Callable Capital Exercise – Shareholder Information Template

(1) Shareholder

ITALY (Ministry of Economy and Finance)

(2) Shareholding and Callable Capital Commitments

MDBs (and other DFIs, if applicable)	Shareholding (% of Subscribed Capital)	Callable Capital Commitments ($ billions)
IBRD*	2.61%	7.698 USD
IFC*	3.21%	N/A
MIGA*	2.80%	0.044 USD
AfDB**	2.38%	3.302 UA
AIIB**	2.65%	2.057 USD
AsDB**	1.80%	2.425 USD
CDB**	5.58%	0.0734 USD
EBRD**	8.52%	2.023 EUR
IADB**	1.97%	3.242 USD
IDB Invest**	2.95%	N/A
EIB**	18.78%	42.555 EUR
CEB**	16.72%	0.814 EUR

*As of June 30, 2023
**As of December 31, 2022

(3) Processes and Approvals: Describe the process your government would undertake and any approvals it would need to respond to a call on callable capital (or a call that is forthcoming). And, where legislative approval is required to respond to a call on callable capital (or a call that is forthcoming), describe the scope of opportunities for engagement with the legislature to seek this approval.

Ownership of Italy's shareholding in all MDBs falls solely within the purview of the Ministry of Economy and Finance. In the unlikely event of a call on callable capital by one or more institutions, the responsible Governor would need to consider the following procedure:

- Option 1: *Ordinary budget management and administrative procedures*. Use previously identified funds allocated in the "Statement of Estimates" (in Italian: *Stato di previsione*) of the Ministry of Economy and Finance, in the elementary unit (in Italian: *capitolo di bilancio*) dedicated to this specific purpose. In this case, payments are executed, within the limit of the resources allocated, in a very short time, without further acts, after the regularity controls are carried out by the State offices in charge (Central budget offices). If the above resources are insufficient, the budget appropriation related to the "Reserve fund for unforeseen expenses" (article 28 of the law n. 196, 31 December 2009 "Law on accounting and public finance"), within the limit of its resources, can be authorized to respond to the call: in this case a ministerial administrative decree must be signed and approved by the Minister of Economy and Finance. Other forms of flexibility between budget elementary units are allowed by law n.196, limited to specific cases, and can be applied after the enactment of ministerial administrative decrees authorizing the transfer of resources form other elementary units to the one dedicated to this specific purpose.
- Option 2: *Decree law*. If the available resources are insufficient, it is possible to activate the extraordinary legislative procedure of the decree-law, which is usually adopted for situations of necessity and urgency. This legislative act would increase the resources allocated to the specific unit of the budget concerning that capital call. As stated by the Italian Constitution (article 81), and detailed in the law n.196, the new expenditure must be compensated by correspondent reduction in other expenditure units or increase of revenues: in some cases resources that are deposited in the treasury accounts (accounts opened at the Bank of Italy where the ministry holds liquid assets) can be used if they fulfil the conditions of the aforementioned law. It is worth noting that the compensation must be effective in terms of three relevant public finance aggregates: the balance of the State budget, the cash borrowing requirement and the ESA general government net lending/borrowing. A decree law is delivered by presenting the Italian Council of Ministers with a legal instrument which is immediately effective after the publication in the Official Journal and that would be finally approved ("converted into law") by the Parliament within a short time frame (within 60 days).
- Option 3: *Ordinary law or Budget law*. In case the requisite of necessity and urgency is not met, the ordinary legislative process must be followed: in this case a draft law (*disegno di legge*) is presented to the Parliament and becomes effective after its approval: the examination (and amendment) of a draft law by the Parliament may occur in a longer time frame, not being formally subject to limits (this case seems unlikely to be followed for calls of capital given their implicit urgency).Alternatively, the resources can be allocated in the State budget with the Budget law. In October the Government presents to the Parliament the draft budget law for the following three years (*disegno di legge di bilancio*) approved by the Council of Ministers. The final approval by the Parliament and the publication on the Official Journal occur by the end of the year. The measures included in the budget law, in this case the increase of resources dedicated to the calls of capital, must be consistent with the public finance objectives set in the Planning documents (so, differently from the other laws, it is not bound to a strict financial compensation of each measure, thus making room to the authorization of new expenditures, provided the attainment of the overall objectives).

(4) Timeframes: Describe the timeframes associated with these processes and approvals. If the timeframe is conditional upon specific factors, please describe those factors.

The options above mentioned will come with different timeframes associated with the process needed to approve and execute a payment on callable capital. The selected option would vary depending on several factors, including the urgency and the amount of the call and whether parliamentary approval is necessary.

Indicative timelines can be found below.

(5) Responsibilities: Describe where the responsibilities for these processes and approval reside within your government.

Procedural Step	Timeframe	Responsible Entity
Legal Authority: The Authority for the Minister for Economy and Finance as shareholder to respond to a call and honour Italy's commitments is grounded in the legislation.	n/a	Ministry of Economy and Finance Italian Parliament
Source of Funds: Callable Capital is, for budgetary purposes, considered to be an off-balance sheet commitment in the form of a contingent liability. Option 1: *Ordinary budget management and administrative procedures* Resources already allocated in the specific elementary unit or administrative decree. The Minister of Economy and Finance could approve *the use of the reserve fund or the flexibility measures* to respond to the call with a ministerial administrative decree, signed and approved by the Minister themselves. Option 2: *Decree law* The Minister of Economy and Finance would need to inform and present a proposal of an urgent decree law to the Council of Ministers. Option 3: *Ordinary law or Budget law*	Depending on the urgency. It can be expedited to the greatest extent possible.	Ministry of Economy and Finance Council of Ministers Italian Parliament

The proposal could be stand-alone, with just the request for the appropriation of callable capital included or paired with other requests for appropriations. This process could be completed in line with the ordinary legislative process or as a budget appropriation as part of the Italian budget cycle or. It could require few months to be approved by the Parliament depending on when the call occurs.		
Approval of Funds Option 1: *Ordinary budget management and administrative procedures* • The funds are available for disbursement after either regularity controls or the approval of a Ministerial decree. Option 2: *Decree law* • The Council of Ministers can be urgently convened to approve the decree-law. The decree-law is immediately effective and executable, but parliamentary approval will be needed to confirm and transform the decree-law into ordinary law within 60 days. • The Parliament can be urgently convened to schedule the approval within the shortest timeframe possible. The decree-law must be approved by both chambers of Parliament. It should be noted that the Italian Executive branch and the Parliament have both moved swiftly in the past when unannounced expenditures came forth and we expect this to be the case for the unlikely event of a call on callable capital. Option 3: *Ordinary law or Budget law* In case the requisite of necessity and urgency is not met, the ordinary legislative process must be followed: in this case a draft law (*disegno di legge*) is presented to the Parliament and becomes effective only after its approval. • The Council of Ministers can approve an ordinary law (without any specific time constraints) or the budget law, in October, and submit it to the Parliament. • Following the approval of the instrument by the Council of Ministers, parliamentary approval of the Budget law occurs before the end of the year. It could require few months to be approved by the Parliament depending on when the call occurs.	Option 1: n/a Option 2: immediately effective after the Council of Ministers approval. Up to 60 days for Parliamentary approval. Option 3: Up to 12 months These laws must follow standard parliamentary procedures.	Ministry of Economy and Finance Council of Ministers Italian Parliament
Payment: Once approved, the Ministry of Economy and Finance would proceed to depositing the funds to the relevant IFI and considering the urgency of the matter make payments accordingly in few days.	These steps could take only few days to execute.	Ministry of Economy and Finance

(6) Size of Call Response: Describe your government's potential to make available an amount of callable capital above the size of a call that has been made (or is forthcoming), and the associated processes and approvals for the same (if different from the above).

The size of the request would be limited to the amount of the Italian share of callable capital that has been authorized at each MDB. If the initial call that is made is for less than the total amount of callable subscribed (we deem this likely), any further disbursement of capital would follow the same steps as the first call, with the added benefit that the procedure will have been tried and tested and therefore likely to be slightly quicker. The Italian Government is unable to provide funds above those subscribed in the form of callable capital without a separate legal instrument that would need to be ratified by the Parliament.

(7) Accelerated Processes: Describe your government's potential to undertake accelerated domestic processes and approvals in response to a call on callable capital (or a call that is forthcoming), including what these processes and approval entail (including any conditions that must be met), their associated timeframes, and whether there are any limitations on the amount of callable capital available through them (recognizing that the existence of these accelerated processes has no effect on the circumstances under which callable capital may be called).

In case there are previously identified sources of funds, the procedures for the budget appropriation to make them available for immediate use, and the bureaucratic steps internal to the MoF could take only a few days. Alternatively, for the accelerated legislative procedure (decree law), the Council of Ministers can be convened urgently to approve a decree-law which is immediately effective. The final and formal approval by the Parliament of the decree law must take place within 60 days to confirm the government's decision. The final and formal approval by the Parliament can be immediately scheduled depending on the urgency.

(8) Callable Capital Available for Immediate Disbursement and Process/Timeframe: Describe any amounts of callable capital that are currently available for immediate disbursement in response to a call on callable capital (including, where applicable, funds that have already been made available through existing or previously approved budgets), and the processes, approvals, and timeframes associated with disbursement of such amounts.

No amounts of callable capital have been appropriated for any institution.

(9) Accounting and Budgeting Procedures: Describe the accounting treatment your government employs when accounting for callable capital, and how callable capital is treated in your government's budget.

According to the *Eurostat Manual on Government Deficit and Debt*, callable capital does not impact the budget in terms of debt or deficit until a call (and payment) occurs. As for the Manual, *"A large part of an MDB capital increase is usually structured as callable*

capital, i.e., not actually paid-in. The statistical treatment in the case of MDBs providing mainly non-concessional loans is as follows: the callable part is to be considered a contingent transaction, which is not to be recorded in the national accounts system"[1].

Accounting treatment: Italian callable capital subscriptions fall under the category of off-balance sheet commitments as a type of contingent liability.

Budgetary treatment: Callable capital subscriptions are not incorporated into the budget unless they are appropriated by the Parliament. When callable capital is appropriated, the Ministry of Economy and Finance receives budget authority to commit it and pay the funds to meet the obligation.

(10) Legal Status of Callable Capital Subscriptions: Describe the legal status of your government's callable capital subscriptions, including the legal basis upon which those subscriptions rest.

All the callable capital subscriptions of Italy are grounded in the international agreements establishing the various IFIs and are approved by the Italian parliament and consequently express the consent of the state to be bound by each such treaty.

(11) Cross-MDB Differences: Describe any differences in the way your government treats callable capital from an accounting, legal, or process for responding to a call perspective across the different MDBs.

The callable capital subscriptions of Italy are all treated in the same way from an accounting, legal, and process for responding to a call perspective across all the MDBs in which Italy is a shareholder.

(12) Other Factors: Cite any other factors affecting your government's ability to promptly respond to a call on callable capital.

N/A

[1] For further references see the *Manual on Government Deficit and Debt – Implementation of ESA 2010 – 2022 edition*, Luxembourg: Publications Office of the European Union, 2023.