

INTERNATIONAL MONETARY FUND

ITALY

Questionnaire for the 2004 Article IV Consultation

October 3, 2005

H. Infrastructure and Role of PPPs

General Background

1. *Background on investment in infrastructure:* What are the recent trends for both public and private investment in infrastructure? What are the key factors behind these trends? What are the main needs and how does the government propose meeting them? Are there any studies estimating rates of return of investment in Italy, both public and private?

Legal and Regulatory Framework for PPPs

1. *Background:* We are aware that the legislative framework rests primarily on the 1994 Legge Merloni (art. 37bis for PPPs), its 1999 implementing regulations, and more generally for infrastructure of strategic importance, the 2001 Legge Obiettivo (and all subsequent changes, as applicable). What are the recent developments in the legal framework and what efforts have been made to align it with best practices?
2. *Risks:* Do any of the laws have specific provisions on the treatment of risk in PPPs/concessions? What specific mechanisms exist to protect both public and private partners from risks over which they have limited control? How are potential contract renegotiations being addressed in the law?
3. *Financial reporting:* What is the accounting treatment for PPPs/concessions? How are guarantees treated? How does this affect project selection? What are the rules and regulations on reporting requirements, especially for local governments?

Institutional Framework for PPPs

1. *Government Strategies:* How are different forms of private investment, such as concessions and other forms of PPP, integrated in the government investment strategy? What are procurement rules/strategies?
2. *Roles and responsibilities:* What are the different governmental entities involved with the planning, appraisal, selection and evaluation of private participation in infrastructure. What are their respective roles and responsibilities? How do ministries cooperate on PPPs? Can you please describe the recent activities of *Infrastrutture Spa*.

3. *Risk transfer & value for money:* Are there government guidelines on risk transfer to the private sector and carrying out value for money assessments? Does the government have in place public sector comparators to help assess value for money?
4. *Procurement and contracting:* How is the procurement method chosen? What has been the experience in procuring and contracting PPP/concessions? How has this differed from publicly funded capital projects?
5. *Capacity:* Are there any capacity constraints in handling PPP/concession contracts and overseeing the projects? If so, how are they being resolved? Who monitors the fiscal risks?
6. *Reporting and disclosure:* What are rules for reporting and disclosure. For example, in what format does the government disclose PPP contract information? What are the reporting requirements for local governments?
7. *Accounting:* How does the government intend to account for PPPs? How will PPPs affect government debt? How will contractual payments on PPPs be taken into account in the budget? How does the government keep track of contingent liabilities and how does it budget for contingent liabilities that may fall due? How does this apply to PPPs promoted by local governments?
8. *The way forward.* What are the main changes you would like to apply to PPPs in Italy (we have the useful document prepared by Unita'Finanza di Progetto on "Dieci Temi per Migliorare il Ricorso alla Finanza di Progetto", February 2005).

Information on Specific PPP Projects

1. *Documents:* The mission would like to document one or two examples of PPPs recently undertaken (possibly one deemed successful and one deemed less so).
2. *Planning process:* Please provide an overview of the planning process for individual investment projects. What mechanisms exist for selecting and evaluating investment projects? How is the value for money of both public and private projects assessed? How are operations and maintenance expenditures taken into account in the planning stage?
3. *Liabilities/contingent liabilities:* For each of the projects, please provide known payments, guarantees, and any contingent payments that need to be made.
4. *Monitoring:* What are the key stages for executing the projects? What is the management strategy for fiscal risks? If necessary, how are changes to the original project approved and made?