



Law 31 December 2009, n. 196

Government Accounting and Public Finance Act

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Government Accounting and Public Finance Act

Title I

PRINCIPLES OF COORDINATION, PUBLIC FINANCE OBJECTIVES AND HARMONISATION OF ACCOUNTING SYSTEMS

Article 1 Principles of coordination and scope

1. General government bodies shall participate in pursuing the public finance objectives determined at the national level in accordance with the procedures and criteria established by the European Union and shall share in the consequent responsibilities. Participation in the pursuit of those objectives shall be founded on the fundamental principles of the harmonisation of public accounts and the coordination of the public finances.

2. For the purposes of the application of the provisions concerning the public finances, “general government bodies” shall comprise, for 2011, the bodies and other entities specified for statistical purposes in the list contained in the announcement of the National Statistical Institute (Istat) of 24 July 2010 and published on the same date in the *Gazzetta Ufficiale della Repubblica italiana* no. 171 (*Official Journal*) and, as from 2012, the bodies and other entities specified for statistical purposes by Istat in the list contained in the announcement of that Institute of 30 September 2011 and published on the same date in the *Gazzetta Ufficiale* no. 228, as updated pursuant to paragraph 3 of this article, conducted on the basis of the definitions in the specific regulations of the European Union, the independent authorities and in any case the bodies referred to in Article 1, paragraph 2, of Legislative Decree 165 of 30 March 2001 as amended.

3. The specification of the general government bodies referred to in Paragraph 2 shall be effected annually by Istat in a measure published in the *Gazzetta Ufficiale* by 30 September.

4. The provisions of this Law and the legislative decrees provided for herein constitute the fundamental principles for the coordination of the public finances pursuant to Article 117 of the Constitution. Their purpose is to preserve the economic unity of the Italian Republic pursuant to Article 120, second paragraph, of the Constitution.

5. The provisions of this Law shall apply to the special statute regions and to the autonomous provinces of Trento and Bolzano without prejudice to the provisions of those bodies’ statutes.

Article 2 Enabling authority granted to the Government to adapt accounting systems

1. In order to enable the pursuit of the objectives referred to in Article 1, the Government is granted authority to adopt, by 31 May 2011, one or more legislative decrees for the harmonisation of the accounting systems and budget formats of general government bodies, with the exception of those of the regions and local authorities, and the associated time limits for their presentation and approval on the basis of the planning, management and reporting requirements of the public finances. The systems and formats referred to the first sentence shall be reconcilable with those adopted at the European level for the purposes of the excessive deficit procedure.

¹ Updated as of 24 October, 2018.

2. The legislative decrees referred to in Paragraph 1 shall be issued in conformity with the following principles and guidelines:

a) adoption of uniform accounting rules and a common chart of integrated accounts in order to permit consolidation and monitoring during the budgeting, management and reporting phases of the accounts of general government bodies;

b) definition of a taxonomy for the reclassification of the accounting and budget data for general government bodies that are required to adopt civil law accounting rules for purposes of reconciliation with the uniform accounting rules referred to in subparagraph a);

c) adoption of common budget formats by mission and programme consistent with the classification by economic purpose and by function specified in the Community regulations on the national accounts and their satellite accounts, in order to make the budget items designed for the implementation of public policies more transparent and meaningful, and adoption of a single system of code numbers for the individual expenditure measures correlated with the expenditure items set out in the budgets;

d) supplementation, for informational purposes, of the system of commitment/cash accounting with a system of accrual accounting inspired by common accounting criteria;

e) adoption of consolidated accounts for general government bodies with the enterprises or other agencies that they control, under a model format set by the Minister for the Economy and Finance in agreement with the ministries affected;

f) definition of a set of indicators of results that are simple, measurable and associated with budget programmes, constructed using criteria and methods common to the various bodies specified in a decree of the President of the Council of Ministers.

3. The legislative decrees referred to in Paragraph 1 shall be accompanied by an annex giving a nomenclature illustrating the definitions of the accounting categories and financial procedures for each segment or type of entity, to which the accounting rules must conform.

4. The drafts of the legislative decrees referred to in Paragraph 1 shall be transmitted to the Chamber of Deputies and the Senate of the Republic so that the competent committees can issue their opinions within sixty days of such transmission. After the time limit for the issue of these opinions has expired, the decrees may in any case be adopted. The Government, if it does not intend to act in conformity with the committees' opinions, shall then retransmit the texts to the houses of Parliament with its own observations and with any amendments and provide communications to each house. Once thirty days have elapsed from the date of the new transmission, the decrees may in any case be adopted definitively by the Government. The legislative decrees that entail financial effects shall be accompanied by the technical report referred to in Article 17.3.

5. For the purpose of drafting the legislative decrees referred to in Paragraph 1, there shall be established, within thirty days of the entry into force of this Law, by decree of the Minister for the Economy and Finance, at no expense to the public finances, a committee for the accounting standards of general government bodies, consisting of twenty-three members so subdivided:

a) four representatives of the Ministry for the Economy and Finance, one of whom shall be chairman, and one representative each of the ministries of the interior, defence, education, universities and research, labour, and health and welfare, plus one representative of the Office of the Prime Minister;

b) one technical representative of the administration of the Chamber of Deputies and one of the administration of the Senate of the Republic, named by their respective presidents, as standing members, and one representative of the Court of Auditors;

c) one representative of Istat;

d) seven representatives of regional and local governments, of whom three named by the Conference of Presidents of Regions and Autonomous Provinces, one of whom for special statute governments, one named by the Union of Italian Provinces, one named by the National Association of Italian Municipalities, one named by the National Union of Mountain Municipalities, Communities and Entities, and one named by the legislative bodies of the regions and autonomous provinces, in agreement with one another, from within the Conference of presidents of assemblies and councils of regions and autonomous provinces, referred to in Law 11 of 4 February 2005, Articles 5, 8 and 15;

e) three legal accounting experts.

6. Law 42 of 5 May 2009 is amended as follows:

a) Article 2.1 adds the following words at the end: “and for the purpose of harmonising the accounting systems and budget formats of those bodies and the time limits for their presentation and approval, on the basis of the requirements of public financial planning, management and reporting”;

b) Article 2.2.h is replaced by the following:

“h) adoption of uniform accounting rules and a common chart of integrated accounts; adoption of common budget formats by mission and programme consistent with the classification by economic purpose and by function specified in the Community regulations on the national accounts and their satellite accounts; adoption of consolidated accounts with firms or other agencies under general government bodies’ control, under a common format; supplementation, for informational purposes, of the system of financial accounting with a system of cost and asset accounting inspired by common accounting criteria; reconcilability of the accounting systems and budget formats of local governments with those adopted in Europe for the purposes of the excessive deficit procedure; definition of a taxonomy for the reclassification of the accounting and budget data for general government bodies that are required to adopt civil law accounting rules for purposes of reconciliation with the uniform accounting rules; definition of a set of indicators of results that are simple, measurable and associated with budgets programmes, constructed using criteria and methods common to the various local government bodies; for the implementation of Articles 9 and 13, setting of the time limit by which regional and local governments shall communicate to the Government their budgets and ex-post financial statements, as approved, and provision for penalties for non-compliance with such time limit pursuant to Article 17.1.e.”;

c) Article 2.6 is replaced by the following:

“6. At least one of the legislative decrees referred to in Paragraph 1 shall be adopted within twelve months of the entry into force of this Law. A legislative decree to be adopted by the time limit specified in Paragraph 1 of this Article shall govern the determination of standard costs and funding requirements on the basis of the essential service levels referred to in Article 20.2. The Government shall transmit to the houses of Parliament, by 30 June 2010, a report on the general framework of financing of local governments and proposals for the quantitative definition of the fundamental structure of financial relations between the State, regions, the autonomous provinces of Trento and Bolzano and other local governments, with an indication of the possible distribution of resources. This report shall in any case be transmitted to Parliament before the draft legislative decree on taxes, revenue sharing and equalisation among local governments”;

d) In Article 3.6, third sentence, after the words “the exercise of the enabling authority” the following is inserted: “or subsequently”;

e) In Article 4.1, first sentence, the words “thirty members and” are replaced by the following: “thirty-two members, two of whom shall be representatives of Istat, and, for the remaining thirty members,”.

7. The committee for accounting standards shall act in liaison with the Joint Technical Commission for fiscal federalism referred to in Article 4 of Law 42 of 5 May 2009 as regards the activities referred to in Article 2.2.h of that law, exchanging all their findings relating to the harmonisation of the public accounts.

8. Corrective and supplementary measures to the legislative decrees referred to in Paragraph 1 may be adopted within three years of the entry into force of those decrees, taking account among other things of the legislative decrees to be adopted pursuant to Articles 40 and 42, without prejudice to the principles and guidelines and by the same procedures envisaged by the present article.

Article 3 Report on the state of implementation of the reform of public sector accounting and finance

1. The Minister for the Economy and Finance shall transmit, annexed to the Economic and Financial Document referred to in Article 10, a report on the state of implementation of this Law with special reference to the activities for the implementation of the new organisation of the State budget and the budgets of other general government bodies, emphasizing the connection between the new budget structure and the new organisation of general government bodies following the implementation of Law 15 of 4 March 2009 and the associated legislative decrees. The report shall also describe the state of implementation of the provisions of Article 2.2.h of Law 42 of 4 May 2009, as replaced by Article 2.6.b of this Law.

Title II

MEASURES FOR THE TRANSPARENCY AND CONTROLLABILITY OF EXPENDITURE

Article 4 Parliamentary control

1. The Government, in the report referred to in Article 3 and at the request of the competent parliamentary committees, shall provide said committees with all the information needed to exercise constant control and monitoring of the implementation of this Law. On the basis of the information received and the inquiries conducted individually or jointly, using procedures determined by the agreements referred to in Paragraph 2, the competent parliamentary committees of the two houses shall make observations and assessments that can improve the formulation of budget documents and the public finance procedures.

2. In connection with the provisions of Paragraph 1, the presidents of the Chamber of Deputies and the Senate, in order to facilitate the joint conduct of the inquiries as part of parliamentary control activities and to strengthen the competent parliamentary committees' capacity to investigate the technical aspects of the public finances and accounting, shall make agreements to promote the activities of the two houses, individually or jointly, as well as supplementing the activities performed by their respective technical support structures, with special reference to the following:

a) monitoring, control and verification of developments in the public finances and analysis of measures to improve the quality of expenditure, with special reference to devising indicators of results that are simple, measurable and referring to budget programmes;

b) verification of the state of implementation of the reform process and the adaptation of the budget structure, with special reference to strengthening the function of the budget on a cash basis, and its connection with accrual-basis accounts, the functional redefinition of programmes in relation to specific objectives, the classification of types of spending and the parameters for the assessment of results;

c) analysis of the information content necessary for the documents transmitted by the Government, in order to guarantee concise, essential and comprehensible information, with a degree of uniformity sufficient for comparability over time between sectors, territorial levels and documents;

d) verification of the methodologies used by the Government for the funding of the various types of expenditure and for the quantification of the financial effects of legislative measures, and identification of the levels of information in support of the quantification, plus formulation of indications for the drafting of sectorally diversified methodological schemas for the assessment of financial effects;

e) analysis of the methodologies used for the construction of the trend developments in the public finances, including by individual sectors, of the information necessary to their verification, and checking of the minimum content of the reconciliation between trend projections and legislative changes.

2-bis. For the purpose of performing the activities referred to in this Article, on the basis of specific agreements, Istat shall, as part of its institutional duties, provide Parliament, upon request, with the data and other information necessary for examining the public finance documents. The implementation of this paragraph shall not generate new or increased costs for the public finances.

Article 5 Criteria for the appointment of the President of Istat

1. In Article 16.1 of Legislative Decree 322 of 6 September 1989, after the first sentence, the following is inserted: “The appointment by the Government is subject to the prior opinion of the competent parliamentary committees, which may hear the person designated. The appointment is subordinate to the favourable opinion of the aforesaid committees, approved by a two-thirds majority of their members.”

Article 6 Access to databases and publication of information

1. For purposes of parliamentary control over the public finances, including on a sectoral basis, the Chamber of Deputies and the Senate shall have access, under special agreements, to the information in the databases of general government bodies and to all other sources of information managed by public bodies that are relevant to the control of the public finances, including for the purpose of consultation by members of Parliament.

2. The bills and laws referred to in Articles 21, 33 and 35 with their annexes shall be published, in processable electronic form, on the website of the Ministry for the Economy and Finance.

2-bis. The software used to publish the bills and laws referred to in paragraph 2 shall be in open format and shall be reusable pursuant to the provisions of Articles 68 and 69 of the Digital Government Code enacted with Legislative Decree 82 of 7 March 2005.

3. The budget adjustment decrees enacted as a consequence of the approval of legislative measures shall be made available on the Ministry for the Economy and Finance website the day following that of their registration by the Court of Auditors.

4. The Interministerial Committee for Economic Planning (CIPE) shall transmit electronically to the two houses of Parliament its resolutions within ten days of the date of their registration by the Court of Auditors or, where this is not required, within ten days of their adoption.

Title III

THE PLANNING OF PUBLIC FINANCE OBJECTIVES

Article 7 Financial and budget planning cycle and instruments

1. The approach to budgeting general government bodies' revenue and expenditures shall be in conformity with the method of planning.
2. The planning instruments are:
 - a) the Economic and Financial Document (EFD), to be presented to Parliament by 10 April each year, for the consequent parliamentary deliberations;
 - b) the Update to the EFD, to be presented to Parliament by 27 September each year, for the consequent parliamentary deliberations;
 - d) the State Budget Bill to be presented to Parliament by 20 October each year;
 - e) the Budget Adjustment Bill, to be presented to Parliament by 30 June each year;
 - f) the single-subject bills accompanying the public finance package, to be presented to Parliament by the end of January each year;
 - g) the specific planning instruments of general government bodies other than the State.
3. The documents referred to in Paragraphs 2.a, 2.b, 2.d) and 2.e shall be presented to Parliament by the Government acting on a proposal of the Minister for the Economy and Finance, having consulted, with regard to the third section of the EFD, the Minister for European Policies. The document referred to in Paragraph 2.a shall be presented by the time limit specified therein to obtain the opinion of the Standing Conference for the Coordination of the Public Finances, which shall issue such opinion in due time for the parliamentary deliberations referred to in Paragraph 2.a

Article 8 Coordination of the public finances of the regions and other local governments

1. The regions, the autonomous provinces of Trento and Bolzano and local governments shall set the objectives for their annual budget and medium-term budgetary framework consistent with the policy objectives set out in the EFD.
2. Also for purposes of the implementation of Article 21.1 ter.g, the Update to the EFD referred to in Article 10-bis shall set out a normative reference framework for the participation of local authorities in achieving the public finance objectives, characterized by stability, consistency, compliance with European parameters and preservation of the operational autonomy of the bodies involved. On the basis of the provisions of the previous sentence, consistently with the national objectives, disaggregated by sub-sector, as established pursuant to Article 10.2.e, the measures necessary for the achievement of these objectives separately for regions, provinces and municipalities shall be defined.

[3. Repealed]

[4. Repealed]

Article 9 Relations with the European Union with regard to the public finances

1. The Stability Programme and the National Reform Programme shall be presented to the Council of the European Union and the European Commission by 30 April and in any event in compliance with the time limits and procedures envisaged in the Code of Conduct on the implementation of the Stability and Growth Pact.

1-bis. The Draft Budgetary Plan for the subsequent year, as referred to in Article 6 of Regulation (EU) no. 473/2013 of the European Parliament and of the Council of 21 May 2013, shall be presented to the European Commission and the Eurogroup by 15 October each year and shall be transmitted to Parliament by the same time limit.

2. The acts, draft acts and documents adopted by the institutions of the European Union within the framework of the European Semester shall be transmitted by the Government to Parliament in concomitance with their receipt for the purposes of the examination envisaged in their respective Rules and for the purposes of the exercise of the activities referred to in Article 4.

3. Within 15 days of the transmission of the European Union economic and budgetary policy guidelines prepared by the European Council, the Minister for the Economy and Finance shall report to the competent parliamentary committees, providing an assessment of the data and measures set out in the guidelines and their implications for Italy, including for the purposes of the preparation of the Stability Programme and the National Reform Programme.

Article 10 Economic and Financial Document

1. The EFD, as resulting from the consequent parliamentary deliberations, is composed of three sections.

2. The first section of the EFD contains the Stability Programme referred to in Article 9.1. The outline contains the elements and the information required by the applicable European Union regulations and the Code of Conduct on the implementation of the Stability and Growth Pact, with specific reference to the objectives to be achieved to accelerate the reduction of the public debt. More specifically, the first section contains:

a) the economic policy objectives and the economic and public finance forecasts for at least the next three years and the objectives disaggregated by sub-sector for the general government account with regard to central government bodies, local governments and pension and welfare agencies;

b) an update of the forecasts for the current year, highlighting any deviations from those in the previous Stability Programme;

c) an indication of international economic and financial developments for the current year and for the reference period; for Italy, in line with the procedures and timetable specified in the Code of Conduct on the implementation of the Stability and Growth Pact, macroeconomic forecasts for each year of the reference period, specifying the contributions to growth of the different factors, developments in prices, the labour market and the performance of the external accounts; and an explicit specification of the key economic parameters used for the public finance forecasts in line with macroeconomic developments;

c-bis) a comparison with the latest macroeconomic and budget forecasts of the Commission and a discussion of the most significant differences between the macroeconomic and financial scenario selected and the Commission forecasts, with special reference to the exogenous variables adopted;

d) the forecasts for the main aggregates of the general government revenue and expenditure account;

e) the policy objectives defined in accordance with European regulations, specified for each year of the reference period as a percentage of gross domestic product and, taking account of the budget package referred to in subparagraph f), for net borrowing, for the cash balance, net and gross of interest payments, and any one-off measures that do not affect the structural balance of the general government accounts, and for the general government debt, broken down by the sub-sectors referred to in subparagraph a), including for the purposes of Article 3.3, first sentence, of Law 243 of 24 December 2012;

f) the structure of the budget package necessary to achieve the objectives referred to in subparagraph e), for at least three years, for the sub-sectors referred to in subparagraph a), as well as a general indication of the measures through which those objectives are expected to be achieved, including for the purposes of Article 3.3, second sentence, of Law 243 of 24 December 2012;

g) potential output and the policy structural indicators of the general government revenue and expenditure account for each year in the reference period;

h) the long-term public finance forecasts and the measures that will be taken to ensure sustainability;

i) the different projections for developments in net borrowing and debt in alternative forecasting scenarios for the growth rate of gross domestic product, the structure of interest rates and the primary balance;

l) information on contingent liabilities that may have an impact on public budgets, in accordance with Council Directive 2011/85/EU of 8 November 2011.

3. The second section of the EFD contains:

a) the analysis of the revenue and expenditure account and cash flow account of general government in the preceding year and any deviations from the policy objectives set out in the EFD and Update referred to in Article 10-bis;

b) the trend forecasts on a current-legislation basis, for at least the subsequent three years, based on the parameters referred to in paragraph 2.c, and, for the discretionary portion of expenditure, no change in services delivered, revenue and expenditure of the subsectors referred to in paragraph 2.a, net and gross of any one-off measures with no impact on the structural balance of general government revenue and expenditure, and those of the general government cash balance, with a general indication, including for the current year, of the reasons for deviations between the trend developments indicated and the forecasts contained in previous policy documents, as well as an indication of the general government fiscal burden. The section also indicates the forecasts for general government debt as a whole and for the sub-sectors referred to in paragraph 2.a), as well as the resources allocated to the development of underutilised areas, highlighting the national additional funds;

c) an indication of the forecasts on an unchanged-policy basis for the main aggregates of general government revenue and expenditure for at least the next three years;

d) the trend forecasts, for at least the next three years, for the state sector cash balance and information on the methods to be used to finance this balance;

[e) Repealed]

f) detailed information on the results and forecasts of the accounts of the major expenditure areas, for at least the next three years, with particular reference to those related to public employment, social protection and health care, on the general government debt and its average cost, as well as on the amount of interest expenditure in the State budget related to derivative financial instruments.

4. A separate methodological note, attached to the second section of the EFD, shall detail the criteria used for the formulation of the trend forecasts referred to in paragraph 3. b.

5. The third section of the EFD contains the National Reform Programme referred to in Article 9.1. The section contains the elements and information provided for by European Union regulations and the specific guidelines for the National Reform Programme. More specifically, the third section indicates:

- a) the state of progress of the reforms, including any variance between planned and actual results achieved;
- b) the national macroeconomic imbalances and the macroeconomic factors affecting competitiveness;
- c) the priorities of the country and the main reforms to be undertaken, the timetable for their implementation and compatibility with the policy objectives set out in the first section of the EFD;
- d) the expected effects of the proposed reforms in terms of economic growth, strengthening the competitiveness of the economy and increasing employment.

5-bis. If, immediately prior to the presentation of the EFD, the exceptional events referred to in Article 6 of Law 243 of 24 December 2012 should occur, the report referred to in paragraph 3 of that Article 6 may be presented to Parliament as an annex to the EFD.

6. An annex to the EFD sets out any single-subject bills accompanying the public finance package, each of which shall contain homogeneous provisions by subject matter, taking due account of the responsibilities of the government bodies, and contribute to the achievement of policy objectives, with the exception of those on determining the balances referred to in Article 21.1-bis, second sentence, and those on the implementation of the National Reform Programme referred to in Article 9.1, including by means of regulatory or organisational measures or measures to promote economic revival and development. Parliamentary rules shall determine the procedures and time limits for the examination of the accompanying bills.

7. The Minister of Economic Development shall present to Parliament, by 10 April of the year following the reference year, as an annex to the EFD, a single summary report on the measures carried out in underutilised areas, highlighting the contribution of the national additional funds, and on the results achieved, particularly with regard to social cohesion and environmental sustainability, as well as the geographical distribution of the measures.

8. An annex to the EFD shall present the programme prepared pursuant to Article 1.1 of Law 443 of 21 December 2001, as amended, as well as the state of progress of that programme for the previous year, prepared by the Minister of Infrastructure and Transportation.

9. An annex to the EFD shall present a document prepared by the Minister of the Environment, having obtained the views of any other Ministers involved, on the status of implementation of the commitments to reduce greenhouse gas emissions, in accordance with the international obligations assumed by Italy at the European and international levels, and the related policy guidelines.

10. A specific annex to the EFD shall present, for State budget expenditure and on the basis of the latest outturn data available, distinguishing between current and capital expenditure, the resources allocated to each region, with separate reporting of the economic categories of current and capital transfers to local governments, and to the autonomous provinces of Trento and Bolzano.

10-bis. A specific annex to the EFD, prepared by the Minister for the Economy and Finance on the basis of data provided by Istat, shall report developments in the last three years in the indicators of fair and sustainable well-being selected and defined by the Committee for the indicators of equitable and sustainable well-being established at Istat and forecasts for developments in those indicators over the reference period, taking due account of the measures envisaged to achieve the economic policy objectives set out in paragraph 2.f, and the content of the National Reform Programme referred to paragraph 5.

10-ter. A special report, prepared by the Minister for the Economy and Finance, based on data provided by Istat, to be presented to Parliament for transmission to the competent parliamentary committees by 15 February each year, shall discuss developments in the indicators of equitable and sustainable well-being, referred to in paragraph 10-bis, on the basis of the effects of the Budget Act for the current three-year period.

11. The Minister for the Economy and Finance, by June 30 of each year as a supplement the EFD, shall transmit to Parliament an annex reporting the findings of the monitoring of the effects on the public finance balances, for both revenue and expenditure, of the budget measures adopted during the year, which the Department of the State Accountant General and the Finance Department of the Ministry for the Economy and Finance are required to perform. It shall also specify any deviations from the original projections and the reasons therefor.

Article 10-bis. Update to the Economic and Financial Document

1. The Update to the EFD contains:

a) any update of the policy targets referred to in Article 10.2.e, in order to reorganise those targets among the sub-sectors referred to in Article 10.2.a, or to incorporate recommendations approved by the Council of the European Union as well as of the macroeconomic and public finance forecasts for the current year and for the remainder of the reference period, without prejudice to the provisions of Article 3.3 of Law 243 of 24 December 2012;

b) in absolute value, the targets for the net balance to finance of the State budget and the cash balance of the state sector;

c) the comments and any amendments of the EFD associated with the recommendations of the Council of the European Union concerning the Stability Programme and the National Reform Programme referred to in Article 9.1;

c-bis) an indication of the main areas of action of the public finance package for the subsequent three years, with a brief discussion of the expected financial impact of the measures in terms of revenue and expenditure, for the purpose of achieving the targets referred to in sub-paragraph a);

2. Where it should become necessary to modify the public finance targets, by 10 September the Government, in implementation of the provisions of Article 5.1.a of Law 42 of 5 May 2009, shall transmit to the Standing Conference for the Coordination of the Public Finances for the purpose of receiving its prior opinion, to be issued by 15 September, the guidelines for the distribution of the objectives referred to in Article 10.2.e of this Law. By the same time limit of 10 September, the guidelines shall be sent to the Parliament. The Parliament shall also receive the opinion referred to in the first sentence.

[d) Repealed]

3. The Update referred to in Paragraph 1 shall be accompanied by an explanatory report on multiannual non-permanent expenditure laws, indicating, in a separate section, those which are multiannual capital transfers, for which, following full activation of the monitoring referred to in Legislative Decree 229 of 29 December 2011, that section shall provide an assessment of the impact on the public finance balances. The report shall contain the accounting statements of each law, separately by mission and programme, specifying the associated expiry date, the overall cost, any refinancing or defunding, the total amounts appropriated, those effectively committed and disbursed and the associated carryovers. A specific section of the accounting statement shall set out the financial programming of each law, taking account of enforceable multiannual commitments assumed pursuant to Article 34.2, as well as the multiannual

payment plan referred to in Article 34.7. By 31 July, the competent ministries shall provide the Ministry for the Economy and Finance with all of the data necessary to draft the explanatory report.

[4. Repealed]

5. The data collected in accordance with Paragraph 3 shall form the information base for the monitoring procedures referred to in Legislative Decree 229 of 29 December 2011.

5-bis. The Update referred to in Paragraph 1 shall also be accompanied by a policy report indicating the measures designed to reduce, eliminate or reform tax expenditures that are wholly or partly unjustified or outdated in the light of changes in social or economic needs or which overlap with spending programmes with the same purpose that the Government intends to implement with the public finance package. The indication of the measures referred to in the previous sentence shall not jeopardise the priority objective of safeguarding income from employment and self-employment, the income of small enterprises and income from pensions, the family, health, economically or socially vulnerable persons, the artistic and cultural heritage, research and education, the environment and technological innovation. Tax expenditures which have been in force for five years shall be the subject of specific proposals for elimination, reduction, modification or retention.

6. If, immediately prior to the presentation of the Update to the EFD, the exceptional events referred to in Article 6 of Law 243 of 24 December 2012 should occur, the report referred to in Paragraph 3 of that Article 6 may be presented to the houses of Parliament as an annex to the Update to the EFD.

7. An attachment to the Update referred to in Paragraph 1 shall indicate any accompanying bills meeting the requirements referred to in Article 10.6.

Article 10-bis.1 Monitoring tax and contribution evasion

1. In conjunction with the Update referred to in Paragraph 1 of Article 10-bis, a report on the results achieved with measures to counter tax and contribution evasion shall be presented, distinguishing between taxes assessed and recovered, as well as between the different types of assessment procedures initiated, specifically highlighting the results of the recovery of amounts reported but not paid and the correction of errors in settlement on the basis of returns, specifying, where possible, the recovery of tax and contribution revenue attributable to greater voluntary taxpayer compliance. The Government shall also indicate its strategies for countering tax and contribution evasion, the updating and the comparison of results with targets.

2. The increased revenue that, on the basis of the results for the previous year, can be permanently attributed to the results of activities to counter tax and contribution evasion, as well as the improvement in voluntary compliance as referred to in Paragraph 4.e, net of the revenue necessary to maintain budget balance and reduce the ratio of debt to gross domestic product, shall be allocated to the Fund for the Reduction of the Fiscal Burden, whose resources may only be used for the purposes specified in the legislation establishing that Fund.

3. For the purposes of preparing the report provided for in Paragraph 1, which shall be accompanied by comprehensive notes discussing the methods used, the Government, with the assistance of the regions with regard to their taxes and the taxes of the local authorities in their territories, shall have recourse to the "Report on the underground economy and on tax and contribution evasion" prepared by a Commission established with a decree of the Minister for the Economy and Finance.

4. The Commission shall draft an annual report on the underground economy and on tax and contribution evasion, which also contains notes discussing the methods used to produce the estimates, and is intended to:

- a) acknowledge and comment on the assessments of the underground economy performed by Istat on the basis of the regulations governing the preparation of the national economic accounts;
- b) estimate the scope and prevalence of tax and contribution evasion and produce an official estimate of revenue withheld from the public purse, with the greatest possible breakdown by sector, territory and size, using a measurement method covering all the main taxes, including local taxes, based on a comparison of national accounts data with those drawn from the tax register, using transparent, stable and appropriately publicized criteria;
- c) assess the evolution over time of tax and contribution evasion and of revenue withheld from the public purse;
- d) discuss the strategies and measures taken to counter and prevent tax and contribution evasion, as well as those intended to encourage voluntary compliance with tax and contribution obligations;
- e) assess the results of activities to counter and prevent evasion and to encourage voluntary compliance;
- f) indicate the lines of action for countering and preventing tax and contribution evasion and those for encouraging voluntary compliance with tax and contribution obligations.

5. In order to achieve the objective of estimating the scope of tax and contribution evasion referred to in Paragraph 4.b, the Report referred to in Paragraph 4 shall measure the deviation between taxes and contributions actually paid and the taxes and contributions that should have been paid in a system with perfect compliance, excluding the effects of the tax expenditures referred to in Article 21.11-bis of Law 196 of 31 December 2009. To this end, the Report shall measure:

- a) revenue shortfalls due to errors on the part of taxpayers in calculating taxes and contributions due in their tax returns;
- b) payments not made compared with the amounts due on the basis of tax returns;
- c) the divergence between the tax and contribution base as reported in tax returns and the theoretical base as calculated on the basis of national accounts aggregates, distinguishing between the portion of the divergence attributable to tax expenditures, as referred to in Article 21.11-bis cited earlier, and the residual portion of that divergence that is attributable to the concealment of taxable income;
- d) tax and contribution revenue shortfalls attributable to evasion, calculated by subtracting revenue shortfalls attributable to tax expenditures, as referred to in Article 21.11-bis cited earlier, from the divergence between actual tax revenue and revenue potentially obtainable in a system with perfect compliance.

6. The results of the fight against evasion and the encouragement of voluntary compliance referred to in Paragraph 4.e shall be measured on the basis of separate assessments of revenue from overall audit and assessment action by authorities, including those referred to in Paragraph 5.a and 5.b, and developments in voluntary compliance, correlated with the accuracy of taxpayer returns, which is approximated by the variation compared with the previous year in the portion of the divergence between reported taxable income and theoretical taxable income attributable to the concealment of taxable income, as referred to in Paragraph 5.c), and by the variation compared with the previous year in tax and contribution revenue shortfalls attributable to evasion, as referred to in Paragraph 5.a, 5.b and 5.d. In assessing developments in voluntary compliance compared with the previous year, account shall be taken of the effects of macroeconomic developments on national accounts aggregates. The revenue shortfalls referred to in Paragraph 5.a, 5.b and 5.d shall be reported as an overall amount and separately, in absolute value and as a ratio of theoretical taxable income, using the most extensive possible breakdown by type of tax, taxpayer category, sector and size and geographical area.

Article 10-ter Monitoring of forecasts

1. The Parliamentary Budget Office established with Article 5 of Constitutional Law 1 of 20 April 2012 performs the activities provided for in Article 18.1.a of Law 243 of 24 December 2012, also taking account of the forecasts contained in the economic and financial policy documents. The Government shall provide the Office with the information necessary for assessing the forecasts contained in the economic and financial policy documents.
2. The findings of the assessments and analyses referred to in Paragraph 1 shall be made public in accordance with the procedures and timetable established by the Office, taking account of the timing of the presentation of public finance documents and shall be considered appropriately in the preparation of subsequent documents.
3. Where the findings of the assessment indicate a significant error with respect to the outturn that has an impact on the macroeconomic forecasts for a period of at least four consecutive years, the Government shall transmit a report to Parliament indicating the reasons for the deviation and any actions that it intends to take.

[Article 11. Repealed]

[Article 12. Repealed]

Title IV

MONITORING OF THE PUBLIC ACCOUNTS

Article 13 General government database

1. For the purpose of ensuring the effective control and monitoring of the public finances and to acquire the information necessary for the survey referred to in Article 1.3 and for the implementation and the stability of fiscal federalism, general government bodies shall input to a unified database established at the Ministry for the Economy and Finance, accessible to Istat and general government bodies using procedures to be laid down in specific decrees of the Minister for the Economy and Finance after consulting the Standing Conference for the Coordination of the Public Finances, Istat and the National Centre for Information Technology in the Public Administration, the data relating to the budgets, budget variations, budget outturns, operational transactions, and all information necessary for the implementation of this Law. A special agreement within the Standing Conference for the Coordination of the Public Finances shall determine the procedures for local authorities' access to the database. A decree of the Minister for the Economy and Finance shall designate the departmental unit responsible for the database.
2. A special section of the database referred to in Paragraph 1 shall contain all the data necessary for the implementation of fiscal federalism. These data shall be made available, including via direct access, to the Joint Technical Committee for the Implementation of Fiscal Federalism and the Standing Conference for the Coordination of the Public Finances in order for them to perform the activities referred to in Articles 4 and 5 of Law 42 of 5 May 2009, as amended by Article 2.6 of this Law.
3. The acquisition of the data will occur on the basis of formats, timetables and procedures laid down in a decree of the Minister for the Economy and Finance, after consulting Istat, the National Centre for Information Technology in Public Administration and the Standing Conference for the Coordination of the Public Finances as relates to local authorities. The acquisition of the data may also be effected via the exchange of information flows with other general government bodies. The Bank of Italy shall also electronically transmit to the Ministry for the Economy and Finance the data necessary to the monitoring and the consolidation of the public accounts.

4. The costs generated by the implementation of the present article, equal to a total of 10 million euros for 2010, 11 million euros for 2011 and 5 million euros as from 2012, shall be defrayed through a corresponding reduction in the expenditure authorisation provided for by Article 10.5 of Decree Law 282 of 29 November 2004, ratified with amendments by Law 307 of 27 December 2004 concerning the Fund for Structural Economic Policy Measures. The decree referred to in Paragraph 3 may also establish the procedures for distribution of resources among the government bodies assigned to create the database.

Article 14 Control and monitoring of the public accounts

1. As regards the control and monitoring of developments in the public finances, also using the data referred to in Article 13.1, the Ministry for the Economy and Finance - Department of the State Accountant General, shall:

- a) consolidate the transactions of general government bodies based on the information acquired with the procedures referred to in this Law and its implementing decrees;
- b) assess the consistency of developments in the public finance variables during the year with the public finance objectives set out in the EFD and verify the achievement of those objectives at the budget outturn stage;
- c) monitor the financial effects expected from the public finance package and the main other measures adopted in the course of the year;
- d) through the public finance inspectorates, check the legitimacy of the administration and accounting of general government bodies, with the exception of the regions and the autonomous provinces of Trento and Bolzano. The reports of the checks, even when they are conducted at the request of the bodies themselves, are documents accessible within the limitations and using the procedures laid down in Law 241 of 7 August 1990. In any case, for local authorities the inspectorates shall conduct checks to detect any deviation from the public finance objectives and shall also conduct the checks requested by the competent ministry at the initiation of the procedure referred to in Article 8 of Law 131 of 5 June 2003. The reports of the checks referred to in the third sentence shall be transmitted to the Standing Conference for the Coordination of the Public Finances so that it can consider activating the procedure denominated "Plan for the achievement of the convergence objectives" referred to in Article 18 of Law 42 of 5 May 2009, as amended by Article 51.3 of this Law;
- e) provide for access to and transmission in processable electronic form of the data referred to in Article 13.1 to the Chamber of Deputies and the Senate.

2. For the purposes of implementation of Paragraph 1, the Technical Unit for Project Financing referred to in Article 7 of Law 144 of 17 May 1999 shall transmit to the Ministry for the Economy and Finance - Department of the State Accountant General, and to Istat the information and basic data relating to public-private partnership operations gathered pursuant to Article 44.1-*bis* of Decree Law 248 of 31 December 2007, ratified with amendments by Law 31 of 28 February 2008. The data shall be acquired in accordance with the formats, timetables and procedures specified in a decree of the Minister for the Economy and Finance.

3. The Ministry for the Economy and Finance - Department of the State Accountant General, shall publish on a monthly basis, in the month following the reference month, a report on the consolidated cash account of central government, with sectoral indications of the entities of the other segments of general government, taking account among other things of the information drawn from the General Government Payments Information System (SIOPE).

4. By 31 May, 30 September and 30 November each year the Minister for the Economy and Finance – Department of the State Accountant General shall publish a report on the consolidated cash account of central government, referring respectively to the first quarter, first half, and first nine months of the year. The report published by 30 September shall provide the updated estimate of the consolidated cash account of general government for the year.

5. The Finance Department and the Department of the State Accountant General of the Ministry for the Economy and Finance shall monitor, respectively, developments in tax revenue and contribution revenue and shall publish monthly reports on these developments. The Finance Department shall also monitor the revenue effects of the tax measures provided for in the public finance package and the main tax measures adopted during the year. The reports referred to in Paragraph 4 shall contain an annex analysing the results with regard to revenue, with reference to developments in all taxes and duties, including those within the competence of regions and local authorities, with information on tax assessment and collection activities.

6. General government bodies, with the exception of those referred to in Paragraph 7, shall transmit on a daily basis, through their treasurer or cashier, the data on collections and payments effected to the SIOPE, labelled using standard national code numbers. The treasurer or cashier may not accept payment orders lacking the standard code number. The provisions of this paragraph shall not apply to Constitutional bodies.

6-bis. The SIOPE data managed by the Bank of Italy on general government bodies shall be open and freely accessible using procedures established in a decree of the Minister for the Economy and Finance in compliance with Legislative Decree 82 of 7 March 2005.

7. Social security institutions shall transmit, on a monthly basis, the data on all collections and payments effected to the Department of the State Accountant General, using standard national code numbers.

8. The Minister for the Economy and Finance, after consulting the Unified Conference between State-Regions and Cities, shall determine by decree the coding, the procedures and timetable for the implementation of the provisions of Paragraphs 6 and 7. Likewise the Minister shall issue decrees to amend the established coding system except for changes intended to incorporate updates of the financial module of the chart of accounts referred to in Decree 132 of the President of the Republic of 4 October 2013 and Article 4 of Legislative Decree 118 of 23 June 2011, which are made in conjunction with the updating of the chart of accounts.

8-bis. In order to facilitate the monitoring of the entire revenue and expenditure cycle, general government bodies shall order collections and payments from their treasurer exclusively by means of electronic orders issued in accordance with the Electronic Order standard issued by the *Agency for Digital Italy* (AGID) using the infrastructure of the SIOPE database managed by the Bank of Italy as part of the State Treasury service. The procedures with which the bodies and treasurers exchange electronic orders using the SIOPE infrastructure shall be specified in specific rules developed jointly with the AGID and available in the sections dedicated to the SIOPE on the website of the Ministry for the Economy and Finance - Department of the State Accountant General. Treasurers and cashiers may not accept payment instructions using procedures other than those described in the previous sentence.

8-ter. Decrees of the Minister for the Economy and Finance, after consulting the Unified Conference between State-Regions and Cities and the AGID, shall establish the procedures and timetable for the implementation of the provisions of Paragraph 8-bis.

9. The privatized social security institutions, the chambers of commerce, industry, crafts and agriculture, the port authorities, the national park agencies and the other public entities that submit quarterly cash flow reports and are not yet subject to the SIOPE data collection process, shall continue to transmit to the Department of the State Accountant General the quarterly cash management data for their accounts by the 20th day of the months of January, April, July and October of the reference quarter in accordance with the master format of tables specified by a decree of the Minister for the Economy and Finance.

10. With the extension of the SIOPE data collection process to the entities referred to in Paragraph 9, the obligations relating to the transmission of the quarterly cash flow data shall lapse, in accordance with the procedures and timetables laid down by decrees of the Minister for the Economy and Finance.

11. General government bodies that do not comply with the obligations referred to in Paragraphs 6, 7 and 9 may not make withdrawals from the accounts held with the State Treasury. Annexes to the reports referred to in Paragraph 4 shall indicate the bodies that are in non-compliance with the provisions of Paragraph 6.

Article 15 Special and transitional provisions for the monitoring of the public accounts

1. Pending the creation of the database referred to in Article 13, for the purposes of monitoring and control of the public accounts, general government bodies and the other entities and companies the transmission of whose accounts to the oversight bodies is in any case required, shall electronically transmit to the Department of the State Accountant General the data on their budgets, budget variations and outturns, as well as all the information necessary for the verifications referred to in Article 14 using the formats and procedures set out in an instruction from the State Accountant General. The provisions of this paragraph shall not apply to local government entities and bodies and associations of these bodies, or to the entities and bodies that they oversee.

2. As from the date of publication of the instruction of the State Accountant General, the procedures referred to in Article 32 of Decree Law 273 of 30 December 2005, ratified with amendments by Law 51 of 23 February 2006, shall no longer apply.

Article 16 Enhanced monitoring through the activity of auditors

1. To serve the priority needs of monitoring and controlling the public finances referred to in Article 14, which are functional to preserving the economic unity of Italy, where not already provided for by existing legislation, a representative of the Ministry for the Economy and Finance shall be present on the boards of auditors of general government bodies, with the exception of local government entities and bodies and, without prejudice to the provisions of Article 3-ter.3 of Legislative Decree 502 of 30 December 1992, the agencies and bodies that they oversee, without prejudice to the number of auditors and members of the boards.

2. The boards of auditors referred to in Paragraph 1 shall report, in the minutes of the checks performed, on compliance with the obligations laid down by this Law and by the directives issued by the general government oversight bodies.

Title V

THE FUNDING OF LAWS

Article 17 The funding of laws

1. In implementation of Article 81 of the Constitution, without prejudice to the provisions of Article 6 of Law 243 of 24 December 2012 and Article 21 of this Law, every law that entails new or increased expenditure shall expressly indicate, for each year and for each measure provided for therein, the amount of expenditure authorised, which is to be construed as a maximum limit of expenditure, or the forecast expenditure, at the same time specifying the funding of those expenditures pursuant to the provisions of this Paragraph. If new or increased expenditure over and above the forecast expenditure should arise, the financial effects shall be offset pursuant to the provisions of Paragraphs 12-bis, 12-ter and 12-quater. The

funding of laws that involve new or increased expenditure, or decreases in revenue, shall be carried out solely as specified in the following:

a) by means of the provisions set aside in the special funds envisaged in Article 18, retaining the prohibition on the use of capital account provisions for current expenditure and that on the use for incompatible purposes of the provisions for accounting and debt settlements and for measures in compliance with international obligations;

a-bis) by means of the modification or elimination of parameters that govern the evolution of expenditure provided for in existing legislation, which give rise to reductions in expenditure;

b) by means of reductions in previous legislative expenditure authorisations. Where such authorisations have been channelled into current accounts or special accounts with the State Treasury, there shall be a simultaneous entry as budgeted revenue of the resources to be used for funding, ordering their payment. For resources channelled to the State Treasury, the appropriateness of the funding shall also be assessed in relation to the effective reduction in the spending capacity of the ministries;

c) by means of legislative changes that entail new or increased revenue; in any event no new or increased current outlays may be funded with the use of income from capital account revenue.

1.1. In any event, laws that involve new or increased expenditure or a reduction in revenue may not use the resources generated by the 0.8 per cent contribution to religious organisations from personal income tax revenue assigned to direct State management pursuant to Article 47, second paragraph, of Law 222 of 20 May 1985, nor those generated by the expenditure authorisation concerning the 0.5 per cent contribution to social organisations from personal income tax revenue referred to in Article 1.154 of Law 190 of 23 December 2014, which are effectively used on the basis of taxpayer choice.

1-bis. Any increase in revenue compared with the level entered in the budget generated by changes in developments on a current-legislation basis may not be used to fund new or increased expenditure or reductions in revenue and shall be used to improve the public finance balances.

2. Enabling acts that entail additional expenditure shall specify the necessary funding for the adoption of the legislative decrees involved. Where, in granting the enabling authority, it is not possible, owing to the complexity of the matter, to determine the financial effects of the legislative decrees, the quantification of such effects shall be effected at the time of the adoption of the individual legislative decrees. The legislative decrees entailing new or increased expenditure shall be issued only subsequent to the entry into force of the legislative measures appropriating the requisite financial resources. Each draft legislative decree shall be accompanied by a technical report, drafted pursuant to Paragraph 3, that either demonstrates the financial neutrality of the decree or reports on the new or increased expenditure deriving therefrom and the corresponding funding to cover the expenditure.

3. Without prejudice to the provisions of Paragraph 2, the bills, draft legislative decrees and Government-initiated amendments that entail financial consequences shall be accompanied by a technical report drawn up by the competent general government body and verified by the Ministry for the Economy and Finance quantifying the revenue and expenditure entailed by each measure, as well as the associated funding, specifying, as regards current expenditure and revenue decreases, the annual cost until the complete implementation of the measures and, for capital expenditure, of the variation of that expenditure over the years included in the multiannual budget and the overall cost in relation to the planned outputs. The technical report shall be accompanied by a table summarizing the financial effects of each measure for the purposes of the net balance to finance in the State budget, the cash balance of general government and net borrowing in the consolidated accounts of general government. The report shall indicate the data and methods used for the quantification, their sources and all other information of use for the technical assessment on the part of Parliament, in accordance with parliamentary rules, and shall also specify the

reconciliation with the trend forecasts of the State budget, the consolidated cash accounts and the revenue and expenditure account of general government contained in the EFD and any subsequent updates.

4. For the purpose of determining the funding of legislative measures, the technical report referred to in Paragraph 3 shall also indicate the effects of each measure on the trend developments in the cash balance and in net general government borrowing for verification of compliance with the balance requirements for the public finances, also indicating the criteria used in their quantification and offsetting within the framework of that funding.

5. The competent parliamentary committees may request that the Government furnish the technical report referred to in Paragraph 3 in respect of all legislative proposals and amendments before them for the purpose of technical verification of the quantification of the costs of the proposals or amendments. The technical report shall be transmitted by the time limit specified by the committees themselves in consideration of the subject matter and scheduling of parliamentary proceedings and, in any case, within thirty days of the request. If the Government is not in a position to transmit the technical report by the time limit established by the committees, it shall indicate the reasons for not doing so. The data shall be transmitted in electronic form. Parliamentary rules will govern the additional cases in which the Government is required to present the technical report referred to in Paragraph 3.

6. Bills presented by a region or by the National Economic and Labour Council (CNEL) shall be accompanied by a technical report drafted by the sponsors, following the procedures referred to in Paragraph 3.

6-bis. For measures containing financial neutrality clauses, the technical report shall contain an assessment of the effects of the provisions, data and other information sufficient to support the assertion of the neutrality of the impact of the provisions on the public finances, indicating the amount of resources already appropriated in the budget and the associated management units, which can be used for the purposes indicated in the provisions themselves including through their replanning. In any event, the financial neutrality clause may not be included in the case of mandatory expenditure.

7. For legislative measures on the matters of pensions and public employment, the report referred to in Paragraph 3 shall contain an analytical account of financial projections of at least ten years showing the trends in the variables related to the beneficiaries and the relevant segment. For legislative measures on the matter of public employment, the report shall contain the data on the number of persons affected, the per capita cost, the direct and indirect automatic effects that will be produced through the complete implementation of the measure, and their correlation with the legal and economic status of comparable categories or groups of public employees. In particular, for the school sector the measure shall also indicate the demographic assumptions and migration assumptions used in formulating forecasts of the school population, plus all other information of use in verifying the estimates.

8. The technical report referred to in Paragraph 3 and Paragraph 5 and the summary table referred to in Paragraph 3 shall be updated when consideration of the measure passes from one house of Parliament to the other.

8-bis. The technical reports referred to in this article shall be transmitted to Parliament in processable electronic form.

9. Every four months the Court of Auditors shall transmit to Parliament a report on the type of funding adopted in the laws enacted during the period considered and on the techniques used to quantify the costs. In this report the Court of Auditors shall report on the type of funding adopted in the legislative decrees issued during the period considered and on the consistency of the financial consequences of those legislative decrees with the funding rules laid down in the associated enabling act.

10. Provisions that entail new or increased expenditure shall have effect within the expenditure limits expressly authorised in the relevant legislative measures. A decree of the Ministry for the Economy and Finance - Department of the State Accountant General, to be published in the *Gazzetta Ufficiale*, shall

determine when said expenditure limit has been reached. Provisions including express expenditure authorisations shall cease to have effect as from the date of publication of the decree for the year under way at that date.

11. For State bodies, the Ministry for the Economy and Finance - Department of the State Accountant General, including by means of the central budget offices and territorial accounting offices of the State, shall oversee the correct application of the provisions referred to in Paragraph 10. For non-territorial public entities and bodies, the auditing and control bodies shall perform analogous oversight duties, providing full reports on them to the Ministry for the Economy and Finance - Department of the State Accountant General.

12. The Ministry for the Economy and Finance, on the basis of the information transmitted by the competent ministries, shall monitor the expenditure generated by the laws containing the expenditure forecasts referred to in paragraph 1 in order to prevent any deviation in that expenditure from the forecasts.

12-bis. Where a deviation as referred to in Paragraph 12 is close to occurring, the Minister for the Economy and Finance, pending the corrective measures referred to in Paragraph 12-quater, having consulted with the competent minister, shall issue a decree reducing, for the current year, the appropriations in the budget of the competent ministry in compliance with the expenditure restrictions imposed by Article 21.5.a. Where those appropriations are not sufficient to finance the increased expenditure found in the monitoring activity referred to in Paragraph 12, a decree of the President of the Council of Ministers, acting on a proposal of the Minister for the Economy and Finance, subject to the approval of the Council of Ministers, shall provide for financing by way of a reduction in the appropriations entered in the expenditure budgets, in compliance with the expenditure restrictions imposed by Article 21.5.a. The drafts of the decrees referred to in the previous sentences shall be transmitted to the houses of Parliament to obtain the opinion of the competent parliamentary committees on the financial issues involved, which shall be issued within seven days of the date of transmission. The draft decrees shall be accompanied by a specific report setting out the causes of the deviations, including for the purpose of revising the data and methods used to quantify the expenditure envisaged in those laws. Where the committees do not issue their opinion by the time limit referred to in the third sentence, the decrees may be adopted definitively.

12-ter. In the case of deviations that cannot be offset during the fiscal year with the measures provided for in Paragraph 12-bis, action shall be taken pursuant to the provisions of Paragraph 13.

12-quater. For the financial years subsequent to the current year, the effects that exceed the forecasts shall be offset with the Budget Act, pursuant to the provisions of Article 21.1-ter.f, adopting measures to correct the increased expenditure on a priority basis.

13. The Minister for the Economy and Finance, where he finds that the implementation of laws is harmful to the achievement of the public finance targets, shall promptly undertake consequent legislative initiatives in order to guarantee compliance with Article 81 of the Constitution. The same procedure shall be applied in the case of definitive rulings of courts and the Constitutional Court handing down interpretations of the law that could produce an increase in expenditure, without prejudice to the provisions concerning personnel laid down in Article 61 of Legislative Decree 165 of 30 March 2001.

14. The provisions contained in the legislative measures of Government initiative that entail increases or decreases in budget appropriations shall also specify the expenditure missions and programmes affected.

Article 18 Special funds

1. The first section of the Budget Act specifies the amounts of the special funds for financing legislative measures that are expected to be approved in the course of the fiscal years covered in the multiannual

budget, and in particular those relating to pursuit of the objectives indicated in the EFD. Tables annexed to the first section of the Budget Act shall indicate, separately for current and capital accounts, the amounts allocated to fund these legislative provisions disaggregated by ministry. In the report accompanying the Budget Bill, specific notes shall indicate the individual legislative measures supporting the proposed appropriation for each ministry. The special funds referred to in this paragraph are entered in the budget of the Ministry for the Economy and Finance in specific funds whose reduction, for purposes of supplementation on an accrual and a cash basis of existing programmes or new programmes, can occur only after the publication of the legislative measures that use them.

2. The portions of the funds referred to in this article may not be used for purposes other than those provided for in the relevant tables for the funding of measures adopted pursuant to Article 77, second paragraph, of the Constitution, save when they concern emergency intervention to respond to natural disasters or urgent necessities in connection with preserving the security of the country or economic-financial emergencies.

3. The current portions of the special funds and, if they do not correspond to bills already approved by one branch of Parliament, special funds on capital account not utilised during the year to which they refer shall constitute budget savings. In the case of expenditures associated with international obligations, the funding provided for the first year shall remain valid even after the end of the fiscal year to which it refers for measures presented to Parliament before the end of the year that enter into force before the end of the subsequent year. For laws approved before the end of the year and published in the *Gazzetta Ufficiale* in the subsequent year, the funding provided for the first year shall remain valid even after the completion of the year. The expenditure savings to be used for this purpose in the subsequent fiscal year shall be indicated in special lists transmitted to Parliament by the Minister for the Economy and Finance by 25 January. These lists shall be attached to the final outturn accounts of the Ministry for the Economy and Finance. In this case, the new or increased expenditure shall in any event be entered in the budget for the year during which the measures authorising the expenditure take effect and shall raise the limits on the balances envisaged by Article 21.1-ter.a.

Article 19 Laws entailing expenditure charged to the budgets of public sector entities

1. The laws and measures entailing costs, including in the form of decreased revenues, charged to the budgets of general government bodies shall contain a forecast of the cost and an indication of the funding referring to the annual budget and the medium-term budgetary framework.

2. Pursuant to Article 81, third paragraph, of the Constitution, the regions and the autonomous provinces of Trento and Bolzano shall specify the funding of laws that provide for new or increased expenditure charged to their finances and the finances of other general government bodies including through the conferment of new functions or the regulation of the functions already assigned to them. To this end they shall use the funding methods envisaged in Article 17.

Title VI

THE STATE BUDGET

Chapter I

The State budget

Article 20 The fiscal year

1. The financial operations of the State are conducted on the basis of the annual budget prepared on both an accrual and a cash basis.

2. The unit of time for budget management is the fiscal year, which begins on 1 January and ends on 31 December of the same year.

Article 21 The budget

1. The Budget Bill covers a period of three years and is composed of two sections.

1-bis. The first section of the Budget Bill annually sets out the financial scenario and provides for the annual adjustment of the aggregates envisaged in current legislation for the purpose of adjusting their financial effects to the objectives. For each year in the three-year period, it contains the quantitative measures necessary to achieve the policy objectives indicated in Article 10.2 and any updates of those objectives pursuant to the provisions of Article 10-bis.

1-ter. The first section of the Budget Bill contains only:

a) the determination of the maximum level of recourse to the financial market and the net balance to finance on an accrual and cash basis, for each year in the three-year period, consistent with the policy objectives for the consolidated general government balance referred to in Article 10.2;

b) rules on revenue and expenditure that have a financial impact, as from the three-year period, on the budget forecasts contained in the second section or on other public finance balances through the modification, elimination or supplementation of the parameters that govern developments in revenue and expenditure provided for in current legislation or on the underlying legislative authorisations or through new measures;

c) rules designed to strengthen efforts to fight and prevent tax and contribution evasion or encourage voluntary compliance with tax and contribution obligations;

d) the amounts of the special funds provided for in Article 18 and the corresponding tables;

e) the total maximum amount allocated in each year of the three-year period for the renewal of public sector employment contracts, pursuant to Article 48.1 of Legislative Decree 165 of 30 March 2001, and for modifications of the compensation and work rules for employees of State bodies governed by public law. The portion of this amount that is not spent by the end of a year is retained in a carryover expenditure account until the associated employment contracts are signed or the associated administrative measures are issued;

f) any rules containing measures correcting the financial effects of the laws referred to in Articles 17.12 and 17.13 and, where necessary to preserve the public finance balances, measures correcting the financial effects of the definitive rulings referred to in Paragraph of Article 17;

g) any rules necessary to ensure the contribution of local authorities to achieving the public finance objectives pursuant to Law 243 of 24 December 2012.

1-quater. The new or increased expenditure established with the first section of the Budget Bill shall not give rise to a rate of increase in expenditure on either current or capital account that is incompatible with the objectives specified, pursuant to Article 10.2.e, in the EFD, as resulting from the consequent parliamentary deliberations.

1-quinquies. Pursuant to Article 15.2 of Law 243 of 24 December 2012, the first section of the Budget Bill shall not in any case contain enabling provisions of a regulatory or organisational nature, nor shall it contain measures of a local or micro-sectoral nature or which provide for a direct variation in the revenue or expenditure forecasts contained in the second section of that bill.

1-sexies. The second section of the Budget Bill is formed on a current-legislation basis, taking account of the parameters indicated in the EFD, pursuant to Article 10.2.c, for updating the projections for the mandatory

expenditure and expenditure requirements referred to respectively in subparagraphs a) and c) of Paragraph 5 of this Article, and the reprogramming measures proposed pursuant to Article 23, and reports, for each parliamentary voting unit referred to in Paragraph 2 of this Article, the financial effects generated by the provisions contained in the first section.

2. The second section of the Budget Bill contains for revenue and, separately for each ministry, for expenditure the parliamentary voting units determined with reference respectively, to the type of revenue and to uniform areas of activity. For expenditures, the voting units consist of programmes. Programmes represent expenditure aggregates with uniform purposes intended for the pursuit of results, defined in terms of final products and services, in order to achieve the objectives laid down in the missions. Missions represent the main functions and strategic objectives pursued with the expenditure. The implementation of each programme is entrusted to a single centre of administrative accountability, corresponding to the level-1 organisational unit of the ministries, pursuant to Article 3 of Legislative Decree 300 of 30 July 1999. The programmes are uniquely linked to level-2 COFOG nomenclature (Classification of the functions of government). In cases in which this does not occur because the programme corresponds in part to two or more level-2 COFOG functions, the percentage attribution shall be indicated, calculated on the basis of the presumed amounts of the elementary budget items, for management and reporting purposes, that are directed to the different purposes included in the programme.

2-bis. The significance of budget programmes and the attribution of each expenditure programme to a single centre of administrative accountability represent the reference criteria to be used in the reorganisation of government bodies.

2-ter. Each year, with the Budget Bill, the appropriations included in each programme and the associated legislative authorisations, shall be reviewed, also in order to attribute the programmes to each government body on the basis of their respective competencies.

3. For each single voting unit, the following shall be indicated:

- a) the presumed amount of the revenue or expenditure carryovers carried forward at the close of the year prior to the year to which the budget refers;
- b) the amounts of expected revenue assessments and expenditure commitments during the year to which the budget refers;
- c) the forecast revenue and expenditure for the second and third years of the three-year medium-term budgetary framework;
- d) the amount of the revenue expected to be collected and the expenditure to be paid out during the year to which the budget refers, without distinguishing between transactions accruing in that year and transactions using amounts carried forward. Amounts received are defined as amounts paid to the Treasury and amounts paid as those paid by the Treasury.

4. Within the appropriations provided for each programme referred to in Paragraph 2, current expenditure is to be noted separately, with an indication of personnel costs, from investment expenditure. Special annexes to the expenditure forecast shall indicate, for each programme, current expenditure and capital expenditure as well as the share of mandatory expenditure, discretionary earmarked expenditure and discretionary non-earmarked expenditure as referred to, respectively, in subparagraphs a), b) and c) of Paragraph 5.

5. Within each programme, expenditure is divided into:

- a) mandatory expenditure, consisting of expenditure tied to specific mechanisms or parameters governing its evolution, determined either by law or other normative acts. Mandatory expenditure comprises so-called obligatory spending, i.e. that for salaries, allowances, pensions and other fixed expenditure, spending

for interest payments, spending deriving from Community and international obligations, spending for loan repayment, and spending designated by express normative provision.

b) discretionary earmarked expenditure, i.e. spending authorised by express legislative provision that determines the amount, considered as a maximum expenditure limit, and the period of appropriation in the budget;

c) discretionary non-earmarked expenditure, i.e. spending other than that referred to in subparagraphs a) and b), the quantification of which takes account of the needs of government bodies.

5-bis. The second section of the Budget Bill shall contain, for each expenditure budget and each programme, an annex with a summary table showing the breakdown of expenditure by mandatory expenditures, discretionary earmarked expenditures and discretionary non-earmarked expenditures, with separate indication of current and capital appropriations. The table shall be updated at the time of the passage of examination of the Budget Bill between the two houses of Parliament.

[6. Repealed]

[7. Repealed]

8. The expenditure referred to in Paragraph 5.b is reprogrammable pursuant to the provisions of Article 23.3.

9. Only the forecasts referred to in Paragraphs 3.b, 3.c, and 3.d are subject to parliamentary approval. The expenditure forecasts referred to in subparagraphs b and d form the limits to, respectively, commitment and payment authorisations.

10. The second section of the Budget Bill includes the revenue budget, the expenditure budgets for each ministry and the general summary table for the three-year period.

11. Each budget proposal shall give the following information, to be updated at the time of approval of the budget law:

a) the explanatory note to the budget proposal. For revenue, in addition to the criteria for the projections for the main taxes, it shall specify, for each item, the non-recurrent and recurrent portions. For expenditure, the note shall discuss the information concerning the reference scenario in which the government body operates and the policy priorities, consistent with the indications of the Economic and Financial Document and the decree of the President of the Council of Ministers referred to in Article 22-bis.1. The note shall also indicate the content of each expenditure programme with regard to the underlying actions. For each action it shall indicate the financial resources for the three-year period with regard to economic expenditure categories, the associated reference legislation and the criteria adopted in the formulation of the forecasts. The note shall also report the plan of objectives, intended as the results that the government bodies plan to achieve, correlated with each programme and formulated in reference to each action, and the associated indicators of results expressed in terms of the level of services and measures, consistent with the Government's general plan of action, taking account of the provisions of Legislative Decree 91 of 31 May 2011;

[b) Repealed]

c) for each programme, a list of elementary budget items, for management and reporting purposes, and the associated appropriations, sub-divided in accordance with the items of the integrated chart of accounts referred to in Article 38-ter;

d) for each programme, a summary of resources in accordance with economic and functional classification;

[e) Repealed]

f) the budget of costs for the relevant general government body. The economic forecasts shall be shown in accordance with the items of the chart of accounts, disaggregated by programme and cost centre. The budget gives the forecasts developed by the government body's cost centres and includes a reconciliation table to pay the economic forecasts with the budget financial projections.

11-bis. The revenue projections shall be accompanied by an annual report on tax expenditures that lists any form of exemption, exclusion, reduction in taxable amount or in the tax, or facilitated treatment resulting from current legislation, with separate indication of those introduced the previous year and in the first six months of the current year. Each measure shall be accompanied by a description of the measure and the types of beneficiaries and, where possible, by a quantification of the financial effects and the number of beneficiaries. The measures shall be grouped in uniform categories identified by a code number characterizing their nature and purpose. The report shall identify the tax expenditures and assess their associated financial effects using standard economic models of taxation, taking due account of negative tax expenditures. Where possible, and in any event for tax expenditures that have been in force for at least five years, the report shall compare tax expenditures and expenditure programmes having the same purpose and shall analyse the microeconomic effects of the individual tax expenditures, including their impact on the social environment.

11-ter. Each year, the second section of the Budget Bill shall establish, for each year of the three-year period, in relation to the state sector borrowing requirement determined pursuant to Article 10-bis.1.b), the maximum amount of government securities issues in Italy and abroad, net of redemptions.

12. The financial effects of the changes made by each house of Parliament to the first section of the Budget Bill shall be incorporated, for each parliamentary voting unit, in the second section, as resulting from the approved amendments, through a special note of variation, presented by the Government and voted by that house before the final vote. For each of those voting units, the note shall also report, separately for the projections contained in the second section and for the financial effects of the provisions in the first section, the changes with respect to the bill presented by the Government or with respect to the text approved in the previous parliamentary reading.

12-bis. The Budget Bill shall be accompanied by a technical report indicating:

- a) the quantification of the financial effects of each legislative provision introduced in the first section;
- b) the essential criteria used to formulate the revenue and expenditure forecasts on a current-legislation basis contained in the second section;
- c) information demonstrating the consistency of the policy value of the net balance to finance or employ with the policy objectives referred to in Article 10-bis.1.

12-ter. The technical report provided for in Paragraph 12-bis shall be accompanied, for informational purposes, for the three-year period, by a summary table of the financial effects of each legislative provision introduced in the first section pursuant to the provisions of this Article and by a summary table of the financial effects of the replanning and quantitative changes established in the second section pursuant to Article 23.3 on the net balance to finance of the State budget, on the general government cash balance and on consolidated net general government borrowing. These tables shall be updated at the time the consideration of the Budget Bill passes from one house of Parliament to the other.

12-quater. The Budget Bill shall be accompanied by a technical-descriptive note reconciling, for informational purposes, the Budget Bill and the general government revenue and expenditure account. Specifically, it shall indicate:

- a) detailed information on the consistency of the policy value of the net balance to finance or employ with the policy objectives referred to in Article 10-bis.1, providing separate indication of accounting and prior-year debtor settlements;

b) the contents of the budget package, the associated effects on the public finance balances by sector of intervention and the criteria used to quantify those effects;

c) the projections of the general government revenue and expenditure account, in accordance with the provisions of Article 10.3.b, and the general government cash account, supplemented by the effects of the modifications proposed with the Budget Bill for the three-year period.

12-quinquies. The technical-descriptive note referred to in Paragraph 12-quater shall be updated at the time the consideration of the Budget Bill passes from one house of Parliament to the other.

[13. Repealed]

14. The approval of the revenue projections, each expenditure budget, the general expenditure totals and the general summary table shall be enacted, in order, with separate articles of the bill, with reference both to appropriations on an accrual basis and on a cash basis.

15. The approval of the funds provided for in Articles 26, 27, 28 and 29 shall be enacted by specific legislative provisions.

[16. Repealed]

17. With a decree of the Minister for the Economy and Finance in agreement with the relevant government bodies, the parliamentary voting units shall be distributed into elementary budget items for management and reporting purposes. Within ten days of the publication of the Budget Act the ministers shall assign the resources to those responsible for their management. Pending assignment of the resources by the ministers to those responsible for their management, and in any event no later than 60 days after the entry into force of the Budget Act, operations may be managed on the basis of the assignments made the previous year, including with regard to the unified management of the instrumental expenditure referred to in Article 4 of Legislative Decree 270 of 7 August 1997.

18. The budgets of the individual ministries shall be accompanied, in accordance with their respective areas of responsibility, by the list of the entities to which the State contributes on an ordinary basis, specifying those that as of the date of preparation of the Budget Bill had not submitted their final account statements.

Article 21-bis Qualified assessment

1. Qualified assessment shall mean the inclusion in the revenue budget of all revenue, income and receivables of whatsoever nature in an amount corresponding to the amount that the State, being entitled to receive those items under current legislation, expects to collect in the relevant three-year period.

2. For the purpose of determining the revenue forecasts referred to in Article 21.3.b and 21.3.c, the amounts to be recognised in the revenue budget shall be those determined in the qualified assessment referred to in paragraph 1.

3. The balancing items referred to in Article 25.7 shall be reported in the general summary table, referring, for revenue on an accrual basis, to the amounts resulting from the qualified assessment.

4. The existing general rules governing assessment and the registration requirements for revenue and the performance of revenue collection activities shall not be affected.

[Article 22. Repealed]

Article 22-bis Financial planning and agreements between ministries

1. As part of the contribution of the State to determining the public finance package, on the basis of the policy objectives set out in the Economic and Financial Document referred to in Article 10, and the schedule of the reforms indicated in that policy document, by 31 May each year, with a decree of the President of the Council of Ministers, acting on a proposal of the Minister for the Economy and Finance, subject to the approval of the Council of Ministers, expenditure objectives shall be specified for each ministry. Those objectives, which shall regard the subsequent three years, may be specified in terms of expenditure limits, comprising within them any additional resources compared with those envisaged in current legislation, and savings to be achieved, also taking account of any additional initiatives connected with the Government's policy priorities.

2. For the purpose of achieving the expenditure objectives referred to in Paragraph 1, the ministers, acting on the basis of current legislation and the policy objectives set out in the Economic and Financial Document, shall propose the measures to adopt with the Budget Bill. (119)

3. Following enactment of the Budget Act, the Minister for the Economy and Finance and each minister with spending authority establish, in special agreements, the procedures and timetable for monitoring achievement of the expenditure objectives, taking due account of the quantity and quality of the goods and services delivered. To this end, the agreements specify the measures that will be taken to achieve those objectives and the associated timetable. The agreements shall be defined by 1 March each year with specific interministerial decrees published on the website of the Ministry for the Economy and Finance. Those agreements may be updated, also in consideration of subsequent legislation that may have an impact on the objectives covered by the agreements.

4. The Minister for the Economy and Finance shall inform the Council of Ministers of the state of implementation of the agreements referred to in Paragraph 3 as set out in specific tables transmitted by each minister to the President of the Council of Ministers and the Minister for the Economy and Finance by 15 July.

5. By 1 March, each minister shall send the President of the Council of Ministers and the Minister for the Economy and Finance, with reference to the agreements outstanding the previous year, a report detailing the state of achievement of the results provided for in those agreements and the reasons for any failure to achieve them, taking due account of the findings of the monitoring conducted pursuant to the provisions of Paragraphs 3 and 4. The reports referred to in the previous sentence shall be attached to the Economic and Financial Document.

Article 23 Formation of the budget

1. For the purpose of preparing the Budget Bill, in the formulation of the tables of the budget proposals in the second section of the bill, taking account of the instructions given annually in an ad hoc circular of the Ministry for the Economy and Finance, ministers shall quantify, taking due account of the proposals of those responsible for programme management and in relation to the objectives of each ministry defined pursuant to the provisions of Article 22-bis.1, the resources necessary to achieve those objectives, including by means of proposals for the reprogramming of resources.

1-bis. In order to ensure that resources are disbursed in a timely manner, as from 2017, with the Budget Bill, the expenditure budgets of each government body and the revenue budget may include amounts corresponding to the share of income expected to be collected in the same year in respect of revenue earmarked by law to fund specific measures or activities. The amount of the appropriations to register in the budget shall be commensurate with developments in payments registered in the individual years of the three-year period prior to that of registration or in the individual years subsequent to the date the law earmarking the revenue to fund specific measures or activities entered force if the number of such years is

fewer than three. In order to adjust the appropriations registered in the accounts to the amount of revenue actually collected in the reference year, the necessary changes can be provided for in the bill to adjust the budget forecasts referred to in Article 33.1.

1-ter. For the purposes of preparing for each elementary budget item, for management and reporting purposes, the proposals of those responsible for programme management, the multiannual forecasts on an accrual and cash basis shall be formulated with the preparation of a specific payment plan (chronogram) containing detailed indications of the payments that are expected to be made in the reference period, distinguishing between the portion of cash resources to be used to pay carryover amounts and that to be used to pay amounts accruing in the current year. In each year, the resources for the current year shall be adjusted to comply with that plan, without prejudice to the overall amount of appropriations authorised by laws in force.

2. The Minister for the Economy and Finance shall subsequently assess the adequacy and mutual consistency of the objectives pursued by each ministry and the resources required for their achievement, taking due account of the state of implementation of the programmes under way and of the results achieved in the previous years in terms of the effectiveness and efficiency of expenditure as well as the mutual consistency of the payment plan presented in the formulation of the budget and the effective results of operations. To this end the Minister for the Economy and Finance shall also take account of the results set out in the explanatory note to the statement referred to in Article 35.2 and of the results of the analysis conducted by the units referred to in Article 39.1.

3. With the second section of the Budget Bill, within the limits of the planned public finance balances, for justified needs, within each budget proposal it is permissible to:

a) reprogramme on an offsetting basis the financial resources for current and capital expenditure provided for under current legislation associated with the discretionary earmarked appropriations referred to in Article 21.5.b, including the financial resources for the capital expenditure authorisations reprogrammed pursuant to Article 30.2, as well as other reprogrammed expenditure authorisations, to adjust the accrual and cash-basis resources to the provisions of the payment plan referred to in Paragraph 1-ter of this Article, without prejudice to the prohibition on using capital appropriations to finance current expenditure;

b) refinance, defund and replan, for one or more years, current and capital expenditure appropriations provided for in current legislation in respect of the discretionary earmarked expenditures referred to in Article 21.5.b.

3-bis. With the second section of the Budget Bill, purely quantitative adjustments referred to the Budget Act by other laws in force may also be made.

3-ter. Specific informational annexes to the Budget Bill shall indicate, for each ministry and for each programme, the legislative expenditure authorisations whose amendment is proposed pursuant to the provisions of this Article and the corresponding amounts. These annexes shall be updated at the time the consideration of the Budget Bill passes from one house of Parliament to the other.

4. The tables of the revenue and expenditure budgets, verified on the basis of the provisions of Paragraph 2, shall form the Budget Bill on a current-legislation basis prepared by the Minister for the Economy and Finance.

[5. Repealed]

5-bis. The payment plan (chronogram) referred to in Paragraph 1-ter is updated on the basis of the appropriations in the Budget Act as enacted.

Article 24 Integrity, universality and unity of the budget

1. The principles of integrity, universality and unity of the State budget are in implementation of Article 81 of the Constitution.
 2. Based on the principle of integrity, all revenue shall be entered in the budget gross of the costs of collection and of any other costs connected with it. Equally, all expenditure shall be entered in the budget in its entirety, with no reduction of correlated revenue.
 3. Based on the principles of universality and unity, it is prohibited to manage funds off the budget, except for the cases permitted and regulated under Article 40.2.p.
 4. It is also prohibited to assign any revenue for special expenditures or outlays, except for the income and portions of income collected on behalf of entities, settlements of disputes and the like, effected for a specified purpose.
 5. The legislative provisions providing for the reassignment of specific revenue items to elementary budget items, for management and reporting purposes, shall remain valid.
- 5-bis. The Minister for the Economy and Finance is authorised to make, with a decree and acting on a proposal of the competent minister, the budget changes necessary for the registration in the various expenditure budgets involved of the amounts transferred to the State budget revenue account that are earmarked by law to finance specific actions or activities.

Chapter II

State revenue and expenditure

Article 25 Classification of revenue and expenditure

1. State revenue is divided into:
 - a) sub-accounts for tax revenue, non-tax revenue, or revenue from the sale and amortization of State assets, from the collection of receivables or from taking out loans;
 - b) recurrent and non-recurrent, depending on whether it refers to revenue whose acquisition is expected to be permanent or to revenue limited to one or more years;
 - c) types, for purposes of parliamentary approval and assessment of the revenue sources;
 - d) categories, depending on the nature of the revenue sources;
 - e) elementary budget items, for management and reporting purposes, possibly further subdivided into articles depending on subject, for reporting purposes.
2. State expenditure is divided into:
 - a) missions, as defined in Article 21.2, fourth sentence;
 - b) programmes, for purposes of parliamentary approval, as defined in Article 21.2, second and third sentence;
 - c) elementary budget items, for management and reporting purposes, pursuant to Paragraph 2-bis of this Article. Such units may be divided into articles.

2-bis. Until the completion of the fiscal year prior that that identified pursuant to the provisions of Article 25-bis.8, the elementary budget items referred to in subparagraph c) of Paragraph 2 of this Article are

represented by chapters, in which State expenditure is subdivided by the subject matter of the expenditure. Chapters are classified in accordance with the economic and functional content of the expenditure registered therein.

2-ter. During the same period referred to in Paragraph 2-bis, the expenditure programmes referred to in subparagraph b) of Paragraph 2 are subdivided into the macro-aggregates of operating expenditure, measures, pension benefits and other benefits supplementing or replacing such pension benefits, servicing the public debt, general current expenditure, investment expenditure and general capital expenditure. The repayment of financial liabilities is reported in separate budgets.

3. The economic classification and the functional classification shall conform to the standards adopted in the national accounts and their satellite accounts for the accounts of the general government sector.

3-bis. For the purposes of economic classification, expenditure is disaggregated into sub-accounts depending on whether it regards current expenditure, capital expenditure or expenditure necessary for repayment of loans.

4. An annex to the expenditure budget of the Ministry for the Economy and Finance shall present an accounting statement specifying the following:

- a) the categories into which budget expenditure is classified according to economic purpose;
- b) the classes, up to level 3, of the COFOG classification into which expenditure is disaggregated by function.

5. An appendix to the accounting statement referred to in Paragraph 4 shall contain specific tables, to be updated with notification of Parliament following the approval of the Budget Act, that show the intersection of the various classification criteria and the reconciliation of COFOG classes with missions and programmes, and that of the State budget with the national accounts system. Each elementary budget item, for management and reporting purposes, and, within them, each management plan, is assigned the relevant COFOG class code number and level-3 economic category, excluding application of the criteria of prevalence.

6. The numbering of the voting units, categories and elementary budget items, for management and reporting purposes, may also be discontinuous in relation to coding needs.

7. In the general summary table, with reference to appropriations on both an accrual and on a cash basis, there shall be separate indication of:

- a) the difference between total tax and non-tax revenue and total current expenditure (“public saving”);
- b) the difference between total revenue and total expenditure, excluding transactions involving shareholdings and contributions of assets, as well as the granting or collection of credit and the taking out or repayment of loans (“net borrowing or increase in assets”);
- c) the difference for final transactions, consisting of all revenue and all expenditure, excluding the taking out or repayment of loans (“net balance to finance or employ”);
- d) the difference between total final revenue and total final expenditures (“market borrowing”).

Article 25-bis Introduction of actions

1. The expenditure programmes as defined in Article 21.2, second and third sentences, are divided into actions.
2. Actions represent a level of detail in expenditure programmes that further specifies the purpose of the expenditure with respect to that indicated in each programme, taking account of current legislation.
3. For the purposes of their identification, actions shall have the following characteristics:
 - a) they group financial resources devoted to achieving the same purpose, without prejudice to the provisions of Paragraph 4;
 - b) they specify the purpose of the expenditure in terms of:
 - 1) uniform sectors or areas of intervention;
 - 2) types of services or categories of users;
 - 3) uniform types of activities;
 - 4) categories of beneficiaries of transfers or monetary grants;
 - 5) any other element that explicitly describes the products, results and purposes of the expenditure;
 - c) they correspond to uniform sets of expenditure authorisations, with regard to their purpose;
 - d) they are significant in financial terms and, to the greatest possible extent, stable over time.
4. Actions may contain expenditure of different economic natures. In any event, for management and reporting purposes, the personnel expenditure of each expenditure programme shall be entered in a single action.
5. For informational purposes, an analysis of expenditure for each action shall be conducted on the basis of the relevant items of the economic classification, consistent with the chart of accounts referred to in Article 38-ter, distinguishing between current and capital expenditure.
6. A decree of the President of the Council of Ministers, acting on a proposal of the Minister for the Economy and Finance, on the basis of the provisions of Paragraph 3, shall identify actions in the State budget.
7. In order to enable the upgrading of the information systems of the institutions responsible for forming, managing and reporting on the State budget and for assessing the effectiveness of the introduction of actions, the provisions of Paragraphs 1 to 6 shall apply, on an experimental basis, as from the 2017 fiscal year until the completion of the fiscal year preceding that identified pursuant to Paragraph 8. During that period, the subdivision of expenditure programmes into actions, carried out pursuant to Paragraph 1 of this Article, shall be purely exploratory in nature and shall supplement that envisaged, for management and reporting purposes, in Article 25.2-bis.
8. For each fiscal year in which the pilot project referred to in Paragraph 7 is conducted, the Ministry for the Economy and Finance – Department of the State Accountant General, having consulted with the Court of Auditors, shall prepare an annual report on the effectiveness of the introduction of actions, which shall be transmitted to the houses of Parliament by the time limit established for the presentation of the Final Statement of Account referred to in Article 35. Following the successful completion of the assessment and the upgrading of the information systems referred to in Paragraph 7, a decree of the President of the Council of Ministers, acting on a proposal of the Minister for the Economy and Finance, shall establish the fiscal year as from which actions shall constitute the elementary budget items for management and

reporting purposes. On the basis of the report referred to in the first sentence, a decree of the Minister for the Economy and Finance may be used to modify the actions identified pursuant to Paragraph 6.

8-bis. Following completion of the pilot project referred to in Paragraph 7, the list of actions may be updated with a decree of the Minister for the Economy and Finance. In any event, the budget variation decrees consequent to the approval of new laws, where the associated requirements are met, may establish new actions and amend existing actions, even pending completion of the pilot project referred to in Paragraph 7.

Article 26 Reserve fund for obligatory spending

1. The expenditure budget of the Ministry for the Economy and Finance shall establish, in the current expenditure section, a “reserve fund for obligatory spending” whose resources shall be determined by a specific article of the Budget Act.
2. A decree of the Minister for the Economy and Finance, to be registered with the Court of Auditors, shall transfer from the aforesaid fund and enter as increases in resources on both an accrual and a cash basis for the relevant elementary budget items, for management and reporting purposes, the amounts necessary to increase spending appropriations that are obligatory in nature.
3. The Ministry for the Economy and Finance’s expenditure budget shall also have an annex listing the elementary budget items referred to in Paragraph 2, to be approved in a specific article of the Budget Act.

Article 27 Special funds for the re-registration of current and capital expenditure carryovers in the budget

1. The expenditure budget of the Ministry for the Economy and Finance shall establish, in the current and capital expenditure sections respectively, a “special fund for the reassignment of current expenditure carryovers eliminated in previous years by administrative preclusion” and a “special fund for the reassignment of capital expenditure carryovers eliminated in previous years by administrative preclusion”, the resources for which shall be determined with a specific article of the Budget Act.
2. The transfer of amounts from the funds referred to in Paragraph 1 and the corresponding entry in the elementary budget items, for management and reporting purposes, shall be effected with a decree of the Minister for the Economy and Finance, to be registered with the Court of Auditors, and they shall concern the resources of the elementary budget items involved on both an accrual and a cash basis.

Article 28 Reserve fund for contingencies

1. The expenditure budget of the Ministry for the Economy and Finance shall establish, in the current section, a “reserve fund for contingencies” to provide for the possible insufficiency of budget appropriations that do not involve the expenditures referred to in Article 26 and in any case do not commit future budgets on an ongoing basis.
2. The transfer of resources from the fund referred to in Paragraph 1 and their corresponding entry in the elementary budget items, for management and reporting purposes, shall be effected with a decree of the Minister for the Economy and Finance, to be registered with the Court of Auditors, and they shall concern the resources of the elementary budget items involved on both an accrual and a cash basis.
3. The expenditure budget of the Ministry for the Economy and Finance shall attach a list to be approved, with a specific article of the Budget Act, of the expenditures for which the power referred to in Paragraph 2 may be exercised.

4. The law approving the Final Statement of Account shall attach a list of the decrees referred to in Paragraph 2 with an indication of the reasons for the withdrawals from the fund referred to in this Article.

Article 29 Reserve fund for cash authorisations

1. The expenditure budget of the Ministry for the Economy and Finance shall establish a “reserve fund for supplementing cash authorisations”, appropriations to which shall be determined annually with a specific article of the Budget Act.

2. A decree of the Minister for the Economy and Finance, acting on a proposal of the minister involved, to be notified to the Court of Auditors, shall transfer from the fund referred to in Paragraph 1 and enter as increases in the cash authorisations of the elementary budget items, for the management and reporting purposes, included in the expenditure budget of the State the amounts necessary to cover any insufficiencies in the resources of the elementary budget items deemed compatible with the public finance objectives. The decrees ordering such variations referred to in this Paragraph shall be transmitted to Parliament.

Article 30 Multiannual and permanent expenditure laws

1. Multiannual capital expenditure laws quantify total expenditure and the amounts accruing in each of the individual years involved. Ministries may undertake commitments up to the limit of the entire sum specified in those laws, while the associated payments shall in any case be contained within the limits of the annual budget authorisations.

2. With regard to the provisions of the payment plan, the second section of the Budget Bill may, in compliance with the planned public finance balances, provide for the following reprogramming:

a) the reprogramming, pursuant to Article 23.1-ter, of the annual amounts of multiannual expenditure authorisations, without prejudice to the overall amount of the appropriations authorised by the law or, in the case of permanent expenditure authorisations, those authorised by the law for the three-year budget period;

b) the re-entry in the subsequent years of amounts that have not been committed at the close of the fiscal year in respect of non-permanent capital expenditure authorisations.

2-bis. A specific annex to the Budget Bill shall report the reprogramming carried out pursuant to Paragraph 2.

3. The expenditure laws that authorise the entry in the budget of multiannual capital transfers shall also establish, where the nature of the action so requires, the related procedures for use, by means of:

a) authorisation granted to the beneficiary, drawing against the transfer, to obtain loans from credit institutions with repayment charged to the State. In this case the debt shall be understood to be taken over by the State, which shall, by way of a specific delegation to the beneficiary, disburse the transfer directly to the credit institution;

b) subdivision of the expenditure to be disbursed to the beneficiary in accordance with the schedule laid down by the law.

4. If multiannual capital transfers are utilized in accordance with the procedures referred to in Paragraph 3.a, at the time of the activation of the transaction the bodies disbursing the transfer shall communicate to the Ministry for the Economy and Finance – Department of the State Accountant General the amortization plan for the loan with separate indication of the principal and interest portions. On the basis of this

communication the Ministry shall proceed to enter the transfer among expenditures for interest payments and the repayment of financial liabilities.

5. The provision referred to in Paragraph 4 also applies to all multiannual capital transfers entered in the budget for which at the date of entry into force of this Law the loans have already been wholly or partly activated.

6. The permanent expenditure laws shall quantify the annual charge forecast for each fiscal year covered in the multiannual budget. They shall also indicate the yearly cost when fully phased in or, in the case of non-obligatory expenditures, they may refer the quantification of this cost to the Budget Act pursuant to Article 23.3.b. If the cost when fully phased in is higher than that indicated for the third year of the three-year period, the funding shall follow the time profile of the cost.

[7. Repealed]

8. The Government is authorised to adopt, within twenty-four months of the date of entry into force of this Law, one or more legislative decrees to ensure the rationalization, transparency, efficiency and effectiveness of the expenditure procedures for capital grants for the realization of public works.

9. The legislative decrees referred to in Paragraph 8 shall be issued in compliance with the following principles and guidelines:

a) introduction of an evaluation during the planning stage for the works in order to allow procedures for comparing and selecting projects and setting priorities that are consistent, as far as strategic infrastructures are concerned, with the guidelines laid down in the programme definition referred to in , Article 1.1 of Law 443 of 21 December 2001 as amended.

b) preparation by the competent ministry of mandatory, standardized guidelines for the evaluation of investments;

c) guarantee of the independence and expertise of the evaluators, including by use of expertise internal to the existing evaluation bodies, with resort to outside resources only when adequate expertise for particularly complex evaluations is lacking;

d) strengthened and systematic ex-post evaluations of the effectiveness and utility of infrastructure projects, publicising any deviations from the findings of ex-ante evaluations;

e) separation of the financing of projects from the financing of the works through the creation of two special funds. Access to the “project fund” is granted following the positive outcome of the technical/economic evaluation of the feasibility studies; access to the “works fund” is granted only after the completion of the definitive design work;

f) adoption of transparent rules for information on the financing and the costs of works; provision for annual reports to be transmitted electronically to Parliament and for monitoring of the state of advancement of the works and of individual measures, with special reference to the overall costs incurred and the results achieved relative to the effective state of progress;

g) provision for a system of verifications for the use of funds on schedule, with automatic defunding in the event of failure to initiate the works by the established time limit.

10. The drafts of the legislative decrees referred to in Paragraph 8 shall be transmitted to the Chamber of Deputies and the Senate so that the competent committees can issue their opinions within sixty days of such transmission. After the deadline for the issue of these opinions has lapsed, the decrees can in any case be adopted.

[11. Repealed]

Article 31 State guarantees

1. An attachment to the expenditure budget of the Ministry for the Economy and Finance shall list the principal and subsidiary guarantees provided by the State in favour of agencies and other entities.

Article 31-bis Off-budget funds

1. General government bodies shall publish, pursuant to the provisions of Directive 2011/85/EU of the Council of 8 November 2011, information about funds that do not form part of regular budgets.

2. For the State budget, the information referred to in Paragraph 1 of this Article shall be made available in an attachment for each expenditure budget of the ministries involved in the Budget Bill, in accordance with procedures established with a decree of the President of the Council of Ministers acting on a proposal of the Minister for the Economy and Finance.

Article 32 Provisional budget authority

1. Provisional budget authority may be granted only by law and for a total period of no more than four months.

2. During the exercise of provisional budget authority, budget management is allowed for as many twelfths of the expenditure envisaged by each elementary budget item, for management and reporting purposes, as the number of months of provisional management, or up to the maximum limit of necessary expenditure when it regards mandatory expenditure not susceptible to commitment or payment divided into twelfths.

3. The limits referred to in Paragraph 2 shall be construed as referring both to authorisations for commitments and to authorisations for payment.

Article 33 Budget adjustment and variations

1. By the end of June each year the Minister for the Economy and Finance shall present a bill for the adjustment of the budget projections formulated on a current-legislation basis, also on the basis of the volume of revenue and expenditure carryovers verified in the statement of account for the fiscal year ending on 31 December of the previous year.

2. The Minister for the Economy and Finance is authorised to issue decrees providing for the budget variations necessary for the application of legislative measures published after the presentation of the Budget Bill, indicating for each elementary budget item, for management and reporting purposes, the appropriations on an accrual and on a cash basis and carryovers.

2-bis. The Minister for the Economy and Finance is also authorised to provide for the budget variations referred to in Paragraph 2 for legislative measures published in the sixty days prior to the presentation of the Budget Bill whose effects are not incorporated in that bill.

3. The bill referred to in Paragraph 1 may propose, for the current year only, offsetting variations among the financial appropriations on a current-legislation basis, including those for different voting units, without prejudice to the prohibition on using capital appropriations to finance current expenditure.

4. With a decree of the competent minister, to be notified to the Court of Auditors, for justified purposes, the financial appropriations within each programme of that ministry's expenditure budget may be reprogrammed on an accrual and on a cash basis, subject to verification by the Ministry for the Economy and Finance – Department of the State Accountant General, with the exception of the discretionary earmarked appropriations referred to in Article 21.5.b and in compliance with the expenditure constraints

deriving from the provisions of subparagraph a) of Paragraph 5 of Article 21. The use of capital appropriations to finance current expenditure remains prohibited.

4-bis. With decrees of the Director General, subject to verification for the purposes of compliance with the public finance balance requirements by the Ministry for the Economy and Finance - Department of the State Accountant General, offsetting changes may be made, on an accrual and cash basis, in the expenditure appropriations of each action, with the exception of the discretionary earmarked appropriations referred to in Article 21.5.b and in compliance with the expenditure constraints deriving from the provisions of subparagraph a) of Paragraph 5 of Article 21. The use of capital appropriations to finance current expenditure remains prohibited.

4-ter. Offsetting changes, on an accrual and cash basis, to the expenditure budget of each ministry may be made, without prejudice to the invariance of the public finance balances, to expenditure appropriations, even if registered in different accounts in category 2 (intermediate consumption) and category 21 (gross fixed investments), with the exception of the discretionary earmarked appropriations referred to in Article 21.5.b and in compliance with the expenditure constraints deriving from the provisions of subparagraph a) of Paragraph 5 of Article 21. The use of capital appropriations to finance current expenditure remains prohibited. Without prejudice to the provisions of Paragraph 4-quater, the offsetting changes referred to in the first sentence shall be ordered with a decree of the Minister for the Economy and Finance acting on a proposal of the competent minister.

4-quater. If the offsetting changes referred to in Paragraph 4-ter regard expenditure involving the purchase of goods and services shared by more than one centre of administrative accountability managed within the same ministry by a single office or service unit, pursuant to the provisions of Article 4 of Legislative Decree 279 of 7 August 1997, those changes may be ordered with a joint decree of the general manager to whom that office or service unit of the ministry involved reports and of the inspector general of the General Inspectorate of the Office of the State Accountant General, which shall be notified to the Court of Auditors.

4-quinquies. In order to organise, in accordance with the established timetable, the cash resources necessary to make payments and implement the provisions of the payment plans, a decree of the competent minister, to be notified to Parliament and the Court of Auditors, may order, in each expenditure budget, offsetting cash-only changes between elementary budget items, for management and reporting purposes, with the exception of payments made using the issue of standing payment orders, subject to verification by the Ministry for the Economy and Finance - Department of the State Accountant General of the compatibility of those changes with the public finance objectives.

4-sexies. Budget variations on an accrual and cash basis and carryovers necessary to allocate during the fiscal year, including between different ministries, discretionary funds to be allocated established by law shall be ordered, unless otherwise provided for in that law, with a decree of the Minister for the Economy and Finance acting on a proposal of the ministers involved;

4-septies. The budget adjustment bill shall be accompanied by a technical report demonstrating the consistency of the value of the net balance to finance or employ with the policy objectives referred to in Article 10.2.e. That report shall be updated at the time the consideration of the budget adjustment bill passes from one house of Parliament to the other.

4-octies. The budget referred to in Article 21.11.f shall be updated on the basis of the budget adjustment bill and, subsequently, on the basis of any amendments to that bill following consideration by Parliament.

Article 34 Commitments and payments

1. Within the framework of the powers assigned to them under the law, managers shall commit and order expenditures within the limits of the resources appropriated in the budget. This does not affect the special

provisions assigning the power to make commitments and order expenditure to the constitutional bodies of the State endowed with accounting independence.

2. With regard to amounts due from the State in respect of the performance of definitive legal obligations, expenditure commitments shall be made, in compliance with applicable law and, within the limits of the associated budget appropriations, allocated to the fiscal years in which the obligations become enforceable, disclosing such commitments through the periodic publication of the information concerning commitments made for the fiscal years in which the obligation becomes enforceable. Such commitments may only be undertaken in the presence of the necessary financial resources, on a commitment accrual and cash basis, referred to in the third sentence and the following constituent elements: the grounds for the debt, the amount or the amounts to pay, the fiscal year or fiscal years in which the payments become due and the uniquely identified creditor. The commitment may only be undertaken in the presence, for the appropriate elementary budget items, of sufficient financial resources, on a commitment accrual basis, to meet the budgeted expenditure in each year and, on a cash basis, to meet the budgeted expenditure in at least the first year, ensuring compliance with the payment plan (chronogram), including with the use of the flexibility instruments established under current legislation in the management phase or in the formulation of the Budget Bill. In the case of transfers of amounts to government bodies, the expenditure commitment may be only undertaken in the presence of the grounds for the debt and the overall amount to be committed, where the remaining constituent elements of the commitment specified in the second sentence of this paragraph are identifiable following completion of a procedure governed by legislation.

2-bis. In the case of expenditure to be carried out by delegated officials or commissioners, however denominated, the government body shall undertake delegated expenditure commitments in order to make resources available to those persons. These commitments shall be undertaken within the limits of the appropriation and be allocated to the fiscal years in which the obligations assumed or planned by the delegated officials are enforceable on the basis of an appropriately documented expenditure programme communicated to the government body by the delegated officials, and commensurate with their effective requirements, for the purpose of issuing the credit facilities. The credit facilities shall be ordered in accordance with the payment plan referred to in Article 23.1-ter and within the limit of the commitments undertaken by fiscal year. Delegated expenditure commitments may be undertaken only the presence of the following constituent elements: the grounds for the commitment, the amount or the amounts to commit, and the fiscal year or fiscal years in which the payments become due. On the basis of the delegated expenditure commitments, the government body shall order one or more credit facilities in accordance with the enforceability of the obligations assumed or planned by the delegated official. If, during the operation of the expenditure programme, obligations enforceable by the end of the fiscal year are not assumed against the credit facilities received, the delegated official shall notify the government body for the purpose of reducing the credit facilities by the corresponding amount. The sums involved in the reduction shall be available to the government body, which may credit them in the same fiscal year in favour of other delegated officials or committed again using the procedures referred to in this article. Delegated expenditure commitments that at the end of the fiscal year are not associated with a corresponding credit facility shall constitute budget savings. The amount of credit facilities not entirely used by the delegated officials by the closure of the fiscal year shall constitute delegated expenditure carryovers and may be credited to them as carryovers in subsequent fiscal years in order of the enforceability of the obligations assumed by the delegated officials, without prejudice to the time limits for the conservation of carryovers referred to in Article 34-bis. Subject to authorisation from the pertinent government body, in accordance with the rules established in the specific regulations of each individual government body, the delegated officials may begin procedures for the acquisition of goods, supplies and works that give rise, in whole or in part, to obligations charged to subsequent fiscal years, even before the issue of the associated credit facility.

3. For expenditures regarding the purchase of goods and services, on either current or capital account, the assumption of the commitment is subject to prior registration, in the information system used by all

ministries for the integrated management of financial accounting, of the contracts or the orders that give rise to the commitment.

4. Expenditure for the fixed and incidental remuneration of personnel shall be allocated to the budget of the fiscal year in which the associated payments are ordered.

5. For capital expenditure commitments that regard works or projects implemented over more than one year, the provisions of Article 30.2 shall apply.

6. At the closure of the fiscal year at 31 December, no commitment may be charged to the year just ended. The central budget offices and local State accounting departments for decentralised expenditure may not give effect to any commitments that they receive following that date.

6-bis. As an exception to the provisions of Paragraph 6, the resources allocated with budget variations adopted with decrees of the Minister for the Economy and Finance and transmitted to the Court of Auditors by 28 February, shall be conserved under expenditure carryovers for the fiscal year following that in which they were included in the budget where they are a consequence of:

a) the application of legislative measures published in the final four months of the year;

b) the reassignment of specific-purpose revenue adopted in the final month of the year;

c) the assignment of resources whose allocation to the elementary budget items involved is ordered by the budget variation decree of the Minister for the Economy and Finance referred to above following the adoption of an administrative measure that establishes their use.

6-ter. Current resources assigned with budget variations and not committed by the end of the fiscal year, where the conditions referred to in Paragraph 6-bis do not apply, constitute budget savings, with the exception of those assigned as a result of offsetting variations between elementary budget items in respect of the fixed and continuing remuneration of personnel intended to remedy expenditure overruns as long as the associated budget variation decrees are submitted to the Court of Auditors by 15 March.

7. In order to ensure the correct planning of the use of cash appropriations of the State budget, the responsible manager for each commitment assumed within the elementary budget units under that manager's control, with the exception of expenditure concerning the fixed and incidental remuneration of personnel and the repayment of the public debt, including interest expense, is required to prepare and update, concomitantly with the assumption of that commitment, a specific payment plan on the basis of which that manager shall order and pay the expenditures. The information in the payment plans shall be published periodically. The manager shall update the payment plan for the elementary budget items within the scope of his responsibility on at least a monthly basis, even in the absence of new commitments, and in any case in relation to budget variation measures adopted under the regulations governing operational flexibility.

7-bis. In the case of expenditure to be carried out by delegated officials or commissioners, however denominated, the payment plan shall also be prepared and updated by the responsible manager on the basis of the notifications of the delegated officials referred to in Paragraph 2-bis.

8. The payment plan shall include, as necessary prerequisites for the payment itself, for each commitment, the amount of the debt and the exact identification of the creditor, supported by the claims and documentation establishing entitlement, as well as the date on which the obligation falls due.

8-bis. Among the claims and documentation establishing the entitlement of creditors, priority shall be given to the measures approving the project progress reports, where provided for, or regularly issued invoices.

9. For the purposes of preparing the payment plan, consideration shall also be given to any necessary prerequisite for the payment that may arise within the overall procedural activities conducted prior to the payment and within each individual act associated with that payment.

10. On a monthly basis, the control offices shall specifically monitor the application of Paragraphs 7, 7-bis, 8 and 9. In the case of non-compliance with the obligations established for the preparation and updating of the payment plan, the non-compliant government body may not access the resources held in the reserve funds referred to in Articles 26, 28 and 29 until such monitoring shall verify compliance with those obligations.

11. It is forbidden to order the use of standing payment orders as a means of payment for expenditures concerning rent, other periodic usage fees or other such fees.

12. The expenditures referred to in Paragraph 11 shall be paid using electronic payment orders. Payment of pensions and the fixed and incidental remuneration of State employees shall be made using collective electronic payment orders. Other expenditures of fixed and certain amount and date shall be paid using electronic payment orders.

Article 34-bis Conservation of expenditure carryovers

1. Unless otherwise provided for by law, current appropriations not committed at the end of the fiscal year shall constitute budget savings.

2. Carryovers of current expenditures not paid within the second fiscal year following that in which the associated expenditure commitment was assumed and those not paid within the third year concerning expenditure for current transfers to general government bodies shall constitute budget savings unless the government body demonstrates, providing appropriate justification, by the time limit for the assessment of expenditure carryovers for the fiscal year just ended, to the competent central budget office that the grounds for the debt remain, thereby justifying the conservation of the carryovers in the accounts. In that case, the amounts shall be considered to have expired for administrative purposes and may be reallocated in the budget to the appropriate elementary budget items in subsequent fiscal years.

3. Amounts appropriated for capital expenditure not committed by the end of the fiscal year may not be retained in the budget as carryovers beyond the year following that in which they were entered in the budget, unless this occurred under the provisions of legislation entering force in the last four months of the previous fiscal year. In that case, the amounts may be conserved for an additional year. Alternatively, rather than being retained in the budget those amounts may be treated in accordance with the provisions of the third sentence of Paragraph 2 of Article 30.

4. Carryovers of capital expenditures unpaid within the third year following that in which the expenditure commitment is assumed shall be considered to have expired for administrative purposes. The amounts eliminated may be reallocated in the budget to the appropriate elementary budget items in subsequent fiscal years.

4-bis. The deadlines indicated in Paragraphs 1 to 4 shall also apply to the carryovers referred to in Paragraph 2-bis of Article 34.

5. Amounts in respect of multiannual capital transfers pursuant to Article 30.3 recognized as carryovers no longer due to the original creditor may be used in favour of other beneficiaries, without prejudice to the purposes for which the resources were originally appropriated in the budget. Authorisation to use those resources shall be granted by the Ministry for the Economy and Finance - Department of the State Accountant General subject to verification of the existence of the specified needs and the compatibility of

the operation with maintaining the equilibrium of the public finance balances, pursuant to current legislation.

6. The carryover accounts, distinguished by ministry, at 31 December of the fiscal year preceding the current year, with separate indication of the carryovers referred to in Paragraph 3 of this Article, shall be attached to the Final Statement of Account.

7. Carryovers shall be managed separately from expenditure accruing in the current year so that no expenditure in respect of carryovers can be charged to funds for the current year and vice-versa.

Article 34-ter Annual assessment and reassessment of expenditure carryovers

1. Once the fiscal year has closed, for each elementary budget item, a ministerial decree to be registered with the Court of Auditors shall determine the amount to be conserved as carryovers for commitments regarding the year just ended. A specific attachment to that decree shall also identify amounts regarding non-permanent multiannual capital expenditures to be eliminated from the appropriation carryover account and entered in the current year account for subsequent years pursuant to Article 30.2, third sentence, regarding fiscal years preceding the year just ended. A specific annex to the Final Statement of Account shall list, separately by year of entry in the budget, amounts regarding the previous period eliminated from the carryover account to be entered, for the relevant programmes, in the current year account for subsequent years in the Budget Act.

2. For the purposes of adopting that decree, the competent government bodies shall verify the existence of the grounds for maintaining carryovers in the budget from years previous to the year covered in the Final Statement of Account and shall notify the competent central budget offices of the amounts to conserve and those to eliminate as savings or as expired for administrative purposes.

3. The control offices shall verify the amounts to be conserved in the carryover account for commitments regarding the year just ended and those to be eliminated pursuant to the provisions of the previous paragraphs for the purpose of the preparation, by the government body, of the decrees referred to in Paragraph 1.

4. In concomitance with the assessment referred to in Paragraph 2, as part of the drafting of the Final Statement of Account and by the time limits specified for the preparation of the carryover assessment decrees, the government bodies shall reassess the existence at 31 December of the previous year of the debtor items entered in the balance sheet of the State in respect of expiring carryovers for the purposes of verifying continuing compliance with the requirements indicated in Article 34.2 of Law 196/2009.

5. Following the reassessment referred to in Paragraph 4, a specific attachment to the Final Statement of Account shall quantify for each ministry the amount of expiring expenditure carryovers that have been eliminated. On an annual basis, following the conformity ruling of the Court of Auditors, with the Budget Act, the amount corresponding to the carryovers referred to in the previous sentence may be re-entered, entirely or in part, in the budget on a multiannual basis, consistent with the policy objectives of the public finances, in specific funds to be established with that Act in the expenditure budgets of the government bodies involved.

Article 34-quater Decentralised expenditure by the local offices of State bodies

1. Central government bodies shall allocate, in whole or in part, the amounts appropriated under the individual expenditure chapters among their local offices for the exercise of the functions attributed to them by specific provisions of law or regulations, as well as for the performance of the decentralised

activities assigned to them by the central offices. The amounts assigned in these allocations are equivalent in all respects to budget appropriations.

2. Any variations that should become necessary to the allocations referred to in Paragraph 1 may be made during the course of the fiscal year.

3. The local offices that have received the allocated resources shall assume commitments pursuant to the provisions of Article 34 and order expenditures. If necessary, they shall issue credit facilities to delegated officials assigned to any additional local units of the government body.

Chapter III

The Final Statement of Account

Article 35 Results for the fiscal year

1. The Minister for the Economy and Finance shall present to Parliament, before the end of June, the Final Statement of Account for the fiscal year that ended the previous 31 December, disaggregated by mission and programme. The associated bill shall be accompanied by a preliminary general note.

2. The statement referred to in Paragraph 1 shall be accompanied by an explanatory note for each ministry. For revenue, the explanatory note shall set out the results of operations. For expenditure, the note shall be structured by mission and programme, consistent with the indications contained in the explanatory note to the budget referred to in Article 21.11.a). The explanatory note to the statement for each expenditure programme, with regard to the underlying actions, shall set out the financial results by economic expenditure category, explaining any discrepancies between the initial expenditure forecasts and the outturn reported in the Final Statement of Account, taking account of the main operational events that occurred during the fiscal year. It shall also contain an analysis and evaluation of the extent to which the objectives indicated in the explanatory note referred to in Article 21.11.a have been achieved, consistent with the associated plan of objectives and the associated indicators, explaining any discrepancies with the planned results, taking due account of developments in the socio-economic context and any problems found.

[3. Repealed]

4. Parliamentary rules shall determine the procedures and time limits for the exercise of control, by the parliamentary committees competent by subject matter, of the state of implementation of the programmes and the associated financial resources.

Article 36 Elements of the revenue and expenditure account and the balance sheet

1. The results for the fiscal year shall be summarized and set out in the Final Statement of Account, which consists of two distinct parts:

- a) the revenue and expenditure account;
- b) the balance sheet.

2. The revenue and expenditure account, in relation to the budget classification, comprises:

- a) revenue accruing for the year, assessed pursuant to Article 21-bis, collected or still to be collected;
- b) expenditure accruing for the year, commitments, payments or amounts still to be paid;

- c) the management of revenue and expenditure carryovers from previous years;
- d) the amounts paid to the treasury account and those paid for each elementary budget item, for management and reporting purposes, separately for the accounts accruing for the year and the account for carryovers from previous years;
- e) the total account of revenue and expenditure carryovers carried forward to the subsequent year.

3. The balance sheet comprises:

- a) financial and other assets and liabilities, and variations attributable to budget management during the year or any other cause;
- b) an explication of the various points of concordance between the revenue and expenditure account and the balance sheet.

4. The general balance sheet shall include the account of amounts due to and from the State Treasury service, annexing the statement of overall cash flows and changes in the Treasury situation and the status of treasury payables and receivables.

5. A special informational annex to the Final Statement of Account shall set out the economic outturn for each ministry. Costs incurred shall be reported in accordance with the chart of accounts, separately by programme and cost centre. The recognition of costs incurred by the ministry shall include a table of reconciliation of the economic outturn and the financial management of the expenditures in the revenue and expenditure account.

6. The Final Statement of Account shall also contain, in a special annex, a description of the outturns of expenditure for programmes of an environmental nature in order to highlight the resources employed for environmental protection and activities involving the safeguarding, conservation, restoration and sustainable use of natural resources and the natural heritage. To this end, the ministries involved shall provide the Ministry for the Economy and Finance with the necessary information in accordance with the accounting statements and presentation procedures established with an order of the State Accountant General consistent with Community guidelines and regulations.

6-bis. A special informational annex to the Final Statement of Account shall set out, for revenue earmarked by law, the revenue collected and expenditure incurred by ministry and by elementary unit of the revenue and expenditure budgets in respect of the services and activities performed by central government bodies for public or private beneficiaries, with separate indication of each expenditure item.

7. In managing expenditure, the Minister for the Economy and Finance shall provide for adequate controls, including economic-financial controls.

Article 37 Reporting for the Final Statement of Account

1. At the end of the fiscal year each ministry, through the head of the competent central budget office, shall compile its own revenue and expenditure account and balance sheet.

2. The accounts referred to in Paragraph 1 shall be transmitted to the Ministry for the Economy and Finance - Department of the State Accountant General, by 30 April of the year after the end of the fiscal year and, no later than 31 May, the Minister for the Economy and Finance, through the State Accountant General, shall transmit the Final Statement of Account for the previous year to the Court of Auditors.

Article 38 Presentation of the Final Statement of Account

1. The Court of Auditors, after verifying the conformity of the Final Statement of Account, shall transmit it to the Minister for the Economy and Finance for subsequent presentation to Parliament.

Article 38-bis Integrated accounting system (commitment/cash and accrual)

1. In order to enhance the quality and transparency of public finance information, ministries shall adopt, as part of their management operations, for informational purposes, accrual accounting alongside the commitment/cash accounting system with the adoption of an integrated accounting registration system that permits the registration of each material operational event and ensures the integration and consistency of commitment/cash-basis items with accrual-basis.

2. In order to ensure the uniform implementation of the provisions of Paragraph 1, all ministries, including their local offices, shall use the information system made available by the Ministry for the Economy and Finance - Department of the State Accountant General for their integrated commitment/cash-basis and accrual-basis registrations. The central budget offices and the territorial accounting offices shall verify the uniformity and correct registration of accounting entries and the accurate application of the accounting principles referred to in this Article. The Ministry for the Economy and Finance - Department of the State Accountant General and the Court of Auditors shall coordinate, including through the use of agreements, on the accounting control procedures for which they are responsible, including the IT aspects of those procedures.

3. The financial and accounting system of ministries shall comply with the general accounting principles set out in Annex 1, an integral part of this Act, which have been defined in conformity with the corresponding principles referred to in Legislative Decree 91 of 31 May 2011 in order to ensure the harmonisation and coordination of budgets and the public finances. Any updates of the general accounting principles shall be adopted, pursuant to Article 17.1 of Law 400 of 23 August 1988, with a decree of the President of the Republic to take account of European legislation concerning accounting and budgeting systems and the results of the pilot project referred to in Article 38-sexies and any changes connected with the exercise of the enabling authority referred to in Article 42.

4. A subsequent regulation to be adopted by 31 October 2016 pursuant to Article 17.1 of Law 400 of 23 August 1988, acting on a proposal of the Minister for the Economy and Finance, shall define the accounting principles applied. Consequently, ministries shall standardise the exercise of their respective planning, management, reporting and control functions. Those principles may be modified with a decree of the Minister for the Economy and Finance also on the basis of the results of the pilot project referred to in Article 38-sexies.

Article 38-ter Integrated chart of accounts

1. Ministries shall adopt a common integrated chart of accounts, taking account of the regulation referred to in the Decree of the President of the Republic 132 of 4 October 2013, consisting of accounts that register revenues and expenditures on a commitment/cash basis and of accrual-basis accounts prepared on the basis of common accounting criteria.

2. By way of the integrated accounting system referred to in Article 38-bis, the chart of accounts pursues the following purposes:

a) the harmonisation of the accounting system of ministries with those of the other general government bodies affected by Legislative Decrees 91/2011 and 118/2011 for the purposes of compliance with the fundamental principles of harmonisation of public accounts and the coordination of the public finances;

b) the integration and consistency of commitment/cash-basis accounting entries with those registered on an accrual basis;

c) the consolidation of revenue, expenditure, costs/charges and income/receipts during the phases of forecasting, management and reporting as well as the intra-annual monitoring of public finance developments for the ministries;

d) increasing the traceability of information in the various phases of representation in the accounts and greater reliability and transparency of accounting data, useful also in managing public budgets using the integrated accounting system.

3. A regulation to be adopted by 31 October 2016 pursuant to the provisions of Article 17.1 of Law 400 of 23 August 1988, acting on a proposal of the Ministry for the Economy and Finance, shall define:

a) the items of the integrated chart of accounts, consisting of a list of the accounts for revenues and expenditures on a commitment/cash basis and accrual-basis accounts, including those necessary for integration, adjustment and amortisation operations;

b) the connections between commitment/cash-basis accounts and accrual-basis accounts and the accounting and budget documents;

c) the minimum disaggregation level of the chart of accounts for the associated budget phases;

4. Updates of the chart of accounts shall be adopted with a decree of the Minister for the Economy and Finance, including those decided following the pilot project referred to in Article 38-sexies.

Article 38-quater Elementary accounting transaction and its codification

1. Every operational action taken by the officials responsible for managing the integrated accounting system represents an elementary transaction in the accounting entries.

2. Each elementary transaction has a code number that makes it possible to label the accounting operations through simultaneous registrations in the commitment/cash-basis and accrual-basis chart of accounts.

3. Within four months of the termination of the pilot project referred to in Article 38-sexies, a decree of the Minister for the Economy and Finance shall define the content of the codification of elementary transactions and the criteria and procedures for application of the provisions of this Article.

Article 38-quinquies Adjustment of the General Government Payments Information System (SIOPE)

1. With the procedures defined in Article 14.8, and on the basis of the results of the pilot project referred to in Article 38-sexies, the SIOPE codification of ministries shall be replaced by that envisaged by the structure of the integrated chart of accounts for commitment/cash accounting.

2. Any additional levels of disaggregation of the SIOPE codification shall be mappable to the aggregates provided for in the integrated chart of accounts.

Article 38-sexies Pilot integrated accounting project

1. A decree of the Minister for the Economy and Finance, to be adopted within thirty days of the issue of the regulation referred to in Article 38-ter.3, shall govern a pilot project of no more than three fiscal years,

with verification of the final results, in order to assess the effects of the adoption of integrated accounting, the integrated chart of accounts and its use as a reference structure for the preparation of accounting and budget documents together with the missions, programmes and actions referred to in Article 25-bis, and the provisional codification referred to in the following sentence. The same decree shall introduce a provisional codification of the elementary transactions referred to in Article 38-quater.1 in order to trace accounting operations through simultaneous registrations in the commitment/cash-basis and accrual-basis chart of accounts.

Article 38-septies Gender budgeting

1. The Ministry for the Economy and Finance - Department of the State Accountant General shall initiate a specific pilot project for the adoption of gender budgeting to assess the differing impact of fiscal policy on women and men in terms of money, services, time and unpaid work, also with a view to pursuing gender parity through public policies, redefining and consequently reallocating resources, taking account of developments in the indicators of fair and sustainable well-being referred to in Article 10.10-bis.

1-bis. For the purpose of defining the methodological approaches to implementing the provisions of Paragraph 1, a committee shall be established at the Ministry for the Economy and Finance composed of one representative of that ministry, one representative of the Office of the President of the Council of Ministers, one representative of Istat, one representative of the National Social Security Institute (INPS), and two experts in the field from universities or research institutes. The establishment and operation of the committee shall not generate new or increased costs for the public finances. The members of the committee shall not be entitled to any remuneration, allowance, attendance fee, reimbursement of expenses or other emolument of any form.

2. A decree of the President of the Council of Ministers, in agreement with the Minister for the Economy and Finance, shall define the general methodology of gender budgeting for reporting purposes, taking due account of experience already acquired in the analogous reporting of regional and local authorities.

3. Ministries shall provide the Ministry for the Economy and Finance with the information necessary using accounting schedules, statistical indicators and representation approaches established by the Ministry for the Economy and Finance - Department of the State Accountant General, with due consideration of the content envisaged pursuant to Article 10.1.b of Legislative Decree 150/2009.

3-bis. The Minister for the Economy and Finance shall transmit to Parliament a report on the pilot project referred to in Paragraph 1 and, subsequently, a report on the results of the definitive adoption.

Chapter IV

Analysis and evaluation of expenditure and completion of the budget reform

Article 39 Analysis and evaluation of expenditure

1. The Ministry for the Economy and Finance cooperates with other ministries to support the verification of the results achieved in respect of the objectives referred to in Article 10.2.e, the monitoring of the effectiveness of the measures taken to achieve them and the measures undertaken to enhance the efficiency of those government bodies. Cooperation shall be conducted within the framework of special expenditure analysis and evaluation units, which are to be established with no new or additional cost to the public finances. A decree of the Minister for the Economy and Finance shall govern the units' composition and operating procedures. The units shall include a representative of the Office of the President of the Council of Ministers - Public Administration Department.

2. The cooperation referred to in Paragraph 1 shall include verification of the structure of the programmes that make up missions, of the consistency of spending authorisations with the content of the programmes, with the possibility of proposing, with specific legislative measures, the combination and rationalization of funding laws to make the connection with the relevant programme simpler and more transparent, and verification of the reprogrammability of the resources entered in the budget. In this context the Ministry for the Economy and Finance shall provide the other ministries with methodological support in making the expenditure forecasts and determining the requirements associated with the programmes and the objectives set out in the explanatory note referred to in Article 21.11.a and in defining the relevant indicators of results.

3. The activities performed by the units referred to in Paragraph 1 are functional to the formulation of proposals for the reprogramming of financial resources between expenditure programmes pursuant to Article 23.3 and to the preparation of the report on results referred to in Article 35.2.a.

4. For the activities referred to in this Article, the Ministry for the Economy and Finance shall establish and share with the other ministries, within the database referred to in Article 13, a specific section containing all the information necessary for the achievement of the objectives referred to in Paragraph 1 of this Article. The database shall contain the data that the government bodies are required to supply through a procedure to be determined by a decree of the Minister for the Economy and Finance. The data referred to in this Paragraph shall be transmitted by the Ministry for the Economy and Finance to the Office of the President of the Council of Ministers - Public Administration Department for purposes of performing the functions delegated to the Minister for Public Administration and Innovation, in accordance with procedures laid down in a decree of the Minister for the Economy and Finance and the Minister for Public Administration and Innovation.

Article 40 Enabling authority for the Government to complete the revision of the structure of the State budget

1. Without prejudice to the provisions of Article 2 on the harmonisation of the accounting systems and budget formats of general government bodies, the Government is authorised to adopt, within four years of the entry into force of this Law, one or more legislative decrees for the completion of the reform of the structure of the State budget and accounts with special regard to the reorganisation of expenditure programmes and missions and the planning of resources, to ensure greater certainty, transparency and flexibility.

2. The legislative decrees referred to in Paragraph 1 shall be adopted on the basis of the following principles and guidelines:

a) revision of the missions in relation to the main functions and the objectives pursued by public expenditure, forming an appropriate correlation of missions with ministries and specifying any interministerial missions;

b) revision of the number and structure of programmes, which shall be homogeneous with regard to the results to pursue in terms of final products and services, so as to ensure:

1) the unique correspondence between the programme, the resources and structures assigned to it, and each ministry, in relation to the tasks and institutional functions of the ministry, where possible avoiding the sharing of programmes between ministries;

2) assignment of each expenditure programme to a single centre of administrative accountability;

3) mapping of programmes to the level-2 COFOG classification;

- c) revision of appropriations for each programme and the associated legislation, consistent with the objectives to be pursued;
- d) revision, on the revenue side, of the elementary budget items to ensure that the name explicitly refers to the object and the distribution of mixed units into articles, so as to ensure that the source of revenue is clearly and uniquely identifiable;
- e) for expenditure, including for management and reporting purposes, the introduction of actions as components of the programme and elementary budget items, accompanied by an integrated chart of accounts that ensures their mapping with the COFOG classification and the third-level economic classification. For the purposes of implementing the provisions of the previous sentence, the Ministry for the Economy and Finance - Department of the State Accountant General, shall initiate, for the 2012 fiscal year, a pilot project whose results shall be discussed in the report referred to in Article 3.
- f) provision that the new legislative expenditure authorisations shall be formulated in terms of funding for a specific expenditure programme;
- g) introduction of three-year resource and objective planning for ministries and the identification of common methodologies for devising indicators that are simple, measurable and can be associated with budget programmes;
- g-bis) introduction on a trial basis of gender budgeting to assess differences in the impact of fiscal policy on women and men in terms of money, services, time and unpaid work;
- h) the introduction of criteria and procedures for setting limits to expenditures within the State budget, taking account of the special nature of the expenditures referred to in Article 21.6. These limits, set in principle in the EFD and adopted with the subsequent Budget Act, shall be consistent with the three-year resource plan;
- i) the adoption, consistent with the established expenditure limits, of three-year accords between the Minister for the Economy and Finance and the other ministers agreeing the objectives to pursue during the three-year period and their timetable;
- l) reorganisation of the rules authorising budget variations during the year;
- m) merger of the reserve and special funds entered in the State budget;
- n) supplementation, for informational purposes, of the commitment accounting system with an accrual accounting system that can be used to assess the results achieved by government bodies;
- o) revision of the treasury summary account in order to lend greater clarity and meaningfulness to the information it contains by means of integration of the State budget accounting data with those of the treasury;
- p) the phasing out, within twenty-four months, of the special accounts or treasury current accounts whose funds were established by means of deposit of amounts originally entered as expenditure appropriations in the State budget, with the exception of the special account of the Office of the President of the Council of Ministers, of the off-budget accounts established pursuant to Law 1041 of 25 November 1971, of the off-budget accounts authorised by law, of the joint programmes of more than one ministry, entity, public body or private body, and in cases of necessity and urgency. To this end, the funds shall be simultaneously entered in the revenue account of the budget for reassignment of the amounts to the expenditure items from which they originated or, if the latter are no longer present in the budget, to new, specifically created items; the provision, for off-budget accounts that remain active, of mandatory annual statements of account of the resources acquired and expenditures made, under classifications that are harmonised with those of the State budget and that can be aggregated with it at a sufficiently high level of detail;

q) provision for the possible identification of special transfers in the State budget directed to the objectives referred to in Article 119, fifth paragraph, of the Constitution, to be allocated to municipalities, provinces, metropolitan cities and regions.

3. The draft legislative decrees referred to in Paragraph 1 shall be transmitted to the Chamber of Deputies and the Senate in order for the competent parliamentary committees to express their opinion, limited to the budgets in the area for which each is competent, and the financial aspects, within sixty days of such transmission. After that time limit has expired, the decrees can in any case be adopted. If the Government does not intend to act in conformity with the parliamentary opinions, it shall retransmit the texts to Parliament with its observations and any amendments and present communications to both houses of Parliament. When thirty days have elapsed from the date of the new transmission, the decrees can in any case be definitively enacted by the Government.

4. Within two years of the date of entry into force of the legislative decrees referred to in Paragraph 1, corrective and supplementary amendments may be adopted, in compliance with the principles and guidelines and with the procedures laid down in this Article.

[Article 42. Repealed]

Chapter V

Reorganisation of rules governing the management of the State budget and strengthening the function of the cash-basis budget

Article 42 Enabling authority to the Government for reorganisation of rules governing the management of the budget and strengthening the function of the cash-basis budget

1. For purposes of reorganising the rules governing the management of the State budget and strengthening the function of the cash-basis budget, without prejudice to the preparation of the accrual-basis budget, the Government is authorised to adopt, within four years of the entry into force of this Law, a legislative decree in conformity with the following principles and guidelines:

a) rationalisation of the rules governing the assessment of revenues and the commitment of expenditures as well as those concerning the formation of an accounting system for revenue and expenditure carryovers in order to ensure greater transparency, simplification and uniformity of treatment of such accounting items;

b) in order to strengthen the role of the cash-basis budget, provide for the reconciliation, including in specific attachments, of cash authorisations in the State budget and treasury operations;

c) for the purposes of strengthening the planning role of the cash-basis budget, provide for a requirement for the manager responsible to prepare a financial plan that takes account of the timing of the assumption of obligations, on the basis of which expenditures shall be ordered and the associated payments made;

d) revision of the system of prior controls of the accounting and administrative legitimacy of obligations assumed by the manager responsible for payment, taking due account of the provisions of subparagraph c);

e) provision for a transition period for the implementation of the new rules;

f) consideration, for the purposes of drafting the legislative decree referred to in this Paragraph, of the results of the pilot project conducted pursuant to the provisions of Paragraph 2;

g) provision for the gradual extension of the measures adopted in applications of subparagraphs a), c) and d) to other general government bodies, consistent with the provisions of Article 2 of Law 42 of 5 May 2009 and of Article 2 of this law;

h) gathering of the information necessary to reconcile the budget data with the criteria envisaged for the preparation of the consolidated general government accounts using the criteria adopted at the European Union level.

2. For the purposes of Paragraph 1, the Ministry for the Economy and Finance - Department of the State Accountant General shall initiate a pilot project with a maximum duration of two fiscal years. The Minister for the Economy and Finance shall transmit a report on the pilot project to the parliamentary committees competent in the subject matter and to the Court of Auditors.

3. The draft legislative decree referred to in Paragraph 1 shall be transmitted to the Chamber of Deputies and the Senate so that the competent committees may issue their opinions within sixty days of transmission. After that time limit has expired, the decrees may in any event be adopted. If the time limit for the issue of the opinion should lapse in the thirty days prior to the lapse of the final time limit for the exercise of the enabling authority or subsequently, the latter shall be extended for ninety days. If the Government does not intend to act in conformity with the parliamentary opinions, it shall retransmit the texts to the houses of Parliament with its own observations and with any amendments and provide communications to each house. Once thirty days have elapsed from the date of the new transmission, the decree can in any case be adopted definitively by the Government.

4. Corrective and supplementary measures to the legislative decree referred to in Paragraph 1 may be adopted within twelve months of the entry into force of the decree, without prejudice to the principles and guidelines and with the same procedures provided for in this Article.

Article 43 Funding for the adaptation of information systems

1. For the implementation of the provisions of this Title, expenditure of 2,000,000 euros is authorised for 2010 and 3,000,000 euros each for 2011 and 2012. This cost shall be funded as follows:

a) as regards the 2,000,000 euros for 2010 and 3,000,000 euros for 2011, with a reduction in the expenditure authorisation referred to in Article 5.4 of Decree Law 93 of 27 May 2008, ratified with amendments by Law 126 of 24 July 2008, as amended by Decree Law 112 of 25 June 2008, ratified with amendments by Law 133 of 6 August 2008;

b) as regards the 3,000,000 euros for 2012, with a corresponding reduction in the expenditure authorisation provided for in Article 10.5 of Decree Law 282 of 29 November 2004, ratified with amendments by Law 307 of 27 December 2004 concerning the Fund for Structural Economic Policy Measures.

2. The Minister for the Economy and Finance is authorised to issue decrees making the necessary budget variations.

Title VII

TREASURY FOR PUBLIC ENTITIES AND CASH FLOW PLANNING

Article 44 Definition of cash balances

1. The cash balance of the state sector is the result of the consolidation of the cash flows of the State budget and the State Treasury. It expresses the borrowing requirement to finance through issues of government securities and other short- and long-term instruments.

2. The cash balance of general government is the result of the consolidation of the cash flows of the various sub-sectors.

[3. Repealed]

Article 44-bis Revision of the Treasury summary account

1. Beginning with the Treasury summary account regarding the month of January 2017, the content of that document shall be revised in accordance with the criteria referred to in this Article and published in a specific section of the official website of the Ministry for the Economy and Finance. The data shall be published in open format pursuant to the provisions of Article 68 of the Digital Government Code enacted with Legislative Decree 82 of 7 March 2005 and shall be reusable pursuant to the provisions of Legislative Decree 36 of 24 January 2006, Legislative Decree 82 of 7 March 2005 and Legislative Decree 196 of 30 June 2003, with no further restrictions other than the obligation to cite the source and preserve their integrity.

2. The Treasury summary account represents the monthly report of collections and payments of the State treasury service, regarding both the management of the State budget and of the State Treasury. The latter comprises the financial movements associated with floating debt and liquidity management, accounts open with the State Treasury, suspense items to settle and cash deposits.

3. Collections and payments associated with the management of the State budget shall be disaggregated on the basis of the current classifications of the budget structure. Collections and payments regarding the management of the State Treasury shall be disaggregated on the basis of whether they constitute the formation or extinguishment of debtor or creditor items originated by treasury operations. The Department of the State Accountant General shall prepare specific tables in which the accounting data for the management of the State budget are integrated with those of Treasury management and reconciled with net issues of government securities and other short- and long-term instruments and with the cash balance of the State sector.

Article 44-ter Gradual elimination of accounting operations on special accounts or treasury current accounts.

1. For the purposes of implementing the provisions of Article 40.2.p, a decree of the President of the Council of Ministers, acting on a proposal of the Minister for the Economy and Finance, shall identify the accounting operations on special accounts or treasury current accounts that are to be transferred to the ordinary accounting system, with the concomitant closure of those accounts. Pursuant to the provisions of Article 6.6 of Decree Law 95 of 6 July 2012, ratified with amendments by Law 135 of 7 August 2012, the officials delegated to operate using ordinary accounting are required to use the Integrated Financial and Economic Accounting Management (SICOGE) system, with mandatory use of its functions for the issue of expenditure orders in dematerialised form. As an alternative to operation through delegated officials, central government bodies may establish that operations shall continue directly against a specific item in the State budget. For such operations, the amounts on the account at the closing date shall be transferred to the State budget revenue account in order to be reassigned to the budget expenditure items that originally funded them or, if they no longer exist, to newly created budget items. As from the closing date of the treasury accounts, in order to continue the operation of the accounts involved, the revenues generated by disbursements from general government bodies, agencies, public and private bodies as well as, solely for reimbursements of official travel expenses and emoluments of personnel paid to the units of the ministries holding the accounts, the European Union, shall be transferred to the State budget revenue account for reassignment in the budgets of the ministries involved. The amount of the credit facility granted to officials delegated to operate using ordinary accounting shall be determined by taking account of the transfers to the State budget referred to in the previous sentence. The remaining amounts regarding

payments from the European Union shall be paid into the specific treasury current account held by the Revolving Fund for the Implementation of Community Policies referred to in Article 5 of Law 183 of 16 April 1987 and shall be managed in accordance with the provisions governing the Revolving Fund. In order to ensure operational continuity during the transition to the ordinary accounting system, in the first fiscal year following the closure carried out pursuant to this paragraph, where necessary, subject to a request from the competent government body, the Ministry for the Economy and Finance may use treasury advances, which shall be settled promptly in the same year with the issue of payment orders drawn on the appropriate elementary budget items.

2. The decree referred to in Paragraph 1 shall identify any other accounting operations on special accounts or treasury accounts that are to be eliminated definitively. Without prejudice to the provisions of Paragraph 3, any amounts on the eliminated accounts shall be transferred to the State budget revenue account and may be reassigned to the government bodies involved at their request in the amount necessary to extinguish any legally binding obligations assumed at least thirty days prior to the elimination of the account. The extinguishment and payment shall be notified to the holder of the accounting operation.

3. The decree referred to in Paragraph 1 shall also define the procedures for the definitive elimination of the special accounts associated with the calamities to which the provisions of Article 5, paragraphs 4-ter and 4-quater, of Law 225 of 24 February 1992 as amended do not apply, including with reference to the allocation of the residual resources.

4. The accounting operations identified with the decrees referred to in Paragraph 1 shall not include the account of the Office of the President of the Council of Ministers, the off-budget accounts established pursuant to Law 1041 of 25 November 1971, the off-budget accounts authorised by law, the joint programmes of more than one ministry, entities, public body or private body, and in cases of necessity and urgency.

5. As from the 2017 fiscal year, treasury current accounts on which no transaction has been executed for at least three years shall be extinguished using the procedures referred to in Paragraph 2, subject to authorisation of the Ministry for the Economy and Finance. The special accounts shall remain subject to the provisions of Article 10.5 of Decree 367 of the President of the Republic of 20 April 1994 and of Article 7.39 of Decree Law 95 of 6 July 2012, ratified with amendments by Law 135 of 7 August 2012.

6. In order to ensure the availability of current balances not spent by the close of the fiscal year to the accounting operations referred to in Paragraph 1, on an annual basis the Budget Act may identify the expenditure items to which the provisions of Article 61-bis of Royal Decree 2440 of 18 November 1923 shall apply.

7. For special accounts that are not eliminated or transferred to ordinary accounting in accordance with the provisions of Paragraphs 1 and 2, the provisions of 2.4-ter.a of Decree Law 138 of 13 August 2011, ratified with amendments by Law 148 of 14 September 2011, shall apply.

8. The opening of new special accounts or treasury current accounts whose funds are established with the transfer of amounts entered in expenditure appropriations of the State budget is prohibited, without prejudice to the exceptions provided for in subparagraph p) of Article 40.2. Where the management of specific interventions is entrusted to in-house companies or State-controlled enterprises as defined in Article 2.1 of Legislative Decree 175 of 19 August 2016, for the purpose of making payments, the State bodies may appoint employees of the managing entities as officials delegated to operate using ordinary accounting, who shall be subject to the supervision of the delegating government body and to the administrative and accounting controls of the competent control bodies.

Article 44-quater Accounts of State bodies held with the banking and postal system

1. State bodies may manage funds with the banking and postal system only where provided for by law or regulation. In the absence of a specific legislative or regulatory provision, the opening of a bank or postal account shall be authorised by the Ministry for the Economy and Finance - Department of the State Accountant General following a duly justified and documented request of the competent body. The authorisation is granted within sixty days of receipt of the request.
2. The opening of accounts with the banking and postal system is permitted for the collection and management of payments to the State budget and for the management of specific expenditure measures, for the time strictly necessary, where it is not possible to use the ordinary payment and collection procedures, for expenditures and revenues respectively, provided for in the accounting system of the government bodies submitting the request.
3. In the case of the opening of bank or postal accounts for the management of expenditure measures in the absence of specific legislative provision or the authorisation referred to in Paragraph 1, the amounts deposited on those accounts, together with accrued interest, shall be transferred to the State budget revenue account for reassignment to the budget of the competent ministry. In this case, the manager responsible or the delegated official shall be subject to a pecuniary penalty equal to twice the interest accrued during the period in which the sums were deposited, increased by 2 per cent of the amounts on the account. The penalty shall be issued with a decree of the competent minister within ninety days of the determination of the existence of the account and levied by way of corresponding attachment of the salary of the persons responsible, pursuant to Article 2 of Presidential Decree 180 of 5 January 1950.
4. The interest earned on bank and postal accounts held by State bodies shall be transferred to the State budget revenue account in the same fiscal year in which it is credited to those accounts.
5. By 30 April, 31 July, 31 October and 31 January each year, central and peripheral State bodies holding accounts with the bank and postal system to manage resources from the State budget or intended to form part of State revenue shall transmit to the Ministry for the Economy and Finance - Department of the State Accountant General a list of the accounts held with the bank and postal system in which resources of the body are managed, providing summary information for each account on amounts deposited as at 1 January each year, total cumulative inflows and outflows and the final balance for each quarter of the year, indicating, for each account, the legislative provision or the authorisation permitting the account to be opened. Failure to transmit this information by the time limits indicated shall be considered in the assessment of the individual performance of the executives responsible and shall give rise to executive and disciplinary liability pursuant to Articles 21 and 55 of Legislative Decree 165 of 30 March 2001. The requirement for quarterly notification shall also apply to holders of accounts opened with the bank or postal system on which resources assigned for the management of specific measures performed on behalf of State bodies have been deposited.
6. The competent body for controlling administrative and accounting legitimacy shall verify compliance with the provisions of this Article and shall notify any non-compliance to the directorate general of the competent State body for the purpose of levying penalties.

Article 45 Treasury for public entities

1. In the matter of the single Treasury, the provisions of Law 720 of 29 October 1984 remain in effect for public entities and bodies.

Article 46 Financial planning

1. For purposes of efficient management of the public debt and for the purposes referred to in Article 47, ministries, including their dependent offices, and the general government bodies that hold accounts with the State Treasury, shall electronically notify the Ministry for the Economy and Finance of estimated daily cash flows with the frequency and the procedures established with a decree of the Ministry for the Economy and Finance.
2. In the case of failure to comply with the notification requirement, the manager in charge of the centre of administrative accountability shall be subject to a pecuniary administrative penalty of 5 per cent of that manager's performance pay.
3. For territorial authorities other than the State, the Ministry for the Economy and Finance - Department of the State Accountant General – and the Standing Conference for the Coordination of the Public Finances, on an annual basis and within ninety days of the close of the fiscal year, shall conduct monitor deviations between actual results and those notified by the authorities themselves. The Standing Conference for the Coordination of the Public Finances shall adopt any measures necessary to improve the daily forecasting of cash flows through the State Treasury by the authorities referred to in the previous Paragraph and if necessary redefine penalties in the event of failure to comply with the notification requirement provided for in this Article. For territorial authorities other than the State, the provisions of this Article represent fundamental principles for the coordination of the public finances pursuant to Article 117 of the Constitution and are intended to preserve the economic unity of the Italian Republic pursuant to Article 120, second paragraph, of the Constitution and shall apply to the special statute regions and the autonomous provinces of Trento and Bolzano without prejudice to the provisions of their statutes.
4. In order to improve the predictability of the receipts of the State Treasury, all payments and transfers of taxes and duties into the State Treasury in individual amounts exceeding 500,000 euros, even if carried out using procedures other than those provide for in Article 17 of Legislative Decree 241 of 9 July 1997, shall be executed using large-value credit transfers (B.I.R.) settled through the Target system. These fund movements, and transfers by intermediaries associated with the single delegation procedure referred to in Article 17 of Legislative Decree 241 of 9 July 1997, shall be entered in the procedure for the ordering of transfers to the State Treasury on the business day prior to the settlement date.
5. In the case of non-compliance with the provisions of Paragraph 4, the non-compliant actors shall be required to pay to the State budget legal interest calculated for one day on the amount paid.
6. For the purposes of this article, the Ministry for the Economy and Finance is also authorised to enter into memoranda of understanding with the entities other than the general government bodies that hold accounts with the State Treasury.

Article 47 Amendments to the rules governing the Treasury's liquidity management accounts

1. In Article 5.5 of the consolidated law on legislative and regulatory provisions concerning the public debt, enacted with Presidential Decree 398/2003, the first three sentences shall be replaced by the following: "The Ministry for the Economy and Finance and the Bank of Italy shall establish by way of a convention the terms and conditions of the Treasury's account with the Bank of Italy for the treasury service and of equivalent accounts and set the maximum balance on which the Bank of Italy shall pay a rate of interest commensurate with money market parameters. A subsequent decree of the Minister, on the basis of criteria of transparency, efficiency and competitiveness, shall establish the procedures for the movement of liquidity and for the selection of counterparties."

2. The convention referred to in Article 5.5 of the consolidated law enacted with Presidential Decree 398/2003, as amended by Paragraph 1 above, shall be entered into within three months of the entry into force of this Law.

3. Until the entry into force of the convention pursuant to Paragraph 2 of this Article, the Treasury's account held with the Bank of Italy for the performance of treasury services shall be remunerated in accordance with the procedures and time limits provided for in the aforesaid Article 5.5 of the consolidated law enacted with Presidential Decree 398/2003 in the text in force prior to the entry into force of this Law. In the transitional period, the provisions of Article 3.3 of the ministerial decree of 31 October 2002, published in the *Gazzetta Ufficiale* No. 295 of 17 December 2002, and of Article 4.3 of the ministerial decree of 6 June 2003, published in the *Gazzetta Ufficiale* No. 158 of 10 July 2003: "*Modalità per l'informatizzazione degli ordini di prelevamento dei fondi dai conti correnti di tesoreria centrale*" concerning the remuneration of accounts equivalent to the Treasury's account with the Bank of Italy for the treasury service, shall remain in force.

4. In Article 46 of the aforesaid consolidated law enacted with Presidential Decree 398/2003, Paragraph 3 shall be replaced by the following:

"3. On the balance of the Fund the Bank of Italy shall pay, every half year, a rate of interest equal to that on the account denominated: '*Disponibilità del Tesoro per il servizio di tesoreria*' (L)" [Treasury liquidity account for treasury services].

5. Decrees issued by the Ministry for the Economy and Finance shall define the procedures and criteria for accounting for the transactions governed by the provisions of this Article and the procedures and timetable for moving funds with the State Treasury.

Article 47-bis Reconciliation of the State budget and State Treasury operations

1. Without prejudice to the information provided in the Budget Bill pursuant to Article 31-bis.2, a specific attachment to the Final Statement of Account shall provide, for informational purposes, quantitative information on the intermediation conducted by the State Treasury involving the amounts disbursed from the State budget. For these purposes, specific tables attached to this Law shall report information on payments to treasury accounts, with separate reporting of accounts containing amounts held by State bodies, those paid directly to the economic system and those for other uses. For accounts containing amounts held by State bodies, the reporting shall also indicate inflows and outflows during the year to which the account statement refers.

Article 48 Recourse to the market by general government bodies

1. Contracts for financing transactions in which a general government body is the debtor shall contain a specific clause obliging the lending institutions to notify electronically and in processable format, within thirty days of the signing of the contract, the Ministry for the Economy and Finance – Department of the Treasury and Department of the State Accountant General, Istat and the Bank of Italy of the conclusion of the financing transaction, specifying the date and amount, the disbursement schedule and the repayment plan, separately for principal and interest, where available. Such notification requirement shall not apply to the transactions referred to in Article 3 of the consolidated law on legislative and regulatory provisions concerning the public debt enacted with Presidential Decree 398 of 30 December 1998 as amended.

2. In the event of failed or tardy transmission of the notification referred to in Paragraph 1, the lending institution shall be subject to an administrative penalty equal to 0.5 per cent of the amount of the transaction up to a maximum of 50,000 euros.

Title VIII

ACCOUNTING CONTROLS AND EVALUATION OF EXPENDITURE

Article 49 Enabling authority for the Government to reform and strengthen the system of accounting controls and the programme of expenditure analysis and evaluation

1. The Government is granted enabling authority to adopt, within eighteen months of the date of entry into force of this Law, one or more legislative decrees to strengthen the analysis and evaluation of expenditure and to reform the controls of administrative and accounting legitimacy referred to in Article 1.1.a and Article 2 of Legislative Decree 286 of 30 July 1999, in accordance with the following principles and guidelines:

a) reinforcement of the Department of the State Accountant General's structures and control and monitoring instruments with a view to the periodic implementation of a programme of analysis and evaluation of the expenditure of central government bodies referred to in Article 3.67 of Law 244 of 24 December 2007 as amended by Article 41.5 of this Law, to be conducted in cooperation with the bodies and institutions involved pursuant to Article 3.69 of Law 244/2007, as well as for the purpose of drafting the report referred to in Article 41 of this Law;

b) sharing among the Ministry for the Economy and Finance – Department of the State Accountant General, the independent performance evaluation bodies referred to in Article 14 of Legislative Decree 150 of 27 October 2009 and the statistics offices of the various ministries of their respective databases, including by means of the electronic acquisition of all other information necessary to the activity of expenditure analysis and evaluation;

c) provision for pecuniary administrative sanctions for failure on the part of the responsible managers of the government bodies involved to communicate the data referred to in subparagraph b), consisting of a percentage of their performance pay of between a minimum of 2 per cent and a maximum of 7 per cent;

d) gradual extension of the expenditure analysis and evaluation programme to the other general government bodies;

e) reorganisation of the system of ex-ante and ex-post controls, their simplification and rationalization, and revision of the existing timetable for controls, with provision for annual programmes based on the complexity of the acts, on their importance to the public finances, and on the effectiveness of the exercise of controls.

2. The draft legislative decrees referred to in Paragraph 1 shall be transmitted to the Chamber of Deputies and the Senate in order for the competent committees to issue their opinions. Legislative decrees that entail financial effects shall be accompanied by the technical report referred to in Article 17.3.

Title IX

CONSOLIDATED LAW OF PROVISIONS ON STATE ACCOUNTING AND TREASURY OPERATIONS

Article 50 Enabling authority for the Government to adopt a consolidated law of provisions on State accounting and treasury operations

1. The Government is authorised to adopt, pursuant to Article 76 and Article 87, fifth paragraph, of the Constitution and Article 14 of Law 400 of 23 August 1988, within four years of the entry into force of this Law, a legislative decree containing a consolidated law of provisions in the matter of State accounting and treasury operations.

2. The legislative decree referred to in Paragraph 1 shall be adopted on the basis of the following principles and guidelines:

- a) simplification and rationalization of administrative and accounting procedures in order to ensure coordination with the applicable provisions governing executive liability;
- b) reorganisation of the treasury accounts to ensure reconciliation with the classification system used for the State budget;
- c) rationalization of the rules governing the single Treasury service;
- d) adaptation of the rules set out in this Law and in the rules governing government accounting in consideration of the strengthening of the cash-basis budget;
- e) amendment or express abrogation of pre-existing rules incompatible with the provisions of this Law.

3. The draft legislative decree, following the preliminary resolution of the Council of Ministers, shall be transmitted to the Chamber of Deputies and the Senate so that the committees competent for the subject matters treated and for the financial aspects can issue their opinions within sixty days of such transmission. After the time limit for the issue of these opinions has expired, the decree shall be adopted even in the absence of such opinions. If the Government does not intend to act in conformity with the parliamentary opinions, it shall retransmit the text to the houses of Parliament with its own observations and with any amendments and provide communications to each house. Once thirty days have elapsed from the date of the new transmission, the decree may in any case be adopted definitively by the Government.

4. Within twelve months of the date of entry into force of the decree referred to in Paragraph 1, the Government may adopt, using the procedures referred to in Paragraphs 1 and 3 and based on the principles and guidelines referred to in Paragraph 2, supplemental and corrective provisions to the decree.

Title X

TRANSITIONAL AND FINAL PROVISIONS

Article 51 Repeals and amendments

1. The following are repealed:

- a) Article 80 of Royal Decree 2440 of 18 November 1923;
- b) the single article of Law 639 of 21 August 1949;
- c) Law 468 of 5 August 1978.

2. With the exceptions provided for in Article 40.2.p, all legislative provisions authorising the opening of special treasury accounts whose funds are established with the deposit of amounts originally entered as State budget appropriations and referring to the operations of bodies that are in any event part of the central or peripheral apparatus of the State, where such accounts are not expressly authorised by specific rules governing their accounting autonomy with respect to the State budget, are repealed. For the purpose of ensuring, without prejudice to the general principles of this Law, the operations of military organisations, the special accounts authorised by law for the functioning of the units and entities of the armed forces shall continue to operate until the adaptation of the expenditure procedures referred to in Article 42.1.f or until their reorganisation, to be achieved, after pilot projects, by the time limit laid down in Article 42.1.f.

3. Article 18.1, first sentence, of Law 42 of 5 May 2009 is amended as follows:

- a) after the words “finance act” the following shall be inserted: “or with a specific single-subject bill accompanying the public finance package”;
- b) the words from “and establish, for each level” through to end of the sentence shall be deleted.

Article 52 Final provisions and entry into force

1. In the first application of this Law, the Stability Act provides for the suppression, in the table referred to in Article 11.3.d, of the compulsory expenditures and the respective rules referring to said table. These expenditures shall therefore remain concomitantly determined by the Budget Act.

2. All references to the Economic and Financial Planning Document referred to in Article 3 of Law 468 of 5 August 1978 as amended and to the Finance Act referred to in Law 468/1978 as amended in the provisions of law or other acts with the force of law shall be construed as referring, respectively, to the Economic and Financial Document referred to in Article 10 of this law and to the Budget Act. Any reference to the Stability Act referred to in Article 11 of this Law in the text in force prior to the entry into force of this sentence shall be construed as referring to the Budget Act.

[3. Repealed]

4. The provisions of this Law shall apply to the President of the Republic, the Senate of the Republic, the Chamber of Deputies and the Constitutional Court insofar as they are deemed compatible with the constitutionally recognized autonomy of those bodies.

5. Until the establishment of the Standing Conference for the Coordination of the Public Finances, the tasks and duties assigned to it by this Law shall be performed by the Unified Conference between State-Regions and Cities referred to in Article 8 of Legislative Decree 281 of 28 August 1997 as amended.

6. This Law shall enter into force on 1 January 2010.

This Law, bearing the State seal, shall be entered in the official compilation of the legislative instruments of the Italian Republic. It is the obligation of all concerned to comply with the law and to see that it is complied with as a law of the State.

Annex 1

GENERAL ACCOUNTING PRINCIPLES

1. Principle of annuality

The budgetary and financial reporting documents are prepared annually and are based on an operating period that coincides with the calendar year. Any obligations to prepare and present accounting documents with a frequency of less than one year are not affected.

In the preparation of the budget documents, the forecasts for each year, on both a commitment accrual and cash basis, shall be drawn up on the basis of a multiannual budget, with a time horizon of at least three years.

2. Principle of unity

The State budget is a unitary legal entity, organised into a revenue budget and a number of expenditure budgets equal to the number of ministries. The State budget and the Final Statement of Account may not be structured in such a way as to earmark some revenues to fund only certain specific expenditures, unless otherwise provided for by law. Overall revenue shall finance government bodies as a whole and support all expenditures effected during operations.

3. Principle of universality

The budgetary and reporting system shall encompass all operational purposes and objectives, as well as the associated financial and economic values (i.e. those recognized on a commitment accrual and economic accrual basis) associated with each ministerial budget, in order to provide a faithful representation of overall government activities performed in the reference year. Accordingly, off-budget accounts not authorised by law, consisting of accounts created by the individual ministry or by its organisational units that are not reflected in the budget, are incompatible with the application of this principle.

4. Principle of integrity

The principle of integrity, which formally strengthens the substance of the principle of universality, requires that all revenue, in both the budget and the financial reports, shall be recognised gross of expenditure incurred in collection and any other associated expenditure. Similarly, expenditure shall be recognised in full, with no reduction of related revenue. The assignment of any revenue for special expenditure or disbursements is incompatible with this principle, except for specific purpose revenue, voluntary payments and similar. Reassignments of specific revenue to expenditure for management and reporting purposes is compatible with the principle, where provided for by specific provision of law. The same principle applies to all amounts in the budget and financial reports, and therefore including revenue and expenditure values and asset and liability items.

5. Principle of faithful representation

The principle of faithful representation refers to the need to have a true and fair representation in accounting data of the actual economic and financial conditions of operational transactions (i.e. in accordance with economic accrual, including assets and liabilities, and commitment accrual principles). The principle of providing a faithful representation applies to financial reporting and operational documentation and budget documents. In the latter, the principle shall be applied through the rigorous assessment of the flows to be generated by the transactions that will occur during the future reference period. Underestimates and overestimates of individual items shall be avoided in the budgeting phase, and commitment accrual and cash forecasts shall be formulated on the basis of rigorous analysis, taking due account of expected carryovers from operations in the current and previous fiscal years.

The principle of faithful representation is supplemented by the principles of reliability and propriety and shall be interpreted in a coordinated manner with the other budgetary and financial reporting principles.

Budgets and financial reports that do not comply with the principle of faithful representation shall not be approved by accounting control bodies.

6. Principle of reliability

The principle of the reliability, which is closely linked to the principle of faithful representation, establishes that forecasts and, in general all assessments underlying the budget and financial reporting items, shall refer to reliable values and reasonable analyses and estimates determined in accordance with applicable law and based on reliable expectations of the acquisition and use of resources. Accounting information shall be considered reliable if it is free of material errors or misstatements. That information shall also be considered reliable if it enables users to make comparisons through time and space between sectors and territorial levels. The principle shall also apply to descriptive documentation accompanying the budget and the statement of account and to accompanying documents.

7. Principle of propriety

The principle of propriety calls for formal and substantive compliance with the rules that govern the preparation of budgets, planning documents, management and control documents and reporting statements. It also extends to the general accounting principles adopted that represent the foundation and general rules that must inform the entire budgetary and financial reporting system, even if not incorporated in law, that inspire the good performance of the accounting systems. The principle of propriety also applies to communications and data being monitored by the institutions responsible for the governance of the public finances.

8. Principle of clarity

The information contained in the budgetary and reporting system shall be intelligible to users and be presented in both summary and analytical form so that users are able to examine the accounting data and discern an adequate representation of the activities performed. The budgetary and reporting documents shall present a clear and simple classification of financial items (i.e. on a commitment accrual and economic accrual basis)- , assets and liabilities consistent with the definitions and classifications of those documents.

The correct classification of accounting data is a necessary condition for ensuring proper monitoring and the consolidation of the public accounts by the institutions responsible for controlling the public finances and makes it possible to perform the necessary analyses to improve the quality of expenditure. The principle of clarity reinforces the substance of the principle of faithful representation, as it is presumed that a clear accounting document is also a faithful representation.

9. Principle of relevance and materiality

In order to be useful, information must be relevant to the information needs of users in their decision-making. Information is considered qualitatively relevant when it is able to influence users' decisions, enabling them to assess past, present or future events or to confirm or modify previous assessments. The process of forming the budget and reporting documents involves the preparation of forecasts: the fidelity of data refers not only to arithmetical and accounting accuracy, but also to reasonableness and the careful and proper application of the valuation methods adopted in preparing the budget and financial reporting documents. Any errors, simplifications and roundings shall be limited by the concept of materiality; i.e. their size should not be of such a scale as to have a material impact on the data of the budgetary and reporting system and on their relevance to users. The effects shall also be assessed for the purposes of the financial balances of the budget and the statement of account. Information is relevant if its omission or misstatement could influence the decisions of users taken on the basis of the budgetary and reporting system. Materiality depends on the magnitude of the item, as assessed in comparison with the overall

values of the budgetary and reporting system, and on the error assessed in the specific circumstances of the omission or misrepresentation.

10. Principle of flexibility

The principle of flexibility regards the planning and operational phases of the budget. Implementation of the principle is intended to avoid excessive rigidity in the management of expenditure appropriations, in accordance with the budget approved by Parliament. The principle is intended to foster the adjustment of budget appropriations to the actual operational needs of government bodies in coping with the effects of unforeseen and extraordinary circumstances, while ensuring no change in expenditure through offsetting measures within the appropriations for the same voting unit approved by Parliament and in compliance with applicable legislation. The legislation governing government accounting and the public finances establishes a variety of approaches for implementing the principle of flexibility, to which reference is made.

11. Principle of congruity

Congruity consists in assessing the adequacy of the resources available for the purposes pursued. The principle is linked to that of consistency, strengthening its financial and economic content, including in compliance with budget balances.

Congruity is ensured by comparing the budget and the operational results reported in the statement of account.

The congruity of revenue and expenditure must also be assessed in relation to the planned objectives and the effectiveness and efficiency of expenditure in previous years, taking due account of the state of implementation of ongoing programmes and the consistency between the chronogram presented in the formation of the budget and the actual operational results.

12. Principle of prudence

The principle of prudence is applied to budget and reporting documents, emphasising that the commitment/cash budget (i.e. commitment accrual/cash accounting) retains its primacy in the authorisation of expenditure, supplemented by economic accrual accounting for informational purposes. Only revenue that can actually be realised during the reference period shall be recognised in the commitment/cash budget, while expenditure shall be limited by the financial resources recognised in the budget on the basis of the payment plan in the reference period. In the cost budget, provided for in applicable legislation, only negative economic values for the reference period shall be recognised. In the financial reporting documents, the principle of prudence is essentially expressed with the rule that unrealised revenue and positive economic components shall not be recognised, while all expenditure and negative economic values shall be recognised and, then, reported, even if not definitively realised.

The principle of prudence is one of the key elements of the valuation process in budgeting and reporting. Failure to comply with the principle is prejudicial to producing a true and fair representation of policy and operational choices.

13. Principle of consistency

The principle of consistency assumes the existence of a logical and consequential connection between planning, forecasting, operational events and reporting. These phases of the budgeting and reporting process and the associated accounting and non-accounting documents are instrumental to the pursuit of the desired objectives. A logical connection must link all budgetary, operational and reporting documents, whether they are strictly financial (i.e. related to commitment accrual/cash accounting), economic nature, or are instead descriptive, quantitative, policy or administrative, short or long term.

Internal consistency means that: in the planning stage the annual and multiannual planning instruments shall be consequent upon the desired policy objectives and consistent with the planned budgetary constraints; in the operational stage that decisions and acts shall not conflict with the policies and objectives set out in the annual and multiannual planning instruments and do not jeopardise financial and economic balance; and in the reporting stage show and explain any divergence between the results obtained and those expected.

The internal consistency of the budget and financial reporting system also regards the specific valuation criteria for individual items in accordance with general principles and concerns the structures and classifications of the accounts in the budget and the statement of account. The account structures shall be comparable not only formally, but also in relation to the homogeneity and the accuracy of the objects of analysis and the content of the phenomena under examination.

External consistency involves a connection between planning, forecasting, operations, reporting and the strategic directives and choices of the administration of other levels of government, in accordance with the fundamental principles of coordination of the public finances.

14. Principle of continuity, comparability and constancy

The principle of continuity is based on the presupposition that every accounting system lasts in time. Under this principle, accounting valuations, i.e. in accordance with the principles of economic accrual, including assets and liabilities, and commitment accrual, of the budgetary and reporting system must be based on technical and estimation criteria that remain valid over time, while respecting the principle of annuality, if operating conditions do not require significant changes. The application of this principle is intended to ensure stability in the application of the general public finance rules, enabling the comparability in time and space of sectors, territorial levels and the amounts reported in accounting documents. The comparability requirement must not pose an impediment to the introduction of applied accounting policies that may be more appropriate to a specific operation.

The accounting data recognised over time must then be represented accurately in the closing and opening accounts and in all accounting documents.

The principles of continuity and comparability referred to above are supplemented by the principle of constancy, which calls for the stability of general accounting principles and measurement criteria from one year to the next and, in the case of departures from measurement criteria as a result of changes adopted at the legislative or administrative level, requires that the reasons for the departure be described in the documentation attached to the budget or statement of account, outlining their impact on the budget or statement of account.

15. Principle of verifiability

The information drawn from the budgetary, operational and reporting cycle must be verifiable. Verifiability requires that it can be possible to reconstruct through an examination of available information, including that in documentation, the assessment process that led to the formulation of forecasts compatible with the desired objectives and priorities and to the definition of the content of the budgets and statements of account.

16. Principle of neutrality and impartiality

The preparation of accounting documents shall be based on independent and impartial accounting standards with regard to all users, without serving or furthering the interests or needs of any specific group. Neutrality or impartiality must be incorporated throughout the formation of the budgetary and reporting process, including the planning, forecasting, operational and reporting stages, especially with regard to subjective elements. The presence of subjective elements does not in itself negate impartiality, reasonableness or verifiability. Discernment, care and judgement are the foundation of the processes and

methods that must inform the production of accounting documents, which must be prepared in accordance with the essential requirements of technical competence and accuracy, always taking consideration of the proper application of the provisions of applicable legislation.

17. Principle of transparency

Improving the transparency of the public finances is one of the objectives of the State budget. The classification of expenditure by purpose, mission and programme is one of the main instruments for strengthening the link between resources appropriated, pursuant to the legislative approval of expenditure, and the objectives pursued by public action. The classification of expenditure by purpose, mission and programme also makes it possible to allocate the available resources among the various sectors of intervention more effectively and efficiently and to represent the objectives pursued by administrative action more clearly. Under this principle, budgetary and reporting systems and formats must be consistent and reconcilable with the economic and functional classification specified in the applicable Community regulations. The use of accrual accounting for informational purposes alongside commitment/cash accounting, which is pursued through the adoption of an integrated accounting entry system and the use of the integrated chart of accounts, ensures the quality of public finance data and enhances the traceability of information in the various phases of accounting representation and greater reliability and transparency of the accounting data itself.

18. Principle of publicity

The budgetary and reporting system also performs an informative function for the users of accounting documents. It is the task of government bodies to give effect to this function, ensuring that the public and the different social organisations and associations are cognisant of the significant and characteristic content of the budget and the statement of account, including their annexes.

In order for budgetary and reporting documents to acquire their full political, legal, economic and social value, they must be made public in accordance with applicable regulations. Compliance with the principle of publicity presupposes that government plays an active role in the community it governs, ensuring the transparency and dissemination of the policy choices contained in the budget documentation and the true and fair description of the results of operations in reporting documentation. This is essential for ensuring the usability of the financial and economic information of the budgetary and reporting system. In order to promote access to and improve understanding of information concerning the use of public resources, government bodies shall create specific sections on their official websites (transparent government, OpenData, etc.) that give the public access to the data and other information provided for in the Digital Government Code and the Freedom of Information Act to ensure its transparency.

19. Principle of budget balance

The principle of budget balance regards overall financial balance on a commitment and cash basis. Considering the evolution of accounting systems that provide for the use of economic accrual accounting for informational purposes alongside commitment/cash accounting, the observance of this principle also concerns the balance of the various financial and economic parts of the budgetary and reporting system, i.e. those recognised using economic accrual, including assets and liabilities, and commitment accrual. In the State budgetary and reporting system, the principle of balance on a commitment accrual basis must be complied with at both the budgeting stage and the reporting stage. Balance on a commitment accrual basis shall be construed to include in revenue any borrowing intended to ensure that the expenditure provided for in the budgeting phase is carried out.

20. Principle of commitment/cash

The principle of commitment/cash represents the criteria for the allocation to a fiscal year of legally concluded obligations creating receivables or payables (assessments and commitments). The principle is applied to the financial documents (i.e. according to commitment accrual/cash accounting) that form part

of the budgetary and reporting system. The provisions of the commitment/cash budget represent an authorisation for each fiscal year to which the budget refers, constituting a limit on commitment and payment authorisations. All legally concluded obligations creating receivables or payables, which give rise to government revenue and expenditures, must be recognised in the accounts. Assessment represents the revenue phase in which a receivable is created in respect of a collection to be implemented and is accounted for in the fiscal year in which the government body expects to collect the revenue connected with all income and receivables of any type. Assessment presupposes the existence of appropriate documentation, through which the party who is charged with managing that revenue item verifies and certifies compliance with the following requirements: the grounds for the receivable that gives rise to the entitlement to collect; the legal title underlying the receivable; the identity of the debtor; the amount of the receivable; and the associated due date. Commitments represent the expenditure phase in which an expenditure is recognised in the accounts within the limits of the related appropriations in the budget, with allocation to the fiscal years in which the obligations become enforceable. A commitment may only be assumed in the presence of the necessary financial resources and the following constituent elements: the grounds for the debt; the amount or amounts to be paid; the fiscal year or years in which the expected payment dates fall; and the uniquely identified creditor. The assumption of the commitment is also permitted, without prejudice to the presence of the other constituent elements indicated above, in the case of transfers of amounts to government bodies for which the creditor is identified only following a procedure governed by legislation.

In commitment /cash accounting (for the entire budgetary and reporting system), the commitment phase is accompanied by the cash accounting phase, in which revenue is manifested in receipts and expenditure in payments. Received amounts are those collected by the Treasury pertaining to the State budget. Paid amounts are those disbursed by the Treasury on behalf of the State budget. Expenditures are ordered and paid subject to preparation of a payment plan that reflects the enforceability of the expenditure. Collections and payments are allocated to the same fiscal year in which the treasurer makes them.

21. Accrual principle

Accrual is the criterion with which the effects of the transactions and other operations that each ministry carries out are allocated during the year, making it possible to identify the “economic utility” transferred and/or acquired, even if not directly connected with the associated cash movements. The integrated accounting system enables the recognition of economic accrual, including assets and liabilities, accounting movements, which accompany the recognition of items on a commitment accrual basis for informational purposes in order to pursue the objective of higher quality and more transparent public finance information.

The principle also applies to analytical accounting documents (budget and statement of revenue and expenditure). Economic analysis of operations requires prior identification of the market for the production of goods and services of the ministries: given the special nature of those bodies, their output (for which the community is the market) is primarily non-market in nature, even though they may produce goods and services similar to market goods and services. Starting with this fundamental characteristic, a distinction must be made between events directly related to a process of exchange (acquisition of human and instrumental resources, processing and sales or free/subsidised provision of goods and services) that produces costs and/or revenues, and events for which there is no market exchange of goods and services as they regard other institutional and/or delivery activities (taxes, subsidies, transfers of resources, etc.) that give rise to charges and receipts. It is then necessary to define, for ministries, the elements needed to allocate revenue and costs and also the other positive and negative economic components. In the case of market exchange through the acquisition of human and instrumental resources, processing and sales or free/subsidised provision of goods and services, the economic accrual of the costs and revenue is governed by national accounting standards applicable to non-government accounting (Accounting Standard no. 11 of the Italian accounting profession), which is also applicable to the other positive and negative components of operations. As a general rule, revenue shall be booked when the following two conditions occur: 1) the

production process for the goods or services has been completed; and 2) the exchange has occurred, i.e. title to the goods or services rendered has been effectively and not merely formally transferred. That moment is conventionally represented by the time the goods are shipped or made available or when the services are rendered and billable, if they are market services, or are rendered if they are provided on a non-market basis. Costs must be matched with the revenue for the year in the case of market goods or services. That matching is an essential corollary of the principle of economic accrual and is intended to reflect the need to match revenue for the year with the associated costs, whether certain or presumed. However, considering that the output of ministries consists mainly in providing goods or services to the community or individuals on a free or subsidised basis, such matching is not possible in most cases. Accordingly, in these situations, the costs associated with the production process that nevertheless occurred are represented in correspondence with the delivery of the service or the time the good is made available. Other operations not connected with the production of goods and services that involved disbursements or taxation (which include tax revenue, transfers and grants due and received), which represent a large portion of the activity of ministries, giving rise to receipts and charges, are recognised when the event is certain. The effectiveness of the event may also be connected with its associated commitment accrual manifestation, with the exception of certain specific-purpose transactions.

22. Principle of substance over form

The principle of substance over form is a specification of the principle of faithful representation. Accounting information must faithfully and truthfully represent transactions and events that take place during the fiscal year: it is therefore necessary that those transactions be recognised in accordance with their financial and economic nature in conformity with their actual substance, taking account of the reality that generated them. The economic and financial substance of the operations of each government body represents, together with the authorisation regulations, the primary element for accounting, measurement and reporting in representing administrative events in the documents of the budgetary and reporting system.