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EUROSTAT

Directorate D – Government finance statistics (GFS)
D.2 – Excessive deficit procedure (EDP) 1

Luxembourg,

FINAL FINDINGS

EDP Dialogue Visit to Italy

15-16 November 2022 (Part I)

16 December 2022 (Part II)

EXECUTIVE SUMMARY

Eurostat undertook an EDP dialogue visit to Italy on 15-16 November 2022 (Part I) and on 16 December 2022 (Part II), 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.

First, Eurostat reviewed the institutional responsibilities in the reporting of EDP and GFS data and took note that the creation of the 3-I S.p.A. company could imply a reorganisation of the IT management structures of ISTAT in the future.

Concerning the data sources, Eurostat took note that the BDAP database was fully implemented and used for the compilation of EDP/GFS statistics. The Italian statistical authorities were also examining the use of the newly developed SIOPE+ database that should provide more detailed information about some government transactions.

Furthermore, Eurostat reviewed the application of the market/non-market test for the sector classification of entities and requested the Italian statistical authorities to reclassify inside general government those entities that did not comply with the rules for the sector classification of units. The particular cases of public financial entities such as SACE, SIMEST, ISMEA and *Mediocredito Centrale – Banca del Mezzogiorno* were also discussed.

A particular attention was devoted to the recording of tax credits. The statistical recording of Superbonus 110%, Transition 4.0 and other renovation tax credits was extensively discussed in the meeting and, separately, in a follow-up video conference which took place on 6 February 2023.

As regards the EU flows recording, Eurostat discussed the proposal of the Italian statistical authorities to revise the underestimated expenditures incurred on behalf of the EU and thus to eliminate the currently reported negative stocks of receivables relating to EU funds. The donations of military equipment to Ukraine were discussed in relation to the recording of military expenditure.

On the issue of the specific government transactions, Eurostat reviewed various measures introduced by the Italian government in the context of the high-energy prices or of the Russia's invasion of Ukraine. The Italian statistical authorities informed about the introduction of the new securitisation scheme that should be operational starting from 2023.

In relation to the capital injections, a specific case of the capital injection provided to ITA Airways was discussed. In relation to the government support to financial institutions, a capital injection to *Monte dei Paschi di Siena Bank* was also reviewed.

Concerning Public Private Partnerships, concessions and Energy Performance Contracts, Eurostat mainly discussed the availability of information and the introduction of the PPP portal collecting information about these projects. In relation to the concessions, Eurostat reviewed the progress in examination of the concession contracts.

The recording of the emission permits was also discussed. The Italian statistical authorities committed to change the method of recording, following the updated rules included in the 2022 Manual on Government Deficit and Debt.

Finally, Eurostat welcomed the transparent and responsible approach of the Italian statistical authorities to the EDP/GFS related work.

FINAL FINDINGS

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009 (the EDP Regulation) 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 15-16 November 2022 (Part I) and on 16 December 2022 (Part II).

The delegation of Eurostat was headed by Mr. Luca Ascoli, Director of Eurostat Directorate D ‘Government Finance Statistics (GFS)’. Representatives of DG ECFIN and the European Central Bank (ECB) participated in the meeting as observers. The Italian authorities were represented by the Italian National Institute of Statistics, (ISTAT), the Bank of Italy (BoI) and the Ministry of Economy and Finance (MEF). In addition, representatives from *Cassa Depositi e Prestiti* and SACE participated in the discussion for some specific points of the agenda.

The previous Eurostat EDP dialogue visit to Italy took place on 7-8 January 2021.

Eurostat carried out this EDP dialogue visit in order 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 those undertaken in the context of the COVID-19 crisis and of the high energy prices.

With regard to the procedural arrangements, the *Main conclusions and action points* would be sent to Italy for review. Then, within weeks, the *Provisional findings* would be sent to Italy for review. After this, in accordance with Article 13 of the EDP Regulation, the *Final Findings* will be sent to Italy and the Economic and Financial Committee (EFC) as well as published on the website of Eurostat.

Eurostat appreciated the relevant background materials provided by the statistical authorities prior the visit. Eurostat also thanked the Italian statistical authorities for their good co-operation and productive discussions during the EDP dialogue visit.

1. STATISTICAL INSTITUTIONAL ISSUES

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

Introduction

The statistical institutions involved in the compilation of EDP/GFS statistics are ISTAT, the MEF and the BoI. ISTAT is responsible for the compilation of non-financial accounts for the general government sector and for the sector classification of units. The MEF provides planned data and is responsible for the whole public sector working balance. The BoI compiles financial accounts for general government and data on the Maastricht debt.

The cooperation and exchange of relevant data between the national statistical authorities are administered by the formal cooperation agreements that are regularly updated, usually every three years. The main agreements concerning the EDP/GFS statistics that are in force are with the MEF (State General Accounting Department), the BoI and with the Italian Court of Auditors (*Corte dei Conti*).

A permanent working group was established by ISTAT in 2005 that meets before each EDP notification round in order to examine all the issues related to the EDP notification process. The group is chaired by ISTAT and consists of the BoI and the MEF representatives (State General Accounting Department, Treasury Department, and Finance Department). Other informal working groups are established on an *ad-hoc* basis to focus on specific matters.

Discussion

The Italian statistical authorities confirmed that there were no changes in the institutional arrangements as regards the EDP/GFS data compilation. After the EDP visit of January 2021, ISTAT and the MEF have actively worked to update the detailed program of all data exchanges (annual, quarterly, periodic) annexed to the Memorandum of Understanding between the MEF (State Accounting Department) and ISTAT, which was renewed in February 2020.

Since 2021, a specific working group has been working on possibilities of using a new database, SIOPE+, in the compilation of GFS/EDP statistics. The SIOPE+ is a new IT infrastructure managed by the BoI on behalf of the MEF. The main aim is to improve the timeliness and quality of data collected from the general government units and banks providing treasury services, including the monitoring of government expenditure and enhancing the public sector payments system (functioning exclusively in a digital form). The use of the SIOPE+ data in the EDP/GFS reporting is currently in an experimental phase.

Concerning the ISTAT's organizational structure, ISTAT's representatives informed about two important changes: the creation of the company 3-I S.p.A. and the enhancing of the Directorate for studies and thematic enhancement in the area of Economic Statistics (DVSE) and of the Directorate for studies and thematic enhancement in the area of social and demographic statistics (DVSS), both decided by the Statistical Committee in 2022. The latter one resulted from the new and increasing information needs relating

to the Resilience and Recovery Facility (RRF) and the national RRF Plan (NRRP) in the areas of the economic, social and demographic statistics.

As regards the company 3-I S.p.A., its main activities will focus on the centralisation of IT systems and ensuring the high level of security and cybersecurity in the provision of digital public services by some public entities, as stipulated by the ACN Regulation (*Agenzia per la Cybersicurezza Nazionale*) and by the AgID Regulation (*Agenzia per l'Italia digitale*). The public entities concerned are namely the National Social Security Institute (INPS), ISTAT and the National Institute for Occupational Accident Insurance (INAIL).

It was explained in the meeting that the establishment of 3-I S.p.A. could imply a reorganization of the IT management structures and, mainly, the transfer of the ISTAT's staff, including highly qualified experts, to the newly created company. These changes therefore raised some concerns about the potential loss of qualified staff due to fluctuations and about the potential inference with the existing ISTAT's IT infrastructure that was implemented in 2016 with the aim to modernise and improve the statistical production processes. At the time of the meeting, it was not possible to assess the potential impact of the proposed changes on the ISTAT's internal organisation or on the process of GFS/EDP statistics compilation.

Findings and conclusions

Eurostat took note of the explanations.

1.2. Data sources and revision policy, EDP inventory

1.2.1. Availability and use of data sources, revision policy

Introduction

The accounting system used by government units and public corporations differs according to different groups of units. The institution responsible for accounting rules applied by public units is the MEF. ISTAT cooperates with the MEF in order to guarantee the consistency and appropriateness of information recorded in each budget with the EDP purposes. Various ministries are responsible for the collection of financial statements of specific groups of units (e.g., Ministry of Health for Local Health Units, Ministry of Internal Affairs for Provinces and Municipalities).

The main data sources for the compilation of non-financial accounts are State Budget Reporting, financial statements of government units, SIOPE+ database, statistical surveys and complementary information sources. The data sources used for the compilation of financial accounts and Maastricht debt are the money and banking statistics, securities databases, Treasury report, EFSF report, EIB reports and other complementary sources.

In the note provided prior to the visit, the Italian statistical authorities informed about the new database SIOPE+ that was currently being tested for the provision of data for GFS/EDP compilation.

Discussion

Eurostat enquired about the SIOPE+ infrastructure that was developed by the BoI on behalf of the State Accounting Office (RGS) of the Italian MEF in 2016. According to the legislation, general government bodies are obliged to submit collection and payment orders to their treasury or cash management service providers in a standardised form, which allows monitoring a detailed structure of government expenditure, including the information about trade credits.

Compared to the currently used SIOPE database, the new SIOPE+ should provide more detailed data about outflows of those general government units that are part of the database. As explained in the meeting, there is no intention to replace the BDAP (*Banca dati delle Amministrazioni Pubbliche*) with the SIOPE+ but rather to complement it with other type of information. In addition, the data in SIOPE+ should be transmitted exclusively in a digital form, using a single digital standard.

According to the Italian statistical authorities, the SIOPE+ data might improve the collection and production of GFS/EDP statistics. Therefore, a formal working group was set up by ISTAT and the BoI in 2021 with the aim to assess the quality of data and to examine possible data deliveries in the future, mainly relating to dividends and super-dividends, capital injections, transfers and to the application of accrual principles (e.g., accrual investment).

Concerning the coverage of the SIOPE+ database, government entities providing treasury services, local government entities (Regions, Provinces, Metropolitan Cities and Municipalities) and local health authorities have an obligation to join SIOPE+. It is expected that also other general government bodies would gradually be included in the system.

Findings and conclusions

Action point 1: Eurostat took note of the new SIOPE+ database, which provided more detailed information compared to the current SIOPE. A formal working group was created in 2021, composed of ISTAT and the BoI, in order to examine the use of the SIOPE+ for the production of government finance statistics. Eurostat also took note that, after being implemented, the database should provide detailed information on dividends, capital injections, accrual investment expenditure, transfers, etc. Eurostat was informed by the Italian statistical authorities that there was no intention for SIOPE+ to replace BDAP data, but only to complement them in some respect. The Italian statistical authorities will provide a progress note on the application of the SIOPE+ data and on their link with BDAP data in the compilation of EDP/GFS statistics.

Deadline for a progress report: end of June 2023 ⁽¹⁾

1.2.1.1. Progress on the data collection system (BDAP)

Introduction

The *Banca dati delle Amministrazioni Pubbliche* (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

⁽¹⁾ The progress report was provided on 28 June 2023. The action point is closed.

covers local government units and aims to be extended to other general government units in the future.

In the April 2021 EDP notification, non-financial data for local government for 2019, excluding Regions, were reported for the first time, fully using the BDAP. Concerning the Regions, due to some quality issues, the BDAP became the main data source only in the April 2022 EDP notification when ISTAT reported BDAP based non-financial data for 2020 for the first time.

Discussion

The Italian statistical authorities confirmed that the BDAP database was fully operational and used for the compilation of non-financial data for local government. The quality of BDAP data and the consistency with financial statements (the previous data source) are continuously monitored by the MEF as a data provider and by ISTAT as a user. Concerning the Regions, it was explained that although consistency checks proved almost perfect consistency between these two data sources, ISTAT continued to use in parallel both, using the financial statements mainly as a complementary data source for a more detailed classification of ESA transactions.

The coverage of the BDAP data depends on the type of units. For Regions, Provinces, Municipalities and Metropolitan areas, it is almost 100% while for Mountain development bodies and for Unions of municipalities is less than 70% in each of the previous years. In these cases, the Italian statistical authorities thus use the SIOPE+ data as a complementary source.

Within the accounting reform, two accounting basis were recognised in terms of accrual accounting: (i) 'enforced legal accrual' (*contabilità finanziaria*) that is closer to a commitment concept, and (ii) accrual basis, which seems to be a better proxy for the accrual principle in ESA 2010.

According to the legislation, units have to transmit to the BDAP (i) the accounting schemes and their annexes, i.e., balance sheets and profit and loss statements according to the legal accrual and (ii) the analytical accounting data detailed according to the chart of accounts. In addition to the legal accrual, accounting schemes on an accrual basis are to be provided for purely informative purposes, which, however, refer to no IPSAS accounting standards. In addition, in the case of small accounting units (municipalities less than 5 000 inhabitants), these schemes are only required in a simplified form.

Eurostat was informed about an ongoing reform of the accounting system to be implemented in the framework of the Resilience and Recovery Facility (PNRR 1.15). The project is aimed at the introducing of harmonised accounting principles for the whole general government sector and consistent with the IPSAS/EPAS principles. The reform, currently being implemented, will introduce the accounting principles based on IPSAS/EPAS and a new multidimensional chart of accounts, one for the entire general government sector. The preliminary results of the reform application are expected in 2026, unless possible delays of 12 months.

Eurostat noticed a low coverage in the BDAP data for the so-called 'instrumental entities', special agencies of local government and foundations and associations controlled and participated by local government. These entities follow the accounting principles of the private sector. Currently, due to the low coverage, the main data source used for this type of entities is the RIDDCUE survey administered by ISTAT.

Furthermore, the Italian statistical authorities informed Eurostat about an ongoing project aimed at the possible extension of the register of government-controlled entities classified outside general government by integration of information that can be obtained from the BDAP and the Register of Public Institutions. The Italian statistical authorities committed to provide to Eurostat a progress report on implementation of the project.

Eurostat followed up on the possibility of replacing monetary and banking statistics (MBS) by administrative data coming from BDAP for the compilation of financial accounts and Maastricht debt of local government. The issue was already discussed in two previous EDP dialogue visits. In December 2021, the BoI provided to Eurostat an experimental comparison of the stock of debt data as reported in BDAP for five local government units with the current data using the MBS for 2020. In the note, the Italian statistical authorities identified several reasons for the observed discrepancies that resulted from this comparison. In particular, there was an inconsistency in the timeliness of data (quarterly BDAP data are not currently available), the exhaustiveness of data (e.g., the non-availability in the BDAP of data on specific operations such as factoring), the inconsistency in the sector coverage of BDAP and the MBS as well as the additional information missing in the BDAP such as the residual maturity, currency, counterpart information that is commonly available in the MBS.

In the meeting, the representatives of the BoI provided more details on the comparison of asset data by a financial instrument. Concerning the debt securities (AF.3/F.3), the stocks in the BDAP were lower compared to the MBS, which was explained by a difference in the general government perimeter considered in these two data sources. The comparison is possible only at an aggregated level since the MBS provides data only for a group of units (e.g., for Regions), contrarily to the BDAP data that are available on an individual unit basis. The information about debt securities is also obtained from the custodian banks statistics that, at the ISIN level, properly applying the ownership criteria for debt securities involved in repurchase agreements, provides granular data on securities.

Regarding the loans (AF.4/F.4), the discrepancies in data on stocks as well as in flows were minor. The Italian statistical authorities nevertheless continue to examine the consistency.

The results of the comparison concerning equities (AF.51/F.51) show significant differences (with larger amounts reported in BDAP), which might be attributed to the different rules on the valuation of equities in the two data sources. The MBS provides the market valuation of F.51 while the financial statements (and BDAP data accordingly) disclose the equities recorded at the acquisition price. Another issue to be investigated is the observed discrepancy between the stocks of equities and accumulated transactions. Such difference might result from a non-availability of data on the revaluation in the BDAP database.

In relation to currency and deposits (AF.2/F.2), the analysis showed significantly lower stocks in the BDAP data. The BoI committed to investigate the reasons for these discrepancies, possibly by approaching banks individually.

The BoI will continue, in cooperation with the other Italian statistical authorities, the reconciliation of the two data sources, by extending the analysis to a larger sample of local government units and for a longer period 2019-2021. Eurostat thanked the Italian statistical authorities for the analysis carried out until now.

Findings and conclusions

Action point 2: *Regarding the BDAP, Eurostat acknowledged the progress achieved in the coverage and quality of data obtained from the database and its full implementation for the compilation of EDP/GFS statistics. In particular, Eurostat took note that, specifically for Regions, BDAP became the main data source, using the financial statements used previously only for cross-checking purposes.*

Action point 3: *The Italian statistical authorities informed Eurostat about an ongoing project that aimed at the verification and possible improvement of the exhaustiveness of the register of government-controlled entities classified outside general government, using the available official information sources on public institutions. Eurostat asked the Italian statistical authorities to provide a progress report.*

Deadline: end of June 2023 ⁽²⁾

Action point 4: *Eurostat followed up on the pilot exercise conducted by the BoI in 2021 that examined the possibility of using the BDAP for the compilation of financial accounts and Maastricht debt for local government and welcomed the preliminary results presented in the meeting. Conditional on the BDAP data to be made available by the MEF (together with all the relevant support information), the Italian statistical authorities will provide an analysis showing a reconciliation of these data with the MBS for the period 2019-2021. In addition, the Italian statistical authorities will provide details of the reconciliation for a sufficiently large sample of local government units.*

Deadline for a progress report: end of June 2023

1.2.2. Compliance with Council Directive 2011/85/EU

Introduction

The data requested by Council Directive 2011/85/EU are published on the MEF website. The provisions on fiscal data concern cash-based data for subsectors of general government and the reconciliation table. For central government, cash data are reported for the whole subsector and the estimations are used in the case of missing data. Apart from the three compulsory indicators (total revenue, expenditure and overall balance), also some details on main categories of receipts and expenditures are available. Concerning the social security funds, the coverage is complete. For private social security funds, estimations are used since the data are provided only on a quarterly basis. The data for local government are published on a quarterly basis, as required, and they cover the three compulsory indicators, i.e., the total revenue/inflows, total expenditure/outflows and overall balance. No estimations are used.

Concerning the data on contingent liabilities, in December 2021, the MEF published data on guarantees, off-balance PPPs and on non-performing loans (NPLs) for 2017-2020 in % of GDP. At the same time, data on liabilities of public corporations for 2020 and data on government participation in the capital of corporations for 2020 were also published. In the case of guarantees, due to non-availability of detailed information, data on

⁽²⁾ The progress note was provided on 28 June 2023. The action point is closed.

guarantees of local government are published as one-off guarantees, without distinguishing the category of standardised guarantees.

Discussion

Eurostat enquired about the discrepancies in the data on NPLs reported in the Background note on government interventions to support financial institutions published on Eurostat's website⁽³⁾ and in the data according to Directive 2011/85. The Italian statistical authorities clarified that the perimeter considered in the reporting was different and in the background note only the main central government unit was included. In the forthcoming transmission of the contingent liabilities data to Eurostat, the Italian statistical authorities committed to extend the coverage of the NPLs data to the whole general government, thus including also the NPLs of defeasance structures AMCO and Liquidator of the two Veneto banks (both classified inside S.13).

Findings and conclusions

Action point 5: *Concerning the data reported to Eurostat according to Council Directive 2011/85, the Italian statistical authorities would extend the coverage of the NPLs reporting from the current 'main central government unit' to the whole general government.*

Deadline: end of December 2022 ⁽⁴⁾

1.2.3. EDP Inventory

Introduction

The latest version of the EDP Inventory was provided by the Italian statistical authorities in June 2020 and published on Eurostat's website in July 2020. The Annex 1 (list of general government units) refers to 2019 and 2020.

Discussion

Eurostat recalled that, due to recent developments and discussion with Eurostat, a number of elements should be updated in the EDP Inventory, e.g., information about the BDAP database, recording of tax credits, EU funds, sector classification issues, etc. Therefore, the Italian statistical authorities were requested to provide an updated EDP Inventory, including the Annex, preferably by using the template based on the forthcoming updated Manual for Government Deficit and Debt (MGDD).

Findings and conclusions

Action point 6: *The Italian statistical authorities will update the EDP Inventory (including the annex) taking into accounts the remarks made during the meeting.*

Deadline: end of November 2023

⁽³⁾ [cefabeae-80b5-77e8-44f6-2f7430f6a1a2 \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)

⁽⁴⁾ The coverage of NPLs was extended by defeasance structures classified in S.13 in December 2022 transmission of data. The definition of NPLs is currently being discussed within the EDPS Working Group.

2. FOLLOW-UP OF THE PREVIOUS EDP DIALOGUE VISIT OF 7-8 JANUARY 2021

Introduction

The previous EDP dialogue visit to Italy took place on 7-8 January 2021. The EDP dialogue visit resulted in 30 action points. There is still a number of open action points that were not completed due to various reasons: due to the ongoing analysis, due to the operations that have not been completed yet or due to other reasons agreed with Eurostat.

Discussion

Eurostat remarked that the action points that were not completed yet or under investigation would be followed up under the respective agenda points.

Findings and conclusions

Eurostat and the Italian statistical authorities agreed that all outstanding action points from the previous EDP dialogue visit in 2021 would be followed up under the relevant points of the agenda.

3. ANALYSIS OF EDP TABLES – FOLLOW UP OF THE OCTOBER 2022 EDP NOTIFICATION

Introduction

Eurostat followed up on the EDP notification transmitted by the Italian statistical authorities in October 2022. In particular, the discussion focused on the recording of trade credits that are reported in the EDP table 4.

Discussion

The Italian statistical authorities clarified that the initial stock of trade credits and advances payable (AF.81L) was calculated for 2010 in the 2012 EDP notification. For this purpose, various data sources were used according to their availability. The direct data sources were mainly used for the health sector (i.e., the balance sheet of local health units) and for the central government units (financial statements of the State Budget and main central government units). The indirect data sources, i.e., sample surveys of the BoI were mainly used for local government entities. The estimated 2010 stock included only the intermediate consumption (P.2) and social benefits in kind (D.632). The stocks starting in 2020 included, in addition, the gross fixed capital formation (P.51g) liabilities ⁽⁵⁾.

After introduction of the BDAP database, the Italian statistical authorities reconciled the AF.81L stocks reported in EDP table 4 with the trade credits and advances payable disclosed in financial statements of local government units (and transmitted to the BDAP

⁽⁵⁾ The Italian statistical authorities afterwards clarified that the stocks and flows of AF.81L/F.81L were subsequently revised whenever the improvement in P.51g estimation was introduced for some group of entities. In particular, it concerned the new units that switched from a cash-based estimate to a balance sheet-based estimate (local health units and social security funds).

database). Concerning the first one, the AF.81L stocks reported in the EDP table 4, they are compiled as the accumulation of transactions, which refer to the commitments of year T (flows) according to the legal accrual principle minus payments in the year T. The second indicator, the data reported in the BDAP database, refers to the balance sheet item 'debt to suppliers', which represents the stock of trade debts over the years and is compiled as the sum of differences between commitments over years and payments in the year. Payments in the year include those related to the commitments of the year and of the previous years not yet paid.

The reconciliation of these two indicators resulted, unexpectedly, in only minor differences for 2018-2020 despite of some apparent inconsistencies in the content and coverage of the data sources. In particular, the item 'debt to suppliers' is not fully coherent for the ESA categories P.2, D.632 and P.51g reported in EDP table 4 nor includes the adjustment for factoring operations (that should be excluded from AF.81L and reclassified to loans AF.4L). The balance sheet item 'debt to suppliers' is in addition adjusted for the amounts of the trade credits written-off for various reasons.

Eurostat took note of the results of the analysis, however, it recalled that the AF.81L stocks reported by Italy belonged to the largest ones (over 3% of GDP) across Member States and asked about the reasons. The Italian statistical authorities admitted that the initial stock estimated in 2010 might have been overestimated. Furthermore, they declared that the stocks should not include the amounts of long-term trade credits, i.e., those with a maturity longer than one year at inception, due to the Directive 2011/7/EU that stipulates that the period for the payment cannot exceed 60 days. Eurostat however stressed that such large outstanding amounts of AF.81L (EUR 51 892 million in 2021) did not correspond to such short maturity of the trade credits. In the follow up note requested by Eurostat, the Italian statistical authorities should thus analyse the possibility that the currently reported AF.81L stocks include amounts of trade credits and advances written-off or cancelled that are removed from the BDAP balance sheet, but are not excluded, for various reasons, from the AF.81L stocks.

In addition to the previous reconciliation exercise, the Italian statistical authorities compared the currently reported AF.81L stocks with the data from the electronic invoicing system (PCC) introduced by the MEF in 2015. The stocks coming from the PCC system were significantly lower (EUR 28 379 million in 2021) mainly due to the different perimeter of S.13 considered in the data reporting and due to the different categories of trade credits covered. The PCC database is currently used as a complementary data source for cross-checking purposes.

Finally, Eurostat asked the Italian statistical authorities to investigate whether a similar survey to the one launched by the BoI in 2012 might be carried out, as a one-off exercise, in order to identify the stocks of AF.81L methodologically consistent with the 2012 stock and derive the flows accordingly.

Findings and conclusions

Action point 7: *In relation to trade credits, Eurostat took note that stocks of trade credits and advances payable (AF.81L), currently reported in EDP table 4, was a cumulated flow of F.81L transactions with an initial stock estimated in 2012, using a BoI survey for Regions, Municipalities and Provinces. The reconciliation of AF.81L stocks for local government with the 'debts to suppliers' (Debiti verso fornitori) from the balance sheet, after the implementation of BDAP in 2019, showed only minor differences while a*

similar comparison with the electronic invoicing system (PCC) resulted in a large overestimate of AF.81L stocks in the currently reported EDP data.

The Italian statistical authorities were requested to provide details about the item ‘debts to suppliers’ from the BDAP balance sheet, currently not used for the compilation of the flow of trade credits and advances payable but showing only minor differences to AF.81L stocks. The note should notably analyse the possibility that the currently reported AF.81L stocks include amounts of trade credits and advances written-off or cancelled that are removed from the BDAP balance sheet, but are not excluded, for various reasons, from the AF.81L stocks.

Deadline: end of July 2023

Action point 8: *In addition, the Italian statistical authorities will report to Eurostat whether a similar survey to the one launched by the BoI in 2012 might be carried out, as a one-off exercise, in order to identify the stocks of AF.81L methodologically consistent with the 2012 stock and derive the flows accordingly (taking into account the information collected in the previous action point).*

Deadline: end of July 2023 ⁽⁶⁾

4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

4.1. Delimitation of general government, application of 50% rule in national accounts

4.1.1. Application of the market/non-market test

Introduction

The authority responsible for the sector classification of units according to ESA 2010 is ISTAT. Each year, usually in September, ISTAT publishes a list of the general government institutional units. The update of the S.13 Register administered by ISTAT is based on the integration of various administrative and statistical sources (RIDDCUE survey, accounting sources, *ad hoc* sources, etc.).

In previous years, a number of units classified by ISTAT inside the general government sector contested ISTAT’s decision in the Italian Court of Auditors (CoA). If the CoA’s ruling was against the ISTAT’s original decision, ISTAT had to exclude the concerned units from the official S.13 list of units.

Eurostat also followed up on the list of government-controlled corporations classified in the non-financial corporations sector (S.11) that was provided by the Italian statistical authorities prior to the visit.

Discussion

⁽⁶⁾ In January 2023, the Italian statistical authorities replied that the BoI has already carried out the survey for the year 2021. Data were released in May 2022.

The discussion started with the issue of recording of the units originally classified by ISTAT inside general government but later on excluded from S.13, following the ruling of the CoA. In the S.13 list disseminated annually by ISTAT in September, these units are listed in a specific footnote that refers to the CoA's ruling. After enquiry of Eurostat, the Italian statistical authorities confirmed that although these units had to be excluded from the list of general government units, they were included in EDP/GFS statistics via rearrangement of flows and stocks. This was also the case of 18 sport federations currently classified outside S.13. Since these entities are considered as other government bodies, Eurostat asked the Italian statistical authorities to report them accordingly in the EDP Questionnaire table 3 and to remove them from the Questionnaire table 13 on rerouting.

The main reason triggering appeals of units is the Law No. 196/2009 that prescribes the use of the list of units defined by ISTAT not only for statistical purposes but also for the delimitation of units that fall under the administrative and budgetary control by government. According to the Italian statistical authorities, some initiatives towards changing the law have already been launched however, this solution is considered as rather long-term with an uncertain outcome.

The measure introduced in 2020, i.e., the Article 23-quarter of Decree Law No. 137, converted into Law No. 176 of 18 December 2020 that indicated a list of entities not included in the amended list published by ISTAT according to the CoA's rulings, but nevertheless considered as part of general government for the calculation of general government deficit and debt, was challenged before the European Court of Justice by the CoA ⁽⁷⁾. Accordingly, the entities concerned cannot be considered as part of general government and thus do not have reporting obligations towards the national authorities, including ISTAT. At the time of the meeting, the Italian statistical authorities were waiting for the Court decision. In order to have an overview, Eurostat requested a note summarising the current situation with the closed, ongoing or potential court cases that contested the sector classification by ISTAT. The analysis should also include the data sources for such units and the current recording in national accounts.

Eurostat reviewed the list of government-controlled units classified in S.11 with results of the market/non-market test for 2018-2021 provided prior to the visit. From the list, Eurostat identified a list of units with results of the market/non-market test below 50% for all years and requested the Italian statistical authorities to reclassify these units inside general government in the April 2023 EDP notification. In the meeting, the Italian statistical authorities commented that some of these units were to be classified inside S.13. Eurostat recalled that these units should be reclassified into general government since the first year when the results of the market/non-market test were below 50% unless there are reasons for not doing so.

Furthermore, Eurostat pointed at a list of units in liquidation that also appeared on the list (some of them included already in the previous list because results of the market/non-market test were below 50%). The general rule from the MGDD was recalled, according to which, in the case of a public unit under a liquidation process, if it is known from the outset that the unit will progressively cease its productive activity, the reclassification in government should be undertaken in the year when the unit fails the 50 % criterion for

⁽⁷⁾ The article establishes also that the CoA's judgement should exclusively apply for purposes of budgetary surveillance of public units, not for statistical purposes.

the first time. The Italian statistical authorities committed to analyse the list of units and to report back to Eurostat.

Finally, Eurostat observed a list of units that were classified in NACE 84 ‘Public administration and defence services, compulsory social security services’ and recalled that the entities classified in this category should, by definition, be classified inside S.13, unless there is a specific reason for not doing so. The Italian statistical authorities committed to analyse the issue and to reclassify the concerned units if relevant.

Findings and conclusions

Action point 9: *The Italian statistical authorities will provide a note summarising the current situation with the closed, ongoing or potential court cases relating to the sector classification of units that contested the decision of ISTAT. The analysis should also include the data sources for such units and the current recording in national accounts.*

Deadline: end of February 2023 ⁽⁸⁾

Action point 10: *The Italian statistical authorities will report the sport federations as other government bodies in a dedicated row of the EDP Questionnaire table 3 and will remove the item from the Questionnaire table 13.*

Deadline: April 2023 EDP notification ⁽⁹⁾

Action point 11: *Eurostat identified a list of government-controlled units classified in S.11, with results of the market/non-market test below 50% in each year of the period 2018-2021. For the April 2023 EDP notification, the Italian statistical authorities will reclassify these units inside the general government sector, unless there are other reasons for not doing so in some specific and limited cases. This might be the case, for instance, for ancillary units of non-government entities, which should normally not appear in the list or should be flagged, specifying a controlling unit.*

Deadline: April 2023 EDP notification ⁽¹⁰⁾

Action point 12: *Similarly, Eurostat identified a list of government-controlled units classified in S.11 that were currently in liquidation. The Italian statistical authorities were requested to analyse these units and to reclassify them in the general government sector, unless there were other reasons for not doing so.*

Deadline: April 2023 EDP notification ⁽¹¹⁾

Action point 13: *The Italian statistical authorities will check the list of government-controlled units classified in S.11, reported in NACE 84 Public administration and*

⁽⁸⁾ The note was provided on 28 February 2023. The action point is closed.

⁽⁹⁾ The action point was completed in the April 2023 EDP notification.

⁽¹⁰⁾ A note on the results of the analysis was provided on 7 March 2023. The 50 units were reclassified inside general government starting from 2020 in the April 2023 EDP notification. For the years before 2020, the reclassification will be carried out in 2024 at the latest.

⁽¹¹⁾ A note was provided on 7 March 2023. The 83 units were reclassified inside general government starting from 2020 in the April 2023 EDP notification. For the years before 2020, the reclassification will be carried out in the benchmark revision at the latest (2024).

defence services, compulsory social security services, which should only appear in S.13 list due to the definition of NACE 84 category, and will proceed with the correct sector classification.

Deadline: April 2023 EDP notification ⁽¹²⁾

4.1.2. Classification and rerouting of operations of public financial entities

4.1.2.1. National development institutions and units engaged in financial activities (SACE, MCC, ISMEA, SIMEST)

4.1.2.1.1. Servizi Assicurativi del Commercio Estero S.p.A. (SACE)

Introduction

The sector classification of SACE was discussed in the two last EDP dialogue visit but, due to ongoing legislative changes, changes in its status and ownership, the discussion had not been finalised yet.

SACE is the export credit agency specialised in supporting companies and the national economy and a key partner to Italian companies exporting and growing in foreign markets. Until 21 March 2022, it was 100% subsidiary of *Cassa Depositi e Prestiti* (CDP) and, currently, it is 100% owned by the Italian MEF. ISTAT classified SACE in S.12.

Eurostat revisited the sector classification of SACE, following the change in the ownership and in the risk-sharing mechanism that was completed in 2022.

Discussion

In the beginning, Eurostat stressed that the sector classification of SACE had been discussed for several years and, therefore, there was a clear need to finalise the issue in this EDP dialogue visit, and even more so after the change in the organisation and business model of the company had been completed in 2021. In addition, some new elements such as the change in the ownership of SACE in 2022 and the presence of government officials in the SACE's Board of Directors (BoD) had also to be considered as important elements for the statistical analysis.

As already mentioned, the MEF is the 100% owner of SACE since March 2022. The BoD, renewed in May 2022, is currently composed of nine members, including three public officials. Although the public officials do not represent a majority of BoD' members and do not have a veto power, they might have significant influence on SACE's business decisions.

Another important body of SACE is the Export Public Support Committee that consists of six members who are all representatives of various Ministries. The main tasks of the Committee are the following: (1) to approve the annual activity plan, (2) to express an

⁽¹²⁾ A note was provided on 7 March 2023. The 20 units were reclassified inside general government starting from 2020 in the April 2023 EDP notification. For the years before 2020, reclassification will be carried out in the benchmark revision at the latest (2024).

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) to supervise the proper functioning of the government support to the export credit insurance. The Committee is not an internal body of SACE but has nonetheless rather significant powers concerning the approval of strategic documents and decisions on some significant operations. In particular, it is required that some specific sectors have to be represented in the annual activity plan, thus determining the strategic objectives of SACE.

Concerning the operations implying a high concentration of risk, it was clarified by the SACE's representative that it mainly concerned the transactions of more than EUR 600 million. In such case, the transaction has to be approved by the Committee and adopted by a MEF Decree. Eurostat noted that this approval process seemed to be similar to a veto right. According to the SACE's representative, none of the operations realised until now had been rejected by the Committee. The predominant portion of SACE's operations, in terms of volume, comprises those that necessitate approval from the Committee and a MEF Decree, notwithstanding the fact that, in terms of sheer numbers, most operations do not require such approval.

According to the previous model valid until 2020, the Italian government granted a last resort guarantee to SACE within the limits of the Budget Law and, since 2015, it also guaranteed 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 benefited from (1) a 10% guarantee on the entire SACE's portfolio and from (2) an exceeding guarantee that was granted, at the request of SACE, on a case-by-case basis and within pre-established limits. The latter was undertaken by a MEF decree for the operations, where the maximum level of risk was reached (concentration thresholds).

The measures undertaken by the Italian government, notably the Decree Law No. 23/2020, have broadened the scope and activities of SACE beyond the traditional export credit support and have also significantly amended the arrangement between SACE and the MEF, notably in relation to export insurance. In particular, the current SACE's activities include, apart from the traditional export insurance business, also the management of guarantee schemes conducted on behalf of government and with economic resources coming from the State: the guarantees for investments provided to enterprises (both large and small and medium-sized) and the guarantees for green projects. By this change, SACE became a key player in providing guarantees for green projects in Italy.

The 2020 legislative amendments concerned several elements. First, provisions of Article 3 of the Decree Law 23/2020 converted into Law 40/2020 (*'Decreto Liquidità'*), changed the governance of SACE (still without changing the ownership from CDP to the MEF) and implied that SACE was not anymore subject to the management and coordination by CDP and was obliged to consult in advance with the MEF on specific business and corporate decisions relevant to the effective implementation of measures. Second, the risk sharing mechanism was reversed, i.e., in the new model, the MEF assumed 90% of the risks/rewards (instead of 10%). The MEF, first, reinsured 90% of the commitments (both principal and interest) that existed in the balance sheet of SACE as of 8 April 2020 (date of approval of Decree Law 23/2020). According to the legislation, the MEF also reinsured, with some exceptions, additional insurance commitments undertaken by SACE between 8 April and 31 December 2020, i.e., in the period between the effectivity of the Decree Law and the date when the new mechanism took effect (in 2021). Finally,

starting from 1 January 2021, a new business model was introduced where SACE co-insured new commitments with the MEF where the latter one covered a major part of the risk (new 90/10 ratio).

SACE has a strategic role in supporting the Italian companies in their internationalisation and, in 2020, it was entrusted with new initiatives that were mainly aimed at increasing the liquidity of companies affected by the COVID-19 pandemics, at ensuring short-term commercial credits and at facilitating investments towards the green economy. These new developments expanded SACE's activities carried out on behalf of the Italian government and, at the same time, limited the activities realized at its own risk, while increasing those carried out at the risk of government. As a result, after a significant expansion of SACE's activities, mainly in the context of public policy objectives and under the close monitoring by the MEF, the Italian government decided to take over a majority of risks relating to SACE's activities. According to the data provided by the Italian statistical authorities, the government's risk exposure on the total portfolio of stocks increased due to the implementation of the new regulatory framework from 36% in 2019 to 72% in 2020 and 74% in 2021.

The Italian statistical authorities argued that the SACE's involvement in other activities than the export credit insurance might be linked to the negative effects of the COVID-19 pandemic on the Italian economy and, therefore, might have only a temporary character. Although the specific agreement between SACE and MEF defining the new mechanism was signed in November 2020 for a period of ten years, there was still a possibility according to the Italian statistical authorities that it might anytime change. Eurostat took note of this information but stressed that the statistical analysis had to be based on the current situation, i.e., that the new mechanism will be valid for the following 10 years and that SACE is fully owned by government. Eurostat also remarked that, in case of any amendments, the current conclusion might be revisited.

Eurostat enquired about the deposits assets with credit institutions (EUR 31 billion) disclosed in the SACE's balance sheet for 2021. The Italian statistical authorities explained that these were funds paid by the MEF on SACE's current account and held by the Italian Treasury (deposited in the Bank of Italy). A counterpart entry of the same amount was recorded on the liability side as 'miscellaneous liabilities'. These resources, although not actually transferred, are available to SACE for financing the operations undertaken on behalf of government (mainly the projects of '*Garanzia Italia*' that is currently the major part of the SACE's business). In 2021, the total liabilities of SACE amounted to EUR 45.8 billion, of which EUR 31 billion represented this fund. This special deposit provided by government therefore constituted a majority of financing resources of SACE.

Eurostat also drew attention to the recent press articles announcing that SACE could be involved in providing guarantees to the energy distributor Enel S.p.A. The company that was significantly exposed to risks in the derivative market, was in negotiations with banks on a new state-backed credit line for several EUR billions to cover derivative risks linked to rising energy prices. According to the press articles, SACE would provide guarantees for around 70% of the total amount. Eurostat commented that a possible involvement of SACE in this operation would additionally point towards the increasing role of SACE in implementing the public policy objectives.

In relation to the sale of SACE's shares from CDP to the MEF, Eurostat asked about the sale price and about how the sale was reflected in the balance sheet of the SACE Group.

The Italian statistical authorities clarified that, in the view of a future sale of SACE from CDP to the MEF, the equity investments in SACE were reclassified in CDP's accounts from the item 70 'Equity investments' to the item 110 'Non-current assets and disposal groups held for sale', which however decreased in 2021 the accounting value of the equities and, accordingly, the sale price from EUR 5 492 million to EUR 4 251 million. According to the CDP's representatives, the revaluation of the sale price shortly before the sale, was in accordance with the accounting principles and the difference of EUR 1 241 million reflected the change from the carrying value to the sale price. It was further explained that the change was observed only at the level of subsidiaries while no change in valuation appeared at the level of the CDP Group. As explained further, the sale price was determined by an independent advisor and reflected the immediate market value of the company.

Finally, Eurostat concluded that, unless there were significant changes to be implemented in SACE's governance and business model by the beginning of February 2023 (to be closely analysed by Eurostat in such case), SACE should be reclassified inside the general government sector in the April 2023 EDP notification. The reclassification of the entity will be confirmed by an advice letter of Eurostat addressed to the Italian statistical authorities before the national publication of EDP data on 1 March 2023.

Findings and conclusions

Action point 14: *Concerning SACE, the export credit agency, Eurostat pointed at several important elements to be considered in the assessment of the sector classification of the entity: (i) a direct ownership by the MEF since March 2022, (ii) a change in the governance, where currently three out of nine members of the BoD were government officials, and the government control over SACE's operations through the Export Public Support Committee having veto powers, (iii) the change in the risk sharing mechanism implying 90% of risks to be borne by government (instead of 10% before), (iv) the fact that 75%-80% of commitments of SACE were covered by the MEF through co-insurance or reinsurance and (v) a predominant share of activities performed on behalf of government. Furthermore, Eurostat emphasized the necessity to finally conclude four years of discussions, particularly after crucial legislative changes impacting the SACE's status, were implemented in 2020 and 2021.*

Eurostat therefore informed the Italian statistical authorities that, unless there were significant changes to be implemented in SACE's governance and business model by the beginning of February 2023 (to be closely analysed by Eurostat), SACE should be reclassified inside the general government sector in the April 2023 EDP notification. The reclassification of the entity will be confirmed by an advice letter of Eurostat addressed to the Italian statistical authorities before the national publication of EDP data on 1 March 2023.

Deadline for the decision on the sector classification of SACE: beginning of February 2023 ⁽¹³⁾

Deadline for the Eurostat's letter: 15 February 2023 ⁽¹⁴⁾

⁽¹³⁾ SACE was reclassified inside general government for the years 2021 and 2022 in the April 2023 EDP notification. Concerning the year 2020, SACE will be included in S.13 in the benchmark revision.

4.1.2.1.2. *Mediocredito Centrale - Banca del Mezzogiorno S.p.A. (MCC)*

Introduction

The MCC is a public financial institution currently classified in S.12. The MCC is 100% owned by Invitalia S.p.A. (classified in S.13) since August 2017. Invitalia is the National Agency for Inward Investment and Economic Development. The MCC's objective is to facilitate the access to credit for SMEs and to promote policies in favour of the economic growth.

The sector classification of the MCC was already discussed in the 2021 EDP dialogue visit, after the MCC carried out some operations, for which the bank received a mandate from government. In the follow up discussion, it was decided to monitor the MCC's activities and to re-discuss the issue when relevant.

Discussion

The MCC Group has a 96.8% ownership in *Banca Popolare di Bari (BPB)* and 73.6% in *Cassa di Risparmio di Orvieto*. The MCC became a majority owner of the BPB in 2020 when it received from government a mandate via a MEF Decree to rescue the BPB, which was under extraordinary administration, with a capital injection of EUR 430 million. The transaction was rearranged via government accounts and recorded as a capital transfer (D.9pay) in 2020.

Eurostat took note that the MCC has a significant role in promoting economic recovery in less developed regions by financing SMEs based in the Southern Italy that otherwise would not have access to credit. During the COVID-19 pandemic, the MCC was entrusted to implement some of the liquidity support measures approved by the Italian government.

The MCC has a two-tier board structure: the Board of Directors (BoD) currently composed by five members and the Supervisory Board made up of three members (plus two alternate members). Currently, three members of the BoD are managers of Invitalia that is the parent company classified in S.13. Eurostat recalled the MGDD rules for the rearranging of transactions carried out by non-government units when they act as 'government agents' or at government's request. Accordingly, if the general government officials are the majority of members in investment committees (i.e., in the Board of Directors in this case), it is considered as a sufficient criterion for rearranging the transactions via government.

The Italian statistical authorities explained that the MCC's activities were mainly focused on: (i) the credit support provided mainly to SMEs in a form of loans or innovative financial instruments (i.e., basket bonds) that is recorded 'on-balance sheet' of government, and (ii) the management of Facilitating Funds (Development Interventions), leading temporary groupings of companies (*Raggruppamento temporaneo di imprese - RTI*) and promoting several public lending-facilitating financial instruments – this activity is recorded as 'off-balance sheet'.

Concerning the latter case, the MCC manages, on behalf of the Ministry of Economic Development (MISE), the Guarantee Fund for SMEs and the Sustainable Growth Fund.

⁽¹⁴⁾ The advice letter on the sector classification of SACE was published on Eurostat's website on 24 February 2023 at the following link: [8fa458e4-c8c0-c0a5-4647-1ab7f8ab339b \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1&code=8fa458e4-c8c0-c0a5-4647-1ab7f8ab339b)

Within the Guarantee Fund for SMEs (*Fondo di Garanzia*), the MCC provides a guarantee to partially insure the credits granted in favour of SMEs, with a coverage of up to a maximum of 80% of the financed amount. The management of this Fund was awarded to the MCC in 2010 through an open tender organised by the MISE.

The Sustainable Growth Fund (*Fondo Crescita Sostenibile*), managed by the MCC on behalf of government, aims at providing financial instruments (subsidized loans and grants) to promote and support research, development and innovation projects carried out by SMEs and co-financed by EU funds.

In the ISTAT's presentation delivered during the meeting, Eurostat noticed that the funds managed by the MCC on behalf of government (off-balance sheet) increased from EUR 5.7 billion (of which EUR 5.3 billion for the Guarantee Fund) in 2018 to EUR 17.3 billion (EUR 17.1 billion relating to the Guarantee Fund) in 2021. In addition, revenues from the management of funds were higher (83% of total revenues) than the revenues from credit activities (16%) in 2021.

As concerns the investment decisions, the Italian statistical authorities clarified that the decisions on single operations relating to the management of government funds are taken by the Committee composed of the representatives of the MEF (one person), MISE (two persons), Inter-ministerial Committee for the Economic Planning (CIPE, one person) and of two associations of industries.

Eurostat also enquired about the deposit taking activities and, in particular, whether the MCC accepted deposits from the public or only from the clients/companies benefiting from loan agreements. The Italian statistical authorities committed to investigate and to provide this information after the meeting.

Eurostat concluded that the sector classification of the MCC should be reviewed taking into account a number of elements raised in the discussion, i.e., that the majority of members in the MCC's BoD are public officials, that the share of activities carried out on behalf of government seems to be prevailing over those carried out at its own risk and the limited autonomy of decision about the strategic objectives and investment operations.

Findings and conclusions

Action point 18: *Eurostat followed up on the sector classification of MCC and pointed to new elements such as the increasing proportion of funds managed on behalf of government in recent years (from EUR 6 bill to EUR 17 bill) and a majority (three out of five) of members of the BoD being public officials (managers of Invitalia, classified in S.13). The Italian statistical authorities will provide an analysis of the sector classification of MCC, reflecting on all the points raised by Eurostat in the meeting, including the information about deposit-taking activities of MCC (e.g., if deposits are open to general public or only to companies benefiting from loans provided).*

Deadline: end of June 2023 ⁽¹⁵⁾

⁽¹⁵⁾ The note was provided on 28 June 2023. The issue is being discussed.

4.1.2.1.3. Istituto di Servizi per il Mercato Agricolo Alimentare (ISMEA)

Introduction

ISMEA is the Institute of Services for the Agricultural Food Market, a public economic body currently classified in S.11. The main activity of ISMEA is to provide information, insurance and financial services and to grant financial guarantees in order to promote Italian agricultural enterprises. The entity is under the supervision of the Ministry of Agricultural, Food and Forestry Policies (MIPAAF).

Discussion

Prior to the visit, the Italian statistical authorities provided a note on the governance and main activities of ISMEA, with a remark that it was a preliminary analysis and further investigation of this entity was needed.

Concerning the governance, the ISMEA's President is appointed by a Decree of the Italian President, on the proposal of the President of the Council of Ministers. The Board of Directors is composed of the President and four members chosen among experts in the administration or in the sector of activity of the entity, appointed by the MIPAAF. One of those experts is designated by the Conference of Presidents of the Regions and Autonomous Provinces. It was not known whether any of the BoD's members was a government official.

In its presentation, the Italian statistical authorities informed about the main activities of ISMEA. In particular, ISMEA received originally the mandate to carry out the information and statistical services, research, analysis and information services for the marketing, exploitation and promotion of agricultural, fish and food products and other instrumental services. Since 2001, ISMEA took over the reorganization and land re-parcelling activities from the Agricultural Development Agency and, since 2005, it also took over the management of the '*Fondo per la riassicurazione dei rischi in agricoltura*'. Since 2016, ISMEA supports the agriculture companies through loans and equity instruments and by providing guarantees. In recent years, ISMEA extended its portfolio of guarantees to support, on behalf of government, the agricultural enterprises affected by the negative impact of the COVID-19 crisis and high energy prices.

The main client of ISMEA seemed to be the MIPAAF, followed by Regions and private entities. ISMEA manages funds on its own behalf (recorded as on-balance) and on behalf of government (off-balance). Regarding the latter, ISMEA has a separate accounting and, in national accounts, these funds are rearranged via government accounts.

The Italian statistical authorities provided detailed information about the guarantees provided by ISMEA to agricultural enterprises or to their associations. First, the 'ordinary' direct guarantee is provided at first demand at market conditions in agricultural and fishing sectors and it is backed by a government guarantee. Second, the 'extraordinary' direct guarantee was mainly provided in the context of the COVID-19 and high energy prices measures, free of charge. Third, the 'subsidiary guarantee' covers (subsidized) loans granted by commercial banks. The guarantee is mandatory. The guaranteed companies as well as the banks have to pay the guarantee fees. Fourth, the 'portfolio guarantee' covers a certain share (not exceeding 80%) of the first losses incurred on a portfolio of loans granted by a single bank, up to a maximum of 6% of the portfolio.

Eurostat noticed that, since June 2023, ISMEA had the possibility to convert a part of the loans provided to agricultural enterprises into a direct grant, provided that the beneficiary paid an early repayment of 65% of the nominal value of the loan by 30 April 2023. In such case, 35% of the nominal value of the loan might be converted, i.e., provided in a form of a subsidy, without a repayment. The measure, approved by the DG COMP, concerns only the loans granted by 30 June 2021. Following Eurostat's question, the Italian statistical authorities confirmed that the losses incurred by ISMEA from such conversions would be covered by the government.

Regarding the re-parcelling, ISMEA provides support by acquiring agricultural land and its assignment mainly to young farmers for the duration of the provided loan. The beneficiaries might become the owners of the land after the loan is fully repaid to ISMEA. In other case, ISMEA remains the owner of the land (mechanism of the 'retention of title' - *patto di riservato dominio*). Due to negative effects of the COVID-19 crisis on the liquidity of enterprises, a significant portion of the land could not be acquired by farmers from ISMEA. Since it could not be directly observable from the balance sheet of ISMEA, Eurostat wondered in which category of assets on the balance sheet of ISMEA the land was recorded.

Finally, Eurostat requested the Italian statistical authorities to analyse the sector classification of ISMEA, reflecting also on the elements mentioned in the discussion. The analysis should, in addition, clarify whether ISMEA had pre-emption right to purchase the land.

Findings and conclusions

Action point 16: *The Italian statistical authorities presented a first analysis of the activities of ISMEA, a public entity established by the Ministry of Agriculture, Food and Forestry Policies. Eurostat acknowledged that a further investigation was needed, in particular focusing on the following elements: (i) ISMEA's governance and the possibility that members of the BoD were government officials, (ii) government seemed to be the main client of ISMEA, (iii) ISMEA was obliged by legislation to convert 35% of direct loans to grants if beneficiaries repaid 65% of the principal and (iv) ISMEA seemed to carry out semi-government functions such as re-parcelling and management of land and (v) it was also involved in some government measures in the context of the COVID-19 crisis. The Italian statistical authorities will analyse all elements described above, including clarifying whether ISMEA have pre-emption powers to purchase land.*

Deadline: end of June 2023 ⁽¹⁶⁾

4.1.2.1.4. SIMEST

Introduction

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 by providing financial support to Italian exporters.

⁽¹⁶⁾ The note was provided on 6 July 2023. The issue is being discussed.

The sector classification of SIMEST was discussed in the 2021 EDP dialogue visit. The entity was considered as a borderline case and it was therefore decided to monitor its governance, type of activities and the share of on-balance vs. off-balance (funds managed on behalf of government) activities.

Discussion

Eurostat followed up on the sector classification of SIMEST and recalled the elements that currently pointed to the possible reclassification of the entity inside general government.

Since 2016, SIMEST was owned by SACE S.p.A. In 2022, within the reorganisation of SACE (discussed above), the SACE's ownership (76%) of SIMEST was transferred to CDP, in exchange of a payment in cash. Thus, the current shareholders of SIMEST are CDP (76%) and other minor owners (in total 24%), namely Unicredit, Intesa Sanpaolo, Banca Popolare di Vicenza in liquidation, ENI, MPSB, Banco BPM, federations, associations, etc.

The Board of Directors (BoD) is composed of seven members. Five members are appointed by the majority shareholder and two are appointed by the Ordinary Assembly. The BoD was renewed on 27 June 2022 for the period 2022-2025. The Chief Executive Officer is appointed in the Assembly by the majority shareholder.

The Italian statistical authorities clarified that SIMEST's main business was to carry out the activities to promote and support the international projection as well as the development and competitiveness of Italian enterprises by (i) acquiring, on market terms and using its own resources, temporary and minority shareholdings in companies promoted or participated by Italian companies, based on strict criteria of economic viability of the initiatives (on balance activity) and by (ii) managing, on behalf of government, public funds to favour the internationalization processes and exports of Italian enterprises (off balance activity). In relation to the latter one, SIMEST manages on behalf of government four funds providing financial resources to Italian export companies through export credits and partial financing of acquisition of equity in foreign companies with participation of SIMEST, subsidized loans and granting non-refundable co-financing in addition to the loan.

The Italian statistical authorities acknowledged that most of the SIMEST's operations are carried out on behalf of the government (83% of total portfolio in 2021). The trend was rising since 2017 and has significantly increased in 2020 and 2021 mainly due to the operations undertaken in the context of the COVID-19 emergency, where SIMEST was significantly involved. Since 2022, SIMEST provides assistance to the Italian exporters affected by the war in Ukraine.

Eurostat noticed that, according to Article 5 of the SIMEST's Statute, the SIMEST's activities should be performed in accordance with the decisions adopted by inter-ministerial economic planning Committee (CIPE – *Comitato Interministeriale per la Programmazione Economica*) and with guidelines defining particular economic sectors, geographic areas and priorities of interventions. In relation to the distribution of subsidies, which is a significant part of the business, SIMEST seemed to be rather an auxiliary unit of government, having little or no powers on decision-making.

Eurostat concluded that, on the basis of the available information and the elements mentioned in the discussion, SIMEST should be reclassified inside general government

for the years 2019-2022 in the April 2023 EDP notification and for the previous years in the next benchmark revision in 2024.

Findings and conclusions

Action point 17: *Concerning SIMEST, previous discussions as well as current results point to the fact that the prevailing activity of SIMEST is the management of funds on behalf of government, implying insignificant risk for the entity itself. The government, as the only client, provides support through SIMEST to Italian exporters using a variety of financial instruments financed from public funds. The Italian statistical authorities will reclassify SIMEST inside the general government sector for the years 2019-2022 in the April 2023 EDP notification and for the previous years in the next benchmark revision.*

Deadline: April 2023 EDP notification for years 2019-2022 (¹⁷)

Deadline: next benchmark revision for previous years

4.1.2.2. Cassa Depositi e Prestiti (CDP)

Introduction

Cassa Depositi e Prestiti (CDP) is the third largest Italian bank, predominantly owned by government (82.8% MEF, 1.3% Treasury, 15.9% banking foundations). In 2015, it was assigned a role of National Promotional Institution. CDP is currently classified in S.12 and is monitored for any potential activities that could be undertaken on behalf of government.

The activities of CDP are divided into two different management lines. First, the 'Separate Account' manages financial resources obtained from postal savings deposits. Those funds amounted to EUR 281 billion in 2021 and 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.

Discussion

First, Eurostat recalled that all CDP's and its subsidiaries' activities have to be continuously monitored for any cases of transactions that might be carried out on behalf of government and, therefore, rearranged via government accounts. Following Eurostat's enquire, the CDP's representatives clarified that all operations realised with the government sector, such as the issuance of social bonds, social housing, support of the southern Italian regions and advisory activities (e.g., realisation of the Resilience and Recovery Facility projects) were remunerated and profitable. As further explained, CDP uses the market funding to support various regional activities as, for instance, the

(¹⁷) The action point was completed in the April 2023 EDP notification.

issuance of three social bonds in 2021, each for EUR 500 million, to support the Italian SMEs and Mid-caps in disadvantaged regions of southern Italy, young and female entrepreneurs, etc. Regarding the RRF projects, CDP will be involved in the consultancy services to infrastructural and social investment projects for EUR 7 million.

In its presentation, the Italian statistical authorities informed Eurostat about the recent activities that were reviewed in this relation. Concerning the sale of CDP's share in SACE (100%) to the MEF in March 2022, Eurostat wondered whether the transaction was not a result of the growing importance of SACE in supporting the Italian companies and of the need to transfer risks to government in this context. The CDP's representatives however, reasoned that the sale was rather related to the consolidation of activities in the area of export and internalisation of the Italian companies as well as to rationalise the governance of the company. On the contrary, the acquisition of SACE's share in SIMEST (76%) by CDP was realised in order to strengthen the operating synergies at the Group level.

Other activities mentioned in the presentation included the establishment of the Italian Climate Fund that will be managed by CDP to fulfil the Italian commitments in the context of the international climate agreements. The *Fondo Nazionale dell'Abitare Sostenibile* (FNAS) that is managed by *CDP Immobiliare SGR* on behalf of government is aimed to support housing and community services, with particular reference to social, student and elderly housing initiatives.

Eurostat enquired about the acquisition of an 88% stake in *Autostrade per l'Italia* (ASPI) from Atlantia S.p.A. in May 2022. The remaining 12% is owned by institutional investors. The sale was realised through the special purpose vehicle *Holding Reti Autostrade* (HRA). The HRA is owned by CDP Equity (51%), which is a CDP's subsidiary, and by two private investors Blackstone (24.5%) and Macquarie (24.5%). The sale price of the 88% stake was EUR 8.2 billion.

In 2021, three years after the collapse of the Morandi Bridge in Genova, the Italian State, represented by the Ministry of Sustainable Infrastructure and Mobility, and ASPI signed a Settlement Agreement after investigation of serious non-compliance with the obligations of maintenance of the motorway network by the ASPI concessionaire. The Agreement, in accordance with the Economic and Financial Plan, provides for an investment program on the entire motorway network managed by ASPI for EUR 13.6 billion, of which EUR 2.5 billion for extraordinary maintenance to be carried out by 2024, as well as the strengthening of supervisory and control activities, the implementation of IT systems to support mobility management, the increase in penalties even in the event of slight violations by the Concessionaire, the acceptance of the tariff discipline introduced by the Transport Regulation Authority, with a significant moderation of the tariff dynamics on the entire motorway network. The Agreement also foresees the sale of the entire stake of Atlantia in ASPI and EUR 3.4 billion paid to the State as a compensation for the collapse of the bridge and the potentially very serious consequences on the Italian economy of a possible bankruptcy of ASPI, resulting from the possible revocation of the concession.

In March 2022, the Italian Court of Auditors (CoA) published an Opinion⁽¹⁸⁾ on the ASPI case, to which Eurostat referred in the meeting. In particular, the document

(18) <https://www.corteconti.it/HOME/Documenti/DettaglioDocumenti?Id=aae5e089-bcad-4235-bdc8-6ad2abe1e5a8>

analysed the change of the ownership of ASPI from Atlantia to the consortium of companies (HRA), the Settlement Agreement concluded between the Italian State and ASPI and the III Additional Act to the concession contract that prolonged the concession, including the changes in the tariff system. The CoA in its report stated that if the concession would be withdrawn, two possibilities could have happened, both having a negative impact on the country: a direct impact due to the compensation of EUR 20 billion paid by State to the concessionaire for an early termination of the concession or an indirect impact due to a possible liquidation of ASPI having negative consequences on performance of the motorway network, shareholders, bondholders, employees, etc. In this context, the CoA concludes that the State seemed to be rather forced to not terminate the concession contract and to agree with Atlantia on the sale of a stake in ASPI due to the public interest. The CoA's Opinion further continues that, from the point of view of the impact on public finances, the purchase of ASPI (88%) should not be realised directly by the State. Eurostat therefore wondered if CDP had received from government a mandate for this acquisition. The CDP's representatives argued that the purchase of ASPI was considered a profitable investment confirmed by the participation of other two private investors looking for a similar business opportunity. By this operation, CDP thus expanded the investment portfolio in the area of the strategic infrastructure (e.g., Open Fiber). As further explained, the investment in ASPI represented a profitable transaction expected to generate a stable cash flow in future years.

In relation to the acquisition price of EUR 8.2 billion, the Italian statistical authorities provided a number of arguments for considering the acquisition price as determined on a market basis. In particular, it is the participation of two private funds that also confirmed the market value of the company. In addition, several legal, financial and technical independent consultants participated in defining the price. Following Eurostat's question, it was indicated that no other offers were received for the sale of the shares in ASPI, except from HRA.

Concerning the control of the HRA, the CDP's representatives thought that although CDP owns 51% of shares in the vehicle, it needed the remaining two private shareholders to decide on important issues. Eurostat requested the Italian statistical authorities to investigate the presence of public control in the HRA by looking at the decision-making process in the company. If the presence of public control in HRA is confirmed, the recording of the concession contract should be accordingly reviewed, considering the fact that ASPI might have become a public entity.

The Italian statistical authorities informed about a funding scheme established in May 2021 as an instrument of the MEF and managed by CDP to support large Italian companies. The main objective of *Patrimonio Rilancio* is to provide to various types of beneficiaries the funds received from the MEF, establishing a number of different investment funds. In the CDP's balance sheet, these funds are recorded as separated from CDP's assets. The *Fondo Nazionale Supporto Temporaneo* will provide support to companies through various financial instruments such as the equity instruments, subordinated bond loan, convertible/non-convertible subordinated bond loans, etc. The *Fondo Nazionale Strategico* intends to use a similar kind of interventions but to listed companies with market capitalization more than EUR 250 million. The *Fondo Nazionale Ristrutturazioni Imprese* aims to support companies in temporary financial difficulties but with expectation of future profitability. The maximum endowment of *Patrimonio Rilancio* is set at EUR 44 billion. The initial contribution was provided in a form of government bonds for EUR 3 billion in 2021.

In 2022, the *Patrimonio Rilancio* already provided financing for an amount of EUR 370 million. The Italian statistical authorities clarified that these transactions would be included in the working balance in EDP table 2 (and excluded as financial transactions, except if recorded as capital transfers). It was also confirmed that the contribution of EUR 3 billion in bonds would be recorded as government debt.

Regarding the recording of the interventions in national accounts, Eurostat recalled that the support provided by the Fund in a form of loans and capital injections had to be treated according to ESA rules, as if they would be undertaken by government itself. In the April 2023 EDP notification, the Italian statistical authorities committed to report to Eurostat on the recording of the operations carried out in 2022.

Findings and conclusions

Action point 15: Eurostat took note of the explanations of the Italian statistical authorities and of the CDP representatives on the acquisition of an 88% ownership by CDP Equity in ASPI, through a special purpose vehicle, in 2022 and wondered whether the operation might have some features of being undertaken on behalf of government. The Italian statistical authorities will therefore reflect on the information available and on the elements raised in the meeting, including the opinion of the Court of Auditors (*Corte dei Conti: Deliberazione n. SCCLEG/2/2022/PREV*), and will report to Eurostat on whether the operation was carried out on behalf of government and has to be thus rearranged through government accounts.

Separately, the recording of the concession contract will have to be reviewed, considering the fact that ASPI might have become a public entity. The Italian statistical authorities will verify the public nature of ASPI and, if confirmed, the recording of the concession contract.

Deadline: end of February 2022 ⁽¹⁹⁾

Action point 20: Concerning the *Patrimonio Rilancio*, managed by CDP on behalf of government, Eurostat recalled that the support provided by the Fund in a form of loans and capital injections had to be treated according to ESA rules, as if they would be undertaken by government itself. In the April 2023 EDP notification, the Italian statistical authorities will report to Eurostat on the recording of operations carried out in 2022.

Deadline: April 2023 EDP notification ⁽²⁰⁾

4.1.3. Government controlled entities classified outside general government

Introduction

Prior to the visit, the Italian statistical authorities sent to Eurostat the Questionnaire on government-controlled entities classified outside general government, reporting the data

⁽¹⁹⁾ The note was provided on 28 February 2023. The action point is being discussed.

⁽²⁰⁾ The note was provided on 31 March 2023. The recording of these operations will be continuously monitored.

for the reference year 2020 or for previous years, if the recent data were not yet available. The Questionnaire included 4 045 units, of which 67 units were classified in S.12. No government-controlled entity was classified in S.15 (Non-profit institutions serving households) and S.2 (Rest of the world). The total liabilities of all reported entities amounted to EUR 1 113 899 million. Out of 4 045 units, 176 units reported liabilities more than 0.01% of GDP, which equalled to EUR 1 076 069 million, i.e., 65.1% of GDP.

Discussion

Eurostat reviewed the list of units reported in the Questionnaire and took note of the information.

Findings and conclusions

Eurostat thanked to the Italian statistical authorities and took note of the information reported.

4.2. Implementation of accrual principle

4.2.1. 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 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.

In view of the forthcoming update of the MGDD, Eurostat focused on the recording of tax credits and mainly on the new tax credits having features of transferability, deferability and the possibility to use them to offset the total fiscal debt of the taxpayer.

Discussion

Under this agenda point, Eurostat focused on the recording of the two tax credits introduced in the context of the COVID-19 crisis – Superbonus 110% and the tax credit for adaption of workplaces. Since the April 2021 EDP notification, both tax credits were provisionally recorded as non-payable tax credits, waiting for the revised MGDD chapter on the recording of tax credits to be available. Furthermore, the discussion also covered

11 new tax credits recently introduced by the Italian government to alleviate the impact of the high energy prices on companies and households.

The Italian statistical authorities described the basic features of the existing tax credits and the available data sources. They also pointed at possible practical implementation issues in the context of the forthcoming MGDD chapter on tax credits, as regards the recording of the energy tax credits but also of the Superbonus 110% and Transition 4.0 tax credit.

In relation to the draft updated MGDD chapter on the recording of tax credits, Eurostat stressed that the consultation was still ongoing and the results were expected before the end of 2022. In addition, it was underlined that the clarification of the existing rules, covered in the updated MGDD chapter on tax credits, was clearly aimed to provide elements for distinguishing payable from non-payable tax credits. Mainly in the recent period, Eurostat observed in Member States cases of tax credits that represented a genuine expenditure of government even though they were considered as non-payable from a formalistic point of view. The intention of the updated MGDD chapter (and of ESA) is therefore to prevent the recording of various forms of government support, such as subsidies, investment grants or social benefits, as a reduction of tax revenue only for the sole reason that they are transiting via the tax system. Such tax credits have a form of payable tax credits and should be recorded as government expenditure.

It was acknowledged that all energy tax credits were transferable to other beneficiaries, if not used by an original taxpayer, and could also be used to offset the total fiscal debt (and not only the underlying tax). These features thus might imply the classification of these tax credits by ISTAT as payable. As concerned the time of recording, it was explained that if the expenditure eligible for obtaining such tax credit was incurred in 2022, the taxpayers were allowed to use the tax credit in the course of 2022 or by the end of March 2023 ⁽²¹⁾ in some specific cases. Eurostat understood that, as regards the energy tax credits, the rules on the time of recording of payable tax credits, as introduced by the updated MGDD chapter, should not imply major recording difficulties in the Italian government accounts.

The Italian statistical authorities however thought that the situation was different in the case of Superbonus 110%, Transition 4.0 tax credit and some other tax credits, mainly for the cases of those where the possibility to transfer the tax credit and thus also the available data did not exist. As further clarified, only in the situation of transferring the tax credit, the Revenue Agency was timely informed about the amount of tax credit earned (through the Communication platform) and before the tax credit was going to be used. In other cases, data on earned tax credits were usually available with a delay of two years, i.e., in February T+2 for the expenditure incurred in year T and declared in T+1. The amounts of tax credits earned, thus, could only be available as estimations. According to the Italian statistical authorities, the latest available information indicated that a non-negligible amount of Superbonus 110% would be lost and, therefore, ultimately not paid by government, although the Italian statistical authorities also wondered when the amount lost is considered negligible. Eurostat took note of this information but emphasised that, in general, from a methodological point of view, it was unacceptable to delay the recording of government expenditure (and impacting B.9 for a correct amount) by two years. Eurostat thought that an estimation of expenditure to be paid by government due to the tax credit, taking into account the amount possibly to be

⁽²¹⁾ Later on extended to 30 September 2023.

wasted, should exist and thus should be recorded at inception. If final data are available later on, possible revisions of the estimations for non-sizeable amounts in the following years might be accepted.

Following Eurostat's enquiry, the Italian statistical authorities clarified the details of submitting the form used by taxpayers for the self-liquidation of taxes (so-called F24 form) and the procedure of claiming the tax credit. In a normal situation, a taxpayer submits the F24 form reporting all his tax obligations (by individual tax but grossed up) and, at the same time, transfers the net amount of the total tax obligation, after deduction of tax credits or refunds, to the bank. In approximately six days, the Revenue Agency should have received the information about the total fiscal debt of the taxpayer, including the used tax credits. The F24 form can be used on an annual basis or on a monthly or quarterly basis depending on the type of tax and on the type of taxpayer (on an annual basis by individuals and small enterprises or on a monthly or quarterly basis in case of medium and large companies). Instead, the tax declaration is in general submitted on an annual basis and the data on tax revenues paid by the taxpayer are available only since December of T+1.

Superbonus 110%

Superbonus 110% is provisionally recorded as a non-payable tax credit in the Italian government accounts. In the particular case of Superbonus 110%, granted to individuals for the realisation of energy efficiency measures, the beneficiary has two options. First, if used by an original taxpayer to reduce their own tax liability, the beneficiary uses it in the tax declaration (that can be submitted starting from June T+1, following the year when the energy efficiency measures were carried out (year T), and then pays the tax due through the F24 form, deducting the tax liability by the amount of the tax credit (in a proportional annual amount, i.e., one fourth/one fifth). Second, if opted for the transfer of the tax credit to a service provider or to a financial institution, the original taxpayer informs the Revenue Agency before March of year T+1 (T is the year when the energy efficiency measures were carried out) about the decision to transfer the tax credit. In such case, the transferee (an energy efficiency provider or a financial institution) might use the tax credit starting from the first months of year T+1 (but at least one month following the communication to the Revenue Agency) either to reduce its own tax liability (in a proportional amount) or to transfer it further. It was however mentioned that the procedure of informing the Revenue Agency was rather an administrative step and it did not imply a material verification (in the sense described in the then draft updated MGDD chapter).

According to the legislation, the transferee should use the tax credit in the same modality as the original beneficiary, i.e., to reduce the tax liability in equal instalments in the following four/five years. Eurostat however wondered whether it was possible to use the tax credit by a transferee company (a service provider or a financial institution) to reduce the tax liability in the first months of year T+1 if the tax obligation for year T has not been established yet. Following this argument, the Italian statistical authorities could not exclude that the tax credit was used by companies for the reduction of other tax liabilities, e.g., including VAT, not only the underlying tax (income tax in this case).

Energy tax credits

Concerning the energy tax credits, the Italian statistical authorities clarified that each tax credit and each quarter had a specific tax code, which allowed to identify the amounts of

the tax credit accrued and the amounts used in specific quarters. For instance, the tax credit for gas and electricity-intensive enterprises earned in the first quarter of 2022 could be used by a taxpayer already in the second quarter of 2022. The respective amounts could be observed from the F24 form submitted on a quarterly basis.

In national accounts, the energy tax credits introduced in 2022 are currently recorded as payable tax credits, mainly due to the possibility to offset the total fiscal debt of the taxpayer and the possibility to transfer the tax credit, if not used by an original beneficiary. According to the current legislation, all energy tax credits can be used until March 2023⁽²²⁾ (for energy related expenditures incurred in 2022) at the latest. The amounts of the tax credits not used by this date will be wasted. According to the Italian statistical authorities, data on the amounts of the energy tax credits earned, the amounts used and the amounts lost (because not used by either an original beneficiary nor a transferee) will be available in the beginning of July 2023, after the June deadline for submission of tax declarations.

Transition 4.0

The tax credit relating to Transition 4.0 is currently recorded as a payable tax credit. Concerning this tax credit, the Italian statistical authorities pointed at the issue of availability and timeliness of relevant data, in particular of the amounts earned and potentially to be lost. The companies investing in tangible and intangible assets and thus benefiting from this tax credit, have a possibility to reduce the tax obligation either by a full amount in one year or in equal instalments in the following three years. The information on amounts used by beneficiaries in year T+1 (for investment incurred in year T) is however available to the Italian statistical authorities only from tax declarations that are submitted in February T+2, i.e., with a two years' delay. The Italian statistical authorities had therefore doubts about the quality of estimates of the amounts earned and of the amounts wasted that should be potentially applied in national accounts if only cash data on the use of the Transition 4.0 tax credit were currently available. It was also mentioned that the amounts involved might be significant and might imply a higher risk of large revisions in next years.

Findings and conclusions

Action point 21: *The Italian statistical authorities will provide an analysis of newly introduced tax credits (since the 2021 EDP dialogue visit) specifying the time of recording, amounts earned and amounts potentially lost, including a proposal for treatment in GFS/EDP. Eurostat took note of the timely data existing on tax credits used (through the form F24) and on tax credit earned (through an additional collection of data in operation by March 2023, specific for main energy measures), and also of the fact that many energy tax credits would be expiring by June 2023.*

Deadline: 20 February 2023, to be updated early April 2023⁽²³⁾

Action point 22: *In relation to the Superbonus 110% tax credit, Eurostat proposed to discuss the statistical recording with the Italian statistical authorities in a separate video conference to be organised as soon as possible, mainly with regard to the sizeable*

⁽²²⁾ Later on extended to 30 September 2023.

⁽²³⁾ The note was provided on 21 February 2023, with a follow up sent on 23 March 2023. The recording of the tax credits will be reviewed in the October 2023 EDP notification.

amounts paid by the Italian government, potential issues in the availability of data and to the ongoing consultation on the draft MGDD chapter on the recording of transferrable and deferrable tax credits. The statistical recording of the Transition 4.0 tax credit will also be discussed, focusing on the availability of timely and reliable estimates on amounts earned and potentially lost.

Deadline for the video conference: January – February 2023 ⁽²⁴⁾

Action point 23: *Prior to the video conference, the Italian statistical authorities will provide to Eurostat a detailed description of the Superbonus 110% and Transition 4.0 tax credits. The note should cover for each tax credit the following elements:*

- i. Description of data sources and the availability and timeliness of data on amounts earned, amounts used and amounts lost, including the availability of final data.*
- ii. Availability and reliability of estimations of amounts earned and amounts potentially lost.*
- iii. Checks undertaken by the Revenue Agency, including whether the checks are considered material and thus might change the amount of the tax credit or to reject the claim of the beneficiary.*
- iv. Estimations of amounts earned, amounts used and amounts lost for last 5 years.*
- v. Legislative changes.*
- vi. Proposal for the recording of tax credits in national accounts.*

Deadline for the note: before the video conference (exact date to be determined) ⁽²⁵⁾

4.2.2. Interest and consolidated interest

Introduction

Interest expenditure of central government mainly includes the interest paid by the State on government securities and postal savings. It also includes interest paid to depositors at the Treasury and on loans granted to central government. In the case of local government, interest expenditure mainly relates to loans and, to a limited extent, to bonds issued by some municipalities and regions. The Italian statistical authorities provided data on the recording of interest for the period 2018-2021, requested by Eurostat prior to the visit.

Discussion

Eurostat enquired about the new long-term debt instrument issued by the Italian Treasury in 2020, the so-called BTP Futura. This instrument, aimed at retail investors, has the

⁽²⁴⁾ The video conference took place on 6 February 2023. The advice letter on the statistical recording of Superbonus 110%, Transition 4.0 and other renovation tax credits was published at the following link [3da290fd-a64f-1798-691e-82bf97ec4347 \(europa.eu\)](https://eur01.safelinks.com/m/3da290fd-a64f-1798-691e-82bf97ec4347/eur01.safelinks.com/m/3da290fd-a64f-1798-691e-82bf97ec4347/europa.eu) on 28 February 2023. The action point is closed.

⁽²⁵⁾ The detailed note on the recording of tax credits was sent to Eurostat on 3 February 2023. The action point is closed, however, the statistical recording of Superbonus 110% is being followed up mainly due to the recent legislative changes.

following features: (a) step-up coupon structure, with semi-annual nominal coupons calculated on the basis of a series of predetermined interest rates increasing over the bond life, (b) issue price at par, (c) tap placement procedure, with full acceptance of subscription requests, unless early closing option is announced by the MEF and (d) one 'loyalty bonus' linked to the growth of the Italian economy, paid only to investors who purchase the bond during the placement dates and hold it continuously until its maturity.

In case of the first and second issuances in 2020, with a maturity of ten and eight years, respectively, the 'step-up' coupon was equal to 1% of the invested capital, although this guaranteed minimum value may increase, up to the predetermined maximum of 3%, depending on the average annual growth rate of Italian GDP throughout the duration of the security. For the third and fourth issuances in 2021, with 16 years' maturity, the investor who will be holding the securities since the placement period, for the first eight years, will receive an intermediate premium with a minimum of 0.4% up to a maximum of 1.2% of the invested capital, depending on the average annual growth rate of Italian nominal GDP over eight years. At maturity, the investor who will be holding the securities since their issuance will be paid a final premium consisting of two components: (i) a premium also depending on the average annual variation of the nominal GDP over the first eight years, ranging between 0.6% - 1.8% of the capital invested, and (ii) a second component, which reflects the average growth from the ninth to the final year, with a 1% floor and 3% cap.

Upon Eurostat's enquiry, the Italian statistical authorities clarified that step-up coupons were currently recorded in GFS/EDP statistics as accrued over the maturity of the bond and different interest rates were used to calculate the accrued interest (D.41pay). The amount of accrued D.41pay is revised backwards if necessary (e.g., following the updated macroeconomic forecast data). The currently used methodology is therefore not fully compliant with the MGDD that requests a single rate of return to be used. The Italian statistical authorities however explained that there were a number of elements that should be considered before the automatic application of the MGDD rules. If the BTP Futura is repurchased (in full or partially), the holder automatically loses the right to the bonus. The reflecting of these events in the calculation of D.41 would thus lead to constant revisions over the first years.

Concerning the loyalty bonus, which is linked to the growth of the Italian economy and is paid based on the willingness of retail investors to hold the bond until the maturity, the Italian statistical authorities used for the calculation of the accrued amount a number of assumptions. In particular, the average annual GDP growth rate is calculated on the basis of the official MEF forecast. As concerns the investors' behaviour, i.e., the assumption whether the investors would hold the bond until maturity, data on the traded volume of BTP Futura obtained from the body that performs the function of central securities depository are used. The calculated average annual growth rate is applied to the outstanding amount of BTP Futura not yet sold on the market and the resulting bonus is spread over the whole life of the bond.

Eurostat took note that the amount of the loyalty bonus was currently low and the revisions in the accrued D.41pay did not have a substantial impact on B.9. Nevertheless, it was decided that Eurostat would reflect on the statistical recording of the loyalty bonus, i.e., whether expenditure should be accrued over time or not, taking into account the uncertainty at inception on the number of bondholders that could be entitled to the payment of the bonus.

Furthermore, Eurostat reviewed the table on the recording of interest provided prior to the visit and thanked to the Italian statistical authorities for an excellent completion, adding only minor comments during discussion. The table covered the central government. Concerning the line 2 relating to the revaluation (+/-) and other changes in volume (+/-), Eurostat wondered why zero was reported since the debt in foreign currency (USD, etc.) existed. The Italian statistical authorities committed to clarify the issue.

Eurostat observed that the Italian statistical authorities seem to continue the recording of the accrued coupon, also after buybacks. Eurostat did not consider the recording as the most appropriate one, but took note that the amounts involved were negligible.

Findings and conclusions

Action point 24: *Eurostat took note of a new long-term instrument, issued by the MEF in 2020 for the first time, that is reserved for retail investors. The semi-annual coupons increase over time based on a "step-up" mechanism, with predetermined minimum and maximum yields, depending on the average annual growth rate of Italian nominal GDP. The Italian statistical authorities will report to Eurostat on the statistical recording of the step-up coupon and of the loyalty bonus.*

Eurostat will also reflect on the recording of the loyalty bonus, i.e., whether expenditure should be accrued over time or not, taking into account the uncertainty at inception on the number of bondholders eventually entitled to the payment of bonus. Eurostat might raise the issue with the EDPS Working Group.

Deadline: April 2023 EDP notification ⁽²⁶⁾

Action point 25: *The Italian statistical authorities will complete line 2 Revaluation (+/-) and other changes in volume (+/-) of the table on interest provided prior to the visit. Eurostat remarked that some amounts would be expected there, with regard to the fact that some debt in foreign currency is reported.*

Deadline: end of May 2023 ⁽²⁷⁾

Action point 26: *In relation to interest, Eurostat observed that the Italian statistical authorities seem to continue the recording of the accrued coupon, also after buybacks. Eurostat did not consider the recording as correct, but took note that the amounts involved were negligible. The Italian statistical authorities will confirm this, and, if confirmed, will carefully monitor the situation.*

Deadline: end of May 2023 ⁽²⁸⁾

4.2.3. EU flows

Introduction

⁽²⁶⁾ The note was provided on 31 March 2023. The issue is being discussed.

⁽²⁷⁾ The updated table on interest was sent on 31 May 2023. The action point is closed.

⁽²⁸⁾ The note was sent on 31 May 2023. The action point is closed.

The Italian statistical authorities use various information sources for the recording of EU flows. In general, the expenditures are used as the main data source to comply with the accrual recording and the Treasury cash flows are used to calculate receivables/payables and to neutralise the impact of EU flows in EDP table 2. The EU receivables in EDP table 2 include the adjustment for both the projects where the central government units are the final beneficiaries (ESF, ERDF and EFF) and for the projects when central government is a cash manager for final beneficiaries outside general government (EAGF and for the most part of EAFRD). The EU payables refer to the advanced payments received from EU and to EU financial instruments whose beneficiary is a central government unit.

Discussion

In its presentation, the Italian statistical authorities followed up on the issue of negative stocks relating to EU flows observed in the April 2022 EDP notification. The investigation identified several reasons that might have caused the negative stocks of AF.89A. First, there exists a delay between the time when the expenditures were incurred and the time of the transmission of the information by the final beneficiary to the Managing Authorities. Second, there is an additional delay between the time of transmission of the information by final beneficiaries to Managing Authorities and the time of the uploading of these expenditures by the Managing Authorities into the National Monitoring System. These procedures are very complex and might sometimes take additional time to be realised. Moreover, specifically in relation to the year 2020, the Managing Authorities of the Operational Programmes for 2014-2020 of the EU Structural Funds had a possibility to request up to 100% of co-financing to be reimbursed by EU funds for the expenditure reported in the submissions of claims in the period from 1 July 2020 to 30 June 2021.

Since the data were provided by the MEF (RGS/IGRUE – General Inspectorate for Financial Relations with EU) to ISTAT only once, i.e., in the time for the April EDP notification and referring always to the previous year, these data were not updated for any expenditures incurred on behalf of EU but requested for reimbursement by EU after the date of the data submission to ISTAT. As a result, there was a cumulated difference of EUR 3.6 billion in April 2022, when the expenditures made on behalf of EU were compared for cross-checking purposes with the claims submitted to the EU. The inconsistency was observed mainly for the ERDF for the period 2014-2021. After ISTAT requested an updated transmission of EU data from the MEF in October 2022, the second comparison of these data resulted in the difference of EUR 0.6 billion.

Eurostat understood that, in the Italian case, the underestimation of expenditures incurred on behalf of the EU observed mainly for 2020, was a result of the non-availability of relevant and timely data to ISTAT rather than of the non-existent data on the expenditures to be reimbursed by the EU. Eurostat therefore emphasized that the update of the Memorandum of Understanding between ISTAT and the MEF (RGS/IGRUE) for the transmission of updated data on EU flows was inevitable. The Italian statistical authorities also committed to continue working, on a regular basis, in the reconciliation of data on expenditures incurred on behalf of the EU with the claims submitted to the EU, while considering the first ones as the most relevant data source for EDP/GFS data compilation.

Next, Eurostat enquired about the recording of expenditures to be financed by the Resilience and Recovery Facility (RRF). The Italian statistical authorities clarified that

the main data source for these expenditures was the so-called ReGiS database that was introduced in 2022 to collect information from all entities involved in the implementation of the national RRF plan. The system thus gathers the information about advances, expenditures and reimbursements from around 21 thousand database users, including those at the local government level. The users of the system are continuously being trained to operate it.

Following the enquiry of Eurostat about the exhaustiveness of ReGiS, the Italian statistical authorities admitted that the system currently might not be able to provide exhaustive data so that they could not exclude a risk of future data revisions. The administrations included in the system are however progressively uploading all the relevant information. For this reason, the Central Service for RRF of the MEF complements the information uploaded in ReGiS with the information collected directly from the ministries responsible for the RRF projects. It was also clarified that delays in the availability of information about expenditures to be reimbursed by the RRF were mainly observed for the projects already planned before the launch of the RRF (so-called ‘existing projects’). For the so-called ‘new projects’, launched later on, the delays were mainly due to postponements in the operational phase of the projects. For a majority of these projects, it is thus expected that the expenditure would start to be incurred in 2023.

Eurostat took note of this information and stressed that, in order to avoid any significant future revisions in B.9, it is rather preferable to estimate the amount of the expenditures to be incurred on behalf of the EU (structural EU funds or RRF) but not reported due to delays and to update the estimate when the final data are available. Such estimates are important mainly in cases of expenditures having a material impact.

In relation to the tax credits eligible for the RRF financing, the Italian statistical authorities replied to Eurostat that almost EUR 14 billion for Superbonus 110% and almost EUR 11 billion for Transition 4.0 might be reimbursed by EU in the period 2021-2026.

Eurostat asked the Italian statistical authorities to provide an analysis of the materiality of the potential underestimation of the expenditures to be reimbursed by the RRF and not included in ReGiS. The analysis should also present a proposal for the treatment that would avoid revisions in following years, e.g., by using estimates of expenditures incurred on behalf of the EU.

Findings and conclusions

Action point 27: *The Italian statistical authorities will provide an updated note on the recording of EU flows, including updated figures on EU expenditure incurred on behalf of the EU and on claims submitted for reimbursements, as well as revisions compared to the October 2022 EDP notification, if any, for 2018-2021.*

Deadline: April 2023 EDP notification ⁽²⁹⁾

Action point 28: *Eurostat took note of delays in the availability of information about expenditures incurred on behalf of the EU in the context of the RRF, similarly to the EU structural funds discussed earlier. Potential revisions would constantly decrease B.9 in*

⁽²⁹⁾ The note was provided on 31 March 2023. The action point is closed. The issue will however be monitored.

following years, resulting from updated data on neutralisation of expenditure. In this relation, the Italian statistical authorities will provide an analysis of the materiality of the issue and a proposal for the treatment that would avoid revisions in following years, e.g., by using estimates of expenditures incurred on behalf of the EU but not validated in ReGiS system.

Deadline: April 2023 EDP notification ⁽³⁰⁾

4.2.4. Military expenditure

Introduction

The main data sources on military expenditure are expenditure on military equipment under long-term contracts provided by the Ministry of Defence (MoD), under a formal agreement with ISTAT, and specific chapters of the State budget provided by the MEF for the component of military equipment expenditure related to the COFOG function ‘defence’, that are classified in intermediate consumption. The military equipment purchased under long-term contracts is exclusively financed with advance payments.

Discussion

Eurostat enquired about the donations of military or non-military equipment to Ukraine in the context of the Russia’s invasion to Ukraine. The Italian statistical authorities were aware of five decrees issued by the MoD so far, however, without a specification of the types and values of the aid. This information was considered confidential and, therefore, it was not provided by the MoD to ISTAT.

Eurostat took note of the difficulties to obtain relevant data and proposed, as an alternative solution, to estimate the value of the military equipment delivered to Ukraine based on the information from the Balance of Payments Statistics. The transaction will be recorded with a counterpart entry in the investment grant (D.92) having a neutral impact on B.9.

Findings and conclusions

Action point 29: *In relation to military expenditure, the Italian statistical authorities will enquire on the amount of donations of military equipment, provided to Ukraine in 2022, and will record these amounts in the GFS (B.9 neutral). In the absence of specific information, as an alternative data source, the value of military equipment exported to Ukraine (against a grant) from the Balance of Payments Statistics might be used as a proxy (the event being B.9 neutral).*

Deadline: April 2023 EDP notification ⁽³¹⁾

⁽³⁰⁾ The note was provided on 31 March 2023. The action point is closed. The issue will however be monitored.

⁽³¹⁾ The note was sent on 31 March 2023. The issue will be followed up in the October 2023 EDP notification.

4.2.5. 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., for other government bodies, social security funds, 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, the GFCF data are compiled according to balance sheets (local health units, Chambers of Commerce and Universities) or according to the ‘legal accrual’ concept (Regions, Provinces and Municipalities).

Discussion

Eurostat followed up on the GFCF recording that was discussed in a number of previous EDP dialogue visits. Before 2021, the GFCF for a majority of local government units was recorded on a cash basis due to the non-availability of accrual data. Eurostat considered the situation as unacceptable and urged the Italian statistical authorities at each occasion to take measures in this respect.

Within the accounting reform, the concept of ‘enforced legal accrual’ was implemented at the local government level. Accordingly, the obligations are recorded at the time when they arise, i.e., apportioned commitments according to realised investments in a particular year. This was different compared to the previous accounting scheme, where a full commitment for a value of the total investment was booked at inception. The concept of the ‘enforced legal accrual’ was for the first time used in the April 2021 EDP notification for the year 2019 when, as the estimate of the accrual GFCF, data based on the commitments on investment were reported.

Prior to the EDP dialogue visit, the Italian statistical authorities provided a table showing the proportion of the accrual GFCF for 2016–2021 by general government subsectors, as reported in the October 2022 EDP notification. From the analysis, Eurostat understood that a majority (over 96%) of local government units reported expenditures either according to the legal accrual concept or in the balance sheets. These data were used by the Italian statistical authorities as a proxy of the accrual P.51g data in EDP/GFS statistics. Less than 4% of local government units do not report expenditures according to accrual or close to accrual principles and thus their P.51g data remained recorded cash. The latter group of units includes small municipalities with inhabitants less than 5 000 thus having a negligible impact on the value of P.51g.

Findings and conclusions

Eurostat acknowledged the progress achieved in this area and commented that the GFCF recording, mainly for local units, would be further monitored.

4.3. Recording of specific government transactions

4.3.1. Government transactions in the context of the financial crisis

4.3.1.1. Government operations to support financial institutions

Introduction

Under this agenda point, the discussion focused mainly on the recording of the capital injection provided by government to *Monte dei Paschi di Siena Bank* (MPSB) in 2022.

Discussion

MPSB is the fifth largest Italian bank in terms of total assets. The Italian government owns 64.23% of MPSB's share capital. In 2017, the Commission (DG COMP) approved restructuring and liquidity aid to MPSB, based on a Restructuring Plan. One of the commitments was to sell the government stake in MPSB that has not been realised until now due to the lack of interested investors.

Since 2017, there has been a number of measures undertaken to rescue MPSB. In 2017, MPSB received restructuring aid in the form of a precautionary recapitalisation of up to EUR 5.4 billion, through the subscription by government of EUR 3.9 billion in newly issued shares and the purchase of up to EUR 1.5 billion in existing shares. Additionally, liquidity aid was provided through government guarantees on senior liabilities for a maximum nominal amount of EUR 15 billion. The securities issued with government guarantees were fully repaid by the end of 2021.

In 2020, MPSB demerged its capital and transferred a portfolio of assets (mainly NPLs) and liabilities (mainly a bridge loan from JP Morgan and UBS) to AMCO. In return, AMCO issued new non-voting shares (B-shares), which were allocated to MPSB shareholders. Simultaneously, MPSB shares were cancelled. Minority shareholders of MPSB were granted the option of renouncing to receive AMCO shares (keeping MPSB shares). At the end of the operations, the MEF owned a total stake of 64.23% of the share capital of MPSB. The transaction implied a total impact on Maastricht debt in 2020 equal to the bridge loan (EUR 3.2 billion) and a negative impact on B.9 for EUR 1 045 million that was recorded as capital transfer (D.9pay) from government to MPSB.

In the meeting, Eurostat enquired about the new capital injection provided by government in October 2022. MPSB increased its capital through the issuance of new shares for EUR 2.5 billion, of which EUR 1.6 billion (64%) was contributed by government and the remaining amount by private investors (Citibank, Bank of America, Credit Suisse and Mediobanca, etc.). EUR 1.6 billion was the maximum amount that government was allowed to provide to MPSB according to the Restructuring plan.

The Italian statistical authorities decided to record the capital injection as a financial transaction, considering that MPSB turned into profit in 2021 and 2022 (preliminary) after a series of loss-making years and that the private investors also took part in the capital injection at the same conditions as government. Eurostat however pointed at some recent press articles, in which some investors were concerned about the high amount of underwriting fees offered to private investors that effectively allowed them to buy shares of MPSB at different price than government. The Italian statistical authorities however could not confirm this information directly in the meeting. Furthermore, it was argued by the Italian statistical authorities that, although MPSB was loss making in the past,

according to the current business plan and following the restructuring process, there was a perspective of achieving profits in the forthcoming period.

In response to these arguments, Eurostat stressed that, according to the MGDD rules, a number of elements had to be considered in the assessment of the capital injection. First, since 2017 there have been several government interventions to rescue MPSB, including the demerger in 2020 aimed at removing bad assets from its balance sheet. All operations resulted in a negative impact on government deficit and/or debt.

Secondly, since 2016, MPSB experienced annual losses until it finally reported a small profit (EUR 310 million) in 2021. Until now, MPSB has thus cumulated losses that are close to the amount of the capital injection of EUR 1.6 billion (excluding the amounts already covered by government in previous interventions). Eurostat therefore stressed that, in order to consider the business plan of MPSB in the capital injection test, as proposed by the Italian statistical authorities, the amount of the capital injection has to exceed the amount of the accumulated losses. Any assessment of the rate of return foreseen by the business plan might thus be relevant only for the part above the accumulated losses, which was not the case of MPSB.

Thirdly, Eurostat acknowledged that the participation of private investors should be taken into account but, first, the existence of the same conditions for public as well as for private investors should be investigated. In this relation, it was recalled that the issue of the high underwriting fees, discussed above, had to be investigated. Eurostat wondered whether the fees for EUR 125 million relating to the subscribed capital (EUR 0.9 billion) of private investors was not disproportional.

Furthermore, Eurostat took note of the ongoing effort to privatise MPSB and, therefore, admitted that, exceptionally, the capital injection of EUR 1.6 billion to be recorded as a capital transfer (D.9pay) might be reviewed in two years and revised, if the privatisation of MPSB takes place. It was agreed that, before the April 2023 EDP notification, the Italian statistical authorities will provide a note analysing the elements mentioned in the discussion.

Findings and conclusions

Action point 32: *Concerning the capital injection jointly provided by government and some private investors to MPSB in 2022, Eurostat recalled the rules for the recording of capital injections to public corporations. In particular, it was stressed that, in case of loss-making entities, the forward-looking approach was only relevant for the part above the accumulated losses. In case of MPSB, the amount of accumulated losses since the last recapitalisation in 2017 and apportioned according to the government ownership, is close to the amount of the capital injection (EUR 1.6 billion). The participation of private investors is generally to be considered in the analysis, provided that the conditions are same for government as well as for private investors. The latter has to be investigated, notably with regard to the information that private investors may have received a fee allowing them to buy shares at different price. The Italian statistical authorities will analyse the recording of the capital injection, reflecting the elements above, and provide the results before the April 2023 EDP notification.*

Eurostat also considered that the recording of the capital injection, which seemed clearly to be a capital transfer, might exceptionally be reviewed in two years, in case of late privatisation of MPSB.

Deadline: 11 February 2023 ⁽³²⁾

4.3.1.1.1. Securitisation of loans with government involvement (GACS, etc.)

Introduction

Under this agenda point, Eurostat intended to discuss two securitisation schemes: *Garanzia Cartolarizzazione Sofferenze* and ‘Guarantees Loans Active Management’.

Discussion

Garanzia Cartolarizzazione Sofferenze (GACS)

The GACS was introduced in 2016 and, since then, been prolonged four times in 2017, 2018, 2019 and 2021. The main aim of the scheme is to facilitate the removing of NPLs from the balance sheets of banks by granting government guarantee in the securitization transactions, where the underlying assets are NPLs. In particular, the banks sell their NPLs to a special purpose vehicle that finances the acquisition through the issuance of asset-backed notes. The rate of return on the notes is linked to the actual recovery of NPLs.

The government guarantee covers only the senior tranches of the securitization transactions, provided that they have received an ‘investment grade’ rating by an independent rating agency included in the list of credit rating agencies and certified in accordance with the Credit Rating Agencies Regulation. The senior tranches are considered the least risky ones and the last to be affected by any losses resulting from lower-than-expected recovery of NPLs. The riskier tranches (i.e., the junior and mezzanine notes) will not be repaid until the senior tranches guaranteed by the State have been fully repaid. Private investors purchased around 95% of junior and mezzanine notes. No notes were distributed to shareholders. The nominal value of the notes issued was close to the fair value of NPLs that were transferred at the net book value.

The government guarantee is provided against a guarantee fee paid annually and calculated on the basis of the price of credit default swaps (CDS) related to Italian issuers with a risk level equal to that of the guaranteed securities. The fee increases over time, both to cover for the higher risk associated with longer duration of the bonds and to include into the scheme a strong incentive to an early recovery of the credit.

The stock of guaranteed debt was EUR 11 645 million in 2021. All the guarantees granted under GACS are treated as contingent liabilities. No guarantee call has occurred until now. Until September 2022, there have been 46 operations since the first one realized in 2017.

In the original set up of the scheme, all senior notes were rated BBB-. Later on, some notes received lower ratings at inception. Eurostat enquired about the reasons for such downgrading and, mainly, whether it could signal future guarantee calls. The Italian statistical authorities clarified that each rating agency had its own methodology taking

⁽³²⁾ The note was provided on 13 February 2023. The Italian statistical authorities proposed to record the capital injection to MPSB of EUR 1.6 billion as a capital transfer (D.9pay) in 2022. This recording was implemented in the April 2023 EDP notification.

into account various elements. If an agency was considering for instance, as a triggering event, the difference between the actual and expected collection of servicing fees, it might have downgraded the rating. However, in fact, it might have been a result of the temporary worsening due to COVID-19 crisis, suspended judicial proceedings, etc. The Italian statistical authorities confirmed that currently no elements pointed to potential future calls.

Eurostat recalled that the forthcoming 2022 MGDD would include a new chapter on the securitization schemes with government guarantees applicable also for the recording of GACS. At the time of the meeting, the CMFB (Committee on Monetary, Financial and Balance of Payments Statistics) consultation was ongoing. The new chapter proposes four methods to calculate the risk weights in individual tranches and to assess whether the transaction implies a government debt. Currently, it was agreed that, by convention, the majority of the risk was considered as held by the private investors if at least one of the methods implied so, based on the calculation proposed in the rules. From the preliminary calculations performed on GACS operations, it seemed that all the major ones were considered as private debt under the new proposed rules.

Furthermore, Eurostat enquired about the most significant securitisation operation realised under GACS in 2018, i.e., the securitisation of NPLs of the *Monte dei Paschi Bank*. The mezzanine and junior notes were purchased by the Italian Recovery Fund (former Atlante 2). As further explained, the Fund represented a pool of financial institutions and CDP. The Italian statistical authorities committed to investigate whether the Italian Recovery Fund was also involved in other securitisation operations.

Guaranties Loans Active Management (GLAM)

The scheme was introduced in August 2022 but at the time of the meeting, one or more decrees of the Ministry for Economic Development were still expected to establish the procedures and rules on the assigned assets. According to the Italian statistical authorities, the scheme will provide a platform for the purchase and management of two kind of loans: (i) loans covered by the government guarantee granted through the SME Guarantee Fund in the context of the COVID-19 pandemic (Guaranteed Credits) and (ii) unguaranteed loans granted to the same debtors (or connected ones) as the Guaranteed Credits.

The guarantee scheme concerned by the GLAM is the ‘SMEs Guarantee Scheme’ (*Fondo centrale di Garanzia piccole e medie imprese*) administered by the Ministry of Economic Development and classified in government accounts as a standardized guarantee scheme. It was stressed by the Italian statistical authorities that the scheme would concern only the performing loans for a maximum amount of EUR 12 billion. The loans eligible for the scheme are performing loans (stage 1), underperforming loans (stage 2) and non-performing loans (stage 3), except for bad loans (*sofferenze*), as categorized by the European Banking Authority. It is however expected that banks would transfer mainly the ‘stage 2’ loans (i.e., performing loans with a significant increase in the credit risk) and the ‘unlikely-to-be paid loans’ that are part of ‘stage 3’.

Eurostat enquired about the incentives of banks to transfer to the platform the loans of the same or connected debtors. The MEF representatives explained that, according to the existing rules, banks were obliged to reclassify the whole position of the client, although there was only a first guarantee call. After the transfer of loans to AMCO’s platform, the triggering mechanism will allow for a partial or progressive calls of the State guarantees,

given the fact that in some cases these are viable debtors experiencing only temporary liquidity problems. Additional benefits resulting from the use of the platform is the elimination of the credit risk exposure by banks, including the non-guaranteed loans and the use of the centralized and efficient way of loans management with a higher probability of recovery.

The platform will be managed by AMCO (classified inside S.13) and will be organised through the establishment of various ‘*Patrimoni destinati*’ – the accounts completely separated from AMCO’s balance sheet. The loans will be transferred by banks to one of the ‘*Patrimoni destinati*’ in return for separate issued notes of different classes: senior obligations, partly assigned to originator banks, and mezzanine and junior obligations reserved to third parties. The notes will receive a government guarantee. AMCO will not buy any of these notes.

It is foreseen that AMCO will focus on more complex loans while it will cooperate with private servicing companies for smaller loans portfolios. For the loan management, AMCO will receive a market-based fee. The value of each of those ‘*Patrimoni destinati*’ may exceed 10% of AMCO’s net worth, however, it cannot be considered in the event of AMCO’s constitution of other assigned assets and it cannot be a subject of a potential insolvency procedure of AMCO.

During the meeting, it was also clarified that, in case of loans transfer from a bank, AMCO offers a price, following the examination of the loan portfolio subject to a transfer. It is up to a bank to accept the price proposal or not. The noteholders regularly receive an interest. If the recovery costs on loans are higher than anticipated, the noteholders have to compensate these costs. It is therefore the noteholders who bear the exposure to any potential losses.

It was also mentioned that AMCO may provide financing to some of the borrowers, however, exclusively to financially viable companies.

Eurostat took note of the information and requested the Italian statistical authorities to provide a note on the statistical recording of the scheme when all details (pending the Ministerial Decrees) were available.

Findings and conclusions

Action point 30: *Eurostat took note of the new securitization scheme GLAM that is planned to be operational at the beginning of 2023. Under this scheme, banks will be allowed to transfer off their balance sheets the loans benefiting from standardized government guarantees (SME Guarantee Fund) as well as unguaranteed loans for around EUR 12 billion. The assets will be transferred to AMCO, the manager of the scheme classified inside S.13. In return for the transferred loans, investors, which may include the originating banks, will receive notes. In case of temporary difficulties, AMCO may provide new financing to some of the borrowers, which must be viable companies. The Italian statistical authorities will inform Eurostat about the statistical recording of the scheme when all details (pending the Ministerial Decrees) are available.*

Deadline: when the scheme is operational

Action point 31: *Eurostat followed up on the recording of the GACS securitization scheme introduced in 2016, mainly with respect to the upcoming 2022 MGDD. According to the guidance proposed in the updated MGDD, it is the understanding of*

Eurostat that a majority of securitization operations will be off government balance sheets, with no impact on the general government debt. Eurostat took note that negotiations were currently ongoing between the Italian authorities and DG COMP on the prolongation of the scheme and, possibly, on the update of the pricing formula. The Italian statistical authorities will inform Eurostat in case the DG COMP decision might imply changes in the statistical recording of the GACS scheme.

Deadline: when applicable

Action point 19: *The Italian statistical authorities will provide information about the Italian Recovery Fund involved in the securitisation operation of MPSB, in particular about the shareholder, controlling entity and about other operations of the Fund.*

Deadline: April 2023 EDP notification ⁽³³⁾

4.3.1.2. Government measures undertaken in the context of COVID-19 and of Russia's invasion of Ukraine

Introduction

The government measures undertaken in the context of the COVID-19 crisis were extensively discussed in the January 2021 EDP dialogue visit. In the note sent before the visit, the Italian statistical authorities presented a list of measures undertaken by government in 2021 until September 2022.

The measures carried out by government in the context of Russia's invasion of Ukraine were also discussed under this point. For this purpose, a note presenting the list of measures and their recording in national accounts was provided before the visit.

Discussion

In the beginning, Eurostat reviewed the COVID-19 table reported in the October 2022 EDP notification, mainly the reporting of tax deferrals. In relation to the adjustment for amounts of tax revenues unlikely to be collected, Eurostat considered that the estimate of EUR 273 million in 2020, i.e., 4% of the total F.8rec relating to taxes was reasonable.

Eurostat enquired about the existence of cases when the repayable instruments originally provided under certain schemes approved by DG COMP could be converted to grants, provided that the conversion took place by June 2023. The benefit referred mainly to the decisions SA.57021 COVID-19 Regime Quadro ⁽³⁴⁾, with the overall budget of EUR 15 billion, and to SA.102896 (2022/N) ⁽³⁵⁾ – Italy TCF: Umbrella scheme for the measures to support undertakings active in the agricultural, forestry, fishery and aquaculture sectors. The Italian statistical authorities committed to investigate the issue and to report to Eurostat.

Next, Eurostat enquired about the recording of government measures that were adopted in the context of Russia's invasion of Ukraine. These mainly concerned the assistance to refugees (EUR 696 million) and the Italian contribution provided within the EU's

⁽³³⁾ The note was provided on 21 April 2023. The issue is being discussed.

⁽³⁴⁾ [286195_2158564_16_2.pdf \(europa.eu\)](#)

⁽³⁵⁾ [SA_101025_20B38B7E-0000-CBBF-A72A-E8073CBD0898_24_1.pdf \(europa.eu\)](#)

exceptional Macro-Financial Assistance to Ukraine in the form of grants (EUR 110 million) and guarantees on loans (EUR 700 million). The Italian government also granted a bilateral loan to Ukraine in the total amount of EUR 200 million. The Italian statistical authorities clarified that grants were recorded in national accounts as a capital transfer payable (D.9pay) and loans as financial transactions (F.4A). Eurostat took note of the information.

Findings and conclusions

Action point 33: *The Italian statistical authorities will report to Eurostat on the amounts of repayable instruments provided under COVID-19 schemes and converted into grants according to DG COMP decisions SA.101025 (2022/N) – Italy – COVID-19: reintroduction of the measures and increase of the aid ceilings and SA.102896 (2022/N) – Italy TCF: Umbrella scheme for the measures to support undertakings active in the agricultural, forestry, fishery and aquaculture sectors.*

Deadline: April 2023 EDP notification ⁽³⁶⁾

4.3.1.3. Measures to mitigate the impact of high energy prices in the economy

Introduction

Prior to the visit, the Italian statistical authorities provided a detailed note analysing the measures undertaken by government in the context of the high energy prices and their proposed recording in national accounts. The main measures concerned the social bonus and transport voucher, tax credits, measures on tax rates of energy-related levies, measures to support difficulties of households to pay energy bills and the compensation mechanism for producers of electricity from renewable sources

Discussion

Eurostat reviewed the list of measures described in detail in the note and focused particularly on two of them. The first measure allowed final consumers of electricity and gas to split the payment of their energy bills in ten monthly instalments, without paying interest. To cover the relating lack of liquidity of energy producers and distributors, the CSEA (Fund for energy and environment) representing the government, provided ‘bridge’ payments to energy companies. It was however not clear whether these payments would have to be paid back to CSEA regardless of the amount finally received by energy companies from consumers. If after ten months the consumers would not pay their energy bills in full and the energy companies would nevertheless have to pay back to CSEA the full amount of advances, the risk of consumers not paying their energy bills would be borne by energy companies. Contrarily, if the risk would be taken by CSEA, the issue would be how to estimate the amount never to be collected from consumers and to record accordingly the impact on government deficit. The Italian statistical authorities committed to gather more information about the mechanism and to report to Eurostat, reflecting on the points raised in the meeting.

⁽³⁶⁾ Preliminary information was provided on 31 March 2023 in the Explanatory note to the April 2023 EDP notification. The action point will be followed up.

The second measure was related to the compensation mechanism for producers of renewable energies operated by the *Gestore dei Servizi Energetici* (GSE) classified in S.13. In standard conditions, GSE purchased the renewable energy from energy producers for a price higher than the market price and resold it at the market price. The difference between the energy sold at the market price and the subsidized price paid by GSE was considered as a component of subsidies on products (D.31). In 2022, due to the significant and exceptional increase in gas prices, a new mechanism was however established. Accordingly, when the producer sold the energy to GSE at a price higher than a reference one, the producer was obliged to pay the difference to GSE. In the opposite case, GSE paid the difference to the energy producer. The mechanism is expected to be in force until 30 June 2023.

Eurostat drew attention to the document C.3.b.3 Reversible caps of energy prices with/without compensation presented in the December 2022 meeting of the EDP Statistics Working Group that might provide useful references for the recording of this type of mechanisms. The discussion on the recording of such schemes were ongoing and the guidance note on the issue was foreseen by Eurostat.

Eurostat took note that the subsidies paid by GSE were currently recorded as D.31 and wondered whether the Other subsidies on production (D.39pay) would not be a more appropriate category. The main reason was the specific production process relating to the production of renewable energy, although the compensation was linked to the volume. Concerning the recording of the difference paid by a producer to GSE, Eurostat thought that the recording of such payments as a negative subsidy (minus D.31pay) was not advisable. Instead, a preferred option would be to record the tax on production (D.21rec or D.29rec) received by government.

It was agreed that the Italian statistical authorities would investigate the issue and provide a note on the points raised in the discussion.

Findings and conclusions

Action point 34: *In the context of the high energy prices measures, government provides a possibility to households to split energy bills into ten monthly instalments, without interest. The government, represented by CSEA, anticipated the payments to energy suppliers. The Italian statistical authorities will investigate the mechanism of this measure, and in particular, any cash flows provided by government or other entity and the entity bearing the risk in case households cannot repay the energy bills.*

Deadline: 20 February 2023 ⁽³⁷⁾

Action point 35: *The Italian statistical authorities will analyse and report to Eurostat the mechanism operated by GSE, the regulatory body for energy sector, classified in S.13. According to the scheme, the difference has to be paid to GSE when the producer sells the energy to GSE at a price higher than a reference one. If, on the contrary, the reference price is higher than the acquisition price of GSE, the difference has to be reimbursed to the producer. Based on the argument made in the meeting, the Italian statistical authorities will review (1) if the payments to producers should be recorded as D.31 (as currently done) or as D.39, and (2) if the payments from producers (expected to*

⁽³⁷⁾ The note was provided on 21 February 2023. The action point is closed.

occur in 2022) should be recorded as negative D.31/D.39 expenditure (as proposed by Italian statistical authorities) or as D.21/29.

Deadline: April 2023 EDP notification ⁽³⁸⁾

4.3.2. Guarantees

Introduction

Guarantees on borrowing are routinely provided by central and local governments mainly to public corporations, SMEs, exporters, international organizations, banks and local government units. Guarantees on assets are provided in relation to the export insurance and to bank loans provided to local government units and by the EIB.

Discussion

Prior the visit, the Italian statistical authorities provided a table reporting stocks and flows of guarantees for the period 2018-2021. Concerning the guarantees on borrowing provided to private entities, a split of guarantee cash calls by a debtor was not provided. Eurostat therefore asked the Italian statistical authorities to send an update table by the April 2023 EDP notification.

In relation to the standardised guarantee scheme *Fondo centrale di Garanzia piccolo e medie imprese*, managed by the MCC on behalf of government, Eurostat noticed that guarantee cash calls were significantly lower than the expenditure recorded in national accounts (F.66L/D.9pay). For instance, in 2018 the cash call of EUR 396 million was compared to F.66L of EUR 1 470 million, in 2019 EUR 558 million versus EUR 1229 million, in 2020 EUR 367 versus EUR 11 917 million and in 2021 EUR 310 million versus EUR 7 095 million. The Italian statistical authorities clarified that the data on the expenditure recorded on the standardized guarantees (F.66L) come from the managers of the schemes and are estimated on the basis of the risk coefficient that takes into account the evaluation of the probabilities of calls in relation with the stock of existing guarantees, the level of the provisions accumulated so far and the multi-year estimate of losses based on the average duration of the guarantees granted and the historical trend of the actual losses recorded on the Fund, and taking also into account the worsening of the current economic and financial conditions.

Following Eurostat's question, it was also explained that the MCC, as a manager of the scheme, did not record any provisions in its accounts. Eurostat therefore wondered if the separate balance sheet and the profit and loss statements for the guarantee scheme existed in public accounts, for instance as a part of the Treasury balance sheet. The Italian statistical authorities could not immediately provide this information but explained that each guarantee fund managed by an entity on behalf of government has an account in the Treasury. Detailed information about the credits/debits on these accounts is available to ISTAT but such account (and therefore the stock) is not separately reported in the government balance sheet.

⁽³⁸⁾ The note was provided on 7 March 2023.

Eurostat enquired whether in government accounts any provisions relating to this standardised guarantee scheme (or to standardised guarantee schemes in general) were recorded that would reflect expected losses over the duration of the scheme. According to the Italian statistical authorities, no provisions are recorded but a certain stock of cash funds, depending on the amount of new guarantees provided in a year, is set aside to cover potential cash calls. Eurostat thought that it was a liquidity reserve to cover future expenditure rather than the expected losses to be incurred during the scheme (and consistent with the ESA concept). Eurostat recalled that the funds managed by the MCC on behalf of government (off-balance sheet) reached EUR 17.1 billion in 2021 (discussed under the point 4.1.2.1.2) and wondered whether the amount of this endowment fund could reflect the stock of cash set aside to cover potential cash calls. It was agreed that the Italian statistical authorities would provide a note that would analyse the reporting of stocks and flows relating to the guarantee fund in public accounts and the recording of provisions and their relation to the cash set aside in the Treasury.

Finally, Eurostat noticed that the amount of cash calls was the highest in 2019 and decreased in the following two years. The Italian statistical authorities clarified that a grace period of two years was granted on these loans and, after 3-4 years, it is expected that the amount of cash calls would increase.

Findings and conclusions

Action point 36: *The Italian statistical authorities will provide to Eurostat a revised table on guarantees, providing a split of guarantee cash calls for private beneficiaries. The revised table should also be consistent with EDP Questionnaire table 9.1, as regards the cash calls.*

Deadline: April 2023 EDP notification ⁽³⁹⁾

Action point 37: *In relation to the standardised guarantee scheme Fondo centrale di Garanzia piccole e medie imprese, managed by Mediocredito Centrale (MCC) on behalf of government, Eurostat enquired on why the capital transfers currently recorded were far in excess of the observed cash calls over the past four years (even taking into account a grace period of two years). The Italian statistical authorities will provide a note analysing the following elements:*

- i. Recording of stocks and flows relating to the guarantee scheme in the balance sheet of MCC and of the State.*
- ii. Recording of provisions in public accounts (balance sheet and profit and loss account of the State) and in national accounts (estimations of D.9pay/F.66L), including an explanation on whether the provisions in national accounts relate to the cash set aside in the State Budget to cover potential cash calls or to expected losses (ESA concept).*

Deadline: April 2023 EDP notification ⁽⁴⁰⁾

⁽³⁹⁾ The revised table on guarantees was provided on 7 March 2023. The action point is closed.

⁽⁴⁰⁾ The note was provided on 26 June 2023. The issue is being discussed.

4.3.3. Debt assumptions, debt cancellations and debt write-offs, government

Introduction

Central government claims mainly concern loans provided to corporations (under a particular scheme), households, local government units and foreign countries (Paris Club as well as other claims to less developed countries). The data on transactions, new lending and the related repayments are directly provided to ISTAT by the MEF and the related stocks by the Bank of Italy. These data are provided at an aggregated level to reconcile the stocks and flows for central government claims.

In the 2018 EDP dialogue visit, Eurostat identified issues in the reconciliation of stocks/flows of AF.4A as well as quality issues in the EDP Questionnaire table 8 and, since then, there are ongoing discussions with ISTAT. However, until now, Eurostat observed only a limited progress on the issue.

Discussion

The discussion did not take place due to time constraints. Eurostat decided to retain the action point agreed in the EDP dialogue visit in 2018 ⁽⁴¹⁾.

Findings and conclusions

Action point 38: Eurostat retained the action point of the 2018 EDP dialogue visit, according to which the Italian statistical authorities should provide a revised breakdown of the stocks and flows of government claims reported in EDP Questionnaire table 8. Eurostat took note that the stock of 'other' government claims still remains overestimated, including the unexplained amounts of claims.

Deadline for a progress report: October 2023 EDP notification

4.3.4. Capital injections in public corporations

Introduction

Under this agenda point, Eurostat followed up on the capital injection to ITA Airways provided by government. The issue was also discussed in the 2021 EDP dialogue visit.

Discussion

Italia Trasporto Aereo (ITA) is 100% owned by the Italian government. It was created in October 2020, initially with a share capital of EUR 20 million, with a view to become a new Italian air carrier. ITA became operational only in October 2021.

⁽⁴¹⁾ [2b81e126-ab18-46a1-b0e1-5a81661096a6](https://doi.org/10.28388/2b81e126-ab18-46a1-b0e1-5a81661096a6) (europa.eu). Action point 41: The Italian statistical authorities provided a revised breakdown of the stock of government claims for 2014-2017 (reported in the EDP Questionnaire table 8), based on updated information from the MEF. Eurostat took note that the stock of government claims still remains overestimated, including the unexplained 'other' claims for an approximate amount of 22 billion EUR. The Italian statistical authorities will continue to investigate the data on the initial stocks of government claims in 2005 and reconstruct the stocks forwards to 2017 accordingly.

ITA is a successor company of Alitalia that was 49% owned by Etihad Investment Holding Company LLC and 51% owned by MIDCO S.p.A., which, itself, is 100% owned by CAI (shareholders of CAI are Unicredit, Intesa Saopaulo, Atlantia, MPS and others). Alitalia was constantly loss-making since 2008. In 2017, Alitalia was placed under extraordinary administration. Italy provided bridge loans to Alitalia in 2017 (two tranches amounting to EUR 900 million in total) and in 2019 (EUR 400 million). Both loans were considered as unlikely to be repaid and therefore recorded as capital transfers in national accounts.

There is a Commission (DG COMP) decision of September 2021 concluding that, subject to the full compliance with Italy's commitments, including that the transfer of Alitalia's assets carried out at market conditions, the transfer of certain assets of Alitalia to ITA would not lead to an economic continuity between Alitalia and ITA.

Eurostat followed up on the recording of a capital injection to ITA for a total amount of EUR 1.35 billion paid by government in three tranches: EUR 700 million in 2021, EUR 400 million in 2022 and EUR 250 million in 2023. Taking into account the ongoing privatisation of ITA, the capital injection provided in 2021 was provisionally recorded as a financial transaction (F.5) in the April 2022 EDP notification.

In the meeting, the Italian statistical authorities justified the recording of the capital injection as F.5 by indicating several arguments. First, ITA is not a legal successor of Alitalia, what was confirmed by the DG COMP decision. Second, they thought that government acted as a private investor providing capital to newly established company and expecting a profit, following some acceptable period of initial losses. Moreover, the ongoing privatisation of ITA should also be considered, as provided by the MGDD rules on capital injections to public corporations.

Eurostat took note of this information but argued that, in the assessment of the capital injection provided to a public corporation, other additional elements should be taken into account. In particular, the accumulated past losses and current losses of the company and the perspective and expected profitability presented in the company's business plan. The financial statements of ITA are not publicly available. However, press articles reported the loss of between EUR 150 million to EUR 170 million, incurred for the period October-December 2021. According to another article, ITA should close the first half of 2022 with a negative EBITDA of about EUR 260 million. The Italian statistical authorities, in addition, admitted that they did not dispose of the business plan of the company.

Concerning the privatisation of ITA, some negotiations occurred in the past, for instance with the Certares Fund, Air France- KLM and Delta airlines. Shortly before the EDP dialogue visit in November 2022, negotiations were launched with MSC-Lufthansa. Eurostat therefore requested the Italian statistical authorities to report, before the April 2023 EDP notification, on the recording of the capital injections to ITA Airways in 2021 and 2022, taking into account the elements relevant for the treatment of capital injections to public corporations (and mentioned during the discussion).

Findings and conclusions

Action point 39: *Eurostat followed up on the recording of capital injection to ITA Airways in 2021 that was recorded on a preliminary basis as a financial transaction (F.5). The Italian statistical authorities will report to Eurostat on the recording of the*

capital injections to ITA Airways in 2021 (EUR 700 million) and in 2022 (EUR 400 million), taking into account the following elements relevant for the treatment of capital injections to public corporations: (i) accumulated past losses, (ii) current losses, (iii) business plan of the company with the information on an expected profitability and (iv) possible privatisation of the company.

Deadline: end of February 2023 ⁽⁴²⁾

4.3.5. Dividends, super dividends

Introduction

Prior to the visit, the Italian statistical authorities provided a note that presented the data on profit of selected public corporations and the results of the super dividend test for 2018-2021. Data also included the recording of interim dividends paid by CDP and *Poste Italiane* in 2020.

Discussion

The discussion did not take place due to time constraints.

4.3.6. Financial derivatives

Introduction

The Italian Treasury currently uses cross currency swaps, interest rate swaps and swaptions.

Discussion

Eurostat reviewed the table on financial derivatives sent prior to the visit and provided some minor comments during the discussion. In particular, the consistency of stocks and flows for swaptions in bloc 1 and for off-market swaps in block 3 did not seem correct. It was agreed that the Italian statistical authorities would send an updated table, reflecting on the points raised during the discussion.

Eurostat enquired about the exercise of swaps in 2020. In particular, a receiver swaption, signed following a previous restructuring, was exercised in 2020. The exercise resulted in the start of a swap with maturity in 2050 and a notional amount of EUR 2 billion, in which the Treasury periodically pays a fixed rate (in line with the average rate of its derivatives portfolio) and receives a floating rate.

The previous restructuring had taken place in 2017 and involved a receiver swaption with maturing date in March 2017. Given the extremely low level of the 30-year swap rate at the time, the maturity of the swaption would have led to an increase in the government

⁽⁴²⁾ The analysis was provided on 23 February 2023. The recording agreed with Eurostat was implemented for years 2021 and 2022 in the April 2023 EDP notification. The action point will be followed up for the year 2023.

debt, according to the MGDD rules (with the resulting off-market swap recorded as F.4L, for an estimated amount of EUR 1.2 billion). Thus, a restructuring operation was carried out, resulting in the buyback of the existing option and the sale of the new one. Under that operation, the Treasury had to pay a premium differential, divided into four instalments of EUR 75 million annually, until 2020. The new swaption became exercisable in 2020. Following the Eurostat's question, the Italian statistical authorities confirmed that the total amount of EUR 300 million to be paid in four instalments was included in the government debt (and in block 3 of the table as well).

Eurostat congratulated the Italian statistical authorities for an excellent completion of the table on financial derivatives and for the explanations provided in the meeting.

Findings and conclusions

Action point 40: *In relation to financial derivatives, Eurostat appreciated the quality and detail of the information provided by the Italian statistical authorities in the financial derivatives table. It was agreed that Eurostat would send a separate email with a number of technical questions on the reporting of financial derivatives in the table.*

Deadline: end of May 2023 ⁽⁴³⁾

4.3.7. Public-private partnerships (PPPs), concessions and energy performance contracts (EPCs)

Introduction

According to the note provided prior to the visit, the Italian statistical authorities currently register 69 PPP contracts, mostly in the healthcare sector (35). Out of these 69 PPPs for a total value of EUR 11 291 million, 61 PPPs amounting to EUR 10 835 million are recorded on-balance sheet. The remaining eight contracts for a value of EUR 455 million are off-balance sheet.

The recording of concession contracts has been discussed in several EDP dialogue visits. Until now, discussions mainly focused on motorway concessions. In the note provided prior to the visit, the Italian statistical authorities reported that the analysis of motorway concessions has been completed. 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, or by Regions. There are currently 22 concessionaires with 25 concession contracts, where the Ministry of Infrastructure and Transport is a grantor, and three concessions granted by Regions.

Concerning the EPCs, all existing 48 EPCs are currently classified on government balance sheet. These contracts mostly relate to the projects for minor amounts. The increasing use of EPCs is expected in years 2023-2026 in relation to the projects financed by the RRF.

Discussion

⁽⁴³⁾ Eurostat sent the email on 23 May 2023. The Italian statistical authorities provided the updated table on 12 June 2023 confirming the values in the table submitted prior to the EDP visit. The action point is closed.

PPPs

In the 2021 EDP dialogue visit, Eurostat was informed about the introduction of a specific PPP portal by the MEF, where the public and private users (government units involved in PPPs, MEF) and the professional experts (MEF, DIPE – Department belonging to the Council Presidency, ISTAT, ANAC - anti-corruption authority and government units with access) would have access to individual information about PPP contracts. Such portal was afterwards introduced ⁽⁴⁴⁾.

This portal will become the main information source for the Italian statistical authorities on PPP projects. In general, the portal should provide full and secure direct access to data, contracts and documentation transmitted by public grantors. According to the Italian statistical authorities, the PPP portal was currently operational, however, ISTAT still received the relevant documentation needed for the classification of PPP from DIPE. ISTAT confirmed that it had full access to all information included in the database. Following Eurostat's question, the Italian statistical authorities agreed to grant a similar access to selected officials working for Eurostat.

Eurostat took note that, according to the legislation, all government units involved in PPPs were obliged to enter relevant information to the PPP portal, however, no penalties were imposed if the obligation was not fulfilled. The information included in the portal is therefore cross-checked with other data sources.

Eurostat also enquired about the possibility to obtain information about PPPs from the chart of accounts. It was explained that some items from the balance sheets of government units and from the BDAP database could be used, however, only for cross-checking purposes and not as the main data source due to insufficient details.

Concessions

In previous EDP dialogue visits, discussions about the recording of concession contracts mainly focused on motorway concessions. Recently, the Italian statistical authorities initiated the analysis of airport concessions.

In relation to the motorway concessions, Eurostat was informed that currently three new contracts were being reviewed and would be classified in the coming months. In particular, these were Asti-Cuneo (new concessionaire is *Società di Progetto Asti Cuneo P.A.*), A3 Napoli-Pompei-Salerno (*Salerno Pompei Napoli S.p.A.*) and A4 Brescia-Verona-Vicenza-Padova (*Brescia Padova S.p.A.*).

The review of the concession contracts for airports was ongoing. From the analysis undertaken so far, it resulted that *Aeroporto di Genova S.p.A.* would be reclassified inside general government. Eurostat took note that further analysis would continue, including the Torino airport, a peculiar case, where general government units were present as indirect shareholders. It was also mentioned that the Italian statistical authorities would primarily focus on public concessionaires and on the most significant concession contracts in terms of value.

EPCs

⁽⁴⁴⁾ https://www.rgs.mef.gov.it/VERSIONE-I/attivita_istituzionali/attivita_trasversali/ppp/

Currently, the Italian statistical authorities register 48 EPCs starting from 2020 for a total contract value of EUR 163.9 million. In 44 projects out of 48, municipalities are public grantors, with a private agent acting as constructor/operator providing the energy savings. The average value per contract is negligible. Two contracts with a higher value but still below EUR 50 million each were signed in 2022.

All 48 EPCs are currently classified on balance sheet. The main reason is the annual fee, which is granted by the public grantor to the private operator, starting from the very first years of the period covered by the contract.

A more extensive use of EPCs is expected in relation to the RRF in the period 2023-2026. According to ISTAT, a total amount of around EUR 15.4 billion, i.e., 8% of all the resources, will be dedicated to investments relating to the energy efficiency and buildings renovation. Eurostat took note of the information.

Findings and conclusions

Action point 41: Eurostat welcomed the introduction of a web portal on PPPs that is maintained by the MEF and aims at collecting relevant information about PPPs, concessions and EPCs. Furthermore, Eurostat appreciated the possibility of granting a direct access to the web portal for Eurostat. In relation to the exhaustiveness of information, Eurostat took note that, although government units were obliged by law to transmit data, full coverage was not guaranteed, also due the non-existent penalty mechanism. The Italian statistical authorities will report on the exhaustiveness of data sent by government units to the portal, including for Regions.

Deadline: end of May 2023 ⁽⁴⁵⁾

Action point 42: Regarding concessions, Eurostat took note of the ongoing analysis of three motorway concessions (Società di Progetto Asti Cuneo, Salerno Pompei Napoli, Brescia Padova). With regard to the airport concessions, the Italian statistical authorities will primarily focus on public concessionaires and on the most significant concession contracts in terms of value.

Deadline for the progress report: end of July 2023

4.3.8. Emission trading permits (ETS)

Introduction

Revenues from auctions of ETS are collected by the *Gestore dei Servizi Energetici S.p.A.* (GSE, classified in S.13) on behalf of the State and transferred to the State with a one-year time lag. According to the method currently applied by the Italian statistical authorities, cash proceeds from the sale of ETS equal to the ETS amount accrued within Other taxes on production (D.29). Accordingly, F.89/AF.89 rec/pay relating to ETS is zero.

Discussion

⁽⁴⁵⁾ The note was provided on 26 June 2023. The issue is being discussed.

Eurostat recalled that the current method for the ETS recording applied by the Italian statistical authorities was not compliant with the forthcoming 2022 MGDD. In the new chapter 6.5, two recording methods are proposed that consider the number of surrendered allowances and the average price or, a simpler method, consisting in the time adjustment of cash received from the ETS sale by at least one year. The Italian statistical authorities provisionally preferred to apply the second approach. Eurostat recalled that the recording of ETS had to be harmonized with the MGDD by the benchmark revision of national accounts at the latest but, beforehand, the Italian statistical authorities should provide the amounts to be revised.

Findings and conclusions

Action point 43: *The Italian statistical authorities will inform Eurostat about the new method for the recording of emission trading permits that it will select (instead of pure cash), after the updated MGDD is implemented, including the amounts to be revised, and about the time schedule foreseen for the revision of past time series. The Italian statistical authorities mentioned a preference for the average method that can usefully smooth the D.29 recorded.*

Deadline: April 2023 EDP notification ⁽⁴⁶⁾

4.3.9. Others: privatisation, sale and leaseback operations, UMTS, securitisation

Introduction

Prior to the visit, the Italian statistical authorities sent a note on the current and planned operations related to privatisation, sale and leaseback, UMTS and securitisation. No cases of sale and leaseback operations and disposal of assets via securitization operations have been observed since the previous EDP dialogue visit in 2021.

In relation to the sale of frequency bands, the Italian statistical authorities informed about two operations of licences renewals in 2021.

Discussion

The discussion did not take place due to time constraints.

5. ANY OTHER BUSINESS

No issues

⁽⁴⁶⁾ It was agreed that the change in the ETS recording would be implemented in the benchmark revision in 2024 at the latest.

EDP dialogue visit to Italy

15-16 November 2022, 16 December 2022

Agenda

1. Statistical institutional issues
 - 1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation
 - 1.2. Data sources and revision policy, EDP inventory
 - 1.2.1. Availability and use of data sources, revision policy
 - 1.2.1.1. Progress on the data collection system (BDAP)
 - 1.2.2. Compliance with Council Directive 2011/85/EU
 - 1.2.3. EDP Inventory
2. Follow-up of the previous EDP dialogue visit of 7-8 January 2021
3. Analysis of EDP tables – follow up of the October 2022 EDP notification
4. Methodological issues and recording of specific government transactions
 - 4.1. Delimitation of general government sector, application of 50% rule in national accounts
 - 4.1.1. Application of the market/non-market test
 - 4.1.2. Classification and rerouting of operations of public financial entities
 - 4.1.2.1. National development institutions and units engaged in financial activities (SACE, MCC, ISMEA, SIMEST)
 - 4.1.2.2. Cassa Depositi e Prestiti
 - 4.1.3. Government controlled entities classified outside general government (public corporations)
 - 4.2. Implementation of accrual principle
 - 4.2.1. Taxes and social contributions
 - 4.2.1.1. Tax credits
 - 4.2.2. Interest and consolidated interest
 - 4.2.3. EU flows, Recovery and Resiliency Facility
 - 4.2.4. Military expenditure
 - 4.2.5. Gross fixed capital formation (GFCF)
 - 4.3. Recording of specific government transactions
 - 4.3.1. Government transactions in the context of the financial crisis
 - 4.3.1.1. Government operations to support financial institutions
 - 4.3.1.1.1. Securitisation of loans with government involvement (GACS, etc.)

- 4.3.1.2. Government measures undertaken in the context of COVID-19 and of Russia's invasion of Ukraine
 - 4.3.1.3. Measures to mitigate the impact of high energy prices in the economy
 - 4.3.2. Guarantees
 - 4.3.3. Debt assumptions, debt cancellations and debt write-offs, government claims
 - 4.3.4. Capital injections in public corporations (including ITA airways)
 - 4.3.5. Dividends, super dividends
 - 4.3.6. Financial derivatives
 - 4.3.7. PPPs, concessions and energy performance contracts (EPC)
 - 4.3.8. Emission trading permits
 - 4.3.9. Others: privatization, sale and leaseback operations, UMTS, securitisation
5. Any other business

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