

APSA

Administration of the Patrimony of the Apostolic See



Summary Financial Statements 2020

English Translation provided by Global Institute of Church Management



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The Global Institute of Church Management (GICM) is excited to be able to advance the historic step recently achieved by the Vatican with its publication of a consolidated financial statement for the Administration of the Patrimony of the Apostolic See (APSA). To enhance the Vatican's move towards greater transparency and accountability, we have prepared an English translation. Given the technicalities of the [original document](#) and our respect for the publishing Vatican agency, we aimed to provide a strict translation that corresponds as closely as possible to the original document without, however, seeking a literalistic result.

To clarify, GICM did not have a role in writing the original report or in the data collection. Our goal is to provide a service to APSA and to the universal Church by offering a translation in a language that will give many more people access to this important step promoted by Pope Francis' reform directives.

Various experts contributed their time and talent, resulting in this completed translation. Nevertheless, should you find any errors in translation, please do not hesitate to contact us.

We are particularly grateful to APSA for their detailed feedback and approval of the translation. We look forward to the possibility of collaborating in the promulgation of any future updates and in any other way helping them to bring up greater transparency in Church governance.

Sincerely,

Pia de Solenni, SThD
President and Executive Director
Global Institute of Church Management
GICM.org

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Presentation

If I had to identify the primary audience of these pages—and therefore of the financial statements of APSA (Administration of the Patrimony of the Apostolic See) 2020—I would not hesitate to indicate all those who, with trust and generosity, have given and continue to put part of their resources in the hands of the Catholic Church. Together with the proceeds from the resolution of the *Questione Romana*, it is, in fact, their donations that are at the origin of the patrimony of the Apostolic See.*

The dicastery over which I preside is entrusted with the task of preserving and improving this patrimony from the point of view of quality and, if possible, also of quantity, so that it may serve the purpose for which it was constituted: to support the dual profile (apostolic and charitable) of the ministry that the Pope carries out through the structures of the Roman Curia. The areas to which the various dicasteries dedicate their efforts are: evangelization, unity of the Church throughout the world, communication of the Magisterium, exercise of justice, and implementation of works of charity.

All this contributes to giving the Holy See's financial statements a particular connotation. In fact, reference is made to "mission financial statement."

The publication is part of the more articulated process that sees the whole Church committed to responding generously to Pope Francis's invitation to:

"... demonstrate in concrete terms the fidelity spoken of in the Gospel by acting in accordance with the principle of transparency" ("Motu Proprio," regarding provisions on transparency in the management of public finances, April 26, 2021).

I welcome this opportunity to thank all those who have contributed directly or indirectly to the preparation of these pages. Together with them I entrust this report to all those who wish to know, in terms of economic and financial management, the action of the Church and the consistency of its patrimony.

I do not conceal the secret hope that the decision to render public the Holy See's financial statements, as pertains to APSA, may contribute to sustaining and increasing confidence in the action and witness of the Church.

+Nunzio Galantino

President

Administration of the Patrimony of the Apostolic See

* See Appendix for an overview of the historical context of the *Questione Romana*.

Structure of APSA

- The Administration of the Patrimony of the Apostolic See (APSA) was established by Paul VI on August 15, 1967, with the Apostolic Constitution *Regimini Ecclesiae Universae*. Alongside an Ordinary Section, called upon to manage real estate assets, Pope Montini wanted an Extraordinary Section to carry out the tasks, which until that point had been the responsibility of the Special Administration of the Holy See.
- With the “Motu Proprio” of July 8, 2014, Pope Francis established that APSA should no longer be divided into Sections, assigning to it only the functions hitherto carried out by the Extraordinary Section. Subsequently, with the “Motu Proprio” of July 4, 2016, almost all the functions of the former Ordinary Section, transferred two years earlier to the Secretariat for the Economy, were transferred back to APSA itself.
- APSA is called to administer financial assets and real estate of the Holy See, according to the following purposes. The objective is not for profit but rather for the preservation and consolidation of the patrimony received as an endowment, through recourse to what Pope Francis has called “widows’ investments.” A popular expression that refers to the criteria with which, even today, the Investment Office of APSA operates, whose investments do not pursue speculative purposes and are never high-risk but rather earn lower interest rates and have a proven social impact. An increase in the profitability of real estate is also pursued, when possible, through building maintenance, rehabilitation, and renovation.
- The Apostolic Letter in the form of a “Motu Proprio,” dated May 19, 2020, on transparency, control, and competition in the procedures for awarding public contracts of the Holy See and the Vatican City State—with which Pope Francis brought to completion the process of re-organizing the administration and management of resources—also covered the assets administered by APSA.
- On December 26, 2020, by means of an Apostolic Letter in the form of a “Motu Proprio,” the Holy Father also provided that, effective as of fiscal year 2021, ownership of the funds and bank accounts, financial assets, and real estate (including shareholdings in companies and investment funds), hitherto held in the name of the Secretariat of State, be transferred to APSA, which now oversees their management and administration.
- Thanks to its legal autonomy, APSA provides for the sustenance of the Holy See, together with other bodies such as the Governorate and the Institute for Religious Works* (IOR). The work of APSA is subject to internal and external controls. There is a clear distinction of responsibilities between APSA, which administrates, and the Secretariat for the Economy, which is responsible for oversight and vigilance.
- The activities of APSA, being of a technical nature, are carried out by personnel with specific professional qualifications.

* Commonly known as the Vatican Bank

- Typically, but even more so in the current pandemic crisis and related consequences, APSA is called to perform a credible and reliable administration, facilitated by the processes of optimization, transparency, and professionalism that Pope Francis upholds.
- In the work of APSA, we see the application of criteria of proportionality and gradual progressiveness recommended by our current Holy Father. For example, it is due to the market rents collected on the prestigious properties owned in Paris and London that it is possible to grant a free loan for the Office of Papal Charities (Elemosineria Apostolica) to build a structure like Palazzo Migliori, a stone's throw from St. Peter's Colonnade, which is hosted by volunteers of the Sant'Egidio Community to receive homeless people. In addition, with the purchase of a property near the Arc de Triomphe in Paris, thanks to the mediation on the part of Sopridex, the seller directed part of the proceeds of this transaction to the construction of a church in a Parisian city suburb.
- The socio-economic consequences of the pandemic have not left APSA unaffected; as early as March 2020, it was decided to provide support to key commercial activities. It was thus decided to cancel part of the rental payments due, varying between 30% and 50% (depending on the type of business). Another third of the rent may be paid at the end of the crisis-phase caused by the pandemic. In fact, such a careful approach to the needs of tenants of small businesses is not new on the part of APSA, which in the years prior to the outbreak of the pandemic, due to existing economic difficulties, had granted temporary reductions in rental payments to those who had made a justified request.
- In the context of the Holy See's mission of proclamation and witness, APSA plays a fundamental role, in line with what the future Paul VI—the Pontiff to whom the Dicastery owes its current name—said in a prayer addressed to St. Francis on October 4, 1958: "We cannot distance ourselves from economic life, it is the source of our bread and that of others."

Organizational Structure



PRESIDENT
Bishop Nunzio Galantino



SECRETARY
Dr. Fabio Gasperini



UNDERSECRETARY
Msgr. Giuseppe Russo

OFFICES AND SERVICES

Management Accounting – Legal –
Protocol and Archives – Technical
Management – Purchases Accounting
and Financial Statements – Revenue
Management Collection and Payments –
Investment Management – Analysis and
Trading of Securities – Historical Records
– Patrimony Team of Auxiliaries
Peregrinatio ad Petri Sedem

**102
EMPLOYEES**

Commission of Cardinals

It is the duty of the Cardinals' Commission for the Administration of the Patrimony of the Apostolic See to assist the President of APSA in the administration of the assets of the Holy See, to provide the necessary means to fulfill the tasks of the Roman Curia.



**Harvey
Card.
James Michael**



**Bertello
Card.
Giuseppe**



**Wölki
Card.
Rainer Maria**



**Farrell
Card.
Kevin Joseph**



**Sturla Berhouet
Card.
Daniel Fernando**



**Zuppi
Card.
Matteo Marial**



**Turkson
Card.
Peter
Kodwo Appiah**



**Tagle
Card.
Luis Antonio
Gokim**

Sectors of Activity

APSA operates in the following Sectors of Activity that contribute to the overall financial results.

REAL ESTATE

It manages the real estate assets of APSA, directly or through wholly owned subsidiaries in Italy and abroad (England, France, and Switzerland), as well as those of other institutions of the Holy See. These assets include: 4,051 properties managed in Italy, of which 92% are located in the Province of Rome; 2% in the provinces of Viterbo, Rieti, and Frosinone; and the remaining 6% outside the Lazio region. Regarding Rome, the greatest concentration is in the areas immediately adjacent to the Vatican City State, with 64% located in the central districts, 19% in the neighboring districts, and 17% in the suburbs. Approximately 1,200 real estate units are managed abroad (London, Paris, Geneva, and Lausanne) and in Italy by the said subsidiaries.

FINANCIAL INVESTMENTS

It invests its funds in international securities, fixed income securities, and other financial assets. It provides advice, financial solutions, and access to capital markets for the dicasteries of the Roman Curia and other entities of the Holy See, with the objective of diversifying investments and limiting risk, while generating the best possible return within the guidelines of the Investment Committee.

OTHER ACTIVITIES

In addition to its annual contribution to the Curia (€M20.6 in 2020), APSA further contributes to the economy of the Curia by offering services, mostly free of charge provided by the following Offices:

- Procurement
- Securities Analysis and Trading
- Accounting
- Investment Management
- Collections and Payments
- Auxiliary Team
- Peregrinatio Ad Petri Sedem

Offices and Services

APSA is organized by Offices and Services, and the staff employed compose the following sectors and offices.

TOP MANAGEMENT:

President

Secretary

Undersecretary

3

REAL ESTATE: Number of Employees

Revenue Management: 9

Technical Management: 13

Historical Records Management: 4

26

FINANCIAL INVESTMENT: Number of Employees

Securities Analysis and Trading: 4

Investment Management: 4

Collection and Payment: 3

11

OTHER ACTIVITIES: Number of Employees

Management Accounting: 2

Procurement: 7

Accounting: 12

Legal: 4

Archive/Protocol: 5

Auxiliary Team: 17

Peregrinatio Ad Petri Sedem: 7

54

OTHER ACTIVITIES:

Other positions not related to the sectors listed above

8

Macroeconomic Context and Impact on Results

- From an economic point of view, the 2020 financial year was impacted by the significant economic consequences caused by the COVID-19 pandemic, with negative repercussions on the operating results of the various areas of activity of APSA.
- The concern of APSA has been to understand and manage the effects resulting from this phenomenon that affect and will further impact the Holy See in a direct or indirect way.
- The effort of APSA is directed, however, toward maintaining the continuity of operations of not only the Administration but also the entire Curia.
- In order to do this, numerous roundtables and meetings have been in place for some time now, in which top management and executives participate and help develop and adopt measures, procedures, and solutions that guarantee stability in a context that unfortunately has strong connotations of instability.
- In the changed socio-economic conditions, the increased sensitivity of the Church to the themes of management and administration of assets has led APSA to redefine its objectives and, in certain sectors, to rethink the way of approach.
- APSA is thus called upon to gradually transform itself from a structure that mainly offers on-demand services to more of a proactive entity, especially with regard to administering the assets entrusted to it.

FINANCIAL INVESTMENT MANAGEMENT*

- The APSA portfolio has been deliberately structured over the years to reduce risk to market fluctuations while still guaranteeing greater stability in the value of the assets, in compliance with the criteria indicated in the social doctrine of the Church.
- In order to be prepared for a possible liquidity crisis, APSA placed some of the portfolio investments on the market which were, in any case, well positioned. In portfolio management, the overall economic situation requires both prompt action and extreme caution.
- Within the investment strategy, there will continue to be a preference for increased exposure to the category of investments in support of socially beneficial initiatives or those having a “social impact.”

* See Appendix, pp. 22 f.

INCOME FROM FINANCIAL INVESTMENT MANAGEMENT

2020	2019
€M	€M
15.29	42.43

€M **-27.14**

The result is predominantly impacted by the following:

(a) Profits realized from financial investment activities (realized gains) for €M22.78

(€M +4.97 compared to 2019); and

(b) The decrease (not realized), due to the net changes in valuation of financial investments for €M – 7.38

(€M - 32.14 compared to 2019).

In application of accounting standards, valuation losses are largely due to exchange rate fluctuations (€M - 5.6), to the positive effect of the valuation of financial investments reflected at market prices as at 31/12 (€M + 1.2) and to the negative impact (€mil. -2.9) on the income statement of the impairment test on financial assets available for sale (AFS).

REAL ESTATE MANAGEMENT*

- In the context of the economic and social crisis that started at the beginning of 2020, APSA intended to immediately establish a memorandum of understanding with the tenants of the commercial activities, with the dual intent of guaranteeing continuity, albeit to a reduced extent, to the flow of liquidity, and to alleviate, as much as possible, the financial losses of these commercial activities. At the same time, work continued in maintenance, securing safety levels and addressing deferred maintenance building inventory. This work has been underway with renewed focus for approximately three years.
- Despite the current difficulties, a project called “Sfitti a rendere” (“Reusable vacancies”) has been drawn up, which envisages a series of actions for the progressive reduction of the number of vacant properties. This project includes a plan to involve real estate agencies and the renovation of 100 apartments in several lots. The start of work on the first lot is scheduled for January 2022, and the overall work-date end is planned for spring 2023, with the marketing effort set to begin in spring 2022.

* See Appendix, pp. 22 f.

- Having completed the real estate census for buildings, the census of land real estate assets is underway. It is expected to be completed by the end of summer 2021, at which point occupancies and strategies for improving relative income performance will be analyzed.

INCOME FROM REAL ESTATE MANAGEMENT

2020	2019
€M	€M
15.25	23.53

€M **-8.3**

The worsening of the result, compared to the previous year, is mainly due to the combined negative effect of the following:

- (a) A reduction in revenues from rental income in Italy (€M -2.2);
- (b) An increase in costs in Italy (€M +3.7), primarily due to maintenance (€M +2.9); and
- (c) An increase in the write-down of receivables from tenants (€M +2) (€M +0.86 in Italy and €M +1.2 abroad), reflecting difficulties in credit recovery, due to COVID-19.

TAXATION

APSA pays both direct and indirect taxes on the management and real estate ownership of the Italian territory. For the fiscal year 2020, APSA paid €5.95M for IMU and €2.88M for IRES, and for APSA alone, it paid €4.4M for IMU and €2.01M for IRES.

MANAGEMENT OF OTHER ACTIVITIES

- This segment of activity includes the costs related to the functioning of the entire structure of APSA—primarily the costs for the Offices personnel and other activities, including that of Peregrinatio ad Petri Sedem, which is responsible for the ticketing and the logistical organization of travel for the entire Holy See.

INCOME FROM OTHER ACTIVITIES

2020	2019	-15.81€M
€M	€M	
-8.56	+7.25	

The change of € **-15.8M**, compared to 2019, was due to the fact that in 2019, there was an extraordinary sale of a property for €**M15**, which had contributed to an overall operating surplus of €**M7.25**.

The Other Activities sector normally records a deficit of around €**M8**.

Operating Results

COMPARISON WITH 2019

Below is the result of the activities of the three sectors in which APSA operates. The required contribution that APSA makes to cover the needs of the Curia is then deducted, and the surplus or deficit for the year is generated. Despite the reduced financial results, APSA still contributed 20.6€MM (41.2€MM in 2019) to cover the Curia's deficit.

2020 €M	2019 €M	
21.99	73.21	€M-51.2

Financial Investment Management	15.29	42.43	€M-27.1
Real Estate Management	15.25	23.53	€M-8.3
Other Activities	-8.56	7.25	€M-15.8M

The change of **€M -51.2** in operating income, compared to 2019, is determined as follows:

€M -27.1

€M +7.24 of realized gains on trading
 €M -32.14 for change in valuation of financial investments
 €M -2.2 other

€M -8,3

€M -2.2 of revenues from rental contracts in Italy
 €M -3.7 due to higher costs, primarily for maintenance
 €M -2.0 of higher costs for write-down of receivables from tenants
 €M -0.4 other

€M15.8

€M-15.0 as compared to a one-off real estate disposal in 2019
 €M - 0.8 other

Financial Year Results

Surplus **€M1.39**

Comparison with 2019

After deducting from the Operating Results of the three sectors of activity in which APSA operates, the contribution that APSA is required to make to cover the needs of the Curia, the surplus or deficit for the year is generated.

RESULTS FROM OPERATIONS

2020	2019
€M	€M
21.99	73.21

ONE-OFF ITEMS WITH DECREASE IN THE RESULT

2020	2019
€M	€M
0	3.96
None	Other Losses

APSA CONTRIBUTION TO THE CURIA

€M	€M
20.6	41.2

SURPLUS INCREASE IN NET ASSETS

€M	€M
1.39	28.00

Results from Financial Investments

This represents the result of financial investments only of funds owned by APSA in international securities, fixed income securities, and other financial assets. APSA also provides advice, financial solutions, and access to capital markets for other Vatican dicasteries and entities, with the goal of diversifying investments and reducing risk, while generating the best possible return within the Investment Committee's mandate.

SURPLUS €M15.29

2020	2019
€M	€M
15.29	42.43

€M **-27.14**

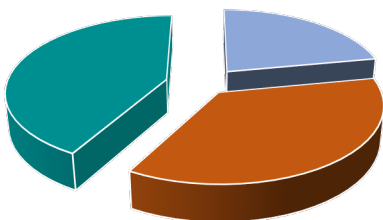
€M	€M
22.78	17.81
REALIZED	REALIZED

€M **+4.97** compared to 2019

€M	€M
-7.38	24.75
FROM VALUATION	FROM VALUATION

€M **-32.1** compared to 2019

The financial investments managed by APSA amounted to €M 1.778 as of December 31, 2020, and include both direct ownership management and third-party management (entities of the Holy See or related to it). The management yield of the directly owned portfolio was 1.53%. The breakdown of this result by category of financial assets confirms the characteristics of prudent management, even in a rather complex and adverse economic context.



- 22% Liquid financial assets A.P.S.A.
- 36% Financial investments A.P.S.A.
- 42% Third party financial assets under management

OWN PORTFOLIO PERFORMANCE BY CATEGORY

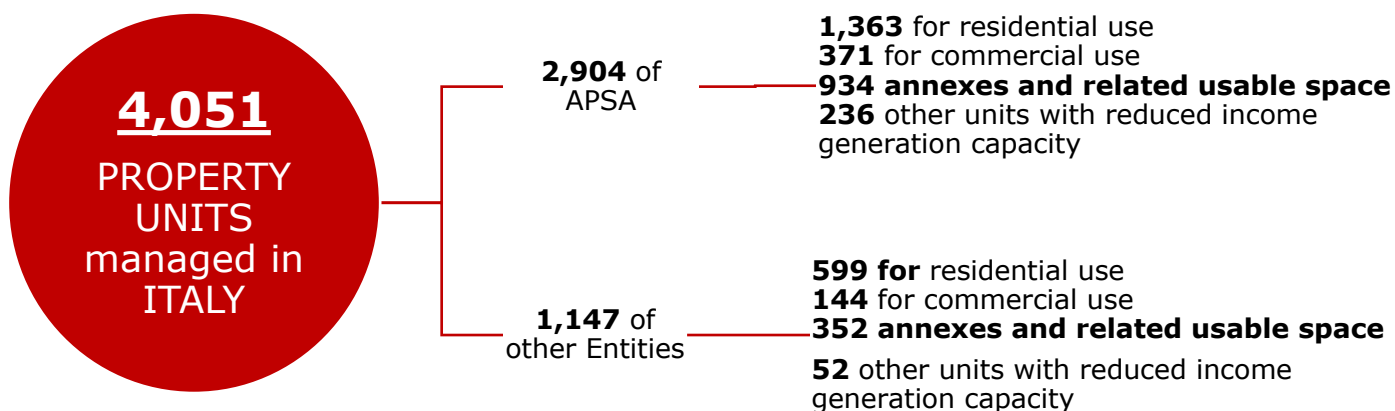
SHARES	2.28%
PRIVATE EQUITY	5.05%
BONDS	-0.17%
GOLD	13.68%

Results from Real Estate

This represents the result of the management of APSA's real estate assets (managed directly or through wholly owned subsidiaries in Italy and abroad).

SURPLUS €M 15.25
€M -8.3 compared to 2019

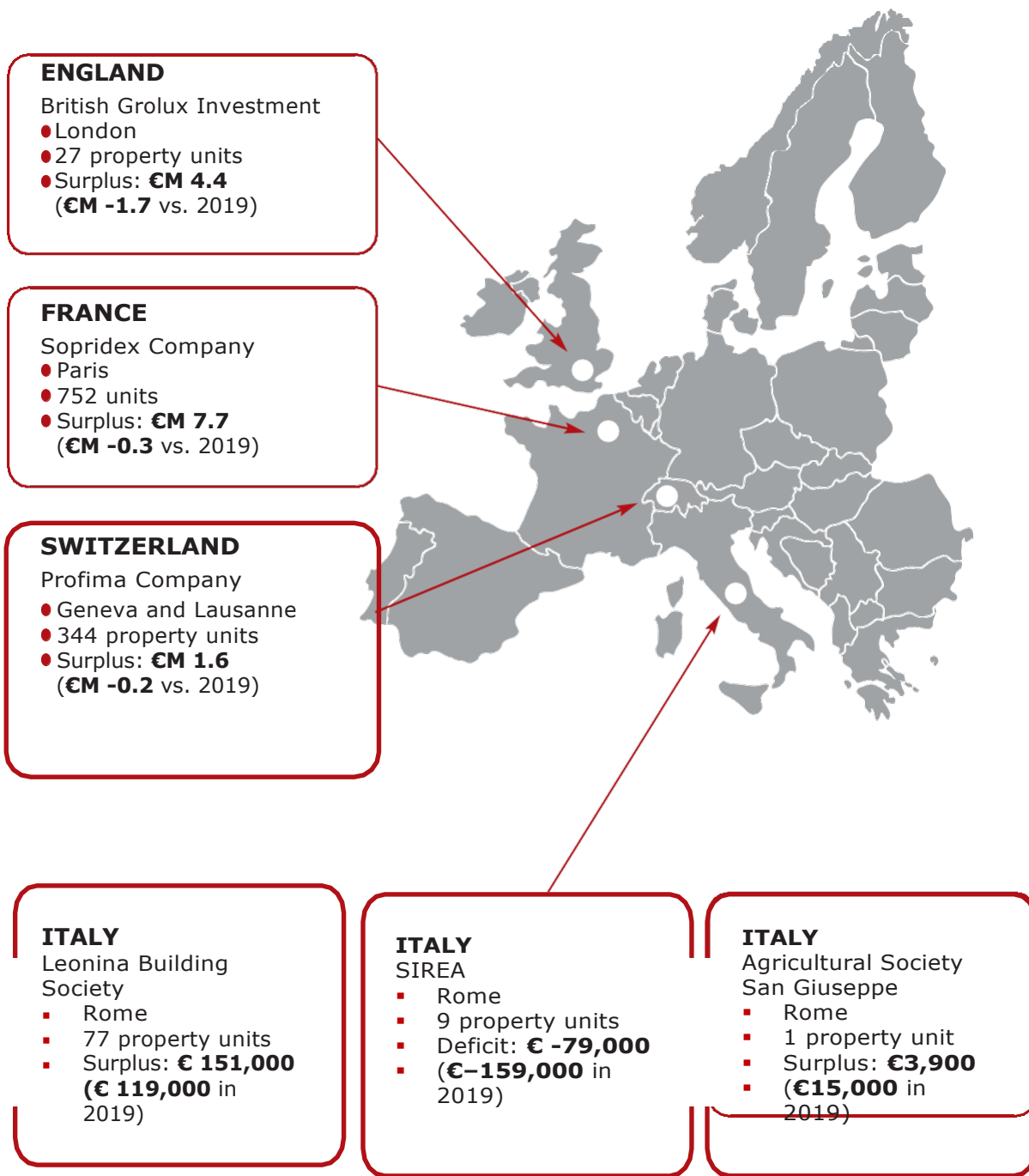
€M 2.8 ITALY	€M 13.8 FOREIGN (via the subsidiary companies)	€M -1.4 Other property charges*
€M 10.3 in 2019	€M 15.9 in 2019	€M -2.7 in 2019



* Other property charges included in the Real Estate Management Results but shown separately as they are not typical of real estate management: Provision for taxes on any future profits to be distributed, Profit Sharing in favor of the Pension Fund, result of exchange rate evaluation.

Subsidiary Companies

Real estate management is also carried out through subsidiary companies wholly owned by APSA, administered in accordance with local regulations, with APSA representatives on the governing bodies to ensure control and compliance of corporate and real estate management, which is entrusted to external specialists or to the internal offices of the subsidiaries, depending on the country.



Net Assets

Net assets decreased by approximately **€M 3.2**, compared to 2019. This is due to the positive economic result for the year of **€M 1.39** (net of the Curia contribution) and the negative change in valuation reserves of **€M 4.59**.

Net Assets €M 883 as of 31/12/2020

€M -3.2 compared to 2019

€M

886

Net Assets as of 31/12/2019

MOST SIGNIFICANT CHANGES

€M

+1.39

operating surplus 2020

€M

-4.59

Decrease in valuation reserves

Ongoing Projects

■ APSA is called upon to gradually transform itself from an organization that offers mainly *on-demand* services into a proactive reality. A first step that has been taken is to increase communication: in particular, the publication of the financial statements and a clear communication of the Holy See's patrimonial consistency and its value in use. All this taking full regard of the autonomy of a recognized State and with a mission, that of the Church, which demands ever greater credibility and good reputation so as not to be an obstacle to the proclamation and witness of the Gospel.

■ APSA is preparing a plan of interventions *ad intra* and *ad extra*, which will include, among other things, taking full advantage of the quantitative and qualitative data that emerged from the "Census of the real estate patrimony of the Holy See," after about 2.5 years of analysis and research, so as to contribute effectively to the life of the Roman Curia in its task of collaboration with the Pope's mission. It is the duty of APSA to preserve, improve, and invest the patrimony entrusted to it.

■ While awaiting the establishment of the Investment Committee, which will provide directives and guidelines regarding the movable investments of the Holy See and the Vatican City State, APSA's Investment Committee is carefully analyzing the complex and articulated world of the so-called "social impact" investments, to increase their presence within APSA's portfolio as much as possible.

■ In order to define and plan the improvement actions in respect of the ethical values of the Church, APSA will proceed during 2021 with the drafting of a three-year plan that will enable the dicastery to be guided within an organic and general framework. The actions to be carried out to achieve efficiency and efficacy targets will require the commitment of all employees and collaborators in a collective effort to achieve identified goals, in a climate of transparency and collaboration.

In order to carry out its activities in an increasingly efficient and effective manner, APSA plans to implement the following projects in 2021:

**DAILY ACCESS TO THE FINANCIAL SITUATION OF ALL THE
DICASTERIES OF THE ROMAN CURIA**

by the Accounting and Financial Statements
Office

Planned implementation by July 2021

ONLINE ACCESS FOR APSA CUSTOMERS TO THEIR DEPOSIT ACCOUNTS

by the Office of Investment Management

Planned implementation by July 2021

NEW MANAGEMENT PROGRAM FOR REAL ESTATE BUSINESS

by the Real Estate Office

Planned implementation by October 2021

GLOBAL SERVICE—ORDINARY PROPERTY MAINTENANCE

by the Purchasing Department and the Technical Management Office

Planned implementation by December 2021

**OPTIMIZATION OF SPACES AND DEVELOPMENT OFFICE SHARING
CENTER**

by the Real Estate Office

Planned implementation by December 2022

APPENDIX

The Patrimony of the Holy See
and its Administration at the Service of the Church's Mission

1.1 Where does the patrimony of the Holy See come from, and what is it for?

It is true that the Church, in her centuries-long history, has been able to provide the necessary resources to continue the mission entrusted to her by Jesus, thanks above all to the generosity of the faithful. But it is also true that a significant turning point in terms of assets has a precise date and circumstance: the Lateran Pacts, signed in 1929.¹

The financial component of those Pacts is the result of an agreement (Foreword and three articles) between the Italian Government and the Catholic Church, in which it is established that:

Art. 1: Italy undertakes to pay, at the moment of the exchange of the ratifications of the Treaty, to the Holy See the sum of 750,000,000 Italian liras (seven hundred and fifty million) and to deliver at the same time to the Holy See so much Consolidated Italian 5% to the bearer (inclusive of a dividend coupon due the following June 30) of the nominal value of 1,000,000,000 Italian liras (one billion).

Art. 2: The Holy See declares that it accepts the above as a definitive arrangement of its financial relations with Italy, as a consequence of the events of 1870.

¹The Treaty between the Holy See and Italy signed on February 11, 1929, was published in the *Acta Apostolicae Sedis* n. 6 of June 7, 1929. It is accompanied by the following four Annexes: Map of the territory of the Vatican City State; List and map of properties with extraterritoriality privilege and with exemption from expropriation and taxes; Financial Convention. The document, drafted by Cardinal Pietro Gasparri and Italian Prime Minister Benito Mussolini, was to be submitted for ratification by the Supreme Pontiff and the King of Italy.

In the background of these two articles there is the so-called “Reversion of the Ecclesiastical Axis,” that is, the confiscation of the assets of religious entities² carried out in several stages.

In the light of this experience, the Pope decided to secure what had been obtained from the Italian government and to use it to create the economic and financial conditions necessary to guarantee freedom of action for the Holy See in its mission of evangelization throughout the world. He thought of all this in such a way that the difficulties already experienced would not be repeated.

1.2 APSA’s patrimonial management: Some historical annotations

In order to manage the proceeds of the indemnity, with the “Motu Proprio” of June 7, 1929, Pius XI founded the Special Administration of the Holy See (ASSS), also known as “La Speciale.” It was entrusted with the financial patrimony destined to carry out the functions of the ecclesiastical structure. Bernardino Nogara (Bellano, 17 June 1870-Milan, 15 November 1958) was called to organize and manage the activities of the ASSS.

The banker-engineer was entrusted with the task of preserving the capital and avoiding any diminution through the investment of part of the proceeds paid by the Italian Government, diversifying the risk by applying the principle of “the best possible income compatible with the maximum security.”

The beginnings were not the easiest, since La Speciale, shortly after its establishment, had to operate in the midst of the Great Depression. Faithful to the reason for its constitution and its original function—not to pursue a speculative interest but to be a reserve from which to draw to meet the needs of the Holy See—the Special Administration financed the vast program of property renovation and new construction works, which still today constitutes a large part of the real estate assets administered by APSA.

² An attempt to quantify the effects of confiscation in the successive interventions can be found in Frederick Martin, *The Statesman's Yeak-Book*, Macmillan & Co., 1866. p. 316; Danilo Breschi, *Le leggi di liquidazione dell'asse ecclesiastico nel biennio 1866-1867: un iter complesso e una soluzione traumatica*.

It was during this period that the following activities took place:

- a. The works within the Vatican walls and the Papal Villas, desired by Pius XI after the resolution of the Roman Question. In the 1930s, the expenditures related to these works reduced the endowment capital by 22%.
- b. The construction of buildings—still a substantial part of the real estate assets of the current APSA—intended for institutional purposes, to be included, therefore, among non-interest-bearing investments.
- c. Before and after the Second World War, La Speciale financed the construction of other buildings in the vicinity of Vatican City. Some were destined for institutional purposes, and others were rented out at subsidized rates to employees of the Holy See. This was a form of social housing, a practice that spread to the rest of Europe at the beginning of the 20th century on the initiative of private companies that met the housing needs of their employees by providing them with accommodation at reduced rents.

Having to provide for such expenditures, largely non-interest-bearing, and having to deal with the turbulence in the markets during the Great Depression, Nogara sought to stabilize the ASSS coffers by following the principle of diversification of investments, focusing mainly on gold and the real estate market.

1.3 Investments in Italy and foreign investments: Diversification and containment of risks

During a 2019 interview, Pope Francis explained the way administration should take place in the Church: *"... normal good administration: the sum of St. Peter's Pence arrives, and what do I do? Do I put it in the drawer? No. This is bad administration. I try to make an investment, and when I need to give, when I have the needs, throughout the year, one takes the money, and that capital does not depreciate, it maintains its value or grows a little bit. This is good stewardship. Instead, a 'drawer' administration is bad. But one must seek a good administration, a good investment: is this clear? Even an investment... we would say 'a widow's investment,' as widows do: two eggs here, three here, five there. If one falls,*

there is the other, and they do not get ruined. It is always on something safe, it is always on something moral.”³

Since, as mentioned above, the properties in the vicinity of the Vatican represented—and still represent today—a specific non-income-bearing part of the patrimony of the Holy See, right from the beginning the objective of consolidating the patrimony was entrusted to [other] real estate investments in Italy and abroad.

This was a natural decision for La Speciale, which, from the very beginning, adopted prudence as its main criteria in financial operations—on the one hand, property allowed for less exposure to exchange rate fluctuations and on the other, the geographical diversification of investments made it possible to reduce the risks linked to concentration in a single country. With the same prudence, La Speciale decided to transform a substantial part of its assets into foreign currency, while the Holy See’s costs and budget remained denominated in Italian lire. This diversification of the exchange rate risk made it possible to maintain economic independence from Italy during the years of the Fascist regime, defending the Pope’s freedom to exercise his universal mission despite the impatience of the Prime Minister at the time.

Then—and even more so today—there was a compelling need to preserve and improve prudent approach of resources in terms of quality and, if possible, also quantity. In fact, assets exist in concrete terms within a precise socio-economic context, and their quality and quantity depend on the way in which they are actually administered.

The first problem that usually arises is that of preserving them because assets, as material elements belonging to this passing world, are consumed. The primary task of the Administration, therefore, is at least to preserve them in their ability to serve their purposes. If possible, then, resources should also be improved because there are margins of income productivity and possibilities for increasing assets that depend on the way in which assets are administered.

1.4 APSA: Prudence, transparency, and professionalism

The Administration of the Patrimony of the Apostolic See (APSA) was established by

³ Press conference of the Holy Father on his return from his apostolic visit to Thailand and Japan (Tuesday, 26 November 2019).

Paul VI in 1967 (August 15) with the Apostolic Constitution *Regimini Ecclesiae Universae*. Pope Montini, in addition to an Ordinary Section called upon to manage real estate assets, wanted an Extraordinary Section which would carry out the tasks which until then had been the responsibility of the Special Administration of the Holy See.

With the “Motu Proprio” of July 8, 2014, Pope Francis established that the Administration of the Patrimony of the Holy See should no longer be divided into Sections, requiring it to deal only with the functions hitherto fulfilled by the Extraordinary Section. Subsequently, with the “Motu Proprio” of July 4, 2016, almost all of the functions of the former Ordinary Section, which had passed two years earlier to the Secretariat for the Economy, were transferred back to APSA.

The former La Speciale, today simply APSA, is called upon to administer the financial and real estate assets of the Holy See with the same vocation that animated its previous years of existence.

The goal is not profit but the preservation and consolidation of the patrimony received as an endowment through recourse to what Pope Francis has called “widows’ investments.”

A popular expression that summarizes the criteria with which, even today, the Investment Office of APSA operates, rejecting speculative or high-risk purposes and opening up to investments with proven social impact. Moreover, where and when possible, an increase in the profitability of real estate assets is pursued by focusing on maintenance, recovery and reconstruction.

Thanks to its juridical autonomy, APSA has been able to fulfill and continues to fulfill the support of the Holy See, along with other bodies, such as the Governorate and the IOR. Autonomy is combined with a clear choice in favor of transparency thanks to the reforms carried out, particularly during the last two pontificates. The activities performed by APSA are subject to internal and external controls. There is a clear distinction of responsibilities between APSA and the Secretariat for the Economy, which is responsible for the control and vigilance over the administrative and financial matters of APSA and other Entities of the Roman Curia.

The activities of APSA, being of a technical nature, are carried out by personnel with specific professional qualifications. The same are required in the selection of board members of subsidiaries.

1.5 A patrimony that enables helping others

The socio-economic consequences of the pandemic have not left APSA unaffected, and as early as March 2020, it decided to meet the needs of the external tenants of the commercial units. It was thus decided to cancel part of the rent, which varied between 30% and 50%, depending on the activity. In addition, another third of the rent may be paid up at the end of the emergency.

The policy of attending to the needs of tenants of small businesses is not new on the part of APSA, which even in the years prior to the outbreak of the pandemic, due to economic difficulties already present, had granted temporary reductions in the rental payments to those who made a justified request.

The above facilities have had an impact on the Holy See's operating result, but the priority indicated by Pope Francis in economic management remains that of safeguarding jobs. The administration of the resources of the Apostolic See is not comparable to that of a business or even that of a state: there are no secure revenues from taxes, nor is there public debt. The fulfillment of the Holy See's mission, therefore, depends exclusively on donations and returns on assets.

This makes it clear how vital the service offered by APSA is in the management of real estate assets owned directly or through wholly owned subsidiaries in Italy or abroad. In the current crisis caused by the consequences of the pandemic, APSA is called upon to continue a credible and reliable administration of these resources, facilitated by the processes of optimization, transparency, and professionalism indicated by Pope Francis. In the way APSA operates, one can see applied those criteria of proportionality and progressiveness recommended by the Holy Father. It is also thanks to the market rents collected on the prestigious properties owned in Paris and London that it is possible to grant a free right-of-use to the Apostolic Eleemosynary for a structure such as Palazzo Migliori, where the homeless, hosted by the volunteers of the Saint Egidio Community, find shelter a stone's throw from St. Peter's Colonnade.

In addition, by purchasing a property near the Arc de Triomphe in Paris, thanks to the mediation of Sopridex, the seller directed part of the proceeds of this transaction to the construction of a church in a Parisian *banlieue*.

In the Holy See's mission of proclamation and witness, APSA plays a fundamental role, and it does so in the awareness of what the future Paul VI—the Pontiff to whom the dicastery owes its current name—said in a prayer addressed to St. Francis on October 4, 1958: "We cannot distance ourselves from economic life, it is the source of our bread and that of others."