

**Inventory of the methods, procedures and sources
used for the compilation of deficit and debt data and
the underlying government sector accounts
according to ESA 2010**

Italy

July 2020

Background

Compilation and publishing of the Inventory of the methods, procedures and sources used to compile actual deficit and debt data is foreseen by Council Regulation 479/2009, as amended.

According to Article 8.1: *“The Commission (Eurostat) shall regularly assess the quality both of actual data reported by Member States and of the underlying government sector accounts compiled according to ESA 95.... Quality of actual data means compliance with accounting rules, completeness, reliability, timeliness, and consistency of the statistical data. The assessment will focus on areas specified in the inventories of Member States such as the delimitation of the government sector, the classification of government transactions and liabilities, and the time of recording.”*

In line with the provisions of the Regulation set up in Article 9, *“Member States shall provide the Commission (Eurostat) with a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts. The inventories shall be prepared in accordance with guidelines adopted by the Commission (Eurostat) after consultation of CMFB. The inventories shall be updated following revisions in the methods, procedures and sources adopted by Member States to compile their statistical data”*.

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States. This version introduces references to the ESA 2010 and the updates mirroring the changes introduced by the ESA 2010. It also includes changes introduced by the August 2019 MGDD version.

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Annex I – list general government units

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

This chapter provides a summary description on the general government sector components and specifies institutional responsibilities and basic data sources used for EDP tables and for the compilation of general government national accounts. Special attention is given to EDP tables: detailed description of components of the working balance and the transition into B.9 (net lending/net borrowing); compilation of Maastricht debt and of stock-flow adjustments; explanation of the link between EDP table 2 and 3, balancing process and statistical discrepancies.

1. General Government

This section describes the coverage of the General Government sector and the sub-sectors for Italy.

The general government sector is composed by three sub-sectors: S.1311, S.1313 and S.1314. It includes:

1.1. Central government subsector (S.1311)

The Central government sub-sector is composed by the *Central budgetary organisations and other Central organisations*.

The *Central budgetary organisations* are the State (Ministries and Prime Minister's Office), the Constitutional Bodies (the Chamber of Deputies, the Senate, the Presidency of the Republic, the Constitutional Court), Other Bodies of Constitutional status (the National Council for Economics and Labour – CNEL, the Supreme Council of Magistracy – CSM, the Court of Auditors, the Council of State and the Parliamentary budget office –UPB); the Fiscal Agencies (the Revenue Agency, the Customs and Monopolies Agency, the State Property Agency) (41).

Other Central organisations are:

- Economic activities regulatory bodies (15)
- Economic services producers (35)
- Independent administrative authorities (9)
- Associative bodies (8)
- Institutions providing cultural, recreational and social-care services (61)
- Research Bodies (26)
- Zoo-prophylactic experimental institutions (10)

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

1.2. State government subsector (S.1312)

There are no government units attributable to this subsector.

1.3. Local government subsector (S.1313)

Local Government subsector includes the following typology of units:

- Regions and Autonomous Provinces (22)
 - Provinces and Metropolitan Cities (117)
 - Municipalities (8.116)
 - Mountains Development Bodies (159)
 - Municipalities' Unions (582)
 - Chambers of Commerce (94)
 - Regional Unions of the Chambers of Commerce (19)
 - Tourism bodies (56)
 - Port Authorities (18)
 - Regional Health Agencies (15)
 - Regional Agencies and bodies for the development of the agricultural sector (11)
 - Regional Agencies and bodies for the Education, the Research and the Environment (44)
 - Regional Employments Services Agencies (10)
 - Regional Agencies providing subsidies to the Agricultural Sector (7)
 - Producers of Health Services at local level (Local Health Agencies, Hospital Agencies, Public Research Hospital, University-Hospitals Agencies) (202)
 - Institutions providing Education and related Services (Universities and Public University Institutes) (68)
 - University Studies Aiding Bodies (37)
 - Consortia for university research (20)
 - Institutions providing Cultural Services at local level (Lyrical-symphonic Foundations and National and of great cultural interest theatres) (29)
 - Institutions providing social-care services at local level (51)
 - Consortia and managing bodies of parks and protected natural areas (162)
 - Waste and Water Services' Regulatory Authorities (105)
 - BIM consortia (Consozi di Bacino Imbrifero Montano) (56)
- Other consortia, bodies and public corporations providing public services at local level (558).

1.4. Social security funds subsector (S.1314)

The Social Security funds sub-sector includes 22 institutions (22).

Further details relating to practical aspects of sector classification for individual units into general government sector could be found in Chapter B, section 1.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

2. Institutional arrangements

This section provides general information on institutional arrangements relating to the production and dissemination of government deficit and debt statistics:

- responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by ESA 2010 Transmission Programme;
- institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;
- general overview about bookkeeping system used by public units, internal quality checks and external auditing;
- communication between individual national authorities involved in EDP;
- publication of deficit and debt statistics.

Legal basis for the compilation of GFS and EDP data

The national law referring to the collection and the compilation of fiscal data is the law 31 December 2009 n. 196. It is applied to all bodies belonging to S.13 sector and defines the frame of rules for public accounting registration. There is no specific national legal basis for the compilation of EDP data. Further legal acts following the cited frame law are the legislative decrees n.118/2011 and n.91/2011. Both decrees provide the rules for the accounting harmonization defining the new revised general and applied accounting principles and the new accounting schemes to be adopted by all General government units; DI 118/2011 regarding local government units and their instrumental bodies, DI 91/2011 referring to all general government units other than territorial entities that are covered by the dl 118/2011.

2.1. Institutional responsibilities for the compilation of general government deficit and debt data

This section describes institutional responsibilities for compilation of Government Finance Statistics (national accounts for general government and EDP tables). Further related information is described in section 2.3 Communication.

National accounts data for general government are transmitted to Eurostat¹ via the following tables (see the related EU legislation)² :

Table 2 – Main aggregates of general government (annual data)

Table 6 – Financial accounts by sector (annual data)

Table 7 – Balance Sheets for financial assets and liabilities (annual data)

Table 801 – Non-financial accounts by sector (quarterly)

¹ <https://ec.europa.eu/eurostat/data/database>

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1581327918231&uri=CELEX:32013R0549>

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector (annual data)

Table 11 – Expenditure of General Government by function (annual data)

Table 25 - Quarterly Non-financial Accounts of General Government

Table 26 – Balance sheets for non-financial assets (annual data)

Table 27 – Quarterly Financial Accounts of General Government

Table 28 – Quarterly Government Debt (Maastricht Debt) for General Government

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables³.

Table 1. - Institutional responsibilities for the compilation of general government national accounts and EDP tables

Institutional responsibilities <i>(the appropriate cells are crossed)</i>		NSI	MOF	NCB	Other	
Compilation of national accounts for General Government:						
Nonfinancial accounts	annual	X				
	quarterly	X				
Financial accounts	annual			X		
	quarterly			X		
Maastricht debt	quarterly			X		
Compilation of EDP Tables:						
EDP table 1	actual data	deficit/surplus	X			
		debt			X	
		other variables	X			
	planned data	deficit/surplus		X		
		debt		X		
		other variables		X		
EDP table 2 (actual data)	2A central government		X	X		
	2B state government		M	M		
	2C local government		X	X		
	2D social security funds		X	X		
EDP table 3 (actual data)	3A general government		X	X	X	
	3B central government		X	X	X	
	3C state government		M	M	M	
	3D local government		X		X	

³ <https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

	3E social security funds	X		X	
EDP table 4		X			

NSI - National statistical institute including units subordinated to the NSI (the latter is to be specified in comments)

MOF – Ministry of Finance/Economy including units subordinated to the MOF (to be specified in comments)

NCB – National Central Bank

Other – other national body, to be specified in comments

The institutions involved in the compilation of General Government national accounts and EDP tables are:

Istituto Nazionale di Statistica – Italian National Statistical Office.

Ministero dell’Economia e delle Finanze – Ministry of Economy and Finance.

Banca d’Italia – Bank of Italy.

- Istat is responsible for the compilation of actual General Government non-financial accounts, defined according to ESA2010. It is also responsible for the List of institutional units to be included in the ESA2010 General Government sector, S13.
- Ministero dell’Economia e delle Finanze (MEF) is responsible for the State and the whole public sector working balance and for all forecasts.
- Banca d’Italia provides data on Maastricht debt (outturns; levels, change and composition) and General Government financial accounts.

According to this arrangement, EDP tables are compiled on the basis of the scheme described above. In particular in tables 2, *working balance* and the section of *financial transactions* are compiled by MEF and all the other sections are compiled by Istat; in tables 3, the sections of *net acquisition of financial assets* and *the change in consolidated gross debt* are compiled by Banca d’Italia, the section of adjustment is compiled by Istat except the data on *issuances above or below nominal value, redemption of debt, appreciation or depreciation of foreign currency debt* of table 3B compiled by MEF and the same ones in table 3D compiled by Banca d’Italia.

The institutions involved in the compilation of EDP tables are the three institutions mentioned above. The final approval of EDP data to be transmitted to Eurostat is under the responsibility of the Italian National Statistical Office.

EDP tables are officially transmitted to Eurostat by Istat in electronic form via eDAMIS (since September 2012).

2.1.1 Existence of an EDP unit/department

See annex 2 for a detailed description of Istat organizational chart

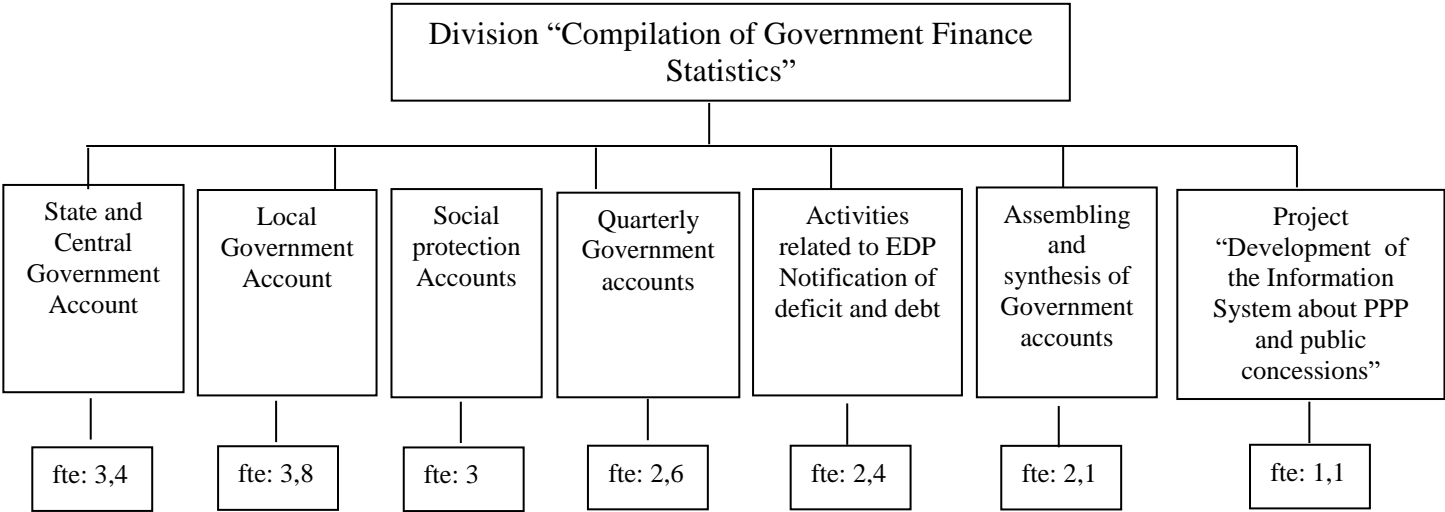
In the Istat National Accounts Directorate, the Division “Compilation of government finance statistics” is in charge for: the compilation of the annual and quarterly accounts of General government units and related sub-sectors; the EDP notification procedures; the compilation of social protection and health accounts; the estimates of non market aggregates flowing into the national accounts for the calculation of production, value added and final consumption of the GG sector.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

The Division “Quality management and processing of input data on institutions and enterprises”, in strict agreement with the Division “Compilation of government finance statistics”, ensures the definition and management of the perimeter of general government (list S13) for the purposes of national accounts; implements and manages the database of input and output of public finance data; develops the procedures for the treatment and verification of the quality of the basic data for the compilation of public finance statistics; manages the relations with the primary sources of public finance data and information and the related data acquisition, generally through the “Division for acquisition of administrative data and integration of sources” of the “Directorate of Data Collection”; produces the non market aggregates at constant prices.

Inside the Division “Compilation of government finance statistics” there is a specific initiative responsible for EDP Notification named “Activities related to EDP Notification of deficit and debt”(Attività collegate alla Notifica alla Unione europea dell’indebitamento e del debito pubblico).

Division “Compilation of government finance statistics” organizational chart:



The staff of the EDP initiative is involved in activities for the compilation of the EDP tables, the related questionnaire on the basis of the detailed S13 accounts produced by the Division and collecting information from the Ministry of Economy and Finance-MEF and Banca d’Italia; it elaborates the reconciliation between the working balance and net borrowing/lending and between net borrowing/lending and the change in General Government consolidated gross debt to ensure consistency across reported data.

The initiative is involved in the analysis of the annual financial accounts for the General Government sector and in the estimation of annual other accounts payable and receivable. The initiative is involved in Eurostat EDPS working groups and TFs dealing with methodological issues and the correct application of national accounts standards.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

2.1.2 Availability of resources for the compilation of GFS data

The Division “Compilation of Government Finance Statistics” in the National Accounts Directorate is organized in seven initiatives whose activities are described below.

a. State and Central Government accounts Initiative:

Estimates the annual non-financial accounts of the State and other Central government units (included Economic services producers, National assistance bodies, Research Bodies,..) starting from the acquisition of the State Budget Reporting at the maximum level of detail and the accounts of the other central units; it performs the analysis of consistency of data and reclassifications for the compilation of the non-financial accounts based on administrative sources. The estimates are produced on a cash and accrual basis, according to the economic and functional classification.

Estimates the State and the other Central government units’ aggregates useful to elaborate value added, production and final consumption by branch of economic activity and by product at current prices.

It deals with the analysis and the elaboration of the taxes by type and of subsidies by product and branch.

b. Local Government accounts Initiative:

Compiles the annual non-financial accounts for Local Government, on a cash and accrual basis, by economic and functional classification.

Estimates the detail for the aggregates for the calculation of Local Government value added, production and final consumption by branch of economic activity and by product at current prices, and by regions.

Starting from the acquisition of Local Government financial statements, the initiative performs data quality controls and makes the reclassifications necessary to compile the non-financial accounts according to ESA2010 rules.

c. Social protection accounts Initiative:

Compiles the annual non-financial accounts for the National Social security's bodies and for Local Health Units. The estimations are produced on accrual and cash basis according to the economic and functional classification.

Estimates the aggregates for the calculation of Social Security Funds and LHUs value added, production and final consumption by branch of economic activity and by product at current prices, and by Regions.

The initiative produces the annual consolidated accounts of social protection and social protection benefits by function according to the functional classification.

The initiative produces data on social protection and social benefits by schemes according to ESSPROS Regulation (EC) n. 458/2007 and participates to Eurostat WG and TF.

The unit is also involved in the development of the methodologies to calculate the pension entitlements as defined by ESA2010, in collaboration with MEF and Banca d’Italia.

d. Activities related to EDP Notification of deficit and debt Initiative:

Coordinates the activities for the compilation of the EDP tables and the related questionnaire in collaboration with other institutions (MEF and Banca d’Italia).

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It elaborates data for the linking between working balance and net borrowing/net lending and between net borrowing and debt for the General Government and its sub-sectors.

It analyses the annual financial accounts and estimates the other accounts payable and receivable on the annual and quarterly basis. It helps to update the Manual on Government deficit and debt, participating in Eurostat working groups ensuring the correct application of ESA2010 standards in the national accounts.

e. Assembling and synthesis of Government accounts Initiative:

The initiative concerns the Synthesis of the government non financial accounts Public Administration accounts, with particular attention to the processing of centralized inputs for the S.13 accounts, the supply of S.13 inputs for the total production estimate, the estimate of the territorial investments and the estimate of S.13 assets depreciation and capital stocks. The initiative is also involved in the supply of the main products and elaborations regarding general government accounts to the main public national and international Institution dealing with the production, the analysis and the monitoring of public finance data and information. The line of activity also supports the EDP Notification process.

f. Short term public finance statistics and Government expenditure by function Initiative:

Produces the preliminary estimates at 30, 45 days and the final estimates at 60 days of General Government quarterly aggregates to contribute to GDP estimates.

It compiles the estimates at 85 days for quarterly non-financial account of General Government, carrying out the collection of basic data, the updating of the archives and the analysis of the time series of indicators. It is involved in the studies on the application of methods of temporal breakdown of annual data and seasonal adjustments methods for quarterly time-series. The unit coordinates the elaborations of General Government expenditure by function according to COFOG classification. This consists in assembling and validating the data by type of institutional units and in following the methodological discussion at national and supranational level.

g. “Project Development of the Information System about PPP and public concessions” Initiative:

The project aims to achieve a timely identification and registration - in accordance with the rules of the MGDD and the SEC 2010 - of the several types of Public Private Partnership (PPP) operations, Concession contracts and Energy Performance Contracts through a strict monitoring activity. Another main task of the initiative is the implementation of a reliable and complete information system for the classification and the treatment of PPP, Concession contracts and EPCs in the context of General government accounts, aimed also at producing the indicators envisaged in the data transmission programs to Eurostat, an exhaustive set of data about potential liabilities emerging both from the granting of guarantees by GG on liabilities and/or financial assets of the companies involved and from specific PPP operations also for the purpose of responding to the information needs of Council Directive 2011/18 /EU.

As already mentioned, inside National Accounts Directorate, the Division “Quality management and processing of input data on institutions and enterprises”, cooperate with the the Division “Compilation of government finance statistics” with regard to management of the perimeter of general government (list S13) for the purposes of national accounts, the development and maintenance of the database of input and output of public finance data, the

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quality checks on basic public finance data and the production of non market aggregates at constant prices. Overall, in this Division, about 5 fte are involved in all these activities.

2.2. Institutional arrangements relating to public accounts

Generally, “public accounts” are basic source data for GFS compilation, i.e. EDP tables as well as annual and quarterly accounts for general government. Public accounts are used by public units and refer to accounting records and relating accounting outputs (e.g. financial statements) based on the accounting framework defined by a national legislation. This section provides a general overview on institutional responsibilities relating to public accounts. Further details on public accounts for individual government subsectors are described under relevant sections on data sources and EDP tables.

2.2.1 Legal / institutional framework

The general legal basis regulating the compilation of public accounts and the accounting rules is the Law 31 December 2009, no. 196.

According to this law, the bookkeeping system used by government units and public corporations differs among the different groups of units. A standardized system of codification for revenue and expenditure, both on a cash and commitment (legal accrual) basis has been implemented on the basis of the requirements set by the law.

The references to the inventory sections are:

- a) for the State the reference is to section 3.2.1 of the inventory;
- b) for other entities/other Central Government, section 3.2.2 of the inventory;
- c) for Local Government main units, section 3.4.1 of the inventory;
- d) for Other Local Government bodies/non-profit institutions, producers of Health services, section 3.4.2 of the inventory;
- e) for Social Securities institutions, section 3.5 of the inventory.

Accounting records and evidence of all public units are being regulated by a number of Legislative Decrees as foreseen by law 196/2009.

Regarding the **law 196/2009** the Legislative Decrees are:

- *D.Lgs. 31 maggio 2011, n. 91* "Disposizioni recanti attuazione dell'articolo 2 della legge 31 dicembre 2009, n. 196, in materia di adeguamento ed armonizzazione dei sistemi contabili";
- *D.Lgs. 29 maggio 2011, n. 228* "Attuazione dell'articolo 30, comma 9, lettere a), b), c) e d) della legge 31 dicembre 2009, n. 196, in materia di valutazione degli investimenti relativi ad opere pubbliche";
- *D.Lgs. 29 maggio 2011, n. 229* "Attuazione dell'articolo 30, comma 9, lettere e), f) e g), della legge 31 dicembre 2009, n. 196, in materia di procedure di monitoraggio sullo stato di attuazione delle opere pubbliche, di verifica dell'utilizzo dei finanziamenti nei tempi previsti e costituzione del Fondo opere e del Fondo progetti";
- *D.Lgs. 30 giugno 2011, n. 123* "Riforma dei controlli di regolarità amministrativa e contabile e potenziamento dell'attività di analisi e valutazione della spesa, a norma dell'articolo 49 della legge 31 dicembre 2009, n. 196".

Regarding the **law 42/2009** on the fiscal federalism the Legislative Decrees are:

- *D.Lgs. 23 giugno 2011, n. 118* "Disposizioni in materia di armonizzazione dei sistemi contabili e degli schemi di bilancio delle Regioni, degli enti locali e dei loro organismi, a norma degli articoli 1 e 2 della legge 5 maggio 2009, n. 42";

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- *D.Lgs. 6 maggio 2011, n. 68* "Disposizioni in materia di autonomia di entrata delle regioni a statuto ordinario e delle province, nonché di determinazione dei costi e dei fabbisogni standard nel settore sanitario";
- *D.Lgs. 26 novembre 2010, n. 216* "Disposizioni in materia di determinazione dei costi e dei fabbisogni standard di Comuni, Città metropolitane e Province";
- *D.Lgs. 14 marzo 2011, n. 23* "Disposizioni in materia di federalismo Fiscale Municipale";
- *D.Lgs. 31 maggio 2011, n. 88* "Disposizioni in materia di risorse aggiuntive ed interventi speciali per la rimozione di squilibri economici e sociali, a norma dell'articolo 16 della legge 5 maggio 2009, n. 42";
- *D.Lgs. 6 settembre 2011, n. 149* "Meccanismi sanzionatori e premiali relativi a regioni, province e comuni, a norma degli articoli 2, 17 e 26 della legge 5 maggio 2009, n. 42";
- *D.Lgs. 28 maggio 2010, n. 85* "Attribuzione a comuni, province, città metropolitane e regioni di un proprio patrimonio, in attuazione dell'articolo 19 della legge 5 maggio 2009, n. 42";
- *D.Lgs. 17 settembre 2010, n. 156* "Disposizioni recanti attuazione dell'articolo 24 della legge 5 maggio 2009, n. 42, in materia di ordinamento transitorio di Roma Capitale";
- *D.Lgs. 18 aprile 2012, n. 61* "Ulteriori disposizioni recanti attuazione dell'articolo 24 della legge 5 maggio 2009, n. 42, in materia di ordinamento di Roma Capitale";
- *D.Lgs. 26 aprile 2013, n. 51* "Modifiche ed integrazioni al decreto legislativo 18 aprile 2012, n. 61, concernente ulteriori disposizioni di attuazione dell'articolo 24 della legge 5 maggio 2009, n. 42, in materia di ordinamento di Roma Capitale";
- *D.Lgs. 6 settembre 2011, n. 149* "Meccanismi sanzionatori e premiali relativi a regioni, province e comuni, a norma degli articoli 2, 17 e 26 della legge 5 maggio 2009, n. 42".

The institution responsible for bookkeeping standards of public units is the Ministry of Economy and Finance. Representatives of Istat cooperate with MEF in order to guarantee the consistency and appropriateness of information recorded in each budget with the ESA rules and the EDP purposes.

The Ministry of Economy and Finance is responsible for designing the frame of financial statements.

Several Ministries are responsible for the collection of the financial statement of specific groups of units (Ministry of health for Local Health Unit, Ministry of Internal Affairs for Provinces and Municipalities). Nevertheless each single unit is in charge for internal quality, consistency checks and validation

The Law 31 December 2009, no. 196 has established the Data Base of General Government (Banca Dati della Pubblica Amministrazione – BDAP) and, since 2016 financial years, in a first step in a piloting form, all the new accounting schemes and the analytic accounting data, according to the revised accounting principles established by MEF-General Accounting Department, are uploaded on BDAP by local government units. In the next future all government units have to transmit their accounts according to these standards to BDAP becoming this last the centralized source of the main input data and information for the elaboration of Government Finance statistics.

The Italian National Institute of Statistics is responsible for data collection from the upstream providers and for processing of the data according to ESA rules.

Under the Law 31 December 2009, no. 196, starting from 2010, cash flows of most General Government bodies derive from SIOPE system and they are implemented in working balance calculation.

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2.2.2 Auditing of public accounts

2.2.2.1 General government units

The institutional units included in the “General Government” (S.13) sector (over 11.000 subjects) are audited both at external and internal level.

As for the external audits, the Court of Auditors carries out forms of mandatory auditing on more than 95% of S.13 units accounting for a similar share in terms of total public expenditure.

For 95% of the institutional units included in the sector S.13 (over 10.000 units), the Court of Auditors’ audits are carried out on the final budgets and financial statements and they are compulsory for the majority of units with a frequency to be determined by rules or program control of the Court. They concern a financial-accounting audit.

With regard the remaining institutional units, it should be noted that some of them are not subjected to the audit of the Court of Auditors under a specific provision of law (the Constitutional bodies and the Constitutional relevance bodies).

For other institutions, the control is activated by the Court of Auditors under similar conditions to those used for the units subjected to mandatory control but it is optional.

In general, it concerns minor entities of Central and Local Government as Chambers of Commerce, Labour agencies and Regional bodies, Regional Agencies for the labour relations.

It should be noted that non-direct control with regular periodicity by the Court of Auditors on some units does not exclude indirect checks through the examination and the audit of the controlling Government units.

The Court of Auditors audits State, Local Government units (Regions, Provinces and Municipalities), Health authorities and Social security sector; audits guarantee the total coverage of public expenditure in those sectors.

The procedures for State and Regions accounts are designed to provide accurate audits on the regularity of the budget flows (the activity named “Parifica”).

Semi-annual reports are prepared by the Court for all the Regions and the State.

There are also some kinds of financial and accounting compliance audit in each institutional unit of the sector including Provinces, Municipalities and National Health authorities (about 8.500 units).

The Court of Auditors (Central Audit Chamber for public bodies) carries out financial audit on the accounts of the Bodies subsidized by the State included either in General Government sector or in public corporations and partially to common law sectors.

It has to be underlined that some kinds of optional audit, of the same nature of mandatory audit, carried out by the Court of Auditors, can include even the totality of the units belonging to the General Government sector.

There are several forms of audit on public subjects and acts, with the following aims:

- a) Assessment of the matching (“Parifica”) – of the general State accounts and of general Regions accounts; it is aimed at checking the compliance of budget accounting items with accounting documents available at the Court of Auditors;
- b) A priori regularity audit on the main acts of the State (including audits on the financial coverage of the expenditure regulations);
- c) Financial and accounting compliance audits on the accounts of Regions, Local bodies and National Health authorities, extended also to the results of the bodies subsidized by those entities. Such audits encompass: 1) compliance audits on the management of the budget. The

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respect of domestic stability pact and the sustainability of debt; 2) assessment of the management of the Public Administrations' internal audits;

- d) Performance audit of the financial management of State subsidized public bodies and of State controlled companies aiming at assessing the regularity of the management;
- e) Performance audits, with reference to the sound financial management of all Public Administrations, on the basis of the selection carried out during the annual planning of the audit activity

The audit timetable normally is as follows:

- Assessment of "Parifica" of the general State and Regions accounts; June of year T-1;
- Audits on consolidated accounts of local bodies and health authorities: within December of year T-1;
- Audits on national public bodies: within June of year T-1.

As for the State, the upstream data available to GFS compilers are submitted to the audit of the Court in October Notification for year T-1 and the results are automatically included in national accounts.

For the other entities the upstream data available to GFS compilers are submitted to the audit of the Court in April Notification for year T-2

The outcomes of the audit are released on the Court of Auditors institutional web site (www.corteconti.it), in the audit databank, and sent to the Parliament and to the other elective assemblies at the same time.

The audit includes also the risk analysis and detailed audits.

The Italian regulations provide for external audits entrusted to the Court of Auditors which is organized into local chambers in each Region.

The MEF performs functions of supervision of institutions and public bodies through the representatives of State General Accounting Department within the internal auditing board.

Moreover, the Inspectorate General for Finance (Ispettorato Generale di Finanza - IGF) carries out:

- controls on the regularity and effectiveness of the administrative and accounting management of Public Administrations, public bodies and organizations;
- accounting controls, coordinated by the Inspectorate General for Finance (Ispettorato Generale di Finanza - IGF);
- supervision and audit of public bodies.

The audit is performed on Government Administrations, Local Authorities, Public bodies and institutions that receive and manage public resources and refers to almost all the units included in S.13 sector.

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2.2.2.2 Public units, not part of general government

The Court of Auditors carries out its audits directly on the main national public corporations and indirectly on local public corporations, as regards the effects on budgetary equilibrium of the controlling local body.

The features of the audits are the same described in section 2.2.2.1.

2.3. Communication

2.3.1 Communication between actors involved in EDP

2.3.1.1 Agreement on co-operation

The cooperation between institutions involved in EDP process (ISTAT, MEF, BI) is oriented to provide consistent and reliable data and is organised through cooperation agreements, under Istat coordination.

The Cooperation agreement between Istat and MEF – State General Accounting Department, periodically renewed and updated, is aimed at managing the data exchange system for the compilation of General Government accounts and at providing the statistical information required to the MEF analysis of public finance evolution.

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

- a. annual cash data for all aggregates of the General Government accounts (deadline indicated in the agreement is February 20 for data related to T-1);
- b. quarterly cash data, for most aggregates of the General Government accounts (deadline indicated in the agreement is 68 days after the end of the quarter);
- c. commitment and cash data for State Government expenditure and revenue (deadline indicated in the agreement is February 20 for data related to T-1);
- d. quarterly information on EU flows (deadline indicated in the agreement is February 15 for data related to T-1).

Since 2016, inside the general Protocol, a sub-Protocol regarding the Banca Dati delle Amministrazioni Pubbliche – BDAP has been included for the management of the exchanges of data and information regarding General (mainly Local) government units accounting schemes and data.

The agreement is signed by the President of Istat and the Head of the State General Accounting Department and can be reviewed and updated every 3 years.

There is also a Protocol of agreement signed in March 2011 between Istat and Banca d'Italia managing the exchange of statistical information, also regarding the EDP data.

A permanent working group was established by Istat in 2005, to examine all the issues related to the EDP notification process. The group is chaired by Istat and participated by Banca d'Italia and MEF (State General Accounting Department, Treasury Department, Finance Department).

Before every round of EDP notification a meeting of the working group is called in order to investigate the most relevant issues. Before each meeting an agenda is circulated among participants.

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Istat is consulted for what concerns the timeliness data collection, and when changes in public accounting law are introduced in order to guarantee the continuity and the adequacy of the information for the compiling of accounts according to ESA rules.

2.3.1.2 Access to data sources based on public accounts

The public accounts data for individual units/groups of units are delivered to Istat in several ways: data from BDAP are downloaded through a dump of Oracle tables from MEF System and organized in a centralized Oracle database containing all public finance input and output data; other transmissions are via excel files containing the main aggregates. In some cases pdf files with detailed information or qualitative information are transmitted as well. In terms of balancing items and main aggregate they are consistent in the different documents.

The source data used for EDP data compilation are generally not certified by a signature of the responsible Government institutions.

Istat has direct access to the database SIOPE (Sistema Informativo delle Operazioni degli Enti Pubblici). SIOPE is the standardized system of codification of each single cash transactions for Government units.

The coverage of units in the database compared to the S.13 list is almost complete for Local Government, while Social Security Funds and State are not included

Since SIOPE system only records cash flows, no information about stocks is available.

Data are automatically downloaded weekly directly from the SIOPE System and organized in the centralized Oracle database.

2.3.2 Publication of deficit and debt statistics

2.3.2.1 Publication of EDP data

The EDP figures are published at national level on the same day as the Eurostat press release, generally on 22nd or 23rd of April and 22nd or 23rd of October on the Istat website, after the Eurostat validation (<https://www.istat.it/it/archivio/241720>).

The publication on Istat website is in the series *Informative Note for the press*, and includes a short presentation text and a statistical Annex with a set of three tables: EDP Table 1, Table 2 aggregated for General Government and EDP Table 3A.

The text is organised in two parts, the first gives general information on data notified, as the presence or not of the reservation on Italian national accounts, the responsibilities of each institutions involved in the compilation of data notified, the evolution of the main public finance aggregates shown in EDP table 1, the relevant revisions with respect to the previous release of data. The second part is a methodological note, providing specific guidelines for a correct interpretation and understanding of the content of the tables annexed.

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Istat provides to users the references that can be contacted for information and clarifications on published data, if necessary they put on contact with expert belonging to the “Compilation of Government finance statistics Public Finance Statistics Division that have to be available in the office for the entire day of publication.

Data on Maastricht debt are published on a monthly basis by Banca d'Italia via the publication belonging to the Statistical series: "The Public Finances, borrowing requirement and debt" available at

<https://www.bancaditalia.it/pubblicazioni/finanza-pubblica/index.html?com.dotmarketing.htmlpage.language=1>

In case of revisions, data are accompanied by a Notice to readers which provide information on the magnitude and reason for changes in previously published statistics. The first release of data on Maastricht debt at the end of December of the previous year is published in mid-February.

As regards Maastricht debt, long time series are updated on monthly basis by Banca d'Italia (on the occasion of the release of the "The Public Finances, borrowing requirement and debt"). Time series can be retrieved via the public database

https://infostat.bancaditalia.it/inquiry/home?spyglass/taxo:CUBESET=/PUBBL_00&ITEMS_ELEZ=PUBBL_00|false&OPEN=true&ep:LC=EN&COMM=BANKITALIA&ENV=LIVE&CTX=DIFF&IDX=2&view:CUBEIDS=×tamp=1590404033368.

2.3.2.2 Publication of underlying government ESA 2010 accounts

Istat publishes the following releases in its website either as notes or as microdata in the section I.Stat:

- on March 1st of year T, the General Government net lending/net borrowing of year T-1, and the main aggregates of General Government accounts;
- in April of year (T) the detailed General Government non-financial accounts by sub-sector, and in October by subsectors and by selected groups of units, from the year 1995 to (T-1)
- at Q+85 days quarterly non-financial accounts are published from the year 1999;
- in April and in October of year (T) the satellite accounts of Social Protection by areas of intervention (Social security, Health and Social assistance) period 1995 – (T-1);
- in December of year T the General Government expenditure by COFOG at second level by sub-sector for the period 2000 - (T-1).

All the data are coherent with the EDP notification data transmitted to Eurostat twice a year (by the end of March and the end of September).

For each release Istat publishes the related methodological note.

For the detailed national accounts the link is:

<http://dati.istat.it/Index.aspx?QueryId=37902>;

For the satellite accounts of Social Protection the link is:

<https://www.istat.it/it/archivio/235104>.

For the General Government expenditure by COFOG the link is:

<http://dati.istat.it/Index.aspx?QueryId=37914>.

The section of the website presents the set of tables of public expense by COFOG, a data base to download, a methodological guide to the data and a glossary of the terms used.

3. EDP tables and data sources

This section reports on availability and use of basic data sources for the compilation of national accounts and EDP tables, by general government subsectors and main units/groups of units. It also aims at describing adjustments to basic data source in order to compile ESA 2010 based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

3.1. EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation⁴: net borrowing(-)/net lending(+)(B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (D.41) .

This section focuses on Maastricht debt only. A detailed description of B.9 calculation and data sources for individual subsectors is covered under section 3.2.

3.1.1 Compilation of Maastricht debt

3.1.1.1 Specification of debt instruments

Maastricht debt instruments are:

AF.2 – Currency and Deposits

This item refers to the following liabilities of Central Government (S.1311):

- a) Coins issued by the Treasury - valuation is at face value.
- b) Post Office deposits (current accounts) - valuation is at face value.
- c) Post Office deposits (others) - valuation is at face value.

Two types of deposits are included in this item: “libretti” and “buoni postali”. The latter are deposits with capitalised interest where principal plus interest is withdrawable only at the end of the contract (which can happen at any time). Following the transformation and reclassification of Cassa Depositi e Prestiti (CDP) outside General Government (effective since December 2003) only “buoni postali” that had been transferred to the Ministry for the Economy and Finance at the time of the transformation and have therefore to be reimbursed by the Treasury, are included among General Government liabilities (new issuances are instead classified as CDP liabilities). Following the ESA 2010 interpretation adopted in the MGDD in 2019, face value for “buoni postali” includes interest accrued and not paid.

- d) Other deposits (with the Treasury) - valuation is at face value.

This item includes deposits that are held with the Treasury by institutional units classified in the private sector.

AF.31 – Short-term securities

⁴ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.069.01.0101.01.ENG

This item includes mainly Central Government liabilities, such as “Buoni Ordinari del Tesoro” (BOT) and Commercial papers (CP). CP may be issued in euros or in foreign currencies but, in the latter case, they are, as a rule, immediately swapped in euros. At present, use of short term securities issued by Local Government units is negligible. Valuation is at face value.

AF.32 – Medium and long term securities

This item includes securities issued by both Central Government and Local Government units. It also includes securities issued by private bodies for which the State has agreed to pay back both interest and principal. The valuation criterion is face value, including capital uplift. There are no cases of capitalised interest bonds. Data are consolidated between and within General Government units. The corresponding value in euros of foreign currency denominated bonds is determined by applying the relevant exchange rate as observed at the end of the reference period. In case a cross-currency swap has taken place, reference is made to the currency in which the bond was swapped.

AF.41 – Short-term loans

This item includes:

- a) loans from financial intermediaries to General Government units with maturity shorter than 1 year
- b) loans related to the acquisition by financial intermediaries of Government trade debts (without recourse) following Eurostat's decision issued on July 31, 2012.

The valuation is at face value.

AF.42 – Medium and long-term loans

This item includes:

- a) loans from financial intermediaries to General Government units with maturity longer than 1 year;
- b) loans from European Investment Bank (EIB) and Council of Europe Development Bank (COE) to Italian Government units;
- c) loans from financial intermediaries to Infrastrutture spa (Ispa) for the financing of the high speed railways (Eurostat decision issued on May 23, 2005).
- d) loans granted by the EFSF to euro-area countries (in the context of the financial support schemes agreed at European level following Eurostat decision issued on January 27, 2011). Data are taken from the official communication received from Eurostat on a monthly basis;
- e) financial leasing operations;
- f) securitisation operations undertaken by General Government units (Eurostat decision issued on July 3, 2002 and Eurostat Advice issued on September 4, 2006);
- g) factoring via securitisation operations where the debtor of the underlying trade credit is a General Government unit (Eurostat's decision issued on July 31, 2012);
- h) loans that refer to private-public partnership operations are included under this item consistently with the Istat classification of this transactions. The valuation is at face value;
- i) imputed loans arising from reclassification of off-market swaps (MGDD 8.3.3; see also section 7.7.3)

In line with Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011, there are no cases of long-term trade credits at inception.

3.1.1.2 Data sources used for the compilation of Maastricht debt

Data sources used for the compilation of Maastricht debt are:

- Security by security database

EDP tables and data sources - Central Government sub-sector, EDP table 2A and 3B

- Monetary Financial Institutions (MFIs), Other Financial Intermediaries (OFIs) and Post Office (PO) supervisory reports and Credit Register
- Reports on European Financial Stability Facility (EFSF) transactions and loans
- European Investment Bank (EIB) reports
- Public-Private Partnership (PPP) report
- Treasury report (“Conto riassuntivo del Tesoro”)
- Statements from the management of Treasury accounts held at Banca d’Italia (internal records)

Data referred to Local Government units may also be cross-checked directly with these units via Banca d’Italia regional branches.

The institutional responsibilities for individual data sources are:

- Security by security database: the database is managed by Banca d’Italia. The completeness and accuracy of the database is ensured by the role played by Banca d’Italia (Statistics Data Collection and Processing Directorate) as National Numbering Agency for ISIN codes. Furthermore, Banca d’Italia (Market Operations Directorate) assists the Ministry of the Economy and Finance (MEF) in the management of the public debt and, on behalf of the MEF, organises and carries out placements/buy backs of Government securities and debt service. Cross-checks are performed by comparing the data with those received from Montetitoli (Italian Central Securities Depository) or published by Borsa Italiana (Italian Stock Exchange) and MEF.
- MFIs, OFIs and PO supervisory reports: Banca d’Italia is responsible for collection and management of data transmitted by supervised intermediaries. Data quality is ensured by the data validation process (before delivery to “end users”) performed at predefined deadlines and by supervisory activity on intermediaries (on-site and off-site supervision).
- Reports on EFSF transactions and loans: Eurostat transmits monthly to Banca d’Italia data on loans granted by the EFSF to euro area countries in the context of the financial support schemes agreed at European level (Eurostat decision issued on January 27, 2011).
- EIB reports: the EIB transmits monthly to Banca d’Italia data on loans granted to General Government units.
- PPP report: every year, before April and October EDP notifications, Istat (NSI) transmits to Banca d’Italia a report summarizing the PPP operations (and their treatment in national accounts - on/off General Government balance) which have been analysed in year T-1 and updating those analysed in the previous years.
- Treasury report (“Conto riassuntivo del Tesoro”): monthly published by MEF and showing, inter alia, data on face value of coins issued by the Treasury.
- Statements from the management of Treasury accounts held at Banca d’Italia (internal records): produced by Banca d’Italia offices in charge of managing the Treasury accounts.

The timeline for each data source is:

- Security by security database: monthly - two days after end of reference period.
- MFIs, OFIs and PO supervisory reports: monthly - within 40 days after end of reference period.
- Reports on EFSF transactions and loans: monthly - within 30 days after end of reference period.
- EIB reports: monthly - within 30 days after end of reference period.
- Public-Private Partnership report: twice a year - within 30 days before EDP notifications.

EDP tables and data sources - Central Government sub-sector, EDP table 2A and 3B

- Treasury report (“Conto riassuntivo del Tesoro”): monthly - 80/90 days after end of reference period.
- Statements from the management of Treasury accounts held at Banca d’Italia (internal records): data on balances of the Treasury accounts are available one day after the end of the reference period.

The sources described above are used for the compilation of data, starting from the April notification. As a consequence, all the computations derive from source data and no estimation is made.

Data sources are regularly updated by data providers (for example MFIs might correct supervisory reports if a mistake is identified through checks regularly performed by offices in charge) which may result in a revision of the data referred to previous years released at the end of May and in mid-October. Typically revisions in source data are of limited magnitude; if data sources display significant changes, then the reasons determining the change are investigated.

3.1.1.3 Amendments to basic data sources

Data are directly available from data sources at face value. No correction is needed to align information to the Maastricht debt valuation criterion. The only exception is related to index linked bonds for which it is necessary to compute the revaluation.

For the details of sources of information for the adjustments relating to transactions in debt instruments that are not valued at the nominal (face) value of the instrument see answer to point 1 above.

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) depend on the specific case. For example in case of unit reclassification balance sheet data are considered together with evidence from public accounts.

Data are computed mainly on the basis of information not provided by direct sources (such as securities database and supervisory reports from financial intermediaries) and cross-checked with information provided by Government units.

Source data (supervisory reports and security by security database) take into account change in the debtor (for example when guarantees are called or a debt assumption occurs).

Generally no direct use of balance sheet data of General Government units is made. Sources for financial accounts and Maastricht debt are shared to ensure consistency.

3.1.1.4 Consolidation of Maastricht debt

Generally consolidated items refer to acquisition of Central (and to a lesser extent Local) Government securities by Social Security Funds and loans from Central Government to Local Government.

Data are derived from:

- MFIs, OFIs supervisory reports on securities holdings;
- CDP reports for loans to Local Government assigned to the Treasury at moment of the transformation of the CDP (December 2003; these loans are managed by CDP on behalf of the Treasury);
- State budget for Central Government loans to Local Government related to the plan aimed at reducing regional health deficits. The valuation criterion is face value.
- Ministry of Interior reports for financial support loans to Local Government units.

Direct sources for loan consolidation are used for the accounts of both debtors and creditors, in Maastricht debt as well as in Financial Accounts. Therefore, no inconsistencies may arise. For securities, see point 5 below.

There are not relevant problems with inconsistencies in data on consolidation (see point 3 and 5 below)

Counterpart, supervisory information for securities holding (AF.3) is directly used to determine both assets and liabilities of Government subsectors. The same information is used for Maastricht debt consolidation, for the net acquisition of financial assets and for the liability side of Financial Accounts. It impacts on Maastricht debt as well as on B.9f. Therefore no amendment is needed.

3.2. Central Government sub-sector, EDP table 2A and 3B

Information provided in this section refers to data sources available for the Central Government (S.1311), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1311, and explains the adjustments made in order to comply with ESA 2010.

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

This section describes data sources available and used for compilation of national accounts and EDP tables for the main Central Government unit:

- Basic data sources
- Complementary data sources used for the purpose of special ESA 2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

The main Central government unit, as reported in the working balance of EDP T2A, refers to an enlarged definition of State including a central group of Ministries (the State in the strict sense), that form a single institutional unit, and other institutional units, such as:

- the Prime Minister’s Office;
- the Fiscal Agencies (the Revenue Agency; the Customs and Monopolies Agency and the State Property Agency);
- the Constitutional Bodies and other Bodies of Constitutional status (the Chamber of Deputies, the Senate, the Presidency of the Republic, the Constitutional Court, the Supreme Council of Magistracy – CSM, the Court of Auditors, the Regional Administrative Courts – TAR, the National Council for Economics and Labour – CNEL, the Council of State and the Parliamentary budget office -UPB)

Table 2 – Availability and use of basic source data for the main central government unit

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C/A1(*)	A	T+45	T+7	(3) Current and capital revenue and expenditure and financial transactions		x	x
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			

EDP tables and data sources - Central Government sub-sector, EDP table 2A and 3B

				(7) Cash flow statement			
				Other Reporting			
C/A1	A	T+335	T+11	(8) Statistical surveys: a) Istat survey Riddcue including also Constitutional Bodies		x	
C/A1	A	T+40	T+7	(9) Other: budget reporting: by economic category for Fiscal Agencies others included in State definition		x	
C	A	T+45	T+9	State sector consolidated cash account	x	x	x
C	A	T+45	T+9	Reports based on the monitoring system of the State General Accounting Department on other central units cash flows	x	x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

(*) AI= Assessment/Commitment, in the Italian public accounting Assessments/Commitments are recorded on “legal accrual” basis which is not exactly consistent with the accrual ESA definition, even if with many similarities.

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

Data for the compilation of non-financial State accounts come from administrative sources, the accounting reporting (pre-final and final reporting) for both State and for other entities included in the State definition. Only for some of the Constitutional bodies the primary source is a statistical survey. In general, accounting documents record revenues and expenditures both on assessments/commitments and on a cash basis⁵, according to Italian public accounting principles. In this respect, assessments/commitments are based on the so called “legal accrual” that is the transaction is recorded on the basis of its legal obligations. This is not exactly consistent with the accrual ESA definition, even if many similarities exist. In the recent years, following the accounting reform started with the Law 196/2009, accounting principles have been revised and in particular the principle of the “enforced legal accrual” (competenza finanziaria potenziata) that makes the recording more consistent between legal accrual and the accrual principle according to the SEC. For the State, year 2019 has been the the first year for the application of the new accounting principles.

Details on time availability and data source content are reported in the table 2.

As for the EDP April Notification, estimates of year T-1 are based on provisional information provided by State General Accounting Department (Ragioneria Generale dello Stato - RGS) of the Ministry of Economy and Finance (MoF) and final data become available for the October EDP Notification. As for Constitutional bodies, data are based on the results of the Istat survey on S13 units (see details in section 3.2.1.2) that, however, are not available for the

⁵ The accounting steps are: assessment, collection and in-payment on the revenue side, and commitment, validation, authorisation and out-payment on the expenditure side

EDP April Notification. In this case, estimate of year t-1 are based on data related cash accounts provided by MoF.

In general, data on financial transactions are not used to calculate non-financial transactions.

As for financial accounts, liabilities are based on the same sources used for debt calculation (notably, direct information on issuance of securities and supervisory reports). The asset side is based on direct information provided by the Ministry of Economy, as far as possible. The main exception refers to bank deposits, for reason of consistency with monetary aggregates. Other Accounts receivable and payable (F.8), as well as adjustments for capital injections, super-dividends and other, are provided by ISTAT. The resulting B9f, as well as each single ESA2010 financial instrument reported in Table 3, is the same as in the financial account.

3.2.1.1 Details of the basic data sources

Data sources used for compilation of national accounts

In general, B9 for Central Government for the EDP uses the same data sources and methodologies as National Account and, as such does not differ from National Account central government net borrowing.

As already mentioned above, the State perimeter includes Ministries and other State bodies with accounting and financial autonomy (the Prime Minister's Office; the Fiscal Agencies, the Constitutional Bodies and other Bodies of Constitutional status).

Data sources used to compile B9 are the following:

- the State Budget Reporting provided by the State General Accounting Department ("Ragioneria Generale dello Stato") of the Ministry of Economy and Finance (MoF), transmitted to Istat after the Parliament approval, in July of year T referring to year T-1 data. It includes all Ministries revenues and expenditures split in "chapters" detailed by economic category and, for the expenditure, by function (according to COFOG classification). Data are on legal accrual (commitments/assessments) and cash basis. Capital and current transfers between general government units are clearly identifiable from transfers to households, Non-profit institutions or enterprises.

For the April EDP notification, when the State Budget Reporting is not yet available, provisional data are used for B9 estimation:

- The Simplified account of State expenditure report ("Analitico dei pagamenti"), is transmitted by MoF in February of year T (with an update in July) referring to year T-1. This document refers to the half finalized State budget ("pre-consuntivo") and reports synthetic expenditure data by economic category, classified according to categories close to ESA2010 definition. In addition, details on transfers to other institutional sectors and to the General Government sectors are also provided (in particular, on Subsidies, Capital grants, Other capital transfers, Current transfers). Data are both commitment and cash data.
- Data of the Monitoring System of Tax Collection transmitted by the Department of Finance in February of year T (updated in June/July) referring to T-1; it reports monthly

data detailed by type of tax and by type of collection (the “ordinary method” and the “tax roll”). Data are presented on assessment and cash basis.

- The Consolidated State cash account results by the consolidation of the transactions recorded in the State Budget Reporting and in the State Treasury (TS) and it forms the WB. Cash revenues exclude loans and expenditure exclude repayments. It is provided by MoF in February of year T referring to year T-1.
- The Reports based on budgets of Prime Minister's Office, Fiscal Agencies and other bodies of constitutional status, provided by MoF in February year T refer to year T-1. They contain revenues and expenditures by economic categories, on a cash and commitment basis.

In general, the Italian budgeting system follows national accounts sector classification when setting the budgetary boundaries and therefore the domains of B9 and working balance are substantially coincident (in fact when a new entity is included in S.13 list is then also included in WB by one year).

Non-financial versus financial flows are clearly detected according to a detailed codification of transactions in basic data and the information on inflows and outflows is appropriate to identify different ESA2010 categories. Nevertheless, further information may be provided by MoF (through an ongoing process of data analyses and clarification) when a specific operation or transaction occurred, as described in paragraph 3.2.1.3.

In general, details in data source allow the proper consolidation of transactions between GG units/subsectors. Information on counterparts involved in transactions are compared by entities in order to guarantee a consolidation consistency.

Basic data are fully appropriate on the (largely predominant) liability side, where stocks, flows and reconciliation are fully identified and broken down by financial instrument. On the asset hand, direct sources are generally aimed at capturing flows; stocks are therefore derived from flows. This also applies to assets and liabilities in AF.8. Exceptions include deposits, where stocks can be directly measured.

There are no complementary codifications.

Working balance (WB)

As for Central Government WB, the State part is defined as the result of the consolidation of the cash flows of the State Budget and the State Treasury while, the other central bodies WB results by the monitoring system of the entities cash flows provided by RGS.

As for the State, the working balance is used for the compilation of non-financial accounts only for those transactions recorded on cash basis, namely current and capital expenditures and current and capital revenues, when the legal accrual of the basic data is not consistent with the ESA accrual definition. For the central bodies belonging to the Central government other than State, WB is not used for the compilation of non-financial accounts.

In general, Central Government WB is available by unit and detailed by category of transaction. Transfers by the State are detected. In a second step, revenues other than transfers from the State and payments are recognized, in relation to the different entities.

When the working balance is used as basic source, the structure of inflows and outflows is appropriate even if less detailed than the information derived by State Budget Reporting

In general, when a new entity is included in Central Government sub-sector (S.1311), the WB perimeter is updated and aligned, even not simultaneously, thus some temporary differences may emerge. In this respect, since 1 January 2014, according to the Public Accounting Reform Law (Law 196/2009 as amended by Law 39/2010), WB and S.13 list must include the same units. In addition, the State Regulation (R. 16/11/2012) set that all Central administration included in the S.13 list have to transmit their monthly cash flows to the monitoring system of the RGS.

The basic cash data contain all the information to correctly identify financial and non-financial flows and allow a detailed classification of inflows and outflows.

MEF has full details in codification for the purpose of consolidation but no case of consolidated data sources. There is no complementary codification at data source other than S.13.

3.2.1.2 Statistical surveys used as a basic data source

With regard to State Government, only in case of Constitutional bodies, a survey is used as basic data source. The Istat survey is named "RIDDCUE" ("Rilevazione di informazioni, dati e documenti necessari alla classificazione di unità economiche nei settori istituzionali stabiliti dal Sistema Europeo dei conti nazionali e regionali della Comunità"). It is a census and covers public units belonging to both Central and Local Government. The response rate is more than 80%. The treatment of non-respondents follows a specific procedure to integrate information. Data on missing large units are collected directly at the unit, while data on minor entities are estimated based on proxies or are imputed according to a standard procedure: first, the imputation is based on budgets collected by Ministry of Economy regarding bodies obliged by Law 196/2009 to transmit their budgets electronically or on SIOPE cash data. Finally, if none of these information is available, data from the previous year are used. The main variables included in the survey are: Compensation of employees, Intermediate consumption, Gross capital formation, Other taxes on production, payable, Interests, Transfers.

The results of the survey are not available for the April EDP Notification for the calculation of year T-1. Therefore, as for Constitutional bodies, the estimate are based on the results of the monitoring system of the cash flows provided by MEF-RGS whose rate of change between T-1 and T-2 is applied to the accrual of T-2.

3.2.1.3 Supplementary data sources and analytical information

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA 2010 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

A number of data sources to supplement the SBR are used to compile ESA 2010 compliant national accounts. The supplementary data, provided on annual basis, are mostly based on other administrative sources and mostly used to meet the accrual ESA 2010 requirements.

3.2.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

The supplementary data are the following:

- State expenditure related to military equipment under long-term contracts, provided by the Ministry of Defence in February of year T for the estimate of year T-1. Data are on annual basis and detailed by type of deliveries. They are used for the accrued estimate of the State military equipment expenditures by type of asset.
- State expenditure referring the acquisition of other military goods different from those related to long term contracts. Information is provided on annual basis by MoF in February of year T for the estimates of year T-1 and it is used for the accrual estimates of State expenditures by type of military goods.
- Detailed EU flows transmitted by a) MEF - Inspectorate General for Financial Relations with the European Union in February of year T and referring to year T-1, with information on claims submitted, expenditures for ERDF (European Regional Development Fund), ESF (European Social Fund) and YEI (Youth Employment Initiative), reimbursements and advanced payments. All of these flows are presented by beneficiaries (Regions, Other Public Bodies and Private Sector), by kind of fund and by different planning period (2007/2013, 2014-2020); b) MEF – Inspectorate of Public Accounting and Finance, in February and July of year T and referring to the amounts on annual basis of the flows from EU Commission to Treasury accounts and the amounts of flows from the Treasury accounts to cash manager for the year T-1. They are used to estimate the amounts included in the working balance in EDP table 2A and the adjustments among other accounts receivable/payable.
- Accrued data on reimbursements, dividends, privatisation receipts, lotteries, provided on annual basis by MoF, used to proper compile non-financial State accounts according to ESA2010 definitions.
- Data on tax credit payable (i.e DTA) provided by the Department of Finance elaborated on the basis of the taxpayers' tax declarations.
- Data on schools revenues and expenditures (“Athena” System) provided on annual basis by MoF.

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

With the exception of F.7 and F.8, the liability side of financial accounts is based on the same NCB source used for Maastricht Debt. The latter mainly relate to cash-based time of recording. The accrual basis is obtained through direct quarterly reports (MEF- Treasury Department) which provide adjustment for discount and differences between interest accrued and paid for liabilities in bills, bonds and deposits.

On the asset side, the main source is direct (MEF’s “Quarterly Report on Cash Borrowing Requirement”) with specific breakdowns reported by MEF to the NCB. Accrual adjustments for loans, as well as corrections for capital injections and super-dividends are provided by the NSI. Those supplementary data include transactions with other Government subsectors. They

are used at each quarterly production round. Corrections and accrual adjustments impact on transactions in F.2, F.31 and F.4, therefore affecting B.9f.

3.2.1.4 Extra-budgetary accounts (EBA)

Usually, not all flows of a non-financial nature are recorded in the so called budgetary accounts which enter the WB, as reported in the first line of EDP table 2. Some funds could be put aside as reserves, special purpose funds and are booked in so called “extra-budgetary accounts” - EBA. In some cases, according to national legislation, transactions that are not scrutinized by budgetary rules can be booked in EBA and not in ordinary budgetary accounts. It is very important that all non-financial flows of the main entity, including those entering EBA, are appropriately incorporated into calculations of deficit.

In Italy, as a rule, all flows of financial and non-financial nature are recorded in the budgetary accounts.

3.2.2 Data sources for other Central Government units

This section describes data sources available and used for compilation of national accounts and EDP tables for other Central Government units (those not reported in the working balance in EDP T2A).

- Other Economic services Producers (i.e ANAS, RFI, GSE, Agenzia delle Entrate Riscossione, Sogei, Sogin, ANPAL Servizi spa etc).
- Research bodies.
- Institutions providing Cultural and Assistance services (i.e. RAI, CONI, etc).

Table 3.a – Availability and use of basic source data for other central government units: Other Economic services Producers, Research Bodies, Institutions providing Cultural and Assistance services at central level

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			

				Financial Statements			
A	A	T+150	T+7	(5) Profit and loss accounts		x	
A	A	T+150	T+7	(6) Balance sheets		x	
				(7) Cash flow statement			
				Other Reporting			
C/A1/A	A	T+335	T+11	(8) Istat Survey		x	
C	Daily	T+55	T+7	(9) Reports based on the monitoring system of the State General Accounting Department on other central units cash flows	x	x	x

For some of the major units belonging to other Central Government sector (i.e. Anas, RFI, Gestore dei Servizi Energetici – GSE, etc) the basic sources are the profit and loss accounts, the balance sheets and the notes to the financial statements (for details of the main operations/transactions). Data are on accrual basis according to the business accounting rules and are available after the approval by the Board of Directors (120 days after the end of the financial year). Therefore, for the April EDP Notification of year (T-1) the sources are not yet available and the first calculation of non-financial accounts is based on cash data from the monitoring system of MEF-RGS.

For the other entities, an Istat survey on S.13 units (see details in 3.2.1.2) is used as basic data. For the April EDP notification, data referred to T-1 are not yet available and the first calculation of non-financial accounts uses the cash data from the monitoring system of RGS.

3.2.2.1 Details of the basic data sources

The structure of the basic sources is appropriate for distinguishing ESA2010 categories and for identifying flows to be consolidated among GG units/subsectors; the consolidation is in line with ESA2010 rules.

Reconciliation of stocks with flows is direct for any liability in debt instruments and for assets in deposits. For assets other than deposits, the direct (MEF) sources are generally aimed at capturing flows, and stocks are therefore derived from flows, as well as stocks of AF.8 (NSI). There are no complementary codification at data source by counterpart sector insofar information on transactions by counterpart are included in the standards questionnaires.

For financial accounts, the same data base is used for B.9f compilation as well as for each financial instrument in table 3B, without any exceptions for Other Central Government units.

3.2.2.2 Statistical surveys used as a basic data source

The only survey used as basic data is the already cited Istat survey “RIDDCUE” (see details in paragraph 3.2.1.2)

T-1 data from the Survey are not available in the April EDP Notification, therefore, as for the other units belonging Central Government, T-1 estimates are based on the results of the monitoring system of the cash flows provided by MEF-RGS whose rate of change between T-2 and T-1 is applied to the accrual of T-2.

3.2.2.3 Supplementary data sources and analytical information

This section describes supplementary data sources, which are used to amend basic data sources while compiling national accounts. In order to meet ESA 2010 requirements, supplementary data could be used for, e.g., accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

3.2.2.3.1 Supplementary data sources used for the compilation of non-financial accounts

Generally, no supplementary sources are used to compile non-financial accounts. An additional survey (“Rilevazione statistica sulla Ricerca e Sviluppo nelle Istituzioni Pubbliche”), carried out by Istat, is used for details of the estimate of R&D with regard to Research Bodies. The “Frascati Manual” is the conceptual and methodological basis of the survey. The main variables collected are expenditure for research, staff, types of research and funding sources. Two type the expenditures are considered: those for the institutional mission of the unit (“Intramural R&D”); and those for the research commissioned by external institution (“Extramural R&D”). The survey is exhaustive and include 420 government units that do research as principal or secondary activity. The response rate is about 98 % and non-respondents are statistically imputed on the basis of other sources. Data of year T-1 are not available for the EDP April Notification.

3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts

In financial accounts the liability side of “Other Central Government units” is based on banks reports on F.4. Liability also includes F.8 provided by the NSI. The asset side is based on the direct MEF’s “Quarterly Report on Cash Borrowing Requirement” with adjustments provided by the NSI. The information is available to financial accounts compilers on a regular basis, with the same timeliness of other General Government units. The only adjustment to those entries refers to the asset side: data reported in the Quarterly Report on Cash Borrowing Requirement is corrected according to description in 3.6.5.

3.2.3 EDP table 2A

This section provides detailed information on individual lines reported in EDP T2A.

3.2.3.1 Working balance - use for the compilation of national accounts

The aggregates notified in the EDP table 2A – net borrowing and working balance - are calculated autonomously by Istat and MEF on different data sources and are reconciled except for a statistical discrepancy.

Data sources used for the compilation of WB and NFA are different. WB is based on Cash flows of the State Budget consolidated with State treasury and other central unit cash flows. Cash flows are collected by data warehouse with web access and SIOPE System. NFA are calculated on the basis of the State and the other central unit budgets.

3.2.3.2 Legal basis of the working balance

The Public accounting Reform Law gives the legal basis of the WB (Reform Budget Law 196/2009 -art. 10, art. 14 c. 4, as amended by subsequent laws).

It is presented to the Parliament but it is not voted.

The WB is not audited by the national Court of Auditors (Corte dei Conti), which examines only the results of the state budget that cover a part of it. State budget outturn is audited by June every year and it is publicly available.

The State budget may change as a result of the auditing and revision of B.9 are usually done if there is a change in the State budget.

3.2.3.3 Coverage of units in the working balance

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units, which do not belong to the government sector (or to the particular subsector) according to ESA 2010 definition. The second adjustment refers to B.9 of other units, which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

3.2.3.3.1 Units to be classified outside the subsector, but reported in the WB

Units reported in the working balance are almost coincident with the Central Government sector as defined by ESA2010, a part from some few exceptions without impact on deficit.

3.2.3.3.2 Units to be classified inside the subsector, but not reported in the WB

The units belonging to the subsector S.1311 do not perfectly match the units that contribute to the formation of the WB. This generally can happen for different reasons, for example for inactive units or for units recently included in the S.13 perimeter and only for the time necessary to start the procedures for submitting these units to the cash monitoring that the MEF must carry out by law.

3.2.3.4 Accounting basis of the working balance

The accounting basis of the WB is cash.

Pure cash is used for all transactions with only few, well identified deviations, due to "imputed" expenditure (i.e. except the case of mortgages granted to units outside the sector for which the burden of interest and principal is on the Government - Punctual adjustments are made to cash data). In this case the expenditure does not result from cash flows insofar it is paid by banks directly to beneficiaries).

There are no cases in the past four years when a "non-validated" expenditure by an auditing institution is not included in the working balance.

There are no cases in the past four years when expenditure related to previous period not validated in the past is included in the working balance.

There are no cases in the past four years when revenue or expenditure not recorded in the past due to different reasons were included in the current WB.

There are no cases in the past four years when planned (budgeted) expenditure not actually spent in the current year is recorded in the WB as "actual" expenditure.

3.2.3.4.1 Accrual adjustment relating to interest D.41, as reported in EDP T2

The accounting basis used for the recording of interest expenditure and revenue in the WB is cash. The whole interest expenditure including the discounts and premium of the main entity is recorded in the WB and it is possible to identify the related amounts.

In EDP T2A the line “Difference between interest paid and accrued” concerns the interest expenditure (including discounts and premium) and the interest revenue related to loans granted by Central Government to Local Government. The adjustments to accrual interest for the main entities are reported also under the line “Other accounts payable” and they concern the interest expenditure due to delayed payment of tax refunds and wages.

Other adjustments to interest revenue are reported in EDP T2 under the line “Other accounts receivable”.

3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2

The non-financial transactions amended on an accrual basis via receivables F.8 are mainly Taxes, Social contributions, Payments for incidental sales, EU flows, Transfers and Subsidies, Dividends, Other capital transfers, Interest revenue, Military equipment, Vat and GNI based EU own resources.

The non-financial transactions - amended on an accrual basis via payables F.8 – includes: Taxes, Social benefits other than social transfers in kind, EU flows, Subsidies, Intermediate consumption, Compensation of employees, Capital Transfers, Gross capital formation, Current transfers, Interest expenditure due to delayed payment of tax refunds and wages, Vat and GNI based EU own resources.

Accrual adjustments in EDP table 2 are fully consistent with F.8 reported in EDP T3 and financial accounts only for the subset of S.13 units that contribute to the formation of the WB, but does not contain the accrual adjustments related to the S.13 units not considered in the WB calculation.

3.2.3.4.3 Other accrual adjustments in EDP T2

No other accrual adjustment is reported in EDP T2.

3.2.3.5 *Completeness of non-financial flows covered in the working balance*

There are no adjustments for "Non-financial transactions not included in the working balance".

There are no non-financial flows put aside in the WB.

3.2.3.6 *Financial transactions included in the working balance*

The transactions in financial assets recorded in the WB according to the national legislation are Loans, shares and other equities and deposits. No transactions in financial liabilities are recorded in the WB.

Financial transactions recorded above the line are only transactions in asset.

MEF has detailed data directly transmitted by the government units.

The WB records all inflows and outflows due to granting/repayment of loans, purchase/sale of shares other equities and change in the deposits of the concerned units.

3.2.3.7 *Other adjustments reported in EDP T2*

In the line “Other adjustments” there are several kinds of methodological adjustments:

- 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 they correspond to capital transfer to the Rest of the World;
- the item *Additional cancellations Paris Club* (rerouted via Government) (negative sign) includes the capital transfers resulting from other debt cancellation benefiting foreign Governments;
- the item *Fees related to guarantees granted to banks without impact on WB* represents the amount of fees received by Central Government having an impact on B.9 and not recorded in WB because Law decree December, 6, 2011 established they have to be used in order to reimburse State debt through the Sinking-Fund; According to MEF definition the flows that should be allocated to the Sinking Fund are not registered in the working balance neither on the revenues side nor on the expenditure side. The purpose of the Sinking Fund is to reduce the stock of Government bonds outstanding;
- the item *Reclassification of revenue classified in dormant accounts* (negative sign) corresponds to the deposits of money and other financial assets deriving from the contractual relationships between private units and financial intermediaries or insurance not reclaimed for a period of ten years, starting from the date of availability of related amounts. These amounts not reclaimed are an entry of the WB to be cancelled as they are recorded as other change in volume (K.4) without any impact on the net borrowing;
- the item *Reclassification of revenue of uncompensated seizures* (negative sign) represents a revenue for the State in the WB that comes into possession of assets of other institutional units not corresponding to any payments of taxes, fines and similar levies. They are recorded as another change in volume (K.4) without any impact on the net borrowing and they have to be eliminated from the WB;
- the item *Guarantees called* (negative sign) represents the payment for Government after a cash called guarantee. In national accounts it is recorded as a capital transfer from Government to the corporations and is classified as a financial transaction in the WB;
- the item *Reclassification of credits* (F.8) related to factoring without recourse with OFIs and MFIs in public debt instruments (F.4) represents the amounts related to factoring operations without recourse between creditor enterprises and factoring societies/monetary financial intermediaries reclassified in national accounts from F.8 to F.4 (Decision Eurostat 31st July 2012) without any impact on the WB;
- the item *Net Impact of EFSF* represents the impact of the recording in national accounts of the activity of the European Financial Stability Facility (EFSF). It is an imputation in national accounts without any impact on the WB;
- the item *Cash revenue from sales of non-financial non produced asset recorded as repayments of loans in the working balance* represents the cash revenue from sales of non produced non-financial asset (sales use rights frequencies) that the WB wrongly includes in loans reduction;
- the item *Financial leasing* represents the difference between the amount recorded in the expenditure of WB (annual rate payments) and the amount recorded in B.9 (total value of the leasing contracts) related to the financial leasing operation;
- the item *Standardized guarantees* represents the imputed payments in B.9 of Central Government without impact on WB;
- the item *Impact on B.9 of the Resolution of four small Banks not included in the Working balance* represents the capital transfer imputed as expenditure of the main units of CG in the contest of the resolution in November 2015 of four banks: Banca Marche, Banca Popolare dell'Etruria e del Lazio, CariChieti and Cassa di Risparmio di Ferrara;

- the item *Revenues from sales of emission permits* is the adjustment necessary to keep into account the different impact of cash revenues from the sales of emission permits on WB respect the data used in the calculation of the B9 (refers to par 7.9 for more details);
- the item *Pay back of health expenditures* represents the reimbursements made by pharmaceutical corporations to repay the exceeding expenditures; amounts temporarily allocated in a dedicated fund of the State but earmarked to the Health local units;
- the item *Superdividend to central government units by public corporations* aims at neutralising the impact on the B.9 of large amounts of capital income reclassified in national accounts as financial transaction (with a reduction of Shares and other equity F.5)
- the item *Balance of transactions related to the compulsory scheme of the Fondo italiano di tutela dei depositanti (FITD) and of the Fondo di Garanzia dei Depositanti del credito cooperativo (FGD)* represents the net impact on B9 of the transactions carried out by the compulsory schemes dedicated to the deposit protection. The balance is calculated as differences between the revenues from banks (recorded as taxes D.29) and the transfers to banks in case of interventions (recorded as capital transfers D.99);
- the item *Capital injections to multilateral development banks* corresponds to acquisition of equities of multilateral banks performed by the State reclassified as capital transfer in the calculation of B.9 as related to banks granting concessional loans in the contest of international cooperation;
- the item *Capital injections to BMPS* is the amount of acquisition of equities of BMPS performed by the State reclassified as capital transfer in B.9;
- the item *Impact on B.9 of the winding down of two Veneto banks* is the overall effect on B9 of the government interventions in the contest of the winding down of Veneto Banca and Popolare di Vicenza;
- the item *Loan to Alitalia* represents the reclassification of the loans granted by the State to Alitalia as capital transfer for the calculation of B9;
- the item *Reclassification from non-financial to financial transaction of cash flows related to the merger of two CG units* refers to the merger happened in 2016, of Ales (Arte Lavoro e Servizi S.p.A.), a company owned by the State with ARCUS SpA also involved in development of art, culture and entertainment (both included in S13). As a result of this merge in 2016 the remaining stock of bank deposits of Arcus was erroneously reported in the WB as current transfers. Moreover in 2017 Ales makes financial investment, but recording erroneously the use of fund as expenditure for capital transfer. These operations, are included among the non-financial transaction in WB;
- the item *Guarantees cash calls related to loans already included in the General Government debt* refers to the amounts of cash calls connected to loans received by the families and companies in the contest of earthquake, whose reimbursements are since the concession due by the State.

3.2.3.8 Net lending/net borrowing of central government

The aggregates notified in the EDP tables – net borrowing and working balance - are autonomously calculated by Istat and MoF based on different data sources.

Legal status of B9 data source

The Main data sources for B9 of Central Government are the State Budget Reporting and the reports based on budgets of other entities (details are reported in paragraph 3.2.1.1). These documents are audited by the Court of Auditors and the State Budget Reporting is yearly assessed by the Parliament after a legal proceeding that ends with a formal Decision of total

approval or with remarks on specific issues (“Decisione sul Rendiconto Generale dello Stato”). These documents are also published on the institutions website.

For some entities (i.e. Constitutional bodies, Research bodies, some institutions providing cultural assistance services, etc.) the statistical survey “RIDCCUE”, included in the National Statistical Programme (“Piano Statistico Nazionale”, PSN n. 02538) is used.

For those entities whose profit and loss accounts are used, basic data are available after the approval of the Board of Directors of the firm.

Coverage of units in data sources use

Data sources include all units belonging to Central Government. For each unit its specific data source is used.

Accounting basis of data source

For the major entities data source is based on legal accrual and cash data. For those entities whose profit and loss account is used as basic data, data are on accrual basis, according to the business accounting rules. When it is necessary some adjustment are applied on basic data in order to guarantee consistency with ESA 2010 in term of classification and time of recording (see details on paragraphs on time of recording for taxes, interests and military expenditure). All transactions in WB are recorded on cash basis.

All transactions in F.8, as reported in EDP T3 and in financial accounts, are fully consistent with the accrual recording of transactions affecting B.9, as reported in the last line of EDP T2.

All non-financial flows are covered in the source data for national accounts and B.9 compilation.

3.2.4 EDP table 3B

3.2.4.1 Transactions in financial assets and liabilities

The same database is used for compilation of financial accounts and B.9f as well as for EDP table 3. Each single ESA2010 financial instrument reported in Table 3, as well as the resulting B.9f, is the same in the published ESA2010 financial accounts as well as in EDP Table 3.

Table 4. Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data (integrated in public accounts)	X	X	X	X		X	X	X	X	X	Not existing	X	X	X
Other transaction data					X									
Stock data														
	Calculation of stocks													

Transaction data		X	X	X	X		X							X
Stock data	X					X		X	X	X		X	X	

Currency and deposits (F.2)

For deposits (asset side) with the Central Bank, first information is derived directly from Banca d'Italia accounting service; final data are from Banca d'Italia's financial statement. For deposits (asset side) with commercial banks, data are taken from the banks' Reports to Banca d'Italia Banking Supervision Departments.

Deposits on the liability side of Government are provided by the direct source. Individual data are available.

For Treasury Accounts with the NCB stocks and transactions are simultaneously covered. For deposits with commercial banks, stocks and other change in volume are reported.

Deposits on the liability side are integrated in public accounts. On the asset side, the supervisory reports, as well as the Central Bank financial statement are an independent source. The results from basic data sources are not compared with counterpart data and other information for this subsector.

No amendment is made using counterpart information. Government assets correspond exactly to data in the Central bank financial statement and to the Supervisory Reports. Government liability in deposits is not covered by supplementary sources.

Regular amendments to data sources due to specific transactions reflected in financial accounts are made according to 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument.

Liability in deposits is reported on an accrual basis in the balance sheets. The corresponding unpaid interest is reported as flow into the parent instrument (F.2) and impacts B.9f accordingly. Deposits on the asset side are reported on a cash basis.

The time of recording is accrual basis for liabilities. Due to the inclusion of unpaid interest of "Buoni postali fruttiferi" within the Maastricht debt, components of unpaid interest appear to be negligible. The asset side is cash based, but components of unpaid interest appear to be negligible.

Securities other than shares (F.3)

Central Government's holdings 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). This is significant for backdata only. Data on the liability side are the same described for the Debt database, exhaustive with individual data. Accrual adjustments are provided by a direct source (MEF). No other sources are used. Stocks and transactions are simultaneously covered. Only the component for accrued interest is fully integrated in public accounts. Other sources are not available for this item. No amendment is made using counterpart information or MBS, or other supplementary data.

Regular amendments to data sources due to specific transactions reflected in financial accounts are made according to 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument, whereas at General Government level, consolidation is the same as for Government Debt.

Financial transactions are recorded on an accrual basis. The time of recording is on accrual basis.

Loans (F.4)

Information on loans granted by the Central Government is 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. Those data do not include debt cancellation versus developing countries, since they involve transactions not impacting on borrowing requirement (concluded without the intermediation of an Italian bank and 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. Information is exhaustive with individual reports available to the Ministry. Loans on the liability side are the same included in the debt. No other sources are available. The direct source data on asset refers to transactions. Data used in public accounts are fully integrated. No other sources are available for this item.

No amendment is made using counterpart information.

Regular amendments to data sources due to specific transactions reflected in financial accounts are made according to 3.6.5 below.

Consolidating items are provided by the direct source as well.

Accrual adjustments on loans are provided by the NSI, based on direct sources.

The time of recording is on accrual basis.

Shares and other equity (F.5)

Gross data on shares and other equity (issued by both residents and non residents) held by Central Government 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 compile ESA2010 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 exhaustive and individually available. No liability available. No other sources are used.

The original information is directly available in form of transaction.

In public accounts data are integrated.

Other sources are only used for pricing of stock data, without impact on flows.

No amendment is made using counterpart information or MBS, or other supplementary data.

Regular adjustments for capital injections, super-dividend, etc. are provided by Istat, and they are fully described in section 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument.

Financial transactions are recorded on an accrual basis.

The time of recording is on accrual basis.

Insurance technical reserve (F.6)

The asset side is estimated, and with an almost negligible impact on flows. In the October notification, total liabilities in prepayments of insurance premiums and reserves for outstanding claims incurred by insurance corporations are drawn 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 account data. In the April notification, total liabilities in F.62 are estimated and then assigned to Government (as well as other counterpart sectors) on the basis of previous years weights. Supplementary data sources used are Reports by Insurance Companies. Direct data sources on transactions are used. Government liability in F.6 /standardized guarantees) is

calculated by Istat on the basis of stock and flow information provided by MEF. In public accounts data are not integrated.

No comparison among the results from basic data sources with counterpart data and other information are available.

No amendment is made using counterpart information or MBS and other supplementary data. No regular amendment to data sources, due to specific transactions reflected in financial accounts is made.

Amendments due to consolidation are not relevant for this specific financial instrument.

Financial transactions are recorded on an accrual basis.

The time of recording is on accrual basis.

Financial derivatives (F.7)

Stock and transactions in financial derivatives at market value are provided by the Treasury, on both cash and accrual basis.

Other financial assets (F.8)

The component of Other financial assets in Other accounts receivable and payable (F.8) is provided by Istat (see par. 3.2.3.4.2) for a full description.

In the previous list of financial instruments, counterpart information, from Money and Banking Statistics, is directly used only for assets in deposits. This therefore impact on B.9f. Other supplementary sources, notably Balance of Payments and International Investment Position (IIP) statistics, are used for cross checks or for better identification of counterpart split, but they do not impact on total assets, nor on B.9f. Currently, consolidation is not relevant on the asset side of Central Government. Transactions are evaluated at market value, since estimates are based on actual flows of payments. Consistency in time of recording with the non- financial accounts is then taken into account via the AF.8 and other regular adjustments described above, provided by Istat. In the most relevant case, i.e. financial assets in loans, the accrual adjustment provided by Istat is included into the parent instrument (i.e. F.4 and not F.8). It should be stressed that those amendments, as well as F.8, are calculated by Istat on an individual transaction basis, and never on a residual basis.

3.2.4.2 Other stock-flow adjustments

- The item *Issuance above/below nominal value* reports the net amount of issued premium (issuance above nominal value) and issued discount (issuance below nominal value).

In case of nominal bond:

$(100 - \text{issue price}) * \text{amount of the issued tranche}$.

In case of indexed bond the uplift accrued at the issue date is considered:

$(100 - \text{issue price}) * \text{index coefficient at issue date} * \text{amount of the issued tranche}$.

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 whose tenors are staggered from 3 to 50 years; index linked BTPs can have maturities between 4 and 30 years. CCTs are floating rate notes with a maturity included in the 5 to 7 year range. All these securities are issued by the public debt management division, which is one of the divisions of the Department of Treasury, Ministry of Finance. Hence, all information comes from that division which is also regularly reporting on the public debt website (www.publicdebt.it).

In detail, in the Area "Domestic/Foreign Government Securities Issuances" announcements and auction results can be found. In the Quarterly Bulletin, published with one month lag, the issuance summary of the previous 3 months is provided.

- the item *Difference between interest accrued and paid* reports for Government securities, the difference between interest paid, entered with positive sign, and interest accrued, entered with negative sign.

For zero coupon bonds, there is only the accrual component given that interests paid are already included in the nominal debt variation.

Regarding postal bonds no adjustment is included as interest accrued and not paid are already considered in the government change in debt calculation.

For the State it also includes the interest expenditure on postal current accounts and current accounts of CDP (Cassa Depositi e Prestiti) in the Treasury (F.2), the interests on loans granted by CDP and eventually by other banks.

A small amount of interests concerns for other units of General Government like ANAS, Research bodies.

- the item *Redemptions of debt above/below nominal value* reports the difference between the repurchase price and the nominal value.

In case of nominal bond:

$(\text{repurchase price} - 100) * \text{repurchased amount}$

In case of indexed bond the uplift accrued at the settlement date is considered:

$(\text{repurchase price} - 100) * \text{index coefficient at settlement date} * \text{repurchased amount}$

Data are from the Department of Treasury which is in charge for buy back and exchange transactions.

- the item *Appreciation/depreciation of foreign currency debt* includes the valuation changes due to exchange rate fluctuations for foreign currency denominated debt not hedged through a cross currency swap.

The adjustment is made for both realized and unrealized amounts, including those incurred and those repaid during the year.

The Department of Treasury is the data source for this item which is compiled according to MGDD rules.

- the item *Changes in sector classification (K.61)* reports the change in the stock of debt related to the inclusion in S.1311 of units that were previously included in other institutional sectors. A recent case for example regards the classification starting from 2016 of the concessionaire of the public radio and television service in Italy (RAI, Radio Televisione Italiana).

- No case reported in the item "*Other volume changes in financial liabilities*" occurred in the last four years.

3.2.4.3 Balancing of non-financial and financial accounts, transactions in F.8

This section aims at describing of techniques and methods for balancing non-financial and financial accounts applied generally for the whole general government sector.

Allocation of discrepancy B.9 vs B.9f

Financial and non-financial accounts are shown as they result, without any re-allocation of discrepancies. Therefore, there is no impact either on B.9 or on B.9f.

Changes to intermediate data

Counterpart information is used for bank loans, with impact on B.9f.
Discrepancies are shown without re-allocation.

Complementary elements on stocks/

The discrepancy between B.9 and B.9f are not re-allocated.
As a consequence, data on stocks of assets or liabilities of any financial instrument are not changed

Accruals

The discrepancies observed are mainly due to different data sources used for the compilation of NFA and FA. In some cases, regarding the flows of transfers between sub-sectors, discrepancies can be partially due to the different time of recording for the two sources involved.

They are mainly observed in S.1311 and S.1313.

Ex-post monitoring

When discrepancies tend to increase, the permanent working group with three institutions involved (Istat, Banca d'Italia and MEF) is called to discuss these values, to examine and validate the transactions included in the EDP tables.

There is not any specific threshold.

3.3. State government sub-sector, EDP table 2B and 3C

This section is not applicable (M).

3.4. Local government sub-sector, EDP table 2C and 3D

3.4.1 Data sources for Local Government main unit: xxx

The main Local government units, as reported in the working balance of EDP T2C, refer to Regions, Municipalities and Provinces.

**Table 5 - Availability and use of basic source data for main Local Government units:
Regions, Municipalities and Provinces (T-1)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
C/O(Assessment/Commitment)	A	T+300	T+12	(8) Statistical surveys		x	
				(9) Other:			
C	O (daily)	T+15	T+9	Report on cash accounts based on SIOPE system	x	x	x
C/O(Assessment/Commitment)	A	T+150	T+18	BDAP		x	

EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

In general, for the major Local Government units the B9 compilation is based on administrative sources (the accounting reporting of each entity). They include assessment/commitment and cash information. Assessment/commitment are recorded on legal accrual basis, which is not perfectly coherent with the economic accrual as defined by ESA2010 even if many similarities exist. Therefore, only in some cases, some adjustments on basic data are needed to guarantee full consistency with ESA definitions. In the recent years, following the accounting reform started with the Law 196/2009 and in particular for Local Government according to Decree 118/2011, accounting principles have been revised and in particular the principle of the “enforced legal accrual” (competenza finanziaria potenziata) that makes the recording more consistent between legal accrual and the accrual principle according to the SEC. Local Government have adopted the new accounting principles starting from the financial year 2016.

Information on the time availability of data sources, their content and uses are detailed in the table 5.

As reported in the table, for the EDP April Notification, when accounting reporting are not yet available, neither for Regions nor for Municipalities and Provinces, the accrual estimation of year T-1 is based on SIOPE data. SIOPE is a standardized system for the recording of cash revenues and expenditures, enforced by the Financial Law 2003. The system collects on daily basis information on receipts and payments of public entities *via* the Italian Interbank Network (RNI) which connects the banking system and the Bank of Italy. Daily, at the close of business, bodies’ treasurer banks send to the Bank of Italy data on transactions occurred in that same day (receipts and payments) and any revisions on previous days’ receipts and payments. A compliance check (concerning format, completeness of information, etc.) is performed on data according to the Information Exchange Protocol drawn up by Bank of Italy and the Italian Bankers Association. Data are then transmitted to the State General Accounting Department. Flows are recoded according to defined management codes (“codici gestionali”), thus any type of transaction and beneficiary or receipts source are identified. Since 2010, SIOPE system has been used for working balance calculation Under the Law 31 December 2009, no. 196.

SIOPE data are used for estimating the accrual data for year T-1 by applying the cash change between years T-2 and T-1 to the accrual data of year T-2. Data are downloaded weekly by Istat through an automatic procedure. Data are daily updated by the local units in the domain of SIOPE system; they record new transactions and, if necessary, revise those of the previous periods (only one-year backward reclassification of transactions is allowed). Consequently, data reliability improves progressively over time. Nevertheless, at T+45 days (when Istat downloads SIOPE data for year T-1) data are sufficiently stable and only minor adjustments generally occur in the following months.

The working balance of Regions, Municipalities and Provinces is based on SIOPE data. In general, financial transactions information is not used to calculate non-financial transactions. For financial accounts, the same data source is used for B.9f compilation as well as for each financial instrument in Table 3, without any exception. Data integration is necessary only for the units recently included in S.1313 that are not yet subject to the cash monitoring required by law.

3.4.1.1 Details of the basic data sources

In general, B9 for Local Government for the EDP uses the same data sources and methodologies as national accounts, as such does not differ from national account local government net borrowing. For Regions, each ESA aggregate is calculated at the level of each single Region, thus the B9 results by the sum and the consolidation of the Regions.. As for Provinces and Municipalities the estimates are performed at the sector level.

All the aggregates are estimated based on the accounting document of the unit, except transfers between GG sub-sectors that are directly derived from working balance information.

- As for Regions, the Istat survey on *Financial Statements of Regions and of Autonomous Provinces* (“Bilanci consuntivi di regioni e province autonome”) referring to year T-1 is generally available in December of year T. The survey is exhaustive and reports the accounting data on revenues and expenditures on both legal accrual and cash basis for each Region.
- As for Provinces, Municipalities and Unions of Municipalities, basic data are the “Final Accounting Reports” (“Certificati del rendiconto di bilancio”). These reports were collected every year by the Ministry of Internal Affairs and, since 2019, data are uploaded in the MoF General Government database (“Banca Dati Amministrazioni Pubbliche”-BDAP). Local units transmit their accounting data according to defined accounting schemes and a common chart of accounts (“Piano dei Conti”) to BDAP, whose conditions and terms are set by the current legislation (Legislative Decree 118/2011). For each institution, these schemes report revenues and expenses on legal accrual (assessments/commitments) and on cash basis. Revenues are organised according to their source (“Titoli”) and to the nature (i.e. tax or non-tax revenue); expenses are organised on the basis of an economic and functional classification with the reporting schemes detailed in “missions and programs” (details on expenses purposes). The information is not exhaustive, although in the recent years the coverage increased a lot, exceeding 85%. The treatment of non-responses follows a defined procedure. As a first step, there is a follow-up targeted to major institutions to collect the Final Accounting Report directly by the unit; then, missing residual responses are estimated based on population data. The timeline of data transmission follows a defined schedule agreed by Istat and the State General Accounting Department (RGS). Data referring to year T-1 are available as provisional, in January of year T+1; the final data of T-1 are available in October/November of the year T+1. BDAP information is also available for Regions but with a different level of details and it is used for checks on the basic source and for *ad hoc* analyses.

In general, accounting data of Regions, Municipalities and Provinces include detailed information to guarantee estimates consistent with ESA classification and prescription.

Revenues are organised according to their source; expenses data follow an economic and functional classification. Only in some minor cases basic accounting data are integrated with further information.

Details of transactions among units included in GG sector and sub-sectors and between other institutional sectors, both on expenditures and revenues side, are directly derived by basic data. The use of the “Chart of Accounts”, which is a regulatory obligation according the Italian public accounting reform implemented in recent years, allows to clearly detect the flows to be consolidated among the units belonging to the same sub-sector. For instance, transfers are classified according to the counterpart sector reported: corporations, other institutional sectors (households and NPISH) and other Government bodies. Therefore, consolidation is implemented using counterpart information derived by the economic classification of basic data. In addition, when possible, information on counterparts involved in transactions are compared by entities to check consolidation consistency.

Also, the level of detail of SIOPE data has been improved a lot in recent years and data have currently a harmonized structure. SIOPE codes for Local Governments are now perfectly matched with the “Chart of Accounts” thus to identify sources and purposes of transactions. BDAP data show a level of detail so to guarantee estimates consistent with ESA prescriptions in terms of classification.

In addition, basic sources of Local Governments allow to identify non/financial *versus* financial flows. Additional details of financial transactions are also provided by MoF.

Reconciliation of stocks with flows is direct for any liability in debt instruments and for assets in deposits. For assets other than deposits, the direct sources (MEF) are generally aimed at capturing flows, stocks are therefore derived from flows, as well as stocks of AF.8 (NSI).

3.4.1.2 Statistical surveys used as a basic data source

No statistical surveys are used for the compilation of non-financial accounts.

3.4.1.3 Supplementary data sources and analytical information

3.4.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

No supplementary data sources are used for the compilation of non-financial accounts.

3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

With the exception of F.8 and F.7, the liability side of financial accounts for Local Government is based on the same NCB source used for Maastricht Debt. Those latter mainly relate to cash-based time of recording. On the asset side, the main source is direct (MEF’s “Quarterly Report on Cash Borrowing Requirement”) with specific breakdowns reported by MEF the NCB. Accrual adjustments for loans are provided by the NSI, as well as corrections for capital injections and super-dividends. Those supplementary data include transactions with other Government sub-sectors. They are used at each quarterly compilation round. Corrections and accrual adjustments impact on transactions, therefore affecting B.9f.

3.4.2 Data sources for other Local Government units

“Other local government units” consist in Local Government units other than Local Health Units and Local Health Units. They include a wide range of entities that carry out several activities and apply different accounting systems (public accounting/legal accrual or profit and loss accounts).

Other Local Government units excluding Local Health Units are listed below:

- *Chambers of Commerce.*
- *Mountain Development Bodies.*
- *Tourism Bodies.*
- *Port Authorities.*
- *Regional Health Agencies.*
- *Regional Development Bodies.*
- *Employment Services Agencies.*
- *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).*
- *Other bodies at local level (Water Services Regulatory Authorities, Other bodies, Concessionaires).*

Local Health Units include:

- *Local Health Agencies (ASLs).*
- *Hospital Agencies (AOs).*
- *Public Research Hospital (IRCCSs).*
- *University Hospitals (AOUs).*

Details of data availability and their content are reported in Table 6.a with reference to estimation of year T-1

Table 6.a - Availability and use of basic source data for **Other Local Government units excluding LHUs (T-1)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				

EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
C/A	A	T+180	T+12	(3) Current and capital revenue and expenditure and financial transactions		x	
				Financial Statements			
A	A	T+180	T+12	(5) Profit and loss accounts		x	
A	A	T+180	T+12	(6) Balance sheets		x	
				(7) Cash flow statement			
				Other Reporting			
C/A	A	T+300	T+12	(8) Survey "Riddcue"		x	
				(9) Other:			
C	O	T+15	T+9	Cash report based on SIOPE system	x	x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period. Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

In general, B9 compilation is based on the bodies direct sources (the accounting reporting of each entity). Data are on commitment/assessment/cash basis, or profit and loss accounts and balance sheets. Assessment/commitment are recorded on legal accrual basis, which is not perfectly coherent with the economic accrual as defined by ESA2010 even if many similarities exist.

For the April EDP Notification, when the accounting report for year T-1 is not yet available, for most entities B.9 estimation is based on SIOPE cash data. They are used to calculate the accrual for year T-1 by applying the cash changes between years T-2 and T-1 to the accrual data of T-2 year.

For those other entities, which are not included in SIOPE system, provisional estimate of year T-1 are based on extrapolation from data of the unit referred to previous years' accounts.

3.4.2.1 Details of the basic data sources

Other Local Government units, excluding Local Health Units

Due to the variety of units included in this group, different data sources are used according to the type of entity considered.

- Chambers of Commerce and Mountain Development Bodies. Information are collected through an *ad hoc* Istat survey on the Chambers of Commerce accounts ("Bilanci

consuntivi delle camere di commercio”), referred to year T-2. Data are on legal accrual/cash basis, or profit and loss accounts and balance sheets and detailed by transaction category, according to economic and (for expenditure) functional classification. Mountain Development bodies source is the same of the other main local government bodies, Provinces and Municipalities.

- **Universities**: basic data is a census survey on the Universities accounting document conducted by the Ministry of education and research (MIUR). Since 2017, the universities have adopted a revised economic and financial accounting and, every year they submit economic accounts, balance sheets and explanatory notes to MIUR. In addition, MIUR collects on behalf of Istat detailed tables on ‘Revenues from the supply of university services’ and on ‘Compensation of employees’. Information reported in the financial statements are on accrual basis.
- **Other units (i.e. Port Authorities, Regional Health Agencies, etc.)**: for the major part of other entities basic data are based on an *ad hoc* survey (“*Rilevazione di Informazioni, Dati e Documenti necessari alla Classificazione di Unità Economiche nei settori istituzionali stabiliti dal Sistema Europeo dei Conti 2010 – RIDDCUE*”). It collects the following variables: Compensation of employees, Intermediate consumption, Gross capital formation, Other taxes on production, payable, Interests, Transfers. RIDDCUE data are available in November/December year T referring to year T-1.
- **Other units not included in RIDDCUE survey**: for all other units not covered by the previous sources, information is based on the following data source:
 - a) Telemaco database (source: Union of Chambers of Commerce): it gathers all profit and loss accounts and balance sheets of companies obliged by law to present their financial statements. Profit and loss accounts are available in October of the year T-1 and refer to year T-2.
 - b) Other information gathered on internet website for those unit whose profit and losses account publication is compulsory.
 - c) SIOPE system: it provides cash data of a large part of S.13 units.

Details of available basic sources allow to exclude units not belonging to S.13 from calculation and to distinguish non/financial from financial flows. In addition, data sources also contain details for a proper classification of transfers by counterpart sector.

Local Health Units

For Local Health Units, the Ministry of Health collects LHUs’ profit and loss accounts. The Ministerial Decrees introduced them for the first time in 2001 and, in the following years (in 2007, in 2012 and in 2019), improved them with a more detailed breakdown and better specified guidelines, aimed at standardizing the collection of economic information about LHUs, to monitor and manage the health expenditure.

In order to assure data homogeneity and to allow comparisons, the Law defines:

- the subjects involved in the survey - Local Health Units: Local Health Agencies (ASLs) Hospital Units (AOs), Scientific Institutes for Research, Hospitalization and Health Care (IRCCSs) and University Polyclinics (POLs);
- the standard classification of data according to accounting rules and the description of their content;

- the timetable of transmission.

These data, consolidated at regional level, are transmitted by every LHU to the NSIS System (Nuovo Sistema Informativo Sanitario) of the Ministry of Health, at quarterly and annual frequency and then to Istat, as defined in the institutional agreement between Istat and the Ministry of Health.

Every regional authority sums the annual income and expenditure statements of the individual ASLs, AOs, IRCCSs and AOUs consolidating all items corresponding to buying and selling services between these bodies, also known as ‘internal mobility transactions’, so that costs and receipts are not artificially inflated.

The data made available to Istat in January and February of year T refer to the following accounting years:

- year T-1 provisional data (quarterly data: IV quarter T-1)
- year T-2 half finalized data
- year T-3 finalized data.

The profit and loss account may be updated by LHUs until the approval and validation by the institutions involved in the State-Regions Conference through the so called “Tavolo degli adempimenti” and the data are then finalized; the process can take up to 3 years.

The LHUs data from profit and loss accounts are reclassified according to ESA 2010 by expenditure and revenue category. These re-classified data are checked using statistical procedures before being used in the National accounts. The process could imply a check of the micro data even at the level of the single LHU.

No unit has to be excluded from the calculation of B.9 for LHUs’.

In LHUs’ profit and loss accounts, financial transactions are not included. The details of financial transaction are provided by MEF.

The structure of the data sources is in general appropriate, even if in some cases minor problems of homogeneity in classification by single units may arise.

The set of LHUs’ balance sheets is the available source used to estimate the GFCF (without R&D) consistent with the accrual principle.

The flows of GFCF have been obtained from the comparison between two subsequent years of the stocks of assets recorded in LHUs’ balance sheets for the items of acquisition of tangible assets: building, machinery and equipment, scientific and medical equipment.

For the year T-1, in absence of balance sheet, other data sources available are used, in particular the SIOPE System that allows also a detailed breakdown for the different types of asset.

The estimation of the GFCF for the year T-1 (without R&D) is calculated applying to the T-2 data the growth rates T-2/T-1 available on the SIOPE System, separately for disposals and acquisitions, and for each asset.

The final step to calculate the GFCF is to add to the estimate of the net acquisition of assets: the values of the PPP, the software, the leasing and the R&D components (supplied by different data sources).

The estimation of P51 R&D for LHUs is based on an Istat survey.

The regional consolidated profit and loss accounts provide details on current and capital transfers separately to enterprises and households for the purpose of identification of counterpart sector.

The internal consolidation process of items corresponding to buying and selling between ASLs, AOs, IRCCSs and AOU, have to be carefully checked in order to verify whether the same rules are applied by all units.

Reconciliation of stocks with flows is direct for any liability in debt instruments and for assets in deposits. For assets other than deposits, the direct (MEF) sources are generally aimed at capturing flows, deriving the related stocks from flows, as well as stocks of AF.8 (NSI). Since October 2012 notification, stocks of F.8 are calculated by Istat on the basis of balance sheets of the LHU's.

3.4.2.2 Statistical surveys used as a basic data source

For other Local Government unit excluding Health sector, the following survey are used as basic data:

- RIDDCUE (“Rilevazione di Informazioni, Dati e Documenti necessari alla Classificazione di Unità Economiche nei settori istituzionali stabiliti dal Sistema Europeo dei Conti 2010 –”). See paragraph 3.2. 1.2 for details.
- The census survey on the Universities accounting document conducted by the Ministry of education and research (MIUR).
- The survey on the accounting document of the Chambers of Commerce.

3.4.2.3 Supplementary data sources and analytical information

The liability side of financial accounts for Local Government is based on the same NCB source used for Maastricht Debt, except for F.8 and F.7. Those latter mainly relate to cash-based time of recording. On the asset side, there is a main direct source ‘Quarterly Report on Cash Borrowing Requirement’, provided by MEF with specific breakdown (reported to NCB). Accrual adjustments for loans are provided by the NSI, as well as corrections for capital injections and super-dividends. Those supplementary data include transactions with other Government subsectors. They are used at each quarterly production round. Corrections and accrual adjustments impact on transactions, therefore affecting B.9f.

3.4.3 EDP table 2C

3.4.3.1 Working balance - use for the compilation of national accounts

The aggregates notified in the EDP table 2C – net borrowing and working balance - are calculated autonomously by Istat and MEF on different data sources. They are reconciled except for a statistical discrepancy.

3.4.3.2 Legal basis of the working balance

The Public accounting Reform Law gives the legal basis of the WB (Reform Budget Law 196/2009 -art. 10, art. 14 c. 4, as amended by subsequent laws).

3.4.3.3 Coverage of units in the working balance

EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

3.4.3.3.1 Units to be classified outside the subsector, but reported in the WB

There are no units reported in the WB that should be classified outside the subsector.

3.4.3.3.2 Units to be classified inside the subsector, but not reported in the WB

Not all the units belonging to the local government subsector are reported in WB. This generally happens for inactive units or for units recently included in S13 list and only for the time necessary to start the procedures for submitting these units to the cash monitoring that the MOF must carry out by law.

3.4.3.4 Accounting basis of the working balance

The accounting basis of the working balance is cash.

3.4.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2C

The accounting basis used for recording of interest expenditure and revenue in the WB is cash.

The whole interest expenditure of the main entities are recorded in the WB.

According to the sources available, it is not possible to know the detailed amounts of discounts included in the WB.

In EDP T2C, under this line, Istat records the difference between interest accrued and paid on the expenditure side. The difference on interest revenue is recorded in the line "other account receivable.

3.4.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2C

The non-financial transactions amended on an accrual basis via receivable F.8 are Taxes, EU flows, Payments for incidental sales, Interests, Rents, Dividends.

The non-financial transactions amended on an accrual basis via payable F.8 are Social benefits other than social transfers in kind, EU flows, Intermediate consumption, Compensation of employees, Subsidies, Social benefits in kind.

Accrual adjustments in EDP table 2 are fully consistent with F.8 reported in EDP T3 and financial accounts.

3.4.3.4.3 Other accrual adjustments in EDP T2C

In EDP T2C there are no other accrual adjustments.

3.4.3.5 Completeness of non-financial flows covered in the working balance

There is full coverage of non-financial flows.

3.4.3.6 Financial transactions included in the working balance

Financial transactions included in the working balance are: Loans, shares and other equities and deposits.

3.4.3.7 Other adjustments reported in EDP T2C

In the line “Other adjustments” the following adjustments are shown:

- the item *Capital injections in public corporations by local government (negative sign)* captures the reclassification of shares and other equities (in public accounts) into capital transfers impacting the deficit;
- the item *Imputation of gross capital formation made under PPP contracts and leasing (negative sign)* concerns the expenses related to PPP classified “on balance” with an impact on Local Government net borrowing but not included in Local working balance, and the difference between the payments of rents recorded in the working balance and the total amounts of leasing operations impacting on B.9;
- the item *Super-dividends to local administrations by public corporations (negative sign)* aims at neutralising the impact on the B.9 of large amounts of capital income reclassified in national accounts as financial transaction (with a reduction of Shares and other equity F.5)
- the item *Reclassification of credits (F.8) related to factoring without recourse with OFIs and MFIs into public debt instruments (F.4)* represents the amounts related to factoring operations without recourse between creditor enterprises and factoring societies/monetary financial intermediaries reclassified in national accounts from F.8 to F.4 (Decision Eurostat 31st July 2012) without any impact on the WB;
- the item *Pay back of health expenditures* represents the reimbursements made by pharmaceutical corporations to repay the exceeding expenditures; amounts temporarily allocated in a dedicated fund of the State but earmarked to the Health local units.

3.4.3.8 Net lending/net borrowing of local government

The aggregates notified in the EDP tables – net borrowing and working balance - are autonomously calculated by Istat and MoF based on different data sources.

Legal status of B9 data source

Main data source for B9 of Local Government are the accounting reports (details are reported in paragraph 3.2.1.1). Documents are approved by the Local Authorities and then audited by the Court of Auditors.

For some entities belonging to the Local Government a statistical survey included in the National Statistical Programme is used (“RIDDCUE” survey; survey on the Chambers of Commerce and on Universities and Adisu).

For those entities whose profit and loss account is the basic source, data are available after the approval of the Board of Directors of the firm.

Coverage of units in data sources use

Data sources include all units belonging to Local Government provided that the sources are collected at level of each single unit belonging to the sub-sector. Only a residual part, concerning few minor bodies, is estimated. For each unit its specific data source is used.

Accounting basis of data source

For major entities data source is based on legal accrual (assessment/commitment) and cash data. For those entities whose profit and loss account is the basic source, data are on accrual basis, according to the business accounting rules. For the LHU units, data sources are on accrual basis. When necessary, some adjustment are applied on basic data in order to guarantee consistency with ESA 2010 in term of classification and time of recording. All transactions in WB are recorded on cash basis.

All transactions in F.8, as reported in EDP T3 and in financial accounts, are fully consistent with the accrual recording of transactions affecting B.9, as reported in the last line of EDP T2.

All non-financial flows are covered in the source data for national accounts and B.9 compilation.

3.4.4 EDP table 3D

3.4.4.1 Transactions in financial assets and liabilities

Table 7. Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data (integrated in public accounts)	x	x	x	x		x	x	x	X	x	Currently not existing	Currently not existing	x	x
Other transaction data					x									
Stock data														
	Calculation of stocks													
Transaction data		x	x	x	x		x							x
Stock data	x					x		x	x	x			x	

Currency and deposits (F.2)

For deposits with the Central Bank, first information is derived directly from Banca d'Italia accounting service; final data are from Banca d'Italia's financial statement. There are no deposits on the liability side of Local Government. Data are exhaustive and available on an individual basis.

For deposits with commercial banks, data are taken from the banks' Reports to Banca d'Italia Banking Supervision Departments. Data are available at the level of individual reporting agents. For accounts with the NCB stocks and transactions are simultaneously covered. For deposits with commercial banks, stocks and OCV are reported. Deposits on the liability side

are integrated in public accounts. On the asset side, the supervisory reports, as well as the Central Bank financial statement are an independent source. Deposits are compared with those reported in the Quarterly Report on Borrowing Requirement.

No amendment is made using counterpart information.

Other sources are only used for cross-check purposes.

Regular amendments to data sources, due to specific transactions reflected in financial accounts are made according to 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument.

Assets in deposits are reported on a cash basis.

The time of recording is on a cash basis; components of unpaid interest appear to be negligible.

Securities other than shares (F.3)

Data are based on direct sources (Quarterly Report on Cash Borrowing Requirements as well as annual balance sheets). On the liability side sources are the same described for the Debt database, exhaustive with individual data.

Other sources, i.e. custodian statistics, are used for consolidation and for cross checking.

The direct source provides transactions. Data included in the direct source are integrated in public accounts.

Other sources, i.e. custodian reports, are used for cross checks.

No amendment is made using counterpart information. The secondary source, i.e. custodian information provided by banks, is only used for consolidation on securities issued by Central Government.

All adjustments are made according to 3.6.5 below.

The secondary source, i.e. custodian information provided by banks, is used for consolidation on securities issued by Central Government. This does not impact on this subsector's B.9f, but may impact on General Government's B.9f. Consolidation is the same as for Government Debt. No adjustment relating non-financial accounts.

Financial transactions are recorded on accrual basis. The time of recording is on accrual basis.

Loans (F.4)

Information on loans granted by Local Government is 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. Information is exhaustive with individual reports available to the Ministry. Loans on the liability side are the same included in the debt. No other sources are available. The direct source data on asset refers to transactions.

Data are fully integrated in public accounts.

No other sources are available.

No amendment is made using counterpart information or MBS, or other supplementary data.

All adjustments, notably on capital injections and super-dividends, are provided by ISTAT and made according to Section 3.6.5 below.

Consolidating items are provided by the direct source as well.

Accrual adjustments on loans are provided by the NSI, based on direct sources.

The time of recording is on accrual basis.

Shares and other equity (F.5)

Gross data on shares and other equity (issued by both residents and non residents) are provided in the Quarterly Report on Cash Borrowing Requirement, integrated by direct

information on “Altre partite finanziarie”. Data are individually available. No liability available. No other sources are used.

The original information is directly available in form of transaction.

Data are integrated in public accounts.

Other sources are only used for pricing of stock data, without impact on flows.

No amendment is made using counterpart information or MBS or other supplementary sources.

Regular adjustments for capital injections, super-dividend, etc. are provided by Istat, and are fully described in section 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument.

Financial transactions are recorded on a cash basis. The time of recording is on cash basis.

Insurance technical reserve (F.6)

The asset side is estimated, and with an almost negligible impact on flows. In the October notification, total liabilities in prepayments of insurance premiums and reserves for outstanding claims incurred by insurance corporations are drawn 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 account data. In the April notification, total liabilities in F.62 are estimated and then assigned to Government (as well as other counterpart sectors) on the basis of previous years weights. There is no Government liability in F.6.

Supplementary data sources used are Reports by Insurance Companies.

Direct data sources on transactions are used. Data used in public accounts are not integrated.

No comparisons among the results from basic data sources with counterpart data and other information are available.

No amendment is made using counterpart information or MBS or other supplementary data.

No amendment to data sources, due to specific transactions reflected in financial accounts is made.

Amendments due to consolidation are not relevant for this specific financial instrument.

Financial transactions are recorded on accrual basis. The time of recording is on accrual basis.

Other financial assets (F.8)

The component of Other financial assets in Other accounts receivable and payable (F.8) is provided by Istat. See par. 3.4.3.4.2 for a full description.

3.4.4.2 Other stock-flow adjustments

- the item *Difference between interest accrued and paid* reports the difference of interest expenditure on a cash and accrual basis for Local Government.

- the item *Changes in sector classification (K.61)* reports the change in the stock of debt related to the inclusion in S.1313 of units that were previously included in other institutional sectors. Recent cases for example regard the reclassification of some regional financial entities.

- No cases reported in the item *Other volume changes in financial liabilities (K.3, K.4, K.5)* occurred in the last four years.

For the following items, data for Local Government are provided by Banca d’Italia:

- no cases reported in the item *Issuance above/below nominal value* occurred in the last four years.

- the item *Appreciation/depreciation of foreign currency debt* includes the valuation changes due to exchange rate fluctuations for foreign currency denominated debt not hedged through a cross currency swap.

- the item *Redemptions of debt above(+)/below(-) nominal value* reports the difference between the repurchase price and the nominal value of Maastricht debt instruments (see also section 3.2.4.2). For example, several regional governments bought back some of their outstanding debt securities at prices above nominal value in 2015 and 2016.

3.5. Social security sub-sector, EDP table 2D and 3E

In 2019, the Social security funds sub-sector comprises twenty two institutional units. Both in financial terms and in terms of the population protected, the largest body is INPS (National institute of social insurance) which mainly provides pensions (old age, disability and survivors) to a large share of private-sector employees and self-employed workers, as well as other social benefits against sickness and unemployment and to sustain Family; since January 2012, INPS has incorporated also INPDAP (National insurance institute for employees of the public administration) that provides pensions and other social benefits to civil servants.

The second large institution is INAIL (National institute for insurance against accidents at work), which insures the large majority of employees and self-employed workers against occupational accidents and diseases.

There are also several bodies for liberal professions with a private legal status. (one for each professional register) or particular vocational categories such as journalists (INPGI – National welfare institution for Italian journalists).

Nevertheless, the legal status is not the factor determining whether a fund belongs to the General Government sector; what is important is its main 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. General Government actually manages the Social Security institutions and schemes via the settlement of the contributions rate and the amount of benefits, independently from its role as supervisory body.

These conditions define the boundary for the classification of social security funds inside S13. It is thus a matter of operating social security systems, irrespective of the legal nature of the body operating them.

3.5.1 Data sources for Social Security Funds main unit : INPS

INPS (National institute of social insurance) provides pensions (old age, disability and survivors) to a large part of private-sector employees, self-employed workers and public employees, and manages other social benefits against sickness and unemployment and to sustain Family.

In order to give a clear picture of the framework of sources used to compile Social Security Funds accounts, Table 8 has been split in two parts: the first table provides the information on sources used for estimates of year T-1; the second table provides the sources used for years from T-2 to T-4. The combined reading of the two tables makes easier to describe the timing in the process of updating and using of the sources and their characteristics.

2.

Table 8.a - Availability and use of basic source data for **main Social Security Fund: INPS (T-1)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
C/A	A	T-150	T+7	(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
C/A	A	T-150	T+7	(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			
C	A	T+50	T+14	Annual report on cash flows of SSF included in WB	x	x	
A	A	T+15	T+7	Outcome of the monitoring and forecasting activities on "Social benefits other than social transfers in kind of GG"		x	
C	M	T+45	T+2	Current monthly flows of social contributions collected by the INPS (TLA)		x	

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

Table 8.b - Availability and use of basic source data for main Social Security Fund: INPS (T-2)

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-2			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
C/A	A	T-150	T-5	(2) Current and capital revenue and expenditure		x	
				(3) Current and capital revenue and expenditure and financial transactions			
C/A	A	T-150	T-5	(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
C/A	A	T+20	T+1	(8) Statistical surveys		x	
				(9) Other:			
C	A	T+50	T+2	Annual report on cash flows of SSF included in WB	x		
A	A	T-150	T-5	Outcome of the monitoring and forecasting activities on “Social benefits other than social transfers in kind of GG”		x	

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

Referring to data sources (2) and (4) of the table 8.a the time of availability of annual results for T-1 indicated in “first results” column (T-150) means that about 150 days before January of year T INPS half-finalized budget of T-1 is available even if not used, while the final budget is available not earlier than July of year T, about 7 months later (T+7).

For financial accounts, the same data base is used for B.9f compilation as well as for each financial instrument in EDP table 3, without any exceptions.

3.5.1.1 Details of the basic data sources

Data sources used for compilation of national accounts

The fields of observation of net borrowing and working balance for Social Security Funds are coincident.

As indicated in table 8.a the annual report on cash flows of SSF included in WB is used only for T-1 estimates. The cash flows are provided for each SSF belonging to S.1314, in February of the year T. Data are detailed by unit and by category of transaction partially aggregated.

The estimates for the year T-1 are made by multiplying the T-2 figure for each economic heading and for each institution, by the annual rates of change T-1/T-2 of the corresponding figures based on cash flows. 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.

Moreover, the outcome of the monitoring and forecasting procedures on Social benefits other than social transfers in kind elaborated by MOF, referred to the whole General Government sector is used as a cross check source for estimating D.62. Data are also used to verify and assess the distribution of different social benefits by typology.

Data are made available at about mid-January of the year T.

Data concerning INPS are detailed (also by type of benefits), while other institutions provide only aggregated data.

For T-2 estimates, the basic data source used is the statistical survey, carried out by ISTAT, on final budgets of Social Security Funds. INPS data are verified in depth through a specific check based on the comparison between the aggregation of the information extracted directly by INPS final budget and the corresponding aggregations captured by ISTAT survey on final budget. The latter is used to calculate the accounts of all the units included in Social Security Funds sub-sector, INPS included.

Data for year T-2 are usually available in January of the year T and are detailed by unit and by category of transaction.

The transactions codes allow distinguishing financial transactions versus non-financial transactions. Further details of financial transactions are provided by MOF. Nevertheless, for B.9 calculation purposes, the financial flows are not used.

The structure of inflows and outflows of the available basic sources is in general appropriate in distinguishing different ESA2010 categories for the year T-2. For T-1 estimations, data are more aggregated than the ESA2010 classification and it is not always easy to distinguish the single item (e.g. the single outflow can be the sum of revenue and expenditure related to different goods).

Reconciliation of stocks with flows is direct for any liability in debt instruments and for assets in deposits. For assets other than deposits, the direct (MOF) sources are generally aimed at capturing flows, and stocks are therefore derived from flows, as well as stocks of AF.8.

Data include transactions between different subsectors. Only for the year T-2, the sources available include transactions between different units belonging to the SSF subsector. The data for each single unit show separately the inflows and the outflows with the other units.

The annual report on cash flows included in WB, recording information by counterpart sector, is used to calculate the transfers between State and Social Security Funds.

Working balance (WB)

For year T-1 data from the annual report on cash flows of SSF included in WB are used to estimate the T-1 figures (see also the first part of this paragraph).

For year T-2 the statistical survey described in par. 3.5.1.2 is available by single unit and by category of transaction.

3.5.1.2 Statistical surveys used as a basic data source

As for non-financial accounts, ISTAT carries out a statistical survey on final budgets of Social security funds named “*Rilevazione dei bilanci consuntivi degli enti previdenziali*”, codified as IST-00233 in the PSN (National Statistics Programme).

Funds with public legal status are required to compile a financial-style statement typical of public accounting. 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. 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 profit and loss accounts and balance sheets according to the accounting principles laid down in the Civil Code (in the past, i.e. before the reforms performed in the recent years in Italy, it was a characteristic almost only of private-sector businesses).

The survey has produced two survey forms to accommodate the two typologies of accounting: ISTAT-SIP.EP1 for the financial 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); ISTAT-SIP.EP1Bis for the final statements of social security institutions with a private legal status is a Financial Statements type (Profit and loss accounts and Balance sheets).

Variables collected in the questionnaire are financial and non-financial items included into the final budgets of the units, i.e. current and capital revenue and expenditure by type (including financial transaction). Social contributions and social benefits are very detailed: the questionnaire distinguishes actual social contributions between employers’, employees’ and self-employed and non-employed persons, as well as social benefits that are distinguished in many sub-items used also for the ESSPROS regulation purpose.

The survey is a census survey covering the whole field of observation considered (S.1314). The field of observation is modified as the S.1314 list is modified. At the moment, the Social security institutions included in the updated S.13 list (referring to 2019) are 22.

For the April EDP notification, the results of the statistical survey are available only for year T-2. For year T-1, estimations are made by ISTAT using annual cash flows recorded in working balance accounts and, as cross check, the outcome of the monitoring and forecasting activities on Social benefits other than social transfers in kind.

3.5.1.3 Supplementary data sources and analytical information

3.5.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

Data on securitisations of social contributions credits are provided by INPS, once a year, before February. Data on securitisations are available since 1995 (see par. 6.1.2).

3.5.2.3.2 Supplementary data sources used for the compilation of financial accounts

In financial accounts the liability side of Social Security sub-sector is based on banks reports on F.4. Liability also includes F.8 provided by Istat. The asset side is based on the direct report (MEF's "Quarterly Report on Cash Borrowing Requirement") with adjustments provided by the NSI. The information is available to financial accounts compilers on a regular basis, with the same timeliness of other General Government units.

3.5.2 Data sources for other Social Security units

This section describes data sources available and used for compilation of national accounts and EDP tables for Social security funds other than INPS.

In 2019, the Social security institutions included in the updated S.13 list (released on September 30th 2019) are 22 units because since January 1st 2012 two of them: Inpdap (National insurance institute for employees of the public administration) and Enpals (National welfare and assistance office for workers in the entertainment business), have been merged with Inps (National institute of social insurance).

Here is the exhaustive list of units included in the sub-sector S.1314 in 2019:

1. Cassa di previdenza e assistenza per gli ingegneri ed architetti liberi professionisti – INARCASSA
2. Cassa italiana di previdenza e assistenza dei geometri liberi professionisti
3. Cassa nazionale del notariato
4. Cassa nazionale di previdenza e assistenza dei dottori commercialisti – CNPADC
5. Cassa nazionale di previdenza e assistenza dei ragionieri e periti commerciali – CNPR
6. Cassa nazionale di previdenza e assistenza forense
7. Ente di previdenza dei periti industriali e dei periti industriali laureati – EPPI
8. Ente di previdenza e assistenza pluricategoriale – EPAP
9. Ente nazionale di previdenza e assistenza a favore dei biologi – ENPAB
10. Ente nazionale di previdenza e assistenza degli psicologi – ENPAP
11. Ente nazionale di previdenza e assistenza dei farmacisti – ENPAF
12. Ente nazionale di previdenza e assistenza dei veterinari – ENPAV
13. Ente nazionale di previdenza e assistenza della professione infermieristica – ENPAPI
14. Ente nazionale di previdenza e assistenza per i consulenti del lavoro – ENPACL
15. Ente nazionale di previdenza per gli addetti e gli impiegati in agricoltura – ENPAIA
16. Ente nazionale previdenza e assistenza dei medici e degli odontoiatri – ENPAM
17. Fondazione ENASARCO
18. Fondo Agenti Spedizionieri e Corrieri – FASC
19. Istituto nazionale di previdenza dei giornalisti italiani G. Amendola – INPGI
20. Istituto nazionale infortuni sul lavoro – INAIL
21. Istituto nazionale previdenza sociale – INPS
22. Opera nazionale per l'assistenza agli orfani dei sanitari italiani – ONAOSI

**Table 9.a - Availability and use of basic source data for other Social Security units:
(T-1)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			
C	A	T+50	T+14	Annual report on cash flows of SSF included in WB	x	x	
A	A	T+15	T+7	Outcome of the monitoring and forecasting activities on "Social benefits other than social transfers in kind of GG"		x	

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

**Table 9.b - Availability and use of basic source data for other Social Security units:
(T-2)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-2			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
C/A	A	T-150	T-5	(2) Current and capital revenue and expenditure		x	
				(3) Current and capital revenue and expenditure and financial transactions			
C/A	A	T-150	T-5	(4) Balance sheets		x	
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
C/A	A	T+20	T+1	(8) Statistical surveys		x	
				(9) Other:			
C	A	T+50	T+2	Annual report on cash flows of SSF included in WB	x		
A	A	T-150	T-5	Outcome of the monitoring and forecasting activities on “Social benefits other than social transfers in kind of GG”		x	

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

For financial accounts, the same data base is used for B.9f compilation as well as for each financial instrument in EDP table 3, without any exceptions

3.5.2.1 Details of the basic data sources

Data sources used for compilation of national accounts

For Social Security Funds the field of observation of net borrowing/net lending and working balance is coincident.

As indicated in table 9.a the annual report on cash flows of SSF included in WB is used only for T-1 estimates. The cash flows are provided for each SSF belonging to S.1314, in February of the year T. Data are detailed by unit and by category of transaction partially aggregated.

The estimates for the year T-1 are made by multiplying the T-2 figure for each economic heading and for each institution, by the annual rates of change T-1/T-2 of the corresponding figures based on cash flows. 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.

Moreover, the outcome of the monitoring and forecasting procedures on Social benefits other than social transfers in kind elaborated by MOF, referred to the whole General Government sector, is used as a cross check source for estimating D.62. Data are also used to verify and assess the distribution of different social benefits by typology.

Data are made available at about mid-January of the year T.

Data are detailed for INPS, while are aggregated for the other institutions; data are also detailed by type of benefits.

The basic data source used to calculate T-2 data is the statistical survey carried out by ISTAT on final budgets of Social Security Funds.

Data are usually available in January of year T and are detailed by unit and by category of transaction.

The codification of transactions allows distinguishing financial transactions from non-financial ones. Further details of financial transaction are provided by MOF. Nevertheless, for the B.9 calculation purposes, financial flows are not used.

The structure of inflows and outflows of the available basic sources is in general appropriate in distinguishing different ESA2010 categories for the year T-2. For T-1 estimations, data are more aggregated than the ESA2010 classification and it is not always easy to distinguish the single item (e.g. the single outflow can be the sum of revenue and expenditure related to different goods).

Reconciliation of stocks with flows is direct for any liability in debt instruments and for assets in deposits. For assets other than deposits, the direct (MOF) sources are generally aimed at capturing flows, and stocks are therefore derived from flows, as well as stocks of AF.8 (NSI).

Data include the transactions between different subsectors. Only for the year T-2, the basic sources available include the transactions between different units belonging to the SSF subsector. The data for each single unit show separately the inflows and the outflows with the other units.

GG sector cash accounts recording information by counterpart sector is used to calculate the transfers between State and Social Security Funds.

Working balance (WB)

For year T-1 data from the annual report on cash flows of SSF included in WB are used to estimate the T-1 figures (see also the first part of this paragraph).

For year T-2 the source (statistical survey mentioned below) is available by single unit and by category of transaction.

EDP tables and data sources - Social security sub-sector, EDP table 2D and 3E

3.5.2.2 Statistical surveys used as a basic data source

Please, see par. 3.5.1.2.

3.5.2.3 Supplementary data sources and analytical information

3.5.2.3.1 Supplementary data sources used for the compilation of non-financial accounts

No supplementary data sources are used.

3.5.2.3.2 Supplementary data sources used for the compilation of financial accounts

In financial accounts the liability side of Social Security sub-sector is based on banks reports on F.4. Liability also includes F.8 provided by Istat. The asset side is based on the direct report (MEF's "Quarterly Report on Cash Borrowing Requirement") with adjustments provided by the NSI. The information is available to financial accounts compilers on a regular basis, with the same timeliness of other General Government units.

3.5.2.4 Extra-budgetary accounts

This section provides information on the so-called "extra-budgetary accounts" of the main local government entities, i.e. about flows, which are not recorded in budgetary accounts that enter the WB, as reported in the first line of EDP table 2.

All flows of financial and non-financial nature are recorded in the budgetary accounts.

3.5.3 EDP table 2D

3.5.3.1 Working balance - use for national accounts compilation

The aggregates notified in the EDP tables – net borrowing, working balance – are calculated autonomously respectively by Istat and MEF on different data sources. They are reconciled except for a statistical discrepancy

3.5.3.2 Legal basis of the working balance

The legal basis of the WB is the Reform Budget Law 196/2009 as amended by 39/2010 (art. 10, art. 14 c. 4).

3.5.3.3 Coverage of units in the working balance

There is full coverage for this subsector.

3.5.3.3.1 Units to be classified outside the subsector, but reported in the WB

There are no units classified outside the subsector reported in the WB

EDP tables and data sources - Social security sub-sector, EDP table 2D and 3E

3.5.3.3.2 Units to be classified inside the subsector, but not reported in the WB

There are no units classified inside the subsector not reported in the WB.

3.5.3.4 *Accounting basis of the working balance*

The accounting basis of the working balance is cash.

3.5.3.4.1 Accrual adjustments relating to interest D.41, as reported in EP T2D

All interest expenditure of main entity are recorded in the WB on a cash basis. In EDP T2, under this line, Istat records all the difference between interest accrued and paid only for expenditure. The difference on interest revenue is recorded in the line “other account receivable”.

3.5.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2D

The non-financial transactions amended on an accrual basis via receivables F.8 are Social contributions, Payments for incidental sales, Current transfers.

The non-financial transactions amended on an accrual basis via payables F.8 are Taxes, Social benefits other than social transfers in kind, Intermediate consumption, Compensation of employees, Gross capital formation.

Accrual adjustments in EDP table 2 are fully consistent with F.8 reported in EDP T3 and financial accounts.

3.5.3.4.3 Other accrual adjustments in EDP T2D

In EDP table 2D there are no other accrual adjustments.

3.5.3.5 *Completeness of non-financial flows covered in the working balance*

There is full coverage of non-financial flows.

3.5.3.6 *Financial transactions included in the working balance*

Financial transactions included in the working balance are: loans, equities and deposits

3.5.3.7 *Other adjustments reported in EDP T2D*

In the line “Other adjustments” there are:

- the item *Receipts from securitisation operation (SCCI) not included in the working balance* and concerning the estimation of cash revenues of INPS from securitised credits: according to the ESA Manual, the revenues of the SPV in the context of a securitisation operation, classified as Government debt, must be imputed as Government revenues in National Accounts, since the assets remain in the balance sheet of Government. This imputation is not

made in the Social Security Funds working balance, so an adjustment item is necessary in order to account for the different classification adopted in the two aggregates;

- the item *Reclassification of trade credits (F.8) related to factoring without recourse with OFIs and MFIs in public debt instruments (F.4)* - see the explanation under par. 3.2.3.7.
- the item *Reclassification from financial to non-financial transactions of the balance of cash flows related to transactions carried out by SSFs on behalf of central government* is the balance of all those transactions in which the SSFs pay in advance and receive the restitution of amount (mainly taxes) on behalf of the State;
- the item *Debt cancellations recorded as capital* refers to the cancellation in 2016 from ENPAM (one of the bodies belonging to the S1314 sub-sector) of a part of a liability outstanding to ENPAM Real Estate Srl (the debtor), a corporation fully controlled by ENPAM. The amount cancelled (38 mln) has been used to recapitalize the corporation;
- the item *Reclassification from financial to non-financial transaction of cash flows related to social benefits other than social transfers in kind anticipated by employers on behalf of INPS in the previous years*, are amounts wrongly classified as financial transaction in WB reallocated as cash payments of social benefits;
- the item *Reclassification of revenues related to investment income (revaluation) not recorded in B.9*, are amounts of revaluations classified as income in WB.

3.5.3.8 Net lending/net borrowing of social security funds

Only for year T-1 data from WB accounts are used to estimate the accrual data, by applying a cash variation to the accrual data of year T-2.

For year T-2 data sources used for national accounts and B.9 calculation are different from those reported in the WB accounts.

The final budgets of the bodies included in Social security funds sub-sector are periodically audited by Italian Court of Auditors (Law 259/1958) and have to be published by law.

As the source used for Social security fund accounts and B.9 calculation is the ISTAT survey on final budget of Social security funds, the timing of the auditing process is not always in line with the timing of questionnaires compilation and transmission to ISTAT.

For the main bodies the Italian Court of Auditors publishes a report; for example, with regard to INPS, the Court publishes annually the “Relazione sul risultato del controllo eseguito sulla gestione finanziaria dell’Istituto nazionale della previdenza sociale (INPS)”.

Data sources for B.9 are on assessment/commitment basis and cash basis and all units are covered.

Assessments/commitments data are used for the main items of accounts (all current revenue and expenditure). No adjustment is then requested to meet ESA2010 rules in terms of time of recording since the basic data exactly refers to the accrued year.

The working balance accounts are cash based, therefore differences exist in time of recording compared to assessment/commitment data. Nevertheless the WB data is used not in level, but only to calculate a rate of change applied to data on accrual basis.

All transactions in F.8, as reported in EDP T3 and in financial accounts are fully consistent with accrual recording of transactions impacting B.9, as reported in the last line of EDP T2.

All non-financial flows are covered by the available sources. There are no cases in which expenditure are not included in the data sources used for B.9, independently from the validation of the Court of Auditors.

The adjustment in order to meet ESA2010 requirements consists in applying a time lag adjustment to record actual social contributions.

3.5.4 EDP table 3E

3.5.4.1 Transactions in financial assets and liabilities

The same database is used for compilation of financial accounts and B9f as well as for EDP table 3. Each single ESA2010 financial instrument reported in Table 3, as well as the resulting B.9f, is the same in the published ESA2010 financial accounts as well as in EDP Table 3.

Table 10. Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets						Liabilities					
	F.2	F.3	F.4	F.5	F.6	F.7	F.2	F.3	F.4	F.5	F.6	F.7
Calculation of transactions												
Transaction data (integrated in public accounts)	X	X	X	X		X	X	X	X	Currently not existing	Currently not existing	X
Other transaction data					X							
Stock data												
Calculation of stocks												
Transaction data		X	X	X	X	X						X
Stock data	X						X	X	X			

Currency and deposits (F.2)

Bank reports for the asset side. There are no deposits on the liability side of Social Security funds. Data are available on an individual reporting agent basis.

For deposits with commercial banks, data are taken from the banks' Reports to Banca d'Italia Banking Supervision Departments. For deposits with commercial banks, stocks and OCV are reported.

In public accounts the supervisory reports are an independent source.

Deposits are compared with those reported in the Quarterly Report on Borrowing Requirement.

No amendment is made using counterpart information.

Other sources are only used for cross-check purposes.

All adjustments are made according to 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument.

Assets in deposits are reported on a cash basis.

The time of recording is cash basis: components of unpaid interest appear to be negligible.

Securities other than shares (F.3)

Data are based on direct sources (Quarterly Report on Cash Borrowing Requirements as well as annual balance sheets). Other sources, i.e. custodian statistics, are used for consolidation and for cross checking.

The direct source provides transactions. Data included in the direct source are integrated in public accounts. Other sources, i.e. custodian reports, are used for cross checks.

No amendment is made using counterpart information. The secondary source, i.e. custodian information provided by banks, is only used for consolidation on securities issued by Central Government.

All adjustments are made according to 3.6.5 below.

The secondary source, i.e. custodian information provided by banks, is used for consolidation on securities issued by Central Government. This does not impact on this subsector's B.9f, but may impact on General Government's B.9f. Consolidation is the same as for Government Debt. No adjustment relating non-financial accounts.

Accrual basis is used to record financial transactions. The time of recording is on accrual basis.

Loans (F.4)

Social Security Funds' loans mainly refer to Government employees. Information is 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. Information is exhaustive with individual reports available to the Ministry. Loans on the liability side are the same included in the debt. No other sources are used.

The direct source data on asset refers to transactions. In public accounts data are fully integrated. No other sources are available.

No amendment is made using counterpart information or MBS, or other supplementary data.

All adjustments are provided by ISTAT and made according to Section 3.6.5 below.

Consolidating items are provided by the direct source as well.

Accrual adjustments on loans are provided by the NSI, based on direct sources. The time of recording is on accrual basis.

Shares and other equity (F.5)

Gross data on shares and other equity (issued by both residents and non residents) are provided in the Quarterly Report on Cash Borrowing Requirement, integrated by direct information on "Altre partite finanziarie". Since 2017, new data provided by MEF on regular basis allows to distinguish "Portfolio investments, Net" from "Equity and investment fund shares/units other than portfolio investments". Data are individually available. No liability available. No other sources are used.

The original information is directly available in form of transaction. In public accounts data are fully integrated.

Other sources are only used for pricing of stock data, without impact on flows.

No amendment is made using counterpart information or MBS or other supplementary data.

Regular adjustments for capital injections, super-dividend, etc. are provided by Istat, and are fully described in section 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument.

Financial transactions are recorded on a cash basis. The time of recording is on a cash basis.

Insurance technical reserve (F.6)

The asset side is estimated, and with an almost negligible impact on flows. In the October notification, total liabilities in prepayments of insurance premiums and reserves for outstanding claims incurred by insurance corporations are drawn 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 account data. In the April notification, total liabilities in F.62 are estimated and then assigned to Government (as well as other counterpart sectors) on the basis of previous years weights. There is no Government liability in F.6.

Supplementary data sources are Reports by Insurance Companies.

Direct data sources on transactions are used. In public accounts data are not integrated.

No comparison among the results from basic data sources with counterpart data and other information is available.

No amendment is made using counterpart information or MBS, or other supplementary data.

No amendment to data sources due to specific transactions reflected in financial accounts is made.

Amendments due to consolidation are not relevant for this specific financial instrument.

Accrual basis is used to record financial transactions. The time of recording is on accrual basis.

Other financial assets (F.8)

The component of Other financial assets in Other accounts receivable and payable (F.8) is provided by Istat. See par. 3.5.3.4.2 for a full description.

3.5.4.2 Other stock-flow adjustments

There are no Other stock-flow adjustments.

3.6. Link between EDP T2 and related EDP T3

The monitoring of the link between the individual adjustments in EDP T2 and the related transactions reported in EDP T3 is important for the assessment of GFS data quality.

It is not expected that the adjustments from EDP T2 would be clearly identified in EDT3.

- First, this is due to different coverage of units, because the adjustments in EDP T2 should refer only to the main entity reported in the WB, while transactions in EDP T3 reflect the whole subsector.
- Second, due to the accounting basis and coverage of transactions reported in the WB. For the former, if the WB is on accrual basis, theoretically there is no need for adjustments in other accounts receivable/payable F.8 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.8 reported in EDP T3 and in FA. For the latter (coverage of transactions), the WB balance as reported in EDP T2 typically does not cover all financial flows, since some are booked in the so called extra-budgetary accounts of the main entity.
- Third, adjustments/transactions reported in EDP T2A are non-consolidated, since they refer to the main entity only, as recorded in the working balance (e.g. loans, other accounts receivable/payable, etc.), while financial transactions recorded in EDP T3 refer to the whole subsector and they are consolidated.

As far as specific imputations are concerned, such as debt cancellation, debt assumption etc., which are reported in EDP T2, these should be reflected also in financial accounts and EDP T3 under the related financial instrument.

Therefore, in order to ensure consistency between non-financial and financial accounts and quality of GFS data, statisticians are to be able to explain and to quantify a link between flows reported in EDP T2 and EDP T3.

3.6.1 Coverage of units

The coverage of units in the calculation of financial and non-financial accounts is the same at the level of General Government and its subsectors.

They are based on the List of units belonging to the General Government sector published on the Official Journal of the Italian Republic 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.

In the calculation of the working balance the coverage and the sector delimitation of General Government and its subsectors is mainly the same of the S.13 list, with some exceptions of bodies with generally small impact on deficit. However, regarding the most significant entities in term of impact on financial and non-financial government accounts, this misalignment is temporary. In fact, its duration is limited only to the time required for a newly classified unit within S.13 list to be subjected to cash monitoring required by law that provides the basis for calculating the WB.

3.6.2 Financial transactions

For S1311:

With the relevant exception of deposits (F.2), transactions in financial assets are based on the same source (MEF) used for the WB, adjusted for the time of recording, for imputed

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components (not linked to actual payments entering the WB) and for reclassifications (capital injections and super-dividends).

Currency and deposits (F.2) in financial accounts (T3) are taken from Money and Banking Statistics;

Securities other than shares (F.3) in T3 are taken from the MEF (WB) source for the component issued by non-Government units. Consolidating items (Government debt securities held by Local Government and Social Security Funds) are taken from banking statistics, consistently with the calculation of debt.

Loans (F.4) in T3 are taken from the MEF (WB) source, with adjustments provided by Istat, plus individual corrections for specific operations (e.g. EFSF), not entering the WG.

Shares and other equity (F.5) in T3 are taken from the MEF (WB) source, with adjustments provided by Istat.

Other Accounts (F.8) are provided by Istat for T2 and T3.

For S1313:

Please see above for S.1311

For S1314:

Please see above for S.1311

3.6.3 Adjustments for accrued interest D.41

For S.1311:

The adjustment in EDP T2A for accrued interest refers to interest expenditure and includes also the interest revenue on loans granted by Central Government to Local Government.

The whole interest expenditure for financial instrument is included in the WB on a cash basis.

The items used to reconcile WB with B.9 are: Difference between interest accrued and paid and Other accounts payable for the interest expenditure due to delayed payment of tax refunds and wages.

The item *Difference between interest accrued and paid* in tables 2A and 3B is not identical for:

- the capital uplift; in table 3B the accrual interest expenditure is net of the capital uplift;
- the discounts cash of zero coupon bonds (BOTs and CCTs) that are not reported in table 3B because the cash repayments impacting on Currency and deposits balances the impact in the Change in Central Government consolidated gross debt; as a consequence at "time of redemption" adjustment for accrual discount would be equal to accrual interest payable (D.4) and there would not be a need for the adjustment "repayment of discount".
- the accrual adjustment related to loans granted by the State to Local Government that in table 3B are reported under Net acquisition (+) of financial assets (F.4).

For S.1313:

The adjustment in EDP T2C for accrued interest refers to interest expenditure and it is the same reported in table 3D.

For S.1314:

The adjustment in EDP T2D for accrued interest refers to interest expenditure, it is the same reported in table 3E.

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3.6.4 Other accounts receivable/payable F.8

In the General Government and its subsectors, the figures reported in EDP T2 and T3 in accrual adjustments under other accounts receivable and other accounts payable F.8 are slightly different due to the fact that the units belonging to the S.13 are not perfectly coincident with those included in the perimeter of the cash monitored units that contribute to the formation of the WB. Receivables and payables related to non-financial transactions and are identical to those reported in financial accounts in F.8. One exception occurred only for two years (2017 and 2018) for a specific transaction connected to a sale of claims by *REV-Gestione crediti SPA* recorded on an accrual basis in 2017 while the cash payment took place in 2018.

The only adjustments required to reconcile the transactions in F.8 as reported in EDP T2 and EDP T3 are those related to the transactions carried out by the units included in the calculation of B.9 and not considered in the calculation of the WB.

3.6.5 Other adjustments/imputations

The section “Other adjustments” in table 2 includes different kind of reclassifications:

- reclassification of non-financial into financial transactions and viceversa;
- reclassifications aimed to keep into account the different treatment of particular transactions in the calculation of the working balance compared to the treatment in national accounts.

For S.1311 there are:

- the item *Cancellations of foreign debts and Additional cancellations Paris Club* corresponds to the forgiveness of developing country debt. In non-financial accounts, these lead to capital transfers to the Rest of the World but it is not considered in the calculation of the working balance (second group of reclassification). This information is used for the compilation of financial accounts according to ESA2010 rules, so a correspondent reduction of loans (F.4 assets side) is imputed in financial accounts (row *reduction of loans* in T3B and T3A);
- the item *Fees related to guarantees granted to banks without impact on WB* represents the amount of fees received by Central Government having an impact on B.9 and not recorded in WB because Law decree December, 6, 2011 established they have to be used in order to reimburse State debt through the sinking-fund; According to MEF definition the flows that should be allocated to the Sinking Fund are not registered in the working balance neither on the revenues side nor on the expenditure side. The purpose of the sinking Fund is to reduce the stock of Government bonds outstanding. As consequence, in table 3B this adjustment is included in the row *Change in Central Government consolidated gross debt*;
- the item *Reclassification of revenue classified in dormant accounts and in uncompensated seizures* represents an entry for the State budget and has an impact on the working balance. They are recorded in national accounts as “other changes in volume” without any impact on B.9. To guarantee impact zero on B.9f, a correspondent reduction of deposits (F.2) is imputed in financial accounts (row *Currency and deposits (F.2)* in T3B and T3A);
- the item *Reclassification of credits (F.8) related to factoring without recourse with OFIs and MFIs in public debt instruments (F.4)* represents the amounts related to factoring operations without recourse between creditor enterprises and factoring societies/monetary financial intermediaries reclassified in national accounts from F.8 to F.4 (Decision Eurostat 31st July 2012) without any impact on the WB. This reclassification regards financial account and it is reflected in data reported in T3B and T3A (rows: *Net incurrence (-) of*

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other liabilities (F.5, F.6 and F.8) and Change in Central Government (S.1311) consolidated gross debt (1, 2)).

- the item *Net Impact of EFSF* represents the impact of the recording in national accounts of the activity of the European Financial Stability Facility (EFSF). It is an imputation in both non-financial and financial accounts without any impact on the WB.
- the item *Cash revenue from sales of non-financial non produced asset recorded as repayments of loans in the working balance* represents the cash revenue from sales of non produced non-financial asset (sales use rights frequencies) that the WB non correctly includes in loans reduction. An imputation in financial accounts is made; the amount is subtracted from loans (F.4) (row *Loans - reduction* in T3B and T3A);
- the item *Financial leasing* represents the difference between the amount recorded in the expenditure of WB (annual rate payments) and the amount recorded in B.9 (total value of the leasing contracts) related to the financial leasing operation. It is not necessary to introduce an imputation in financial accounts (F.4) because these are already reflected in data sources used to compile them;
- the item *Standardized guarantees* represents the imputed payments in B.9 of Central Government without impact on WB. In financial accounts, the instrument F.66 (reported in table 3B under the row *Net incurrence (-) of other liabilities (F.1, F.5, F.6 and F.72)* is estimated using the same data sources of non-financial accounts (D.99);
- the item *Impact on B.9 of the Resolution of four small Banks not included in the Working balance* represents the capital transfer imputed as expenditure of the main units of CG in the contest of the resolution in November 2015 of four banks. The entire transaction has no impact on the WB and a series of imputations were introduced on FA as not reflected in data sources used for compilation;
- the item *Revenues from sales of emission permits* is the adjustment necessary to keep into account the different impact of cash revenues from the sales of emission permits on WB respect data used in the calculation of the B9 (please refers to par 7.9 for more details);
- the item *Pay back of health expenditures* represents the reimbursements made by pharmaceutical corporations to repay the exceeding expenditures; amounts temporarily allocated in a dedicated fund of the State but earmarked to the Health local units. As for financial accounts a correspondent reduction of deposits (F.2) of Central Government (row *Currency and deposits (F.2)* in T3B) and an equivalent increase of deposits (F.2) of Local Government (row *Currency and deposits (F.2)* in T3D) are imputed;
- the item *Superdividend to central government units by public corporations* aims at neutralising the impact on the B.9 of large amounts of capital income reclassified in national accounts as financial transaction (with a reduction of Shares and other equity F.5); an equivalent amount of reduction of Shares and other equity (F.5) is imputed in financial accounts (row *Shares and other equity (F.5)* in T3B and T3A);
- the item *Balance of transactions related to the compulsory scheme of the Fondo italiano di tutela dei depositanti (FITD) and of the Fondo di Garanzia dei Depositanti del credito cooperativo (FGD)* represents the net impact on B9 of the transactions carried out by the compulsory schemes dedicated to the deposit protection. Imputations in financial accounts are made (rows *deposit F.2, securities F.3 and shares F.5* in T3B and T3A) to guarantee consistency between the FA and NFA;
- the item *Capital injections to multilateral development banks* corresponds to acquisition of equities of multilateral banks performed by the State reclassified as capital transfer in the calculation of B.9; an equivalent reduction of acquisition of Shares and other equity (F.5) is imputed in financial accounts (row *Shares and other equity (F.5)* in T3B and T3A)
- the item *Capital injections to BMPS* is the amount of acquisition of equities of BMPS performed by the State reclassified as capital transfer in B.9; an equivalent reduction of

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- acquisition of Shares and other equity (F.5) is imputed in financial accounts (row *Shares and other equity (F.5)* in T3B and T3A);
- the item *Impact on B.9 of the winding down of two Veneto banks* is the overall effect on B.9 of the government interventions in the contest of the winding down of Veneto Banca and Popolare di Vicenza; a series of imputations are made also on financial accounts (Loans (F.4), Shares and other equity (F.5) on assets side and Loans and Net incurrence (-) of other liabilities (F.6) on the liabilities side; finally an indirect impact on Change of central government debt (F.3);
 - the item *Loan to Alitalia* represents the reclassification of the loans granted by the State to Alitalia as capital transfer for the calculation of B9, an equivalent reduction of the increase of loans (F.4) is imputed in financial accounts (row *Loans- increase (F.4)* in T3B and T3A);
 - the item *Reclassification from non-financial to financial transaction of cash flows related to the merger of two CG units* refers to the merger happened in 2016, of Ales (Arte Lavoro e Servizi S.p.A.), a company owned by the State with ARCUS SpA also involved in development of art, culture and entertainment (both included in S13). As a result of this merge in 2016 the remaining stock of bank deposits of Arcus was erroneously reported in the WB as current transfers. Moreover in 2017 Ales makes financial investment, but recording erroneously the use of fund as expenditure for capital transfer. These operations, are included among the non-financial transaction in WB. Regarding 2016 it is not necessary to introduce an imputation in financial accounts because these are already reflected in data sources used to compile them, for 2017 and 2018 imputations are made;
 - the item *Guarantees cash calls related to loans already included in the General Government debt* refers to the amounts of cash calls connected to loans received by the families and companies in the contest of earthquake, whose reimbursements are since the concession due by the State; it is not necessary to introduce an imputation in financial accounts.

For S.1313:

- the item *Capital injections to public corporations by Local administrations* represents a reclassification from financial transactions to non-financial transaction as a capital transfer; an equivalent reduction of acquisition of Shares and other equity (F.5) is imputed in financial accounts (row *Shares and other equity (F.5)* in T3D and T3A);
- the item *Imputation of gross capital formation made under PPP contracts and leasing* concerns the expenses related to PPP classified “on balance” with an impact on Local Government net borrowing but not included in Local working balance, and the difference between the total amounts of leasing operations impacting on B.9 and payments of rents recorded in the working balance. The information derived from the analysis of PPP contracts are used for the compilation of financial accounts according to ESA2010 rules, so a correspondent increase of loans (F.4 liability side) is imputed in financial accounts (row *Change in Local Government (S.1313) consolidated gross debt (1, 2)* in T3D and T3A). As for the leasing it is not necessary to introduce an imputation in FA because these are already reflected in data sources used to compile them;
- the item *Reclassification of trade credits (F.81) related to factoring without recourse with OFIs and MFIs in public debt instruments (F.4)* see the explanation under S.1311 section;
- the item *Super-dividend to Local administration by public corporations* represents a reclassification from non-financial transactions (capital income in public accounts) to financial transactions.
An imputation in financial accounts is made; an equivalent amount is recorded as withdrawal of Shares and other equity (F.5), (row *Shares and other equity (F.5)* in T3D and T3A);

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- the item Pay back of health expenditures represents the reimbursements made by pharmaceutical corporations to repay the exceeding expenditures; amounts temporarily allocated in a dedicated fund of the State but earmarked to the Health local units. As for financial accounts a correspondent reduction of deposits (F.2) of Central Government (row Currency and deposits (F.2) in T3B) and an equivalent increase of deposits (F.2) of Local Government (row Currency and deposits (F.2) in T3D) are imputed.

For S.1314:

- the item Receipts from securitisation operation (SCCI) not included in the working balance-concerning the estimation of cash revenues of INPS from securitised credits. These receipt are recorded in financial accounts under deposits F.2 an imputation aimed to move them from Central Government to Social Security Fund is done to keep into account that the data sources used for compilation of FA credits them under deposits of Central Government;
- the item Reclassification of trade credits (F.81) related to factoring without recourse with OFIs and MFIs in public debt instruments (F.4) - see the explanation under S.1311 section.- the item Reclassification from financial to non-financial transactions of the balance of cash flows related to transactions carried out by SSFs on behalf of central government is the balance of all those transactions in which the SSFs pay in advance and receive the restitution of amount (manly taxes) on behalf of the State; it is not necessary to introduce an imputation in financial accounts because it is already reflected in data sources used to compile them;
- the item Debt cancellations recorded as capital refers to the cancellation in 2016 from ENPAM (one of the bodies belonging to the S1314 sub-sector) of a part of a liability outstanding to the ENPAM Real Estate Srl (the debtor), a corporation fully controlled by the ENPAM. The amount cancelled (38 mln) has been used to recapitalize the corporation; an equivalent reduction of acquisition of Shares and other equity (F.5) is imputed in financial accounts (row Shares and other equity (F.5) in T3E and T3A);
- the item *Reclassification from financial to non-financial transaction of cash flows related to social benefits other than social transfers in kind anticipated by employers on behalf of INPS in the previous years*, are amounts un-correctly classified as financial transaction in WB reallocated as cash payments of social benefits; it is not necessary to introduce an imputation in financial accounts because these are already reflected in data sources used to compile them;
- the item *Reclassification of revenues related to investment income (revaluation) not recorded in B.9*, are amounts of revaluations classified as income in WB, it is not necessary to introduce an imputation in financial accounts because these are already reflected in data sources used to compile them.

EDP tables and data sources - General comments on data sources - The overall system of sources is characterized by a high degree of complexity, where different types of units use different accounting criteria.

In particular, the subsector of Local Government includes several kinds of different institutional units either for the different functions and duties they are charged for, or for the different frames of their accounting systems.

With regard to Regions, it must be pointed out that so far they do not yet share a standard for the budgets, and the different classification systems adopted are not easily referable to ESA standards for what concerns the economic and functional classifications. This requires a substantial work of analysis, linking and elaboration of primary data.

The group of units formed by Municipalities and their Unions, Provinces and Mountain development bodies is characterized by a higher level of homogeneity because data till 2019 were collected by the Italian Ministry of Internal Affairs through a standard form. Nevertheless, it doesn't collect data referring to specific transactions (such as guarantees, sales and lease back, assumption/cancelation of debts) with no direct impact in terms of inflows and/or outflows.

All these units adopt a legal accrual system of accounting.

The remaining bodies included in the Local Government subsector are even less homogeneous, not only for the features mentioned above but also for the different accounting systems adopted (profit and loss accounts or legal accrual).

The differences between data for the same transaction deriving from different sources arise another relevant issue due to differences in timing and purposes of their collection systems. This is the case of cash data from the budgets of Municipalities, Provinces and Regions compared to cash flows data coming from SIOPE system.

Furthermore, when consolidating subsectors, there is insufficient coherence and consistency for transfers in the outflows and inflows analysed by counterpart.

In the recent years the situation is changed due to the implementation of law n. 196/2009 and the reform of the public accounting system, in particular with regard to the harmonization of general government units' accounts. Since 2015, in a first step in a piloting form, public units had to adopt the new revised accounting principles and accounting schemes, supplying the

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3.8. EDP table 4

Table 4 – The statements on the provision of additional data contained in the Council minutes of 23/11/1993 request the submission of trade credits and advances, amounts outstanding in the government debt from the financing of public undertakings, differences between the face value and the present value of government debt and GNI at market prices.

3.8.1 Trade credits and advances

The coverage of the estimation of the stock of trade credits and advances recorded in EDP table 4 is complete for total General government and refers, for all the years, to trade debts related to intermediate consumptions, social benefits in kind and the GFCF expenditure for all those units for which the accrual recording is approximated on the basis of balance sheets. There are also other GG units for which GFCF is approximated with cash data.

The trade debt for GG units for which GFCF estimation is approximated with cash are therefore excluded from the total stock (AF.81L).

The estimates have been produced through the statistical integration of data drawn from different sources for three separate components:

- estimates on trade debts towards suppliers resulting from Balance Sheet data of Local Health Units;
- data on trade debts of Central Government provided by MEF and derived from the State Budget and the budgets of other Entities included into this sub-sector;
- data on trade credits collected by a Survey on enterprises operating in industry, construction and services sectors, carried out by Banca d'Italia.

The Eurostat's decision on the recording of some operations related to trade credits of 31 July 2012 has been implemented for all the subsectors.

Trade debts, related to commercial transactions that are object of *factoring pro-soluto* operations between creditor enterprises (providers of goods and services to Public Administrations) and factoring companies, are registered into Public Debt as F.4.

The information on the total stock of factorised credit at the end of the year is provided by Bank of Italy to Istat as responsible for the estimation of the AF.81. Istat makes the necessary imputations in order to correctly reflect into the F.81 flows of the year the amount of the claims totally and irrevocably transferred to financial institutions in the year and the repayments of the F.4 loans charged in previous years.

The estimates of the stock of trade credits for 2010 were elaborated for the first time in October 2012 and were subsequently revised to take into account the new units that switched

4. Revision policy used for annual GFS

from a cash-based estimate to a balance sheet-based estimate of GFCF. The consistency between stock and flows for the years before 2010 was obtained by subtracting from the stock the flows of other accounts payable related to P.2 and D.632 for each year. For the subsequent year 2010 the consistency was obtained by adding to the stock the flows of other accounts payable related to P.2, D.632 and P.51 (of the three above mentioned type of units) for each year.

3.8.2 Amount outstanding in the government debt from the financing of public undertakings

Until now, the Government did not borrow on behalf of public enterprises.

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4. Revision policy used for annual GFS

This section relates to the revision policy concerning annual non-financial and financial government accounts. It describes the country policy for revisions with and without impact on the deficit (non-financial accounts for general government) and debt (financial accounts for general government).

4.1. Existence of a revision policy in your country

4.1.1 Relating to deficit and non-financial accounts

Since 2012, Istat has been publishing the General Government accounts on the 1st of March and the 1st of October of year T for the years from T-4 to T-1 at the same time of GDP release.

Those are the same data provided in the EDP notification and are fully consistent with NA variables composing the GDP aggregate.

The revision policy for annual data between the two notifications relate to T-3 T-1 and depends on the status of sources used in the net borrowing/lending calculation for each year: the only source updated between March and September is the State Budget Reporting of year T-1, that is approved every year in June.

For this reason, the revisions to EDP figures between the first and the second notification are made only for the State and for other occasional changes resulting from specific events and information or from bilateral discussions with Eurostat.

For Local Government sector, the legal statement requires Government bodies to approve their financial statements T-1 by June of year T and, in the recent years through the BDAP System, the collection of all data is quite completed in about 8 months. Hence in April and October of year T the T-1 estimations are made using cash data derived by the SIOPE system, or by the cash flows transmitted by MEF (see par. 3.4.1).

For the year T-2 the process of data acquisition for local bodies and social security fund is completed, therefore the new sources replace the estimations done previously through Siope data.

For the year T-3 minor changes are possible mainly due to Local Government data and reclassification of items deriving from more in depth analysis, resulting from more detailed sources.

For the year T-4 in general no revision are made in April and October notification of year T, since the sources are generally stabilized.

All the revisions for each year may have an impact on deficit that nevertheless cannot be quantified in the sign or the amount.

4.1.2 Relating to debt and financial accounts

In general, backward revisions of the Maastricht debt, due to source update and methodological changes are implemented at most by the first EDP notification following the update/change. Data are released via the Statistics publication: "The Public Finances, borrowing requirement and debt" available at:

<https://www.bancaditalia.it/pubblicazioni/finanza-pubblica/index.html?com.dotmarketing.htmlpage.language=1>.

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Changes are explained by a Notice to readers that details the reason and the magnitude of the revision. Updates are usually made for the longest available period (generally well beyond the years considered in the EDP notification) in order to provide data that can be useful for economic analysis.

The same revision policy is adopted for Financial Accounts; data are available at <https://www.bancaditalia.it/pubblicazioni/conti-finanziari/index.html?com.dotmarketing.htmlpage.language=1>, together with a notice to readers explaining major revisions.

Also revisions that affect the composition (and not the level of Maastricht debt) generally follow the process outlined in point 4.1.1.

4.2. Reasons for other than ordinary revisions

Other than ordinary revisions are performed due to the existence of new data sources/details, changes in methodology and for other reasons.

The revisions derived from new data sources or details are accepted after a process of analysis and validation of the new source.

The revisions due to changes in methodology are implemented during the definition of benchmark estimates or after bilateral discussions with Eurostat.

Revisions due to other reasons (possible errors) are implemented by Istat in the EDP notification subsequent to verifying the existence of the error.

4.3. Timetable for finalising and revising the accounts

In Central Government, data for non-financial accounts are finalised at T-1 for the State. In particular, the following sources are finalised in July of year T for year T-1: the Final State Budget Reporting; the Simplified account of State expenditure; the State consolidated cash account; the Tax revenues.

For Research Bodies and Other State and Central bodies the main source is a survey conducted by Istat collecting data referred to year T-2 through a standard form for central and local public institutions. No updating of the data is planned and the data of year T-2 are finalised at february of year T.

For the year T-1, the available sources are limited at the time of April notification; the survey mentioned above is still at the launching stage. Therefore, data from SIOPE system are used and the estimates are made applying to T-2 data the annual rates of change in T-1 cash flows calculated on the basis of information drawn from SIOPE system.

For Local Government the following data are used:

- information on Regions derives from a specific Istat survey collecting Region's complete budgets. The data, referred to year T-2, are transmitted starting from June of the year T-1 (deadline for the approval of the year T-2 final budgets) and are collected until January of year T. No further updating of the data is planned, hence the data of year T-2 are finalised at February of year T;

- data on Provinces, Municipalities and Unions of Municipalities derive from Certificati di Conto Consuntivo (final accounts certificates) through a standard format and since 2019 financial years from the accounting schemes and the analytic accounting data of BDAP. They are referred to year T-2 and they are available to Istat for the first elaborations in December of

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year T-1. Usually the coverage of the units is rather above 90% and all the largest units are generally included. In June/July of year T the MEF transmits the updated complete and very final set of data referred to year T-2 from the source BDAP. Therefore, generally, data of year T are definitively finalised at T+2;

- information on Other local bodies producing economic services derive mainly from a survey conducted by Istat collecting economic data referred to year T-2 through a standardized form from central and local public institutions. Usually, data are available for the elaborations in December of year T-1. Generally, there is no further updating of the data. Other complementary information derive from MEF – State General Accounting Department for public entities controlled by MEF - and from SIOPE; data are collected in January of the year T;

- concerning Local Institutions providing education, cultural services (universities, other minor bodies) - The source for universities is a survey conducted by the Ministry of Education. The source provides the economic and functional classification of transactions on accrual basis and cash data from SIOPE System. Data for year T-2 are available in November of year T-1 with no further updating .

For the remaining units the procedure described as “Other local bodies producing economic services” applies.

Data for Local Health Units are provided by the Ministry of Health, on the basis of the quarterly and annual profit and loss accounts of Local Health Agencies (ASLs), Hospital Agencies (AOs), Public Research Hospital (IRCCSs) and University Hospitals (AOUs). Data refer to the accounting years T-1 (provisional data), T-2 (half finalized data), T-3 (finalized data), year T-4 (finalized data).

Data are usually made available to Istat in January/February of year T.

For Social Security Funds data derive from different sources:

1) in January of year T, data from a specific Istat (census) survey on the final budgets of SSF with reference to year T-2 are available. There is no further updating of the survey data.

2) in January/February of year T, the Ministry of Economy supplies the T-1 cash flows data for each SSF and the social benefits of General Government by type on accrual basis (the sources are used only for T-1 estimates). The data of year T are finalised at T+2.

Government Financial Accounts by subsectors are compiled on a quarterly basis with a reporting lag of T+85. The same database is used for quarterly and annual financial accounts, without specific differences (other than in data vintages). A totally un-consolidated version is regularly published in addition to the version consolidated within subsectors (QFAGG).

B. Methodological issues

5. Sector delimitation – practical aspects

5.1. Sector classification of units

General government is defined by ESA 2010 §2.111 as "... institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth". Moreover, §20.05 specifies that the general government sector "consists of all government units and all non-market non-profits institutions (NPIs) that are controlled by government units. It also comprises other non-market as identified in paragraphs 20.18 to 20.39".

It is necessary to determine:

- a. if it is an institutional unit (ESA 2010 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- b. if it is a public institutional unit (ESA 2010 §20.18 and MGDD I.2.3 – define the notion of control by the government over an entity as "the ability to determine the general policy or programme of that entity"... According to the list of criteria listed in ESA 2010 §20.309)
- c. if it is a non-market public institutional unit - reference to "Market-non-market delineation" (ESA 2010 §20.19 to §20.28 and MGDD I.2.4)"

S.13 sector counts over 10,000 units (in 2018, 10,470). According to the ESA2010, the S.13 sector includes the non-market institutional units and the legal units not having the status of institutional units, consolidated with the parents. This is the case of the inactive units, the holding companies (pure shell), the public ancillary units and the public captives lacking of the necessary independence from the parent unit. More details are provided below (par 5.1.1).

A summary list of type of units belonging to S.13 is provided in Chapter 1, while the detailed list is in the ANNEX. The detailed list of S13 units is published and available in the institutional Istat's website (<https://www.istat.it/it/archivio/190748>).

Istat is the institution in charge of the activity of units' classification, of the release and monitoring of the General Government institutional-units list (S.13 list). The classification activity is carried out by the Directorate for National Accounts in cooperation with the Directorate for Business Statistics.

Istat uses several sources to update yearly the S.13 list. The main sources for detecting new eligible units with the requirements of "publicity" that could be classified in the S.13 sector, are the following:

- The SIOPE⁶ system, that records cash receipts and payments of the majority of units belonging to the General Government sector. The SIOPE system was realized with the co-operation of MEF (RGS), Banca d'Italia and Istat, according to the laws n. 289/2002 and n.196/2009. It is managed by Banca d'Italia. The identification of a new unit is possible

⁶ Sistema Informativo sulle Operazioni degli Enti pubblici, General Government Transactions Information System.

because, the unit, to join the system and to communicate its cash operations, is assigned with an ID code defined by Istat.

- National Legislation: given the existence of the “principle of publicity” or “transparency” of public administration characterising the Italian administrative system, the creation of a new public institutional unit can be assessed checking the legislative activity of all those institutional entities which are legally entitled to create new entities (i.e. Central and Local Government entities).
- Statistical registers (see par 5.1.2)
- Istat’s annual survey RIDDCUE⁷ (see par. 5.1.1), whose domain is represented by potential S.13 units (i.e. the group of institutional units, including the non-profit institutions, with institutional characters and/or economic behaviour pointing at a possible public attitude) and units already included in the General Government sector.
This survey is mainly aimed at collecting the information (for units whose accounts are not provided by the administrative sources) concerning the accounting data and administrative/institutional acts and documents that allow to assess the quality of the acquired data and to implement the institutional profiling (public control, economic behaviour).

S.13 units are a wide subset of units belonging to the Public Institutions Register. An increasing number of S.13 units come from the Register of public corporations (a subset of the Business Register). Some units, finally, come from the Register of Non-Profit Institutions.

Updating the above statistical Registers (see par. 5.1.2) is a very important step for the definition of S.13 list, whose main part is, however, the profiling activities covering the assessment of the public control and the evaluation of the economic behavior of units through qualitative and quantitative criteria (See par. 5.1.1).

Profiling activities are carried out taking information from

- a) statistical sources (i.e. RIDDCUE);
- b) administrative sources (both accounting and institutional) that Istat acquires for its own institutional purposes;
- c) other ad hoc sources used for specific needs of in depth analysis.

5.1.1 Criteria used for sector classification of new units

According to the ESA2010 and MGDD, the first step to classify a unit is to determine whether the entity is an institutional unit, i.e. whether this unit has “decision-making autonomy in respect of its principal function and if it keeps a complete set of accounts” (ESA2010, §2.12).

According to the Italian system, a unit is considered juridically autonomous if it is created as a legal unit. Hence, from an operational point of view, a first necessary (though not sufficient) indicator is the existence of a fiscal code associated to the unit. Concerning the accounting rules, it is sufficient that the unit produces any type of bookkeeping document having both an economic and a legal value; this represents a second requirement to be met (criterion to be checked necessarily).

⁷ Rilevazione di informazioni, dati e documenti utili alla classificazione delle unità economiche nei settori istituzionali definiti dal SEC2010: Survey on information, data and documents necessary for the classification of economic units within institutional sectors established by ESA2010.

It is necessary, then, to determine whether the unit is publicly controlled. Finally, it is necessary to determine the economic behaviour of the unit applying both qualitative and quantitative criteria (see below).

The annual update of the S.13 list of units is implemented according to ESA2010 rules and the MGDD operating guide, considering that follows.

ESA 2010 defines the government units as an ordered system made up of:

a) core or primary entities “that exercises national executive, legislative and judicial powers”, whose revenues and expenditures are regulated and controlled directly by a public entity (for example, the Ministry of Economy and Finance) by means of a general budget approved by the legislature;

b) “government entities with separate legal identities and substantial autonomy” from the primary or fundamental entity. These entities “maintain full sets of accounts, own goods or assets in their own right, engage in non-market activities for which they are held accountable at law, and are able to incur liabilities and enter into contracts.”⁸

Units of type b) are called “extra-budgetary units” because, despite receiving substantial transfers from the main budget, they draw on their own financing sources.

Pension and social security funds belong to the general government category of the government “extra-budgetary units” devoted to the operation of social security schemes.⁹

ESA 2010 introduced some significant innovations in the identification criteria of institutional units belonging to the General Government sector (S.13). Specifically, in addition to the previous quantitative test (50% test) used to evaluate the producer ability to operate in a competitive market, ESA 2010 introduced a set of qualitative indicators in order to assess actual market behaviour.

The new classification system requires, therefore, the identification of reference market boundaries and characteristics in which public producers operate. The ESA 2010 requires, for this purpose, to examine the specific links between producer and General Government (GG) and has entailed an adaptation of the methodology for the construction of the S.13 list.

The delimitation of the S13 sector starts from some of the elements of the national legal system useful to identify the original nature of the “economic operators”. In particular, the legal framework defines specific “formal” elements that determine the behaviour of such economic operators and give them powers, functions and constraints.

For the purposes of ESA classification, these “formal” elements can fulfil the information needs, leading to the immediate classification of a specific set of institutional units.

⁸ Regulation (EU) No. 549/2013 (ESA2010), §20.10.

⁹ Regulation (EU) No. 549/2013 (ESA2010), §20.12. “Social security schemes are social insurance schemes covering all or a large part of the community as a whole, which are imposed and controlled by government. A social security fund is an institutional unit if it is organized separately from the other activities of government units, holds its assets and liabilities separately, and engages in financial transactions on its own account”.

For other groups of units, indeed, the features of the legal framework are not sufficient and have to be supplemented with additional information on the economic and financial behaviour and the institutional operating context.

The Italian legal system allows for the identification of four categories of legal units. The first set, here defined *core* of the Public Administration (hereinafter, *core PA*), is identified by constitutional and primary legislation, both national and regional. These are subjects listed in the Constitution of the Republic and/or established by constitutional or ordinary formal laws, or acts having legal force (law decrees or legislative decrees), or regional laws, for the purpose of carrying out basic public functions.

The classification of some *core PA* legal units (public associations, public economic entities, public welfare institutions and charitable institutions, professional associations and boards), because of their original institutional profiles of private nature and their historical layering of regulatory interventions, requires an in depth analysis of the characteristics of public control and economic behaviour.

A second set of Public Administration, here defined *non-core PA* (hereinafter, *non-core PA*) consists of subjects whose establishment is prescribed by formal State or Regional laws, and implemented through acts of the governing bodies of the local authorities.¹⁰

The Civil Code and special legislation regulate the constitution and behaviour of the rest of the legal non-core units. These units are attributable to the categories of *Private for-profit* (regulated by Book V of the Civil Code) and *Private non-profit* (regulated by Book I of the Civil Code).

The set of subjects belonging to *core PA* category includes “core entities” (*primary units*) and “government units” as defined by ESA. Such entities are consequently classified in the General Government sector, because the knowledge of their legal form fulfils the information requirement: these units do not require further analysis, neither about their economic behaviour and the market in which they act.

The set of legal entities belonging to the categories *non-core PA* and *Private for-profit* is the group of units corresponding to the ESA category of “other government units”. For the purpose of classification among institutional sectors and possible inclusion in S.13, both analysis concerning their legal form and the verification of their economic behaviour are necessary for these legal units.

Finally, the set of subjects belonging to the category *Private non-profit* is the group of *potential* Non-Profit Public Institutions units (*NPI-PA* units). Also in this case, it is necessary to obtain information on institutional characteristics of each unit and on their economic behaviour.

The process of classification of each non-core institutional unit to General Government sector starts with the analysis of whether and how the economic operator is controlled (formally and substantially) by General Government units.

¹⁰ This set includes consortia of public law, public economic entities, public welfare and charitable institutions and professional associations and colleges.

The classification process of corporations (*Private for-profit*) within ESA institutional sectors, leads to include in General Government institutional units submitted to a substantial and formal public control.

Specifically, §2.38 of ESA 2010 provides a set of useful indicators to identify the presence of public control over corporations. “General government secures control over a corporation as a result of special legislation, decree or regulation which empowers the government to determine corporate policy. The following indicators are the main factors considered in deciding whether a corporation is controlled by government:

- a) government ownership of the majority of voting interest;
- b) government control of the board or governing body;
- c) government control of the appointment and removal of key personnel;
- d) government control of key committees in the entity;
- e) government possession of a golden share;
- f) special regulations;
- g) government as a dominant customer;
- h) permission from the public sector to borrow”.

As stated in the ESA 2010, sometimes a single indicator may be sufficient to establish control presence, while in other cases several different indicators may collectively define the control.

Non-Profit Institutions (NPIs) are included in the General Government sector when there is a substantial and also formal condition of public control. Public control scrutiny is realized through the analysis of the “relationship” that binds the institution under the audit of GG units. In particular, §20.15 of ESA 2010 specifies that: “The control of a NPI is defined as the ability to determine the general policy or programme of the NPI” and §2.39 states that “For non-profit institutions recognized as independent legal entities, the five indicators of control to be considered are:

- a) the appointment of officers;
- b) the provision of enabling instruments;
- c) contractual agreements;
- d) the degree of financing;
- e) the degree of government risk exposure.”

As in the case of corporations, sometimes a single indicator may be sufficient to establish control presence, while in other cases the combination of different indicators may determine the control.

In order to minimize discretionary decisions in the classification of institutional units, the Manual on Government Deficit and Debt, recalling SNA 2008, dictates operating rules for the application of ESA 2010. The application of the rules described in the manual requires in depth analyses (case by case). Sometimes, however, it is possible to conduct the institutional analysis on sets of units similarly regulated by the legislator (for example, in the case of lyric and symphonic foundations).

The existence of public control is established starting from statutory and regulatory provisions that regulate the organization and the functioning of institutions and from accounting and contractual documents. Documentary sources necessary for the analysis are acquired directly or through the RIDDCUE survey that annually collects economic variables and institutional documents from both units already included in S.13 and units with signals of “public behaviour” (potential S.13) for classification purposes.

The analysis of legal-institutional documents allows the verification of the unit governance model and of the modalities of control exercised by government units, as defined by ESA. In turn, economic variables are used to examine the composition and stability over time of financing sources (and in particular the verification of the 50% rule). In some cases, the acquisition of contractual agreement documents makes it possible to observe how the relation between the specific unit and GG is realised, and then to accurately qualify the related financial flows.

It is worth focusing on the procedure for detecting the existence of public/state controlled entities.¹¹

Istat defines the set of units participated or controlled by General Government on the basis of the following administrative sources:

- *The archive of all shareholders of non-listed companies*: the Italian law n. 310 of 1993 requires all non-listed companies to declare the complete list of their shareholders to the Chambers of Commerce. The company must present the first list when it is established and then update it any time there is a change in one of its shareholders or in the title of ownership of the capital shares.
- *The archive of all shareholders of listed companies*: the Italian Legislative Decree n. 58 of 1998 (art.120) requires all listed companies to declare the list of the relevant shareholders (above a specific threshold) to the National Committee of Inspection on Listed Companies to be quoted on the stock exchange market.
- *Consolidated Accounts*: although the group of enterprises resulting from the Consolidated Accounts (VII European Council Directive) is different from the statistical group as it is conceived in the Business Register, this source constitutes a useful (though non exhaustive) benchmark to be considered¹². The source contains the list of all (resident and non resident) enterprises consolidated by the Italian Group Heads and it has a top-down structure.
- *Statements of the Public administrations to the Department of the Treasury (MoF) concerning their participations*¹³. The information refers to the following types of units: corporations, associations, foundations, participation foundations, public law consortia. Other operational arrangements than the holding of shares are also considered. All the participation shares are taken into account with no limitation threshold ($0 < \% \leq 100\%$). The participation or control may be direct or indirect. Pursuant to Law 191/2009 and subsequent amendments and additions, General Government units are obliged to communicate to the Treasury Department, by 31 July of each year, the information concerning the holdings held on 31 December of the

¹¹ For more information, see <https://www.istat.it/it/files/2020/02/Report-partecipate-pubbliche-2017.pdf>

¹² The explanatory note n.3 of Council Regulation 696/93 provides that "the definition accounting groups (...) is not suitable for statistical analysis because they do not constitute mutually exclusive, additive groups of enterprises". Therefore the statistical unit 'enterprise group' based on the 'accounting group' concept must be defined by applying some amendments indicated in that explanatory note.

¹³ Following the entry into force of art. 17, paragraphs 3 and 4, of D.L. n. 90/2014, converted by law 11/8/2014 n.114, the so-called CONSOC survey and the general accounting survey of the State on the personnel costs of companies in which the general government participates are included in the survey of the Treasury Department's public participations.

previous year. For the purposes of these obligations, participations in companies and/or institutions, owned directly or indirectly by the GG units, must be disclosed.

The criteria adopted to identify the units under public control are the following:

- According to the first criterion, on the basis of the enterprise groups register, all the enterprise groups whose group head is a General Government unit are considered. It is also possible to identify those enterprise groups submitted to a special control of General Government units through the Golden share.¹⁴
- The second criterion identifies all the enterprise groups and their constituting units whose group head is a private company but whose shares are jointly owned (more than 50%) by General Government units - in this case none of them alone owns more than 50% of the unit, otherwise the first criterion would apply.¹⁵ The additional information on minority public shareholders is taken from the complete archive of all shareholders of non-listed companies and also integrated with the group register.
- The third criterion takes into account all legal units that do not belong to any enterprise group, according to the notion of “control” adopted by the BREG (Business Register of Enterprises Groups)¹⁶. For those “independent legal unit”, which are neither directly nor indirectly controlled by a unique juridical legal unit, the criterion identifies the cases where either one or several General Government units jointly own more than 50% of its shares.

In addition to the sources listed above, statistical data derived from the ASIA registries system is also used, in particular:

- A. The Register “ASIA Groups”
- B. The “ASIA Business Register”
- C. The “ASIA Public Administration Register (List S13)”

The Manual on Government Deficit and Debt (MGDD) provides a decision tree¹⁷ for the delineation of the economic behavior (market/non-market) of institutional units controlled by government. The decision tree outlines specific choices leading to the classification of units to the institutional sectors, without requiring the application of the 50% test. The MGDD refers, in fact, to the qualitative criteria for classification based on the nature of the goods and services offered by the producer unit (for example, auxiliary and financial activity) and on the characteristics of the market in which it operates, analyzed both on the demand and the supply side.

“Independently of the results from the quantitative market/non-market test (...) there may be cases needing specific analysis where the producer ‘by its nature’ is not considered a market producer.”

¹⁴ The Government has recently issued the Decree Law no. 21/2012 (Converted into Law No. 56/2012) amending the structure of the golden share, in compliance with the requests received from the European Union. The regulatory framework for Golden share in Italy was previously in art.2 Decree Law no. 332/94 (Converted into Law no. 474/94) and amended thereafter by Law n.250/2003 and Decree of the President of the Council of Ministers (DPCM) on June 10 2004, as modified by art.1 DPCM on May 20 2010.

¹⁵ This is the case of large enterprises typically producing market goods and services, intended for the benefit of the community (public utilities), such as transports, water supply, sewerage, waste management, electricity, gas supply, etc. They are generally created and jointly controlled by several general government units such as regions, provinces or municipalities.

¹⁶ For more information see <https://www.istat.it/it/archivio/234313>

¹⁷ Manual on Government Deficit and Debt, 2019 Edition, §1.2.4.1.

With regard to the nature of goods and services offered by the public producer unit, a specific case is represented by units offering auxiliary or ancillary services to the controlling units (one or more), defined as “activity whose output is intended for use within an enterprise”¹⁸. According to ESA, ancillary activities include: purchasing, selling, marketing, accounting activities, transportation, financing and investment, computer services, communications, cleaning and maintenance.

With regard to the characteristics of the market in which the public producer operates, the ESA criteria of the purchaser of the output of a public producer are applied¹⁹ and then it is necessary to verify who is the actual client: if corporations, households, government or only government. In this case, it is necessary to verify if the public producer has competitors and whether the producer has been selected through a comparative selection procedure. The assessment of the existence of the market covers both the supply and demand sides. In case of public producer of financial services, the assessment covers asset and liabilities side and the identification of the actual client. In case of public concessionaires, the assessment is finalized to verify who is the economic owner of the assets and if the contractual agreement really transfer the related risks from government to the concessionaire.

The application of qualitative criteria means to investigate the institutional and regulatory framework in which entities are established, controlled, financed and in which they perform their activities. Laws, articles of association, regulations, financial reports and other institutional documents represent the main sources of information for this case by case approach of the analysis.

For government controlled units, the qualitative criteria are to be checked first as they have priority over the quantitative criterion. In case that at least one of ESA2010’s qualitative criteria would not be fulfilled, this would be a sufficient condition for this public unit to be classified in the general government sector (the market/non-market test would then not be applied). If the qualitative criteria would be met, the market/non-market test would be used for assessing the sector classification of the unit. For specific public entities, however, the market/non-market test is not relevant.²⁰

According to ESA, “To be a market producer, the public unit shall cover at least 50% of its costs by its sales over a sustained multi-year period”.²¹

The market/non market test is regularly updated to verify yearly if changes in the market status arise for each single monitored unit.

Operationally, for each public controlled unit (whether company or institution) the 50% test is calculated on the basis of accounting data referring to at least three years from the following two sources:

- 1) Survey of information, data and documents necessary for the classification of economic units within institutional sectors established by ESA2010 (RIDDCUE)
- 2) Financial statements of corporations and annexed notes (Unioncamere-InfoCamere)

The RIDDCUE survey aims at collecting data and documents useful to get information for a specific unit about the governance system, the internal organization, the input and output

¹⁸ ESA 2010, §§3.12 and 20.24.

¹⁹ ESA2010, §§20.23-20.28.

²⁰ Manual on Government Deficit and Debt, 2019 Edition, §1.2.4.3 p.54.

²¹ ESA 2010, §20.29.

flows of revenues and costs, as well as additional information and documents useful for the classification in the institutional sectors defined by ESA 2010. Reporting units are: central and local public institutions, private institutions and corporations. Each unit must fill in the identification section and the form for the accounting data in line with the accounting system adopted (economic or financial). In addition, specific units are asked to transmit the following documents: notes to financial statements, report on the corporation management, certificate of incorporation and the statute. The unit is also given the opportunity to transmit other legal, administrative and contractual documents.

The source for financial statements of units not included in the RIDDCUE survey is InfoCamere, a Unioncamere company that manages the Business Register of Italian Chambers of Commerce.²²

Standard automatic procedures, one for each source of data, process the market/non market test over several units for at least three years, almost yearly and in case of updating of the source.

Istat applies the 50% criterion for market/non-market test in compliance with the definition provided by ESA2010 §3.32 and §3.33. The market/non market test is based on individual data (no consolidated account are used) covering at least three years of economic activity.

In case of units receiving large contributions from Government for the providing of public services or public service obligation (PSO), in depth analysis are carried on in order to define the real nature of public grants accounted and to correctly classify the related item in executing the test. In case of “capital intensive” units, the in depth analysis is done on the accounting rules of recording of depreciation of assets in order to correct, if necessary, the amortization value recorded in P&L. (For example, see par. 5.2)

The procedure is carried out every year so that the list of the General Government institutional units can be updated for the compilation of the annual accounts of GG and for the yearly publication of the end of September, according to the Italian Law n.196/2009 and subsequent amendments.

5.1.2 Updating of the register

The updating of S.13 Register takes place on annual basis in line with the activity of analysis of the units as presented above.

In particular, the updating is based on administrative and statistical sources and is done at the level of the single unit.

The updating activity of the S.13 register and list consists of the annual monitoring of the establishment of new units (see above, for detail about the process of classification according to ESA2020) and, for the already existing unit, in the verification of their requirements to be classified in each ESA institutional sector.

The updating of both S.13 register and list concurs (and vice versa) to the updating of the enterprise Business Register (BR, see chart below) that takes place yearly too. In fact, the BR updating is based on administrative and statistical sources and, in line with the Regulation 177/2008, concerns units, local units, stratification variables and, among other, the sectors and subsectors.

²² Limited liability companies, joint-stock companies, partnerships limited by shares, cooperative associations and partnerships are obliged to deposit consolidated financial statements.

The S.13 Register and the Register of the Public Institutions are the sets of reference and, in turn, are updated through the integration of a multiplicity of administrative sources and through the results of the Permanent census of Public Institutions conducted biennially by Istat, with the scope of:

- verify the coverage of the statistical register of public institutions and the quality of the estimates produced with the available administrative sources.
- update the structural information framework acquired with the previous censuses of public institutions, at a fine territorial level, with information not present in administrative sources relating to functional characteristics, organizational and territorial of the public sector in Italy;
- acquire information on new issues of interest to the sector in a way shared with stakeholders.

The register and its data sources do not contain all the elements necessary for classifying institutional units according to the ESA. This information, as mentioned above, is collected through specific surveys, through administrative sources of accounting data and documentary sources.

The annual revision (year t) of the S.13 perimeter is implemented into the GG account on the occasion of the Notification of the April t+1 following the publication of the list in the Official Journal (around 30 September of the year t). If, however, during the continue updating activity, relevant units are reclassified to S.13, the change in perimeter is implemented as soon as possible.

5.1.3 Consistency between different data sources concerning classification of units

It is worth recalling that the official S13 list, when published, is supplied to all the key players in the production of EDP and Government Finance Statistics that use the updated list for their analysis and reporting. The domains of public accounts and statistical national accounts are timely checked identifying and, if necessary, correcting possible differences.

For S.1311 and S.1314, due to the limited number of bodies, the lists of units underlying public accounts (Working Balance) and General Government accounts by subsector are easily matched.

For S.1313, the list of units included in S13 statistical list is compared with the list of the bodies included in SIOPE System that is the basis for WB calculation of the subsector. In this regard, it is important to remind that when a body is included in the domain of SIOPE, it is provided with an official code assigned by Istat, so the two list are constantly monitored.

For S.1311:

For the purpose of Money and Banking Statistics the classification of institutional units is based on the List of Institutional units in General Government sector (S.13) delivered annually by Istat. Any update of the list is automatically reflected in the Money and Banking Statistics.

Financial and non-financial accounts are both based on the List of Institutional units in General Government sector (S.13) delivered annually by Istat.

5.2. Existence and classification of specific units

1. *Non-profit institutions*

General Government sector includes Non-profit institutions (NPIs). In particular, both in Central and Local Government subsectors, there is a number of cultural foundations deriving their legal form from a transformation process of former public entities that underwent a legislative action of privatizations (e.g. the lyric-symphonic foundations). Besides, among NPIs, other foundations can also be found in the sector of medical research (Local Government subsector) and in the Social Security Fund subsector.

The main information sources for detecting non-profit institutions are:

- the Census of Public Institutions;
- the declarations of Public administration bodies to the Department of the Treasury (MEF) concerning their participations.

The institutional profiling of NPIs is based on the unit's memorandum, articles of association and, possibly, the national legislation ruling the several type of institutions (the national legislation can set specific constraints regarding the institution's mission, economic administration and terms of public financing). The document analysis allows to verify the existence of the requirement of the public control. Based on the accounting data sources described above, the classification is finalized performing the 50% test (see par. 5.1.1).

2. *Quasi-corporations*

S.13 list does not include quasi-corporations.

3. *Infrastructure companies*

Infrastructure companies are included either in S13 or in S11 sectors. In a first stage, the classification of the public corporations involved in the construction and/or management of public infrastructures takes place through a standard IT procedure, as described above for the other units. Then, an in-depth analysis is carried out, on a case-by-case basis. A specific analysis is carried out on public utility companies too.

In the documentary analysis, the availability and the transparency of the contractual agreements and of the accounting documents is fundamental. Specific documents (in particular, the annual financial reports and annexed notes and the service contracts that rule the supply of public services and its remuneration) allow to identify public subsidies on products (D.31) and subsidies on production (D.39) in order to net the Sales value according the ESA rules.

For companies that present a long-lasting deficit, equity injections from General Government units have been reclassified as capital transfer. There are cases of loans granted to these companies by the controlling General Government unit.

Railways

In 2019, a specific case by case, in-depth analysis covered the railways sector. The main methodological issue has regarded the classification of specific market/non market test

components of sales and costs. The analyses have led to the revision of the classification of some public companies of the railway industry. The reclassification has concerned, among others, Rete Ferroviaria Italiana (RFI), the main public company of the Italian rail infrastructures and Ferrovie Nord (FN), the concessionaire for the construction, operation and maintenance of the Lombardia railways. No public rail transport operator has been reclassified.

The RFI's reclassification (from S.11 to S.13) derived mainly from the check of the real nature of the subsidies received from government as compensation for the concession agreement and from a more correct assessment of capital consumption.

RFI annually records its operating subsidies (source MEF: State budget chapter n. 1541) among its revenues. This amount is the annual share of all the resources allocated by the State to RFI for the entire period of validity of the contract²³. For the entire duration of the contract, the State grants to RFI resources for the ordinary maintenance and for the expenditures related to safety, security and navigation, and for extraordinary maintenance. The annual amount set in the contract is defined, for the first year, on the basis of the needs expressed by the Infrastructure manager and eventually revised in case of change of costs and efficiency gains. Following the contract analysis, those subsidies, originally considered as sales, were reclassified from subsidies on products to subsidies on production and thus excluded from the market/non-market test calculation.

The depreciation value from P&L (used in standardized test calculation procedures) resulted underestimated applying the depreciation coefficient²⁴ to the depreciable cost of investments net of public grants and of the expected residual value of the infrastructure at the end of the Concession.

As in the case of RFI, the reclassification of Ferrovie Nord is due to an in-depth analysis of the current concession contract (program and service agreements) and the company's financial statements and notes.

The analysis led to the reclassification of a part of the public compensations received by FN, as subsidies on production and showed an undervaluation of the depreciation amounts recorded in the P&L accounts: most of the assets being fully or mainly financed with public resources are, in fact, partly or not depreciated at all.

That analysis, therefore, led to consider the economic risk not transferred from the grantor to the concessionaire and, then, to consider Ferrovie Nord as a simple infrastructure manager.

The company, furthermore, performs some tasks (e.g., holding the role of contracting authority, exercising the power of expropriation or carrying out the mandate for the purchase of the fleet destined to railway transport companies operating in the context of the regional railways), acting as an auxiliary unit of the Region that, in substance, is its main client.

Roads

In Italy, the Ministry of Infrastructure and Transport (MIT) carries out activities of guidance, supervision and control over ANAS S.p.A. (unit included in S.1311) which is the road network operator of national interest and defines the planning of infrastructure interventions.

²³ From 2016 to 2021.

²⁴ It is calculated systematically on a straight-line basis at variable rates based on “train-km” production volumes.

With regard to the infrastructures, the Ministry manages all the strategic deals with technical standards for the construction of roads and, in the specific field of safety, carries out inspection and control activities. The Ministry also entrusts the new motorway concessions and renews existing ones, at expiry date.

The classification of public concessionaire corporations follows the standard path of classification described above. However, for these companies it is necessary - but not always possible - to collect contractual documents, in order to verify the economic property of the assets object of the concession and, consequently, to appropriately classify the concessionaire society (if public controlled) and/or to reroute the involved asset/s.

The analysis of the contractual documentation collected from the competent administrations led to the reclassification from S.11 to S.13 of some Public motorway concessionaires. In addition, when the concessionaires are not classified in GG, specific assets have been rerouted to GG balance sheet when is recognized a lack of the transfer of the risk from general government lessor to public or private concessionaire. For details see par. 7.19

Metro

Some contracts relating to metro construction were analyzed for classifying PPP contracts according to the ESA criteria. Please refer to par. 7.7 for more details.

Ports²⁵

All the entities involved in Ports infrastructure management are included in S.13.

National seaports are classified in the following categories and classes:

- a) category I: ports, or specific port areas, aimed at military defense and state security;
- b) category II and sub-categories:
 - b1) class I: ports, or specific port areas, of international economic relevance;
 - b2) class II: ports, or specific port areas, of national economic relevance;
 - b3) class III: ports, or specific port areas, of regional and inter-regional economic relevance.

The program of the works of “great infrastructures” and the strategic objectives of each port are defined into the Regulatory Plan adopted by the Port System Authorities (entities established by the reorganization of the Port Authorities and, as previously, classified in S.1313). The plan is coherent with the national General Plan of the transports and the logistics (PGTL), with the national strategic Plan of the ports and the logistics and with the European guidelines in matter of ports, logistics and infrastructural networks. The Regulatory Plans have to be drawn up in accordance with the Guidelines issued by the Board of Governors of Public Works and is approved by the Ministry of Infrastructure and Transport.

The State finances the works for ports classified in category I and in category II, classes I and II. Regions, Municipalities or the Port System Authorities may contribute with their own resources, supplementing or substituting the State, for the realization of the works of “great infrastructures” in the ports classified into the category II, Classes I and II. Regions or Municipalities shall bear the cost of additional infrastructure works in the ports in category II, class III.

²⁵ Law of 28 January 1994, No. 84 and subsequent amendments and additions.

Airports

In the airport sector, many competences are attributed to the National Civil Aviation Authority (ENAC) and to the Transport Regulation Authority (both units are included in S.13). The Ministry of Infrastructure and Transport plays an important role in planning initiatives in the sector, including the assessment of the coherence of airport investment plans with regulatory acts, existing plans and contracts. The airport management is usually entrusted to public and/or private companies.

For the classification of public concessionaries the standard path is applied. In particular, the analysis is realized mainly on the basis of the information available in the financial reports but, also in this case, it would be more appropriate to analyze the service contracts.

4. Universities, schools

State and Regions are in charge of providing education services and exert legislative power in different areas (exclusive or shared).

The education system is organized in: preschool (kindergarten), first cycle of education (primary school and secondary school of first degree); second cycle of education (split in two path: secondary school of second degree and vocational education; higher education provided by universities, institutions of the Higher Education Artistic, Musical and Choreographical (AFAM) and higher technical institutes (ITS, providing vocational training).

The primary and secondary system are based on state and non-state schools. The State schools and AFAM are classified as local units of the Ministry of Education; the schools and AFAM managed at local level are classified as local units of local administration of reference.

As regard as the Italian university system, degrees with legal value are issued by institutions authorized and accredited by the Ministry. The Italian system is composed altogether of:

- University institutions
- Legally recognized non-state universities
- Legally recognized non-state telematics universities

State universities (Universities, Polytechnics, Public University Institutes) are included in S.13. The S.13 list includes the non-state Libera Università degli Studi di Bolzano too.

The system of higher education recognizes other institutions, not authorized to issue degrees, that play an important role for the system in terms of collaboration and support to the training and research services. These include inter-university consortia (classified in S.13 after verification of the requirements of public control and non-market behavior).

5. Public TV and radio

RAI (Radio Televisione Italiana S.p.A.) has been reclassified from S.11 to S.1311 since 2016 according to the Budget law 2016 (that followed the revision of the legislation frame on the sector) and the provision of MGDD.

The 2016 edition of MGDD defines the principle to be adopted for classifying public service broadcasting payments (par. 1.2.4.7). In particular, the manual remarks when the above payments have to be considered as taxes: the potential user does not have the option of choosing the service from other private operators and not to use the public service. If not, (or if there is a choice) the payment (fee) must be considered as relating to a service sale.

At the same time, the above mentioned law has redefined the levy conditions and the potential users obliged to payments for the service provided by the Italian public TV and radio broadcasting. So, the compulsory payment from users or potential ones has been recorded as a tax and not as a sale of services with an impact on the value of the market/non market test that falling in this way below the 50% threshold.

6. *Public hospitals*

Public hospitals (Hospital Agencies, University Hospitals, Public Research Hospitals) are classified as Local Health Units. They are regulated by Legislative Decree n.502/1992 and others (i.e. L.D. 56/2000). Public hospitals are autonomous entities and manage their own financial, accounting, managerial and technical activities. They have to guarantee health services to citizens in conditions of uniformity accordingly to the Essential levels of health care-(LEA) defined by Central Government.

Public hospitals are financed by resources derived from the taxation system for the National Health Services (Servizio Sanitario Nazionale - SSN). These resources are allocated by Central Government to Regions and autonomous Provinces. Each Region distributes part of them to public hospitals within their territorial jurisdiction, using a weighted capitation mechanism (based on population by age and gender and specific utilization rates of hospital care).

Inpatient services provided by public hospitals are financed with fees based on Diagnosis Related Groups (DRG), while outpatient activities and other health care services are paid through various mechanisms.

The health care services can be purchased by Local Health Agencies from private hospitals with specific requirements (accredited facilities) in order to supply health care to citizens.

Private hospitals are paid for the health services they provide, according to the Diagnosis Related Groups system (DRG) and no reimbursement is due beyond a predefined amount of services provided.

In case of a public hospital deficit the needed resources are found within the Region using the surplus of other Local Health Units. In order to ensure health services based on LEA, Since 2001, Regions are responsible to cover the deficit of the LHUs in their territory increasing Regional Tax Rates.

7. *SPV*

Recent analyzes of public financial companies have revealed the existence of units with the characteristics of SPV that have been classified in S.13. Please refer to paragraph below.

8. *Specific public units involved in financial activities*

According to ESA2010, public financial entities may be included either in the financial corporation sector (S.12) or classified in S.13 sector. The current Italian situation, referred to main entities or groups of entities, is described below.

Cassa Depositi e Prestiti (CDP S.p.A.) is a bank predominantly owned by general government (82.8% MEF, 1.3% Treasury shares, 15.9% banking foundations). In 2015, it was assigned the role of National Promotional Institution. CDP is currently classified in the financial corporation sector (S.12) as its subsidiaries, each devoted to a specific financial task (included

Sector delimitation – practical aspects - Existence and classification of specific units

SACE, the Italian export credit agency and member of the Italian Delegation to the Paris Club). The CDP group operates in four main areas: (i) general government and infrastructure, (ii) international cooperation and export, (iii) business and enterprises and (iv) real estate sector. Specific operations that CDP could execute on behalf of the general government would be rerouted according to ESA and MGDD rules.

Banca del Monte dei Paschi di Siena S.p.A is the oldest bank in the world. This bank is subject to the control of the Ministry of Economy and Finance that is its first shareholder since 2017, as a result of a significant capital injection operation.

Banca del Mezzogiorno – Medio Credito Centrale since 2017 is fully owned by Invitalia S.p.A. The bank operates mainly in two sectors: Credit Activities and management of Facilitating Funds (Development Interventions). MCC is a financing partner of CDP S.p.A. in the supply of subsidies from public Funds. It is also a "private" partner of Invitalia S.p.A. for loans connected with the "Resto al Sud" facilitation measure. MCC is classified in S.12 because of its current operating procedures. The bank is under monitoring for the recent appropriation of MCC by Invitalia S.p.A. and for the verification of its classification in S.13.

In recent years some banking resolutions have been managed under the supervision and guiding of government; in order to manage these liquidations specific units have been set up by government directly or through the National Resolution Fund (NRF). In all the case these units, having the nature of defeasance structure, have been classified in the government sector as the government was materially exposed to the risk connected to the bad loans portfolios under liquidation.

In particular, in 2015 under the resolution of four small Italian banks (Banca Marche, Banca Popolare dell'Etruria e del Lazio, CariChieti and Cassa di Risparmio di Ferrara), the bad bank denominated REV – Gestione Crediti Società per Azioni was instituted by the NRF. The Bad Bank is not an institutional unit as it does not have autonomy of decision and has been classified in the sector of the controlling unit, the NRF (inside the S.13 perimeter).

In 2017 for the operation of winding up of Banca Popolare di Vicenza s.p.a and Veneto Banca S.p.a two entities named "Liquidators" have been defined. Also in this case these units have been classified inside the GG perimeter as directly connected to the State.

In 2019, several financial public entities were reclassified from S.12 to S.13 sector according to ESA rules and MGDD guidelines, because involved in the management of public funds, providing finance to local entities/SMEs, or involved in regional investments and economic development measures.

At the central level, among the reclassified entities, there is Invitalia S.p.A. Invitalia implements the strategic measures, plans and programmes defined by the Government. In exceptional cases (defined by law), Invitalia may take the direct functions of managing authority and entity responsible for the implementation of specific programmes. Over time, Invitalia S.p.A. has consolidated its role as a growth promoter and main implementer of Government development policies. Invitalia S.p.A. also performs the functions of central purchasing agency and procurement entity for the realization of public assets of strategic importance, on behalf of an increasing number of regional/local administrations. Invitalia takes a fundamental role in the realization of the processes of re-industrialization, transition and overcoming of industrial crises as well as in contrasting phenomena of activities' delocalization. Invitalia manages almost all of the national actions and instruments in the following sectors:

- Support for business development (Incentives and Innovation);

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- Support to the competitiveness of the territory and to Public Administration (Competitiveness and Territories);
- Support to central government units in the management of Community programmes co-financed by Community Structural Funds (EU Project Assistance);
- Development of qualified foreign investments (Attraction of Foreign Investments).

The in depth analysis on financial entities conducted in 2019 led to the reclassification of almost all regional financial corporations and/or some other public corporations managing financial instruments from S.12 to S.13.

In accordance with the ESA and the MGDD, the following features have been assessed: the decision-making autonomy, the independence of the unit in the exercise of its principal function, the extent of its control over its assets and liabilities (vs. the control exercised by the parent unit), the existence and extent of the risks incurred in the exercise of its functions, the actual main client.

For each unit, other aspects have been analyzed: the governance, the structure of the balance sheet (assets and liabilities) and any constraints on the way in which the available resources are obtained and used; the structure of the profit and loss account (structure of revenues and costs); the exposure to risks and the possibility to access government guarantees or to subsidies to cover the losses.

The holding companies assessed as pure shell are classified in S.13 sector, following the steps described below.

According to ESA2010 (§2.14; 20.35 - 20.37; MGDD 1.6) the difference between Holding Company and Head Office controlled by general government units has been analyzed.

In the Italian Business Register (BR), Holding company and Head Office are classified according to Nace Rev.2. The Nace Rev.2 splits holding companies in two classes of economic activity: the 6420 and the 7010. The four digit activity 6420 (the financial sector) includes Holding companies whose main activity is exclusively to hold the assets of subsidiaries not providing services to other companies inside the group; holdings involved also in management activities (head office) are classified in the four digit activity 7010.

Istat tested a new methodology (here after termed Met. TF-HCHO) mainly based on information sourced from the BREGs and financial statements.

The main elements can be summarized as follows:

- The standard criteria for identifying an institutional unit should always be applied, also in the cases of HOs, HCs and similar SPE-type of entities;
- entities owned by non-residents are always to be considered as institutional units;
- for entities wholly owned by a single resident unit, the condition “no employees and no compensation of employees” is not a sufficient criterion for lack of institutional independence; however it can be used as an indicator to consider units for further investigation on its lack of independence;
- a sufficient qualification for a unit being an institutional unit is having multiple parents/shareholders;
- head offices are always to be considered as separate institutional units;
- “having at least 50% of entity’s assets consisting of equity vis-à-vis its subsidiaries” can be considered a practical indicator for the identification of such entities;

- the employment threshold for the delineation between HOs and HCs should be determined taking into account national circumstances.

The in depth analysis on financial institutions described below has allowed to identify and reclassify some units that should be considered as SPEs or SPVs. They are reclassified in S.1313 as their parent public units.

SAN.IM is a company fully owned by the Regione Lazio (S.1313). It has been established by the Regional Law No 16/2001 as an instrument to inject liquidity into the system of Local Health Authorities (LHAs) and to reduce the deficit accumulated in health management. SAN.IM has no employees. SAN.IM is involved in sale and lease back operations related to public hospitals with the securitization of credits on leasing contract stipulated with regional LHAs and Hospitals (Hs).

Valore Immobiliare S.r.l. is a company fully held by the Province of Pesaro e Urbino (Local government). The entity has no employees. It has a sole director and a sole supervisor (single-member supervisory board) that are appointed by the Province. The exclusive object of Valore Immobiliare is to carry out one or more securitization transactions of the proceeds deriving from the disposal of the real estate assets of the Province.

Puglia Valore Immobiliare S.r.l. (PVI) is a company fully owned by the Regione Puglia (Local government). It has 2 employees. PVI has a sole director that, together with the members of the supervisory board are appointed by the Assembly and are not local government officials. The sole PVI object is the implementation of one or more securitization transactions. PVI has been established by art. 42 of the Regional Law No 10/2009, that authorized the Region to establish a SPV for the securitization of the non-instrumental buildings owned by the local healthcare authorities (LHAs) and hospitals in order to pay-off their deficits (art.1 of the R.L. No 16/2007). Transferred properties constitute segregated assets for PVI (so they are off PVI Balance sheet). The ordinary and extraordinary management of the disposed real estate assets has been temporarily assigned to the hospitals and LHAs of origin.

9. Protection funds

In Italy three institutional units involved in protection funds exist, the National Resolution Fund (NRF) and two deposit protection funds that manage the deposit guarantee schemes (DGSs): the “Fondo Interbancario di Tutela dei Depositi” (FITD) and the “Fondo di Garanzia del Credito Cooperativo” (FGD).

The National Resolution Fund was established by the Banca d’Italia pursuant to Article 78 of Legislative Decree 180/2015.

The Fund aims to enable the Banca d’Italia, in its capacity as a National Resolution Authority, to achieve the resolution objectives as set out in Article 21 of Legislative Decree 180/2015, in compliance with the principles established in Article 22 of the same Decree.

The Fund has independent assets, completely separate from those of the Banca d’Italia and from any other assets managed by the Bank, as well as from those of any entity that provided resources to the Fund itself.

For the government national accounts purpose, the NRF is classified in the S.13 perimeter.

The two deposit guarantee funds (DGFs) were born as private consortia of banks and, before the changes introduced by the new European regulatory framework, were classified outside General Government. The changes introduced by Directive 2014/59/EU (BRRD) and Directive 2014/49/EU (DGSD), transposed into Italian legislation by the Decree Law 30/2016, led to a revision of the Statute of two schemes.

The FITD has been organized into two different schemes: a statutory scheme, financed by compulsory ex-ante contributions and regulated by the above mentioned Decree Law, and a voluntary scheme “Voluntary Intervention Scheme” aiming at supporting member banks in crisis situations and based on ex post voluntary contributions. The two schemes present separate balance sheets and profit and loss accounts.

Starting from 2015 year, the statutory part of FITD is classified into the general government perimeter.

FGD, consisting only of the mandatory part, is classified inside the S13 perimeter.

No refundable contributions are collected by the two deposit guarantee funds and by the National Resolution Fund.

There are no payments of contributions made with irrevocable payment commitments.

10. Other specific units

Ancillary units

According to ESA2010 further public units, providers of ancillary services to government, are identified (§20.23-20.24; MGDD I.2.4.2).

The following methodology has been used to detect ancillary units:

- Corporations completely under public control (controlled by Ministries or by local government) were identified;
- among these, the corporations classified into NACE 2 REV sectors (6210, 62020, 62030, 62090, 63111, 63112, 63113, 63990, 81210, 81291, 81299, 81300) in accordance with ESA2010 definition were selected;
- on the basis of all information available (contracts, agreements, tenders, balance sheets, notes), the following characteristics have been analyzed: how the services were entrusted; the contractual conditions for the sale of goods and services to the controlling unit, in order to verify if the seller is its only supplier; the lack of commercial purposes (describing the presence of market conditions).

Ancillary units have been classified inside the general government (central and local) after the verification of the joint presence of a complete public control, of the classification into instrumental activities related to the Government functioning and of the exclusive supply of goods and services to the controlling unit.

6. Time of recording

This section describes the time of recording for taxes and social contributions, EU flows, military expenditure, interest and other transactions (subsidies, current and capital transfers and financial transactions).

The time of recording is defined in ESA 2010 §1.101. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

6.1. Taxes and social contributions

ESA 2010 states that taxes and social contributions are derived from two sources: amounts evidenced by assessments and declarations or cash receipts.

If assessments and declarations are used, amounts should be adjusted by a coefficient reflecting assessed and declared amounts never collected. An alternative treatment foresees recording tax/social contribution revenue on a gross basis and adjusting this amount by a capital transfer to the relevant sectors equal to the amounts unlikely to be collected.

If cash receipts are used, the amounts should be time adjusted so that the cash is attributed to the time when the underlying activities, transactions or other events took place to generate the tax/social contribution liability, or when the amount of tax was determined, in the case of some income taxes.

6.1.1 Taxes

This section describes the methods of recording of taxes on an accrual basis. The time of recording of taxes is defined in ESA 2010 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

6.1.1.1 Overview

In GG account, taxes are assigned to GG sub-sectors according to ESA2010 prescription. In particular, "a tax is attributed to the government unit that exercises the authority to impose the tax (either as a principal or through the delegated authority of the principal) and has final discretion to set and vary the rate of the tax" (ESA, paragraph 1.78).

Tab.1- Allocation of taxes between GG sub-sectors

Type of levy	Description	GG account
Own taxes ("tributi propri")	Directly levied and collected by level of government units and for which they have a complete autonomy of decision to impose the tax and set and vary the rate.	Recorded as taxes of the unit which imposes the tax and sets and varies the rate
Participation to State taxes ("compartecipazioni")	Levied and collected by the State and then transferred at its own discretion to Local Government units, in particular Ordinary Statute Regions. The State imposes the tax and sets and varies the rate.	Recorded as taxes in the State accounts and as transfers from State to Regions
Participation to State taxes (final settlements -"regolazioni contabili")	Imposed and collected by the State but automatically transferred to the Special Statute Regions. The amount transferred is defined by law, agreement or negotiation between parties (State and each single Region)	Recorded as taxes in the State accounts and as transfers from State to Regions

In 2016 the allocation of taxes between entities belonging to GG is summarized in the table 2: more than 85% of total taxes is attributed to the State, while Regions, Municipalities and Provinces account respectively 7.9% and 6% of total GG taxes (Tab.2).

Tab. 2 - Accrual Taxes by GG sub-sectors - year 2016 (%)

ESA Category	Central Government		Local Government		
	State	Other Central entities	Regions	Municipalities and Province	Other local entities
	%	%	%	%	%
D2	80,3	0,2	9,3	9,8	0,5
D5	90,8	0	6,7	2,6	0
D91	98,7	0	0	1,3	0
Total	85,7	0,1	7,9	6	0

Istat compiles data for the EDP tables and the related questionnaire and a full detailed list of all taxes is available in the annual National Tax List Questionnaire (NTL).

6.1.1.2 Data sources

In general, budgets of central and local governments are the basic data for the accrual estimation of taxes, although their content may differ by entities and their availability may vary according to different timelines (see Table 3).

Central Government

As for State, information derives by data recorded in the State budget, on legal accrual basis (assessments, “accertamenti” in Italian) and on cash basis (receipts, “incassi” in Italian).

a) “Accertamenti”

In the State budget, “accertamenti” record taxes collected and already paid by the taxpayers (“direct payment method”) and taxes assessed through the rolls procedure.

- As for levies collected through the direct payment method, the item “accertamenti” contains taxes already paid to the collecting agents (i.e. banks)²⁶ by the taxpayers for the reference year. As soon as taxes are collected, the collecting agents inform “Struttura di Gestione” (the operative branch of Revenue Agency) of the amounts involved that are then recorded as assessments in the State budget.

²⁶ The Italian fiscal system collects revenues either through direct payment or through the “roll” procedure. As for the former, the taxpayer declares and pays the amount due through a specific payment form called “F24”. The form is used to pay the main direct taxes (including withholding taxes by withholding agents on wages and salaries in private and public sectors), VAT (Value Added Tax) and to offset taxpayers’ debts and claims within the same period. In addition, some local taxes are paid through F24 (IMU, IRAP, TASI). Other indirect taxes (and related penalties) are paid through the so-called “F23 form” or “F24 accise” with the same characteristics of F24, or through a bank/postal slip (Bollettino postale). Banks are the agents in charge of collecting taxes paid through F24 and F23 forms; on the other hand, concessionary companies are in charge of tax rolls. Since October 2006 the concessionary companies have been taken over by the Equitalia Group Spa, a company fully owned by the General Government and is classified into GG sector. Since 2016, this activity is performed by Agenzia entrate riscossione that is recorded in S.13 as an institutional unit.

Time of recording - Military expenditure

- As for “accertamenti” relating to rolls procedure²⁷, they are revenues unilaterally assessed by the State with no guarantee of actual collection.

b) “Versamenti/incassi”

The amounts collected by the collecting agent and transferred into the Treasury account by the end of December of the reference year are recorded in “incassi”. These revenues refer to the reference year and to the previous years. Unlike to the cash included in the WB for taxes, the “incassi” of State budget do not include the cash flows related to treasury management.

As for the availability of data source, in February year T provisional estimate for year T-1 is based on the information derived by the monitoring system of tax collection of the Department of Finance. The report contains monthly data detailed by type of tax and by collection method (direct or roll procedure). This information is also published by MoF in a monthly publication on its website (“Bollettino mensile delle entrate tributarie”). Final data for year T-1 is provided in June/July year T when the final budget of the State becomes available.

For other entities belonging to Central Government, data are mainly by the Istat Survey “*Rilevazione di Informazioni, Dati e Documenti necessari alla Classificazione di Unità Economiche nei settori istituzionali stabiliti dal Sistema Europeo dei Conti 2010 – RIDDCUE*”. In this case, basic data are on legal accrual/cash basis or on profit and loss accounts basis, according to the accounting system adopted by the unit. Finally, for some major entities (i.e. GSE, RAI) basic data are provided by their own final budget reporting based on profit and loss accounts.

Local Government

For Local Governments (Regions, Provinces, Municipalities) budget reporting is used as basic information for assessments (legal accrual) and cash receipts. However, for some major local taxes (i.e. IRAP, IMU, TASI), information on amount collected by the collecting agents are provided by the monitoring system of tax collection of MoF.

As for the data availability of data source, in February year T provisional estimate for year T-1 is provided by the Department of Finance. For other local taxes, budget data for year T-1 become available in year T+1. When budget data is not available accrual for year T-1 is calculated on SIOPE system by applying the rate of change in cash flows between years T-1 and T-2 to the accrual data of year T-2.

For other entities belonging to local Government the source is the RIDDCUE survey. In this case, again, basic data are either on legal accrual/cash basis or profit and loss accounts basis according to the accounting system adopted by the unit.

²⁷ The “roll” procedure is activated mainly for the collection of non-declared amounts and it is an unilateral action undertaken by the authority that establishes the amount of tax due by the taxpayer and informs the taxpayer about the outstanding debt through a legal procedure.

Table 3. - Timeline of the availability of data sources

Year of estimate: T-1	State	Other central entities	Regions	Municipalities and Provinces	Other local entities
January/ February year T	First provision (pre-final data)	Data not available (*)	First provision for major taxes. Data not available for other taxes (**)	For provision for major taxes. Data not available for other taxes (**)	Data not available (*)
June/July year T	Final provision	Data not available (*)	Final provision for major taxes. Data not available for other taxes (**)	Final provision for major taxes. Data not available for other taxes (**)	Data not available (*)
January/February year T+1		First provision (RIDCUE) Data not available for the other (*)	Final provision	First provision (partial) for some taxes	First provision (RIDCUE) Data not available for the other (*)
June/July year T T+1		Final provision		Final provision	Final provision

(*) When direct data are not available, an indirect estimate is implemented

(**) When direct data are not available, an indirect estimate is based on SIOPE data

6.1.1.3 The method

The accrual estimate of taxes is in general based on final budget of the entities. As already explained, information reported in the budgets may change according to different entities.

Central Government

As for the State:

- “accertamenti” are used for revenues collected through the direct payment. These amounts are gathered by the collecting agents and are transferred into the Treasury account in a few days, thus becoming fully available for Public Administration. A temporary delay in transfer into the Treasury does not affect the certainty of collection.
- “incassi” are used for estimate revenues collected by the rolls procedure. Cash data are used in order to prevent the recording of amounts unlikely to be collected, since the authority’s claims of rolls can be very uncertain, and their payments delayed over time.

To sum up, accrual estimate of State taxes are based on data related to amounts already paid by taxpayers to the collecting agents, even if not completely transferred into Treasury accounts. In this respect, the method applied is a time adjusted cash (“TAC”), even if it is assessment based. In order to respect the accrual principle, a time lag adjustment is applied for some taxes to ensure that the amounts are allocated to the period in which the related activity took place. When needed, a temporal shift is calculated to consider only minor gaps between the time when the tax is due and the actual payment. The most important time-adjusted taxes are Pay as you earn taxes (personal income withholding tax), Value Added Tax (VAT) and Excise Duties. As for current taxes on income, ESA2010 allows some flexibility for the recording of final tax settlements since the liability could only be determined in a later

Time of recording - Military expenditure

accounting period than that in which the income accrues. In the light of this provision, no adjustment is considered for final tax settlements for personal income tax and corporation tax. Some direct taxes are time adjusted by two months since the tax balance referred to year T is paid in February year T+1. As for balances collected after February year T+1 onward, no time adjustment is considered.

As for amounts collected via tax rolls, the tax authority is not able to determine the reference accounting period, and therefore no adjustment is performed on cash data.

As for the other entities of central government, the method of estimation depends on the way the budget is compiled. For those compiling a financial statement, a pure cash method is applied with no adjustment. When budget is based on profits and loss accounts, the method based on assessed amounts (so-called Assessments/Declarations method – AD method) is applied for the accrual. In this case, no coefficient of adjustment is used, and any cash-accrual difference is strictly monitored.

Local Government

As for the Local Governments, data on amounts collected through F24 are used in the accrual estimate of the most part of taxes (IRAP, IMU and regional surtaxes) and a time adjustment is applied when it is needed (i.e. IMU and TASI). Only for a minor part of taxes attributed to local bodies, assessments of final budget are used, and data are not time adjusted. For those units that have a financial statement, a pure cash method is applied with no adjustment. When estimate is based on profits and loss accounts, an AD method is applied for the accrual. In this case, no coefficient of adjustment is used, and any cash accrual difference is strictly monitored.

Details on method used for accrual estimation are reported in the table 4 by type of tax.

Table 4. - Method used for accrual estimation by type of tax

ESA category	GG subsector	Tax name according to national classification	Method used * (TAC/AD/C)	Time lag (months)
D211	S.1311	Value added tax (VAT)	TAC	2
D212	S.1311	Import duties	C	
D212	S.1311	In-bond surcharge on mineral oils	TAC	1
D212	S.1311	In-bond surcharge on other surcharges	TAC	1
D212	S.1311	In-bond surcharge on refinery gas	TAC	1
D214	S.1311	Excise duty on mineral oils	TAC	1
D214	S.1311	Excise duty on refinery gas	TAC	1
D214	S.1311/S.1313	Excise duty on methane	TAC	1
D214	S.1311	Excise duty on beer	TAC	1
D214	S.1311	Excise duty on electricity and fees to cover general system costs for renewable energies	TAC	1
D214	S.1311	Surcharges accruing to National Rice Administration	C	
D214	S.1311	Revenues of the Italian Central Stockholding Entity	AD	
D214	S.1311	Excise duty on tobacco	TAC	1
D214	S.1311	Excise duty on spirits	TAC	1
D214	S.1311	Receipts from sale of denaturing agents and government seals	C	
D214	S.1311	Stamp duties	TAC	1
D214	S.1311	Registration tax	TAC	1
D214	S.1311	Mortgage taxes and land registry duties	TAC	1
D214	S.1311	Surcharges accruing on cadastral acts	TAC	1
D214	S.1311	Tax on financial transactions	C	
D214	S.1313	Public motor vehicle register tax	C	
D214	S.1311	Entertainment tax	TAC	1
D214	S.1313	Casino takings, special duties, etc.	AD	
D214	S.1311/S.1313	Tax on lotto, lotteries and betting	C	

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D214	S.1311	Single tax on games of skill and betting-levied indirectly on production	TAC	1
D214	S.1311	Tax on Totip game and horse races bets	C	
D214	S.1311	Tax on Totocalcio game	C	
D214	S.1313	Provincial tax on motor vehicle insurances	AD	
D214	S.1311	Tax on insurance	TAC	1
D214	S.1313	Municipal tax on advertising	AD	
D214	S.1313	Municipal tax on building licences	AD	
D214	S.1313	Regional special tax on dumping	C	
D214	S.1313	Tax on collective tourist accommodation	C	
D214	S.1311	Aerotaxi passengers tax	C	
D214	S.1311	Excise duty on products of Monopoli di Stato	C	
D214	S.1311	Special duties similar indirect tax on products	C	
D29	S.1311/S.1313	Municipal real estate tax (IMU)	TAC	2
D29	S.1313	Tax on Indivisible Services (TASI)	TAC	2
D29	S.1311/S.1313	Motor vehicle duty paid by firms	TAC	1
D29	S.1313	Surcharge accruing to chambers of commerce	C	
D29	S.1311/S.1313	Duty on official franchises	TAC	1
D29	S.1311	SO2 and NOx pollution tax	TAC	1
D29	S.1313	Local tax for environmental protection	AD	
D29	S.1311	Emission permits	C	
D29	S.1311/S.1313	Other taxes on production	TAC	1
D29	S.1311	Levy on revenues of operators in the communication sector for the Communication Authority	C	
D29	S.1313	Surcharges accruing on notarial acts	C	
D29	S.1313	Regional tax on productive activities (IRAP)	C	
D29	S.1311	Levy on revenues of operators in the energy sector for the electricity and gas Authority	C	
D29	S.1311	One-off guarantee fees	C	
D29	S.1311	Payments for public broadcasting services - firms	C	
D51	S.1311	Personal income tax	TAC	2
D51	S.1313	Regional income-tax surcharge	TAC	1
D51	S.1313	Municipal income-tax surcharge	C	
D51	S.1311	Corporation tax	C	
D51	S.1311	Withholding tax on income from deposits paid by households	TAC	2
D51	S.1311	Substitutive tax on financial instruments and assets	C	
D51	S.1311	Withholding tax on company dividends paid by households	C	
D51	S.1313	Municipal tax on industry, crafts and professions	C	
D51	S.1311	Tax on actuarial reserve	C	
D51	S.1311	Capital gains tax on shares	C	
D51	S.1311	Tax on invested savings	TAC	2
D51	S.1311	Withholding tax on income from deposits paid by firms	TAC	2
D51	S.1311	Withholding tax on company dividends paid by firms	C	
D51	S.1311	Firm net wealth tax	C	
D51	S.1311	New tax on imputed income derived from the appreciation of corporate assets	C	
D51	S.1311	Tax on games of skill and betting-levied on current income and assets	C	
D51	S.1311	Tax on financial assets declared on the basis of previous 'tax shield'	C	
D59	S.1313	Municipal real estate tax (ICI) - Part on building plots	C	
D59	S.1311	Tax on boats and aircrafts	C	
D59	S.1311	Payments for public broadcasting services - households	C	
D59	S.1311	Driving licence tax	C	
D59	S.1311/S.1313	Motor vehicle duty paid by household	C	
D91	S.1311	Inheritance and gift duty	TAC	1
D91	S.1311	Tax on adjustment to accounting principles (IAS)	C	
D91	S.1311/S.1313	Penalties and settlements - direct taxes	C	
D91	S.1311/S.1313	Penalties and settlements -indirect taxes	C	
D91	S.1311	Tax shield (on incomes from abroad)	C	
D91	S.1311	Tax Amnesty	AD	
D91	S.1311	Tares una tantum	TAC	1
D91	S.1311	Revenues from the voluntary disclosure procedure	C	

* Method used:

TAC: time adjusted cash; AD: Assessments/Declarations; C: cash.

Tax refunds

In the State and local governments budget taxes are generally recorded gross, disregarding of any reimbursements. Every year a relevant amount of credits is refunded to taxpayers, and a large share is offset (“compensazioni”), i.e. subtracted from the taxes due in the year by the

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taxpayer who directly calculates and pay the outstanding balance²⁸. Reimbursements requested by taxpayers through tax returns and validated by the tax Authority are recorded in the State and in the local government final budgets as an expenditure. This information is used as source data for the accrual recording of tax refunds, thus their time of recording is set when the liability is determined by government. These amounts are then subtracted from gross taxes since, according to ESA2010, in GG account taxes have to be recorded net of reimbursements and refunds.

A breakdown of tax refunds by type of tax is provided by the Revenue Agency, while details on “compensazioni” is provided by the Department of Finance; as for Municipalities and Provinces, information on reimbursements and refunds are derived directly by their final budget reporting. For year T-1 preliminary data are provided in January/February year T which are finalized in July/September of year T+1.

Fines and penalties

According to ESA2010, the total amount of taxes recorded in National Accounts should not include fines and interest charged on arrears of taxes due applied by the Tax Authority and, as far as it is possible, they should be excluded from the taxes and included in “miscellaneous current transfers” (D.75) and interests (D.41) respectively. Considering this, in GG account fines and penalties are classified as transfers from households and enterprises, or interest, only when it is possible to clearly identify them.

Tax amnesties

Revenues from tax amnesties are recorded as capital taxes (D.91) since they are one-off revenues collected on irregular basis.

In the early 2000s, a tax amnesty set that the taxpayers could declare any past unpaid tax and settle any ongoing tax disputes. For such revenues, it is 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 backward revision of the all-time series. The accrual amount recorded in the GG account thus corresponds to that declared by the taxpayer in the year of declaration. It could differ from the paid amount only for payments made by installments (i.e. any differences between accrual and cash is neutralized over some years).

With regard to fiscal shield (“scudo fiscale”) and voluntary disclosure procedure, revenues have been recorded in GG on cash basis.

Table 5. - Accrual calculation of taxes

Item	Operation
a) Taxes collected through the direct payment method	+
b) Time-lag adjustments	+
c) Tax rolls, cash	+
d) Accounting reclassifications (other non-tax revenue)	+/-
e) Tax Refunds, accruals	-

²⁸ This instrument allows a single payment (and declaration) for some major taxes (IRES, IRPEF, IRAP regional tax on productive activities etc.) and makes it possible to offset claims and debts.

Tax credit

ESA2010 introduces explicit rules for the recording of tax credits and establishes two different options according to their payable or non-payable nature. While non-payable tax credits are to be recorded as a reduction of tax revenue, payable tax credits must be recorded as expenditure, in the appropriate expenditure category, for their full amount.

At present, in the Italian framework the main tax credits are described in Table 6.

Table 6. - Tax credit

Tax credit	Type	Time of recording	ESA category used for recording
Dependent family members (spouse, children n.<=3)	Non payable	when the tax credit is used by the beneficiary	Reduction of tax revenue (D.51)
Health costs	Non payable	when the tax credit is used by the beneficiary	Reduction of tax revenue (D.51)
Payable interests on mortgages for the purchase of real estate (main residence)	Non payable	when the tax credit is used by the beneficiary	Reduction of tax revenue (D.51)
Energy efficiency improvements to buildings	Non payable	when the tax credit is used by the beneficiary	Reduction of tax revenue (D.51)
Donations to political parties	Non payable	when the tax credit is used by the beneficiary	Reduction of tax revenue (D.51)
Dependent family members (children n. >3)	Payable	When the liability is known by the GG (tax declaration)	Recorded as an expenditure (D.62)
Lease payments for principal residence	Payable	When the liability is known by the GG (tax declaration)	Recorded as an expenditure (D.62)
Deferred tax assets (DTA)	Payable	When the liability is known by the GG (when the DTA is transform in the final budget of the company)	Recorded as an expenditure (D.99)
"The eighty-euro bonus" for employees	Payable	When the liability is known by the GG (tax declaration)	Recorded as an expenditure (D.62)

6.1.2 Social contributions

The time of recording of social contributions is defined in ESA 2010 §4.94 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

Starting from the October 2013 EDP notification, following the change of the method agreed with Eurostat, accrual social contributions collected by INPS and INAIL (the two main institutions collecting over 95% of the total, as well as the most exposed to non-collecting

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risk) are calculated using the time adjusted cash, while assessments data without any adjustment are used for all the other institutions; the reason is the theoretical absence of the ‘non-collecting risk’ as they are bodies protecting specific professions (engineers, doctors, lawyers, etc) that usually pay the amounts due.

Both EDP notifications are based on the same data sources.

The calculation of the Time Lag Adjustment (TLA) is based on the current monthly flows of social contributions collected by INPS.

The cash amounts derived from monthly flows [Table 16 – B(T)] are different from those reported in the final budgets [Table 16 – A(T)] essentially for two reasons: because a) they exclude the social contributions collected in the year but assessed in previous years; b) they include amounts (e.g. deductions, reimbursement and compensations) that INPS reallocates later on, when the calculation of cash social contributions for final budget is performed. Usually, the total annual amount of the current flows is lower than the cash reported in the final budget.

For the calculation of the Time Lag Adjustment (TLA), at first the ratio between the numerator - Current social contributions collected by INPS in January of year T [Table 16 – J(T)] and the denominator - Current cash social contributions collected by INPS in the year T [Table 16 – B(T)] is calculated, as the two data are consistent being derived from the same source; then, this ratio is applied to the Cash social contributions from INPS’ final budget [Table 16 – A(T)] obtaining the “Time Lag Adjustment (estimation)” [Table 16 – TLA(T)]. “Accrual social contributions” [Table 16 – C(T)] are then estimated adding TLA(T) to Cash social contributions reported in INPS final budget [A(T)].

Table 16. - Inps social contributions

D611 – Inps social contributions	Year T
Cash social contributions from Inps final budget	A(T)
“Current” social contributions collected by Inps in the year T	B(T), where B(T) < A(T)
“Current” social contributions collected by Inps in January of year T	J(T)
Time lag adjustment "only current" [Jan T+1 - Jan T]	TLAc(T) = J(T+1) - J(T)
% of TLA on “current” social contributions collected in the year T	%TLAc(T) = TLAc(T) / B(T) * 100
Time Lag Adjustment (estimation)	TLA(T) = %TLAc(T) * A(T) / 100
Accrual social contributions using "TAC" method	C(T) = A(T) + TLA(T)

The share of TLA on current social contributions collected by INPS is applied also to cash social contributions collected by INAIL to calculate the accrual social contributions for INAIL.

INPS provides Istat with all information on social contributions; Istat collects data and information and compiles EDP tables and the related questionnaire.

Reimbursements, refunds and amnesties are included in social contributions amount, while interest on late payments, fines and penalties for non-payment, are classified as Miscellaneous current transfers (D.75).

INPS final data for the year T are usually available on September/October of the year T+1, while those for the Social security funds other than INPS are available on January T+2 (Statistical survey on final budgets).

6.2. EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts.

ESA 2010 paragraphs 20.294-20.300 foresee that when non-government units are beneficiaries from EU grants, all the flows to and from government should be recorded as financial transactions, without any impact on government net lending/borrowing (B.9).

When final beneficiary is a government unit, the neutrality of EU flows is ensured by matching the time of recording of government revenue from the EU and the time of recording of the government expenditure covered by the EU grant.

The ESA 2010 Manual on government deficit and debt Chapter 2.6 “*Grants from and contributions to the EU budget*” provide further details concerning the recording of these flows.

6.2.1 General questions

According to ESA2010 rules, transfers from the EU budget to the Member States for financing common policy shall have no impact on Government deficit/surplus. To meet the requirement of EU flows recording, a detailed set of data provided by MoF are utilised.

The General Directorate of MEF, in charge of the relationships with European Union, receives payments from the EU - by means of dedicated accounts in the State Treasury for all the EU Funds and other EU subsidies.

The EU funds are accredited on State Treasury accounts and then are transferred to the cash managers that allocate them to the final beneficiaries. This information, including the details on reimbursement and advances by kind of fund, are provided by MEF to Istat.

Starting from the programming period 2014-2020, the recording of EU flows in general government non-financial accounts is based on the expenditures for ERDF (European Regional Development Fund), ESF (European Social Fund) and YEI (Youth Employment Initiative) and on claims submitted for FEAD (Fund for European Aid to the Most Deprived). The recording of Other EU subsidies is based on EU cash reimbursements, as no information is available about expenditures and the procedure does not require any submission of claims for this kind of EU contributions.

Data on expenditures, coming from the final beneficiaries, are uploaded by the Managing Authority in the monitoring system before the results of the first control level that define the eligibility to the EU contributions. These data, therefore, have a provisional character and are generally revised as the activity of control and validation carried out by the Managing Authority proceeds.

Istat collects data on expenditures and on claims submitted at Central/Local Government level from MEF (IGRUE) and data on Treasury inflows and outflows from MEF (IGECOFIP), in order to identify flows related to each single Fund along the expenditure process.

Time of recording - EU flows

According to the Manual on deficit and debt, their impact on General Government B.9 is equal to zero because "... the time of recording of government Revenue from EU is the same time as the national government Expenditure." (MGDD 2.6.1.2.2)

Expenditures are the main basic source to meet the accrual principle, while Treasury cash flows are used to calculate receivable and payable data related to EU Funds.

The impact on Central Government working balance is measured by the difference between the inflows (advanced payments and reimbursement from EU to all beneficiaries) and outflows (expenditure for EU projects).

If the beneficiary is a Government unit, the outflows are represented by the expenses for EU projects incurred during the year; if the beneficiary is not a Government unit the outflows are the flows distributed from the Treasury accounts (N.23205 and N. 23211) to the non-government units.

The link between the two aggregates (net borrowing and working balance) in EDP table 2A-D, is ensured by recording other accounts payable and receivable related to EU flows.

In particular, in EDP table 2A, the other-account (henceforth OA) receivables are of two different kinds: the OA receivable of Central Government units from the EU, for the projects where the Central Government is the final beneficiary (for ESF, ERDF and EFF), and the OA receivable from the final beneficiaries when Central Government anticipates the money to final beneficiaries in its role of cash manager (for EAGF and for the most part of EAFRD).

The OA payable are represented by the EU advanced payments and the EU financial instruments whose beneficiary is a Central Governments unit.

Both the OA payable and receivable recorded in Table 2 are the same of those recorded in Table 3. The impact of EU flows on currency and deposits (F.2) is balanced by the amounts in "Other financial assets" (F.8) and in "Net incurrence of other financial liabilities".

The adjustments in EDP tables for the VAT third resource are included in OA receivable and payable of EDP Table 2A and 3B.

6.2.2 Cash and Schengen facility:

The time of recording of payments received by the beneficiary Member States through Schengen and Transitional Facilities would be accounted according to the Eurostat decision on EU flows, while the time of recording of Cash-flow Facility is when the transfers are to be made by the Commission. In practice, in this particular case, the amounts would be recorded as revenue in the years in which they were received by the beneficiary countries.

No cash amounts are received by Italy through transitional or Schengen facility.

6.2.3 EU financial instruments

The EU has been providing measures of financial support from EU structural and investment funds 'financial instruments' (FI). These instruments may be 'equity or quasi equity investments, loans or guarantees' and they are intended to support activities that will generate income, or result in saving on future expenditure. Unlike grants, they do not constitute a gift to the final recipient, which will typically be a small or medium-sized enterprise (SME) since, under normal circumstances, the funds are expected to be repaid to the creditor and produce a return on the investment (such as interest on the loan, or profit on subsequent sale of equity). EU legislation allows for a choice on how the financial instruments are implemented nationally: the Implementing Authorities can choose whether to assign the implementing task

to a newly created entity or contract out the management to the EIF/EIB or to existing financial institutions.

In Italy, according to the report of December 2018 by the Agency for Territorial Cohesion, the financial instruments are currently established in the context of 21 Regional Operating Programs (ROP), referred to 17 regions, as well as by 6 National Operating Programs (NOP). Considering the national co-financing and the ESI funds, the EU financial instruments related to the programming period 2014-2020, at July 2018 amounted to a total of € 4,58 bn, equal to 8,4% of the overall budget of structural funds.

The units benefitting FI are classified in both S.12 and S.13 sector with a significant prevalence of S.13 beneficiaries. However, starting from the year 2019 also S.12 beneficiaries have been identified.

According to the report of the Agency for Territorial Cohesion at 31 December 2017, out of 64 financial instruments programmes, 57 are implemented directly and 7 through Funds of Funds whose resources feed more specific instruments. The latter are principally financed with ERDF resources.

When the beneficiary is a General Governments unit, the amounts destined to the specific EU financial instruments are deducted from revenues from EU, with no positive impact on GG B.9. A F.89 payable towards the EU of the same amount is then recorded in the General Government financial accounts.

In Italy, during the 2007-2013 programming period, ERDF and ESF resources have been allocated to FEIs as follows:

- 318 mln euro of resources under Regional Operational Programme (“ROP”) ERDF have been devoted to JESSICA Holding Funds in Campania, Sardinia and Sicily;
- 285 mln euro of resources under ROP ESF and ERDF have been devoted to JEREMIE Holding Funds, respectively set up in Campania, Calabria, Lombardy and Sicily.

As provided for by art. 37 of EC Reg. 1303/2013, which regulates the 2014 - 2020 programming, in case there are residual funds coming from the previous programming period that have been renewed, these are reused for similar purposes.

The Italian regions that in the previous EU programming period (2007-2013) were interested in the Jeremie and Jessica programs continue to reuse the remaining sums for similar purposes. Jeremie facilitates access to credit for small and medium-sized enterprises in order to make investments. Jessica promotes urban regeneration, energy efficiency and promotion of renewable energy sources.

6.2.4 Market Regulatory Agencies

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilize prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural

Time of recording - EU flows

market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

In Italy there are not cases of Market regulatory agencies related to EU flows.

6.3. Military expenditure

The ESA 2010 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered.

ESA 2010 paragraphs 20.190-20.192 define the rules for the statistical recording of military equipment. Chapter II.5 in Part II of the ESA 2010 MGDD details the rules concerning the recording of military expenditure.

6.3.1 Types of contracts

Data sources used for the compilation of military equipment expenditure are State expenditure for military equipment under long-term contracts directly provided by the Ministry of Defence and specific chapters of State budget classified in the intermediate consumption but related to the acquisition of other military goods of the Ministry of Defence, different from the purchases based on long term contracts. These two components meet the definition of military expenditure.

Below are reported the types of contracts used by military forces for the procurement of military equipment:

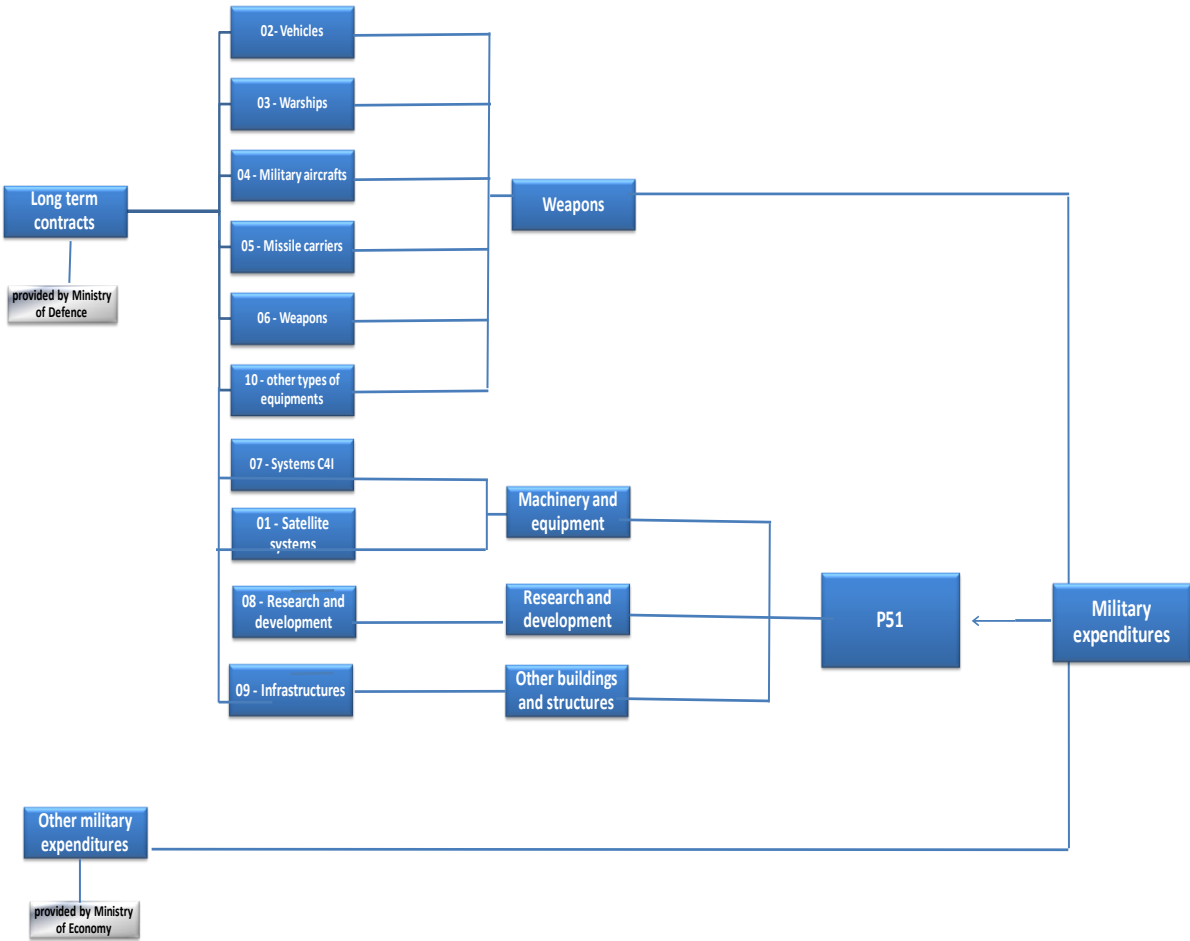
- arrangements within the Government sector used on occasion for a limited share of the total procurement;
- sales agreed in advance with industrial suppliers, with or without Government pre-financing: this is the key line of procurement for the main programs;
- purchasing through an international special agency: it is mainly used for the programs arranged in international cooperation.

In general, payments for acquisition of military equipment are made in advance respect to the delivery, therefore in the financial account only assets are registered. They have long term nature as generally these payments are made more than one year before the delivery.

Data for recording military equipment under long-term contracts are provided to Istat by the Ministry of Defence under a formal agreement.

Data related to the Purchase of Goods and Services and Gross Fixed Capital Formation concerning military equipment are provided by Ministry of Economy and Finance.

SOURCES AND CLASSIFICATION OF MILITARY EXPENDITURE



6.3.2 Borderline cases

There are no specific borderline cases in classification of military goods.

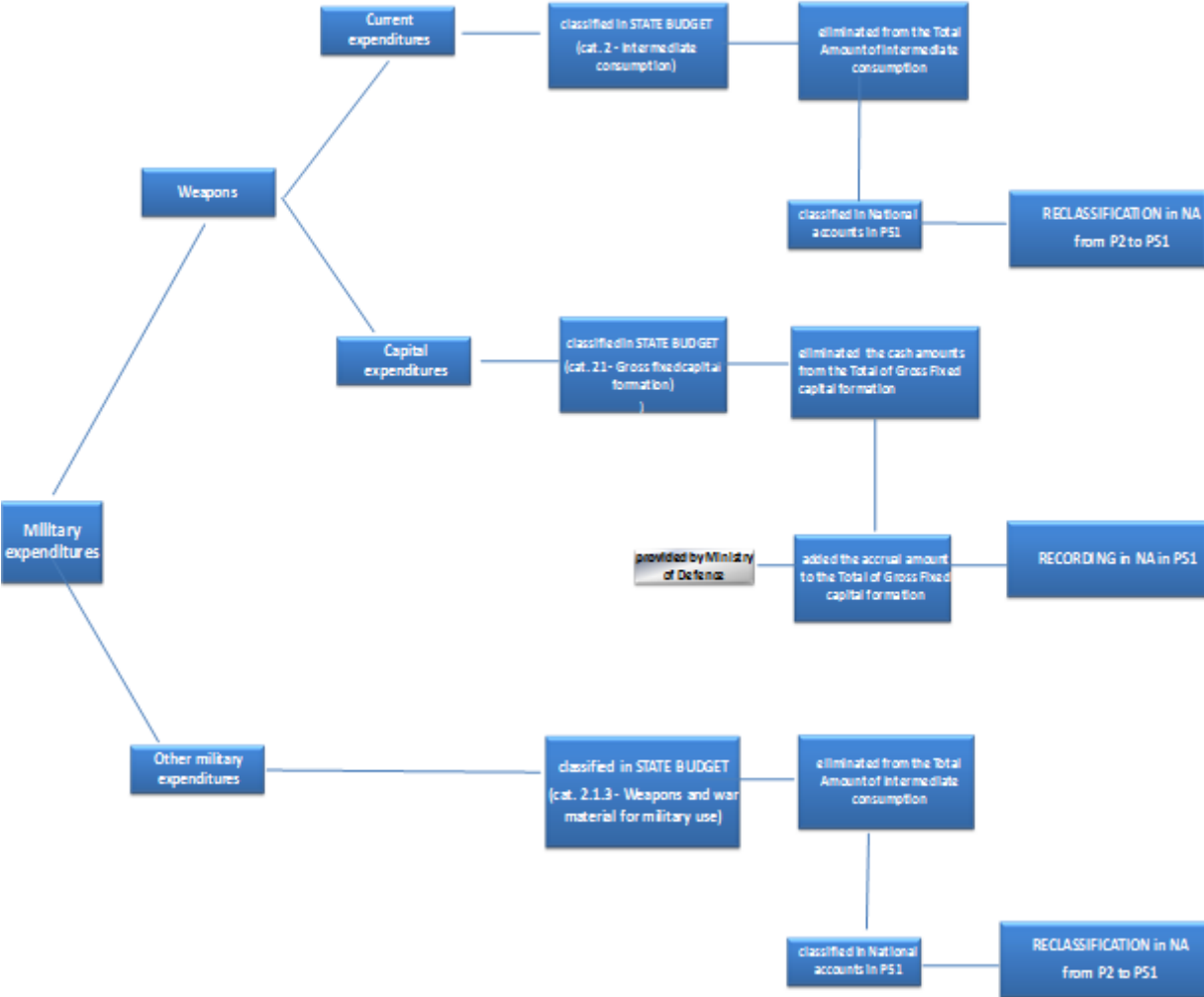
6.3.3 Recording in national accounts

It is current practice for military equipment contracts to carry out exclusively prepayments related to military equipment. As a consequence, the total cash payments are prepayments and they are accordingly reported as such in Table 7 of Questionnaire related to EDP Notification tables.

Those prepayments are of a long-term nature.

Time of recording - EU flows and military expenditure

RECORDING OF MILITARY EXPENDITURE IN NATIONAL ACCOUNTS (ACCRUAL AMOUNTS)



Time of recording -Time of recording of other transactions

6.4. Interest

This part aims at describing accrual adjustment for interest.

ESA 2010 paragraph 20.178 reads: "In the system, interest is recorded on an accrual basis, i.e. interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding"

ESA 2010 MGDD part 2, chapter 2.4 is dealing with some practical aspects of the recording of interest.

6.4.1 Interest expenditure

Table x Availability and basis of data on interest

Instrument	S.1311		S.1312		S.1313		S.1314	
	State	OCGB	Main unit	OSGB	Main unit	OLGB	Main unit	OSSB
Deposits (AF.2)	C/A	C	M	M	M	M	M	M
Debt Securities (AF.3)	C/A	M	M	M	C/LA	M	M	M
Loans (AF.4)	C/A	C	M	M	C/A1	C/A1	C	C
Other accounts receivable (AF.8)	C/A	L	M	M	C/A1	M	C	C

Cash/accrual, M (not applicable) or L (not available)

Central Government spending on interests largely consists of the interests paid by the State on Government securities and on postal savings.

Spending by the State also includes interests on: current accounts of Cassa Depositi e Prestiti (CDP) and of other public and private bodies in Treasury; loans granted by CDP or by other financial intermediaries to Central Government; delayed payments of tax refunds and wages; postal current accounts.

The public debt management division of Department of Treasury is in charge of the interest expenditure data of Central Government securities.

The interest expenditure is calculated through an electronic system managed by the Department of Treasury which is updated on the basis of the auctions' results edited in real time by the Banca d'Italia press releases. For foreign capital market bonds, the placement procedure is executed directly at the Treasury and the final features of the bond agreed upon with the counterparts are manually fed into the system. This is also valid for any bond issued through a syndication procedure rather than auction.

Data is available to NSI by category of instruments, e.g. Treasury bills, medium-long term bonds, foreign denominated bonds. See for details the paragraph 3.2.4.2 above.

Data on interests are available both on cash and accrual basis.

Data on Postal bonds are provided to the debt management division of Cassa Depositi e Prestiti, the public financial corporation which manages the administrative tasks related to still outstanding liabilities issued before 2003 and included into the public debt.

There are different types of postal saving bonds; the most relevant for General Government is the ordinary BPF (Buoni Postali Fruttiferi).

These liabilities are no longer issued by the General Government and the last series was issued in April 2001. They are bonds issued at face value with capitalized interest whose payment is made at the moment of the instrument maturity. BFP can be surrendered in

Time of recording -Time of recording of other transactions

advance at any moment, the holder having the right to redemption of the capital underwritten plus payment of the interests accrued.

The interest is accruing according to a step-up scheme and no interest is recognised if they are cashed within the year following the subscription date.

They are classified as deposits (they are not negotiable), the only difference from deposits is the rate of return that in case of BPF does not vary with market rate but is fixed in advance with a step-up scheme. Interest on these instruments is no longer recorded upon actual payment but is assigned to the each period in which it accrues.

In the currently used methodology for the calculation of accrual interest, BPF are accrued over the whole life of the bonds and different types of interest rate are used as defined by the contract, depending on the age of the bond.

Interest expenditure on current accounts of CDP and loans extended by CDP to Central Government units are provided by CDP on cash and accrual basis.

Data sources used for other kind of loans are provided by the State General Accounting Department (RGS) of MEF on a cash and legal accrual basis. The same institution provides data on interest expenditure due to delayed payment of tax refunds and wages on cash and accrual basis.

Data sources for postal current accounts are provided by the Department of Treasury of MEF - Public Debt Management Division - on cash and accrual basis.

For Local Government, the interest expenditure principally includes interests on loans and on bonds issued by Local Government, generally Municipalities. Data on loans granted by CDP and by the State (managed by CDP) are on cash and accrual basis; the remaining information derives from the “certificati di conto consuntivo” for Provinces and Municipalities, and from the budget reporting for Regions and the other Local Government units on both cash and legal accrual basis.

The data sources for the interest expenditure of Social security funds are the budget reporting of each unit that reports information on cash and legal accrual basis.

The principle of recording accrued interest under instrument is being followed for all instruments; the interest expenditure due to delayed payment of tax refunds and wages are allocated in F.8 payable.

The amounts for accrual adjustments on interests are not the same in EDP table 2A and 3B but a simple reconciliation is possible (for more details on this issue see section 3.2.3.4.1).

6.4.2 Interest Revenue

The data sources for interest revenues of Central Government units are:

- CDP that provides information on interest on loans (managed by CDP) granted by the State to other Government units (Local) on cash and accrual basis;
- the State Budget and the State consolidated cash account provided by the State General Accounting Department (RGS);

The information on interest revenue in Local Government and Social Security Funds subsectors are available through their budgets, on cash and legal accrual basis.

The related accrual adjustments are implemented in EDP tables under the other accounts receivable item, apart from EDP table 2A where the accrual adjustment related to loans

Time of recording -Time of recording of other transactions

granted by the State to Local Government is recorded under the Difference between interest accrued and paid.

6.4.3 Consolidation

Consolidation on interest (on cash and accrual basis) is implemented for each year on the basis of an interest matrix where the rows report the GG units that receive interests and the columns the GG units that pay interests. After the elaboration of each single unit (or group of units) account, receivable and payable interest are netted from the amount received or paid to other Government units belonging to the same subsector. The same methodology is applied to obtain the consolidated accounts for General Government: the consolidation on interest (flows on interest revenue and expenditure exchanged between GG subsectors) is subtracted from the total amount of interest for Central, Local Government and Social Security Funds both for interest revenue and expenditure.

The main data source used is the General Government sector consolidated cash account by the Ministry of Economy and Finance (RGS) and the information by CDP report.

The consolidation is applied to all subsectors.

The consolidation has no impact on B.9; the differences between consolidated and non-consolidated interests impact in the same way total revenues and expenditures.

6.4.4 Recording of discounts and premiums on government securities

The flows associated to premium and discounts enter the Working balance of EDP table 2 on a cash basis.

They are neutralised in the line “Difference between interest paid and accrued”.

The premiums and discounts are spread over the life of an instrument and premiums are treated in national accounts as negative expenditure.

The repayment of discount is identifiable from the repayment of debt.

6.4.5 Recording of interest accrued on intergovernmental loans in dispute and interest accrued on intergovernmental loans unlikely to be repaid

In Italy there are no case of intergovernmental loans in dispute or unlikely to be repaid.

6.5. Time of recording of other transactions

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 are not formulated in accrual terms like those of private firms. Only in 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, hospitals and non-market public corporations.

In the public accounting systems, revenue and expenditure are recorded in two ways: on a legal accrual basis (assessments and commitments) and on a cash basis (receipts and payments). The accounting phases are assessment, collection and in-payment, on the revenue side, and commitment, validation, authorisation and out-payment, on the expenditure side. According to the legal accrual recorded in the financial statement, each entry is made on the

Time of recording -Time of recording of other transactions

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.

As regards revenue, "assessments" are recorded at the time in which the reason of the claim, the debtor and the amount of the claim are ascertained (anyway, in most cases it coincides with the payments by the taxpayers as described in section 6.1), while "cash" (collection and in-payment) occurs when the debtor pays the sum due to the receiving agent.

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

For national accounts purposes, accrual principles are met by means of the analysis of the time of recording and of the amounts recorded in the assessment/commitment phase and in the cash phases for each specific aggregate of the financial statements, depending on the kind of transaction involved.

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

In order to meet accrual principle, Istat method of recording transactions in General Government account is based on the following rules:

1. For revenues, in general the collecting phase is used.
2. For expenditures, budgetary commitments are used for intermediate consumption, primary income transactions and social benefits in cash and in kind, while cash payments are used in all other cases except interests, taking into account the circumstance that specific public accounting rules make the commitment data less appropriate than cash data to comply the accrual criteria. Cash data are used for some type of subsidies and other current and capital transfers, while cash data and balance sheets, for the units that compile their budget according to accrual rules, are used for gross capital formation. These rules are applied to all subsectors.
3. As regards interest (payable and receivable), the information used is not based on budgetary data but on a methodology in line with ESA2010, i.e. on the use of data on single financial instruments managed according to MGDD.

Moreover, Istat eliminates the possible anomalies in the basic data to better approach the accrual principle, both as regard the time of recording and the amount to be recorded.

As for the consistency between financial and non-financial accounts, the accrual non-financial flows are consistent with F.8 recorded in financial accounts.

The flows of receivables and payables booked in public accounts are checked through the analysis of the other accounts. Possible cases of missed booking in public accounts of payable, for contingent reasons, are constantly monitored by the State General Accounting Department for the State budget (see below) and are considered as part of internal audit at local level.

Moreover, the sources used to compile non-financial and financial accounts are completely independent and the discrepancies are constantly monitored.

Istat provides an independent estimate of the amount of accumulated arrears/payables by General Government units on intermediate consumption, social transfer in kind and gross capital formation, by using all the available sources. The estimates, although provisional,

cover the whole S.13 sector. The Decree n. 35/2013 has stated that all Government units have to certify their trade debts and information have to be collected in a central system. Only recently the information collected on the basis of the provisions of the aforementioned decree has reached a greater degree of reliability and the analysis is currently underway to verify the comparability of the two independent estimates.

Subsidies on products and production: in general they are recorded when the amount of subsidy is made available to the undertaking. For subsidies granted to undertakings through national intervention bodies, the most significant stage is the one concerning the actual payment that is recorded when the funds are transferred from the Government specialized agencies to the beneficiary, on a cash basis.

The interest subsidies are paid to enterprises via financial intermediaries that grant credit at reduced rates. The subsidy which, over the year, will actually be reducing the costs of the recipient undertaking, corresponds to the payments from the Treasury accounts.

Commitment data are used in some cases of subsidies granted on the basis of specific contracts. They represent better than cash figures Government decisions on subsidies, and correspond more accurately to both the period of accrual and the amount to be recorded.

Social benefits: commitments are used to approximate the accrual for social benefits in kind and in cash.

Social benefits in kind include the provision of goods and services to the beneficiary and they must be dealt with in the same way as procurement of goods and services are. The figures on a cash basis are not a good way of representing social benefits in kind, as far as the time of recording and the amount are concerned. Authorities usually defer part of the payments for suppliers to subsequent years, so that the cash figures underestimate the amount of goods and services actually delivered to households.

A large proportion of benefits in kind relates to health benefits. Accrual data are available directly from profits and loss accounts (on accrual basis).

The data sources used for the NA estimates are budgetary commitments with some adjustments due to time lags in the recording of specific components of the flows.

Gross capital formation: the application of the accrual principle requires capital formation expenditure to be recorded when ownership of the fixed assets concerned is transferred to the institutional unit that intends to use them in production.

The original budget data do not correspond well to the time of recording prescribed by ESA2010. The payment data contain amounts arising from advances against work to be done and delays connected with residuals account payments for previous years. Commitment data often reflect the legislation-based investment plans and, especially in the case of Local Government, bear little relationship with the investment actually undertaken.

On the basis of these considerations, the methodology applied for gross capital formation estimates is based on actual cash data for the units whose budget is reported in terms of commitments and cash data.

For the units that compile their budget according to accrual rules, the availability of the balance sheet allows to estimate investment expenditure as the difference between the value of net stocks of tangible and intangible assets of two subsequent years, corrected for capital consumption of the year.

Concerning in particular Local Government, that plays an essential part in Government investment, a process to move toward estimates based on actual accrual data, and on the basis of work-in-progress for constructions and infrastructures, has been initiated by Istat, thanks to

the emerging availability of new sources (BDAP) in relation to the full put into force of the revised principle of the “enforced legal accrual” and, more in general, of the accounts’ harmonization stated by the law n.196/2009 and the decree n.118/2011.

Intermediate consumption: as for goods and services acquisition, the public accounting system records flows in terms of commitments (legal accrual) and cash data. Commitment recording takes place at the time the supply contract is executed and hence the legal obligation to pay arises. The accounts of public bodies record an expenditure when, under the contract, the supply of goods and services becomes due from the supplier and, correspondingly, the administration is committed to make payment on it. The related cash payments can be delayed.

Under the ESA, accrual for economic purposes occurs when goods and services actually becomes available to the purchaser for the production process. Commitments for legal purposes, even if not exactly matching with the ESA concept, are substantially similar to it. Commitments are therefore considered as the stage of accounting which better approximate the accrual principle, as regards both the time of recording and the amount to be recorded.

The positive difference between commitments and cash data due to delay in payments corresponds to the creation of a liability towards the suppliers. Nevertheless, the "expenditure arrears" formed during the year can contain a part of notional commitments which the concerned authority makes for mere accounting purposes (to avoid forfeiting the appropriation) although no liability to other parties has been incurred because no contract has been settled. These amounts have to be eliminated from the total accrual when they are separately recorded in the final budget (State). On the other hand, the possible occurrence of obligations not recorded in the State Budget is constantly monitored by the State General Accounting Department. Since 2008, a decree of the Minister of Economy and Finance is enacted every year for the recognition of the outstanding stock of obligation and starting from 2013 a procedure specifically aimed at avoiding the formation of such obligations was established by law (law-decree 35/2013, article 5). Information on obligations not recorded in the State Budget are regularly transmitted to Istat and the expenditure is recorded with reference to the period when the information about the amounts became available.

Compensation of employees: the section 4.12 of ESA2010 provides that wages and salaries are recorded in the period during which the work is done, as they are actual 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 far as gross wages and salaries are concerned, 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 is better meet by legal accrual data than by cash data for a proper representation of the cost of labour. Recording the amounts due instead of those paid is correct in order to measure the actual liability that the administration has incurred towards the workers during the year. This liability is not necessarily offset in full within the same period by an equal payment in cash terms: payments of some amounts may be deferred, especially when contractual agreements providing an increase in wages and salaries have been signed but are actually put into effect in the following year. In addition to that, the variable components of wages and salaries (allowances, overtime, bonuses, incentives, amounts due to delay in renewal of contracts) may often be paid out in arrears.

The criterion adopted to record this variable component is when they are due to be paid and their amount became available as an effect of the signature of renewal of contracts or other agreements.

Time of recording -Time of recording of other transactions

Adjustment for time lag is 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).

7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA 2010), 2019 edition²⁹.

7.1. Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt, as well as of deficit. The accounting rules are explained in the Chapter 7.4 on Government guarantees of the ESA 2010 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

7.1.1 Guarantees on borrowing

7.1.1.1 *New guarantees provided*

Recording in public accounts

Units providing guarantees are: Central and Local Government.

Regarding Central Government providing guarantees, the beneficiaries are:

- public corporations, small and medium enterprises, exporters, international organizations, banks and Local Government units;

The guarantees are both on assets and on borrowings.

The related accounting records are kept in Central and Local Government public accounts.

All guarantees granted by the Central Government are provided on the ground of a legislative act and summarized in an annex to the Central Government (CG) budget. Guarantee calls are booked as dedicated budget item payments.

Since April 2012 the stock of outstanding guarantees on borrowings is published in the National Stability Program.

Guarantees on assets are those on export insurance. The guarantees on export insurance are primarily extended by the dedicated public agency and counter-guaranteed (reinsurance) by the Central Government.

Guarantees on borrowing are those provided to public corporations, small and medium enterprises and banks.

The flows of new guarantees are added in the list of outstanding guarantees provided for in the ad hoc annex to the CG budget.

²⁹ <https://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/manuals>

The stocks of guarantees granted by Local Government are provided by Banca d'Italia that supplies data (taken from credit register) to Istat.

Recording in national accounts

For Central Government, the total stock of debt guaranteed by Government, the new guarantees provided, expired and called guarantees are available for statisticians.

Guarantees provided by Government are treated as contingent liabilities in national accounts.

There was a case of debt assumption at inception in national accounts: according to Eurostat Decision of May 2005, the debt contracted in 2004 by a public corporation, Infrastrutture S.p.A. (Ispa) has been rerouted to Central Government.

There have been no cases so far where it is foreseen that Government will pay regularly interest.

7.1.1.2 Treatment of guarantees called

Recording in public accounts

When a guarantee is called a payment is executed on the resources of the ad hoc budget item. That payment is to all extents and purposes an expenditure. The CG replaces the creditor as for the claim he used to own, but no financial asset is recorded. This is due to prudential reasons. Indeed the recoverability of the claim is not constantly monitored nor is it reflected via provisions.

As said in par. 7.1.1.1.1, a case of assumption of outstanding amount of debt is the one related to Infrastrutture S.p.A. (Ispa) of May 2005. In that particular case the project was judged as not generating sufficient revenues to repay the debt, therefore the related liabilities were reclassified as Central Government debt.

Recording in national accounts

In general in National Account, guarantee called are treated as expenditure (capital transfers to other institutional units). There were very few called guarantees starting up to 2008 and a slight increase has been observed starting from 2009. The evidence of these calls is given by the ad hoc devoted State budget item. For those few cases, the capital transfer to other institutional units is balanced by a cash outflows (F.2 disposal) with no debt assumption, and no claim to the original debtor recorded on the asset side.

Repeated guarantees calls are treated according to the Manual of Government Deficit and Debt (MGDD), chapter 7VII.4.2.1.3. par. 13 and 14. When there are repeated calls on guarantee, the Government effectively repays the debt. If these payments occur in three consecutive years the debt is to be considered as assumed and a capital transfer is recorded for the value of the debt guaranteed not yet reimbursed.

The possibility of recording of a claim against the guaranteed unit in national account is considered only if statisticians ascertain its recoverability. In this case no expense is booked in national accounts.

Specific government transactions - Guarantees, debt assumptions

The claim is recorded at its nominal value, excluding cases where it is clear that part of the claim is not to be recovered, in which case the recoverable reduced value for the claim is recorded, the rest being a capital transfer.

When there is clear evidence that the claim is not to be recovered, the latter is cancelled and a capital transfer is recorded. This cancellation may not be necessarily reflected to recording in public accounts and, although the two institutions involved, MEF and Istat, are to a great extent in line as far as recording of transactions is concerned, a difference can emerge. The inter institutional group including Istat, MEF and Banca d'Italia is called for analysing the issue. In case of divergence of opinions, Istat decides the final accounting treatment for the entire transaction.

For the case of Infrastrutture S.p.A. (ISPA) debt of May 2005 reported above, the inter institutional group was called for analysis. Given that in 2005 the new rules currently included in the MGDD were not available, NSI decided to call for Eurostat opinion which decided that all the debt issued by ISPA in the context of the construction of the high-speed railway link was to be recorded as Government debt.

Moreover, the counterpart entry of the debt issued by ISPA was a financial transaction, in the form of a loan from Government to RFI-TAV. The claim was cancelled and a capital transfers to RFI-TAV was imputed only in the year 2008 when it became clear that RFI-TAV would not be able to reimburse the loans.

In case of regular payments of interests by Government foreseen at inception by the debt contract, the debt will still be recorded as a contingent liability unless there is clear evidence that the capital reimbursement will be also executed by the Government, in which case an assumption of debt is recorded.

7.1.1.3 Treatment of repayments related to guarantees called

Recording in public accounts

Repayments by the original debtor/third party are recorded as revenues either directly within the budget or, if a treasury account was set up to manage the guarantee scheme, as a revenue to that treasury account.

Recording in national accounts

If no claim of the guarantor was recorded, repayments by the original debtor/third party are recorded as revenues. If the acquisition of a claim had been recorded, those repayments are treated as financial transactions.

7.1.1.4 Treatment of write-offs by government in public accounts of government assets that arose from calls, if any

In case an asset that arose from calls is recorded in national accounts, a capital transfer is also recorded whenever that asset is written-off.

7.1.1.5 Data sources

For CG individual data on stocks and flows are available by year and by beneficiary.

Guarantees related cash flows are recorded in the WB. In some case it is possible that a dedicated treasury account is created to manage the guarantees. Anyway all the related flows impact on WB.

At local level, the available information regards the total stock of guarantees granted. They are supplied by Banca d'Italia (taken from credit register).

7.1.2 Guarantees on assets

See all the answers on borrowing (paragraph 7.1.1)

7.1.2.1 New guarantees provided

Recording in public accounts

Recording in national accounts

7.1.2.2 Treatment of guarantees called

Recording in public accounts

Recording in national accounts

7.1.2.3 Treatment of repayments related to guarantees called

Recording in public accounts

Recording in national accounts

7.1.2.4 Treatment of write-offs

7.1.2.5 Data sources

7.1.3. Standardized Guarantees

In Italy there are two guarantee schemes that have been identified as standardised guarantees, these are: the “Fondo centrale di garanzia per piccole e medie imprese” introduced by law n. 662 of 1996 and operating from 2000 onwards and the “Fondo di garanzia per la prima casa” introduced by law n. 147 of 2013 and operating from 2015.

In the first scheme, specific categories of enterprises with defined characteristics may receive a loan from a bank that is guaranteed by the State for 80%.

In the second scheme, families can receive loans for acquisitions or house renovations from a bank being the 50 % of the loan guaranteed by the State.

The data source for stocks and transactions is MEF (Department of Treasury) and data used to calculate the provisions for calls (F.66), for both the schemes, are the provisions recorded by MEF in the accounts of the Fund managing the guarantees.

7.2. Claims, debt cancellations and debt write-offs

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA 2010 and further clarified in the Chapter 3.2 on Capital injections and Chapter 7.2 on Debt assumption and cancellation of the ESA 2010 Manual on government deficit and debt.

7.2.1 New lending

The Central Government grants loans to different beneficiaries: corporations (under particular scheme), households, Local Government units and foreign countries (Paris Club and other foreign claims to Less Developing Countries - LDC).

The loans granted by the Government are referred to “soft loans” to LDC at the conditions (maturity and interest rate) more advantageous than the market ones.

They are used to fund three different typologies of operations:

- to realize a project loan;
- to support the balance of payments of the beneficiary Government;
- to open lines of credit in support of small and medium-sized enterprises.

In the first case, the funding does not pass in the Government accounts because is delivered directly to the enterprises, compared to contracts entered into by them with the authorities of the partner country.

In the other two cases, the provision of credit is usually in individual tranches assets, in favour of the beneficiary Government (paid to the Central Bank or Entity Performer, indicated by the partner country).

Their requirements are decided by a Directorate of the Ministry of External Affairs (Direzione Generale per la Cooperazione allo Sviluppo) with the participation of its components and some other institutions as the Ministry of Economy and Finance.

The conditions to be satisfied are:

- the level of poverty of the borrower;
- the degree of priority based on needs of the LDC to receive a loan.

On the basis of these conditions there are different levels of grant.

The details are established, every year, in cooperation with the Ministry of External Affairs and the Ministry of Economy and Finance on the basis of the Differentiated Discount Rate (DDR) published by the OCSE by 15 January of every year.

Besides, the terms of loan (the interest rate, the maturity and the period of grace) are granted to LDC on the basis of pre-capita income. For example, the level of grant is equal to 80%, the maturity is equal to 38 years, of which the period of 24 years is referred to grace, the interest rate is equal to 0%.

Other kinds of loans are referred to foreign claims owned by SACE.

Istat receives directly data on transactions, on new lending, and on the related repayments.

These information are made available from MEF and the related stocks from Banca d'Italia.

They are provided to Istat at aggregated level to reconcile the stocks and flows for Central Government claims.

7.2.2 Debt cancellations

Italy's debt relief activities concerning sovereign debt (soft loans and commercial credits with sovereign guarantee) are implemented within the agreed multilateral framework (Paris Club) or, in specific cases, bilaterally. The former refers to the process that involves the International Financial Institutions and the Paris Club, while the latter refers to debt cancellations granted on purely bilateral grounds due to humanitarian emergencies or natural disasters occurred in the debtor countries and to debt to development swaps.

There are two types of cancellations recorded in public accounts:

- cancellations for credits;
- cancellations for aid credits.

Both types of cancellation can be registered both as capital and as interest.

Debts cancellations are communicated to Istat (quarterly) directly from MEF - Department of the Treasury - International Financial Relations Directorate which records these variations into specific accounts.

Commercial credits are included in Italy's net borrowing from the dates of the bilateral agreements. Soft loans reductions or cancellations, instead, require a further administrative step in the form of a decree of the Department of the Treasury; it is from the date of such decrees that such loans are included in Italy's net borrowing. Amounts included in net borrowing include the principal and all types of interests, including late interests, matured up to the date of the bilateral agreement or decree. Such amounts are converted in Euro by applying to the various currencies the exchange rates at the dates of the bilateral agreements for the commercial credits and the exchange rates at the dates of the decrees for soft loans.

Within the context of the Paris Club, Italy writes off or reduces commercial credits and soft loans. Commercial credits are buyer or supplier credits extended to debtor countries' sovereign entities, or guaranteed by those same entities (Ministry of Finance or the Central Bank), to finance commercial transactions and insured by the Italian export credit agency (SACE). Soft loans are credits carrying a substantial grant element extended to debtor countries' Governments by the Italian Government and referred to as cooperation to development. Both commercial credits and soft loans are regulated by the OECD's gentlemen's agreement, referred to as Consensus, and the EU's rules and regulations. The Paris Club' Agreed Minutes, which are not legally binding given that the Paris Club is not a formal international organisation, are followed by bilateral agreements with the debtor countries.

Outside the context of the Paris Club, Italy may write off soft loans in case a debtor country is hit by a humanitarian emergency or by a natural disaster, provided that the debtor country spend the counter value in local currency of the cancelled soft loans to the benefit of people hit by the emergency or disaster. These initiatives may be implemented through a formal bilateral agreement or an exchange of diplomatic notes. It is from the date of such legal documents that the amounts involved are included in Italy's net borrowing, following the same rules mentioned above. In addition, Italy may enter into debt to development swaps with

the debtor countries. Under this type of swap soft loans are converted in local currency to finance mutually agreed development projects.

Cancellations of claims of Central Government in the public accounts do not follow a procedure regulated. The assessment is made in extraordinary cases and the evaluation is determined according to the rules defined by Manual.

Commercial credits that are forgiven/ cancelled in the context of Paris club agreements are not recorded in the State balance sheet. They are recorded in SACE (the Italian export credit agency) statements, where they are cancelled according to international accounting standards.

As for aid credits, they are granted by the Italian cooperation via a revolving fund held in a State Treasury account and managed by a private bank which reports transaction in a statement. No credit is recorded in the State balance sheet as a result of this cooperation activity. Cancellations are only reported in the revolving fund statement.

The granted loans which were recorded as a transfer (expenditure) in national accounts instead of financial transaction include some foreign claims owned by SACE. Istat decided to record an impact on B.9 of these transactions. In fact, according to Eurostat guidance on the issue, this operation entered the State balance sheet through an Other Change in Volume and had been immediately cancelled out with an impact on the S.13 net borrowing. This was based on the hypothesis of an assumption of the claims by Central Government carried out before the cancellation (a sort of uncompensated seizure), considering that they are not included, since the beginning, in the national accounts balance sheet of Central Government claims.

No cases of F8 cancellation has been recorded.

7.2.3 Repayments of claims

Repayments of claims are generally registered as financial transactions whereby the Government's holding of assets is decreased. They are disposals.

Since the previous cancellation for those claims was registered as a capital transfer, the eventual recovery of such a claim is registered in the same way, i.e. a capital transfer which benefits the Government.

Financial assets can be acquired or disposed of by payments in kind, in which case the acquisition of goods or provision of services has as a counterpart the disposal of the financial assets. An expenditure is registered in non-financial account. No cases have occurred in recent years. The data are provided by MEF with reference to Central Government and the information is derived from the official reports of the manager of the related funds.

7.2.4 Debt write-offs

Debt write-offs which are booked in public accounts are recorded as an Other Change in Volume in national accounts. When the Government has a robust opinion that the claim can no longer be collected, e.g. bankruptcy of the debtor or other signals of possible insolvency, it is written off in public accounts.

Foreign loans cancellations are the only case when the financial asset is cancelled both in public accounts and in national accounts. In the latter a capital transfer for the same amount is imputed.

The official rule in public accounts bookkeeping consists of eliminating the relative expenditure previously allocated to - and in charge of - the proper budget item.

7.2.5 Sale of claims

Up to now there have not been cases of sales of claims or bad loans.

7.3. Capital injections in public corporations

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA 2010 paragraphs 20.197-20.203 and clarified in the Chapter 3.2 on Capital injections of the ESA 2010 Manual on government deficit and debt. These chapters devote considerable space to set the operational rules for the recording of capital injections in national accounts either as transactions in equity (financial transaction = financing = “below-the-line”), or as capital transfers (non-financial transaction = expenditure = “above-the-line”).

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances as capital injections, and to be classified in certain cases as a non-financial transaction (predominantly capital transfer D.9); cf. MGDD 3.2.3.2.2.

In general, in order to detect the transfers, from government units to public corporations, eligible for the classification according to the ESA2010 capital injection’s specific rules, an analysis of the changes in the components of public corporation’s net worth in contiguous years is carried out (starting from the corporations that make losses).

When a change occurs (a loss disappears or one of reserves grows, e.g.), with or without a symmetric change of other net worth components, we verify the presence of an “external injection” with the aim to correctly record the possible government grant in national accounts.

In case of external injection, the case by case analysis is carried out with the aim to verify (MGDD, 3.2.2.1 p. 11):

- If the government unit is the only shareholder or if it is the sole injecting;
- Being other private units injecting, if government injects in “similar conditions” as the other private shareholders;
- If the public corporation regularly accumulates losses or not;
- If the government unit will receive a sufficient rate of return on its transfer-investment i.e. if the corporation will be profitable in the future.

The analysis of the net worth changes concerns both central and local controlled public corporations on the basis of the actual availability of the related accounting data and of the relevance of the changes recorded. The case-by-case analysis mainly concerned companies controlled by local authorities.

The analysis is carried out combining different data sources:

- List of the public corporations (potential recipient);
Archive of Shareholders of the corporations (potential grantor);
- Database of profit and loss accounts and balance sheets of corporations;
- Notes annexed to the financial statement of the corporations (in case of in depth analysis).
- BDAP – Banca dati delle Amministrazioni pubbliche
- SIOPE – Sistema informativo delle operazioni degli enti pubblici

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- SIOPE+ (Sistema informativo dei pagamenti e degli incassi degli enti pubblici, under piloting)

The last step of the analysis is to verify that each government injection to the corporation is correctly – according ESA2010 and MGDD rules - classified in the source of accounting data for the aim of national account. If not, an appropriate reclassification is carried out.

Only few cases of capital injections in kind were recognised and reclassified according ESA2010 rules. No cases of capital injections into quasi-corporations have been observed.

7.4. Dividends

The accounting rules are set out in ESA 2010 paragraphs 20.205-20.207. It is recalled, that the ESA 2010 Manual on Government Deficit and Debt chapter 3.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as superdividends, i.e. transaction in shares and other equity (a capital withdrawal). It also sets out that the resource available for distribution by a unit (a corporation) is the *distributable income* of the unit, as defined in the ESA 2010, paragraph 4.55.

Total distributions could therefore comprise one part recorded as distributed income of corporations, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA 2010 table 2 and table 8 within “other property income” category, and the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

The main data sources on receipts from dividends of the general government are the State Budget, BDAP (Banca Dati delle Amministrazioni Pubbliche), SIOPE (Government Units’ Cash Flows Information System) and SIOPE+ (in this last case, the integration of the source into the dividend analysis process is under piloting). SIOPE+ source, fully available since 2018 for a large group of local government units, should make it possible breaking down each economic item of SIOPE by its related single component/operation (collection reversals and payment orders) and identifying the counterparties involved in each operation (therefore also the corporation distributing dividends) and the nature of the transaction.

In order to identify possible financial transactions (F.5) among the flows of dividends, according with the ESA rules, the super dividend test is carried out. Then, if that's the case, the original amount recorded as dividends (D.42) is cleaned of the amounts recognised as super-dividends.

The main data sources for the implementation of the super dividend test are the annual profit and loss accounts and annexed notes or other documents (resolutions of board, e.g.) of the corporations distributing dividends to General Government units.

Istat applies the super-dividend test to all the corporations distributing dividends to the State and to the largest corporations distributing dividends to Municipalities, Regions or other central or local government units.

Specific government transactions - Privatization

The super-dividend test is performed each year, when the annual results (profit or loss) are available and the decisions about covering the losses or distributing the profits are approved by the board.

According to ESA rules, as reference annual profit for the super-dividend test, Istat defines the “adjusted profit” of corporations excluding from the original annual profit all revenues and costs components not attributable to the company's ordinary operations and those deriving from holding gains and losses. Income tax are deducted from the “adjusted profit” measure.

According to the MGGD, since year 2018, starting with the corporations distributing dividends to the State, Istat has introduced the test of the cascades of dividends (super dividend-tests are applied to the dividends received by the mothers from the daughters and so on along all the chain of subsidiaries) for the units belonging to groups of enterprises. Istat has not yet implemented the suggested approach using the consolidated group financial statements for testing dividends.

No cases of interim dividends or sizeable share buybacks operations are recognized.

7.5. Privatization

The accounting rules are set out in ESA 2010 paragraphs 20.210-20.213. The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGGD chapter 5.2 indicates that such indirect privatization proceeds are not government revenue. MGGD chapters 5.3 and chapters 5.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Specifically, chapter 5.3.1 of the ESA 2010 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set- up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

The main issue is: what is the relevant sector classification of this sort of unit managing privatisation and possibly making grants to other enterprises? Should this activity been considered as taking place on behalf of the government?

Currently, in Italy there are no separate institutional units/extra-budgetary funds involved in privatization.

According to a specific decree, privatization incomes do not have impact on WB as they flow into the Government Bond Sinking Fund for the reduction of public debt. (The Sinking Fund is a separate account at Banca d'Italia dedicated only to the reduction of public debt and its account balance is shown in the situation of debts and credits between MEF and the Banca d'Italia).

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In some cases, privatization (such as FINTECNA SpA, SACE SpA, SIMEST SpA), impacts on the working balance because part of the income is recorded as financial transactions. The related adjustment in EDP table 2A for the neutralization on B.9 was included in the line equity sales.

7.6. Public Private Partnerships

The term “Public-Private Partnerships” (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific “dedicated assets”, such that the non-government unit builds a specifically designed asset to supply the service. The accounting rules are set out in ESA 2010 paragraphs 20.276-20.282 and clarified in the Chapter 6.4 of the ESA 2010 Manual on government deficit and debt.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which is explained in Chapter 15 of ESA 2010.

As a result of the methodological approach followed, in national accounts the assets involved in a PPP can be considered as non-government assets only if there is strong evidence that the partner is bearing most of the risk attached to the asset of the specific partnership. In this context, it was agreed among European statistical experts that, for the interpretation of risk assessment, guidance should focus on three main categories of risk: “construction risk” (covering events like late delivery, respect of specifications and additional costs), “availability risk” (covering volume and quality of output) and “demand risk” (covering variability of demand).

PPP assets are classified in the partner's balance sheet if both of the following conditions are met: the partner bears the construction risks and the partner bears at least one of either availability or demand risk, as designed in the contract.

If the conditions are not met, or *if government assumes the risks through another mechanism*, (e.g. guarantees, government financing) then the assets are to be recorded in the government's balance sheet. The treatment is in this case similar to the treatment of a financial lease in national accounts requiring the recording of government capital expenditure and borrowing. In borderline cases it is appropriate to consider other criteria, notably what happens to the asset at the end of the PPP contract.

Public-Private Partnerships have been implemented in Italy in order to build and manage infrastructure works by Local Government units, mainly Health and Transport units.

Over the last 10 years (2009 – 2018), we registered less than 50 projects with financial closing above 10 bln Eur.

From the point of view of the internal market, there has been a significant increase of PPP over the last 17 years. Indeed, between 2002 and 2018, more than 35.000, both awarded and currently underway, tenders can be accounted.

According to the report promoted by the Prime Minister’s Office in 2018, the Italian market of PPP, compared to the internal market of public infrastructure, increased from a percentage less than 1%, with 332 tenders in 2002, to a percentage of 17% in 2018 with 4000 tenders (including also the micro tenders). The way to distinguish the PPPs from concessions or operative lease is based on the ownership transfer: on one side, the operative leasing does not provide for the transfers of risks and rewards related to ownership from lessor to lessee; on the other side, the PPP provides for it.

The way to distinguish the PPPs from concessions or operative lease is based on the particular form of the procurement process and award of works due by the Public Procurement Code,

Legislative Decree 50/2016. Furthermore, the contractual agreement between the Government unit and the private partner provides useful elements to identify the characteristics of PPP.

According to the Law 31/2008, the Project Finance Technical Unit (UTFP, Unità Tecnica Finanza di Progetto) established with the Law 144/1999 with the aim of promoting the use of private capital according to PPP schemes, is the institution entitled to collect and to provide to Istat all documents relating to PPPs from the contracting authorities.

With the Law 208/2015 Prime Ministers' Office - Department for the economic planning (DIPE) - took on the functions and responsibilities of the Unità Tecnica Finanza di Progetto (UTFP), that has been suppressed.

With respect to each grant awarded, the contracting authorities are required to forward to DIPE, the following documentation:

- 1) concession contracts, including annexes (performance specifications and documents relating to the specification of the characteristics of the management) and any addenda and/or modification of the same occurred after the stipulation;
- 2) the economic hedging of investments and the related operations, with relevant explanatory report, and any subsequent addenda and/or amendments;
- 3) description of the project.

According to Legislative Decree 50/2016 (Public Procurement Code), the grantors' duty to send the documentation as well as the transmission procedures to DIPE are provided by art.44 c.1-bis of Legislative Decree 248/2007 implying the obligation of communication with the National Statistical Office, Istat. Such transmission procedure is reaffirmed within the explanatory circular of July 10th, 2019, pursuing always art.44 c.1-bis of L.D. n.248/2007.

After that, DIPE provides to Istat all the documents of PPPs, on the basis of a mutual agreement according to Law 31/2008, as provided by the explanatory circular mentioned above, in order to make available a complete set of information.

Moreover, Istat has stipulated a Memorandum of Understanding with the Ministry of Health to improve the monitoring of new PPP projects: Istat has been required to provide the Ministry of Health the methodological support for the PPPs analysis and the Ministry has been requested to forward to Istat since March 2019 the detailed information about healthcare projects. The cooperation is quite fruitful: questionnaires on PPP have been collected at local government units involved.

Istat, after receiving the contracts from DiPE, Ministry of Health or directly from some Local Administrations (i.e. Regions and Local Health Units), assesses the risks allocation of each PPP between the Government unit and the private partner, according to MGDD 2019 rules and identify the presence of guarantees granted by Government units.

Besides guarantees, in some cases, subsidies are provided by General Government or by EU funds or by European Investment Bank in order to implement PPPs.

Until January 2019, the most relevant part of PPPs projects have been implemented by Health Local Units (51% of the requests), followed by Municipalities (33%), and by Regions (12%).

7.7. Financial derivatives

This part describes the use of financial derivatives and the recording of derivative related flows in EDP tables and national accounts.

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union does not distinguish between the ESA and EDP definition of interest. The Regulation No 549/2013 paragraph 4.47 reads: *Payment resulting from any kind of swap arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Transactions under forward rate agreements are recorded as transactions in financial derivatives in the financial account, and not recorded as property income.*

ESA 2010 paragraph 20.133 specifies the treatment of so called of market swaps: *“Lump sums exchanged at inception on off-market swaps are classified as loans (AF.4) when the lump sum is received by government. Off-market swaps are partitioned in the balance sheet into a loan component and a regular, 'at-the-money' swap component.”*

7.7.1 Types of derivatives used

Derivatives used at Central and Local Government level are options, cross currency swaps and interest rate swaps.

7.7.2 Data sources

The information on flows attributable to swaps and FRAs for Central Government are provided to ISTAT on a cash basis by the Department of Treasury of MEF. These data are recorded in financial accounts on the assets side.

Treasury Department of MEF provides information about renegotiations and exercise of swaptions to Banca d'Italia that analyses the impact on the Maastricht debt and to NSI for the imputation of interest expenditure.

The basic phases by which flows deriving from swaps are accounted in EDP tables 2 and 3 are as follows:

EDP Table 2

- Cash amount related to Swaps' flows are included in the Working balance (first line of table 2).
- Swaps' flows, including the reimbursement of the loan component of off-market swaps, are reported in Other financial transactions as net settlements under swap contracts (+/-).
- Interests on the loan component of off-market swaps are included in the Net lending/net borrowing (last line of table 2).

EDP Table 3

- Swaps' flows are registered in the “Net acquisition of financial assets” set under the categories Currency and deposits (F.2) and F.7 Financial derivatives (F.71) with the reverse sign. In this way the neutralization of all flows is ensured in the “Net acquisition of financial assets” block.

- Revisions of the debt due to reclassification of off-market swaps and premium paid or received for purchase of options are registered in the line Net incurrence (-) of liabilities in financial derivatives (F.71).

Data sources used for Local Government and Social security funds are their budgets on a cash basis.

The scheme to reconcile the WB with EDP net borrowing is the same of that described above under EDP Table 2 for Central Government.

In EDP table 3 the scheme mentioned above is also applied for these subsectors.

7.7.3 Recording

There have been occurrences of off-market swaps from 2000 until now.

According to MGDD, off-market swaps are divided into two parts. The first one is a swap based on the prevailing spot market conditions, with nil market value at inception. The second one corresponds to the market value measured at the start of the swap contract arising from the exercise of a swaption, at the date of the entry into force of a forward starting swap or at the date the swap contract is restructured. This component is treated as loan, amortised over the life of the instrument. The interest component of the loan's amortization plan are imputed in ESA2010 as interest expenditure.

In financial accounts swap-related flows are recorded in the asset side net of the reclassified loan component.

A threshold equal to 2% of foreign currency denominated notional amount has been set only for cross currency swaps (CCS), whereby the net proceeds from the bond to be hedged is usually slightly below par. The threshold is the maximum amount required to pair the amount received from the issued bond in the CCS, i.e. nominal value – reoffer price.

7.8. Payments for the use of roads

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units. The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

In Italy the use of roads is based on the payments of tolls. They are paid to the concessionaries that are classified either in S.13 or in S.11. Please see par. 5.2 - Infrastructures companies – Roads.

7.9. Emission permits

There are two main trading systems, where European Union Member States can participate:

The Kyoto Protocol is a 1997 international treaty, which came into force in 2005. In the treaty, most developed nations agreed to legally binding targets for their emissions of the six major greenhouse gases.[33] Emission quotas (known as "Assigned amounts", AAUs) were agreed by each participating 'Annex 1' country,

The European Union Emission Trading Scheme (or EU ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. It is one of the EU's central policy instruments to meet their cap set in the Kyoto Protocol. The so-called EU emission Allowance (EUA) is traded.

The ESA 2010 MGDD part 6, chapter 6.5 is dealing with the statistical recording of the emission trading allowances.

In the Italian system, since 2013³⁰, GSE (which is included in S13 list) is formally set as the auctioneer for the sale of CO2 allowances within the EU ETS on behalf of General Government. Revenues from auctions are collected by GSE itself and then transferred, gross of interests incurred in the period, into the State Treasury by 20 of May of the following year. Permits auctioned in any year can be surrendered by April of the year following the sales.

As far as the time of recording is concerned, according to the MGDD, revenues from auctions should be recorded on accrual basis as D.29 when the permits are surrendered by the holders and should be based on the number of auctioned allowances surrendered and the associated average auction price of the stock of allowances. The information currently available does not allow to apply this approach: in fact, the permits are fungible and it is not possible to identify, amongst surrendered permits, those auctioned and those given for free.

Therefore, a simplified hypothesis is applied for the estimation in order to overcome the lack of information:

- the surrendered allowances in any year are taken as a proxy for the emissions in the year according to the assumption of stability of the production technology (MGDD, 6.5.3);
- the permits acquired in the domestic auctions are supposed to be used at first.

As a consequence, in GG account revenues from auctions are recorded on accrual and cash basis in the State accounts when they are collected by GSE on behalf of the State. Since the cash is transferred by GSE to Treasury accounts with one-year lag, an adjustment line is added in the Notification table 2A to reconcile the WB with the cash recorded in GG accounts. As a result of these hypothesis, no stock of payable (for GG) and no stock of receivable (for the permit's holder) have been recorded in the national accounts.

³⁰ See Decree Law n. 13/2013

7.10. Sale and leaseback operations

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered as a "true sale" (transaction in GFCF improving B.9) or the transaction is to be treated differently and an asset should remain on government's balance sheet.

MGDD part 6, chapter 6.2 is dealing with sale and lease back operations

An important source providing useful data about leasing and 'sales and lease back' operations is Assilea, the Italian leasing Association representing the Italian leasing companies at national and international level. An important component of Assilea is the Risks Central Database (Banca Dati Centrale Rischi - BDCR). All data registered are controlled in their adequacy and updated monthly with leasing contracts sent by every member. BDCR covers 90 leasing societies, with a coverage of more than 95% of the leasing market.

The subjects registered are every legal or physical subject or unit who agreed upon a leasing contractor or guaranteed for it. There is a rich and detailed set of information (general information, informational and operational data, effective and not-effective stipulated contracts etc.) for every subject registered on the database, allowing us to allocate the leasing operations to specific units of government subsectors.

Not only information about the subject involved in the sale, but also information about the subject who use the asset sold are now available, allowing a matching of the two partners. This specific information recently allowed us to detect some sale and leaseback operations for the years 2001-2018. These operations, realized by units of the Local Government and showing significant amounts only for a couple of years (2010 and 2011), represent a small share of the total expenditure realized via leasing contracts, which is also decreasing over the years.

In the specific cases observed the "lease leg" was realized using a financial lease. As a result, the sale recorded was immediately neutralized by an expenditure for the same amount.

7.11. Securitisation

Securitisation is when a government unit transfers the ownership rights over financial or nonfinancial assets, or the right to receive specific future cash flows, to a special-purpose vehicle (SPV) which in exchange pays the government unit by way of financing itself by issuing, on its own account, asset backed bonds.

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets. In addition, if the government compensates the SPV ex-post, although this was not required according to the contract, the operation should be reclassified as government borrowing.

ESA 2010 paragraphs 20.260-20.271 establish securitisation operations accounting rules. The MGDD part 5, chapter 5.5 is dealing with securitisation operations.

Until 2007 several securitisation operations involving nonfinancial assets, fiscal claims or other future revenues were undertaken mainly by Central Government units and Social Security Funds. Such operations were treated either as disposal of assets or government borrowing following Eurostat decision of 3 July 2002. More recently, factoring via securitisation operations occurred where the debtor of the underlying trade credit is usually a Local Government unit. Following Eurostat decision of 31 July 2012, these operations are treated as government borrowing and included in Maastricht debt. When such operations occur, Banca d'Italia receives the offering circular related to the securities to be issued. The transaction is analysed to check its main features and if it relates to the General Government. The information on the accounting treatment is then shared with Istat. When necessary, contracts are also shared with the NSI on a confidential basis. The list of securitisation operations that involve general government units is sent to the Istat before the April EDP Notification.

7.12. Mobile phone licenses

The receipts of government following the allocation of mobile phone licenses to operators are to be recorded as rent (D.45) over the whole time of the licence. In cases when licenses are sold in advance of their actual availability, any prepayment collected by government should be recorded as other accounts payable (F.8).

The ESA 2010 MGDD part 6, chapter 6.1 is dealing with the sale of mobile phone licenses.

Table below reports the licenses awarded since 2000 in Italy.

Date (when licence was awarded) (1)	Value licence auctioned (ml euros) (2)	Licence start date (frequency becomes available for use to the licensee) (3)	Licence end date (frequency no longer available to the licensee) (4)	Payments in advance up to the Licence start date (5)
2000	13815	01/01/2002	31/12/2021	12173
2009	268	01/07/2009	31/12/2021	0
2011	954	01/01/2012	01/12/2029	657
2011	2873	01/01/2013	01/12/2029	2393
2015	462	01/01/2016	31/12/2029	462
2015	231	01/01/2015	31/12/2029	0
2017	44	01/07/2017	30/06/2018	0
2017	1870	01/07/2018	31/12/2029	1870
2018	2040	01/07/2022	31/12/2037	0
2018	4501	01/01/2019	31/12/2037	1250

According to ESA 2010, receipts from sale of UMTS licenses are recorded as rent for the use of a non-produced non-financial asset (the frequency). The whole amount established in the contract is regularly spread along the effective lifespan of the license. Thus, sale proceeds

have a positive effect on B.9 in the years the license is available for the use to the licensee. The actual payment in cash does not influence the accrual recording of this transaction.

As can be seen from the table above, comparing column 1 with column 3, there have been cases where mobile phone licenses were sold ahead of its availability. In these cases government received some prepayments that has been classified as F.8 payable. In column 5 are reported the amounts received by government as prepayments in the years up to the license start date (AF.8). For instance, with regard to the license awarded in the year 2000, for which the availability of the frequency is from 2002, a total amount of 12.173 mln has been paid in the years 2000 and 2001.

7.13. Transactions with the Central Bank

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes may generate capital gains for central banks, which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions.

It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses cannot be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

No case of capital injections occurred from General Government to Banca d'Italia.

The flows from Banca d'Italia to State (established in the Statute of Banca d'Italia) are recorded in national accounts as property income (D4). Up to now no cases of payment to government higher than operating profit has been observed.

7.14. Lump sum pension payments

ESA 2010 paragraphs 20.273-20.275 define the accounting rules for recording of the lump sum pension payments. The related accounting rules are further described in the ESA 2010 MGDD and debt Part 3.6 Impact on government accounts of transfer of pension obligations.

In Italy, there are no transfers of pension obligations to Government, so no lump sum pension payments are recorded in national accounts.

7.15. Pension schemes

According to the chapter 17 of ESA2010 (para. 17.40), *“social insurance pensions are benefits which beneficiaries receive upon retirement, usually under predetermined legal or contractual terms and typically in the form of a guaranteed annuity”*. In general, pensions are periodic payments intended to maintain the income of the beneficiary when a risk covered by social protection takes place. The most important pension benefit is income in retirement, but

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a number of other cases occur. The different types of pensions have been classified by the European system of integrated social protection statistics (ESSPROS) as follows:

- | | |
|--|----------------|
| 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) survivors' pensions | (survivors) |
| 6) early retirement benefits for labour market reasons | (unemployment) |

The Table 19.a reports all pension schemes available in Italy. The Italian ESSPROS schemes are in total twenty eight, of which twenty six 'active': nineteen out of them are *pension schemes*. The second column of the table reports the ESSPROS scheme number, i.e. numbers used to identify schemes in ESSPROS data, and the last column reports the coverage numbers that identifies the different types of pension provided by the scheme (see the list above).

Table 19.a - Pensions schemes by type of pension provided

Num.	ESSPROS scheme number	ITALY	Coverage numbers
1	03	Social Security Fund for Private Employees [managed by INPS]	2, 3, 4, 5
2	04	Social Security Fund for Public Employees [managed by INPDAP]	3, 4, 5
3	05	Special employment pension schemes	2, 3, 4, 5
4	06	Additional employment pension schemes [managed by INPS]	2, 3, 4, 5
5	08	Social Assistance Funds + financial support to social security schemes [managed by INPS]	2, 3, 5, 6
6	10	Social Security Funds for Self-employed people [managed by INPS]	2, 3, 4, 5
7	11	Social Security Funds for professional categories	2, 3, 4, 5
8	12	Social Security Fund for the ministers of Catholic Church and the other non-Catholic Churches	2, 3, 5
9	13	Social Insurance for non-employed people [managed by INPS]	2, 3, 4
10	14	Occupational Injury Insurance [managed by INAIL]	2, 3, 5
11	15	Injury Insurance [managed by INAIL]	2, 3, 5
12	16	Occupational Injury Insurance for specific professional categories	2, 3, 5
13	19	Occupational Social Insurance managed by private sector employers	2, 3, 4, 5
14	20	Compulsory Occupational Social Insurance managed by public sector employers	1, 3, 4, 5
15	21	Occupational Social Insurance managed by public sector employers	2, 3, 4, 5
16	22	Pension Funds	2, 3, 4, 5
17	23	Scheme for the provision of invalidity pensions and allowances	1, 3
18	24	Central Government Social Assistance	1, 3, 5
19	25	Local Government Social Assistance	1, 3

Pension expenditure by scheme are available in the Eurostat ESSPROS database. ISTAT provides annually, by the end of June of the year T, data referring to year T-2 and revises data for previous years when necessary (for instance, following a revision of National Accounts time series, as in the case of the June 2015 release).

According to ESSPROS Manual, the schemes are characterised according to the following five criteria:

- (i) Unit who takes the main decisions [Decision-making]
- (ii) Membership of the scheme enforced by Government or not [Legal enforcement]
- (iii) Contributory or non-contributory scheme [Establishment of entitlements]
- (iv) Part of population protected by the scheme [Scope]
- (v) Level of protection provided by the scheme [Level of protection]

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The table below (19.b) reports the Esspros classification of pension schemes in Italy.

Table 19.b - ESSPROS classification of pension schemes

PENSION SCHEME	Decision making	Legal enforcement	Establ. of entitlement.	Scope	Level of protection
	Central gov. scheme State/local gov. scheme Contractual employees scheme Non-contractual employees Other not gov. controlled	Compulsory scheme Scheme available by law Other non-compulsory scheme	Contributory scheme Non-contributory scheme	Universal scheme General scheme Special for public servants Special for self-employed Other occupational scheme Other scheme	Basic scheme Supplementary scheme
03	Social Security Fund for Private Employees [managed by INPS]	X	X	X	X
04	Social Security Fund for Public Employees [managed by INPDAP]	X	X	X	X
05	Special employment pension schemes	X	X	X	X
06	Additional employment pension schemes [managed by INPS]	X	X	X	X
08	Social Assistance Funds + financial support to social security schemes [managed by INPS]	X	X	X	X
10	Social Security Funds for Self-employed people [managed by INPS]	X	X	X	X
11	Social Security Funds for professional categories	X	X	X	X
12	Social Security Fund for the ministers of Catholic Church and the other non-Catholic Churches	X	X	X	X
13	Social Insurance for non-employed people [managed by INPS]	X	X	X	X
14	Occupational Injury Insurance [managed by INAIL]	X	X	X	X
15	Injury Insurance [managed by INAIL]	X	X	X	X
16	Occupational Injury Insurance for specific professional categories	X	X	X	X
19	Occupational Social Insurance managed by private sector employers	X	X	X	X
20	Compulsory Occupational Social Insurance managed by public sector employers	X	X	X	X
21	Occupational Social Insurance managed by public sector employers	X	X	X	X
22	Pension Funds	X	X	X	X
23	Scheme for the provision of invalidity pensions and allowances	X	X	X	X
24	Central Government Social Assistance	X	X	X	X
25	Local Government Social Assistance	X	X	X	X

According to the definition reported in the chapter 17 of ESA2010 (para. 17.01), “social insurance schemes are schemes in which participants are obliged, or encouraged, by a third party to take out insurance against certain social risks or circumstances that may adversely affect their welfare or that of their dependants. In such schemes, social contributions are paid by employees or others, or by employers on behalf of their employees, in order to secure entitlement to social insurance benefits, in the current or subsequent periods, for the employees or other contributors, their dependents or survivors. Contributions to social

insurance schemes can also be paid by, or on behalf of, self-employed or non-employed persons.”.

According to the above definition, a social insurance scheme should be a contributory scheme, so that four out of nineteen pension schemes included in the previous table should be excluded (scheme number: 8, 23, 24, and 25). Nevertheless, even if the four mentioned schemes are non-contributory schemes, they are still considered as pension schemes in this context as they provide pensions.

Social insurance pension schemes can be distinguished in two types, according to the provider of pension benefits (para. 17.43 and 17.49):

- A. Social security pension schemes (if pensions are provided by general government)
- B. Other employment-related pension schemes (otherwise).

The table below (19.c) reports the classification of Italian social insurance pension schemes by type:

Table 19.c – Social insurance pension schemes by type (grey cells: borderline cases)

ESA 2010 Scheme type	ESSPROS PENSION SCHEME																		
	3	4	5	6	8	10	11	12	13	14	15	16	19	20	21	22	23	24	25
A. Social security pension schemes	X	X	X	X	X	X	X	X	X	X	X	X		X	X		X		
B. Other employment-related Pension schemes													X			X		X	X

As for schemes 20 and 21, they could be classified, on one hand, as *social security schemes* (type A) according to the ESA sector classification of the provider (that belongs to the general government). On the other hand, they can be classified in *other employment-related social insurance scheme* (type B) as they are managed by public employers to benefit their employees or former employees. For scheme 20 and 21 a double classification seems to be applicable (in the table above, the two schemes have been considered as social security pension schemes considering that their expenditure is included in the general government account).

Another borderline case relates to ‘voluntary’ pension schemes. They are classified in type A even if they don’t meet completely the definition of social security pension schemes: “*contractual insurance schemes where the beneficiaries as participants of a social insurance scheme are obliged by general government to insure against old age and other age-related risks such as disability, health etc. Social security pensions are provided to beneficiaries by general government.*”.

Considering the above definition, the scheme 6 (paying pensions that integrate pensions paid by compulsory social security scheme) and the scheme 13 (a not compulsory social insurance scheme for housewives and for ex-workers who decide to continue to pay contributions to increase the value of their future pension) should be excluded from social security pension scheme (type A) as they are ‘voluntary’ schemes (general government does not oblige

participants to insure against risks). Nevertheless, the two schemes can be considered as social security pension schemes: participants are not ‘obliged’ to insure themselves against risks but they are ‘encouraged’ by general government to do that (according to the large definition of social insurance scheme, para. 17.01).

The table below (19.d) reports all the nineteen Italian pension schemes (including the eight borderline cases mentioned above) by sector and sub-sector of institutional units supporting the scheme. In some case, there are many ESA sectors or sub-sectors that support the same scheme.

Table 19.d – Social insurance pension schemes by sector and sub-sector of institutional units supporting the scheme

ESA 2010 Sector and sub-sector	ESSPROS PENSION SCHEME																		
	3	4	5	6	8	10	11	12	13	14	15	16	19	20	21	22	23	24	25
S.11													X						
S.12													X			X			
S.129																x			
S.13	X	X	X	X	X	X	X	X	X	X	X	X		X	X		X	X	X
S.1311														x	x			x	
S.1313														x	x				x
S.1314	x	x	x	x	x	x	x	x	x	x	x	x		x			x		
S.14																			
S.15													X						

7.16. Rearranged transactions

1. Are there cases of rearranged transactions? If yes, please list them and indicate reasons for rearrangement.
2. Please describe the data sources and methods used for identification of transactions to rearrange.

The only case of rearranging recognized so far is related to the transactions carried out by Sace on behalf of the State in relation to some debt cancellations of foreign countries (see par. 7.2.2 for details).

7.17. Decommissioning costs

Sogin Spa is operating since 1999, according to the Decree n 79/1999, as a newly separated branch of Enel Spa.

In 2000 all the assets and liabilities of Sogin Spa were transferred for free from Enel Spa to the Ministry of Finance.

From that moment Sogin activity was the decommissioning of the nuclear power plants of Latina, Garigliano, Trino and Caorso. In 2003 it also acquired the nuclear fuel cycle-related plants of Saluggia, Casaccia and Rotondella, previously managed by ENEA for research purposes and, in 2005 the plant in Bosco Marengo. Finally in 2018 also the reactor Ispra-2 managed by the Joint Research Center (JRC) in Ispra (Varese) was transferred to Sogin.

The Decommissioning of Italian nuclear sites and the management of radioactive waste are activities subject to authorization and approval. So far, a Decommissioning Decree has been obtained only for the Trino and Garigliano nuclear power plants, both in 2012, and Caorso, in 2014, and for the FN plant in Bosco Marengo, in 2008.

At the moment Sogin Spa is also involved in the construction of a National Storage Facility for Nuclear Waste.

Sogin has been classified in S.13 since April 2020.

The resources utilized for decommissioning were initially the dedicated reserves ("Dismantling nuclear plants" and "Treatment and disposal of nuclear fuel") accumulated by Enel in the period 1962-1999, by setting aside a percentage of the sale price of the kWh produced, and transferred to Sogin at the time of the delivery of nuclear activities (October 1999). From 2003 A2RIM (formerly A2) component of the electricity tariff determined quarterly by the Network Energy and Environment Regulatory Authority (ARERA) is the only resource used for decommissioning expenditure.

In this way, the original lump sum transferred from Enel to Sogin to cover future obligations for the first four nuclear plants, was subsequently complemented by the resources of A2RIM, which is also classified as a current tax. Not existing specifically a fund collecting resources to be dedicated, in the future, to decommissioning, there is neither D41/D42 revenues on the amounts collected, nor D41 expenditure accrued on matching AF.8L

Part of the current expenditure realized by Sogin each year, qualified as expenditure for decommissioning, is classified as P51g in central government accounts and is matched by a P51c for the same amount in the same year.

7.18. Income contingent loans

In Italy there have been no cases of income contingent loans.

7.19. Concessions

The monitoring activity on concession contracts focused, in the first phase, on motorway concessions, that have been introduced, in Italy, after the privatization process of the toll motorway sector defined at the end of the 1990s.

The choice to focus on this specific category of concessions is due to the economic relevance of the transactions in question and, consequently, to the significant potential impact of any reclassifications of some transactions in the general government accounts.

The main source for this type of analysis is the contractual documentation: namely, the concession agreement with the related annexes and additional documents.

The first supplier of these sources is the Ministry of Economy and Finance. In addition, Istat has initiated specific collaborations with the Ministry of Infrastructure and Transport (MIT) supplying reports containing additional economic and financial data used for the classification

purpose. Since August 2018, the concession agreements with MIT as grantor MIT are available online at the following address:

<http://www.mit.gov.it/comunicazione/news/autostrade-concessioni-autostradali-direzione-generale-vigilanza>.

Istat has currently analysed and classified about 50% of the motorway concession agreements. Particular attention is paid to the new contracts signed and to the additional documents of the older contracts.

Within one of the first concession agreements analysed, the concessionaire was a company under public control and with market behaviour (in application of the 50% criterion). The object of the concession was the building of two assets, regulated by specific additional acts (additional agreements with respect to the original contract). The in-depth analysis of these acts led to the reclassification of the assets concerned, without changing the market nature of the company.

In particular, these assets were reclassified on GG balance sheet as a significant part of the costs expected for their construction were covered by public contribution.

Other cases have concerned companies under public control, which, despite being market according to the 50% criterion, were reclassified in S.13, since they hold only one concession that, from the analysis carried on, did not reveal a sufficient transfer of risk to the concessionaire by the general government unit.

In the analysis carried out so far on motorway concessions, it has been observed that, for the construction of new assets, only in very few cases the GG contribution is more than 50% of construction costs; in turn, the clause of the explicit guarantee, granted by the GG to cover more than 50% of the debt contracted by the concessionaire to finance the asset under concession, is often present.

About the motorway concessions, finally, in line with the provisions of the "new code of Public Contracts Legislative Decree 50/2016", in very rare cases, it has been noted the presence of minimum guarantees of revenue to the concessionaire by the GG.

7.20. Energy Performance Contracts

On 19 September 2017, Eurostat published the Guidance note on the recording of energy performance contracts in government accounts and on 8 May 2018, Eurostat published, in cooperation with the EIB), the Guide on statistical treatment on EPC.

With regard to the registration of EPC contracts, the economic owner of the EPC asset has been identified in accordance with the Note of 15 September 2017. The economic owner is the party that bears most of the risks and has the right to most of the rewards associated with these assets.

If the assessment of risks and rewards, as explained in the Eurostat Guide, indicates that government is the economic owner of the EPC assets, then the EPC must be recorded on balance sheet for government. In the national accounts, with regard to EPCs ON, we recorded a very modest increase in B9 and a very modest increase in P51.

If, however, the assessment of risks and rewards indicates that government is not the economic owner of the EPC assets, then the EPC can be recorded off balance sheet for government (no impact on B9).

In line with the Eurostat and EIB Guide of May 8th 2018, we can identify an EPC when the 7 prerequisites described below are present:

1. The beneficiary entity must be public.
2. The partner (eg Energy Service Company- ESCO or other company) must be off the list S13.
3. The EPC must provide for capital investments in movable or immovable property that reduce energy consumption. Accessory components are also allowed for the provision of the energy service (e.g. consumption monitoring systems) or generation plants (e.g. photovoltaic), provided that the capital expenditure for the latter does not exceed 50% of the total. The initial capital investment may relate to removable assets (e.g. boilers) and non-removable assets (e.g. thermal insulation of a building).
4. The duration of the EPC contract must be at least eight years, regardless of the duration of the installed assets.
5. At a minimum, the private partner must guarantee the maintenance and operation of the system for the duration of the EPC, at the agreed energy or economic performance. The private partner can also take care of other activities (e.g. Monitoring and Verification - M&V, energy purchase, local cleaning, etc.) without consequences on the classification.
6. If the capital expenditure for energy requalification exceeds 50% of the value of existing assets, the Eurostat rules for PPPs must be considered, unless the remuneration is linked to the energy result and not to the use of the asset.
7. If the realized plants generate revenues from third parties (e.g. co-generator or photovoltaic for the part of energy sold to the network and not self-consumed), certain thresholds must be respected for the private partner and the PA.

In particular, it should be checked that the Value of the Net Benefit (NBV) calculated on the contractual duration of the revenues for the private Partner must be less than NBV of the fees received by the PA and the NBV of the revenues for the PA must be less than 50% of the fees paid to the private partner.

At the moment, the available data on EPC contracts are transmitted by the Prime Ministers' Office - Department for the Economic Planning (DIPE), in parallel with the provision of data about PPPs. In this context the EPC contracts, as signed by the parties, are made available from the data source.

In addition, within a dedicated working group set up in cooperation with MEF, an informal agreement with Enea (Agenzia nazionale per le nuove tecnologie, l'energia e lo sviluppo economico sostenibile) and GSE (Gestore dei Servizi Energetici – GSE S.p.A) has been done.

Within the contracts analysed, all the necessary information for classification purposes can be deduced: the subjects involved, the object of the contract, the duration, the services provided, the size of the investment.

According to the EPC Guide, in EPC contracts usually the presence or absence of MVR activity (Measurement, Verification and Reporting), fundamental for the classification purposes, can be checked.

Within the contractual clauses, it can be traced the start of the payment of the fee by the General Government unit. Moreover, it is possible to verify the presence or absence of a mechanism through which the failure to achieve the expected performance can be recovered either through penalties (more frequent) or by an adequate reduction of the fee in the

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subsequent periods. If the first hypothesis is found, it must be verified that the clause provides for the possibility of the GG to take advantage of future rents.

The contract allows verifying the presence or absence of safeguard clauses (e.g. minimum fees) or limits on the amounts to be recovered from the private individual if the guaranteed savings are not achieved. The clauses of the contract allow to verify that the savings that exceed the guaranteed ones are shared with the GG or not. This sharing can take place only in two ways: by limiting itself to the part attributable to the actions carried out by the body itself (e.g. behavioural changes) or by providing that the GG can have at most one third of the additional benefits. These latter modalities are also provided within the contract.

Finally, among the information within the contract, it is reported the extent of the public contributions referring to the construction phase.

Among the EPC contracts analysed so far, there are no contracts combined with factoring.