

EDP Consolidated Inventory of sources and methods

Italy

October 2009

INTRODUCTION	4
PART I: EDP net borrowing/net lending	5
1. The Delimitation of General Government sector	5
1.1 Delimitation of General Government	5
1.2 The use of public accounts data sources in the EDP notifications	7
2. Central Government data	8
2.1 Availability and use of data sources	8
2.1.1 Data sources for Central Government main unit: “The State”	8
2.1.2 Data sources for Central Government: Other entities/other central government bodies	12
2.1.3 Data for the current year (n-1) notified in April (n) - detailed explanation	14
2.1.4 Auditing Process	15
2.2 Data treatment	16
2.2.1 Half finalized and finalized data	16
2.2.2 Revision process.....	19
2.2.3 Other adjustments regularly implemented.....	20
3. State Government data	21
4. Local Government data	22
4.1 Availability and use of data sources	22
4.1.1 Data sources for Local Government main units	22
4.1.2 Data sources for Local Government: Local Government bodies / non-profit institutions.....	29
4.1.3 Data for the current year (n-1) notified in April (n) - detailed explanation	31
4.1.4 Auditing Process	32
4.2 Data treatment	32
4.2.1 Half finalized and finalized data	32
4.2.2 Revision process.....	35
4.2.3 Other adjustments regularly implemented.....	35
5. Social Security Funds data	36
5.1 Availability and use of data sources	36
5.1.1 Data sources available for Social Security Funds	36
5.1.2 Data for the current year (n-1) notified in April (n) - detailed explanation	40
5.1.3 Auditing Process	41
5.2 Data treatment	41
5.2.1 Half finalized and finalized data	41
5.2.2 Revision process.....	42
PART II: general government debt and financial accounts	44
6. Actual data on government debt	44
6.1 Half finalized and finalized data	44
6.2 Data for the current year notified in April	45
PART III: specific issues	46
7. Specific issues	46
7.1 Long-Term Contracts between Government and Private Entities	46

7.1.1	Identification and data sources of long-term contracts between Government and Private Entities (PPPs).....	46
7.1.2	Alternative data sources in cases of lack of comprehensiveness or reliability.....	46
7.1.3	Terminology used for PPPs in the national language(s) and correspondence in English.....	47
7.1.4	Legal instruments, including laws, regulations, or decrees, governing or regulating PPPs.....	47
7.2	Long-term contracts for military equipment	47
7.3	Pension Schemes.....	47
7.3.1	Definition of pensions	47
7.3.2	Classification of pension schemes.....	48
7.3.3	Classification of social insurance pension schemes	50
7.3.4	Definition of social security schemes.....	51
7.3.5	Classification of institutional units supporting pension schemes. Borderline cases.....	51
7.4	Guarantees.....	53
7.4.1	Treatment of new guarantees provided	53
7.4.2	Treatment of Guarantees called (and not repaid within the same year by the original debtor)	53
7.4.3	Treatment of repayments related to guarantees called	53
7.4.4	Treatment of write-offs by government, if any, of government assets that arose from calls.....	53
PART IV: Data produced by Ministry of Economy and Finance		54
8.	Data produced by Ministry of Economy and Finance - Department of Treasury.....	54
8.1	Introduction.....	54
8.2	Data on Central Government Debt - adjustment items.....	54
8.3	Steps in data notified.....	55
8.4	Interest expenditures	55
8.5	Steps in data notified.....	56
PART V: ANNEXES.....		57
ANNEX 1: S.13 General Government List.....		57
ANNEX 2: Agreements between ISTAT and the other institutions on compiling the consolidated general government income and expenditure accounts.....		67
ANNEX 3: Application of the ESA95 accrual principle.....		70
A3.1	Accrual and cash time of recording.....	70
A3.2	Estimation of taxes	71
A3.3	Time adjustments on Taxes.....	73
A3.4	Tax amnesties	74
A3.5	Treatment of tax credits and tax rebates	74
A3.6	Social contributions.....	76
A3.7	Intermediate consumption.....	76
A3.8	Compensation of employees	77
A3.9	Social benefits	78
A3.10	Subsidies on products and production	78
A3.11	Interests.....	79
A3.12	Gross capital formation	80
ANNEX 4: Changes to be made in the codification schemes for Regions.....		82

A4.1 The current situation	83
A4.2 Structure of the basic register	84
A4.3 Analysis and treatment of the basic data: classification and reclassification problems ...	85
A4.4 The treatment of expenditure	85
A4.5 The main reclassifications	86
A4.6 Subsidies on production.....	87
A4.7 Compensation of employees	88
A4.8 Intermediate consumption.....	88
<i>ANNEX 5: Data which explain the transition between the public accounts budget deficit and EDP deficit.</i>	<i>90</i>
<i>ANNEX 6: Data on General Government Debt – Table 1.....</i>	<i>95</i>
A6.1 Basic Sources	95
A6.2 Methods of adjustment to national accounts framework	102
A6.3 Steps in data notified.....	102
A6.4 Memo info provided by Banca d'Italia for cross-checking	102
<i>ANNEX 7: Data on General Government financial assets–Table 3.</i>	<i>103</i>
A7.1 Basic Sources	103
A7.2 Methods of adjustment to national accounts framework	104
A7.3 Steps in data notified.....	104
<i>ANNEX 8: The SIOPE system.....</i>	<i>106</i>

INTRODUCTION

The EDP inventory is an inventory of all the sources and methods used in the compilation of Excessive Deficit Procedure notification of Italy. Particular reference is made to the data contained in the latest transmission of EDP data (1st of April 2009), that is actual data for 2005-2008 (years n-4, n-3, n-2, n-1) and forecasts for 2009 (year n).

EDP notification tables and all other related activities are coordinated by ISTAT (Italian Statistical office)¹ but the compilation of EDP notification aggregates is made by all the three institutions that share the responsibility of producing Government Finance Statistics: ISTAT, Bank of Italy and the Ministry of Economy and Finance (MEF).

The current division of duties and responsibilities among these three bodies² is better explained in the following and, in particular, as regards the main aggregates:

- ISTAT is responsible for the actual government net borrowing/(net lending)³, defined according to ESA95;
- Bank of Italy is responsible for the compilation of Maastricht debt;
- MEF is responsible for public sector borrowing requirement⁴ and for all forecasts.

Further information regarding institutional arrangements, exchange of information and methodologies, necessary to ensure coherence among the aggregates, are given throughout this inventory, while some aspects are treated in depths in Annex 2 and Annex 5.

The Italian inventory consists of five parts.

The first part (Part I) is devoted to the delimitation of general government sector, the availability, use of data sources and accounting rules for the deficit. It introduces the main elements and responsibilities in the delineation of general government sector but, after that, the structure of the text (data sources, availability, compilation techniques, data treatment etc.), designed by Eurostat, is the same for each sub-sector: central government (S.1311), local government (S.1313) and social security funds (S.1314). The sub-sector 'State government' (S.1312) is not applicable to Italy.

The second part (Part II) focuses on the availability, use of data sources and accounting rules for the general government debt and financial accounts and is compiled by Bank of Italy. In contrast with the first part it applies to the general government as a whole.

The third part (Part III) deals with specific issues and compilation responsibility is indicated for each question.

The fourth part (Part IV) focuses on aggregates compiled by the Ministry of Economy and Finance.

The fifth part (Part V) contains annexes going in depth into specific issues and methodologies which for brevity was not possible to treat adequately in the main parts.

¹ ISTAT transmits the notification tables to the EU Commission (Eurostat) twice a year: the 1st of April and the 1st of October.

² Each of these three Italian institutions is producing and disseminating Government Finance Statistics (GFS) at national and international level.

³ The government net borrowing/(net lending) is the *deficit (B9)* in National Accounts.

⁴ The *public sector borrowing requirement* is the cash-based public accounts working balance most relevant at national level.

PART I: EDP net borrowing/net lending

Compiler: ISTAT

1. The Delimitation of General Government sector

1.1 Delimitation of General Government

ISTAT compiles the actual EDP government net borrowing/(net lending) for all years except n, notified in April and in October. The Ministry of Finance is not involved in the compilation of EDP actual data on deficit but only in forecasts.

ISTAT is responsible also for the list of units to be included in the ESA95 general government sector so as to ensure the complete coverage of EDP statistics. Starting from July 2005, as of the 2004 Financial Law, ISTAT was charged with the obligation to publish such a list on the Official Journal of the Italian Republic (for more details see Annex 1).

The current legislation defines the “public sector” (and its sub-sectors), for which the net borrowing requirement (the cash based working balance relevant at national level in public accounts) is compiled. This sector does not perfectly coincides with the ESA95 general government but the slight differences between them are well known and currently taken into account⁵. Some institutional units with a public legal status included in public sector are excluded by ISTAT from ESA95 general government sector. These are, for example, the Automobile Club (ACI), the autonomous housing institutions (IACP)⁶ some agencies regulatory of the market (CONSOB, ISVAP etc.)⁷. Other institutional units with private legal personality, like some public corporations⁸, some social welfare schemes, orchestral boards, private Cultural Associations (i.e. “La Biennale di Venezia”) etc. are included in ESA95 GG sector.

In Italian National accounts the General Government sector is sub-divided into three main sub-sectors according to the ESA 95 guidelines. These sub-sectors are Central Government, Local Government and Social Security Funds.

Each of these sub-sectors is further divided in smaller categories usually according to the type of main activity and tasks of the units, the structure of the data sources and the legal accounting framework. The available data sources (balance sheet, financial statement, budget reporting etc.) are standardized and homogenized.

For each category ISTAT compiles a complete set of ESA95 non financial accounts.

⁵ The "public sector" in terms of expenditure covers over 98% of the general government sector defined in ESA95.

⁶ *Classified inside non-financial corporation sector because their output is produced at economically significant prices*

⁷ *Included by convention (see ESA95 par. 2.58) among the units of the sector they regulate.*

⁸ ANAS S.p.a., which is an autonomous joint-stock company for the management of public roads, is included both in public accounts and in ESA95 accounts. On the opposite: Patrimonio S.pa, Quadrilatero Spa etc. are included in ESA95 GG but excluded from the public sector.

A short list of units by categories is shown below. A more detailed list of units updated at July 2009 is given in the Annex 1, where the number of units in each category is also provided. The updated list can be found also in the ISTAT website www.istat.it

ESA95 Subsector	National accounts categories
S1311 Central Government	State (Ministries, Prime Minister's Office, Fiscal agencies, Constitutional Bodies)
	Research Bodies (Experimental research bodies)
	Economic Services Producers (Economic activities regulatory bodies, Economic services producers, Autonomous funds, Independent administrative authorities, Associati type bodies)
	Institutions Providing Cultural Services and Assistance at central level (Cultural services producers, Other bodies)
S1313 Local Government	Regions and Autonomous Provinces
	Provinces
	Municipalities' Unions
	Municipalities
	Chambers of Commerce
	Mountains Development Bodies
	Harbours Authorities
	Regional Health Agencies
	Tourism bodies
	Regional Development bodies
	Employment Services Agencies
	Other Bodies at local level (Water Services Regulatory Authorities, Other bodies)
	Producers of Health services at local level (Local Health Agencies, Hospital Agencies, Scientific Institutes for Research, Hospitalization and Health Care, University polyclinics)
Institutions Providing Education, Cultural Services and Assistance at local level (Universities, University studies aiding bodies, Concert institutions and similar bodies, Consortia for university research, Natural park bodies, Regional bodies for research and environment)	
S1314 Social Security Funds	Social Security Funds

1.2 The use of public accounts data sources in the EDP notifications

For actual data, the net lending (+)/borrowing (-) estimates (EDP B9) are not derived as adjustments of the borrowing requirement calculated by the Ministry of Economic Affairs, but they are calculated from detailed data sources on revenues and expenditures at level of each institutional unit by means of a highly structured and independent estimation process. By the end of February ISTAT produces and publishes the main national accounts aggregates (gross domestic product, labour input, compensation of employees etc.), that comply with the rules and methods laid down in ESA95⁹, by using mainly a supply-use approach¹⁰. At the same time the complete General Government ESA95 set of accounts is compiled by mainly following an institutional approach.

General Government sector non financial accounts are completely coherent with data published at branch level. These estimates become the basis of reference for compiling all other national accounts data (including institutional sectors accounts), produced and disseminated throughout the year with higher breakdown levels: quarterly data, territorial data, functional data etc.

Moreover, by March ISTAT compiles ESA95 GG accounts at the level of single unit or categories of units both on an accrual basis, and on a cash basis. This means that all the procedures and methods used in determining the EDP B9 (net lending (+) borrowing (-)) are duplicated for accrual and cash estimations.

⁹ The sources and methods used in estimating the General Government aggregates which are relevant in the calculation of gross national income are discussed in Italy's inventory of methods for estimating the NA aggregates at current prices (see http://www.istat.it/dati/catalogo/20041202_00/).

¹⁰ Data are detailed at 101-branches' level

2. Central Government data

2.1 Availability and use of data sources

This section describes the availability and use of main data sources for the Central Government sub-sector (S.1311) by type of unit and by each adjustment made to the basic data in order to comply with ESA95 definitions as regards the classification of units/transactions and the valuation of transactions. All these aspects are treated separately for the compilation of finalized (n-4) half finalized (n-3 and n-2) and current data (year n-1) and for the process of revision of data.

2.1.1 Data sources for Central Government main unit: “The State”

1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 1 – Source Data Accounting ¹¹

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	📊 Reporting				
	• Summary				
C/A1	(1) Current revenue and expenditure	A/U	A/U	A/U	A/U
C/A1	(2) Current and capital revenue and expenditure	A/U	A/U	A/U	A/U
C/A1	(3) Current and capital revenue and expenditure and financial transactions	A/U	A/U	A/U	A/U
	(4) Balance sheets	NA/NU	A/NU	NA/NU	A/NU
	• Detailed				
C/A1	(5) Current revenue and expenditure	A/U	A/U	A/U	A/U
C/A1	(6) Current and capital revenue and expenditure	A/U	A/U	A/U	A/U
C	(7) Current and capital revenue	A/U	A/U	A/U	A/U

¹¹ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)

C (**Cash**), A1 (**Assessments**), A (**Accrual**), M (**Mixed Cash-Accrual**): Note that in Italy public accounts data sources are referred to assessment /commitments basis and cash basis, but assessments/commitments do not usually correspond to the accrual basis defined by ESA95.

	and expenditure and financial transactions				
	(8) Balance sheets	NA/NU	A/NU	NA/NU	A/NU
	Financial Statements				
A	(9) Profit and loss accounts	NA/NU	NA/NU	NA/NU	NA/NU
A	(10) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Other Reporting				
	(11) Statistical surveys	NA/NU	A/U	NA/NU	A/U
C	(12) Other: 12.1 State sector consolidated cash account	A/U	A/U	A/U	A/U
C/A1	12.2 Detailed Tax Revenues and expenditures	A/U	A/U	A/U	A/U
C	12.3. Reports on State off-budget funds (Reports on off-balance financing by Ministries 'departments)	A/U	A/U	A/U	A/U
C/A	12.4 State expenditures concerning military equipment under long term contracts	A/U	A/U	A/U	A/U
C/A	12.5 Detailed EU flows	A/U	A/U	A/U	A/U

For the State the following data sources are available and used:

- The State Budget Reporting (“Rendiconto Generale dello Stato”);
- Detailed State current revenues and expenditures on a cash and assessment base
- Detailed Tax revenues of the State, on a cash and on an assessment base
- State Sector consolidated account (Quarterly Report on Cash borrowing Requirement: RTC)¹²,
- Detailed information supplied by Ministries’ departments on the management of off-budget funds
- State expenditures on military equipment under long term contracts (for the treatment of this item, see Section 7.2)
- Detailed EU flows

The State Budget Reporting is compiled by the General Accounts Department (Ragioneria Generale dello Stato) of the Ministry of Economy and Finance. It includes all ministries revenues and expenditures, but excludes Constitutional Bodies, for which direct sources are used. It is submitted to the Parliament and is approved each year by the end of June. The Budget Reporting is subject to the accounting control of the Court of Auditors (see point 2.1.4).

Since the year 2000 the classification of transactions in the State Budget Reporting follows the economic and functional criteria set in ESA95 and contains also some information by counterpart sectors (see the State budget Reform Act: Law No 94/97). To allow easier

¹² This reporting is published on a quarterly base by the MEF-RGS on the “Relazione Trimestrale di Cassa” (RTC).

comparison with the previous year, the General Accounts Department of MEF carried out an ex post reclassification of the 1999 Budget (Rendiconto) in accordance with the new scheme. The reconstruction of the pre-1999 series has been carried out by ISTAT.

The State balance sheet ("Conto Patrimoniale dello Stato"), compiled by MEF, is available only with a two-year or more time lag. However it has to be noted that stocks and flows are not completely articulated and linked together and therefore are only rarely used by national accounts.

The State sector consolidated account is the consolidated cash account of budget and Treasury, produced and published on a quarterly base by MEF-RGS. The balance of this consolidated cash account is the "State sector borrowing requirement" (fabbisogno del settore statale), which is a macroeconomic indicator of the resources to be raised on the market.

1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

All available accounting reports are used. They are usually consistent with each other and may vary only in the degree of details reported.

1c) Complementary codification at data source, by counterpart sector

There are no complementary codifications: the actual codification of the State budget was introduced by the State budget Reform Act (Law No 94/97). Transactions in the State Budget Reporting are closer to economic criteria set in ESA95 than in the past and some classification by counterpart sectors have been introduced. This change made it easier to consolidate revenues and expenditures between the State and other public entities such as local bodies.

A new codification is adopted by SIOPE, the information system of public entities cash operations enforced by the 2003 Financial Law, which is not yet fully implemented but is expected to come into force in the near future. It will introduce more information, improving the reliability, consistency and timeliness of general government statistics (see Annex 8 on SIOPE - Operative System of public bodies' transactions). The special codes adopted are denominated "management codifications" ("codici gestionali") and identify both the beneficiary and the type of transaction. The detailed codification system was devised by the three institutions involved in the project (Bank of Italy, MEF and ISTAT).

1d) Complementary information of other units/departments that are not reflected in the Budget Reporting, when compiling ESA95 accounts.

Complementary information are not needed because all the information are reported in the State budget reporting and in the other bodies' reporting.

1e) Consistency of classifications used in the Budget Reporting of “the State” and in the Budget Reporting of other General Government entities.

ISTAT makes a detailed codification of transactions at each data source level.

1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

The main sources listed above for the State are provided directly by the General Accounts Department (RGS) and the Treasury Department of MEF.

1g) Nature of the data sources – cash, accrual or mixed

In the State budgetary report there is no accrual basis of recording. Revenues and expenditures are recorded twice: on an assessment/commitments basis and on a cash basis¹³. Assessment/commitments in the Budget Reporting have a legal nature, i.e. each recording is made on the basis of legal obligations defined by the institutional framework. On the other side, the cash recordings refers to the quantification of total cash revenues/payments, irrespective of the accounting period in which they were assessed.

The use that can be made of the information for the national accounts is thus limited in two respects: firstly, assessments cannot be used in cases that a legal obligation exists but there is no corresponding "creation, extinction or transformation of economic value"; secondly, the cash for a given year may relate to the settlement of debts and claims which accrued in previous years. It is often not possible to trace them back to the time at which they were generated. (For the implementation of the accrual method of recording see Annex 3).

In general, the basis for ISTAT's method of estimating items on an accrual basis in the General Government account is as follows:

1. For revenues, the budgetary assessment data are used in all cases in which they represent safe claims, giving rise to immediate collection by the receiving authority or collection that is only temporarily postponed for various reasons, e.g. in the case of taxes, because they are retained by the collection concession-holders pending settlement (essentially, taxes assessed and collected by the ordinary procedure). Cash data are used in all cases in which the assessments contain elements of uncertainty as to the real existence of the tax claim.
2. For expenditures, budgetary commitments are used for the transactions in products, labor costs and social benefits in cash and in kind.
3. As regards interest payable and receivable, the information used is not based on budgetary data but on a methodology directly in line with ESA95, i.e. on the use of data on single financial instruments treated according to MGGDD.
(For a detailed analysis by transaction see Annex 3)

¹³ The phases or stages are: assessment, collection and in-payment on the revenue side, and commitment, validation, authorisation and out-payment on the expenditure side.

1h) Circumstances in which data available from basic sources is consolidated.

There are no circumstances in which data available from basic sources are consolidated.

1i) Changes in the accounting rules foreseen in the near future (if any).

No change is foreseen in the near future.

2.1.2 Data sources for Central Government: Other entities/other central government bodies

2a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 2 – Source Data Accounting

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	Budget Reporting				
	Summary				
C/A1	(1) Current revenue and expenditure	NA/NU	A / U	NA/NU	A / U
C/A1	(2) Current and capital revenue and expenditure	NA/NU	A / U	NA/NU	A / U
C/A1	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	A / U	NA/NU	A / U
C/A1	(4) Balance sheets ¹⁴	NA/NU	A/NU	NA/NU	A/NU
	Detailed				
C/A1	(5) Current revenue and expenditure	NA/NU	A / U	NA/NU	A / U
C/A1	(6) Current and capital revenue and expenditure	NA/NU	A / U	NA/NU	A / U
C/A1	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	A / U	NA/NU	A / U
C/A1	(8) Balance sheets (see note 14)	NA/NU	A / NU	NA/NU	A / NU
	Financial Statements				
A	(9) Profit and loss accounts ¹⁵	NA/NU	A / U	NA/NU	A / U
A	(10) Balance sheets (see note 14)	NA/NU	A / NU	NA/NU	A / NU
	Other Reporting				
C/A1/ A	(11) Statistical surveys	NA/NU	A / U	NA/NU	A / U
C/A1	(12) Quarterly reports on cash accounts (MEF-RGS)	A / U	A / U	A / U	A / U

¹⁴ The data for “Balance sheets” are NOT USED because they are not elaborated with Sec95 criteria.

¹⁵ They are used for e.g. Anas, Patrimonio Spa, Coni Servizio Spa, Italia Lavoro Spa.

The major groups of other central bodies are:

i) ANAS (Azienda Nazionale Autonoma delle Strade), AGEA (Agricultural Intervention Agency), major research bodies, Authorities (Regulatory Agencies).

These bodies have budgetary autonomy and, in the two first ones, compile profit and loss accounts and balance sheets using criteria close to private accounting. Cassa Depositi e Prestiti (CDP), has been transformed into a Joint stock company by a Law Decree (LD n. 269 of 30 September 2003). Before the transformation, CDP, who acted as a tool of the State in funding local government and other public administration entities, had already budgetary autonomy and compiled profit and loss accounts and balance sheets with criteria close to private accounting. Starting from 2004, following its conversion to a joint stock company and the transformation of its organization and capital equity structure, Cassa Depositi e Prestiti has been classified among financial intermediaries and is thus no longer part of the General Government.

ii) Other central bodies which produce economic services, other bodies which produce assistance, recreational and cultural services.

The source is the census surveys on revenues and expenditures regularly carried out by ISTAT with standard questionnaires. The questionnaire format depends on whether the body have accounts similar to private financial statements or much closer to budget reporting.

iii) Minor research bodies

The source is ISTAT's census survey on budget reporting produced by scientific research bodies.

2b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

All available accounting reports are used and there are never two different accounting reports available for the same unit.

2c) Complementary codification at data source, by counterpart sector

There are no complementary codification at data source by counterpart sector insofar information on transactions by counterpart sector are included in the standard questionnaires.

2d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.

Complementary information which is not in the financial statements (including the annexed report) are directly provided by the public body.

2e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units in other sub-sectors of General Government.

There is no full consistency between these bodies and bodies other than State.

In the absence of such a standardization of the basic data sources classifications the full consistency is achieved in the ISTAT - Department of national Accounts, where different classifications are homogenized and re-grouped according the ESA95 principles.

The classification criteria adopted in the ISTAT survey questionnaires are in line with ESA95 and are homogeneous for all bodies in this sub-sector.

2f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

ISTAT receives data directly from these bodies, from published balance sheets or from direct surveys with standard questionnaires.

2g) Nature of the data sources – cash, accrual or mixed

The data are usually on accrual or assessment basis and are supplemented by data on cash basis provided directly by the body .

2h) Circumstances in which data available from basic sources is consolidated.

There are never circumstances in which data available from basic sources are consolidated.

2.1.3 Data for the current year (n-1) notified in April (n) - detailed explanation

2i) Common data sources used for finalized and half-finalized data for the current year in the first notification.

Common data sources are budget reporting and balance sheets for all other bodies who follow private accounting rules. For all other groups mentioned above (including Authorities), common data sources are quarterly reports on cash accounts compiled by the MEF-RGS.

Such surveys are required by Article 30 of Act 468/78 of 5th August 1978 and are intended to allow periodic monitoring of cash account management in the budgets of these bodies by the finance departments concerned, which are required to send a simplified cash account at quarterly intervals in accordance with a standard layout approved in Act 468/78 and subsequent amendments and additions. The requirement to provide these figures applies to all the bodies listed in Article 25 of Act 468/78. Together with the State sector, these form

a set known as the "public sector", which in terms of expenditure covers more than 98% of the general government sector defined in ESA95.

2ii) Data sources specifically used in the context of the first notification

For the year n-1, on April notification, the available sources are more limited and to some extent more provisional.

The entire budget reporting realized being not available yet, the MEF-RGS provides quasi-final data of the State Budget Reporting which is going to be approved in June, detailed breakdown of revenues and expenditures on an assessment/commitment and a cash basis, reporting on cash accounts for other bodies.

For all other groups mentioned above (including Authorities), since the ISTAT survey figures are still in course of preparation at the time of April notification, the source is the quarterly reports on cash accounts sent by these bodies to the MEF-RGS.

In the future, the new informative system (SIOPE) will substitute all these sources of information and will become the principal source of data. It will provide more detailed cash based data, especially on expenditures, broken down by payment's orders.

2iii) Estimation methods that may be used in the context of the first notification and their importance in the central budget and for other units included in central government.

The estimates for the year n-1 are made multiplying the n-2 data by annual rates of change. Annual rates of change for each economic heading of the various bodies are obtained on the basis of figures resulting from quarterly cash accounts.

2.1.4 Auditing Process

a) Working balances of Central Government that were submitted to an auditing process.

The national Court of Auditors audit the final revenue and expenditure account (Rendiconto Generale dello Stato) and the general assets and liabilities account (conto generale del patrimonio) of the State and of the other public units included in the central government sector.

The State Budget Reporting is yearly approved by the Parliament after a formal decision. This procedure is actually performed as a legal proceeding and it ends with a judgement ("Decisione sul Rendiconto generale dello Stato") that can be of total approval or can contain some remarks on specific issues.

b) Incorporation of the findings of the auditing process in the national accounts.

Since audited data are normally used by ISTAT, the results of audit are included automatically in the national accounts. Exchange of views currently occurs between the Court of Auditors and ISTAT in order to examine their findings, that are available in the autumn, and they can have impact on the National accounts estimations.

2.2 Data treatment

2.2.1 *Half finalized and finalized data*

a) Financial transactions that may be included in the public accounts of central government and are excluded in notification table 2.

The financial transactions considered in the working balance of the State are the following:

Loans

Equity

Other financial transactions

Definitions and classification rules are those of public accounts:

- Loans include all loans granted by the State (and only up to December 11 2003 granted by Cassa Depositi e Prestiti) to other government bodies, mainly to local government. They include also, up to 2005, loans granted by Ispa to RFI/TAV for the financing of high speed railway. Information on loans granted by the State to local bodies are provided by Cassa Depositi e Prestiti, which manages them on behalf of the State. Other information on loans granted to domestic units are in the Quarterly Report on Cash Borrowing Requirement.

Developing countries loan cancellations are not considered in this item and do not impact the Borrowing requirement.

- Equity: only increases of equity are considered, sales of equity (privatizations) are excluded. The State owns shares in many enterprises, but in the latest years noticeable capital injections were made to the Railway corporation and ANAS, the corporation who manages the public roads. The capital injection to the Railway corporation have been reclassified in national accounts as capital transfers, while the capital injection to ANAS does not impact the working balance as ANAS is classified in the general government sector.

- Other financial transaction include deposits with credit institutions and with non resident units, securities other than shares and other residual transactions. The component of Other financial assets in Other accounts receivable and payable (F.7) is provided by ISTAT.

b) The information and the method (s) used for the adjustment cash/accrual for items other than interest), notably for the main transactions as revenue (main categories of taxes, social contributions, sales) and expenditure (intermediate consumption, compensation of employees, social benefits)

Istat approach to measuring flows on the economic accrual basis is not cash-adjusted, (adjustments on cash data) but is based on an independent estimation process on the basis of direct sources. More details on the accrual method followed are given in Annex 3.

The following table summarizes Istat method of estimating the main ESA95 transactions on an accrual basis:

ESA95 transaction	Estimation methods	
Taxes (on production, income, capital taxes, etc.)		
	a) Ordinary budgetary assessments	+
	b) Tax rolls in cash	+
	c) Accounting reclassifications (other non-tax revenue, interest for late payment, fines)	+/-
	d) Settlements and transfers (assessments) between government bodies	-
	e) Accounting settlements with concessionaires	+/-
	f) Refunds accrued	-
	g) Time lag adjustments	+/-
Social contributions		
	Budgetary assessments	+
	Not recoverable claim estimates	-
	Adjustments for time lag	+/-
Intermediate consumption		
	Budgetary commitments	+
	New arrears	+/-
	Adjustments for time lag	+/-
Compensation of employees		
	Budgetary commitments	-
	New arrears	+/-
	Adjustments for time lag	+/-
Subsidies and other transfers		
	Cash based estimates with exception of FS and other big companies, for which commitments are used..	+
Gross capital formation		
	Cash based estimates	+
	New arrears	+/-

See Annex 3

c) Sources and method used for the calculation of interest on an accrual basis.

For all financial instruments included in the government debt, interest is recorded in accordance with a "full accrual" criterion, from the "debtor's" point of view, on the basis of the rate, maturity and characteristics of each security considered individually.

For more detailed information on estimation methods used by single debt instruments see Annex 4.

d) Information on other accounts receivable/payable that may be provided in public accounts data.

There are no such information on public accounts data. In fact, as it is described thoroughly in Annex 3, public accounts data are not accrual based, but only assessment/commitment based.

“Other accounts receivable and payable” are estimated by Istat on a very detailed base, for each of the ESA95 economic transaction and published at national level (see Istat, Statistiche in breve, June 2009).

The estimation methodology calculates the differences between accrual and cash estimates for each economic flow generated by general government. ISTAT manages to quantify these lags by a very detailed method, which essentially involves constructing the full ESA95 General Government non financial accounts both on a cash basis and on an accrual basis.

In other words, the procedure for determining net borrowing is replicated on a cash basis, which implies that the whole set of reclassifications is replicated for cash based data.

e) Sources and method (s) for the adjustment related to units classified within or outside central government.

As it is already said, the general government sector and the public sector almost overlap. There are only very minor adjustments due to sectorisation.

f) Other adjustments regularly implemented.

Other adjustments regularly implemented are:

- a. Dividend revenues deriving from privatization operations classified as withdrawal of equity in national accounts (e.g. Terna Spa);
- b. Credits granted by State off-budget Funds classified as economic transactions;
- c. Capital injections classified as capital transfers (e.g. FS Spa);
- d. Flows related to INPS securitisation operations;
- e. Cancellation of foreign debts;
- f. Cancellation of FS debt for the financing of High speed classified as non financial transaction.

g) Sources of information used for transactions which need specific attention (in cases where they are not directly identifiable in public accounts): debt assumption, debt cancellation, privatization, securitisations, capital injection into public corporations, payments from the central bank.

Sources for transactions which need specific attention :

For dividends, the source is the balance sheet of public enterprises. For Debt cancellations (in Italy only foreign debt of developing countries have been cancelled) the source is the financial statement of SACE (Società di assicurazione per il credito alle esportazioni) and the Balance of payments data delivered by the Bank of Italy. For securitisation operations the sources are offering circulars of the SPVs and detailed data provided directly by the public entities making securitisations : INPS, INPDAP etc.

2.2.2 Revision process

Steps in the revision process of data, for the State and for other units included in central government, after the first notification.

Revisions of EDP figures between the first and the second notification are occasional and mainly due to specific issues resulting from bilateral discussions and consultations with Eurostat.

Italian annual Gross Domestic Product and all the N.A. aggregates are calculated, like in other countries, in such a way that they are interrelated to each other in order to ensure consistency. These aggregates are disseminated at National and international level at the beginning of March.

The change in one variable implies the change of a myriads of aggregates. These data are disseminated and published and the methodology of construction cannot be replicated at will during the year.

Therefore, any revision in General Government data affecting GDP may generate an inconsistency between the deficit and the published GDP.

This is the main reason why ISTAT continues to publish the GG deficit on the 1st of March at the same time of GDP release.

A related issue concerns the link between the GG accounts and the other data published by the national authorities: data published in March constitute the basis for many other estimations produced during the year, such as:

1. GG expenditure by function,
2. Institutional Sector Accounts,
3. Territorial data,
4. Quarterly accounts,
5. other ESA Transmission Programme tables.

Due to the time needed for their calculation, an essential prerequisite for these estimations is the availability of such basic data in March: it can then be expected that subsequent revisions of the March data may not be promptly integrated in these estimations, thus generating an inconsistency among different sets of data. This may also result in the transmissions to Eurostat since the application of the revision to all the sets of data linked to Annual General Government Accounts may not always be feasible.

Moreover, in public accounts no relevant additional data sources are made available between April and October and only minor revisions might need to be done: in order to provide users with a stable scenario consistent with the National account framework, ISTAT revision policy aims at not introducing negligible changes between April and October.

When producing the first EDP notification, ISTAT complies with the rules and methods laid down at European level. This does not mean that the figures so produced are by definition free of statistical errors of various types. Like all statistical estimates, the NA estimates can be affected by factors such as the incompleteness of the basic information provided by the various respondent units, errors of classification, discrepancies in the accounting treatment of the same transactions by different bodies, sampling errors etc. However, the impact of all these possible sources of error on the reliability of the aggregate estimates is minimised by a pervasive and constant process of analysis, completion and validation of the basic information. It becomes progressively smaller as time passes, as the database for a given year is gradually enhanced and consolidated until it finally stabilises.

This means that the statistics for the last year of the series are more provisional and are thus potentially subject to somewhat greater margins of error. The process of refinement and revision of the data ends four years after the reference year, when the estimates converge around the final figure, with ever-smaller fluctuations: the estimates for the year $t - 1$ are thus to be regarded as provisional, those for $n - 2$ and $n - 3$ as semi-final and those for $n - 4$ as final.

2.2.3 Other adjustments regularly implemented

- The item ***Building securitisations and other building sales (Real Estate Fund) classified in table 2D*** (negative sign) aims at neutralising the impact of the securitization of buildings on the central government net lending (by impacting its working balance) as these securitisations are deemed to impact the net lending of the Social Security Funds (see item "(+) *Receipts from securitisation operations (SCIP1 and SCIP2 classified in central government in the working balance*" in table 2D.)
- The item ***Cancellations of foreign debts*** (negative sign) corresponds to the forgiveness of developing country debt, claims directly held by the Treasury. In the national accounts, these lead to capital transfers to the Rest of the World.
- The item ***Additional cancellations Paris Club*** (negative sign) includes the capital transfers as the result of other debt cancellation benefiting foreign governments.
- The item ***Suspensions of credit recovery activity of SPV by the State*** captures the accounting impact of the suspension by the State of recovery of certain claims owned by an SPV.
- The item ***RFI/TAV debt cancellations*** captures cancellation by government of the *Ferrovie dello Stato* debt to government, for the financing of the high speed train.
- The item ***Reclassification of dividends (TERNA) and loans (FIT etc.)*** corresponds to dividend revenues deriving from privatisation operations, classified as withdrawal of equity in national accounts.
- The item ***Capital injections*** (positive sign) includes correction for *Cassa Depositi e Prestiti* restructuring. The restructuring led to an entry in the working balance, while it is considered as an other economic flow in National accounts (i.e. without impact on the deficit)
- The item ***Other adjustments*** captures the other differences not elsewhere accounted between the Net lending/net borrowing and the Working balance of table 2A.

3. State Government data

Not applicable.

4. Local Government data

This section describes the availability and use of main data sources for the Local Government sub-sector (S.1313) by type of unit and the adjustments made in order to fully comply with ESA95 definitions. It also covers the treatment for half finalized, finalized and current data and the process of data revision.

There are four levels of Local Government in Italy (regions, provinces, municipalities and localities that generally perform more specific tasks than the first three mentioned). The first two are more involved in the management of government broad policies while the third ones are directly involved in the provision of public services, such as education, health, social assistance, culture and recreational activities. The following table contains the list of the groups of local government bodies.

Number of local government units by sub-sector

Subsectors	Acronymous	Description	Years			
			2005	2006	2007	2008
S1313	Regioni	Regions and Autonomous Provinces	22	22	22	22
S1313	PROVINCE	Provinces	104	104	104	104
S1313	UNIONI COMUNI	Municipalities' Unions	282	321	311	311
S1313	COMUNI	Municipalities	8.101	8.101	8.101	8.101
S1313	CAMCOM EEL	Chambers of Commerce	103	104	104	104
S1313	COMONT EEL	Mountain Development Bodies	356	354	354	354
S1313	ALTRI EEL	Other Economic Bodies at Local level	198	413	436	436
S1313	ESL	Producers of Health services at Local level	316	291	283	283
S1313	EAL	Institutions Providing Education, Cultural Services and Assistance at the Local level	311	531	553	553
Total S1313			9.793	10.241	10.268	10.268

4.1 Availability and use of data sources

4.1.1 Data sources for Local Government main units:

1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 3a – Source Data Accounting ¹⁶

¹⁶ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
 C (Cash), A (Accrual), M (Mixed Cash-Accrual)

REGIONS

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	Budget Reporting				
	Summary				
C/A	(1) Current revenue and expenditure	NA/NU	A/U	NA/NU	A/U
C/A	(2) Current and capital revenue and expenditure	NA/NU	A/U	NA/NU	A/U
C/A	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	A/U	NA/NU	A/U
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
C/A	(5) Current revenue and expenditure	NA/NU	A/U	NA/NU	A/U
C/A	(6) Current and capital revenue and expenditure	NA/NU	A/U	NA/NU	A/U
C/A	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	A / U	NA/NU	A / U
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Financial Statements				
	(9) Profit and loss accounts	NA/NU	NA/NU	NA/NU	NA/NU
	(10) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Other Reporting				
	(11) Statistical surveys	NA/NU	NA/NU	NA/NU	NA/NU
C/A	(12) Other: RTC, detailed analysis of some mixed transactions by counterpart sector provided by the regions, detailed list of taxes collected by the local government authorities provided by the Department of Fiscal Affairs- MEF	A / U	A / U	A / U	A / U

Until the regions adopt a common classification scheme for revenue and expenditure, the figures are obtained from statements which are directly provided to ISTAT by the regions.

For each elementary budget item (chapter), the expenditure is classified by policy area in accordance with a standard classification agreed between ISTAT and the regions and that entered into force since 1986.

The regions' accounts, like that of the State, are based on public financial accounting rules. For each revenue and expenditure item, various types of accounting information are thus available: final appropriations, commitments and assessments, amounts paid and collected.

The basic register, compiled and standardized by ISTAT from the figures provided by the regions, is made available to the national accountants, who firstly carry out various coherence checks. This analysis often implies to directly ask the regions for clarifications and further details as specified in the table 3a of this inventory under the heading “detailed analysis of some mixed transactions by counterpart sector provided by the regions”. After this check process, the national accountants make the usual corrections and reclassifications in order to elaborate the general government accounts in accordance with ESA95 rules.

In addition the register is used for the publication “Final statements of the regional authorities and autonomous provinces” and for the “Yearbook of General Government” that presents both basic data sources and specific information on government activities by purpose. Although the law requires the final statement be approved by the end of June of the year following the reference year, it often happens that some regional authorities have not sent this information¹⁷ by the end of the year because they have not yet completed the procedures for approving the statement.

Table 3b – Source Data Accounting¹⁸

PROVINCES AND MUNICIPALITIES

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	Budget Reporting				
	Summary				
C/A	(1) Current revenue and expenditure	NA/NU	A/U	NA/NU	A/U
C/A	(2) Current and capital revenue and expenditure	NA/NU	A/U	NA/NU	A/U
C/A	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	A/U	NA/NU	A/U
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
C/A	(5) Current revenue and expenditure	NA/NU	A/U	NA/NU	A/U
C/A	(6) Current and capital revenue and expenditure	NA/NU	A/U	NA/NU	A/U
C/A	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	A/U	NA/NU	A/U
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Financial Statements				
	(9) Profit and loss accounts	NA/NU	NA/NU	NA/NU	NA/NU
	(10) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Other Reporting				
	(11) Statistical surveys	NA / NU	NA / NU	NA / NU	NA / NU
C	(12) Other: RTC, detailed list of taxes collected by the local government authorities provided by the Department of Fiscal Affairs-MEF	A / U	A / U	A / U	A / U

The main source of data is the survey on the final accounts certificates carried out by the Ministry of the Interior. Every year, the micro data are transmitted to Istat for its statistical production on the financial accounts of governments and to be used as input for the National accounts. The certificates are compiled by the provinces and municipalities authorities in accordance with a form laid down by the Act 97/96.

¹⁷ In the regions’ non financial account compilation process, the established timeframe requires that figures of year n-2 should be available by January of the current year: e.g. for the April 2009 EDP communication (Year n), the database for 2007 (Year n-2) has to be available.

¹⁸ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
 C (Cash), A (Accrual), M (Mixed Cash-Accrual)

These authorities use the public financial accounting system, as it happens for the Regions. For each heading in the accounts certificate, there are therefore two types of information:

- for expenditure: commitments and payments;
- for revenue: assessments and amounts actually collected.

Revenues are classified by type of income, while expenditures are classified in accordance with an economic/functional nomenclature matrix.

Starting from the April 2007 EDP data transmission, a significant change in the timeliness data source for the Municipalities for the year n-2 (year 2005) has been introduced. The exhaustive survey on the Municipalities final account certificates, conducted by the Ministry of Interior, is now available one year earlier than in the past. The Ministry of Interior transmits the data to the ISTAT's service SIP that performs all the checks usually done in order to make corrections, in case of misreporting, and integrations, in case of missing data. It must be recalled that data reported under these surveys are derived from administrative procedures to collect already existing financial statements and summaries. Anyway, data are revised and checked according to statistical procedures commonly used when dealing with samples, to correct several kinds of errors such as misreporting and missing data.

With respect to the total set of Municipalities, 8101, the rate of response for 2007 has been very high (93,03 % of Municipalities, with a coverage of population of 93,42 %) and the final account certificates not received, at the end of January 2009, have been estimated according to normal statistical procedures, as it was done until the last EDP transmission, by using sample techniques producing significant estimations at regional level and by population classes.

The database obtained has been used for the Government N.A. account estimation of the year n-2.

Until the 2006 EDP Notification the situation of Municipalities data sources, up to year n-2, was different, being based on a sample survey described below.

ISTAT has conducted a sample survey of final accounts certificates since 1999 in order to improve timeliness because the Ministry of Interior was used to complete its exhaustive survey at least two years after the reference year. This survey yielded statistically reliable results at the regional level and for classes of population size.

It used a single-stage stratified sample design. The strata were specified by region and size class. The sample had to include all provincial capitals or municipalities with more than 60000 inhabitants; the actual sampling was carried out on the remaining population size classes.

The sample size was determined and allocated to strata according to a method which is an extension of Neyman allocation to the multi-variate, multi-domain case. The sample was specified on the basis of the main economic transactions reported in the municipalities financial statements and of the inhabitants and the study domains planned are the regions and, separately, the population size classes. For each domain, the expected precision, in terms of coefficient of variation of the estimates in each of the sub-populations analysed, was set at 5%. These requirements yielded a total sample size of about 800 municipalities.

For 1999, the reliability of the estimates was assessed for the first time by comparing the final results from the sample survey with those from the (exhaustive) survey of the Ministry of the Interior: for most of the budget headings, the comparison shows small differences between the two surveys. For the following years, pending availability of the Ministry of the Interior survey, the final results from the sample survey (as regards cash revenue and expenditure) were compared with those of the (exhaustive) survey of cash flows conducted by the Ministry of Economy (MEF) and embedded in the Quarterly Cash Report (Relazione trimestrale di cassa RTC_MEF). The results of the two surveys were consistent as regards receipts and payments. This was a further element that confirmed the reliability of the ISTAT survey.

The data source for the Provinces is the exhaustive collection of the final account certificates.

1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

The estimation of these local government authorities accounts is based, as already mentioned, on the most detailed data sources available for year of estimation.

So for year n-2 the detailed budget reporting of Current and capital revenue and expenditure is commonly used for all of them, Regions, Provinces and Municipalities. The availability of these data allows a better approximation of the accrual criteria of evaluation than what will be possible simply by using the cash flows from the RTC-MEF.

For the year n-1, missing this source of data (detailed budget reporting), the estimations are based on the rate of increase/decrease of the corresponding transactions reported in the RTC.

1c) Complementary codification at data source, by counterpart sector

As regions do not follow homogeneous accounting rules, it is necessary to use a complementary codification, approved by the State/Regions Conference, of the revenue and expenditure chapters representing the elementary unit of budget accounting. This system of linking the regional accounts was drawn up by a working group of state, regions and ISTAT experts in the 1980s; since 1986, the regions and autonomous provinces have applied the classification system resulting from the work of that group, as set out on the Treasury Circular 18th March 1986, to the several regional accounting systems. Up to now, this system of codification – synthesized as SIR (Informative system of the Regions)- is used for building the regions' accounts as it provides relevant information in terms of both economic and functional classification. In fact, also whether a heavy general revision of the basic data source is usually required, information can be gathered on the counterpart sector of the various transactions under examination. For instance, when analysing current and capital transfers, different codes are used depending on the final recipients/beneficiaries. So it is possible to distinguish between transfers made to other government units, households, non profit institutions serving households, corporations.

Legislative Decree 76/2000¹⁹ “Basic principles and rules for coordination in regional budgets and accounting” ratified the importance of regional finance, alongside state and local finance, in pursuing the goals of convergence and stability arising from Italy's membership of the European Union and reaffirmed that, at this level of government too, the practice of the authorities concerned should be such as to ensure compliance with the constraints²⁰ imposed at national level. The fact²¹ that the authorities were empowered to adopt regional finance acts made it ever more desirable for the regional accounting systems to be aligned with the state system (see Annex 4).

Relevant details for a better classification of transfers, generally considered on a cash basis, by counterpart sector are expected to come from the full entrance into force of the SIOPE system of classification of cash payments and receipts. This system of codification²² considers, for both payment and receipts, a classification of transactions according to a very detailed list of the different kind of payers/recipients, even more detailed than in the National accounts schemes for the institutional sectors accounts.

Concerning Municipalities and provinces, for which data are generally reported under the same scheme (the survey on the final accounts certificates which are compiled by the authorities in accordance with the model laid down by Act 97/96), counterpart information are generally available from the economic classification. Also in this case, as for the Regions but in a less detailed format, transfers are classified according the following counterpart sectors: corporations (also comprehensive of public companies), other institutional sectors (households and NPISH), other government bodies.

1d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.

In these sub-sectors there is no information deriving from financial statements (profit and loss accounts). As reported in table 3a and 3b, Istat uses the budget reporting that, as already described in the previous paragraph, contains all the relevant counterpart information for both current and capital expenditures and revenues.

In some cases, besides the register of regions' data, always covering the whole regions' universe, additional details on the revenue and expenditure chapters are used, coming directly from the authorities concerned (see table 3a in the previous pages: detailed analysis of some mixed transactions by counterpart sector provided by the regions).

1e) Consistency of classifications used in this sub-sector and in the Budget Reporting of other General Government units.

There is no full consistency of classification across all government bodies. The full consistency is achieved in the NA Directorate where different classifications are homogenized

¹⁹ Official Journal State 1/4/2000, Legislative Decree 76 of 28 March 2000: Basic principles and rules for coordination in regional budgets and accounting, pursuant to Article 1(4) of Act 208 of 25 June 1999.

²⁰ Article 1(1).

²¹ Article 1(3).

²² See the appendix on SIOPE

and re-grouped according to the ESA95 definition of transactions. In the case of Regions, Provinces and Municipalities the situation is as follows.

The classification of transactions for Regions follows the already mentioned SIR scheme that fits, when strictly adopted, ESA95 requirements. For the Regions sub-sector the main issue, that is still pending, is the progressive dismissal of this basic standardized classification.

The classification of transactions for the Provinces and the Municipalities follows the model prescribed by the Ministry of the Interior survey (Act 97/96). They fit quite well the NA transactions classification, therefore only minor revisions are needed to adapt them to ESA95 requirements and the accrual criteria.

1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

For the Regions the source is the Budget reporting in the detailed format of current and capital revenue and expenditure.

The construction of the ESA95 account for the provincial and municipal authorities is based on the final accounts certificates, exhaustively surveyed by the Ministry of Interior up to n-2 for both Provinces and Municipalities as described under point 4.1.1. The construction of the economic account for the year n-1 is based on the trend of cash data flows, derived from the Quarterly Cash Report (RTC_MEF), and applied to the final estimates of year n-2.

1g) Nature of the data sources – cash, accrual or mixed

The data sources are a mixture of cash and accruals data, except for sources used for the previous year n-1 early in year n, where the data are cash-based. The basic data are reported as commitments (legal accrual) and payments on the expenditure side and as assessments (legal accrual) and receipts on the revenue side. For the implementation of the accrual criteria see the Annex 3.

1h) Circumstances in which data available from basic sources is consolidated.

Data available from basic data sources are non consolidated. They present the total expenditure and revenues with respect to all the other institutional units of both the rest of Government bodies and the other institutional sectors. For instance when receiving data for the regions each of them provides information on the transfers made and received from the other regions inside the sub-sector. ISTAT is the institution responsible for the consolidation process. This process of consolidation involves the taxes (IRAP, and other taxes collected by the 2 Autonomous provinces and the 4 Regions with special status) that are recorded in the Regions' accounts and are collected through the Revenues Agency and then paid in the Treasury accounts entitled to the Regions.

1i) Changes in the accounting rules foreseen in the near future (if any).

For the time being no relevant changes are foreseen in the near future; at least until the EDP notification of the next year. Relevant improvements are expected in connection with the full running of the SIOPE system (see Annex 10).

4.1.2 Data sources for Local Government: Local Government bodies / non-profit institutions

These local bodies are predominantly administering and undertaking provision of health-care services. Starting from the 2007 EDP transmission there has been a change in the data source. Until the 2006 EDP transmission there were two separate sources: one for Local Health Agencies and Hospital Agencies and another for Scientific Institutes for Research, Hospitalization and Health Care (IRCCSs) and university polyclinics (POLs). Since this edition the data source has been unified in that the quarterly and annual Ministry of Health surveys of the income and expenditure statements of the Local Health Agencies and Hospital Agencies has been extended to cover the IRCCSs and POLs as well.

2a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 4 a – Source Data Accounting

Local Health Agencies, Hospital Agencies, Scientific Institutes for Research, Hospitalization and Health Care (IRCCSs) and university polyclinics (POLs)

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	Budget Reporting				
	Summary				
	(1) Current revenue and expenditure	NA / NU	NA / NU	NA / NU	NA / NU
	(2) Current and capital revenue and expenditure	NA / NU	NA / NU	NA / NU	NA / NU
	(3) Current and capital revenue and expenditure and financial transactions	NA / NU	NA / NU	NA / NU	NA / NU
	(4) Balance sheets	NA / NU	NA / NU	NA / NU	NA / NU
	Detailed				
	(5) Current revenue and expenditure	NA / NU	NA / NU	NA / NU	NA / NU
	(6) Current and capital revenue and expenditure	NA / NU	NA / NU	NA / NU	NA / NU
	(7) Current and capital revenue and expenditure and financial transactions	NA / NU	NA / NU	NA / NU	NA / NU
	(8) Balance sheets	NA / NU	NA / NU	NA / NU	NA / NU
	Financial Statements				
A	(9) Profit and loss accounts	A / U	A / U	A / U	A / U
A	(10) Balance sheets	NA / NU	A / U	NA / NU	A / U
	Other Reporting				
	(11) Statistical surveys	NA / NU	NA / NU	NA / NU	NA / NU
C	(12) Other: Quarterly cash report (RTC_MEF)	A / U	A / U	A / U	A / U

The source is the quarterly and annual Ministry of Health surveys of the income and expenditure statements of the Local Health Agencies, Hospital Agencies (ASLs and AOs) and Scientific Institutes for Research, Hospitalization and Health Care (IRCCSs) and university polyclinics (POLs) conducted by using a standard survey form (CE) laid down by the Ministerial Decree of. 13 November 2007. As such this data source, also if defined as a

survey, should be considered an administrative source. Also in this case the basic data source is checked according to statistical procedures before being used in the National accounts estimations. The breakdown in the income and expenditure statement is not only useful for compiling the general government consolidated account but also yields the information needed to construct the social protection satellite account (health function).

As from the reference year 2001, the survey forms are returned for the annual forward budget, at quarterly intervals and for the annual final statement of accounts. For previous years, returns were made only for the forward budget and the annual final accounts.

With the survey, the Ministry of Health obtains an annual overall figure from each region; the regional authority sums the annual income and expenditure statements of the individual ASLs, AOs, IRCCSs and POLs consolidating all items corresponding to buying and selling between these bodies, also known as "internal mobility transactions", so that costs and receipts are not artificially inflated. For example, if an ASL buys a service from an AO for one of its clients, it will enter the purchase in its accounts under costs, whereas the AO will enter the charge for the service under receipts and under costs will enter the spending on the factors of production used to provide the service (goods and services procurement and labour costs). If the income and expenditure statements of the two institutions were added together, costs would be duplicated; the purchase by the ASL must therefore be eliminated from costs and the proceeds realised by the AO from receipts (both being actually transfers) in order to record the actual cost incurred.

To compile the accounts at national level, the same consolidation process must then be carried out by the Ministry of Health in order to identify dealings between agencies in different regions, which give rise to "external mobility transactions".

2b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

As noted above there are specific surveys for each of these bodies. Anyway for each of them and its accounting practice there is only one available accounting report.

2c) Complementary codification at data source, by counterpart sector

The survey forms include information on the principal transactions by counterpart sector.

2d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.

Complementary information are used to consolidate the transfers between public bodies; the Quarterly cash report (RTC_MEF) is used to calculate the transfers between State and ASLs/AOs/ IRCCSs/POLs.

2e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units in other sub-sectors of General Government.

There is no full consistency of classification across all government bodies. The full consistency is achieved in the NA where different classifications are homogenized and re-grouped according the ESA95 definition of transactions.

2f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

The data sources have been already described under point 2a).

2g) Nature of the data sources – cash, accrual or mixed

The data sources are accrual for the whole set of producers of health services: Local Health Agencies, Hospital Agencies, Scientific Institutes for Research, Hospitalization and Health Care (IRCCSs) and university polyclinics (POLs).

2h) Circumstances in which data available from basic sources is consolidated.

Basic data are consolidated among the units belonging to the sub-sector (as explained at point 2.a) but not between sub-sectors. For assessing the transfers on a cash basis the Public Sector Cash Flows survey, carried out by the Ministry of Economic Affairs and Finance, is used.

2i) Changes in the accounting rules foreseen in the near future (if any).

No changes foreseen.

4.1.3 Data for the current year (n-1) notified in April (n) - detailed explanation**i) Common data sources used for finalized and half-finalized data for the current year in the first notification.**

See 2.1.3 i)

ii) Data sources specifically used in the context of the first notification.

See 2.1.3 ii)

iii) Estimation methods that may be used in the context of the first notification

For Regions, Provinces, Municipalities and other local government bodies (except ASLs, AOs, IRCCSs and POLs) the year n-1 estimates, in absence of the final accounts

certificates, are made by applying to the year n-2 figures the rates of change in the corresponding cash account headings from the RTC_MEF, as previously described. For the Healths' institutions the estimations are directly made as described at point 2.a.

4.1.4 Auditing Process

I) Working balances of Local Government that were submitted to an auditing process.

The procedures set up for Local government bodies are similar to what actually happens for the State but, up to now, they don't have the same formal requirements. The results of the auditing process for Local government bodies don't form a legal constraint for the Institutions under examinations. They are more general comments on the observation/respect of the following requirements: parameters fixed in the Internal Stability Pact (Patto di stabilità interno), parameters foreseen in the Borrowing Act for Local government bodies, respect of the equilibrium foreseen for the balancing items of the budget reporting. These reports, containing also comments on the managing of the institution and recommendations on the need of transparency and clarity of reporting of data, are then transmitted to the institutions' decisional bodies (Municipality Council, Regional Council, etc.).

An enlargement of the auditing power has been introduced by the 2006 Financial Act foreseeing additional controls on Local government bodies, aimed at the monitoring of coordination of public finance equilibrium. The formal check of the bookkeeping has to be performed and formal auditing comments must be given in case of relevant formal violations of the public accounting rules.

II) Incorporation of the findings of the auditing process in the national accounts.

As previously described up to now, the auditing process hasn't produced decisions that constitute legal requirements for the institutions under examinations. A possible incorporation of the finding of the auditing process in the national accounts is under examination, in cooperation with the Italian Court of Auditors, depending on the results of the new requirements established with the 2006 Financial Act.

4.2 Data treatment

4.2.1 Half finalized and finalized data

a) Original source of data used as a starting step

As described above, the sources of data for Local Government bodies derive from the institutions' Budget reporting, that are surveyed by the Ministry of the Interior, the Ministry of Health, the Ministry of Economy and Finance and by ISTAT. These statements report data on cash and legal accruals basis or purely on a cash basis, depending on the body concerned, but generally they present data according to the legal requirement for reporting.

b) Financial transactions that may be included in the public accounts of local Government and are excluded in notification table 2.

Financial transactions listed on EDP Notification table 2C are derived from the Quarterly cash accounts (RTC_MEF) in order to ensure consistency with the Local government Working balance.

c) Information and the method (s) used for the adjustment cash/accrual for items other than interest.

Commitments-based data are available from local government bodies' budget reporting such as regions, municipalities and provinces. They are the base for the accrual estimations of the following transactions in the national accounts: compensations of employees, intermediate consumptions, social benefits and subsidies on production.

d) Sources and methods used for the calculation of interest on an accrual basis.

Local government interests paid accounts for nearly 5% of the total amount of interests paid by General government. Being not in the position of reproducing the same calculation performed for the State, they are generally calculated on a due for payment basis from the basic data sources, unless an actual accrual data is present in the basic data sources (such as in the case of the Local Health Units). Anyway the comparison of the basic data sources between the commitments and cash based interest paid yields a difference of a negligible amount, nearly 1%.

e) Information on other accounts receivable/payable that may be provided in the data sources.

As noted above there are both commitments-based data and cash data available from regions, provinces and municipalities' budget reporting. These are used for the estimations of other accounts receivable/payable.

f) Sources and method (s) for the adjustment related to units classified within or outside local Government.

Sources used for the classification of units within or outside S.1313, and more in general with respect to S.13 as a whole, are derived from the classification of transactions by counterpart sector. In the case of Region, starting from the elementary items of the budget classification, a work of comparison is generally done with respect to the units that belong to the General government according to ESA95 definition and the units that are, in a less precise way, defined as "public" in the regions' budget reporting. Based on this work the reclassification of units is done. In the case of the State the adjustments are easier for two main reasons: with the State Budget Reform Act n. 94/1997 the ESA95 definition of General government had been assumed as the reference universe of the State itself; secondly the transactions done by the State are easier recognizable because they are generally directed to

bigger entities, that can be private or public, or to groups of entities as defined in the sub-grouping of S.13.

g) Other adjustments regularly implemented.

Adjustments are regularly made for transfers from local bodies to other General Government bodies which are viewed as corporations in the Local Government budget reporting, missing the already mentioned standardization in the definition of the counterpart sectors, and vice versa. This work is currently done for the Regions, the budget reporting of which are available in the most analytical version; these institutions are the main Local government bodies that transfer relevant amounts to other local bodies. The latter are the actual producers of public services such as health (Local Health Units), services supporting education (Bodies for the Right to university education (ADISU)), recreational and cultural services (public theatres etc.) and the like.

h) Sources of information used for transactions which need specific attention (in cases where they are not directly identifiable in public accounts): debt assumption, debt cancellation, privatization, securitisations and capital injection into public corporations owned by local Government.

For the Regions the main sources of information are, as already mentioned, their budget reporting. For Provinces and Municipalities the preliminary work is based on the monitoring of the cash flows provided, analytically, by the MEF. These databases are analysed in order to detect relevant transfers to corporations and public corporation and then, in case of a positive answer, coming directly to the institution involved in the operation for further details that can be useful to decide any possible more appropriate classification (a typical example is the case of capital injection into public corporations owned by local Government that has to be reclassified as other capital transfer to corporations). In particular, for correctly classifying capital injections granted by public units to public companies as financial or non-financial transactions, a detailed analysis of all Municipalities and other local government bodies flows towards public corporations is carried out by combining various data sources. In the first step, the NA directorate uses the ISTAT data of the Structural Business Statistics and the Business Registers (ASIA- “Statistical register of active enterprises”), in order to draw up the list of the public corporations defined according to the ESA95 criteria (that is, the control and/or more than 50% of the shares or other equity are owned by units belonging to the general government). From this list the National accountants extract the subset of corporations that declared any loss in their balance sheet in the observed period. In the second step, these data are matched with the MEF data on capital injections (source: MEF Quarterly Cash Report-RGS) in order to identify all the public corporations suffering losses that received capital injections by the local administration units: Region, Municipalities and other local bodies).

This third step encompasses an analysis at the level of any single corporation. All those corporations that were granted with non marginal capital injections (more than 1 million euro) are identified. It is supplemented by the careful examination of the public decision acts (regional “delibere” etc.), with which the local body have granted the capital injections, and other specific reports on public utilities. In this context, data extracted from the Union of the Chambers of Commerce database are also used.

The last step consists in cross-checking the different data sources in order to identify, according to the MGGDD, the capital injections to be reclassified as capital transfers.

This has been done regularly starting from the 2003 release. The other transactions more debt related are monitored according to the information available among the institutions involved (MEF, Bank of Italy and ISTAT) that are additional with respect to those contained in the Budget reporting.

4.2.2 Revision process

Steps in the revision process of data, after the first notification.

Concerning the process of producing Deficit figures please see paragraph 2.2.2.

As to the availability of new data sources it must be pointed out that, for Local government and Social Security Funds, during the rest of the year data from public accounting reporting - and profit and loss accounts when adopted, as well - follow an established path that is related to the formal approval by their government boards, such as the board of the regions, of the provinces, municipalities and so on.

According to the legal constraint the government bodies have to approve their budget reporting by sixth months after the closing date – for instance the budget for the year 2006 should be approved by the end of June 2007. The data acquisition and the processing require a long period and the connected databases become available only by January of the following year. It should be recalled that this process concerns a very large number of government bodies, nearly 10,000.

4.2.3 Other adjustments regularly implemented

- The item *Capital injections to public corporations by local administrations* (negative sign) captures reclassifications of Shares and other equities (in public accounts) into capital transfers impacting the deficit.
- The item *Other adjustments* includes adjustments not elsewhere accounted between the Net lending/net borrowing and the Working balance of table 2C.

5. Social Security Funds data

This section describes the availability and use of main data sources for the Social Security Funds Government sub-sector (S.1314) by type of unit and the adjustments made in order to fully comply with the ESA95 definitions. It also covers the treatment for half finalized, finalized and current data, and the process of revision of data.

The social security funds sub-sector comprises 27 institutional units. This relatively large number stems from the fact that the Italian welfare sector is marked by specialization of the various funds by profession and industry insured. In financial terms and in terms of the population protected, the largest body is the INPS (National Institute of Social Insurance) with which most private-sector employees and self-employed workers have sickness, old-age and survivors' insurance and unemployment insurance. The second large institution is INAIL (National Institute for Insurance against Accidents at Work), which insures most employees and self-employed workers against occupational accidents and diseases. In order of size of the aggregates concerned, the third institution is the INPDAP (National Insurance Institute for Employees of the Public Administration) for public employees. There are also various bodies for the liberal professions (one for each professional register) or particular vocational categories such as journalists (INPGI – National Welfare Institution for Italian Journalists) and entertainment workers (ENPALS – National Welfare and Assistance Office for Workers in the Entertainment Business).

Some of the units in the sub-sector have public and some private legal status. Legal status is not the factor which determines whether a fund belongs to the general government sector; what is important is its principal activity: the delivery of social protection benefits. This is done by operating social protection schemes in which certain groups of the population are obliged by law or by regulation to participate or to pay contributions; moreover, general government is responsible for the management of the institution in respect of the settlement or approval of the contributions and benefits independently from its role as supervisory body or employer. It is thus a matter of operating social security systems, irrespective of the legal nature of the body operating them.

5.1 Availability and use of data sources

5.1.1 Data sources available for Social Security Funds

1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 5 – Source Data Accounting ²³

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	Budget Reporting				
	Summary				
C/A	(1) Current revenue and expenditure	NA / NU	A / U	NA / NU	A / U
	(2) Current and capital revenue and expenditure	NA / NU	A / U	NA / NU	A / U
	(3) Current and capital revenue and expenditure and financial transactions	NA / NU	A / U	NA / NU	A / U
	(4) Balance sheets	NA / NU	A / U	NA / NU	A / U
	Detailed				
	(5) Current revenue and expenditure	NA / NU	A / U	NA / NU	A / U
C/A	(6) Current and capital revenue and expenditure	NA / NU	A / U	NA / NU	A / U
	(7) Current and capital revenue and expenditure and financial transactions	NA / NU	A / U	NA / NU	A / U
C/A	(8) Balance sheets	NA / NU	A / U	NA / NU	A / U
	Financial Statements				
	(9) Profit and loss accounts	NA / NU	NA / NU	NA / NU	NA / NU
	(10) Balance sheets	NA / NU	NA / NU	NA / NU	NA / NU
	Other Reporting				
C/A	(11) Statistical surveys	NA / NU	A / U	NA / NU	A / U
C	(12) Other: RTC	A / U	A / U	A / U	A / U

Note: Lines 6 and 8 refer to public funds, whereas lines 11 and 12 refer to private and public funds.

Funds with public legal status are required to compile a financial-style statement typical of public accounting. Only the INPS produces an economic statement too, linked with the financial statement, quantifying transition headings by means of accruals and deferrals and elimination of collection and payment arrears on both the revenue and expenditure side. This is exceptional for a public body. However, the economic part of the statements is not as detailed as the financial part.

The bodies with private legal status, which include those serving the liberal professions, are required to compile an income and expenditure statement and a balance sheet according to the accounting principles laid down in the Civil Code, which are characteristic of private-sector businesses.

ISTAT has produced two forms for returns from the social security institutions to accommodate the two forms of accounting.

1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

²³ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
 C (Cash), A (Accrual), M (Mixed Cash-Accrual)

As noted above, the survey forms are tailored to the accounting basis used by the body.

However the original statements of the larger institutions such as the INPS, INAIL and INPDAP are worked on directly without using the survey form, partly in order to obtain a greater degree of detail and partly because the institutions are unable to reply to a form that is too synoptic in relation to the large number of chapters used in compiling the financial statements. By working directly on the original statements, it is possible to make a closer analysis of the movements in certain headings than in others, capturing the effect on expenditure and revenue of legislative changes in contribution rates and benefits.

1c) Complementary codification at data source, by counterpart sector

Data source includes information on necessary transactions by counterpart.

1d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.

Data on the securitisation of social contribution credits and on the depreciation of social contribution credits are collected separately.

1e) Consistency of classifications used in this sub-sector and in the Budget Reporting of other General Government units.

There is no full consistency of classification across all government bodies. In the absence of such a standardization of the basic data sources the full consistency is achieved in the NA where different classifications are homogenized and re-grouped according to the ESA95 definition of transactions.

1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

As noted above, ISTAT has produced two survey forms for returns from the social security institutions to accommodate the two forms of accounting: ISTAT-SIP.EP1 for the final statements of social security institutions with a public legal status reflects the financial approach on legal accrual basis (assessments and commitments) and a cash basis (receipts and payments), while ISTAT-SIP.EP1Bis for the final statements of the social security institutions with a private legal status is a Financial Statements type (Profit and loss accounts and Balance sheets).

1g) Nature of the data sources – cash, accrual or mixed

The financial-style form presents the economic flows in terms of assessments/commitments and collections/payments. These flows are translated into accrual terms by an approximation to the ESA95 concept using the available information. For the transactions concerning the production and the income redistribution items corresponding to

social contributions and benefits, the approximation to accrual accounting is based on the use of financial accrual data as represented by assessments/commitments. For the other redistribution transactions, such as current and capital account transfers, interest payments and capital formation transactions, the approximation to accrual accounting is receipts/payments, since financial accrual is remote from the economic reality which is to be represented for ESA95 purposes.

Employers' actual social contributions and employees' social contributions are recorded at the time when the work that gives rise to the liability to pay the contributions is carried out. Essentially, contributions arising from employed work follow the time of recording of remuneration, so that it is necessary to shift the amounts to adjust for any time lag between the pay period and the period in which the contributions due to the social insurance funds are paid (see below on compensation of employees). Such an adjustment is not necessary for social contributions due by the self-employed persons.

As regards the amount to be recorded, it often happens that the enterprise which has to pay the contributions postpones the payment and, over time, builds up a contribution debt to words the social insurance fund. Since the charge base for the contributions (remuneration or the business income of self-employed workers) tends to grow steadily over time and, in recent decades, the contribution rates have generally increased progressively, the contributions owed (i.e. declared by the enterprises to the social insurance funds) are always higher than those actually paid. The opposite position, that is contributions in cash higher than those accrued, might occur if contribution rates are cut (to an extent this is what one might expect in the near future in Italy, since some types of contribution have been abolished or reduced).

Accumulation of a contribution debt by the undertakings is naturally matched by the accumulation of a claim by the social insurance funds. However, this claim may be partially non-existent, since the undertakings may fail and so disappear as debtor units, or it may be too difficult for the social insurance fund to realize the claim.

In the method implemented by ISTAT has developed, due allowance has therefore been made for the contribution claims which, for several reasons, may not be realised. This involves taking account of reserves in claim-depreciation funds which, in particular as regards the INPS (which receives the greatest portion of social contributions collected in the economy), are defined on the basis of actual confirmation that claims do exist and are recoverable²⁴. It is not easy to identify the level of irrecoverable credits resulting from the disappearance of the debtor unit gone under bankruptcy. To be on the safe side, the entire reserve has therefore been regarded as if the debtor's insolvency were entirely due to causes other than bankruptcy or closure of the debtor unit. Hence the entire difference between accumulated contribution claims and claims actually recoverable has been entered, in the general government non financial account, as a deduction from social contributions computed on an accrual basis. No entry is thus made in the account for other changes in volume, and the impact on the deficit is in no way influenced by the failure to collect because of bankruptcy.

To sum up: NA social contributions = budgetary assessments - claim-depreciation provisions +/- adjustments for time lag.

²⁴ A specific survey carried out by the INPS allows to precisely calculate the proportion of insolvent contributors by category (small firms, tradesmen, traders etc.). The provisions made by the INPS also include those for claims against firms engaged in settlement proceedings, whilst this figure is omitted by the INAIL.

Where data are available on an economic accounts basis, it is considered that reporting is coherent with the ESA95 accrual principle and therefore there is no need for adjustment.

1h) Circumstances in which data available from basic sources is consolidated.

Complementary information are used to consolidate the transfers between public bodies; the Quarterly cash report (RTC_MEF) is used to calculate the transfers between State and Social security funds.

1i) Changes in the accounting rules foreseen in the near future (if any).

No changes foreseen.

However additional studies are carrying out together with INPS experts in order to check the reliability of the accrual method of calculation of social contribution and to assess the possibility to adopt alternative methods.

5.1.2 Data for the current year (n-1) notified in April (n) - detailed explanation

i) Common data sources used for finalized and half-finalized data for the current year in the first notification.

See 2.1.3 i)

ii) Data sources specifically used in the context of the first notification.

See 2.1.3 ii)

iii) Estimation methods that may be used in the context of the first notification

For the year n-1, the ISTAT survey on the final statements of the social security institutions is not available. The estimates for the general government non financial account are made using the quarterly RGS survey on the cash accounts of public bodies. The estimates for the year n-1 (here 2008) are made by multiplying the n-2 (2007) figure for each economic heading and for each institution, by the annual rates of change (2008/2007) of the corresponding figures collected through these cash account surveys. If the cash operations include components typical of the cash basis only (e.g. payments/receipts in arrears and/or in advance) accruals are estimated by making a suitable adjustment in the annual cash rates of change.

5.1.3 Auditing Process

I) Working balances of each of the sub-sectors that were submitted to an auditing process.

The procedures set up for Social security funds are similar to what actually happens for the State (see point 2.1.4) but they don't have the same formal requirements. The results of the auditing process for Social security funds don't form a legal constraint for the Institutions under examinations. The main bodies are singularly audited and the findings are transmitted to the board of directors.

For the main bodies the Italian Court of Auditors publishes a report; for example, for Inps the Court publishes annually the "Relazione sul risultato del controllo eseguito sulla gestione finanziaria dell'Istituto nazionale della previdenza sociale (INPS)".

II) Incorporation of the findings of the auditing process in the national accounts.

As previously described up to now the auditing process has not produced decisions that constitute legal requirements for the institutions under examinations. A possible incorporation of the finding of the auditing process in the national accounts is under examination, as for the Local government bodies ,(see point 4.1.4).

5.2 Data treatment

5.2.1 Half finalized and finalized data

a) Original source of data used as a starting step

As noted above, the main source is the ISTAT survey on the final accounts statements of the social security funds, with a standard questionnaire designed to elicit the greatest possible degree of detail, especially as regards social benefits in cash, for use in compiling the social protection satellite account in accordance with the ESSPROS Manual (European System of Integrated Social Protection Statistics). ISTAT has produced two survey forms for the social security fund accounts, reflecting the two types of accounting practice.

In order to obtain a finer level of detail, the main social security funds (INPS, INAIL, INPDAP) are asked directly for their final budget reporting and non-accounting data on detailed analyses not reflected in the public accounting documents, in addition to the data obtained by the annual survey.

b) Adjustments for financial transactions in units' data sources used for units classified in the Social Security Funds sub-sector.

As described for Local government, the RTC data source is used for financial transactions in order to ensure consistency with the EDP Notification Table 2D working balance.

c) Information and the method (s) used for the adjustment cash/accrual (excluding interest) for social contributions and social benefits.

See 5.1.1 1g) above.

One advantage of the estimation procedure adopted by ISTAT is that it allows consistent treatment of any assignment of claim made by the social insurance funds: if social contributions are recorded on the basis of the accrual principle (which, as we have seen, is based on highly prudential criteria in the ISTAT procedure), it is consistent regarding the assignment of claims as a financial transaction; conversely, if the contributions are recorded on a cash basis, such assignment has to be treated as an economic transaction, meaning that the income deriving from the assignment must be regarded as contribution receipts in the year in which it is obtained.

d) Sources and method used for the calculation of interest on an accrual basis where units' data sources provide only information on a cash basis.

Data sources provide information both on a commitment and on a cash basis. As in the case of local government, SSF interest paid are of a negligible amount.

e) Information on other accounts receivable/payable that may be provided in units' data sources.

As explained in section 5.1.1 1g) above, data are available from the accounts of the Social Security Funds on an accrual or commitment basis (depending on the type of accounting). Where data are on a commitment basis, adjustments are made to obtain accrual data for the national accounts. Thus the accounts receivable/payable applicable to these transactions can be obtained.

f) Other adjustments regularly implemented.

An adjustment has been made in some years for the securitisation of social contributions credits.

5.2.2 Revision process

Steps in the revision process of data, after the first notification.

See 4.2.2

Other adjustments regularly implemented

- The item *Flows related to INPS securitisation operations not included in the Working Balance* (positive entry) shows an adjustment for the securitisation of social contributions credits. Relevant only up to 2003.
- The item *Other adjustments* comprise adjustments not elsewhere accounted between the Net lending/net borrowing and the Working balance of table 2D.

PART II: general government debt and financial accounts

Compiler: Bank of Italy

6. Actual data on government debt

6.1 Half finalized and finalized data

a) Adjustments to the data sources that may be needed in order to value debt according to the specific EDP rules for each government sub-sector.

Basic sources used for the compilation of EDP debt allow to directly retrieve value of different debt instruments for all sub-sectors which are consistent with EDP evaluation criteria. No ad hoc adjustment is made to values recorded in basic sources (for a detailed list of basic sources for debt instruments issued by general government sub-sectors see Annex 7 Part 3).

b) Sources of information used for the consolidation of debt and the valuation of holdings at the level of each government sub-sector (intra-flows and positions) and at the level of general government sector (inter-flows and positions).

Basic sources for consolidating items are information provided by MFI's reports to Banca d'Italia "Banking Supervision Department", CDP Spa and Poste Italiane Spa (for details see Annex 7 Part 3).

c) Use of financial accounts for the implementation of notification table 3, concerning assets and other liabilities.

Financial assets and other liabilities are compiled on the basis of the financial accounts produced by Banca d'Italia. The component of Other financial assets and liabilities in Other accounts receivable and payable (F.7) is provided by ISTAT. A more detailed explanation, with a source breakdown by financial instrument, is reported in Annex 7, part 3.

d) Sources of information for the adjustments relating to transactions in debt instruments that are not valued at the nominal (face) value of the instrument, for each government sub-sector

Adjustment items related to differences between market and face value are computed by the Department of Treasury of the Ministry of Economy – Public debt management division. A detailed explanation is provided in annex 7, part 2.

For cross checking Banca d'Italia provides information on adjustment items related to issuances/redemptions above/below par and appreciation and depreciation of foreign currency debt both for general government and for all the sub-sectors. Banca d'Italia data are retrieved from information available to Banca d'Italia "Monetary and Foreign Exchange Rate Department" and Ufficio Italiano Cambi (for details see Annex 7 Part 3).

e) Sources of information used for the adjustments relating to a change in nominal debt that does not result from a transaction (other change in volume), for each government sub-sector.

Changes in volume related to the transformation of CDP have been computed using data requested on an ad hoc basis to CDP Spa (a statistical note was included in the accompanying documents to September 2005 notification).

6.2 Data for the current year notified in April

a) Data sources that may be used specifically in the context of the first notification

Concerning general government (and all its sub-sectors) debt data at first notification provided by Banca d'Italia are finalized data. No estimation procedure is used (see Annex 7 Part 3).

b) Estimation methods that may be used in the context of the first notification.

Concerning general government (and all its sub-sectors) debt data no estimation procedure is used in the production of Banca d'Italia statistics on debt (see Annex 7 Part 3).

c) Steps in the revision process of data, after the first notification.

Concerning general government (and all its subsectors) debt data minor revisions due to changes in the underlying sources are included monthly in data officially released by Banca d'Italia. Major revisions following either methodological changes or ad hoc reviews of sources are implemented by Banca d'Italia either with the release of the Annual Report (end of May) or with the second notification (see Annex 7 Part 3).

PART III: specific issues

Compiler: ISTAT

7. Specific issues

7.1 Long-Term Contracts between Government and Private Entities

7.1.1 Identification and data sources of long-term contracts between Government and Private Entities (PPPs).

To determine which contracts concluded by government bodies and corporations are “Public Private Partnerships” (hereinafter, “PPPs”) as defined in the Eurostat Decision of 11 February 2004, it’s necessary to know the specific clauses and economic and financial terms of each contract.

To this purpose, article 44 bis of Law Decree n. 248/2007, become Law n. 31/2008, has established that UTFP (Technical Financial Project Unit), in accordance with the Italian National Institute of Statistics (ISTAT), issues some Guidelines for Public Administrations, specifying what information regarding the above mentioned PPP operations is to be communicated to UTFP and how to transmit it.

The contractual arrangements between institutional units related to PPP operations and the economic-financial plans as from 1 January 2000 allow to analyse the features of the PPP operations, listed in the Eurostat Decision, with the aim at punctually defining their treatment in national public accounts. In particular the Business Plan is the document itemising assumptions and basic conditions for the economic and financial balance of both investments and management throughout the concession period. Therefore, Business Plan represents the instrument to estimate project profitability and thus to justify proposed tariffs or fees (in the case of works for direct use by Public Administration), as well as hypothetical need for public grants upon investment execution. Business Plan is moreover recalled in art.153 of the Code as a key element in proposal evaluation.

The analysis of contractual clauses allows to assess the extent of risk transfer in the PPP operations.

7.1.2 Alternative data sources in cases of lack of comprehensiveness or reliability.

Useful information, although not exhaustive, are available in some Institutions and Agencies of regulation and/or planning in the public sector. These information are available in the Authority for the Supervision of Public contracts, that is an independent body with the mission to supervise the public procurement market and in the Department for Economic Policy Coordination and Planning. These sources are in progress of examination by Istat.

7.1.3 Terminology used for PPPs in the national language(s) and correspondence in English.

National legislation only provides a definition of Public Private Partnership. Public Private Partnership, indeed, refers to numerous different forms of cooperation between public sector and private sector.

7.1.4 Legal instruments, including laws, regulations, or decrees, governing or regulating PPPs.

Law 109/94

Legislative Decree 190/02

Legislative Decree 163/2006

Legislative Decree 152/2008

Law 31/2008 art.1 c.1

Guidelines for Public Administrations, 24 march 2009.

7.2 Long-term contracts for military equipment

As regards the treatment of the State expenditure related to military goods and equipment not convertible to a civil use, the following methodology has been implemented by ISTAT in close cooperation with the Ministry of Defense.

Payments recorded in the State Budget under the items “Purchase of Goods and Services” and “Gross Fixed Capital Formation”, made in years 2003-2006 and foreseen for the period 2007-2011, have been analysed in order to identify those to be treated according to Eurostat decision n.31/2006, concerning military equipment under long term contracts.

Government expenditure has been recorded at the time of delivery of operational goods. According to the transitional arrangements included in the mentioned decision, the change in methodology has been applied since 2005, because of the difficulty to properly reconcile for past years the value of the payments to the actual deliveries.

As a consequence, delivered equipment from 2005 onwards has been recorded on a delivery basis for an amount proportionately reduced for pre-payments already recorded as government expenditure in previous years.

The identification of the relevant equipment has been carried through a detailed analysis of each investment program of the Ministry of Defense, in order to point out the activities producing individual and operational pieces of equipment, the values of the single piece and the number of pieces delivered each year. The values included in the contracts have then been recalculated in order to account for the pre-payments occurred up to 2004.

7.3 Pension Schemes

7.3.1 Definition of pensions

The following codes are applicable to classification of coverage of pension schemes:

1) disability pensions	(disability)
2) early retirement benefits due to reduced capacity to work	(disability)
3) old age pensions	(old age)
4) anticipated old age pensions	(old age)
5) partial pensions	(old age)
6) survivors' pensions	(survivors)
7) early retirement benefits for labour market reasons	(unemployment)

The expression “pensions” usually given at national level includes the categories from 1 to 7. In particular, the available sources provide the following detail:

- a) disability pensions;
- b) old age pensions;
- c) survivors’ pensions;
- d) early retirement benefits for labour market reasons.

The category 2 of the questionnaire is included in national definition of a); the categories 4 and 5 are included in the national definition b).

7.3.2 Classification of pension schemes

The following Table lists pension schemes in Italy. The key for the "Coverage" numbers can be found in section 7.3.1 above, and the key for "Scheme" can be found below the table.

Pension schemes in Italy

#	Scheme name	Coverage	Scheme
1	INPS – Fondo pensioni lavoratori dipendenti	1-3-6	A
2	INPDAP (Istituto nazionale previdenza dipendenti amministrazione pubblica)	3-6	A
3	Assicurazione previdenziale sostitutiva dell'Assicurazione generale obbligatoria	1-3-6	A
4	Fondi previdenziali integrativi dell'assicurazione generale obbligatoria	1-3-6	A
5	INPS – Gestione degli interventi assistenziali e di sostegno alle gestioni previdenziali	1-3-6-7	A – E
6	Assicurazione previdenziale dei lavoratori autonomi	1-3-6	A
7	Casse previdenziali liberi professionisti	1-3-6	A
8	Assicurazione previdenziale per particolari categorie professionali	1-3-6	A
9	Assicurazione previdenziale non lavoratori	3	A
10	Assicurazione generale contro gli infortuni sul lavoro e le malattie professionali	1-6	A
11	INAIL - Gestione assicurazione contro gli infortuni domestici	1	A
12	Assicurazione contro gli infortuni sul lavoro e le malattie professionali per particolari categorie professionali	1-6	A
13	Assicurazione sociale prevista per contratto gestita dai datori di lavoro del settore privato	3-6	D
14	Assicurazione sociale obbligatoria gestita dai datori di lavoro del settore pubblico	3-6	D
15	Assicurazione sociale prevista per contratto gestita dai datori di lavoro del settore pubblico	3-6	D
16	Fondi pensione	1-3-6	B
17	INPS - Gestione per l'erogazione delle pensioni, assegni ed indennità agli invalidi civili	1	E
18	Interventi di assistenza sociale delle Amministrazioni pubbliche centrali	1-6	E

The key codes for "Scheme" above are as follows:

- A. social security schemes;
- B. private funded schemes administered by insurance companies or autonomous pension funds;
- C. private funded schemes operated by employers, which maintain special reserves (segregated from other reserves)
- D. private unfunded schemes operated by employers (without special reserves);
- E. social assistance;
- F. other insurance.

Data on the economic aggregates by scheme are available in the context of Eurostat ESSPROS database. ISTAT provides annually data for years n-1, n-2, n-3.

For information on each scheme, please see the following Table according to the classification criterions in ESSPROS:

Scheme by ESSPROS classification

ITALIA	Central government scheme	State/local government scheme	Contractual priv. employees scheme	Non-contr. priv. employees scheme	Other private scheme	Compulsory schemes	Scheme available by law	Other non-compulsory scheme	Contributory scheme	Non-contributory scheme	Universal scheme	General scheme	Special for civil servants scheme	Special for self-employed scheme	Other occupational scheme	Other scheme	Basic scheme	Supplementary scheme
INPS - Fondo pensioni lavoratori dipendenti	X					X			X								X	
INPDAP (Istituto nazionale previdenza dipendenti amministrazione pubblica)	X					X			X				X				X	
Assicurazione previdenziale sostitutiva dell'Assicurazione generale obbligatoria	X					X			X						X		X	
Fondi previdenziali integrativi dell'assicurazione generale obbligatoria	X						X	X							X			X
INPS - Gestione degli interventi assistenziali e di sostegno alle gestioni previdenziali	X					X				X		X						X
Assicurazione previdenziale dei lavoratori autonomi	X					X			X				X					X
Casse previdenziali liberi professionisti	X					X			X						X			X
Assicurazione previdenziale per particolari categorie professionali	X					X			X						X			X
Assicurazione previdenziale non lavoratori	X						X		X							X		X
Assicurazione generale contro gli infortuni sul lavoro e le malattie professionali	X					X			X			X						X
INAIL - Gestione assicurazione contro gli infortuni domestici	X					X			X							X		X
Assicurazione contro gli infortuni sul lavoro e le malattie professionali per particolari categorie professionali	X					X			X						X			X
Assicurazione sociale prevista per contratto gestita dai datori di lavoro del settore privato		X						X	X						X			X
Assicurazione sociale obbligatoria gestita dai datori di lavoro del settore pubblico		X				X			X						X			X
Assicurazione sociale prevista per contratto gestita dai datori di lavoro del settore pubblico		X						X	X						X			X
Fondi pensione		X						X	X						X			X
INPS - Gestione per l'erogazione delle pensioni, assegni ed indennità agli invalidi civili	X					X				X	X							X
Interventi di assistenza sociale delle Amministrazioni pubbliche centrali a favore di: invalidi, anziani, superstiti, famiglie, infanzia, disoccupati, immigrati, profughi, alcolisti, tossicodipendenti, vittime di guerra, ecc., in stato di bisogno ed a rischio di esclusione sociale	X					X				X	X							X

7.3.3 *Classification of social insurance pension schemes*

Generally the participants in the social insurance schemes are “workers”.

The Assicurazione previdenziale non lavoratori scheme (#9) and the INAIL - Gestione assicurazione contro gli infortuni domestici (#11) insure housewives and ex-workers who decide to continue to pay contributions to increase the value of their future pension come from the compulsory social security scheme. These schemes satisfy the par. 4.87 b) of ESA95; they are organized on the collective base.

Social security schemes cover all or the majority of workers or certain professional categories of workers in their whole.

The pension scheme in Italy established for the participation of civil servants, which is classified as a social security scheme, is the scheme 2 of the first table above. This scheme is managed by a Social security fund, named INPDAP, which covers (exclusively) all civil servants. To consider INPDAP as a private scheme would cause an asymmetry in the economic representation: a compulsory scheme for a particular category of workers (as the journalists) is a social security scheme, while a scheme organized for a more large section of workers should be a private scheme only because it covers civil servants. General Government controls INPDAP as any other Social security fund for private sector (for example INPS); the General Government, in this case, does not act as an employer; Government controls INPDAP, which is a Social security fund created for the collection of actual social contributions and the payment of pensions for a large section of workers (the whole population of civil servants).

In the Italian national accounts the rule of the par. 4.89 is however applied for all the schemes created and managed by a General government unit for its own employees.

Social security schemes are managed by Social security funds (they cannot be managed by employers). A "non-employee worker scheme" cannot be managed by an employer simply because the latter doesn't exist. If the participation is obliged by General Government, the scheme is a social security scheme (A); otherwise the scheme is a B type.

There are two voluntary schemes managed by Social security funds in the context of the managing of social security schemes. In particular, the INPS (National Institute of social security) manages the principal national social security scheme and manages voluntary schemes as a secondary activity. It would be difficult to separate this activity. However the phenomenon is not economically relevant. The schemes are 4 and 9 of the list in the first table. These schemes are encouraged by General government sector and managed by Social security funds.

Scheme 4 includes not compulsory social insurance schemes for particular categories of workers. This scheme pays a pension that integrates the pension paid by compulsory social security scheme.

Scheme 9 includes a social insurance scheme for housewives (not compulsory) and a social insurance scheme for ex-workers (not compulsory) who decide to continue to pay contributions to increase the value of their future pension.

ESA95 annex III (§4) allows the inclusion of voluntary schemes managed by Social security funds (General Government) into social security schemes. Scheme B is managed by Insurance enterprises and pension funds. These schemes cover specific and restricted sections of the population. The participation can be encouraged, but not obliged, by the General Government and obliged or encouraged by the employer.

Italian National Accountants calculate the property rights of the households only for schemes B and C, since only the reserves of private funded social insurance schemes are regarded by Italian National Accounts as owned by policy holders, who receive property income.

For the time being, "partially funded schemes" do not exist in Italy. As a matter of fact some money purchase pension funds classified in S125 exist in Italy: they are nothing but old funds, set previously to DL 124/99 on pension funds, who are disappearing and whose relevance is practically nil.

7.3.4 Definition of social security schemes

Generally social security schemes are compulsory schemes and the obligation comes from Government, but in limited cases the general government can manage voluntary social security schemes in the context of the compulsory social security system.

Social security schemes are managed by Social security funds; Social security funds are included into General Government sector because they are controlled by General Government; then social security schemes are controlled by definition by General Government sector. The social security scheme is financed by current transfers by General Government or by the contributions imposed; the level of contributions and benefits paid is controlled by General Government.

7.3.5 Classification of institutional units supporting pension schemes. Borderline cases

The pension schemes in Italy are classified by sub-sector as follows:

		Categories of pension schemes					
		A	B	C	D	E	F
Institutional sectors/ sub-sectors	S.11	XX	NO	NO	YES	NO	NO
	S.121	XX	NO	YES	YES	NO	NO
	S.122	XX	NO	YES	YES	NO	NO
	S.123	XX	NO	NO	YES	NO	NO
	S.124	XX	NO	NO	YES	NO	NO
	S.125	XX	YES	YES	YES	NO	YES
	S.1311	NO	XX	NO	YES	YES	NO
	S.1312	NO	XX	NO	YES	NO	NO
	S.1313	NO	XX	NO	YES	NO	NO
	S.1314	YES	XX	NO	YES	YES	NO
	S.14	XX	NO	NO	NO	NO	NO
	S.15	XX	NO	NO	YES	NO	NO
S.2	YES	YES	NO	NO	NO	NO	

Yes = there are institutional units belonging to the sector/sub-sector which support (run) pension scheme of the specified category;

No = there is no institutional unit belonging to the sector/sub-sector which supports (runs) pension schemes of the specified category;

XX = the combination is impossible.

The code key for the category of pension schemes may be found in section 7.3.2.

Scheme 13 (see first table above) is supported by employers belonging to different sectors.

Schemes 14 and 15 are supported by government employers belonging to different sub-sectors of S13.

Scheme 16 is supported by units belonging to S121, S122 and S125.

In National Accounts the valuation of flows and stocks is made at level of single institutional unit; then the attribution to the different sectors is automatic. The valuation at the level of scheme of the schemes 13, 14, 15 and 16 is made as addition of institutional units involved.

Borderline cases:

In Italy all social security schemes are supported by Social security funds. All "private funded schemes administered by insurance companies or autonomous pension funds" are supported by insurance corporations and pension funds.

There are no Italian government units that support any funded pension scheme. The government units support unfunded pension schemes for their own employees; this is the case of Regions, Social security funds, State and Local Government units. These schemes are of type D.

7.4 Guarantees

7.4.1 Treatment of new guarantees provided

New guarantees are treated as contingent liabilities, and are therefore not recorded in the national accounts.

7.4.2 Treatment of Guarantees called (and not repaid within the same year by the original debtor)

In general, Guarantees called are treated as capital transfers to other institutional units. There have been very few called guarantees (see the EDP questionnaire table IIIA) whose evidence is given by the uses of the State budget item ad hoc devoted. For those few cases, the capital transfer in the accumulation accounts has been balanced by a cash outflows, F.2 disposal, with no debt assumption, neither has any claim to the original debtor been recorded on the asset side.

7.4.3 Treatment of repayments related to guarantees called

Given that no claim has arisen for any called guarantees there have been no repayments from the original debtor.

7.4.4 Treatment of write-offs by government, if any, of government assets that arose from calls

See par. 7.4.2

PART IV: Data produced by Ministry of Economy and Finance

Compiler: Ministry of Economy and Finance - Department of Treasury

8. Data produced by Ministry of Economy and Finance - Department of Treasury

8.1 Introduction

Regarding the notification on Government debt and deficit to be compiled twice a year, the Department of Treasury of the Ministry of Economy – Public Debt Management Division, provides data on:

Adjustment on Central Government debt data on table 3B, in details:

- a1) Net incurrence in liabilities in financial derivatives;
- a2) Appreciation/depreciation of foreign currency debt;
- a3) Issuance above/below par;
- a4) Interests on State securities on a cash and an accrual basis;
- a5) Redemption of debt above/below par.

8.2 Data on Central Government Debt - adjustment items¹

Basic Sources and methods of adjustment to national accounts framework

Four kinds of liabilities are taken in consideration:
BOT; CTZ; BTP; CCT.

The first two are zero coupon bonds (less or 1 year and 2 year of tenor respectively), BTPs are fixed rate notes issued in 3, 5, 10, 15 and 30 years; index linked BTPs 5, 10 and 30 year tenor. CCTs are 7 year floating rate notes. All these securities are issued by the Public Debt Management Division, which is one of the divisions of the Department of Treasury. Hence all the information come from that division which is regularly editing them on the public debt website (www.publicdebt.it).

In details you can find in the Area "Italian Government Securities New Issues" the announcement of the new bonds (features and nominal amounts) and in "Auction Results" the price at which the bonds are allocated in real time. Further, Quarterly Bulletin, which provides the issuance summary of the last 3 months, is published on the website with one month lag.

This is relevant to compile the line "Issuance above/below par".

The adjustment data referred to local Government bonds are provided by Banca d'Italia.

The Department of Treasury is in charge for the buy back in advance of Government bonds, hence, when that is the case, we also compile the line Redemption of debt above/below

¹ For items a4) and b1) see Section 2.

par. Bonds are bought back on the resources of the Sinking Fund for Government Securities, where all the privatization proceeds are conveyed, and on the deposit (asset) held by the Treasury at Bank of Italy (the Treasury Cash Account).

Finally the Department of Treasury is also responsible for the foreign currencies funding and manages the derivatives desk for the Central Government Debt. Hence, the division is in charge of compiling the two lines "Net incurrence in liabilities in financial derivatives" and "Appreciation/depreciation of foreign currency debt" , according to ESA95 and the Manual on government deficit and debt rules. Banca d'Italia provides data referred to local authorities debt used to compile the line "Appreciation/depreciation of foreign currency debt".

Data on a2), a3) and a5) are also made available as memo items for cross checking by Banca d'Italia (see Part 3 Section 1.4).

8.3 Steps in data notified

a) Accuracy of data at first notification and estimation method used.

All data available at first notification are finalized data. No estimation procedure is used.

b) Process of data revision after first notification.

There is usually any revision after the first notification let alone any material mistake which are revised promptly in the proper areas of the public debt website and taken into account in the end of September notification.

8.4 Interest expenditures

Introduction

The Public Debt Management Division is responsible for computing actual data and forecasting data for the interest expenditure, both on accrual and cash basis, of Central Government securities (BTP (including BTP€i), CCT,CTZ and BOT).

Basic Sources

The interest expenditure data, on the above mentioned securities, are based on a database updated with the placement results (auctions and syndications).

The forecasts are obtained through an internal simulation model, for which the input data are the following:

- the outstanding domestic debt;
- the forecast of net borrowing requirement of the "non domestic debt", provided by the competent units of the Public Debt Management Division;
- the Primary Balance, provided by the State General Accounting Department (RGS);

- the forecast privatizations, provided by the competent division of the Department of Treasury;
- the data on postal savings certificates, provided by the Cassa Depositi e Prestiti²;
- other financial transactions to be financed (partite finanziarie);
- the interest rates scenario;
- the issuance strategy.

The General Government interest expenditure is obtained aggregating the following data:

- domestic interest expenditure, calculated within the Public Debt Management Division, based on the above mentioned assumptions;
- non-domestic interest expenditure and information on swap operations, provided by the competent units of the Public Debt Management Division;
- postal savings certificates interest expenditure, provided by Cassa Depositi e Prestiti (see footnote 2);
- interest expenditure for local government, provided by the State General Accounting Department;

Methods of adjustment to national accounts framework

The adjustments to national account framework both for the item a4 and b1 mentioned in the introduction and for the reconciliation between current accounts and financial accounts are carried out by ISTAT, on the basis of the information provided by the other institutions

8.5 Steps in data notified

High level of accuracy is assured since the first notification; some database revision may give rise to negligible revisions.

² Following December 11 2003 some of the postal saving certificates have been classified as debt of the new Cassa Depositi e Prestiti , a public corporation outside the General Government. The latter provides data on the postal saving certificates still encompassed in the public debt stock.

PART V: ANNEXES**ANNEX 1: S.13 General Government List**

Starting from July 2005 ISTAT compiles and publishes, by law requirement (2005 Financial Law: L. 311/2004), the List of units belonging to the general government sector. The boundaries of the general government sector are defined by the methodological rules set in ESA 95 (S13).

The list is published on the Official Journal of the Italian Republic only once a year, but it is updated at regular intervals or whenever it is deemed necessary to take account of changes in the classification of institutional units, the birth of new entities or the death of units. The list is published also on ISTAT website www.istat.it.

The list reproduced below has been published on July 31 2009 on the Official Journal of the Italian Republic n. 176.

All'INTERNO della Gazzetta Ufficiale:

ISTITUTO NAZIONALE DI STATISTICA

Elenco delle amministrazioni pubbliche inserite nel conto economico consolidato individuate ai sensi dell'articolo 1, comma 5, della legge 30 dicembre 2004, n. 311 (Disposizioni per la formazione del bilancio annuale e pluriennale (Legge Finanziaria 2005)).

Le amministrazioni pubbliche inserite nel conto economico consolidato sono individuate nell'elenco che segue. L'elenco è compilato sulla base di norme classificatorie e definitorie proprie del sistema statistico nazionale e comunitario (Regolamento UE n. 2223/96, SEC95 – Sistema Europeo dei Conti).

I criteri utilizzati per la classificazione sono di natura statistico-economica, indipendenti dal regime giuridico che governa le singole unità istituzionali.

Elenco Amministrazioni Pubbliche per tipologia¹**Amministrazioni Centrali****Presidenza del Consiglio dei Ministri e Ministeri²****Organi costituzionali e di rilievo costituzionale****Agenzie fiscali**

- Agenzia del demanio
- Agenzia del territorio
- Agenzia delle dogane
- Agenzia delle entrate

Enti di regolazione dell'attività economica

- Agenzia italiana del farmaco – AIFA
- Agenzia nazionale per la sicurezza delle ferrovie
- Agenzia nazionale per la sicurezza del volo – ANSV
- Agenzia nazionale per i servizi sanitari regionali – AGE.NA.S
- Agenzia per la diffusione delle tecnologie per l'innovazione
- Agenzia per la rappresentanza negoziale delle P.A. – ARAN
- Agenzia per le erogazioni in agricoltura – AGEA
- Cassa conguaglio per il settore elettrico
- Cassa conguaglio trasporti di gas petroli liquefatti
- Centro nazionale per l'informatica nella Pubblica Amministrazione – CNIPA
- Comitato nazionale permanente per il microcredito

Enti produttori di servizi economici

- Agenzia autonoma per la gestione dell'albo dei segretari comunali
- Agenzia nazionale del turismo
- Amministrazione degli archivi notarili
- Anas S.p.a
- Centro per la formazione permanente e l'aggiornamento del personale del servizio sanitario - CEFPAS
- Ente nazionale per l'aviazione civile – ENAC
- Ente nazionale risi
- Fondo di rotazione per le politiche comunitarie
- Fondo innovazione tecnologica
- Fondo mobilità manodopera
- Formez – Centro formazione e studi
- Gestione ex azienda di stato per le foreste demaniali

¹ La classificazione statistica per tipologia è introdotta esclusivamente per facilitare la lettura dell'elenco.

² Le Istituzioni scolastiche e le istituzioni per l'alta formazione artistica, musicale e coreutica sono considerate a fini statistici Unità Locali del Ministero dell'Istruzione, Università e Ricerca.
Le Soprintendenze speciali dotate di autonomia gestionale e altri Istituti dotati di autonomia speciale sono considerati a fini statistici Unità Locali del Ministero per i beni e le attività culturali.

Gruppo Equitalia³
Istituto nazionale per il commercio estero – ICE
Italia Lavoro S.p.a
Patrimonio dello Stato S.p.a.

Autorità amministrative indipendenti

Agenzia per le organizzazioni non lucrative di utilità sociale
Autorità garante della concorrenza e del mercato – ANTITRUST
Autorità per la vigilanza sui contratti pubblici di lavori, servizi e forniture
Autorità per le garanzie nelle telecomunicazioni
Autorità per l'energia elettrica e il gas
Commissione di garanzia per l'attuazione della legge sullo sciopero nei servizi pubblici essenziali
Garante per la protezione dei dati personali
Registro Italiano Dighe – RID⁴

Enti a struttura associativa

Associazione nazionale autorità e enti di ambito – ANEA
Associazione nazionale comuni italiani – ANCI
Associazione nazionale consorzi universitari – ANCUN
Conferenza dei rettori delle università italiane – CRUI
Federazione dei Consorzi di Bacino Imbrifero Montano – FederBIM
Fondazione centro sperimentale di cinematografia
Fondazione della conferenza dei rettori delle Università italiane
Fondazione Istituto per la finanza e l'economia locale – IFEL
Unione delle province d'Italia – UPI
Unione italiana delle camere di commercio industria artigianato e agricoltura - UNIONCAMERE
Unione nazionale comuni comunità enti montani – UNCEM

Enti produttori di servizi assistenziali, ricreativi e culturali

Accademia della Crusca
Accademia internazionale di scienze ambientali
Accademia nazionale dei Lincei
Agenzia nazionale per i giovani
Agenzia per la promozione e l'educazione alla salute, la documentazione, l'informatica e la promozione culturale in ambito socio sanitario
Agenzia per lo svolgimento dei XX giochi olimpici invernali Torino 2006
ARCUS S.p.a. Società per lo sviluppo dell'arte, della cultura e dello spettacolo
Associazione italiana della Croce Rossa – Comitato centrale CRI
Centro per la formazione in economia e politica dello sviluppo rurale
Comitato italiano paralimpico
Comitato nazionale italiano per il collegamento tra il Governo e l'ONU per l'alimentazione e l'agricoltura
Comitato olimpico nazionale italiano – CONI
Coni Servizi S.p.a.
Ente teatrale italiano – ETI
Federazione ginnastica d'Italia (FGdI)
Federazione italiana badminton (FIBa)
Federazione italiana baseball softball (FIBS)
Federazione italiana canoa kayak (FICK)
Federazione italiana canottaggio (FIC)
Federazione italiana cronometristi (FICr)
Federazione italiana danza sportiva (FIDS)
Federazione italiana di atletica leggera (FIDAL)
Federazione italiana di tiro con l'arco (FITARCO)
Federazione italiana discipline armi sportive da caccia (FIDASC)
Federazione italiana giuoco calcio (FIGC)
Federazione italiana giuoco handball (FIGH)
Federazione italiana giuoco squash (FIGS)
Federazione italiana hockey (FIH)

³ Sono incluse le controllate consolidate secondo il metodo integrale.

⁴ Soppreso con Decreto legge 3 ottobre 2006 N°262, art.45.

Federazione italiana hockey e pattinaggio (FIHP)
 Federazione italiana judo lotta karate arti marziali (FIJLKAM)
 Federazione italiana motonautica (FIM)
 Federazione italiana nuoto (FIN)
 Federazione italiana pentathlon moderno (FIPM)
 Federazione italiana pesistica e cultura fisica (FIPCF)
 Federazione italiana scherma (FIS)
 Federazione italiana sci nautico (FISN)
 Federazione italiana sport del ghiaccio (FISG)
 Federazione italiana sport invernali (FISI)
 Federazione italiana taekwondo (FITA)
 Federazione italiana tennis tavolo (FITET)
 Federazione italiana tiro a volo (FITAV)
 Federazione italiana triathlon (FITRI)
 Federazione italiana vela (FIV)
 Federazione medico sportiva italiana (FMSI)
 Federazione pugilistica italiana (FPI)
 Fondazione biblioteca europea di informazione e cultura – BEIC
 Fondazione centro internazionale radio medico – CIRAM
 Fondazione Festival dei due mondi di Spoleto
 Fondazione Istituto nazionale del dramma antico
 Fondazione La Biennale di Venezia
 Fondazione La Quadriennale d'arte di Roma
 Fondazione La Triennale di Milano
 Fondo edifici di culto
 Istituto italiano per l'Africa e l'Oriente
 Istituto nazionale per la promozione della salute delle popolazioni migranti ed il contrasto delle malattie della povertà
 Lega italiana per la lotta contro i tumori
 Museo storico della liberazione
 Segretariato europeo per le pubblicazioni scientifiche – SEPS
 Unione italiana tiro a segno
 Unione nazionale incremento razze equine – UNIRE
 Unione nazionale ufficiali in congedo d'Italia

Enti e Istituzioni di ricerca

Agenzia nazionale per lo sviluppo dell'autonomia scolastica
 Agenzia per la promozione della ricerca europea
 Agenzia spaziale italiana – ASI
 Centro Italiano per la Ricerca Aerospaziale – CIRA S.p.a.
 Fondazione Centro Ricerche Marine di Cesenatico
 Consiglio nazionale delle ricerche – CNR
 Consiglio per la ricerca e sperimentazione in agricoltura – CRA
 Consorzio per l'area di ricerca scientifica e tecnologica di Trieste
 Ente italiano montagna – EIM
 Ente per le nuove tecnologie l'energia e l'ambiente – ENEA
 Fondazione Bruno Kessler
 Fondazione Edmund Mach
 Fondazione istituto italiano di tecnologia
 Istituto di studi e analisi economica - ISAE
 Istituto italiano di medicina sociale
 Istituto italiano di studi germanici
 Istituto nazionale agronomico per l'oltremare
 Istituto nazionale di alta matematica "Francesco Severi" - INDAM
 Istituto nazionale di astrofisica - INAF
 Istituto nazionale di economia agraria – INEA
 Istituto nazionale di fisica nucleare - INFN
 Istituto nazionale di geofisica e vulcanologia – INGV
 Istituto nazionale di oceanografia e geofisica sperimentale – OGS
 Istituto nazionale di ricerca metrologica - INRIM
 Istituto nazionale di ricerca per gli alimenti e la nutrizione
 Istituto nazionale di statistica - ISTAT

Istituto nazionale per la valutazione del sistema dell'istruzione - INVALSI
 Istituto nazionale per studi ed esperienze di architettura navale - INSEAN
 Istituto per lo sviluppo della formazione professionale dei lavoratori - ISFOL
 Istituto superiore di sanità - ISS
 Istituto superiore per la prevenzione e la sicurezza del lavoro - ISPESL
 Istituto superiore per la protezione e la ricerca ambientale - ISPRA⁵
 Museo storico della fisica e centro studi e ricerche Enrico Fermi
 Museo Tridentino di scienze naturali
 Stazione Zoologica Anton Dorn

Istituti e stazioni sperimentali per la ricerca

Istituti zooprofilattici sperimentali
Stazioni sperimentali per l'industria

Amministrazioni locali

Regioni e province autonome

Province

Comuni

Comunità montane

Unioni di comuni

Agenzie ed Enti per il diritto allo studio universitario

Agenzie ed Enti per il turismo⁵

Agenzie ed Enti regionali del lavoro

Agenzie ed Enti regionali per la ricerca e per l'ambiente

Agenzie regionali per la rappresentanza negoziale

Agenzie regionali per le erogazioni in agricoltura

Agenzie regionali sanitarie

Autorità di Ambito Territoriale Ottimale

Autorità portuali

Aziende ospedaliere, Aziende ospedaliere universitarie, Policlinici e Istituti di ricovero e cura a carattere scientifico pubblici

Aziende sanitarie locali

Camere di commercio, industria, artigianato e agricoltura

Consorzi di Bacino Imbrifero Montano – BIM

Consorzi di polizia municipale costituiti tra Enti locali

Consorzi di vigilanza boschiva costituiti tra Enti locali

Consorzi e Enti autonomi gestori di Parchi e Aree Naturali Protette⁷

Consorzi intercomunali dei servizi socio assistenziali

Consorzi interuniversitari di ricerca

Consorzi e fondazioni universitari costituiti tra Enti locali⁸

Enti regionali di sviluppo agricolo

Fondazioni lirico – sinfoniche

Università e istituti di istruzione universitaria pubblici⁹

Teatri stabili ad iniziativa pubblica

⁵ Ai sensi dell'art. 28 del D.L. 112/2008 svolge le funzioni dei tre Enti soppressi: Agenzia nazionale per la protezione dell'ambiente e per i servizi tecnici – APAT , Istituto centrale per la ricerca scientifica e tecnologica applicata al mare – ICRAM, Istituto nazionale per la fauna selvatica.

⁶ Sono inclusi gli enti, le agenzie e le società di promozione turistica a prevalente finanziamento pubblico.

⁷ E' incluso in tale tipologia l'Ente regionale Roma Natura.

⁸ E' incluso in tale tipologia il Consorzio per gli studi universitari di Verona.

⁹ Sono incluse in tale tipologia l'Università della Valle d'Aosta, la Libera Università di Bolzano, l'Università di Urbino, l'Istituto Universitario di Studi Superiori di Pavia, la Scuola IMT Alti studi di Lucca, l'UKE – Libera Università Kore di Enna.

Altre amministrazioni locali¹⁰

Agenzia interregionale per il fiume Po - AIPO
 Agenzia per i servizi nel settore agro alimentare delle Marche
 Agenzia per la mobilità metropolitana di Torino
 Agenzia per la ricerca in agricoltura della regione Sardegna – AGRIS
 Agenzia regionale delle strade del Piemonte – ARES
 Agenzia regionale per i parchi
 Agenzia regionale per la difesa del suolo del Lazio - ARDIS
 Agenzia regionale per la tecnologia e l'innovazione della Puglia – ARTI
 Agenzia regionale per le residenze reali del Piemonte
 Agenzia regionale rifiuti e acque della Sicilia – ARRA
 Agenzia Umbria Ricerche
 Associazione Arena Sferisterio-Teatro di tradizione
 Associazione comuni bresciani
 Associazione dei comuni l'Eve della Valle d'Aosta
 Associazione teatrale pistoiese
 Authority - Società di trasformazione urbana S.p.a
 Azienda bergamasca formazione
 Azienda forestale della regione Calabria
 Azienda promozione economica Toscana – APET
 Azienda servizi sociali Bolzano
 Azienda speciale villa Manin
 Azienda provinciale foreste e demanio - Landesbetrieb für Först-und Domänenverwaltung
 Azienda speciale protezione civile e servizio antincendio - Sonderbetrieb für die Feuerwehr-und Zivilschutzdienste
 Azienda strade Lazio S.p.a – ASTRAL
 Biblioteca Tessmann - Landsbibliothek Dr. Friedrich Tessmann
 Centro di ricerca, sviluppo e studi superiori in Sardegna – CRS4 surl
 Centro sperimentazione agrario e forestale Laimburg - Land-und Forstwirtschaftliches Versuchszentrum Laimburg
 Centro mondiale della poesia e della cultura G. Leopardi
 Co.Ge.Ca consorzio per la gestione di un canile di Asti
 Consorzio Alta Gallura di Olbia Tempio
 Consorzio Alta Valdera
 Consorzio brianteo per l'istruzione media superiore e l'educazione di Lecco
 Consorzio casalese rifiuti
 Consorzio Comuni per il lavoro di Valdina
 Consorzio Crescere Insieme di Vibo Valentia
 Consorzio dei comuni della sponda bresciana del lago di Garda
 Consorzio del comprensorio opitergino
 Consorzio del Lario e dei laghi minori
 Consorzio di bacino alessandrino per la raccolta e il trasporto dei rifiuti solidi urbani
 Consorzio di bacino dei rifiuti dell'astigiano
 Consorzio di bonifica 10 Siracusa
 Consorzio di bonifica 2 Palermo
 Consorzio di bonifica 7 Caltagirone
 Consorzio di bonifica del Musone, Potenza, Chienti, Asola e Alto Nera
 Consorzio di bonifica della Piana Reatina
 Consorzio di bonifica integrale dei fiumi Foglia, Metauro e Cesano
 Consorzio di bonifica integrale del Ferro e dello Sparviero
 Consorzio di bonifica Piana di Sibari e Media Valle Crati
 Consorzio di ricerca del Gran Sasso
 Consorzio di ricerca filiero carni di Messina
 Consorzio di ripopolamento ittico Golfo di Patti
 Consorzio di solidarietà di Nuoro
 Consorzio Due Giare
 Consorzio forestale Media Val di Sole

¹⁰ Sono inclusi gli enti per i quali è stato accertato il possesso dei requisiti richiesti dal Regolamento UE n. 2223/96 (SEC95 – Sistema Europeo dei Conti).

Consorzio gestione associata dei laghi Ceresio, Piano e Ghirba
Consorzio gestione associata dei laghi Maggiore, Comabbio, Monate e Varese
Consorzio intercomunale del Montefeltro di Pesaro e Urbino
Consorzio intercomunale Mappano (TO)
Consorzio intercomunale Vallesina – Misa di Ancona
Consorzio Istituto per la cooperazione allo sviluppo di Alessandria
Consorzio Istituto per la storia della Resistenza della provincia di Alessandria
Consorzio Istituto per la storia della Resistenza e della società contemporanea di Asti
Consorzio lago di Bracciano
Consorzio Li Stazzi di Olbia-Tempio
Consorzio obbligatorio unico di bacino del Verbano, Cusio, Ossola,
Consorzio per il sistema bibliotecario Castelli Romani
Consorzio per il sistema informativo regionale SIR Umbria
Consorzio per l'area di sviluppo industriale del Calatino di Caltagirone
Consorzio per l'area di sviluppo industriale di Agrigento
Consorzio per l'area di sviluppo industriale di Caltanissetta
Consorzio per l'area di sviluppo industriale di Catania
Consorzio per l'area di sviluppo industriale di Enna
Consorzio per l'area di sviluppo industriale di Gela
Consorzio per l'area di sviluppo industriale di Messina
Consorzio per l'area di sviluppo industriale di Palermo
Consorzio per l'area di sviluppo industriale di Ragusa
Consorzio per l'area di sviluppo industriale di Siracusa
Consorzio per l'area di sviluppo industriale di Trapani
Consorzio per la depurazione delle acque tra i comuni di Villafranca di Verona e Povegliano Veronese
Consorzio per la gestione associata dei laghi d'Iseo, Endine e Moro
Consorzio per la gestione della biblioteca astense
Consorzio per la pubblica lettura S. Satta di Nuoro
Consorzio per la valorizzazione turistica Dolce Nordest
Consorzio per lo sviluppo del Polesine – CONSVIPO di Rovigo
Consorzio progetto locale percorsi di ambiente nella terra di mezzo di Nuoro
Consorzio Sardegna ricerche per l'assistenza alle piccole e medie imprese
Consorzio scolastico Alta Valle Susa
Consorzio servizi rifiuti del Novese, Tortonese, Acquese e Ovadese
Consorzio smaltimento rifiuti area biellese – COSRAB
Consorzio sviluppo Anglona di Sassari
Consorzio Sviluppo Civile Bono di Sassari
Consorzio sviluppo e legalità dell'Ogliastra
Consorzio cultura e legalità di Sassari
Consorzio Tirreno Eco Sviluppo 2000 – Spadafora (ME)
Consorzio valorizzazione rifiuti 14
Consorzio Vicenza E'
Consorzio Villa Serra
Ente per le ville vesuviane
Ente autonomo regionale Teatro di Messina
Ente foreste della Sardegna
Ente irriguo umbro – toscano
Ente Olivieri – Museo archeologico oliveriano
Ente parco archeologico storico naturale delle chiese rupestri del materano
Ente regionale teatrale del Friuli Venezia Giulia - ERT
Ente siciliano per la promozione industriale
Ente tutela pesca della regione Friuli Venezia Giulia
Ente zona industriale Trieste – EZIT
Fondazione centro internazionale di studi di architettura A. Palladio
Fondazione centro studi Leon Battista Alberti
Fondazione Gioacchino Rossini
Fondazione i Pomeriggi Musicali
Fondazione i Teatri di Reggio Emilia
Fondazione lucchese per l'Alta formazione e la ricerca
Fondazione Mantova capitale europea dello spettacolo
Fondazione museo di fotografia contemporanea di Cinisello Balsamo
Fondazione musicale Santa Cecilia di Venezia

Fondazione Rossini Opera festival
 Fondazione Teatro Marengo
 Fondazione università Gabriele D'Annunzio
 Fondazione universitaria Venezia – IUAV
 Istituto culturale ladino
 Istituto culturale mocheno – cimbro
 Istituto di cultura ladino Micurà De Rù - Istitut ladin Micurà De Rù
 Istituto di ricerche economico – sociali – IRES
 Istituto F. S. Nitti - Agenzia regionale per lo sviluppo delle risorse amministrative ed organizzative
 Istituto incremento ippico per la Sicilia
 Istituto musicale in lingua tedesca e ladina - Institut für Musikerziehung in deutscher
 Istituto per la promozione dei lavoratori IPL - Arbeitsförderungsinstitut - AFI
 Istituto per l'educazione musicale in lingua italiana A. Vivaldi Bolzano
 Istituto pugliese di ricerche economiche e sociali – IPRES
 Istituto regionale della vite e del vino
 Istituto regionale di ricerca della Lombardia – IRER
 Istituto regionale per la cultura istriano-fiumano dalmata – IRCI
 Istituto regionale per la programmazione economica della Toscana – IRPET
 Istituto regionale ville tuscolane
 Istituto regionale ville venete
 Istituto superiore regionale etnografico
 Italia Lavoro – Sicilia S.p.a.
 Laore Sardegna
 Museo Castello del Buonconsiglio, monumenti e collezioni provinciali
 Museo d'arte moderna e contemporanea – Trento
 Museo degli usi e costumi della gente trentina
 Museo provinciale dell'Alto Adige per la cultura e la storia ladina
 Parco geominerario della Sardegna
 Patrimonio del Trentino S.p.a
 Piceno Sviluppo S.c.r.l.
 Porto Conte ricerche S.r.l
 Quadrilatero Marche - Umbria S.p.a.
 Radiotelevisione azienda speciale provincia di Bolzano - RAS
 Resais S.p.a.
 Riscossione Sicilia S.p.a
 Serit Sicilia S.p.a
 Sicilia Patrimonio Immobiliare S.p.a
 Società di trasformazione urbana di Parma "Area Stazione S.p.a."
 Società di trasformazione urbana di Parma "Metro Parma S.p.a."
 Società Opere Pubbliche di Interesse Regionale S.p.a.
 Sviluppo e patrimonio S.r.l
 Trentino Riscossione S.p.a
 Veneto Agricoltura
 Veneto Strade S.p.a

Enti nazionali di previdenza e assistenza sociale

Enti nazionali di previdenza e assistenza sociale

Cassa di previdenza e assistenza per gli ingegneri ed architetti liberi professionisti -
 INARCASSA
 Cassa italiana di previdenza e assistenza dei geometri liberi professionisti
 Cassa nazionale del notariato
 Cassa nazionale di previdenza e assistenza dei dottori commercialisti – CNPADC
 Cassa nazionale di previdenza e assistenza dei ragionieri e periti commerciali – CNPR
 Cassa nazionale di previdenza e assistenza forense
 Ente di previdenza dei periti industriali e dei periti industriali laureati – EPPI
 Ente di previdenza e assistenza pluricategoriale – EPAP
 Ente nazionale di assistenza magistrale – ENAM
 Ente nazionale di previdenza e assistenza a favore dei biologi – ENPAB
 Ente nazionale di previdenza e assistenza degli psicologi – ENPAP
 Ente nazionale di previdenza e assistenza dei farmacisti – ENPAF

Ente nazionale di previdenza e assistenza della professione infermieristica – ENPAPI
Ente nazionale di previdenza e assistenza lavoratori dello spettacolo e dello sport professionistico – ENPALS
Ente nazionale di previdenza e assistenza per i consulenti del lavoro – ENPAKL
Ente nazionale di previdenza per gli addetti e gli impiegati in agricoltura – ENPAIA
Ente nazionale previdenza e assistenza dei medici e degli odontoiatri – ENPAM
Fondazione ENASARCO
Fondo Agenti Spedizionieri e Corrieri – FASC
Istituto di previdenza per il settore marittimo – IPSEMA
Istituto nazionale di previdenza dei giornalisti italiani G. Amendola – INPGI
Istituto nazionale di previdenza per i dipendenti dell'amministrazione pubblica – INPDAP
Istituto nazionale infortuni sul lavoro – INAIL
Istituto nazionale previdenza sociale – INPS
Istituto Postelegrafonici – IPOST
Opera nazionale per l'assistenza agli orfani dei sanitari italiani – ONAOSI

Table 1 - Number of General government institutional units inside the S.13 List

Subsectors	Acronyms	Description	Years			
			2005	2006	2007	2008
S1311	Stato	State	29	33	31	31
S1311	EDR	Research Bodies	50	47	44	44
S1311	EEN	Economic Services Producers	33	39	36	36
S1311	ENA	Institutions Providing Cultural Services and Assistance at the Central Level	65	60	61	61
		S1311	177	179	172	172
S1313	Regioni	Regions and Autonomous Provinces	22	22	22	22
S1313	PROVINCE	Provinces	104	104	104	104
S1313	UNIONE COMUNI	Municipalities' Unions	282	321	311	311
S1313	COMUNI	Municipalities	8.101	8.101	8.101	8.101
S1313	CAMCOM EEL	Chambers of Commerce	103	104	104	104
S1313	COMONT EEL	Mountain Development Bodies	356	354	354	354
S1313	ALTRI EEL	Other Economic Bodies at Local level	198	413	436	436
S1313	ESL	Producers of Health services at Local level	316	291	283	283
S1313	EAL	Institutions Providing Education, Cultural Services and Assistance at the Local level	311	531	553	553
		S1313	9.793	10.241	10.268	10.268
S1314	EDP	Social Security Funds	27	27	27	27
		Total S13	9.997	10.447	10.467	10.467

ANNEX 2: Agreements between ISTAT and the other institutions on compiling the consolidated general government income and expenditure accounts

In order to be able to work within an institutional framework ensuring that information is transparent and is circulated among the institutions involved in producing the public finance statistics and thus to obtain high-quality estimates, ISTAT has concluded various agreements, mainly with the RGS, the Fiscal Policy Department of the Ministry of Economic Affairs, the Ministry of Health and the Bank of Italy.

These agreements seek to enhance liaison with the aim of:

- precisely identifying the data flows to be exchanged, i.e. identifying the various transactions, and ensuring exhaustive statistical coverage;
- precisely defining the data flows to be exchanged in terms of classifications and content;
- boosting the information flows to ensure homogeneity at the various territorial levels within Italy;
- drawing up a returns schedule to ensure compliance with the national and Community deadlines in completing and forwarding the statistics on general government;
- analysing the information critically and validating the data;
- developing joint analysis and research on topics of common interest.

Strengthening such organizational arrangements undoubtedly helps to improve the qualitative standard of the estimates produced in full compliance with the "code of good practice".

In 1996, the Bank of Italy and ISTAT signed a framework agreement, which is still in force, on cooperation in research into subjects of common interest and on the exchange of statistical information. A whole range of specific studies was carried out under this agreement, including analysis of the estimates for the general government sector.

In February 2003, the RGS and ISTAT concluded a Protocol of Agreement for the development of scientific cooperation on problems of common interest. The primary aim is to establish a data exchange system that is consistent with the model for cooperation between government systems and will satisfy the reciprocal needs for statistical information services.

The RGS and ISTAT followed up the Protocol by signing a specific agreement in which they undertake to foster cooperation and in particular to set up the data exchange system referred to in the Protocol of Agreement.

The two sides also agreed to carry out research projects on statistical issues of common interest.

The agreement stipulates the content of the data exchange as regards:

1. annual data, for all the aggregates of the general government accounts;
2. quarterly data, for some aggregates of the general government accounts;
3. the data for the full general government income and expenditure account at quarterly intervals.

Transmission frequencies and dates consistent with the requirements for producing the NA estimates were stipulated for all data exchanges.

The agreement also provides that the two institutions may run training courses on matters falling within the purview of each in the interests of greater efficiency in achieving the agreement's aims. In this connection, some senior staff from the RGS recently attended a course given by ISTAT workers on the "Consolidated general government account in the new European System of Accounts".

Finally, in the first phase of implementing the agreement, a number of themes of specific interest were identified, which were thought to merit deeper study. Working groups of representatives from the two institutions were set up to deal with them. Where it seemed desirable, membership of the working groups was enlarged to include representatives of other departments of the Ministry, such as the Fiscal Policy Department in the group on State revenue, or of other institutions, such as the main social security funds and the Ministry of Health in the health and welfare group.

Other collaborative arrangements include the following:

- A statistical agreement between ISTAT and the Ministry of Health, signed in March 2001, to regulate the information flows between the two bodies. On the basis of this framework agreement, a schedule was laid down in December 2002 for returns by the Ministry of Health to ISTAT on the ASLs and Hospital Agencies. This covers economic/financial figures at annual and quarterly level for the year t and the three years immediately before. The figures obtained for t are not final and their compilation must therefore be regarded as provisional, while the information and subsequent compilation for the years $n-1$, $n-2$ and $n-3$ update the figures provided for the previous years' notifications.

The quarterly data are available only as from the 2001 accounting year, in which a new form (CE) for collecting information on the income and expenditure account for the ASLs and AOs was introduced under the Ministerial Decrees of 16 February 2001 and 28 May 2001 in place of the previous form CE.01, which had to be returned only once per year. Since the reference year 2001, the survey form is thus returned for the annual forward budget, at quarterly intervals and for the annual final statement of accounts; for previous years, returns were made only for the forward budget and annual final statement.

- A Protocol of Agreement with the RGS, the Institute for Studies and Economic Analyses (Isae), the Development and Cohesion Policy Department and the Fiscal Policy Department of the Ministry of Economic Affairs with the aim of harmonizing and analysing the public finance statistics at regional level.
- An agreement between ISTAT and the Fiscal Policy Department of the Ministry of Economic Affairs on annual and quarterly exchange of information on tax revenues, in accordance with a timetable allowing compliance with the Community schedule.

Moreover, in January 2002, the High Commission for study of statistical problems concerning the economic and financial aggregates for general government and the public sector was set up and attached to the Prime Minister's Office. Its remit is to check and analyse systematically the coherence of the sources used by ISTAT, the Bank of Italy and the Ministry of Economic Affairs and Finance to quantify these aggregates (borrowing

requirement from the coverage and formation sides, net borrowing, change in the stock of debt).

The High Commission has completed its work. It has been possible, with the agreement of its members, to set out a framework for comparison of the public finance aggregates for the year 2000 and to analyse and understand a significant proportion of the discrepancies concerning the central government sector.

In the course of this work, it was also proposed that an institutional forum involving representatives of the three institutions concerned in the High Commission's work be established for systematic discussion of the arrangements for recording public finance flows, with particular reference to transactions which are new in classification terms and quantitatively significant.

At the end of 2002 the work of the High Commission ended. In the framework of the cooperation of the three Institutions involved in the EDP notification (ISTAT, MEF and Bank of Italy) a permanent working group has been set up in April 2005 with the mission of examination and validation of all the issues connected to the EDP Notification.

ANNEX 3: Application of the ESA95 accrual principle

A3.1 Accrual and cash time of recording

The national accounts estimates are based on information derived from public accounting, i.e. largely from the budgets reports or administrative accounting documents of public bodies. These budgetary reports record the monetary movements relating to economic management, lending and borrowing transactions, but are not formulated in accrual terms like those of private firms and therefore have a more limited content. Only in certain specific cases and for certain government bodies the available recordings comply with the principles of private accounting. The most important examples are the local health agencies, hospital and, of course, non-market public corporations (ANAS, Patrimonio Spa etc.). These are bodies organized as in market units even if are funded mainly from public transfers.

In the State budget and other public budgets, revenues and expenditures are recorded in two ways: on a legal accrual basis (assessments and commitments) and on a cash basis (receipts and payments)¹. Alongside the "accrual" statement, there is thus also a cash statement. However, "accrual" in the financial statement is of a legal nature, i.e. each entry is made on the basis of legal obligations defined by the statutory framework and within the timeframe laid down by these obligations, whereas "cash" refers to the quantification of total payments, irrespective of the accounting period in which they accrued. The use that can be made of the information for the national accounts is thus limited in two ways: firstly, accrual cannot be used in cases in which a legal obligation exists but there is no corresponding "creation, extinction or transformation of economic value"; secondly, the cash concerns debts which arose in previous years and it is often not possible to trace them back to the time at which they were generated.

As regards revenues, "assessments" are recorded at the time in which the reason of the claim, the debtor and the amount of the claim are ascertained², while "cash" occurs when the debtor pays the sum due to the receiving agent. Usually, however, revenues are recorded in the budget not at the time in which the debtor pays, but at the time in which the office or agent which has collected the sum transfers it to the authority, i.e. to the State treasury accounts, in the case of the State.

As regards expenditures, "commitments" are recorded at the time in which is performed the act or the event that determined the incurrence of the authority's debt (e.g. when a contract providing for payments is signed by the authority). "Cash" is the phase in which the accounting agent makes the cash disbursement on behalf of the authority.

Only in a few cases information available are detailed enough to allow a link between the assessments (or commitments) and the cash payments, at the level of single transactions.

¹ The accounting phases are assessment, collection and in-payment, on the revenue side, and commitment, validation, authorisation and out-payment, on the expenditure side.

² Article 222 of the General State Accounts Regulation.

The basis for Istat method of recording transactions on an accrual basis in the general government account is different depending on the kind of transaction involved. In general the following rules are followed:

1. For revenues, budgetary assessments are used in all cases in which it is verified that they represent safe claims, that will be cashed in the future. In particular cash revenues are deferred, as in the case of taxes, because they are retained by the concessionaires (essentially, taxes assessed and collected in the ordinary procedure). Cash data are used in all cases in which the assessments contain elements of uncertainty as to the real existence of the claim.
2. For expenditures, budgetary commitments are used for the transactions in products, primary income transactions and social benefits in cash and in kind, while cash payments are used in all other cases except interests.
3. As regards interest (payable and receivable), the information used is not based on budgetary data but on a methodology in line with ESA95, i.e. on the use of data on single financial instruments treated according to MGGDD.

A3.2 Estimation of taxes

There are two types of tax assessments in Italian public accounting: the ordinary method and the tax rolls. Assessments by the ordinary method yields sums that are certain in that they are determined by the taxpayer, who declares them to the tax authority. Assessments by means of tax rolls is a unilateral action by the authority, which determines the amount of tax due (not declared) by the taxpayer, informed of the debt outstanding by following legal procedures (laid down by Presidential Decree 602 of 20 September 1973). Tax rolls assessments not always correspond to the amounts finally cashed by the authority. In practice, disputes over the tax rolls continue for years and make the authority's claims very uncertain. Although the new procedure, since 1993, is generally more restrictive as regards recording tax rolls assessments in the budget³, no current procedure is foreseen for writing-off the residuals. A Ministry of Finance survey on tax concessionaires in 1998 revealed that even for the principal and special tax rolls, which a priori may be regarded as less uncertain, there is an appreciable not recoverability ratio arising from incorrect assessments by the tax authority (about 50% of the total)⁴.

As regard to the tax rolls, it was therefore decided that the NA estimate of taxes should include only receipts actually obtained and not the amounts assessed. However, the tax authority is not able to determine the reference accounting period for amounts collected via tax rolls, and no time adjustment is therefore made. It emerged from the 1998 analysis that no

³ The authority's assessment is notified to the taxpayer, who has 30 days to appeal. In this case, only one third of the amount is entered in the tax roll, and does not incur the usual penalties, but only the interest due.

⁴ In an initial phase (before March 1999), the Istat methodology with regard to the tax rolls required the amounts recorded in the NA income and expenditure account to be the sum of actual receipts and receipts not realised as a result of bankruptcies actually observed. In March 1999, a meeting of the national accountants of various EU countries was held at Eurostat to finalize the proposal for a regulation changing ESA95 as regards application of the accrual principle to taxes and social security contributions. The proposal agreed at this meeting induced Istat to change the initial methodology described above as regards tax-roll assessments. Receipts not realised because of bankruptcies actually observed in the course of the year are now not included in the figures on an economic accrual basis and only those amounts are included which are actually received year by year. This approach is in line with the general principle set out in Regulation (EC) No 2516/2000 that "Taxes and social contributions recorded in the system on an accrual basis, should be equivalent over time (in the medium term) to the amounts actually received".

reliable collection coefficient or time-adjustment coefficient could be devised and it was therefore decided to enter all roll-based collection, in both the accruals and the residuals account, in the year in which it took place. National accounts estimate is obtained as the sum of the amounts assessed in the ordinary way and tax rolls by cash. Since ordinary assessments are the amount of taxes self-declared, there is in theory no difference between the amounts assessed and collected. However, there are at least three reasons of discrepancy between the amounts assessed and the amounts received in cash by the government, for each kind of tax:

1) Amounts retained (settled) by tax concessionaires. Even if the collection phase is close to payment into the government's accounts, the availability of the fund may not be immediate, the time lag varying with the revenue and collection arrangements. This does not apply to all taxes: some revenues are received directly by the State's provincial or central treasuries, while most taxes are collected through agents specifically appointed by law (tax concessionaires).

The agents to collect taxes are banks for VAT (value added tax) and some direct taxes and concessionary companies for tax rolls and other indirect taxes.

Since October 2006 the concessionary companies have been acquired by the Equitalia Group Spa, a company in which stake is held by General Government at 100% and classified into GG sector.

2) Amounts transferred to regions. Some taxes, even if collected by the State, must accrue to the regions. Here again, the regions' receipts will be available only after certain time lag and will be determined only by the accounting settlement between the State and the regions.

To sum up, the difference between assessments and the receipts recorded by the public accounting system arises from the following reasons:

1. the difference between the tax due as declared by the taxpayer and the installments actually paid;
2. the normal interval between the collection by the agents and payments to the treasury, or advance or late payments provided for by law (accounting settlements with the concession-holders);
3. accounting settlements between government levels.

In recent years, a set of rules has been introduced which has modernized the system of managing tax returns⁵, which are virtually all received by a single management entity forming part of the Ministry of Economic Affairs and Finance⁶; and through a unified questionnaire for all different kind of tax (F24)⁷.

⁵ See in particular Legislative Decree 241 of 9 July 1997 allowing taxpayers with a VAT number to make single payments of taxes, INPS contributions and other sums owed to the state, regions and social security bodies and to offset claims within the same period .

⁶ The final accounts data on assessments and receipts for the various taxes are published in the General Report on the Economic State of the Nation (*Relazione Generale sulla situazione economica del Paese*) with a one-year lag ($n-2$). The difference between receipts as shown in this document and the receipts recorded quarterly by the Ministry of Economic Affairs and Finance (Quarterly Cash Report), which determine the borrowing requirement, is due to Community VAT and to accounting settlements with the concessionaires.

⁷ Under Article 29 of Legislative Decree 241/1997, payments using the F24 forms can be made to banks, the Italian post office and the concession-holders of the national collection system under agreements with the financial authorities.

A3.3 Time adjustments on Taxes

For some taxes, and especially for indirect taxes, time adjustments are made to align the time of assessment with the time of economic accrual, depending on the kind of tax.

For taxes on production and imports, the value to be recorded must thus be further processed to take account of the time lag between the time of production, consumption or import and the time at which the tax falls due. In the interests of achieving an efficient adjustment system referred to the time of production as the time at which the tax claim arises, a thorough analysis was made of the changes in the due dates of statutory payments, in order to neutralize the effects arising in reconstruction of the series from the various changes in these dates made by successive laws. The payment and recording arrangements were thus studied for each tax and adjustment coefficients calculated to refer the (installments and clearing) payments to the time at which the tax actually became due. For the more important taxes, a study was made of the changes in the due dates and ad hoc adjustments were made. As regards VAT, declaration and subsequent payment of the tax takes place with different time lags for monthly and quarterly payers. The dates for installments and clearing payments must also be taken into account. It is also necessary to neutralize any change in the due date for payment of the tax. For the years up to 1997, time-adjustment coefficients were produced on the basis of the daily data on State treasury receipts recorded by the Bank of Italy and were applied to the budgetary assessment data. For the figures from 1998 onwards, for which the Bank of Italy no longer records the daily receipts, an information system managed by the Ministry of Finance (SOGEI) was established to provide data with a breakdown into quarterly, monthly and annual payments by year of declaration. From this year on, the adjustments made are thus not based on estimation of a coefficient but directly on the data on payments.

For taxes and duties on imports excluding VAT (D.212) and other taxes on products (D.214), the assessment data recorded in the public accounts⁸ is coherent with the NA definitions in that the tax obligation arises at the time of manufacture, consumption and importation of the product (consolidated text on excise duties: Legislative Decree 504 of 26 October 1995). Amount assessed generally corresponds to the amount collected⁹. A time-lag adjustment is made¹⁰ to take account of minor time differences resulting from successive changes made by law in the due date. No adjustment is made to the basic figure for other indirect taxes, since the assessment and receipt figures have generally been found to be much the same (see annex).

As regards direct taxes, the ESA states that the time of accrual is that in which the tax is due by law, i.e. the last date on which it can be paid without incurring a penalty. No adjustments are therefore made to direct taxes to take account of installments, balances etc., except for payments on account by the withholding agent in the case of income tax (tax on the income of physical persons — IRPEF — in particular on compensation of employees and on pension), which are referred to the year of accrual. These are substantial sums which could

⁸ Excise duties are assessed by applying to the quantity of product released for consumption the rate of duty applying at the date of release. Release for consumption occurs at the time of leaving *tax warehouses* (oil refineries, petroleum product processing plants, alcohol distilleries, plants for the production of spirits, liqueurs and other alcoholic beverages, customs warehouses authorised to operate under tax warehousing arrangements, etc.) or of emergence from one of the customs regimes under which the duty is suspended.

⁹ The tax has to be paid in any event: failure to pay within five days from the due date results in the tax warehousing arrangement's being frozen.

¹⁰ See "*Osservatorio sulle entrate — Entrate tributarie erariali — dati mensili*".

have a marked effect on the accrual/cash difference since they are paid to the fiscal authority in the month following that in which the withholding agent deducts the tax. While the income tax deduction from the pay packet is made in December, actual payment to the State accounts are made by the employer in January.

These time adjustments are not mandatory according to the ESA, but are desirable in the Italian accounting framework in order to make the tax flow estimate more significant in itself and more coherent with the profile of the tax base (employees' earnings). Since the employer withholding the tax makes the payment in the next month, the tax burden actually borne by the employee and the income received by the State are out of phase. Finally, the time adjustment prevents some further distortions which would in any case have to be eliminated: the most important is that arising from balance clearing, which is also done as a single payment in January for the private sector but reduces the net remuneration for the previous year since the deductions are in practice made in December.

A3.4 Tax amnesties

The revenue from tax amnesties arises from the emergence of a hidden tax base, i.e. the taxes concerned have never been declared to the tax authorities but may have been assessed by them by means of tax rolls. Under statutory instruments enacted from time to time, the taxpayer is allowed to declare any taxes unpaid in the past and thus to settle disputes which have been dragging on several years. For such revenue, it is generally difficult to identify the tax period in which the tax claim arose and, in any case, the revenue cannot be assigned to that period since this would involve retrospective revision of the whole historic series. The amount recorded in the national accounts thus corresponds to that declared by the taxpayer in the year of declaration. It will differ from the amount paid only to the extent that payment is made in installments. Revenue from tax amnesties is entered under capital taxes since it is of an extraordinary nature and it can be assumed that the taxpayer pays it from capital (accumulated savings) and not from current income.

A3.5 Treatment of tax credits and tax refunds

In public accounting taxes are recorded gross, disregarding any refunds of tax credits. In the national accounts, on the other hand, the amounts corresponding to tax credits must be deducted from gross taxes. Tax credits are taken to mean the amounts which may be deducted from the taxes of the year in question and subsequent years and whose nature and purpose do not clearly pertain to social and economic policy. For example, the tax credits granted under Act 265/2002 to firms which recruited workers under open-ended contracts in that year are classified as transfers.

In Italy, a considerable amount of credits is refunded in each accounting period. Part of these credits is offset, i.e. subtracted from the same or other taxes due in the same year by the taxpayer, being calculated directly by the layer, who pays only the outstanding balance. The instruments which introduced the single payment (and declaration) for some major taxes (IRES, IRPEF, VAT, IRAP regional tax on productive activities etc.) have indeed made possible to offset the amounts due for various types of taxes at the time of payment.

Such refunds are recorded by the Ministry of Economy and Finance both on an assessment and on a cash basis. There is a very wide gap between refunds due (assessments) and those actually made by the authorities (payments). In the past, refunds on a cash basis were generally lower than those on an accrual basis since the tax authorities tended to defer payments to taxpayers in the form of tax credits. In recent years, the trend has been rather in the other direction, so that cash refunds have been higher than on an accrual basis. An evaluation of the assessment data for refunds allowed to verify that they are very reliable, being estimated on the basis of a very sound information base. The refunds on an accrual basis in the national accounts are provided by the Ministry of Finance, which records the refunds validated by the tax authorities.

The following table summarizes ISTAT's method of estimating taxes on an accrual and a cash basis.

Tax on accrual basis	a) Ordinary assessments	+
	b) Tax rolls, cash	+
	c) Accounting reclassifications (other non-tax revenue, interest for late payment, fines)	+/-
	d) Settlements and transfers (assessments) between government bodies	-
	e) Accounting settlements with concessionaires	+/-
	f) Tax Refunds, accruals	-
	g) Time-lag adjustments (tax to be reassigned to the previous year)	

Tax, cash basis	a) Ordinary receipts	+
	b) Tax rolls, cash	+
	e) Accounting reclassifications (other non-tax revenue, interest for late payment, fines, etc.)	+/-
	f) Settlements and transfers (cash) between government bodies	-
	f) Accounting settlements with concessionaires	+/-
	c) Tax Refunds	-

A3.6 Social contributions

Employers' actual social contributions and employees' social contributions are to be recorded at the time when the work that gives rise to the liability to pay the contributions is carried out. Actually, contributions arising from employed work follow the time of recording of remuneration, so that it is necessary to shift the amounts to adjust for any time lag between the pay period and the period in which the contributions due to the social insurance funds are declared and/or paid (see below on compensation of employees). No such an adjustment is necessary for social contributions met by the self-employed.

As regards the amount to be recorded, it often happens that the business which has to pay the contributions postpones the payment and, over time, builds up a contribution debt towards the social insurance fund. Since the charge base for the contributions (the remuneration of employees or the business income of self-employed workers) tends to grow steadily over time and, in recent decades, the contribution ratios have generally increased progressively, the contributions owed (i.e. declared by enterprises to the social insurance funds) are always above those actually paid. Accumulation of a social contributions debt may be partially non-existent, since the undertakings may fail and so disappear as debtor units, or it may be too difficult for the social insurance fund to realize the claim. In the method which Istat has developed, it is allowed for contribution claims which, for the most varied reasons, may not be realized. This involves taking account of reserves in claim-depreciation funds which, in particular as regards the INPS (which receives the greatest portion of social contributions collected in the economy), are defined on the basis of actual confirmation that claims do exist and are recoverable¹¹.

social contributions=	budgetary assessments	+
	claim-depreciation provisions	-
	adjustments for time lag	+/-

A3.7 Intermediate consumption

For goods and services, accrual for legal purposes takes place at the commitment stage, i.e. expenditure is entered in the accounts at the time when the supply contract is executed and hence the legal obligation to pay arises. The accounts of public bodies thus record an expenditure when, under the contract, the supply of goods and services becomes due from the undertaking and, correspondingly, the administration is committed to make payment on it. This need not happen promptly: it may in fact be delayed. Under the ESA, however, accrual for economic purposes occurs at the time that the goods and services actually come into the possession of the purchaser for use in the productive process. Section 1.57 of ESA95 states that the sale of an asset is recorded when the asset changes hands, not when the corresponding payment is made¹². Clearly budgetary commitment for legal purposes

¹¹ INPS carries out a specific survey that allows to precisely calculate the proportion of insolvent contributors by category (small firms, tradesmen, traders, etc.). The provisions made by the INPS, the biggest social security fund, also include those for claims against firms engaged in settlement proceedings, whilst this figure is omitted for the INAIL.

¹² Strictly speaking, intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production (ESA95, 3.69). In practice, producer units do not usually record the actual use

does not precisely match the ESA concept, but equally clearly it comes very close to it, much closer than cash payments, which are often greatly delayed – sometimes by one or two years or more. With a view minimize the gap between NA principles and their statistical representation, accrual for legal purposes is therefore the stage of accounting which best approaches the accrual principle, both as regards the time of recording and as regards the amount to be recorded.

For intermediate consumptions as for taxes, however, the anomalies in the basic data must also be eliminated so that the flow recorded in the income and expenditure account is matched by an actual change in financial liabilities (or a reduction in assets). The amount shown as intermediate consumption must thus correspond to the creation of a liability towards the suppliers. This requires the "expenditure arrears" which have formed during the year to be eliminated from the total accrual: these correspond to notional commitments which the authority concerned makes purely for accounting purposes (to avoid forfeiting the appropriation) although no liability to other parties has been incurred on account of them because no contract has been made.

Lastly, although the commitment figures are much closer than the cash figures to the economic accrual profile, some slippage may occur in respect of particular transactions (for example, accounting settlements of tax collection premiums) so that a time-adjustment to the period of economic accrual is needed.

Intermediate consumption =	Budgetary commitments	-
	New arrears	+/-
	Adjustments for time lag	+/-

A3.8 Compensation of employees

Section 4.12 of ESA95 provides that wages and salaries are recorded in the period during which the work is done, as are actual social contributions and imputed social contributions representing the counterpart of compulsory direct social benefits. Whereas imputed contributions, when represent the counterpart of voluntary direct social benefits, are recorded at the time these benefits are provided. As regards gross wages and salaries, the ESA also provides that bonuses and other exceptional payments, 13th month, etc., are recorded when they have to be paid, i.e. when they are due. This set of recording rules shows that legal accrual is more appropriate than cash for a proper representation of the cost of labour met by general government. In fact, taking the amounts due instead of those paid makes it possible to show the actual liability which the administration has incurred during the year towards workers supplying labour. This liability is not necessarily discharged in full within the same period by an equal payment in cash terms: payments of any amount may be deferred, especially if at the end of the period contract agreements providing for an increase in wages and salaries have been signed but are actually put into effect in the following year. In addition, the variable components of wages and salaries (allowances, overtime, bonuses, incentives etc.) may often be paid out in arrears. Given the prevailing growth trend typical of

of goods in production directly. They record the purchases intended to be used as inputs and the changes in the amounts of such goods held in inventory (ESA95, 3.73). For present purposes, estimation of inventories is not relevant and only procurement need to be considered.

compensation of employees, payments in cash terms thus tend to be smaller than the amounts estimated in accrual terms.

While the differences between cash and accrual are smaller for compensation of employees than for intermediate consumption, the criterion adopted for this heading of the income and expenditure account should, for the reasons stated here, be similar to that used for goods and services procurement, starting from the budgetary commitments, eliminating any arrears and adjusting for any time lag.

Such adjustments are required in particular for tax withheld at source (which has to be paid to the Tax authority in the month following the reference month) and for employers' social contributions (which also are due to the social insurance funds in the month following the month of economic accrual).

Compensation of employees =	Budgetary commitments	-
	New arrears	+/-
	Adjustments for time lag	+/-

A3.9 Social benefits

Social benefits in kind and in cash are recorded on an accrual basis. The former, in particular, since they consist in the provision of goods and services to the beneficiary, must be treated in the same way as procurement of goods and services. Clearly figures on a cash basis are not a good way of representing social benefits in kind, either for the time of recording in the strict sense or for the amount to be recorded. As in the case of intermediate consumption, authorities normally defer part of the payments for supplies to later years, so that the cash figures represent an underestimation of the goods and services actually delivered to households. A large proportion of benefits in kind relates to health benefits, payment for which is often delayed, so that the NA estimates have always been based on accrual, even under ESA79.

NA estimates are based on budgetary commitments with some adjustments for any time slippages in internal components of the flows (for example, tax withholdings, which are included in the gross amount of benefits but are paid in the month following that in which the net pensions are paid).

A3.10 Subsidies on products and production

Subsidies on products and production are recorded when the transaction or the event (production, sale, import, etc.) which gives rise to the subsidy occurs (ESA95, 4.39). This general rule is not easy to apply in practice, since it is difficult to obtain information on the volume of business done by undertakings which corresponds directly to the subsidies granted. However, it is possible to identify types of support for which the most appropriate stage of accounting can be determined.

For transfers to quasi-corporations or public companies, generally budget commitments are used, which are a closer reflection than cash figures of government decisions on subsidies, corresponding more accurately to both the period of accrual and the amount to be recorded. For subsidies granted to undertakings through national intervention bodies (for example EAGGF co-financing) the most significant stage is that of actual payment — that is, when the funds are actually transferred from the Government specialized agencies to the beneficiary, on a cash basis.

Almost the same can be said of interest subsidies. These are paid to the enterprises via financial intermediaries which grant credit at reduced rates. The subsidy which, over the year, will actually be reducing the costs of the recipient undertaking corresponds to the cash payments from the treasury accounts.

A3.11 Interests

Central government spending on interests largely consists of the interests paid by the State on government securities and, until the end of 2003, by the Cassa Depositi e Prestiti on postal savings. Spending by the State also includes interests on the foreign debt and interests paid by the various ministries on certain other types of financing. The latter is marginal compared with the rest and is determined from the relevant budget chapters of the individual ministries.

For all financial instruments making up the government debt, interest is recorded in accordance with a "full accrual" criterion, from the "debtor's" point of view, on the basis of the rate, maturity and characteristics of each security considered individually. The change in method with the transition from ESA79 to ESA95 required the Ministry of Economic Affairs to use the databank containing the main characteristics of all State securities. In the past, when these were recorded upon maturity (ESA79), Treasury public-accounting sources¹³ were used, in which interest is entered in various ways (that on Ordinary Treasury Bonds, for example, is entered in advance). The same criterion now applies to all securities, whether "conventional" or "unconventional", and whether short-term or long-term, and the interest falling due in the reference period is distributed over the whole life of the security.

In Italy, the main public-debt instruments of the "conventional" type (other than postal deposits) are BOTs (Ordinary Treasury Bonds), CCTs (Treasury Credit Certificates) and BTPs (Multi-Year Treasury Bonds). There are no deep discounted securities in Italy and only one type of zero-coupon security (CTZs). These were first issued in 1995, and mature in 18 months to two years. The interest is the difference between the repayment value and the issue value and is uniformly distributed over the whole life of the security, at the rate determined upon issue.

As for postal saving, after the institution of CDP Spa in 2003, the interests on financial instruments managed in the past by CDP are paid by the State. They largely consist of interests on postal saving bonds and current accounts. The former may be described as "non-

¹³ In the Treasury summary account, interest is found as the difference between receipts and payments and is therefore entered in advance, unlike the budget account, where the cash figure is recorded.

conventional" public-debt instruments. They are part of postal savings¹⁴ and they may be ordinary or term bonds. The ordinary bonds have a maximum maturity of 20 years but become invalid after 35 years. Interest is paid by detaching notional coupons which are not paid out but added to the capital. They are in the form of a "step-up coupon", that is a coupon which grows over time: if the security is held longer, the annual rate of interest is higher¹⁵. If the security is withdrawn before five years have elapsed, a penalty is charged on the contracted rate of interest, while after 20 years the rate of interest stops growing¹⁶. Fixed-term postal savings bonds may be regarded as a special capitalization instrument, not paying on a coupon but doubling or tripling the capital invested. Although classified as deposits (they are not negotiable), these instruments are essentially different from deposits since the rate of return does not vary with market rates but is fixed in advance. Previously, interest recorded in accordance with ESA79 was entered on maturity. Now, with ESA95, interest on these instruments is no longer recorded upon actual payment but is assigned to the individual periods in which it accrues.

In 2002, the method of calculating interest on postal savings bonds was revised to meet the requirement of ESA95.

A3.12 Gross capital formation

Application of the accrual principle to gross capital formation requires it to be recorded when ownership of the fixed assets concerned is transferred to the institutional unit that intends to use them in production and only as regards the actual increases or decreases in the capital asset in question (cf. ESA95, 3.102). The particular difficulty as regards capital formation is the lack of information where the accounting data are not generally representative of actual changes in the capital goods stock but mainly of the spending these changes involve.

This especially applies to public works and infrastructure investment, where the procedures for awarding and carrying out the works are particularly complex. The original budget data do not correspond well to the time of recording prescribed by ESA95. The payment data contain amounts arising from advances against work to be done and delays connected with residuals account payments for previous years. The commitment data often reflect the legislation-based investment plans and, especially in the case of local government, bear little relationship to the investment actually undertaken. Following a comparative analysis of the main types of accounting data available, it was decided to base the estimates of public capital formation on actual cash movements, since these had proved more representative of the capital stock increase in the accounting period.

Especially as regards local government, which plays an essential part in government investment, many of the payments to construction companies recorded in the accounts proved to be made as the works progress and are thus very close to the accrual principle. While the solution adopted for capital formation cannot be described as entirely satisfactory, it is thus

¹⁴ The funds harvested by the Post Office are deposited in the name of the *Cassa Depositi e Prestiti* in the relevant current accounts or savings books held with the State central treasury and are used directly to cover the borrowing requirement.

¹⁵ At present the capitalised annual rate of return stands at 7% gross if the security is held for five years, but it grows to 11.50% on securities held beyond 16 years (see Treasury Ministry Decree, October 1995).

¹⁶ In addition, simple interest is applied for each year beyond the twentieth, and no further interest is earned after thirty years.

the most acceptable in terms of the significance of the estimates, given the need already mentioned to establish a visible and verifiable link with the original budget entries.

ANNEX 4: Changes to be made in the codification schemes for Regions

Legislative Decree 76/2000¹⁷, “Basic principles and rules for coordination in regional budgets and accounting”, recognized the importance of regional finance, alongside State and local finance, in pursuing the goals of convergence and stability arising from Italy's membership of the European Union. It reaffirmed that, at this level of government too, the practice of the authorities concerned should be such as to ensure compliance with the constraints¹⁸ imposed at national level. The very fact¹⁹ that the authorities were empowered to adopt regional finance acts made it even more desirable for the regional accounting systems to be aligned with the State systems.

Bringing the economic and functional classification of the regional authorities' expenditure and revenue line with that of the State budget is a task of overriding importance, and indeed a statutory requirement, for these authorities. Codification of the various budget headings is an essential prerequisite for referring all the activity of these authorities to a homogenous, comparable framework. It is vital not to neglect the functional analysis of expenditure, which at present suffers from non homogeneous classifications.

While COFOG is remarkably detailed, and recodifying the budget in accordance with this nomenclature thus requires a major effort, it is extremely important to do so. COFOG must become a tool in the hands of administrators giving them a better quantitative grasp of what is being done in the territory for which they are responsible, especially because it is comparable with that used by the State and thus allows the information on public finance to be cast in the same mould.

The classification of revenue proposed in Article 9 of Decree 76/2000 maintains the classification currently used, with a breakdown into six titles.

The expenditure classification is taken over from that proposed for the State in Act 94/1997. It is also recognized that classification must be carried out according to the functions of spending, as identified for purposes of regional policy formulation. These functions are classified on the basis of the NA criteria for the general government accounts. In this case, the basis of reference is COFOG, which is a standard agreed at international level by the OECD, UN, International Monetary Fund and Eurostat. However, Decree 76/2000 has been implemented in different ways in the various regions and the main focus has been on reforming the accounting scheme in terms of basic estimation units.

Reform of regional accounting pursuant to Legislative Decree 76/2000: main statutory references

¹⁷ Official Journal State 1/4/2000, Legislative Decree 76 of 28 March 2000: Basic principles and rules for coordination in regional budgets and accounting, pursuant to Article 1(4) of Act 208 of 25 June 1999.

¹⁸ Article 1(1).

¹⁹ Article 1(3).

Regions	Pertinent legislation
Piemonte	Regional Act 7 of 11 April 2001
Trento	Provincial Act 7 of 14 September 1979 – Provincial budgetary and accounting rules of the Autonomous Province of Trento
Bolzano	Provincial Act 1 of 29 January 2002
Veneto	Regional Act 39 of 29 November 2001
Liguria	Regional Act 15 of 26 March 2002
Emilia Romagna	Regional Act 40 of 15 November 2001
Toscana	Regional Act 36 of 6 August 2001
Marche	Regional Act 31 of 11 December 2001
Lazio	Regional Act 25 of 20 November 2001
Abruzzo	Regional Act 3 of 25 March 2002
Molise	Regional Act 4 of 7 May 2002
Campania	Regional Act 7 of 30 April 2002
Puglia	Regional Act 28 of 16 November 2001
Basilicata	Regional Act 34 of 6 September 2001
Umbria	Regional Act 13 of 28 February 2000
Lombardia	Regional Act 27 of 24 November 2000
Calabria	Regional Act 8 of 4 February 2002
Sicilia	While reform of regional accounting is in line with Act 94/1997 reforming the state accounting structure, it was not accompanied by any legislative instrument, given the special status of the Region.

A4.1 The current situation

The basic register, compiled and standardized by ISTAT from the figures returned by the regions, is made available to the national accountants, who carry out various coherence checks and make the usual corrections and reclassifications to build the general government accounts in accordance with ESA95.

In addition to being placed at the disposal of the national accounts, the basic register is used for the publication of Final statements of the regional authorities and autonomous provinces. Although the law requires the final statement to be approved by 30 June of the year following the reference year, it often happens that some authorities have not sent this information²⁰ since they have not yet completed the procedures for approving the statement.

In such cases, the register, which must always provide exhaustive coverage of the regions universe, is supplemented using aggregate information on the revenue and expenditure chapters which historically are most important in quantitative terms. This information are provided by the statistical and budgetary departments of the authorities concerned. The missing information are estimated from the cash situation supplied by the RGS, with a breakdown by region, and sometimes also by the Fiscal Policy Department.

²⁰ The timeframe for use of the data in compiling the income and expenditure account for the regions requires figures to be available by January of the current year for the two preceding years: for the March 2009 EDP communication, the database for 2007 has to be available.

A4.2 Structure of the basic register

The basic register contains the revenue figures for the following phases:

- final estimate
- assessment
- collection, accruals account
- collection, residuals account.

The following are available on the expenditure side:

- final estimates
- commitments
- payments, accruals account
- payments, residuals account.

All the budget chapters bear the codes of the economic classification based on aggregation criteria according to the economic nature of the items considered. Three levels are distinguished:

- title
- category
- economic code (second-level category).

The budget titles are the highest level of aggregation of revenue and expenditure transactions.

There are six revenue titles:

1. tax revenue
2. revenue from subsidies and transfers
3. revenue from property income, income of regional bodies or enterprises
4. revenue from disposal of assets and collection of claims
5. revenue from lending operations
6. clearing transactions revenue.

For expenditure, there are four titles:

1. current (or operational and maintenance) expenditure
2. capital (or investment) expenditure
3. loan repayments
4. clearing transactions expenditure.

The categories (and even more the economic codes, which are regarded as second-level categories) represent the aggregation of budget chapters serving like purposes. According to the committee which worked on the classification currently in use, the revenue categories are groupings of chapters relating to income sources of a similar nature. They yield a legal/financial classification. For expenditure, the categories are groupings of chapters relating to charges with the same economic content, yielding an economic classification geared to insertion of the public accounting statements into the national economic accounts.

For expenditure, there are also two levels of codes in the functional classification, for which the aggregation criteria are determined by the purpose of spending:

- sections (9)

– policy areas (34).

The breakdown of expenditure by policy area details the areas of socio-economic action according to which the regions allocate the resources at their disposal.

The explanation of the register structure resulting from the regional final accounts statements relates to the estimates for n-3 to n-1. Where the figures for the year n-1 are missing for particular regions, the gaps are filled as already described. This is one of the reasons for the fairly limited extent of revisions of the regions account from one release to the next.

A4.3 Analysis and treatment of the basic data: classification and reclassification problems

Analysis of the regional budgets, even if they are standardized in accordance with the economic and functional layouts described above, gives rise to appreciable difficulties and may sometimes lead to hasty conclusions unless carried out at a fine level of detail.

Checks are made at various levels, e.g.:

- internal coherence of the database, e.g. for labour costs, which must be comparable with the size of the workforce to provide an acceptable per capita value of remuneration; if the per capita figures vary greatly in either spatial or temporal terms, checks are made for differentiated application, contract renewal for the sector in question or possible misclassification of certain budget chapters;
- coherence over time: study of the time series for the transaction in question to explain the outliers in terms of changes in the legislation or other causes known to affect the variable concerned;
- comparison with other institutional units operating at territorial level; this involves following the legislative changes in the powers assigned to the authorities, largely pursuant to the delegated legislation on administrative devolution; one major aspect is local public transport.

A4.4 The treatment of expenditure

Compiling an income and expenditure account from final statements containing financial-type data involves selecting the information that gives the best approximation to the economic value of the underlying transactions.

An ad hoc concordance table allows the links between the economic classification used in the regional statements, known as the SIR codification (regional information system — Sistema Informativo Regionale), and the ESA95 classification of transactions. Further investigation of the content of many regional economic categories is needed to establish links with more ESA95 transactions.

Only expenditure falling under current (Title 1) and capital expenditure (Title 2) is considered. The other two expenditure titles for loan repayments and clearance payments do not provide information for the income and expenditure account. Some third-level categories in both the current and the capital account are also not considered, either because of their financial nature — Equity participations and capital injections, Lending and advances for productive purposes, Lending and advances for non-productive purposes — or because the underlying concepts differ from those in the national accounts, as in the case of consumption of fixed capital.

Consumption of fixed capital is not considered since an independent NA estimate is made in the process of estimating capital formation and capital stock by the perpetual inventory method.

In addition to specific cases (some examples will be given later) there is a major problem in identifying the counterpart sector for some transactions, especially as regards expenditures. In fact, the economic code is often assigned to the transaction on the basis of the final recipient of the expenditure even if another general government entity is involved in the process of transferring the resources.

A further problem is the partial obsolescence of the current classification, with reference to bodies in the broad public sector — mainly public enterprises, which according to the national accounts are part of the market sector. This may represent sometimes a problem for assigning the (SIR) codes then used in the ISTAT classification. By the way, it would have been desirable for the NA classifications to be adopted uniformly as prescribed by Legislative Decree 76/2000, which in fact has been implemented in different ways by the various authorities in the regional sector, as already mentioned.

An aid to fill the gaps resulting from such uncoordinated application in the various regions is provided by Article 28 of the 2003 Finance Act, which introduced a codification for all general government in line with the NA classifications, as regards both expenditure and revenue.

A4.5 The main reclassifications

ESA95 requires that economic expenditure transactions be measured on an accrual basis. Commitment is the accounting phase closest to the accrual criterion that is available in the financial statements of the regions.

This is used for primary income transactions, subsidies on production and intermediate consumption. The classifications carried out thus reflect the need to compile e.g. the variable "compensation of employees" as defined in ESA95, reclassifying the headings — such as wages and salaries in kind, meal vouchers, canteen services, etc. — which in the basic data are classified as procurement of goods and services; conversely, expenses for business trips, which must be regarded as intermediate consumption, are excluded.

Since the commitments shown in the statement approximate to the accrual principle, the economic headings of the production account are subject to no major reclassifications

concerning the time of recording, as is the case of expenditure arrears for the State or expenditure arrears that have lapsed for administrative purposes.

As regards compilation of the economic headings, there have been numerous studies establishing that many of them need detailed analysis. This work is greatly assisted by the economic/functional matrix of expenditure, which makes it possible to detect misattribution, as in the following example of subsidies on production.

A4.6 Subsidies on production

The economic categories 1.55 (Current transfers to undertakings in regional, provincial ownership etc.) and 1.63 (Current transfers to undertakings, associations, etc.) are to be regarded, together with 2.44 (Interest subsidies) as making up subsidies on products and production. In this case, the sector to which the subsidy is disbursed must be determined so that the sums can later be allocated to the industry receiving them (for the transition from added value at basic prices to added value at market prices).

The classification of chapters by policy areas is used for this purpose. For various years, this has shown that such transfers were also received by some areas for which it is not meaningful to speak of subsidies on production. These are general administration (1), employment (2), administrative police and fire protection services (3), scientific research (30), financial charges (31), non-assignable operations (33) and social security (34). The content of the chapters was therefore studied in detail and they were reclassified, where necessary on the basis of the chapter description, both as policy areas and as economic categories. Cases thus emerged in which the transfers proved to be Other current transfers to undertakings (D75I).

Moreover, there has been progressive devolution of powers concerning local public transport, as provided for by Legislative Decree 422/1997 on assignment to the regions and local authorities of functions and tasks in the area of local public transport, in accordance with Article 4(4) of Act 59 of 15 March 1997.

On the one hand, the regions were given responsibility for rail transport on a regional scale, which in the past was managed entirely at central, State level. This means that responsibility for managing relations with the corporations of the Italian State Railways group passed to the regions. The sharp rise in subsidies on production between 2000 and 2001 (+35%) is entirely explained by this transfer of powers (subsidies on production granted to the rail transport sector increased from about EUR 150 million in 2000 to over EUR 1 500 million in 2001). This matter is also regulated by Decree 422/1997 in Articles 8 (Rail services of regional and local interest not under franchise to the Italian State Railways) and 9 (Rail services of regional and local interest under franchise to the Italian State Railways). This increase is matched by a reduction in subsidies paid by the State.

On the other hand, since 2000, the figures show a gradual transfer of responsibilities for local public (non-rail) transport from the regions to the provinces and municipalities, although on a smaller scale, as provided for by Article 7 (Transfer to local authorities)²¹ of the same Decree.

²¹ Article 7(1) — *The regions, in accordance with the various regional regimes and having heard the representatives of the local authorities and autonomous bodies, shall assign to the provinces, municipalities and*

However, this legislation was put into effect at different times by the various authorities, causing major problems from the statistical point of view.

A4.7 Compensation of employees

By analysing the final statements of the regions, it is possible to identify the third-level economic categories within Title 1 Current expenditure, which wholly or partly, with only some expenditure headings, go to make up the aggregate Compensation of employees. These are:

- 1.21 – Wages and salaries (D.11)
- 1.22 – Actual social contributions (D.121)
- 1.23 – Imputed social contributions (D.122)
- 1.30 – Retired staff (D.122)
- 1.41 – Acquisition of non-durable goods, for canteen services (D.11), in part
- 1.48 – Other acquisitions of goods and services, for canteen services (D.11) , in part
- 1.90 – Other non-attributable current spending.

The following conclusions can be drawn with regard to compensation of employees in the transition from the current type of classification to one closer to ESA95:

- The component "wages and salaries in cash" can readily be identified from the final statement, without any need for major reclassifications.
- Actual and imputed social contributions can likewise be identified fairly directly.
- Care is needed with the different types of wages and salaries in kind. In the current classification scheme, these are covered by acquisition of goods and services. From a scrutiny of the final statements, canteen services seem to be the most important type.
- The regional tax on productive activities (IRAP) borne by the authorities is to be regarded as a tax on production and classified as such. What happens at present is that a major part of this tax is classed as a labour cost while part is classed as a tax under category 1.46 (taxes and duties). This latter would in itself be a better approximation to the future situation, although the classification proposed under Decree 76/2000 provides for two separate categories for direct and indirect taxes.
- It seems inappropriate for labour costs to be identified within the residual category 1.90 (non-attributable current spending), though the amounts involved are generally small.

A4.8 Intermediate consumption

By analysis of the final statements of the regions, it is possible to identify the third-level economic categories within Title 1 Current expenditure and Title 2 Capital expenditure, which wholly or partly, with only some expenditure headings, go to make up the aggregate Intermediate consumption. These are:

- 1.10 – Services of the institutional bodies of the region
- 1.41 – Acquisition of non-durable goods

other local authorities all the regional functions and tasks in the area of local public transport within the meaning of Article 117 of the Constitution which do not require unitary operation at regional level. The following subsection 4 also provides that: local authorities, in addition to the tasks and functions assigned to them under subsection 1, shall perform the local public transport functions and tasks not retained by the State.

- 1.42 – Spending on assistance, studies, consultancy
- 1.44 – Rents and leases payable (in part, the remainder goes to D45)
- 1.48 – Other acquisitions of goods and services
- 1.90 – Non-attributable amounts (in part).

The following expenditure categories are also analysed:

- 2.10 – Real estate: property and works (to identify any minor routine maintenance)
- 1.83 – Other items offsetting revenue, to check whether they include spending which for NA purposes should be regarded as P2.

Study of the final statements also allows spending on software purchases to be deducted from intermediate consumption, where descriptions of the expenditure headings are available, and added to gross capital formation.

As regards other reclassifications, two examples are typical:

- If Current transfers to non-profit institutions (category 1.62) are analysed in depth by policy area, it comes out that the actual recipient institutional sectors sometimes differ from the apparent ones. In fact about half of the total amount can be regarded as correctly assigned, while the remaining should be divided between general government, households and businesses. In this case, coding errors really arise from a lack of clarity as to what entities are non-profit institutions.
- The categories of expenditure covered by Non-attributable amounts, both on current account (1.90) and on capital account (2.80), are always very troublesome and it is difficult to identify a percentage breakdown which can be regarded as valid over a sequence of years. The problem is that spending on these categories is almost always substantial, so that any errors in attributing the transactions have appreciable effects. We always find it very useful to study the chapters under this category closely, in addition to the detailed analysis requested from the regions themselves.

The problem of reclassifying "non-attributable" expenditure must be seen in the light of the complex interactions between sectors established through the national accounts circuit. For every transaction, one must consider the counterpart sector, in this case the receiving sector: households, businesses, non-profit institutions serving households, other government authorities. It is thus not acceptable to use such large residual categories, which would represent the resources of a counterpart sector that is not clearly identified.

ANNEX 5: Data which explain the transition between the public accounts budget deficit and EDP deficit.

Tables 2A, 2C and 2D show how the most used concept of cash based deficit in public accounts is related to deficit/surplus *net borrowing/net lending* calculated according to ESA 95 standards.

The starting line of these tables is the “*fabbisogno*”, the cash balance concept most used in Italian public accounts, which refers to the amount of funds to be raised on the market in order to finance an excess of expenses over revenues for a given period.

In table 2A the cash based working balance refers to units included in central government, in table C it refers to units included in local government and in table D to units belonging to Social Security Institutions, according to ESA95 definition of institutional sectors.

In Italy there are many measures of “*fabbisogno*” and differences between them are not only due to the coverage, but also to the methodology of construction. As regards the methodologies followed, these measures can be grouped in two categories: net borrowing measured on the formation side (“above the line”), net borrowing measured on the financing side (“under the line”).

The first one is compiled and currently published by the Ministry of Finance, the second one is compiled and currently published by the Bank of Italy.

The State sector cash borrowing requirement on the formation side is the consolidated deficit of the State budget and Treasury cash accounts compiled and published by Ministry of Finance for budget management purposes. It is one of the principal aggregates included in the planning documents, on which basis the Ministry of Economy and Finance presents the budget to the Parliament. It is calculated as the balance between cash revenues and cash expenditures resulting from economic and financial transactions.. It is in practice the balance between all revenues and all expenses (current, capital and financial) excluding revenues and expenses deriving from borrowing operations. It indicates the amount of debt instruments to be issued in any given period. It is released monthly within one day time lag and is disseminated to international organisations such as the International Monetary Fund²². The methodology applied reflects the purpose for which it is calculated, beside the need for tempestiveness.

For these reasons, it does not include transactions not related to Treasury's cash revenues or expenses, such as, for example, borrowing transactions of external bodies (private or public) with no obligation of depositing in Treasury's accounts²³. Ministry of Finance produces also the **Public sector cash borrowing requirement on the formation side**, as the consolidated deficit of the whole Public Sector²⁴, with quarterly frequency²⁵. It is compiled by

²² The revenue and expense analysis is transmitted to SDDS of IMF, within 45 days to the reference period.

²³ Even if such transactions might affect (may be in a future period) the amount of funds to be raised on the market. These recordings have to be followed with particular attention insofar the difference in registrations can generate discrepancies. For example, the financial Law allowed some categories of bodies (private or public) to contract loans (with financial institutions) whose reimbursement burden is on the State. In such cases the net borrowing requirement of the State is not affected when the loan is granted by the financial institution nor, if the body is external to the Treasury, when it is credited with the funds, but only when the State makes the amortising payments (usually not distinguished in interests and capital), i.e., in future years, over 10 years or more.

²⁴ Public Sector in public accounts comprises: State sector (see above), Regions, Provinces and Municipalities, Health public bodies (Local Health Units, Hospital Units, Scientific Institutes for Research, Hospitalization and Health Care (IRCCSs), University Polyclinics (POLs)), Social Security Institutions (INPS, INPDAP, ecc.),

consolidating public administrations cash accounts, mainly on the basis of cash statements that they are obliged to transmit to the Ministry of Finance (Law n. 468/1978 and subsequent amendments).

The **General government borrowing requirement on the financing side** is calculated as the balance of the change in general government liabilities, excluding government's debt instruments purchased by general government entities, and excluding the change in deposits held by the Treasury at the Bank of Italy. It is published with a monthly frequency by the Bank of Italy for the general government sector as a whole and for its subsectors, with a breakdown by financial instrument. Sector's boundaries follow ESA95 standards²⁶. It is available on a "gross" and "net" basis. The net calculation is obtained by subtracting to gross figure the revenues from privatisations and the expenses for "settlement of past debts" (*"regolazione di debiti pregressi"*).

The *cash borrowing requirement* measured in such a way represents an indication of the "pressure" exercised by the public sector on the financial market. The methodology of calculation reflects the fact that it is the flow concept directly derived from the stock concept of the Maastricht debt (netted of the deposits held at the Bank of Italy), and therefore most useful for assessing the sustainability of public finances.

The **General government working balance produced by the Bank of Italy** can be compared to the **Public sector working balance calculated by the Ministry of Finance** by excluding from revenues the privatization receipts and adding to expenses the "settlement of past debts".

The fact that the cash based working balance is calculated from two different point of view, as noted also by international observer, such as the International Monetary Fund, has to be regarded as one of the strengths of the system of public finance statistics in Italy. However, these arrangements, besides allowing making valuable cross-checks among various datasets drawn from different data sources, sometimes can lead to the rise of high unexplained discrepancies. The problem came to the attention to the authorities as far as evidenced in 1999 and 2000, when major discrepancies among the various institutions data surfaced. A high-level Commission under the responsibility of the Prime Minister was established to analyse these discrepancies. The analysis conducted by the Commission managed to find out the reason of discrepancies between the *cash-based working balances of government accounts published by the Ministry of Finance* and the corresponding *cash-based working balance calculated by the Bank of Italy*.

The two aggregates would rarely coincide because of the treatment of particular transaction (securitisation operations, borrowing of funds by bodies whose reimbursement burden is on the State etc.). The aggregate produced by the Bank of Italy, for its purposes and for its objectives, i.e. the coherence with debt statistics, would follow strictly Eurostat's indications as regards the transactions treatment.

After a careful compared analysis of the methodologies of construction of the two indicators and the two sources of data, major improvements were introduced in the direction of an increase of coherence: revisions in data sources and treatment of Postal deposit accounts; revisions in data sources and treatment of State Treasury's accounts, neatly distinguished between accounts entitled to units inside general government and accounts

other public units whose accounts are "consolidated" within the public sector (such as for example ANAS, AGEA, etc.) and other units whose accounts are "not consolidated" within the Public Sector .

²⁵ Quarterly Cash Report (RTC).

²⁶ See Bank of Italy, Public Finance Statistics, Monthly Bulletin.

entitled to units outside general government; treatment of settlements of past debts, to the extent to which they can be considered as “regularly implemented transactions” and therefore as structural to the system instead than “temporary” etc..

After the Commission work bridged the gap between these two aggregates, ISTAT established in 2005 a new working group in order to reduce discrepancies among other government finance aggregates, with a focus on the implementation of Excessive Deficit Procedure methodologies. This new working group, chaired by Istat and currently participated by experts of Istat, Bank of Italy, Ministry of Finance (General Accounting Department and Treasury) and other Institutions providing data, is charged to carry out continuous cross-checking of data sources and methodologies of compilation in order to investigate unexplained discrepancies that can arise between government finance statistic aggregates, and mainly to establish coherence between the cash-based net borrowing requirement and the EDP deficit.

This working group has managed to reduce statistical discrepancies between the public accounts deficit and the EDP deficit, with the latest notification (2009), as low as 0,1% of GDP²⁷.

It is Istat’s responsibility to compile the items which explain the transition between the public accounts budget deficit and the government deficit as regards to actual data (data finalized and half finalized), while Ministry of Economy compiles the same items with regard to forecasts.

In the following the treatment of all transition items between the two aggregates will be analysed in detail.

The starting lines in Tables 2A, 2C and 2D correspond respectively to the cash based working balance of central government, local government and social security institutions, derived from detailed information on all public sector cash based accounts (consolidated statement of Public sector accounts). These three balances are obtained by summing up, respectively: for the central government the State sector borrowing requirement plus borrowing requirement of bodies belonging to central government, for local government the borrowing requirement of Regions, Municipalities and Provinces, Health Units, for Social Security Funds, borrowing requirement of social security institutions. The same aggregations from detailed cash account statements is made in order to derive the financial transactions as recorded in the budget:

- 1. Loans , granted (+) and repayment (-)** include loans granted that are considered as expenses in public accounts and loans repayments that are considered as revenues in public accounts. Transactions are presented on a gross basis. They exclude from revenues any loan received by government and from expenses any loan repaid by government. Here are registered, for example, loans granted to Railway corporation after the Eurostat decision on Ispa’s debt (years 2004, 2005, 2006);
- 2. Equities, acquisition (+)** include acquisition or disposal of shares and other equities recorded as financial transactions in the public accounts. Equities, sales (-) is zero because privatisation receipts are excluded from borrowing requirement on the formation side²⁸;
- 3. Other financial transactions (+/-)** include purchases of securities by general government units and other residual items. It does not include any transfers between government and the central bank.

²⁷ However, it has to be noted that if at the level of general government unexplained discrepancies have reached a satisfying level, the same does not result at lower level of government.

²⁸ Under this respect, the net borrowing on the formation side follow the treatment of ESA95 Manual on government deficit and debt.

The methodology for items from 4 to 6 is described in detail in Annex 3. As regard to the item “other adjustments”, a detailed description of its content is provided below, according to each table.

EDP table 2A

- The item ***Building securitisations and other building sales (Real Estate Fund) classified in table 2D*** (negative sign) aims at neutralising the impact of the securitization of buildings on the central government net lending (by impacting its working balance) as these securitisations are deemed to impact the net lending of the Social Security Funds (see item “(+) *Receipts from securitisation operations (SCIP1 and SCIP2 classified in central government in the working balance*” in table 2D.)
- The item ***Cancellations of foreign debts*** (negative sign) corresponds to the forgiveness of developing country debt, claims directly held by the Treasury. In the national accounts, these lead to capital transfers to the Rest of the World.
- The item ***Additional cancellations Paris Club (rerouted via Government)*** (negative sign) includes the capital transfers as the result of other debt cancellation benefiting foreign governments.
- The item ***Suspensions of credit recovery activity of SPV by the State*** (negative sign) captures the accounting impact of the suspension by the State of recovery of certain claims owned by an SPV.
- The item ***RFI/TAV debt cancellations*** (negative sign) captures cancellation by government of the *Ferrovie dello Stato* debt to government, for the financing of the high speed train.
- The item ***Reclassification of dividends (TERNA) and loans (FIT, etc.)*** corresponds to dividend revenues deriving from privatisation operations, classified as withdrawal of equity in national accounts.
- The item ***Reclassification of revenues classified in dormant accounts*** corresponds to cash revenues (cash deposits or financial assets) in the State budget, classified as “other change in volume” in national accounts with no impact on net borrowing.
- The item ***Balance of funds managed on behalf of EU by central government as cash manager*** represents the balance between cash revenues and expenditures related to transactions managed on behalf of EU included in working balance and classified as “other adjustments” in table 2A to neutralize the impact on net borrowing.
- The item ***Other adjustments*** captures the other differences not elsewhere accounted between the Net lending/net borrowing and the Working balance of table 2A.

EDP table 2C

- The item *Capital injections to public corporations by local administrations* (negative sign) captures reclassifications of Shares and other equities (in public accounts) into capital transfers impacting the deficit.

In fact, capital injections into public corporations are carefully examined, even at local level, by combining various data sources (Structural Business Register and The Business Statistical Business Registers (ASIA- “Statistical register of active enterprises”), in order to identify capital injections that are not meant to increase the equity capital of the corporation according to MGGDD.

As a first step, it is compiled the list, at local level, of “public” corporations defined according to the ESA95 criteria (that is, the control and/or more than 50% of the shares or other equity are owned by units belonging to the general government). From this list Istat national accountants extract the subset of corporations that declared losses in their balance sheet in the observed period.

In the second step, these data are matched with the MoF data on capital injections (source: MoF Quarterly Cash Report-RGS) in order to identify all the public corporations suffering losses that received capital injections by the local administration unit (Regions, Municipalities and other local bodies).

This third step encompasses an analysis at the level of single corporation. All those corporations that were granted with non marginal capital injections (more than 1 million euro) are identified. It is supplemented by the careful examination of the public decision acts (regional “delibere” etc.), with which the local body have granted the capital injections, and other specific reports on public utilities. In this context, data extracted from the Union of the Chambers of Commerce database are also used.

The last step consists in cross-checking the different data sources in order to identify, according to the MGGDD, the capital injections to be reclassified as capital transfer.

- The item *Other adjustments* comprises adjustments not elsewhere accounted between the Net lending/net borrowing and the Working balance of table 2C.

EDP table 2D

- The item *Flows related to INPS securitisation operations not included in the Working Balance* (positive entry) shows an adjustment for the securitisation of social contributions credits. Relevant only up to 2003.
- The item *Other adjustments* comprises adjustments not elsewhere accounted between the Net lending/net borrowing and the Working balance of table 2D.

ANNEX 6: Data on General Government Debt – Table 1

Compiler: Bank of Italy

Introduction

Banca d'Italia is responsible for the compilation of the government debt figures (Section 1), excluding forecasts, and of financial accounts (Section 2).

As for government debt figures Banca d'Italia provides data on:

- a) General government consolidated gross debt and its breakdown by instrument in Table 1;
- a) Changes in General government (and its subsectors) consolidated gross debt in Tables 3a-e;
- b) Subsectors contribution to General government debt, subsectors government gross debt and subsectors holdings of other subsectors debt in Tables 3b-e;
- c) Issuances above/below par and appreciation/depreciation of foreign-currency debt to allow cross checking and integration of data from the Ministry of the Economy and Finance in Tables 3a-e.

As for financial accounts data Banca d'Italia provides data on:

General Government net acquisition of financial assets and its breakdown by instrument and subsector to be used in Table 3a-e, with the exception of Other accounts receivable and payable (F.7).

1. Basic Sources

Currency and Deposits

Four kinds of liabilities are grouped under this heading. All of them are Central government liabilities. In this section they are examined in turn.

1 - Coins issued by the Treasury

- a) Origin of data: preliminary information is provided by Banca d'Italia's accounting services; final data are published by the Ministry of the Economy and Finance in its "Conto Riassuntivo del Tesoro" (issued monthly). The latter source is used for both April and October notifications. In the official Banca d'Italia publications data are included under broader headings. In the monthly series presented in the "Supplements to the Statistical Bulletin – Monetary and Financial Indicators – The Public Finances" coins are included in the item "currency and deposits" (table 4) except for those held by Banca d'Italia which are included among "other liabilities". In the quarterly Economic Bulletin (January, April, July and November) coins are included among "currency and deposits" in table 2.30 except for those held by Banca d'Italia included among "other liabilities". In the Annual Report (May) coins are included among "currency and deposits" in table a13.10 except for those held by Banca d'Italia

included among “other liabilities towards the central bank”¹. Data published by Banca d’Italia are available within one month following the end of the reference period.

- b) Valuation in basic sources: nominal value.
- c) Information on currency swaps: does not apply.
- d) Sources of information for consolidation and valuation: there is no available information on coins held by General government bodies; however the amounts concerned are small (the total amount of coins in circulation at the end of 2008 was 3.669 billion euros).

2 - Post Office Deposits (current accounts)

- a) Origin of data: Poste Italiane Spa. Data transmission is based on an informal agreement between Banca d’Italia - Structural Department and the Ministry for the Economy and Finance which receives the data computed by Poste Italiane spa. Data are included under the broader heading of “Post Office Deposits” in the monthly Supplement to the Statistical Bulletin (table 4) and in the quarterly Economic Bulletin (table 2.30). They are given separate evidence in the Annual Report as “current accounts” (table a13.10). Data published by Banca d’Italia are available within one month following the end of the reference period.
- b) Valuation in basic sources: nominal value.
- c) Information on currency swaps: does not apply.
- d) Sources of information for consolidation and valuation: Poste Italiane Spa provides nominal value data grouped by holder sector (based on ESA95 classification).

3 - Post Office Deposits (other)

- a) Origin of data: Reports from Poste Italiane Spa to Banca d’Italia-Specialized Intermediaries Supervision Department.² Two types of deposits are included: “libretti” and “buoni postali”. Following the transformation and reclassification of Cassa Depositi e Prestiti outside General government (effective since December 2003) only “buoni postali” transferred to the Ministry for the Economy and Finance are included as a General government liability. In the monthly Supplement to the Statistical Bulletin data are included under the broader heading “Post Office Deposits” (table 4). Data are also included under the broader heading “Post Office Deposits” in the quarterly Economic Bulletin (table 2.30). In the Annual Report separate evidence is given for “buoni postali” and “libretti” (table a13.10). Data published by Banca d’Italia are available within one month following the end of the reference period.
- b) Valuation in basic sources: nominal (face) value for “libretti” and “buoni postali”; the latter are published also including capitalised interest for “buoni postali” in the Annual report.

¹ All Banca d’Italia publications are available also in English. The English version of the Annual Report is an abridged one. In the text above reference is made to the full Italian version.

² Since May 2007 origin of data was Cassa Depositi e Prestiti, ad hoc computation from Poste Italiane Spa database. Data transmission was based on an informal agreement with Banca d’Italia-Structural Studies Department.

- c) Information on currency swaps: does not apply.
- d) Sources of information for consolidation and valuation: no information is available concerning deposits held by General government bodies. However, given the nature of the liability (essentially a family oriented saving instrument) these holdings are likely to be negligible and are therefore estimated to be zero.

4 - Other Deposits (with the Treasury)

- a) Origin of data: data on deposits of private institutional units with the Treasury are directly available through Treasury's accounts held with Banca d'Italia. In official Banca d'Italia publications data are included under broader headings: in the monthly Supplement among "currency and deposits" in table 4; in the quarterly Economic Bulletin among "currency and deposits" in table 2.30; in the Annual Report among "currency and deposits" in table a13.10. Data published by Banca d'Italia are available the first day following the end of the reference period.
- b) Valuation in basic sources: nominal value.
- c) Information on currency swaps: does not apply.
- d) Sources of information for consolidation and valuation in these sources: does not apply.

Short Term Securities

Two kinds of liabilities are grouped under this heading. Both are Central government liabilities, as at present there are no short term securities issued by Local government units. In this section they are examined in turn.

1 - Treasury Bills (Buoni Ordinari del Tesoro – BOT)

- a) Origin of data: information is obtained from Banca d'Italia-Monetary and Exchange Rate Policy Department, which manages bills auctions on behalf of the Treasury. In official Banca d'Italia publications data on Treasury Bills are included under the broader heading of "Short Term Securities". In the monthly Supplement consolidated total short term securities outstanding are shown in table 4. In the quarterly Bulletin consolidated short term securities are shown in table a2.3. In the Annual Report total short term securities outstanding are shown in tables a13.10. In table a13.11 data are broken down by counterpart holder: Central Bank, Domestic Banks, Foreign Holders and Other Domestic Holders; sources for the breakdown are Banca d'Italia's accounting services (Central Bank) and Economic and Financial Statistics Department- Balance of Payments Statistics Unit (Foreign Holders); holders by other residents are computed as a residual; the position concerning MFIs is derived from the Reports to Banca d'Italia-Specialized Intermediaries Supervision Departments. In table a13.10 data are broken down by currency of denomination and by country of issue; all BOTs are in national currency and are issued domestically. Non consolidated data on total outstanding securities are available a few days after the end of the reference period; however information on consolidation is only available within 45 days following the end of the reference period. As to the breakdown by holder: holdings by Banca d'Italia are available within one month following the end of the reference

period; holdings by domestic banks within 45 days; holdings by foreign residents are usually available within three months.

- b) Valuation in basic sources: nominal value.
- c) Information on currency swaps: does not apply.
- d) Sources of information for consolidation and valuation in these sources: nominal values of holdings of BOTs by General government units are from banks' Reports to Banca d'Italia "Banking Supervision Department".

2 - Commercial Papers

- a) Origin of data: information is obtained from Banca d'Italia-Monetary and Exchange Rate Policy Department which manages papers auctions on behalf of the Treasury. In official Banca d'Italia publications data are included under the broader heading of "Short Term Securities" together with BOTs. All commercial papers are issued abroad. They may be issued in national or other currencies but, in the latter case, they are, as a rule, immediately swapped in euros. Data are available a few days after the end of the reference period.
- b) Valuation in basic sources: nominal value.
- c) Information on currency swaps: data are collected after the swaps - if any - are implemented.
- d) Sources of information for consolidation and valuation in these sources: does not apply.

Medium and Long Term Securities

Securities issued by both Central government and Local government units are included under this heading. Securities originally issued by private bodies (e.g the Railways company - Ferrovie SpA, Infrastrutture Spa) for whom the State has agreed to pay back both interest and principal are included in this category as well. In this section they are examined in turn.

1 - Central government bonds

Instruments included under this item are:

BTP (Buoni del Tesoro Poliennali): fixed nominal interest rate; maturity between 3 and 30 years; issued below, at or above par; denominated in national currency. This instrument also includes BTP€i (Buoni del Tesoro Poliennali indicizzati all'inflazione dell'area euro): index-linked bonds with fixed nominal interest rate and uplift in the value of principal calculated on the basis of HICP-euro-zone; maturity between 5 and 30 years; issued below, at or above par; denominated in national currency.

CCT (Certificati di Credito del Tesoro): return indexed to 6-months Treasury Bills (BOT) with a six months lag; maturity is usually 7 years; issued below, at or above par; denominated in national currency.

CTZ (Certificati del Tesoro zero-coupon): fixed return; maturity of 24 months; issued below par; denominated in national currency.

Prestiti della Repubblica: both fixed and variable interest rate; maturity usually above 5 years; denominated either in national currency or in foreign currencies; issued below, at or above par; issued on foreign markets (both within and outside the euro-area);

Bonds issued by Infrastrutture spa (Ispa) for the financing of the high speed railways (following Eurostat decision on May 23rd, 2005) and former Ferrovie Spa Bonds

- a) Origin of data: information is obtained from Banca d'Italia-Monetary and Exchange Rate Policy Department which manages bills auctions on behalf of the Treasury. As concerns bonds issued by Ispa and Ferrovie the nominal value of bonds outstanding at the end of each month is obtained from the amortisation plan made available at the time of the operation and cross checked both with information from Banca d'Italia-Monetary and Exchange Rate Policy Department which is in charge of the payment services on behalf of the Treasury, and with the evidence provided by the Treasury's monthly "Conto Riassuntivo del Tesoro" (available by 80-90 days after the end of the reference period). In official Banca d'Italia publications data are included under the broader heading of "Medium and Long Term Securities". In the monthly Supplement consolidated total medium and long term securities outstanding are shown in table 4. In the quarterly Bulletin consolidated medium and long term securities are shown in table 2.30. In the Annual Report total medium and long term securities outstanding are shown in tables a13.10 and a13.11. In table a13.11 data are broken down by counterpart holder: Central Bank, Domestic Banks, Foreign Holders and Other Domestic Holders; sources for the breakdown are Banca d'Italia's accounting services (Central Bank) and Economic and Financial Statistics Department-Balance of Payments Statistics Unit (Foreign Holders); holders by other residents are computed as a residual; the position concerning MFIs is derived from the Reports to Banca d'Italia-Specialized Intermediaries Supervision Departments. In table a13.10 data are broken down by currency of denomination and by country of issue. Non consolidated data on total outstanding securities are available a few days after the end of the reference period; however information on consolidation is only available within 45 days following the end of the reference period. As to the breakdown by holder: holdings by Banca d'Italia are available within one month following the end of the reference period; holdings by domestic banks within 45 days; holdings by foreign residents are usually available within three months.
- b) Valuation in basic sources: nominal value. The value in euro of Foreign currency denominated bonds is determined by applying the relevant exchange rate as observed at the end of the reference period. If a swap has taken place reference is made to the currency in which the bond was swapped.
- c) Information on currency swaps: usually swaps concern Prestiti della Repubblica issued in foreign currencies. Information is derived from Banca d'Italia-Monetary and Exchange Rate Policy Department where it is collected in connection with the payment services that the Central Bank provides to the Treasury. Information is usually available with a lag which depends on the timing of the first payment in the new currency. Information is cross-checked with reference to the Treasury's monthly "Conto Riassuntivo del Tesoro" which is available within 80-90 days after the end of the reference period.

- d) Sources of information for consolidation and valuation in these sources: nominal values of holdings of Central government medium and long term bonds by General government units are from banks' Reports to Banca d'Italia-Specialized Intermediaries Supervision Department.

2 - Local government bonds

Instruments included under this item are BOR (Buoni Ordinari Regionali), BOP (Buoni Ordinari Provinciali) and BOC (Buoni Ordinari Comunali). These bonds have usually maturity above 5 years and are denominated both in national and foreign currency;

- a) Origin of data: information from Banca d'Italia-Credit and Financial Statistics Department (Securities register Unit³) to whom Local government units ask the ISIN (International Securities Identification Number) code necessary to undertake any issue of securities. Data are periodically cross-checked with information collected by Banca d'Italia local branches directly with reference to the larger Local government sector. In official Banca d'Italia publications data concerning Local government securities are included under the same headings as those for Central government. In the monthly Supplement consolidated total medium and long term securities outstanding are shown in table 7 (broken down between Region and Provinces and municipalities). In the Annual report Local government securities are reported in table a13.13 (broken down between domestic and foreign issuances) and a13.14 (broken down by geographical area). Non consolidated data on total outstanding securities are available within a month after the end of the reference period; however information on consolidation is only available within 45 days following the end of the reference period. As to the breakdown by holder: holdings by Banca d'Italia are available within one month following the end of the reference period; holdings by domestic banks within 45 days; holdings by foreign residents are usually available within three months.
- b) Valuation in basic sources: nominal value. The value in euro of foreign currency denominated bonds is determined by applying the relevant exchange rate as observed at the end of the reference period.
- c) Information on currency swaps: only a handful of operations have been made to date, all were made from foreign currency to euros. Information is provided by the local branches of Banca d'Italia where it is collected through ad hoc queries to Local government units. Information is available with a lag of up to three months.
- d) Sources of information for consolidation and valuation in these sources: nominal values of holdings of Local government medium and long term bonds by General government units are from banks' Reports to Banca d'Italia-Specialized Intermediaries Supervision Department..

Short-Term Loans

Loans from banks to General government units are included under this heading. All loans are domestic.

- a) Origin of data: Reports to Banca d'Italia-Specialized Intermediaries Supervision Department. In official Banca d'Italia publications data are always included under the

³ Since 2007 Ufficio Italiano Cambi.

broader heading of “MFI loans”, covering short and long-term loans both by domestic and non-domestic banks. In the quarterly Bulletin only total “MFI loans” is published (table 2.3). In the monthly Supplement and in the Annual Report breakdowns are provided for total “MFI loans”: a) domestic/non-domestic MFI (a13.10 and a13.11 of the Annual Report); General government subsector (table 6 of the Supplement and table a13.10 of the Annual Report); currency (table a13.10 of the Annual Report). Data are available within a month following the end of the reference period.

- b) Valuation in basic sources: nominal value.
- c) Information on currency swaps: does not apply.
- d) Sources of information for consolidation and valuation in these sources: does not apply.

Long-Term Loans

Loans from MFIs to General government units and securitization operations not considered as sales are included under this heading. Following the transformation of Cassa Depositi e Prestiti into a joint stock company and its reclassification outside to General government sector (effective since December 2003), this item include also loans from Cassa Depositi e Prestiti to General Government. Given the Eurostat decision on May 23rd, 2005, loans to Infrastrutture spa (Ispa) for the financing of the high speed railways are also included under this heading.

- a) Origin of data:
 - domestic bank loans: the same as for short-terms loans.. As for loans to Ispa data are cross checked with information from Banca d'Italia-Monetary and Exchange Rate Policy Department which is in charge of the payment services on behalf of the Treasury, and with the evidence provided by the Treasury's monthly “Conto Riassuntivo del Tesoro” (available by 80-90 days after the end of the refernce period).
 - Loans from Cassa Depositi e Prestiti: on the basis of an informal agreement data are transmitted by the Cassa to Banca d'Italia-Structural Studies Department. From October 2007 they are cross checked with information reported to Banca d'Italia-Specialized Intermediaries Supervision Department. In Banca d'Italia publicatios, Cassa Depositi e Prestiti loans are included in the item “other liabilities” from December 2003 to August 2006 and the item “MFI loans” from September 2006. Such break reflects the change in classification – from OFIs to MFIs – carried out in September 2006 (see footnote in table a23 in Economic Bulletin No. 43 November 2006).
 - non domestic bank loans: EIB and COE Bank reports (data are cross checked with information provided by General government units); data are available within a month following the end of the reference period. In official Banca d'Italia publications data on long-term loans by banks are included under the broader heading of “MFI loans” so that the same as for short-term loans applies.
 - securitisations: Banca d'Italia-Specialized Intermediaries Supervision Department to whom information must be provided by securitising agencies according to the law. Cross-checks are carried out on the basis of information available through Treasury's accounts held with the Banca d'Italia (for Central government units and Social

Security Funds securitisations) and Banca d'Italia local branches (Local government units securitisations). Data are available within a few days after the end of the reference period. Data on securitisations are reported as "other liabilities" in tables 4 of the monthly Supplement, in table 2.3 of the Economic Bulletin and in tables a13.10, a13.11 of the Annual Report.

- b) Valuation in basic sources: nominal value. The value in euro of foreign currency denominated loans is determined by applying the relevant exchange rate as observed at the end of the reference period.
- c) Information on currency swaps: does not apply.
- d) Sources of information for consolidation and valuation in these sources: does not apply.

2. Methods of adjustment to national accounts framework

Does not apply

3. Steps in data notified

- a) Accuracy of data at first notification and estimation method used.

All data available at first notification are finalized data. No estimation procedure is used.

- b) Process of data revision after first notification.

Minor revisions to data in basic sources are included monthly in data officially released by Banca d'Italia.

Major revisions following either methodological changes or ad hoc reviews of sources are implemented either with the release of the Annual Report (end of May) or with the second notification.

4. Memo info provided by Banca d'Italia for cross-checking

- a) Issuances above/below par

Data are retrieved from information available at Banca d'Italia-Monetary and Exchange Rate Policy Department, which manages bills auctions on behalf of the Treasury, and at Banca d'Italia-Credit and Financial Statistics Department (Securities register Unit⁴) to whom Local government units ask the ISIN (International Securities Identification Number) code, which is necessary to undertake any security issuance.

- b) Appreciation/depreciation of currency debt

Computed by applying the relevant exchange rate to foreign currency denominated liabilities as available from the above mentioned sources taking due account of currency swaps where relevant and of within-year changes in outstanding foreign currency denominated liabilities.

⁴ Since 2007 this unit was part of the Ufficio Italiano dei Cambi. The latter has been incorporated into Banca d'Italia since the beginning of 2008.

ANNEX 7: Data on General Government financial assets–Table 3**1. Basic Sources**

Sources for government holdings of financial assets and other liabilities.

a) Currency and deposits

Under this heading three kinds of assets are grouped.

- Deposits with the Bank of Italy

Origin of data: For central government, local government and social security funds, first information is derived directly from the Banca d'Italia accounting service; final data are from Banca d'Italia financial statement.

- Deposits with credit institutions

Origin of data: For central government, local government and social security funds, data are taken from the banks' Reports to Banca d'Italia Banking Supervision Departments.

- Deposits with non resident units

Origin of data: For central government, local government and social security funds, data are taken from Balance of payments statistics.

b) Securities other than shares

Central government's acquisitions of securities have been essentially those made by Cassa Depositi e Prestiti, mainly government bonds. Such data have been included up to December 11 2003, on the basis of a direct source (monthly financial statistics by Cassa Depositi e Prestiti).

For local government and social security funds, data are based on direct sources (*Quarterly Report on Cash Borrowing Requirements as well as annual balance sheets*). As of September 2005 notification, other sources, indirect, are used for cross checking. They are banking statistics on securities held for safekeeping for the domestic assets, and Balance of payments statistics for the external component.

c) Loans

Most loans are granted by the central government and are medium-long term. Within the central government, information on loans granted by Cassa Depositi e Prestiti, typically to local governments, has been taken from a direct source (monthly financial statistics by Cassa Depositi e Prestiti). They are included up to December 11 2003. Information on other loans granted by the central government, as well as on those granted by local government bodies to domestic units, are taken by the *Quarterly Report on Cash Borrowing Requirement*. As of September 2005 notification, loans included in a residual item of the *Quarterly Report on Cash Borrowing Requirement* (i.e. "Altre partite finanziarie") are directly provided by MEF (Ragioneria Generale dello Stato) on a regular basis.

Debt cancellation versus developing countries involves transactions not impacting on Borrowing requirement (and concluded without the intermediation of an Italian bank: therefore, not covered by the indirect sources). The corresponding figures, entering both the Balance of payments and the Financial accounts-EDP data, are collected via direct reports to ISTAT and the former Ufficio Italiano Cambi, now incorporated into Bank of Italy.

d) Shares and other equity

Gross data on shares and other equity (issued by both residents and non residents) held by each Government subsector are computed starting from information reported in the *Quarterly Report on Cash Borrowing Requirement*, integrated by direct information on “Altre partite finanziarie”). The second step to achieve ESA95 net transactions is to compute data on privatization receipts: information on such receipts is provided by Banca d’Italia’s accounting service, on the basis of payments to Treasury accounts held with Banca d’Italia. Data are periodically cross-checked with the *Conto Generale del Patrimonio dello Stato* and social security funds’ balance sheets. Finally, the component to be reclassified as capital injection, without impact on financial investment, is provided by ISTAT and subtracted from net acquisition.

e) Other financial assets

In the October notification, total liabilities in prepayments of insurance premiums and reserves for outstanding claims incurred by insurance corporations are known from the Insurance corporations’ annual balance sheet; the split between holding sectors (including government) is estimated on the basis of weights in the premium payments, resulting from previous years national accounts. In the April notification, total liabilities in F.62 incurred by IC are estimated and then assigned to counterpart sectors on the basis of previous years weights. The component of Other financial assets in Other accounts receivable and payable (F.7) is provided by ISTAT.

2. Methods of adjustment to national accounts framework

a) adjustment needed to obtain EDP valuation

Most data in the direct sources are based on cash amounts actually exchanged. The most important point is to identify the corresponding net acquisition of financial assets, since not all payments recorded in the *Quarterly Report on Cash Borrowing Requirement* involve ESA95 transactions. Further points refer to determining the appropriate amount of consolidated transactions, since the notion of consolidation used for MEF’s Borrowing requirement is similar, but not exactly coincident with that used in financial accounts.

b) “problematic” instruments

Not applicable. Data on the same financial instruments are published by the Banca d’Italia on a regular basis.

- c) sources for adjustment for - cash/accrual interest;
- transaction/par values;
- uplift of index linked liabilities;
- foreign currency;

See above, Section 2, part 4.

d) sources for other adjustments

3. Steps in data notified

a, b) Accuracy of data at first notification and estimation method used and process of data revision after first notification.

For the adjustment components on the central government debt, all data available at first notification are finalized data. No estimation procedure is used. There is usually no revision after the first notification. As far as the interest expenditure is concerned, high level of accuracy is assured since the first notification; some database revision may provoke minor adjusts (in the order of 100.000 € a year).

ANNEX 8: The SIOPE system

Compiler: ISTAT

The Financial Act for year 2003, (Law 289, December 2002, Art. 28 (points 3, 4 and 5)) states, in order to respect the constraints required in point 104 of the EU institutive Treaty, that government units should be obliged to adopt a standardized system of codification for revenues and expenditure, both on a cash and on an accrual basis.

As a first step, given the limited use of the accrual accounting in the government units, the new codification system is expected to be used only for the cash reporting.

The standardized system of codification for the government operations has been defined as SIOPE: Information System for the Government units' Operations (Sistema Informativo delle operazioni degli enti pubblici).

The actors involved in the SIOPE system are:

- Government bodies through their cashier banks
- Bank of Italy that collects all the data flows coming from the cashier banks
- ISTAT
- RGS Department of the Ministry of Economy

The State has already adopted the full SIOPE codification since the year 2003.

Up to now technical agreements have been achieved for the codification of the following government bodies:

- Municipalities, provinces and other local bodies
- Regions and autonomous provinces
- Universities
- Research bodies
- Local Health Units.

This codification system lives at the same time of the government units proper system of classification and it is not foreseen, at least up to now, to eliminate the specific sub-sector classification. This means that each government unit could have, at least in theory, its own system of reporting and that it also has to report according to the SIOPE standards for public finance requirement. The aim is to reach, in the future, a full consistency between the two systems.

An additional characteristic of SIOPE system is that each unit, that contributes to feed it, has the opportunity to compare itself with the average position of the subset of government units it belongs. Therefore each municipality can compare its position with the average municipalities' position and the like.

One of the key characteristics of this reporting system is that it aims to ensure the comparability of data also in the developing world of public finance connected with the additional needs arising from devolution.

The flow of data through the bodies involved is described in the following table:

SIOPE – Data flows

