, it is expected that the unit will progressively cease its productive activities and thus the reclassification in

government should be undertaken in the year when the unit fails the 50% criterion for the first time. The Italian statistical authorities explained that the MGDD rules for public units in liquidation are normally applied. In the case of Fintecna, it has to be verified whether the units in question still continue its business activities. Since it might be difficult to identify these units for historical years, the analysis of ISTAT would first focus on the units with significant liabilities.

CDP Industria

CDP Industria was discussed in relation to Fintecna. According to the Italian statistical authorities, the entity was established in 2019 within the reorganisation of the CDP Group that aimed at a redistribution of the Group's portfolio according to business sectors. By this, CDP Industria acquired from CDP Equity the oilfield services company Saipem (12.55%) and from Fintecna the shipbuilding company Fincantieri (71.64%). CDP Industria is classified as a holding company under NACE 64.2. As of 30 June 2020, it had zero employees. The Italian statistical authorities committed to provide to Eurostat an analysis of the newly established CDP Industria.

CDP Equity

CDP Equity is a head office fully owned by CDP. As concerns governance, the Board of Directors consists of three to seven members appointed by the General Assembly, of which two members have to be independent. CDP Equity is currently classified in S.11. The main business area is the acquisition of majority and minority holdings in companies of significant national interest. It also provides services to the Group and manages the subsidiaries.

The main areas of investment are defined by the MEF decree and mainly cover defence, security, infrastructure, transportation, communication, energy, insurance and financial brokerage, hi-tech research and innovation, public services, tourism and hospitality, food and food distribution, management of cultural and artistic heritage.

In the note provided prior to the meeting, the Italian statistical authorities informed Eurostat about the plan of CDP Equity to acquire 88% of shares in *Autostrade per l'Italia* (ASPI) from *Atlantia*⁷⁷, through creating a special purpose vehicle Bidco, where CDP Equity would hold 40% of the ownership. Accordingly, CDP Equity as a first shareholder would appoint the Chairman and the CEO of Bidco and ASPI. As further explained, the acquisition of ASPI's shares is planned to be realised in a consortium with private investors and, in that case, it would result in the 30% private ownership in Bidco. At a later stage, CDP Equity can sell up to 10% of Bidco's shares to other Italian partners. It was however stressed that the operation was not finalised yet.

Eurostat wondered about the motivation of CDP Equity to take control over the main motorway operator and pointed at the fact that, by acquiring a major stake in ASPI, government would also take control over motorways concessions granted by government to ASPI. It was therefore stressed that all transactions carried out in this context have to be investigated and recorded in government accounts if considered as carried out on behalf of

⁷⁷ Atlantia is the Italian holding company active in the infrastructure sector, including motorways, airport infrastructure and transport. The major shareholder of Atlantia is Edizione, the holding of the Benetton family, owning 30% of Atlantia's capital.

government. Eurostat also recalled that, as a rule, a public holding company acting as a government agent is to be recorded in general government. If the holding company is controlled by another public company, as it is the case of CDP Equity controlled by CDP, it has to be verified whether the second holding is acting on behalf of government. For the correct recording of CDP/CDP Equity operations, it is therefore important to identify the entity that de facto controls and decides about the operations undertaken.

Findings and conclusions

- (9) Eurostat asked the Italian statistical authorities to analyse the operations relating to the recapitalisation of the BPB in 2020 by the state-owned bank MCC together with the guarantee fund FITD. The Italian statistical authorities will analyse the (1) nature of the capital injection for EUR 0.43 billion provided by government to MCC in 2020 for this purpose and the (2) capital injections of MCC and FITD to BPB for total EUR 1.29 billion in 2020 that aimed at covering losses and increase the capital of the bank before the acquisition by MCC. The Italian statistical authorities should examine whether rules for partitioning of a capital injection might apply in this case.

Deadline: end of January 2021⁸

- (10) The Italian statistical authorities will analyse the sector classification of MCC, taking into account the fact that the government is deemed to be a major client of MCC. In particular, the majority of fees received by MCC appear to be paid by government for the management of public funds. The analysis should examine all operations that could be carried out on behalf of government (among them the recapitalisation of BPB in 2020).

Deadline: 3 February 2021⁹

- (11) The Italian statistical authorities will provide to Eurostat the law that in 2020 extended the role of SACE and SIMEST in implementing liquidity measures to support export and investment in the context of the COVID-19 pandemic. The Italian statistical authorities will analyse whether the change in governance introduced by the law had statistical implications on the sector classification of SACE.

Deadline: end of January 2021¹⁰

- (12) In relation to SIMEST, the Italian statistical authorities will analyse and report to Eurostat the proportion and volume of the activities managed of behalf of government and of those carried out at own risk. The analysis should also focus on the autonomy of decisions taken by SIMEST as concerns the nature of financial support, beneficiaries of financial instruments, limits on operations, etc.

⁸ The note was provided on 31 January 2021. The capital injections of FITD to BPB were recorded as a capital transfer (D.9 payable). The capital injection of EUR 430 million provided by MCC to BPB was considered as carried out on behalf of government and therefore rearranged via government accounts.

⁹ ISTAT provided the analysis on 3 February 2021. Eurostat agreed that MCC remains to be classified in S.12. The activities of MCC however have to be further monitored.

¹⁰ The note was provided on 31 January 2021.

Deadline: 5 February 2021¹¹

- (13) Eurostat requested the Italian statistical authorities to analyse the sector classification of Fintecna, a 100% subsidiary of CDP, mainly involved in the liquidation of assets of public companies. The analysis should examine the nature of the provisional payment paid to government and whether the operations of Fintecna might be assimilated to securitisation carried out on behalf of government. In addition, the Italian statistical authorities should verify whether Fintecna is not a pure government auxiliary unit to be classified inside general government.

Deadline: 15 February 2021¹²

- (14) Eurostat recalled rules for the recording of public units in liquidation and asked the Italian statistical authorities to review the sector classification of those units, where the liquidation was managed by Fintecna.

Deadline: 15 February 2021¹³

- (15) The Italian statistical authorities will provide to Eurostat an analysis of the newly established CDP Industria, a 100% subsidiary of CDP that is currently classified as a holding company with zero employees.

Deadline: 15 February 2021¹⁴

- (16) Prior to the virtual meeting, the Italian statistical authorities informed Eurostat about a planned acquisition of shares in ASPI by CDP Equity, through creating a special purpose vehicle, where CDP Equity would hold the majority ownership. Eurostat requested the Italian statistical authorities to report on the statistical implications of the operation, in particular on whether the acquisition of shares and the consequent sale of maximum 10% to private investors would be considered as done on behalf of government. In addition, the Italian statistical authorities will clarify the terms of the transactions and will check the arm's length nature of the same.

Deadline: when the operation takes place¹⁵

2.1.2.2. Cassa Depositi e Prestiti (CDP)

Introduction

¹¹ The note was provided on 8 February 2021.

¹² The note was provided on 15 February 2021.

¹³ The analysis was provided on 16 February 2021. Eurostat provisionally accepted the hypothesis that transactions between liquidators (Fintecna and its subsidiaries) and government might have been already represented in residual costs in government accounts. All units having a non-negligible impact on debt (or deficit possibly) however have to be reclassified inside general government.

¹⁴ The analysis was sent on 15 February 2021. CDP Industria would remain classified outside general government and will be further monitored.

¹⁵ The note describing the operation was sent to Eurostat on 30 June 2021.

CDP is the third largest Italian financial intermediary, predominantly owned and controlled by government (82.8% owned by the MEF, 1.3% by the Italian Treasury and 15.9% by banking foundations). In 2015, it was assigned the role of national promotional institution. The activities of CDP are therefore also focused on supporting economic development, public investment, infrastructure as well as the areas of social and accessible housing, regional development, etc.

The activity of CDP is divided into two different management lines. First, the 'Separate Account' manages resources obtained from postal savings deposits. These funds are covered by a government guarantee in favour of deposits' owners. The use of resources in the Separate Account is strictly earmarked, for instance to provide financing to public entities or to public/private entities in case of general economic interest, for acquisition of shareholdings from government units, etc. Second, the 'Ordinary Management' deals with other sources of financing raised through the issuance of bonds or investments, without being guaranteed by government.

The Board of Directors has nine members appointed by shareholders. Out of nine, six members are proposed by the MEF (one of them is a government official) and the remaining three by banking foundations. For the management of the Separate Account, the Board is extended by five Additional Directors - the General Director of the Treasury, the General Accountant of the State and three representatives of local authorities. A magistrate of the Court of Auditors can join the Board of Directors as an auditor.

CDP is classified in the financial corporations sector (S.12). Eurostat continuously monitors the sector classification of CDP and those of its activities that might have features of being carried out on behalf of government.

Discussion and methodological analysis

Eurostat recalled the need to continuously monitor CDP's activities and to apply ESA rules for rearrangement of flows and stocks in case these activities are carried out on behalf of government. The Italian statistical authorities claimed that currently such operations of CDP have not been identified, apart from minor transactions of SACE, a CDP's subsidiary, relating to the Paris Club.

In relation to the 'Separate Account', it was explained that at least eight Directors of the Board should be present at the meeting and at least two of them should be Additional Directors when resolutions about operations in the CDP's 'Separate Account' are considered. To take a decision, the majority of the Directors attending the meeting, including at least two Additional Directors, should vote in favour. In this relation, Eurostat pointed at the clear veto right assigned to the Additional Directors in the matter of the 'Separate Account' management and requested further information about the decision-making process.

Eurostat enquired about the presentation of the 'Separate Account' in CDP's accounts. The Italian statistical authorities clarified that it is separately presented from both an accounting and an organisational perspective and, accordingly, separate financial statements are compiled and published, distinguishing the profit from the Separate Account's operations. Further details on the management and presentation of the Separate Account were requested by Eurostat from the Italian statistical authorities.

Findings and conclusions

- (17) In relation to CDP, the Italian statistical authorities explained in the note provided prior the dialogue visit that, for resolutions concerning the CDP's 'Separate Account', at least eight Directors shall be attending the meeting and at least two of the Directors shall be Additional Directors. The majority of the Directors attending the meeting, including at least two Additional Directors, shall vote in favour. Against this background, Eurostat raised the issue of veto right, which appears to be attributed to the Additional directors in the matter of the 'Separate Account' management. The Italian statistical authorities committed to provide information about the management and disclosure of the 'Separate Account', in particular whether the practical separation existed in terms of staff, administration, list of creditors, credit risk, etc.

Deadline: end of May 2021¹⁶

2.1.3. Classification of AMCO

Introduction

The sector classification of AMCO, the asset management company, was first discussed during the April 2020 EDP notification in relation to the capital injection (EUR 1 billion) provided by the MEF, as a major shareholder, in 2019. AMCO, previously named SGA, was established in 1989 and, since then, it underwent some changes in the scope of its activities. Currently, AMCO is engaged in operations with non-performing loans acquired mainly from Italian banks. ISTAT classified AMCO in the financial corporations sector (S.12).

Discussion and methodological analysis

In their presentation, the Italian statistical authorities informed about the main characteristics of the AMCO's governance, scope of activities and financial profile. Until 2016, SGA, the predecessor of AMCO, was only involved in the management of bad loans transferred from the *Banco di Napoli*. Afterwards, the company expanded its business orientation towards the management of non-performing exposures (NPEs) directly acquired from Italian banks on the market. AMCO is almost fully owned by the MEF, with a minor participation (below 0.22%) of private shareholders.

Concerning governance, the Italian statistical authorities clarified that the Board of Directors was comprised of three members, out of which two members were employees of the MEF. One of the government officials is the Chairman. The third member of the Board is the CEO and the General Manager. The Board of Statutory Auditors consists of three members (and two Substitutes), including the Chairman.

Eurostat recalled the MGDD paragraph 15 in Section 1.2.2., according to which "*The appointment of the majority of the management board with government officials can be, in the case of financial entities, an indicator that the entity does not have decision-making*

¹⁶ The note was provided on 7 June 2021.

autonomy 'in the exercise of its principal function' and if this is the case, the entity should be classified in general government". The MEF, as a major shareholder, has the right to appoint government officials to the managing body. The autonomy of decision of AMCO has to be however verified in such situation because it might have statistical implications on the sector classification of AMCO. If government, via the MEF, proves to have a major influence on the decision making of AMCO in the sense that AMCO is mandated by government to participate in certain operations, the autonomy of decision is limited and AMCO has to be classified in general government.

ISTAT continued with description of AMCO's activities. In 2018, AMCO, still known as SGA, was involved in the winding-down the *Banca Popolare di Vicenza* and *Veneto Banca*. The NPLs for a gross book value of EUR 18.3 billion were transferred from both banks to AMCO. They are currently managed on behalf of government, against a remuneration, and are recorded off-balance in AMCO's accounts. Starting from 2019, AMCO acquires directly on the market NPEs from Italian banks. Thus, in 2020 AMCO obtained into its portfolio the NPEs from *Banca Carige* (NPEs in a gross value of EUR 2.7 billion acquired for EUR 1 billion) and from *Banca Popolare di Bari* (NPEs of a gross value of EUR 2 billion purchased for EUR 500 million). Eurostat remarked that, given the acquisitions in the last few years, the current AMCO's portfolio mainly consists of NPLs from bank in difficulties. Eurostat therefore thought that the AMCO's transformation back in 2016 rather seemed to be undertaken with the intention to help Italian banks with removing the burden relating to NPLs. On the issue of financing resources, it was explained that AMCO's operations are mainly financed from funds received in 2019 from the MEF and from the issuance of securities in 2019 and 2020.

The Italian statistical authorities informed Eurostat about a recent demerger of compendium of assets and liabilities of the *Banca Monte dei Paschi di Siena* (BMPS), where AMCO was involved. In December 2020, BMPS, a public bank mostly owned by MEF (68.2%), transferred a part of its assets (NPEs for a gross value of EUR 8.1 billion and accounting value of EUR 4.2 billion) and liabilities (mainly a bridge loan of JP Morgan and UBS of EUR 3.1 billion) to AMCO's portfolio. No cash settlement was associated with the transfer but AMCO issued new non-voting shares (B-shares) in favour of BMPS's shareholders with a simultaneous cancellation of BMPS ordinary shares. The operation resulted in a decrease of MEF's ownership in BMPS to 64.2%.

Eurostat took note that this operation was the most significant one for AMCO in terms of the value of NPLs acquired on its own behalf. The MEF's representative (President of the AMCO's Board of Directors) explained that AMCO participated in the capacity of one of most active companies specialised in the NPLs management that can effectively work out the NPEs. This operation, in addition, if undertaken between entities with a common shareholder (Italian MEF owning both BMPS and AMCO), allowed according to EU legislation a smooth transfer of NPEs portfolio to AMCO. Eurostat had doubts on the motivation of AMCO to participate in the operation and noted that it rather seemed to be aimed at the rescuing a bank in difficulties. The MEF's representative argued that AMCO competes in tenders with private companies operating in the same area and, upon Eurostat's enquiry, he confirmed that in 2019 there were also cases of unsuccessful bids. It was also mentioned that, in the tender for *Banca Carige's* NPLs, the main decisive criteria for selecting AMCO was the regional proximity and the price offered.

Eurostat referred to the report published in May 2020 by the rating agency Fitch: “AMCO's status as a limited liability company excludes an automatic or legislated transfer of liabilities to the state, should the company for any reason be subject to liquidation. However, the state's full control and governance rights of AMCO, as well as AMCO's role in a government-directed activity of cleaning troubled banks' balance sheet, underpins Fitch's assessment of a prompt state intervention to avert AMCO's default on its liabilities in case of need. AMCO is involved - as mandated by law in 2018 - in the liquidation of the NPLs of Veneto Banca and Banca Popolare di Vicenza, and has participated in the clean-up of Carige's loan book within a market-led bank bail-out”. The Italian authorities admitted that, in the case of liquidation of two Veneto banks, AMCO was mandated by government to do so. The NPLs transferred to AMCO's portfolio are however recorded off-balance and only managed by AMCO on behalf of government.

Eurostat considered that the recent demerger of BMPS's portfolio was not the result of a competitive tendering procedure and might have features of being carried out on behalf of government since AMCO seemed to act as a government agent and for public policy purposes, i.e. to avoid the resolution of a public bank by cleaning up the BMPS's balance sheet of bad assets and debts. Eurostat had also doubts on the market terms of the operation, in particular on whether the price 'paid' for NPLs transferred reflected the market price. In particular, bad loans (*sofferenze*) of gross value EUR 4.8 billion were transferred for EUR 2.3 billion, i.e. 48% and unlikely-to-be-paid loans of EUR 3.3 billion for EUR 1.8 billion, i.e. 55%.

As concerns the AMCO's financial resources, Eurostat took note that financing for the BPMS's demerger was provided by the MEF in 2019 (capital injection of EUR 1 billion). Additionally, in 2019, AMCO issued bonds for EUR 250 million and for EUR 600 million. The 'investment grade' rating obtained from S&P and Fitch mostly reflected the implicit government support, as further detailed in the S&P report: “The rating on AMCO primarily reflects our view that there is an almost certain likelihood that the Italian Government would provide AMCO with timely and sufficient extraordinary support if it were in financial distress. S&P therefore equalizes its longterm rating on AMCO with our long-term unsolicited sovereign credit rating on Italy” and in the Fitch Ratings Report: “The rating reflects the link between AMCO and Italy's national Government and Fitch's expectations of the latter's willingness to provide any extraordinary support.” Eurostat considered that, although no direct guarantee was provided to AMCO, government is perceived as the entity of last resort that could cover potential losses of AMCO, as also confirmed in reports of the two independent rating agencies.

Finally, Eurostat considered that, given all arguments discussed in the meeting, the classification of AMCO in S.12 does not seem justified. The Italian statistical authorities were therefore requested to provide to Eurostat a statistical analysis of the AMCO's governance and of the recent operations, in particular whether they were carried out on behalf of government. Eurostat also asked to receive a list of bids in tenders where AMCO competed with private companies, identifying those banks that were in financial difficulties.

Findings and conclusions

(18) Eurostat disagreed with the classification of AMCO, the asset management company established by government, in the financial corporations sector (S.12). The AMCO was

involved in the liquidation of Veneto banks in 2018 and in recent acquisition of NPLs of the *Banca Carige* and of the *Banca Popolare di Bari*. The Italian statistical authorities will provide to Eurostat a statistical analysis of the AMCO's governance and of the recent operations that seemed to have features of being carried out on behalf of government. The analysis should also provide a list of bids, where AMCO competed with other asset management companies, indicating whether the operation concerned a bank in financial distress.

Deadline: 5 February 2021¹⁷

- (19) Eurostat invited the Italian statistical authorities to provide a list of the largest public units controlled by government, where government officials were currently the majority of controlling bodies.

Deadline: end of June 2021¹⁸

2.2. Implementation of accrual principle

2.2.1. Taxes and social contributions

Introduction

The recording of taxes in national accounts depends on their collection method. For taxes collected via the direct payment method, data are time-adjusted by one or two months, depending on the payment deadlines. As regards the final settlement for income taxes, provisions of ESA 4.82 are applied so that taxes deducted at source and regular prepayments are recorded in the periods in which they are paid (T) and any final tax liability is recorded in the period in which the liability is determined (T+1). In case of taxes collected via rolls procedure, information about the reference year(s) is not fully available to the Italian statistical authorities and therefore these taxes are recorded on a cash basis.

The social contributions are mainly collected by two main social security funds (INPS and INAIL), collecting over 95% of the total social security contributions. In national accounts, social security contributions are recorded using the time-adjusted cash method with a time lag of one month.

The recent government measures relating to taxes and social contributions that were introduced due to COVID-19 pandemic were also discussed.

Discussion and methodological analysis

Eurostat reviewed the annual Questionnaire on taxes and social contributions transmitted by ISTAT to Eurostat by the end of 2020 and enquired about the recording of two tax credits. In particular, Eurostat wondered about the difference between the tax credit on dependent family members (spouse, with less than 3 children), that is recorded as non-payable, and the

¹⁷The analysis was provided on 5 February 2021. AMCO was reclassified inside general government in the April 2021 EDP notification.

¹⁸The note was provided to Eurostat on 5 July 2021.

tax credit on dependent family members (number of children more than 3), recorded as a payable tax credit. The Italian statistical authorities clarified that the latter, contrarily to the first case, is not limited to the tax liability and the amount in excess can be paid to the beneficiary. In government accounts, it is recorded as social benefits (D.62) at the time of the tax declaration submitted by a taxpayer, i.e. at the time when the government recognise liability towards the taxpayer.

Eurostat pointed at the inconsistent information reported in the Questionnaire and in the note provided prior to the visit as concerns the recording of the tax credit for SME recapitalisation. The Italian statistical authorities were aware of this and clarified that the recording of the tax credit as payable was confirmed. The issue still under discussion was the recording as either other subsidies on production (D.39) or other capital transfers (D.99).

Afterwards, the Italian statistical authorities presented in detail the government measures relating to taxes that were introduced to mitigate the impact of the COVID-19 pandemic on businesses and households. They mainly concerned the tax waivers and tax deferrals for some selected tax categories. As concerns the tax waivers, government decided to waive in case of IRAP (regional tax on production activities) the final settlement for 2019 and the first advance for 2020 and in case of IMU (municipal real estate tax) the second instalment for 2020. The Italian statistical authorities proposed to record the tax waivers as a reduction in tax revenues for 2020, as the tax was not accrued yet and the government took the decision in 2020. It was confirmed that tax revenues for 2019 would not be impacted. Furthermore, government decided to postpone imposition of the plastic and sugar taxes to 2021, which resulted in reduced tax revenues for 2020.

The measures relating to tax deferrals concerned mainly income taxes, IRAP and VAT. The details varied according to the type of tax but, in general, government introduced the possibility to postpone the payment by a couple of months and to pay still within 2020 or, alternatively, to defer the payment to 2021 or 2022 respectively, if paid in instalments. No tax deferral longer than two years was allowed. The tax deferral measures could be applied only by taxpayers fulfilling certain conditions, e.g. selected business areas, threshold on turnover, etc.

Eurostat underlined that, in order to reflect tax deferrals in government accounts, several principles have to be respected. First, if the postponement in payment deadlines implied a permanent change, the method for the accrual recording of the tax has to be accordingly adjusted, resulting possibly in the change of the time lag. If, on the contrary, tax deferrals were of a temporary nature, the statistical authorities have to include in tax revenues for 2020 a statistical adjustment that would reflect the estimation of tax revenues accrued in 2020 but deferred to be paid in 2021 or up to 2022 respectively, i.e. beyond the typical time lag applied. By this, the artificial increasing of tax revenue for taxes not accrued in the year (for instance, income tax instalments paid in 2022 but accrued in 2020) is avoided.

Second, the estimation of tax deferrals has to be adjusted for the amounts not likely to be collected due to various reasons (bankruptcies, insolvency, etc.). Eurostat acknowledged that data might not be fully available to statistical authorities and recommended to use the information from tax/fiscal authorities in order to estimate and deduct the amounts unlikely to be collected.

Eurostat considered that the adjustment for tax deferrals that is to be included in the 2020 tax revenues, was mainly relevant for the April 2021 EDP notification and quarterly GFS. If later on (e.g. in quarterly reporting and October 2021 EDP notification), updated information about the amounts unlikely to be collected shall be available, two possibilities are considered. If a new and more robust estimation of uncollectible taxes is available, the first estimate of uncollectible taxes is corrected and tax revenues for 2020 are revised accordingly. If however the updated information results from a government decision (e.g. in 2021) to waive some tax payments already deferred (advances, final settlement, monthly instalments, etc.), government expenditure (D.9 payable) has to be imputed at the time of the decision, i.e. in 2021, in order to reflect a deliberate action of government to provide benefit to taxpayers after the tax was already accrued.

Concerning quarterly GFS reporting, the Italian statistical authorities confirmed that some simplified estimates for tax deferrals were already included in data, although the availability of information was limited. The estimates are continuously revised with new information available for the following quarter. It was confirmed that the tax revenues for 2019 were not impacted by any imputation due to the COVID-19 measures, which was also acknowledged by Eurostat.

The Italian statistical authorities also informed Eurostat about the change in the method for income tax advance calculation introduced by legislation, as part of the COVID-19 measures. By this, the advance for IRAP and for corporate and personal income taxes can be calculated according to two different methods. First, the so-called ‘historical income method’ calculates the 2020 second advance on the basis of the 2019 income (i.e. the previous year income) so that the deferral of tax obligation can be seen as the anticipation of the contraction in the 2020 actual income. According to the Italian statistical authorities, no imputation in tax revenues for 2020 was needed, since the majority of tax would be paid in a form of advance payments and therefore included in government accounts in tax revenues for 2020. The second possibility, the so-called ‘expected income method’, allowed the taxpayer to calculate the second advance on the basis of the 2020 expected income. The taxpayer that opted for this method anticipated lower income and thus lower taxes to be paid for 2020. The Italian statistical authorities considered the second option as a liquidity measure and proposed to impute to 2020 tax revenues an accrual estimation of taxes to be paid in 2021. The adjustment would also include an estimate for the final balance.

In case of the VAT, a similar deferral scheme was applied. Monthly and quarterly payments could be postponed and paid still in 2020 or their payment could be postponed up to 2022, if paid in instalments. For the calculation of the December 2020 advance, the two above-mentioned methods could be used. The recording of tax revenues in 2020 proposed by the Italian statistical authorities therefore followed the principles already described above in relation to income taxes.

New payment deadlines were also introduced for social security contributions collected in certain industries. Payments due in March and April could be postponed and still paid in 2020 or deferred up to 2022, if paid in instalments. The payments due in November and December 2020 could be deferred up to June 2021. The Italian statistical authorities further described a system of social security exemptions applicable to companies and employers complying with specific criteria. Some of the exemptions might be used for a limited duration but for an unlimited period of time, e.g. exemption to be used for a maximum of 6 months from the time

of hiring permanent staff. The Italian statistical authorities proposed to record in national accounts the social security exemptions on a cash basis and, in particular, as D.39 if they are of a ‘specific’ nature or as a negative D.611 if they are of a ‘generic’ nature.

Findings and conclusions

(20) As a consequence of the COVID-19 outbreak, Italy introduced in 2020 a number of tax measures concerning tax credits, tax deferrals and suspension of taxes and social contributions. Eurostat took note that the Italian statistical authorities intended to adapt the method for recording of tax revenues and social contributions in order to reflect the impact of various tax measures in government accounts. To this effect, Eurostat underlined that backward revisions of taxes and social contributions, resulting from updated data, would be acceptable only in the case of corrections to initial estimations. Any revisions of data, following government decisions on tax suspension or waivers are to be recorded as capital transfer expenditure at the time of the decision.

In this respect, the Italian statistical authorities committed to provide Eurostat with a detailed description of the measures introduced for taxes and social contributions as a consequence of the COVID-19 outbreak, including a proposed treatment in government accounts in the time to be implemented in the April 2021 EDP notification.

Deadline for note: end of January 2021¹⁹

Deadline for implementation: April 2021 EDP notification²⁰

2.2.2. Gross fixed capital formation (GFCF)

Introduction

The GFCF (P.51g) is recorded on an accrual basis for those units with available accrual data sources (balance sheets), e.g. other government bodies, social security funds, local health units, etc. For those units which report on a commitment and cash basis, P.51g estimates are based on the actual cash data. At the local government level, work on obtaining reliable data and on the compilation method is still ongoing.

Discussion and methodological analysis

Prior to the EDP visit, the Italian statistical authorities provided to Eurostat a table showing the proportion of accrual GFCF for 2016 – 2019 by general government subsectors, as reported in the October 2020 EDP notification. The ratio for central government was 85.6% in 2018 and 81.0% in 2019, while for local government the proportion of accrual GFCF still remain low, i.e. 46.9% in 2018 and 44.8% in 2019. The social security funds subsector is fully accrual.

¹⁹A detailed description of the measures relating to tax and social contributions deferrals and waivers was provided on 31 January 2021.

²⁰ The updated note on tax and social contributions deferrals, including amounts recorded in 2020 was provided on 31 March 2021.

The Italian statistical authorities explained in their presentation that, within the accounting reform introduced in 2011, a new concept of ‘enforced legal accrual’ was implemented in local government. This principle established the recording of obligations at the time when they arise, i.e. apportioned commitments according to realised investments in a particular year, which is a novelty compared to the previous accounting scheme, where a full commitment for a value of the total investment was booked at inception.

To monitor the amounts of realised investments in each year, the Italian statistical authorities use the '*Fondo Pluriennale Vincolato*' (FPV). The FPV cannot be directly associated with the realised investments in the year, but it is a stock data measuring the difference between the full commitment and apportioned commitments or, in other words, a “remaining commitment” still to be accrued in following years. In this regard, the Italian statistical authorities use the FPV rather as a tool to verify the application of the new principle of the enforced legal accrual by local entities, i.e. to apportion investment expenses in respective years. Following the Eurostat’s question, they confirmed that the FPV might be assimilated in concept to work in progress. The FPV diminishes over years proportionally to the realised commitments in the year.

As further clarified, currently 90% of local government units apply the concept of FPV and ‘enforced legal accrual’, while only a small part of municipalities has still not implemented new principles. As a part of consistency checks, the Italian statistical authorities calculated the ratio between commitments of the year and payments for investments related to the commitments. Although the ratio increased from 0.2 in 2012 to 0.6 in 2019, it was still considered low. The Italian statistical authorities however explained that the ratio would never reach 1.0 due to several reasons. It might be the lack of liquidity and occurrence of legal disputes that delays payments, as well as the formal verification of the work in progress that might further postpone the payment.

Eurostat enquired about the use of these data in the April 2021 EDP notification. The Italian statistical authorities confirmed that the commitments on investments reported by local units in financial statements would be used as the best proxy of the accrual GFCF, starting from 2019. The advances checks described previously will remain in place in order to continuously monitor the compliance of local units with new accounting principles.

Eurostat acknowledged some progress achieved in this area but, at the same time, pointed at shortcomings of this method, mainly as it concerns the correct application of the new accounting principles by all local units.

Findings and conclusions

(21) As an approximation of GFCF in GFS/EDP data for 2019, the Italian statistical authorities will apply for the first time commitments for investments, resulting from the application of the ‘enforced legal accrual’ by local government units, which should reflect the actual payments accrued in the year. Eurostat noted that, while the use of the new accounting concept was considered an improvement towards accrual GFCF for local government (still recorded on a cash basis for a major part), further improvement was needed as regards a small portion of units still not correctly applying the ‘enforced legal accrual’.

Deadline: April 2021 EDP notification²¹

2.3. Recording of specific government transactions

2.3.1. Government transactions in the context of the financial crisis

2.3.1.1. Recording of government measures undertaken in the context of Covid-19

Introduction

Prior to the visit, the Italian statistical authorities provided to Eurostat a detailed description of measures implemented in order to mitigate negative impacts of the COVID-19 pandemic. In the course of the year 2020, the Italian government adopted several laws providing legal basis for economic interventions in three main areas: direct fiscal impulse, tax policy measures and other liquidity provisions and guarantees to support business activity.

Discussion and methodological analysis

Eurostat took note of numerous measures introduced in Italy in the context of the COVID-19 crisis and asked the Italian statistical authorities to provide after the meeting a detailed description of the economic measures, together with a proposal for their treatment in government accounts. The preliminary recording agreed with Eurostat should be available in the time to be implemented in the April 2021 EDP notification.

Fondo Patrimonio PMI

In relation to the “*Fondo Patrimonio PMI*”, Eurostat enquired about the details of government purchasing debt securities issued by companies. The Italian statistical authorities explained that the Decree Law of 19 May 2020 (“*Rilancio*”) established a fund to support SMEs called “*Fondo Patrimonio PMI*” with the aim to subscribe bonds or similar debt securities issued by enterprises. The law defines a list of eligible companies and specifies that the subscription of debt securities, increasing their capital by 250.000 at minimum, have to take place by the end of 2020. In addition, the law restricts access to the Fund only to the companies that suffered certain reduction in revenues due to the COVID-19 pandemic and were not in financial difficulties as of the end of December 2019.

The Italian statistical authorities further explained that the Fund is managed by Invitalia on behalf of government. The Decree of MEF and the Ministry of Economic Development (MISE) defines specific characteristics of the debt securities to be eligible for their acquisition by the Fund, maximum amount to be invested by the Fund, use of the amounts obtained from issued debt securities, etc.

Eurostat was particularly interested in the feature that allowed a reduction of 5% on the reimbursement value paid by debtor companies back to government if one of the three following conditions is fulfilled at the repayment date: (1) maintenance of employment (as of

²¹ The note was provided on 31 March 2021 and the Italian statistical authorities confirmed that the action point was completed.

31 December 2019) in Italian production plants, (2) investments for environmental protection for an amount not less than 30% of the value of the subscribed securities and (3) investments in enabling technologies of industry 4.0 for an amount not less than 30% of the value of the subscribed securities. Single reductions might be combined so the cumulated reduction can achieve 15%.

As regards the recording of this measure in government accounts, Eurostat underlined that government, by providing a reduction on the reimbursement amount, intended to convey a benefit to companies issuing debt securities, which should be correctly reflected in recording expenditure at inception in government accounts. Accordingly, the Italian statistical authorities have to assess the likelihood that one or more of the three conditions are met and to estimate the amounts likely not to be reimbursed due to the reductions granted on the reimbursement value. Eurostat asked the Italian statistical authorities to provide before the April 2021 EDP notification a note with estimations of such amounts to be recorded as debt cancellations at inception.

Tax credits

As a part of the measures, the Italian government introduced several new tax credits to mitigate impact of the COVID-19 pandemic on businesses and households. The Italian statistical authorities presented in the meeting an operational guidance, according to which they classify tax credits either as payable or non-payable. If the tax credit (i) can be claimed/paid out in the case that it exceeds the limit of the fiscal debt or (ii) it is not limited within a specific period or (iii) the original beneficiary or the transferee acquires an asset on the residual amount of the tax credit towards government at the end of this period, the tax credit is recorded as payable.

Eurostat pointed at two novelties recently observed for newly introduced tax credits. First, some tax credits (a case also noticed in Italy) can be used to decrease not only the tax liability linked to the underlying tax but the total fiscal debt, including also other taxes or social contributions. This might imply that the government intends to provide a benefit to businesses or to households regardless of the level of their tax liability and it might be rather associated with a subsidy granted to entities in certain area. In such case, there is a high likelihood that the total fiscal debt of a taxpayer is high enough and the tax credit will be 'paid' by government, i.e. settled via tax offsets.

Second, as also observed in Italy, some tax credits might be transferred to third parties, if not used by the original taxpayer for reduction of the tax liability. Although the amount in excess of the tax liability cannot be directly claimed from government, it is the transferee that might use up the amount not yet used by the original beneficiary or, alternatively, might transfer the tax credit again (for the amount not yet used). ESA 20.167 reads that "*Tax credits can be payable, in the sense that any amount of the credit that exceeds the tax liability will be paid to the beneficiary.*" The transferability of the tax credit to third parties however might point at the fact that the tax credit is finally not lost, if not used by the original beneficiary, but might be 'paid' in a different way, i.e. to one or more transferees. The likelihood increases in the case of multiple transfers or of transfers involving financial institutions.

Eurostat considered that each case of the tax credits presented by the Italian statistical authorities has to be examined and, in this context, requested a detailed analysis of each tax credit together with a proposal for treatment in GFS/EDP.

Findings and conclusions

- (22) The Italian statistical authorities informed Eurostat about a number of measures introduced by government in 2020 in order to support households and business suffering from the COVID-19 outbreak. To facilitate the discussion, an overview of the economic measures together with a proposal for their treatment in government accounts will be provided to Eurostat in time to be implemented in the April 2021 EDP notification.

Deadline for note: end of January 2021²²

Deadline for implementation: April 2021 EDP notification²³

- (23) The Italian statistical authorities will examine the possibility of recording losses at inception for amounts likely to be called for one-off guarantees introduced by government in the context of COVID-19 crisis. In case of standardised guarantees, the Italian statistical authorities will analyse the level of provisions to be recorded for each guarantee scheme to reflect the expected losses.

Deadline for note: 8 February 2021²⁴

Deadline for implementation: April 2021 EDP notification²⁵

- (24) Concerning the ‘Fondo Patrimonio PMI’, managed by Invitalia, Eurostat noticed that a reduction of 5% might be applied at the time of maturity to the redemption value of the bonds and debt securities subscribed by the Fund for each of the three objectives achieved at the repayment date. The reduction is applied only after the concerned companies comply with one or more of the three conditions. According to Eurostat, government intention to provide a benefit should be reflected in recording at inception the amounts unlikely to be reimbursed back to government. The estimate should consider the element of conditionality introduced in the measure.

Deadline: 8 February 2021²⁶

Deadline for implementation: April 2021 EDP notification²⁷

²² A detailed description of the measures was provided on 31 January 2021.

²³ The recording of some measures, as agreed with Eurostat, was implemented in the April 2021 EDP notification.

²⁴ The note was provided on 8 February 2021.

²⁵ The recording of some guarantee schemes, as agreed with Eurostat, was implemented in the April 2021 EDP notification.

²⁶ The note was provided on 5 February 2021.

²⁷ The action point was completed in the April 2021 EDP notification. Eurostat took note that negligible amounts were subscribed in debt securities in 2020.

- (25) In relation to tax credits introduced as a response to COVID-19 crisis, Eurostat recalled rules for the treatment of payable and non-payable tax credits and requested the Italian statistical authorities to provide a detailed analysis of each tax credit together with a proposal for treatment in GFS/EDP.

Deadline: end of January 2021²⁸

2.3.2. Capital injections in public corporations

Introduction

Prior to the visit, the Italian statistical authorities provided to Eurostat a list of capital injections for 2016-2019, including their treatment as either nonfinancial or financial transactions.

Discussion and methodological analysis

Eurostat enquired about the intention of the Italian government to transform the loss-making company Alitalia to a new airline company *Italia Trasporto Aereo* (ITA). Alitalia was unprofitable for many years and entered extraordinary administration in 2017. In March 2020, the Italian government announced that it would invest EUR 3 billion in ITA, in addition to bridge loans granted to Alitalia in 2017 (EUR 900 million) and in 2019 (EUR 400 million). Both loans were considered as unlikely to be repaid and therefore recorded as capital transfers in national accounts. The Italian statistical authorities confirmed that government signed an air transport decree to establish a new national airline to succeed Alitalia in December 2020. Since details of the operations were not known yet, the Italian statistical authorities committed to provide more information when the operation takes place.

Findings and conclusions

- (26) The Italian statistical authorities informed Eurostat about the air transport decree that aimed at establishing a new national airline, replacing the troubled Alitalia that is currently under the special administration. The Italian statistical authorities will send the relevant decree to Eurostat, accompanied with a statistical analysis.

Deadline: when relevant

2.3.3. PPPs, concessions and energy performance contracts (EPC)

Introduction

Currently, the Italian statistical authorities report 46 PPP contracts, mostly in the healthcare sector, of which 38 contracts for a total value EUR 10 601 million are recorded on-balance sheet and the remaining eight contracts for a value of EUR 455.4 million are off-balance.

²⁸ The note was provided on 31 January 2021.

As concerns the concessions, most of the motorway network in Italy is managed through concession contracts. The remaining part is managed by ANAS, a company classified in S.13. There are currently 25 concessionaires with 28 concession contracts, where the Ministry of Infrastructure and Transport is a grantor, and five concessions granted by Regions. In 2020, the Italian statistical authorities analysed 10 contracts involving a public concessionaire and five contracts with a private concessionaire. As a result, eight public concessionaires were reclassified inside general government and, as concerns the private concessionaires, in three cases assets under concession were rerouted via government accounts.

In recent years, the Italian statistical authorities analysed five EPCs contracts for a total contract value of EUR 9.1 million, mainly related to efficiency and energy performance measures and technological modernization of public lighting systems. In the majority of cases, grantors are Municipalities.

Discussion and methodological analysis

Public-private partnerships

In relation to PPPs, the Italian statistical authorities, in particular the MEF as a guarantor, presented a project for the introduction of a specific portal where information about PPPs could be shared with the public as well as with professionals involved in this area. The aim of the project is to promote the use of PPPs, to exchange knowledge and good practices among users (mainly general government entities) and to collect information about projects that could be used by national authorities. The portal was planned to be launched in spring 2021, when a separate access would be granted to the public, to private users (government units involved in PPPs, MEF) and to the community (MEF, DIPE – Department belonging to the Council Presidency, ISTAT, ANAC - anti-corruption authority and government units with access). The Italian statistical authorities informed about four PPP contracts already uploaded to the portal at the time of the meeting. By April 2021, the remaining contracts are expected to be uploaded so that the system will be fully operational.

Eurostat welcomed the project and expected that, after the portal is launched, all relevant information would be available to the Italian statistical authorities, which was not the case in the past, as already pointed out by Eurostat in previous EDP dialogue visits. From the presentation, Eurostat understood that a questionnaire was sent in cooperation with the Ministry of Health to 20 Regions in 2019 in order to collect information about existing PPPs and enquired about the nine Regions that had not responded. The MEF representative explained that, at the end of an experimental phase, a law would be adopted obliging all general government units involved in PPPs to deliver requested information to the 'private area' of the portal. This information will be accessible only to restricted users. Upon Eurostat's enquiry, the MEF representative was not sure whether a similar access could be granted to Eurostat but committed to investigate this possibility. Eurostat was aware of confidentiality issues but argued that currently it already receives individual PPP contracts from countries on a regular basis. The MEF also informed about a standard PPP contract that could be available on the portal to public entities interested in PPP projects. Eurostat offered the possibility of providing an ex-ante advice on the recording of such standardised contract.

Concessions

Eurostat took note that, as a result of the analysis of motorways concessions carried out in 2020, the Italian statistical authorities reclassified eight public concessionaires inside general government and, in three cases of private concessionaires, assets under concession were classified in the government balance sheet. Eurostat however pointed to the remaining 16 concession contracts managed by private concessionaires that had not been yet analysed. The Italian statistical authorities argued that in their analysis they focused on four selected projects. In the forthcoming period, they intend to concentrate on concessions granted to airport operators.

Energy performance contracts

Information about EPCs are delivered to ISTAT by DIPE, in line with inter-institutional agreement that was updated in October 2020. In this context, it was also agreed that DIPE would transmit to ISTAT the EPC contracts sent by general government units to the Prime Minister's Office according to the law.

Recently, the Italian statistical authorities analysed five EPCs contracts for a total contract value of EUR 9.1 million that were mainly related to efficiency and energy performance measures and technological modernization of public lighting systems. The average duration of a contract was 12 years. The analysis carried out by ISTAT concluded that, in all five EPC projects, local government is the economic owner of EPC assets and thus the contracts were to be recorded on-balance.

In October 2020, the Ministry of Economic Development and the Ministry of Environment approved a list of projects relating to energy efficiency measures for a total amount of EUR 46.7 million to be realised by some central government units. The Italian statistical authorities underlined that not all interventions however would be implemented through EPC contracts. Eurostat stressed that all these EPCs have to be necessarily analysed and pointed at the incorrect recording of GFCF and other flows for those projects, given the fact that all these EPCs were already launched in 2019.

Eurostat enquired about the factoring of EPC claims by private operators, as recently observed in some Member States. The Italian statistical authorities were not aware of any cases and explained that, if factoring would be carried out through securitisation, the concerned financial corporations would have to report such operations to the BoI. In such case, the BoI would also receive a contract. Up to date, no such operations have been reported.

Findings and conclusions

(27) Eurostat welcomed the introduction of a new web portal on PPPs aimed at promoting PPPs and gathering relevant information about realised and planned projects that are expected to be used by different stakeholders. The Italian statistical authorities will examine the possibility of granting a direct access to the web portal for Eurostat.

Deadline: end of May 2021²⁹

²⁹ The note was provided to Eurostat on 7 June 2021.

- (28) At the same time, Eurostat took note of persisting issues with non-availability of information on PPPs, mainly from Regions, and asked the Italian statistical authorities to take appropriate steps and to report back to Eurostat.

Deadline: end of June 2021

- (29) Eurostat welcomed the results of the analysis carried out by the Italian statistical authorities in previous years, concerning the sector classification of public concessionaires and the recording of assets under concession contracts in the area of transport, and took note that the following analysis would focus on concession contracts granted for airports.

Deadline for a progress report: before the October 2021 EDP notification

- (30) Eurostat took note that in Italy no EPC contracts were currently subject to factoring. If this would be the case, the financial institution involved in factoring has the obligation to report such transaction to the Bank of Italy.

3. Any other business

No issues

**EDP dialogue visit to Italy
7-8 January 2021**

Final agenda

1. Statistical institutional issues

- 1.1. Review of institutional responsibilities in the framework of the EDP data reporting and GFS compilation
- 1.2. Progress on the data collection system (BDAP)
- 1.3. EDP Inventory

2. Methodological issues and recording of specific government transactions

2.1. Delimitation of general government sector

- 2.1.1. Court decisions on sector classification of units by ISTAT
- 2.1.2. Classification and rerouting of operations of public financial entities
 - 2.1.2.1. National development institutions
 - 2.1.2.2. Cassa Depositi e Prestiti
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2.2. Implementation of accrual principle

- 2.2.1. Taxes and social contributions
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2.3. Recording of specific government transactions

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- 2.3.3. PPPs, concessions and energy performance contracts (EPC)

3. Any other business

**EDP dialogue visit to Italy
7-8 January 2021**

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