



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS)
Unit D-2: Excessive deficit procedure (EDP) 1



Luxembourg, 30 August 2012

- FINAL FINDINGS -

EDP dialogue visit to Italy

27-28 June 2011

Executive summary

Eurostat undertook an EDP dialogue visit to Italy on 27-28 June 2011 as part of its regular visits to Member States and with the aim to assess the existing statistical capacity, to review the division of responsibilities concerning the compilation of EDP statistics and government accounts, to clarify the issues relating to EDP tables raised in the context of previous notifications, to examine the statistical classification of some units, to assess the statistical treatment of specific government operations and to assure that provisions from the ESA 1995 Manual on Government deficit and debt and recent Eurostat decisions are duly implemented in the Italian EDP notification tables and in national accounts.

Eurostat reviewed the **statistical capacity issues**, e.g. the institutional responsibilities with respect to the reporting of data under government finance statistics and EDP. EDP tables are officially reported to Eurostat by the Italian Statistical Institute (ISTAT). ISTAT compiles the actual government net lending/net borrowing. Bank of Italy (BoI) and the Ministry of Finance (MoF) are also involved in the production of Government Finance Statistics (GFS). BoI is responsible for the compilation of Maastricht debt and the MoF for the data on public sector borrowing requirement (i.e. the cash based public accounts working balance) as well as the planned data (forecasts). Eurostat took note of the existing institutional responsibilities and of the good cooperation between ISTAT, the Ministry of Finance and the Italian Central Bank in the field of GFS and EDP.

Eurostat discussed with the Italian statistical authorities the characteristics of the **source data**, as well as the accounting basis for the working balance in EDP tables 2A and 2C, and the adjustments needed to properly compile the figures on an accrual basis. Eurostat took note of the advancement made in introducing the SIOPE system as an important source data for the majority of general government units.

The **revision policy** for EDP data is a source of concern for Eurostat, who invited the Italian statistical authorities to analyse the possibility of reducing the revisions between two April notifications.

As a **follow-up to the EDP dialogue visit of 23-24 March 2009**, Eurostat welcomed the implementation of all action points from the previous EDP dialogue visit. However, the issues of monitoring the compliance with the classification rules for units established by local government, the MOSES project and the operations conducted by Cassa Depositi e Prestiti (CDP) were further discussed.

On the **actual data of the April 2011 EDP reporting**, the discussion concentrated on the adjustments in the EDP tables in relation to the Questionnaire related to EDP tables, as compared to the October 2010 EDP notification.

Eurostat invited the Italian statistical authorities to cooperate closely, and further improve the reporting in EDP tables 2 of the transfers between sub-sectors, and the working balance in EDP table 2C. Eurostat recommended that other accounts receivable and other accounts payable, as well as adjustments for interest and for EU flows should be reported in a systematic way in EDP tables 2 and 3. It was also agreed that ISTAT will check if the reporting of shares and other equity for local government is on a net basis, and correct the figures, if necessary. The lack of data on trade credits and advances in EDP table 4 was discussed and Eurostat was informed about the advancement of the work to evaluate these flows for local health units. Eurostat encouraged the Italian statistical authorities to intensify their efforts to complete the calculations and to report the trade credits and advances line (AF71 L), as soon as possible.

One of the issues of concern for Eurostat and the Italian statistical authorities are the statistical discrepancies in EDP tables 2 and 3. It was therefore agreed that further progress was needed to identify the reasons and find solutions for reducing them.

The discussions on the methodological issues focussed mainly on the delimitation of the government sector, the implementation of the accrual principle, as well as the recording of specific government transactions (e.g. government guarantees, capital injections, recording of EU flows, recording of military equipment, PPP contracts and financial derivatives).

On the **delimitation of the general government sector**, Eurostat enquired about the application of the 50% criterion and the requested specific list of local government public corporations undertaking transportation services, water and electricity suppliers, for which the market/non-market test has been applied, as well as the results for the latest 3 years. In particular, Eurostat asked about the sector classification of ATAC spa (the enterprise supplying local transportation services to the Municipality of Rome) and enquired on the capital injections to this corporation, as compared to the losses reported in table 10.2 of the Questionnaire related to EDP notification and on a loan provided by the Municipality of Rome in the year 2009.

Eurostat took note of the increasing number of recourses and legal procedures against ISTAT by some entities included in the list of public units classified in the general government sector, leading to a heavy workload at the National Accounts Directorate of ISTAT.

Eurostat and the Italian statistical authorities reviewed the **implementation of the accrual principle** concerning taxes, social contributions and interest.

Eurostat took note of the explanations given by ISTAT on the recording of taxes and duties on an accrual basis and on the revision of the stock of taxes from the October 2010 to the April 2011 notification.

On the calculation of social contributions on an accrual basis, Eurostat requested the Italian statistical authorities to analyse, as a first priority, the depreciation coefficient applied, especially for the last four years and the level of the receivables for social contributions collectable by INPS and INAIL. ISTAT was invited to revise the depreciation coefficient, taking into account the economic reality. Concerning table 5 of the Questionnaire related to EDP notifications, the discussion focussed on the significant stock of receivables for social contributions, especially in the last years, and it was agreed that ISTAT will investigate the issue and propose a new depreciation coefficient or revise the methodology for calculation of the accrual social contributions.

Concerning the calculation of interest on an accrual basis, Eurostat took note of the methodology for calculation of the accrual interest and on the difference between accrued interest reported in EDP table 2A and EDP table 3B.

Eurostat analysed tables 9 (**on government guarantees**) of the Questionnaire related to the EDP notification and requested that the guarantees on assets related to SACE and CDP are withdrawn for the amounts on guarantees reported, as the table requests information on guarantees on liabilities. Eurostat took note that the local authorities can issue guarantees. The Italian statistical authorities will investigate if the local government provided guarantees in the reporting period and improve the tables, if needed.

Eurostat questioned the amount of **capital injections** for local government classified as financial transactions for the years 2008 to 2010. On the issue of **superdividends**, Eurostat enquired if the test is regularly performed and wondered about the amount and the time of recording, for the dividends from Poste Italiane. Eurostat requested the accounts of Poste Italiane for the years 2009 and 2010.

Eurostat took note of the explanations provided by ISTAT on the recording of **EU flows**, and of the reason for revision of data in the EDP notification of April 2011, for the year 2009.

Eurostat and the Italian statistical authorities discussed the recording of the assets relating to the PPP project “Ospedale di Castelfranco and Montebelluna” outside the government accounts, taking into account that all the risks are with the private partner and that there is no other government intervention related to the project. Eurostat took note that there were no new securitisation operations to be reported.

On **military equipment**, Eurostat requested the Italian statistical authorities to investigate and confirm if there were any receivables (advance payments) to be recorded in EDP tables 2A and 3B as well as in table 7 of the Questionnaire related to the EDP notification.

Eurostat and the Italian statistical authorities discussed on the recording of **financial derivatives** for central and local government subsectors. Eurostat took note of the explanation for the recording in EDP tables.

ISTAT recalled the general revision of national accounts, due to the transition to Nace Rev 2, leading to revisions in the **ESA95 transmission tables** for the general government sector. There will be a temporary inconsistency between EDP and annual GFS data, on one hand, and quarterly non-financial and financial accounts for government sector, on the other hand.

The meeting was appreciated as constructive and Eurostat welcomed the explanations given by the Italian statistical authorities. Eurostat also thanked the Italian statistical authorities for the documentation provided prior to the dialogue visit.

With a few exceptions, for which explanations were provided by ISTAT, the action points agreed during this EDP dialogue visit have been implemented by the Italian statistical authorities according to the agreed deadlines. The delays are due to the workload at the ISTAT national accounts Directorate.

FINAL FINDINGS

Introduction

In accordance with Article 11 (1) of Council Regulation (EC) No 479/2009, as amended by Regulation 679/2010, as regards the quality of statistical data in the context of the excessive deficit procedure, Eurostat carried out an EDP dialogue visit in Italy on 27-28 June 2011. The delegation of Eurostat was headed by Mr. Luca Ascoli, Head of Unit C3 (Statistics for the Excessive Deficit Procedure I). The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. The Italian statistical authorities were represented by the Italian Statistical Institute (ISTAT), the Ministry of Finance (MoF) and the Bank of Italy (BoI).

The previous Eurostat visit to Italy had taken place on 23-24 March 2009.

The aim of this EDP dialogue visit was to assess the existing statistical capacity, to review institutional responsibilities in the field of government finance statistics (GFS) including EDP reporting, to analyse information on data sources provided in the EDP inventory, to clarify issues relating to EDP tables raised in the context of previous notifications, to clarify sector delimitation of general government, to analyse the application of the accrual principle in national accounts and EDP and to ensure that provisions from the ESA95 Manual on Government Deficit and Debt were implemented and that specific government transactions were appropriately recorded in the Italian EDP notification and in national accounts.

Eurostat appreciated the amount and quality of the information provided by the Italian statistical authorities prior to the EDP dialogue visit. Eurostat also thanked the Italian statistical authorities for the explanations given during the mission and appreciated the transparent and constructive discussions.

1. Review of statistical capacity issues

1.1. Institutional responsibilities for the reporting of data under ESA95, EDP and other government statistics

Introduction

All activities related to the preparation and transmission of EDP notification tables to Eurostat are coordinated by ISTAT. ISTAT is responsible for the compilation of the actual government net lending/net borrowing. Bank of Italy and the MoF are also involved in the production of Government Finance Statistics (GFS). In particular, Bank of Italy is responsible for the compilation of Maastricht debt and the MoF for the data on public sector borrowing requirement (i.e. the cash based public accounts working balance) as well as the planned data (forecasts).

Discussions and methodological analysis

At the request of Eurostat, the Italian statistical authorities described the cooperation between the institutions involved in the preparation of government finance statistics and the EDP tables. The cooperation is based on agreements between ISTAT, the General Accounts Department (RGS) and the Fiscal Policy Department of the Ministry of Economic Affairs as well as the Ministry of Health and the Bank of Italy. The framework agreements have been renewed in 2009, including arrangements on EDP and other issues. Regular meetings of the permanent group dealing with GFS issues are organised, mainly to discuss methodological issues and to analyse the consistency of the data. Minutes of these meetings can be made available to Eurostat.

Eurostat enquired about the cooperation with the Ministry of Health. The Italian statistical authorities mentioned enhanced cooperation with the Ministry of Health for the compilation of trade credits and advances in EDP table 4 (AF71L).

Findings and conclusions

Action point 0: Eurostat took note of the existing institutional responsibilities of ISTAT, the Ministry of Finance and the Bank of Italy in the field of Government Finance Statistics.

1.2. Source data characteristics and revision policy

1.2.1 Source data characteristics

Introduction

The consolidated inventory of sources and methods of Italy is published on Eurostat's website. The inventory provides information on data availability and data sources for all subsectors of the general government sector.

Prior to the EDP dialogue visit, ISTAT provided an updated list of units by category which is presented as an Annex to the consolidated Inventory of sources and methods for EDP statistics. The list was published in the Official Journal of the Italian Republic on 24 July 2010 and is also available on the ISTAT's website. ISTAT also provided an update on the implementation of the SIOPE system.

Discussions and methodological analysis

ISTAT recalled the delimitation of the general government sector in Italy, which comprises the central government (S.1311), the local government (S.1313) and the social security funds (S.1314). The subsector S.1311 consists of the "State", Research Bodies, Independent administrative authorities and Institutions providing cultural and recreation services at the central level.

ISTAT described the main source data for central government (S.1311): a) the Budget reporting (it includes the revenue and expenditure of the ministries), b) the Treasury State Sector Accounts Table (quarterly report on cash borrowing requirement), c) the simplified account of State expenditure (it includes detailed expenditures appearing in the State budget), d) breakdown of tax revenue by type of taxes on a cash and assessment basis, e) detailed off-budget funds of ministries, f) state expenditure on military equipment under long-term contracts, g) detailed information on the EU flows.

There is consistency between the budget reporting of the State and the budget reporting of the other general government bodies. The data in the budget reporting is on a cash and assessment basis (with the assessments not usually corresponding to the accrual basis, as defined in ESA95).

The data from other central government bodies is collected from their profit and loss accounts and balance sheets (on an accrual basis), or from census surveys conducted by ISTAT with standard questionnaires (on a cash basis).

The subsector S.1313 is composed of Regions and autonomous Provinces, Provinces, Municipalities, Chambers of Commerce and other economic bodies at local level, notably providers of health, education and cultural services at local level.

The main data source for the compilation of the accounts of Regions is the budget reporting (detailed current and capital revenue and expenditure). The accounts for the Provinces and Municipalities are based on the final accounts certificates (by the Ministry of Interior up to year t-2). The source for the Local Health Agencies and Hospital Agencies is the quarterly and annual survey of the income and expenditure statements of those bodies (conducted by the Ministry of Health). For the other bodies of local government, ISTAT conducts a survey, based on their economic or financial accounting specifications.

The subsector S.1314 includes three large bodies: the National Institute of Social Insurance (INPS), the National Institute for Insurance against Accidents at Work (INAIL) and the National Insurance Institute for Employees of the Public Administration (INPDAP), and other smaller bodies (most of them private). The main data sources are two surveys of ISTAT, for social security bodies having a public legal personality and for those that have a private legal personality. The social security bodies having a public legal personality compile a financial statement typical for public accounting. INPS compiles also an economic statement which, although not very detailed, is linked to the financial statement. The bodies that have private legal personality compile income and expenditure statements and balance sheets according to the rules applied to private sector businesses.

ISTAT described the SIOPE (General Government Transactions Information System), which is operational since January 2008. Since 2010, through SIOPE, all the receipts and payments of public bodies are available daily to the State General Accounting Department.

ISTAT pointed out that a new law (31 December 2009, no. 196), defining the new accounting rules for public accounts, established that, starting from 2010, cash flows of government bodies should derive from the SIOPE System. According to this law, the quarterly cash reports, previously used for the calculation of the working balance, were replaced by cash data from SIOPE for the majority of units belonging to the general government sector. ISTAT mentioned that the cash flows collected from the SIOPE system have been used in the calculation of the working balance for the year 2010, and the year 2009 data has been revised using the same source data.

At the request of Eurostat, the Italian statistical authorities clarified that data from SIOPE is used for almost all units belonging to the general government sector.

ISTAT explained that the source data used allow compiling half final data in April and final data in June, for the “State”, final data for t-1 in June of year t for the Regions (expenditure and revenue) and half-finalised data for year t-1 in year t for Municipalities (data is from the Ministry of Interior). For local health units (LHU), data is available from the profit and loss accounts, on an accrual basis; the data is final in April of year t, for the year t-3. For social security funds, quarterly cash flows are available in year t for year t-1 data and in addition, financial statements for funds having a public legal status and profit and loss accounts for those with a private legal status. However, the final data for social security funds is available in year t for the year t-2 data.

Eurostat requested explanations on the improvements in the reporting, after the introduction of SIOPE. ISTAT explained that a high degree of detail of the cash data is available through SIOPE (used for reporting by regions and municipalities), which has very detailed technical rules. This allows better estimations of the accruals due to in-depth analysis of the information available.

Eurostat asked a confirmation concerning the State data of year t-2, which may be final in year t-1 in October. ISTAT pointed out that, normally, there are no reasons for revisions. However, some corrections may occur, due to more in-depth analysis of the data.

Eurostat wondered if revisions should still be expected for data in the years 2008 and 2009, in the future submission of EDP tables, taking into account that SIOPE is used as a data source starting from 2010.

ISTAT considered unlikely any revisions of data for the year 2008, due to data sources. The year 2009 data has already been compiled based on SIOPE. However, some minor revisions due to other reasons might be possible.

Eurostat enquired if "commitment" data means accrual data. ISTAT explained that adjustments are needed to commitments in order to transform them into accrual data, both concerning the amounts and the period of recording.

Eurostat and the Italian statistical authorities discussed on the updated number of units included in the general government sector, based on the table provided by ISTAT prior to the EDP dialogue visit.

Findings and conclusions

Eurostat took note of the quality of source data and of the change in the Italian legislation concerning the source data for public bodies.

Action point 1: ISTAT will update the EDP inventory, with the description of the advancement in using SIOPE for compilation of national accounts for general government (in particular for local government), and will update Annex 1 (including table 1) of the EDP inventory showing institutional units included in the general government sector with data for 2009 and 2010¹.

¹ Action point implemented

1.2.2 Revision policy

Introduction

The Italian statistical authorities participated in the pilot exercise and completed the part on Revision policy of the new format of the EDP inventory.

ISTAT publishes the general government accounts on 1st of March of year t for the years t-4 to t-1 at the same time of the GDP release. The same figures are provided at the end of March to Eurostat, fully consistent with national accounts aggregates.

There are no revisions to EDP figures between end of March and end of September notifications, except for occasional revisions due to specific issues resulting from new relevant data or from discussions with Eurostat. The annual data is revised between two April notifications and this revision policy depends on the status of sources used in the net borrowing calculation for each year.

Discussions and methodological analysis

Eurostat asked for explanations on the magnitude of revisions showed in April, which is a different revision policy than in most Member States.

ISTAT explained that the magnitude of the revisions between two April notifications could be reduced, if the net lending/net borrowing was calculated twice a year, however this would imply a revision of the whole system of calculation. ISTAT has a legal obligation to present the data at the end of February of each year.

Eurostat insisted on the fact that most Member States revise their data in October and advised the Italian statistical authorities to envisage the possibility to change the revision policy, especially because the figures of April were not very precise. Moreover, according to the description of the data sources, data for the State is available before the October notification. Therefore, it would be advisable to use the new figures rather than wait until March of the following year.

ISTAT stressed that a revision in October would lead to revisions of the whole national accounts and related statistics, however, promised to analyse the issue in order to find a solution to the significant revisions between April notification of two subsequent years.

Findings and conclusions

Action point 2: ISTAT will assess whether the revisions of the EDP B.9 due to revised State budget data have been negligible in the past between the April and the October EDP notifications and report to Eurostat on this issue.²

Action point 3: In case the revision of the State data between April and October has not been negligible, Eurostat encourages ISTAT to envisage the possibility of changing its revision policy, as updated data for the central government sub-sector are available for the October EDP notifications.³

² Action point implemented according to the deadline.

³ The revision policy has not been revised.

2. Follow-up of the last EDP dialogue visit to Italy (23-24 March 2009)

Introduction

There were no outstanding issues from the previous EDP dialogue visit to Italy. However Eurostat asked to be informed on the monitoring of the compliance with the rules for sector delimitation, especially for the local government sector, on the development of the MOSES project as well as on the operations conducted by Cassa Depositi e Prestiti (CDP) in the context of the new legal framework.

Discussions and methodological analysis

Action point 11: Concerning the sector delimitation of public units, Eurostat encouraged the Italian statistical authorities to continue monitoring the compliance with the classification rules, especially for those units established by local government to externalise activities previously carried out by government.

ISTAT explained that the compliance with the classification rules is regularly checked for the government units.

Eurostat requested the analysis to be provided by the Italian statistical authorities, whenever it is done.

Action point 12: After the April 2009 notification, ISTAT will send a note analysing the possible impact on government accounts of the MOSES construction project of flood barriers in Venice. ISTAT was also encouraged to inform Eurostat regularly on such issues, especially when big projects are concerned.

The Italian statistical authorities mentioned that about 60 % of the Moses project is finalised and recorded as gross fixed capital formation.

Action point 13: Eurostat invited ISTAT to closely monitor the operations which will be conducted by the Cassa Depositi e Prestiti in the context of the new legal framework in order to control whether some operations would need to be rerouted through government. (medium term action)

At the request of Eurostat, the Italian statistical authorities explained that CDP (which is owned by the State and the Italian banking foundations) is involved in some infrastructure projects, and has no implication in the financial turmoil. The acquisition of strategic participation in some companies is under discussion.

Eurostat enquired on the implication of CDP in ordinary investment in infrastructure and wondered if CDP does not act on behalf of the Italian government. The Italian statistical authorities pointed out that CDP acts like any normal private investor and not for public policy purposes.

Findings and conclusions

Action point 4: ISTAT will continue to monitor the activities of "Cassa Depositi e Prestiti" (CDP) in order to find out if all are undertaken under market conditions and to ascertain if there is no need to reroute some operations through government. By the October 2011 EDP notification, ISTAT will send a note to Eurostat on this issue, including a description and an analysis of the special loans with state guarantee provided by CDP to enterprises.⁴

3. Actual data - the April 2011 EDP notification

3.1 Examination of the EDP tables in relation with the Questionnaire relating to EDP tables

Introduction

Under this item of the agenda, Eurostat discussed with the Italian statistical authorities the April 2011 EDP notification tables in relation to the Questionnaire related to EDP notification, as compared to the October 2010 EDP notification.

Prior to the dialogue visit, the Italian statistical authorities provided Eurostat with a note and a table on reconciliation of transactions in F.7, as reported in EDP tables 2 and 3.

Discussions and methodological analysis

EDP table 2A

At the request of Eurostat, the Italian statistical authorities explained that the working balance in table 2A is the balance of cash flows (the difference between expenditure and revenue) of the public sector, which is very close to the definition of the central government sub-sector, including other bodies than the "State". Consequently, there is no adjustment for sector delimitation in table 2A.

Eurostat asked about the recording in EDP table 2A of the current transfers for sub-sectors, for the years 2007 and 2008, which have been revised in the April 2011 EDP notification. ISTAT explained that the revision is due to the reallocation of transfers from one sub-sector to another, following a crosschecking of inflows and outflows data received from each sub-sector of general government and from other sectors. An improvement of the data is expected from SIOPE, which can provide better information of outflows of the State to each level of local government (regions, provinces and municipalities), and by type of expenditure.

Eurostat stressed that it was very difficult to analyse the "other accounts receivable" and "other accounts payable" in EDP table 2A in connection to the similar transactions in EDP table 3B.

⁴ Action point implemented in April 2012. Three particular businesses of CDP were analysed: the fund for small and medium-size enterprises, the business revolving loan fund and the export bank operations.

ISTAT confirmed that other accounts receivable in EDP 2A contain, besides transactions related to taxes, military equipment and other transactions, the interest receivable, while in EDP table 3B, it contains both receivables and payables related to interest. Moreover, the balance of EU flows (outflows from the Treasury to beneficiaries), reported in EDP table 3A, is shown in EDP table 2A under “other adjustments”.

Eurostat stressed that the time difference on interest for loans should be treated in the same way in EDP tables 2 and 3, preferably recorded with the instrument, as requested by ESA95. If reported as "other accounts payable" or "other accounts receivable", the adjustment lines in EDP table 3 would not be comparable with other Member States.

For the adjustments for the EU flows, Eurostat analysed the sub-set of EDP tables 2A, 2C and 3A, showing the recording of the EU funds, provided by ISTAT prior to the EDP dialogue visit. The balance of EU flows is shown in EDP table 2A as "other adjustments" and in EDP table 3B in "other accounts receivable/payable", which makes the analysis of data difficult. Therefore, Eurostat stressed on a symmetrical recording.

Table 2C

Eurostat and the Italian statistical authorities agreed that the same principles as in tables 2A and 3B discussed above, should apply to interest and EU funds recorded in EDP tables 2C and 3D.

Table 2D

Eurostat asked for explanations on the reasons why the working balance in EDP table 2D is always zero.

ISTAT explained that the social security funds subsector is a particular case; the zero amounts for the working balance means that in fact its balance is included in the State. Transfers from the State to the social security funds and the other way round, related to the working balance, occur, as INAIL's surplus is included in the treasury accounts (therefore in the working balance) and INPS is always balanced. According to the Italian statistical authorities, the social security funds cannot incur debt, except for some minor debt for collateral activities like securitisation of buildings.

It was agreed that this was a presentational issue, however ISTAT agreed to provide a short explanation of the “zero balance” in the column “comments” of the EDP table 2D.

Eurostat asked for an explanation for the different trend observed for receivables and payables in 2010, where receivables doubled as compared to 2009, while for the payables almost the same amount is shown as in 2009. ISTAT explained that part of the receivables relates to social contributions collectable by INPADP, and INPS. For the year 2010, a significant amount of receivables relates to delayed payments for renewals of contracts and payments of arrears made in the public sector, which were collected by INPADP in early 2011. The payables relate to social benefits.

Eurostat pointed out the significant accumulated stock of receivables for social contributions reported in table 5 of the Questionnaire on EDP notification, in the last years, and wondered if this reflects the economic reality.

The issue of calculation of social contributions on an accrual basis was discussed under the methodology item.

Table 3D

Eurostat asked the Italian statistical authorities to confirm that in the line “net acquisition of shares and other equity” the net amount is reported. ISTAT promised to investigate and send a note to Eurostat on the issue of recording of shares and other equity for local government.

Table 4

Introduction

Data on the stock of trade credits and advances (AF.71L) in EDP table 4 are not reported. This has already been discussed, on several occasions, with the Italian statistical authorities. During the assessment of EDP data in the October 2010 and April 2011 notifications, the Italian statistical authorities had informed Eurostat that they were working on the data, especially for the health care entities, based on microeconomic data of a sample of Local Health Units balance sheets.

Prior to the EDP dialogue visit, the Italian statistical authorities provided Eurostat with a note explaining the status of the work for compiling AF7L.

Discussions and methodological analysis

ISTAT detailed the progress in gathering the information on the stock of trade credits for Local Health Units (LHU) and explained the key elements used to compile the figures. The most important aspects are the reconciliation and the consistency checks for the accrual and cash revenue and expenditure data from the profit and loss accounts and balance sheets of the units and from SIOPE. ISTAT mentioned that some of the issues of concern related to "other accounts" which are carefully analysed, e.g. cash advances not accounted in the balance sheet, payments made by Regions on behalf of the LHU, accounted in SIOPE, but not in the accounts of the LHU and netting of credits and debt between different LHUs.

Eurostat requested to see the results of the analysis undertaken by the ISTAT in cooperation with the Ministry of Health. ISTAT expressed its confidence that the result of the work will be available in about one year.

Eurostat expressed its concern that the stock of other accounts payable (AF7L) has been until now published without the data from Local Health units and invited the Italian statistical institute to go on with the investigation in order to get results as soon as possible.

Findings and conclusions

Action point 5: From the October 2011 EDP notification onwards, the accounts payable in EDP tables 2A/3B and 2C/3D will be reported in a consistent way: interest should be reported under the instruments (in tables 3) and EU flows under payables/receivables if this is the case (in tables 2).⁵

⁵ Action point implemented according to the deadline

Action point 6: From the October 2011 EDP notification onwards, the presentation of the working balance in EDP table 2D, which is always zero, should be explained in the table (in the last column). Also the line « other financial transactions », which seem to relate to the cash transfer from central government working balance, should be explained either in the last column of the table 2D or in table 2 of the Questionnaire relating to EDP notifications.⁶

Action point 8: Eurostat takes note of the advancement of the calculations of AF71L for local health units and encourages the Italian statistical authorities to intensify their efforts to complete the calculations and report the line AF71 L in table 4 as soon as possible.⁷

Action point 17: Before mid August 2011, the Italian statistical authorities will provide a note on the recording of transactions in shares for local government (for increases and reductions) as reported in table 3D. In particular it will be checked whether the amounts reported are gross or net.⁸

3.2 Statistical discrepancies

Introduction

The statistical discrepancies are significant in EDP tables 2A, 2C, 3A and 3B. This issue has also been discussed in the EDP dialogue visit of 2009, as well as during the assessment of EDP data in April 2011. Part of statistical discrepancies may occur in the process of consolidation of the sources used to compile the accounts of general government.

Discussions and methodological analysis

Eurostat noted that for EDP tables 3A and 3B, the statistical discrepancies are significant, while for EDP tables 2 the sum of statistical discrepancies for the sub-sectors is less important. However, many Member States do not report statistical discrepancies in EDP tables 2.

Eurostat wondered whether one of the reasons for statistical discrepancies is the use of different data sources for the compilation of national accounts for general government than those for the compilation of EDP tables 2.

ISTAT confirmed that the B.9 is calculated from different data sources for national accounts. At the same time, the B.9f is calculated from the financing side for liabilities and from direct sources for assets of shares, other equity and loans. The two balancing items, B.9 and B.9f, should be comparable and for reasons of transparency, the statistical discrepancies are shown. ISTAT pointed out that with more extensive use of SIOPE, the statistical discrepancies might be reduced.

Eurostat suggested that the statistical discrepancies might be the result of the consolidation, as it can be interpreted from the data reported in EDP tables 2, and that ISTAT should analyse the sub-sector data more in-depth.

⁶ Action point implemented according to the deadline.

⁷ Data on trade credits and advances (AF71L) is not reported in EDP table 4.

⁸ Action point implemented in August 2011. At the occasion of the EDP notification of October 2011, the lines relating to reduction in loans and reduction in shares and other equity were revised.

Eurostat questioned if the deficit of the general government sector for the year 2010 was not underestimated, as the sum of statistical discrepancies was negative. The Italian statistical authorities confirmed that the debt figures were correct, and that there was no danger of underestimation of the deficit.

Eurostat stressed that progress is expected from the Italian statistical authorities for the reduction of statistical discrepancies in both EDP tables 2 and 3. The Italian statistical authorities confirmed that the work is ongoing and results are expected in the near future.

Findings and conclusions

Action point 7: The Bank of Italy and ISTAT will continue the work to identify the reasons of some non-negligible statistical discrepancies in the EDP notification tables and to find solutions to reduce them. ISTAT will send a note to Eurostat before April 2012 on the results of this work.⁹

3.3 Other EDP relating tables

(a) Tables on the financial crisis

Introduction

Since April 2009, the Italian statistical authorities provide Eurostat, twice a year, with the information on government interventions in the context of the financial crisis. In 2009, the Italian government subscribed special bonds issued by banks for an amount of 4050 million euro; the transfer of cash increased the government debt, by the same amount.

Discussions and methodological analysis

At the request of Eurostat, the Italian statistical authorities explained the operation. In 2009, the table reports the subscriptions by the State of bonds issued by banks. These are hybrid instruments, with no voting rights attached and therefore are recorded as other equity (F.5), assets of the government.

Eurostat questioned if this can be considered a financial transaction. The Italian statistical authorities argued that from the amount of about 4 billion euro, already in 2011 about 1 billion was reimbursed. The net calculated revenue of the operation in 2010, impacting the deficit, was about 88 million euro (the interest payable is about 139 million while the dividends receivable by the government is about 227 million euro).

Findings and conclusions

Eurostat took note of the explanations provided by the Italian statistical authorities on this issue.

⁹ Action point not yet implemented, the Italian statistical authorities reported in April 2012 that the work is still on-going.

(b) Tables on intergovernmental lending

Introduction

Since April 2011, the Italian statistical authorities provide Eurostat, on a quarterly basis, with the information on lending to other Member States.

Discussions and methodological analysis

Eurostat enquired if the amount reported together with the EDP notification tables of April 2011 related to government lending only to Greece or also to other countries.

The Italian statistical authorities confirmed that even if lending to other countries (Malta) occurred, the amount must have been negligible.

Findings and conclusions

Eurostat took note of the explanations provided by the Italian statistical authorities.

4. Methodological issues

4.1. Delimitation of general government, classification of institutional units according to ESA95

Introduction

The Italian statistical authorities provided Eurostat, prior to the EDP dialogue visit, with a short note describing the recent developments concerning the delimitation of government sector in the light of the law of 31 Dec. n.196/2009, (art.1)“Legge di contabilità e finanza pubblica”. ISTAT also provided Eurostat with a table describing the institutional units included in the general government sector, by sub-sectors, as well as tables describing the changes since the publication in 2009 of the EDP Inventory.

Discussions and methodological analysis

At the request of Eurostat, ISTAT explained that since the last update of the EDP Inventory (in 2009), some migration in the list of units has been recorded: some units (17 units) disappeared, some units (90 units outflows and 41 units inflows) were transformed and some units (83 units) were created. Some transformation of units will be reported also for the year 2011.

ISTAT explained that, according to the law, it has the obligation to publish the list of units recorded in the general government sector, which is based on economic criteria. Sometimes the sector classification of units, based on economic criteria, does not coincide with the set of public units according to the public law. Therefore, the use of the ISTAT list for fiscal policy interventions gave rise to a large number of judicial disputes and administrative recourses. This caused a great burden of work for the National Accounts Directorate, who has to justify case by case, based on an impressive number of documents.

ISTAT expressed its concern about the fact that the statistical list is transformed into an administrative one and informed Eurostat that an increased number of recourses are expected in the future.

Eurostat asked for the specific list of public corporations, including transport units, water and electricity suppliers, and enquired if the accounts of public corporations are analysed regularly for the market/non-market test.

ISTAT confirmed that all public corporations are tested in order to decide if they are market or non-market (the 50% test), based on the data on sales and costs from their business accounts.

Eurostat recalled the report to the Ecofin Council on the impact of the new rules for the market/non-market test, according to ESA2010, on the deficit and debt, and enquired about the status of the analysis done by the Italian statistical authorities.

ISTAT stressed that an impressive amount of work due to the regular revision of the whole national accounts made it difficult to perform the analysis in a short time and suggested a postponement of the deadline. Eurostat accepted the proposal, however insisted to receive the questionnaire by 15 July 2011.

ESTAT enquired about the sector classification of ATAC spa (the enterprise supplying local transportation services to the Municipality of Rome) and asked the Italian statistical authorities how significant were the capital injections to this corporation, as compared to the losses reported in table 10.2 of the Questionnaire related to EDP notification.

ISTAT explained that ATAC spa is one of the units which are monitored carefully and that until now the corporation complied with the 50% rule and therefore is classified outside the local government sector (in the non-financial corporations sector, S.11).

Eurostat asked the Italian statistical authorities to investigate a loan to ATAC spa of about 500 million euro, provided by the Municipality of Rome in the year 2009.

Findings and conclusions

Action point 13: Before the October 2011 EDP notification, ISTAT will send to Eurostat a list of public units controlled by the local government in the domain of public transportation and other public utilities (to be identified). The list will also provide information on sales, costs and on the market/non-market test for the latest 3 years for each unit, as well as their sub-sector classification.¹⁰

Action point 14: Before the October 2011 EDP notification, ISTAT will send to Eurostat the profit and loss accounts and balance sheets of the 10 biggest local public transportation corporations.¹⁰

Action point 15: Before the October 2011 EDP notification, ISTAT will send examples of recent verifications for central government and local government units (five for central government and five for local government) for which the sector classification changed between the years 2009 and 2010.¹⁰

Action point 16: Before 15 July 2011, ISTAT will try to answer the questionnaire on the impact of the market/non-market test according to the provisions of ESA2010.¹⁰

¹⁰ Action point implemented according to the deadline

*Action point 19: Before the October 2011 EDP notification, the Italian statistical authorities will provide a note on the sector classification of ATAC and a description on how the system concerning the financing of losses of ATAC works and will also investigate the nature of a loan of 500 mill € provided by the City of Rome to ATAC in 2009. The accounts of ATAC should be provided for 2009 and 2010.*¹⁰

4.2. Implementation of the accrual principle:

4.2.1. Taxes and social contributions

Taxes

Introduction

ISTAT provided to Eurostat, prior to the EDP dialogue visit, an updated note on cash and accrual recording of indirect taxes and social security contributions and an updated questionnaire on taxes and social contributions.

Discussions and methodological analysis

ISTAT explained the two methods of collection of taxes by the Italian administration: the self-declarations by the tax payers and the assessment by the tax authority of the taxes due by the tax payers. A special form (F24) is used for personal income tax, corporate tax, VAT, regional tax on productive activities and municipal real estate tax, through which taxes can be recorded according to the ESA requirements of time of recording.

Eurostat enquired about the revision of the stock of taxes from the October 2010 to the April 2011 notification, shown in the Questionnaire related to EDP tables. ISTAT explained that while analysing the impact of the new method of recording of cash flows, involving "compensation of taxes", applied for the region Friuli Venezia Giulia for 2009, it was found out that also for Sicilia region a similar correction to the figures of the year 2010 had to be done, leading to an impact on the "other accounts receivable" and "other accounts payable" in EDP table 2. However, for the past years, due to the lack of time, the revision can only be done in the EDP notification of October 2011.

Findings and conclusions

Eurostat took note of the explanations provided by the Italian statistical authorities and of the revision of "other accounts receivable" and "other accounts payable" related to taxes in the EDP tables and the Questionnaire related to the notification tables of October 2011, due to an amount of compensation of taxes for the region Sicilia, which will improve statistical discrepancies.

Social contributions

Introduction

During the assessment of deficit and debt data in April 2011, it has been pointed out that the stock of social contributions reported in table 5 of the Questionnaire related to the EDP notification, increased significantly over the past 15 years, and especially during the last years.

In addition to the updated note on accrual recording of social security contributions, ISTAT provided, prior to the EDP dialogue visit, the calculation of the depreciation coefficient for social contributions for 2010. For the calculation of accrual social contributions, ISTAT uses the assessment method, where the amounts are corrected with a depreciation coefficient for the amounts unlikely to be collected.

Discussions and methodological analysis

Eurostat analysed the stock of receivables for social contributions, in connection with the actual social contributions (D.61, in ESA95 terms) and pointed out that, despite the claimed improvements in collecting of the amounts by INPS, the stock was continuously increasing. ISTAT explained that the growth of the stock of receivables for social contributions for 2010 depends mainly on INPDAP, and that a decrease is expected in 2011. ISTAT also pointed out that, since 2008, a more prudent approach has been applied when calculating the adjustment coefficient (depreciation coefficient) for INPS and INAIL.

ISTAT presented in detail the method for calculation of social contributions on an accrual basis, for the three main social security bodies: INPS (collecting about 63% of the total social contributions), INPDAP (collecting about 27% of social contributions) and INAIL (collecting about 4%). The depreciation coefficient (to take into account social contributions unlikely to be collected) is calculated based on a sophisticated model, applied to data for INPS and INAIL. The same depreciation coefficient applies to INPS and INAIL. INPDAP is not exposed to the non-collection risk, as it manages the social contribution from the employees of general government.

The calculated depreciation coefficient for 2009 has been revised due to the enhanced capacity of INPS to collect social contributions and the large number of requests from corporations for payment in instalments of the social contributions due.

Eurostat appreciated the explanations, however pointed out that at end of 2010, the reported stock of receivables for social contributions was about 50 billion euro. When analysing the figures in relation to the amounts of social contributions from the final budget of the year 2010, it appears that a significant amount of social contributions is expected to be collected in the future. Eurostat wondered if the model used to calculate the coefficient was appropriate and whether the assessed amounts would ever be received by the government.

ISTAT suggested that the problem may be the accumulated stock from previous years, which might be wrong, rather than the method for calculation of the depreciation coefficient.

Eurostat expressed its doubts on the depreciation coefficient applied, which seems to take into account more the legal basis than the economic reality and wondered if the EDP B.9 has not been overestimated in the last years. Eurostat suggested that possibly the method applied for calculation of social contributions, which is the assessment method, may not be appropriate during an economic crisis.

Findings and conclusions

Action point 10: The Italian statistical authorities will investigate the large increase of amounts receivable for social contributions since 1995 and modify the present method for compilation, which is inadequate, and report to Eurostat on this issue at the latest by mid-September 2011. ESTAT pointed out the implausibility of the existing recorded stocks of amounts receivable for social contributions.¹¹

Action point 11: Before mid-September 2011, ISTAT will provide Eurostat with the cash and assessment data on social contributions, for each of the funds (INAIL, INPDAP, INPS) for the period 1995-2010.¹⁰

Action point 12: ISTAT will propose solutions to correct the data recorded for social contributions, both on flows and stocks for the past years. The possibility of moving to a completely alternative approach will also be thoroughly explored. For mid-September 2011, ISTAT will propose a method to record social contributions in a way which would reflect the economic reality rather than the legal basis.¹⁰

4.2.2 Interest

Introduction

Prior to the EDP dialogue visit, the Italian statistical authorities provided a note describing the calculation of the accrual interest and two tables showing the recording of interest, by instrument, as reported in EDP tables.

Discussions and methodological analysis

For the calculation of interest, ISTAT uses the interest expenditure supplied by the Italian Treasury. The interest expenditure in national accounts is calculated according to the accrual principle for the entire portfolio of government securities. The calculation methods were explained in detail by ISTAT, in the note. There are currently six main types of government securities: *Buoni Ordinari del Tesoro* (BOTs), *Certificati del Tesoro Zero Coupon* (CTZs), *Buoni del Tesoro Poliennali* (BTPs), *Buoni del Tesoro Poliennali indicizzati all' index HICP* (BTPei), *Certificati di Credito del Tesoro Euribor* (CCTeu), and *Certificati di Credito del Tesoro* (CCTs). The securities differ in terms of their maturity and the type of interest rate, which may be fixed or floating, or may be represented by the discount at issuance. In the event of indexed or floating rate, the payment of coupon interest is almost always done in arrears with respect to the accrual starting date and therefore with respect to the date for determining the index.

The flows generated by swap derivative contracts are also included in the securities portfolio.

The expenditure is calculated on an accrual basis, and includes the net flows of the swap transaction accrued during the reference period. Since the 2008 EDP notification, the financial derivatives are recorded according to the Eurostat guidelines on derivatives issued in March 2008 in relation to the accounting treatment of lump sums received at inception and of the sums received/paid as of the anticipated termination of the contracts.

¹¹ Action point implemented, the depreciation coefficient for social contributions was revised and the stock of receivables was reduced.

Findings and conclusions

Eurostat took note of the description of the calculation of interest on an accrual basis and had no questions concerning the reported data in the tables provided prior to the EDP dialogue visit. For the reporting of data in EDP tables 2 and 3, ISTAT will implement Action point 5 above.

4.3 Recording of specific government transactions

4.3.1 Government guarantees

Introduction

Prior to the EDP dialogue visit, ISTAT provided a table on the outstanding amount of debt of big public corporations, including the debt guaranteed by the government, as well as the amounts of new government guarantees, for the period 2006-2009, as recorded in public accounts and in ESA95.

In Italy there have been very few guarantee calls. However, some are reported for 2009 and 2010, which are recorded as expenditure in ESA95, impacting the deficit. New guarantees are treated as contingent liabilities and thus are not recorded in national accounts.

Discussions and methodological analysis

Eurostat analysed the data provided by ISTAT in table 9 of the Questionnaire related to the EDP notification and the recent information from the table on debt guaranteed by government, for SACE and CDP. It was concluded that the guarantees provided to SACE and CDP should not be reported in table 9.1, as it was the case in the past, because these were guarantees on financial assets and the table requests guarantees on liabilities. ISTAT confirmed that there were no guarantees on the liabilities of financial corporations.

Eurostat asked if any data on guarantees provided by the local authorities is available. The Italian statistical authorities explained that the Regions can, by law, provide guarantees to local government (municipalities) and promised to try improving table 9 of the Questionnaire related to the EDP notification, with information from local government sector.

Eurostat enquired about the risk related to the guarantees provided by government to CDP and requested ISTAT to investigate if government does not take any risk which would lead to rerouting the operations into government accounts.

Findings and conclusions

*Action point 9: From the October 2011 EDP notification onwards, table 9.1 of the Questionnaire relating to EDP will be improved by excluding guarantees on assets as reported at present (CDP and SACE), because the table should only include guaranteed debt. With the cooperation of the Bank of Italy, the existence of explicit guarantees by local government to public enterprises will be checked and included in the table if needed.*¹²

¹² Action point implemented according to the deadline

4.3.2. Capital injections, superdividends and privatisations

Introduction

Under this item of the agenda, tables 10.1 and 10.2 of the Questionnaire relating to the EDP notification, and the link with the figures reported in EDP tables 2 and 3, were analysed.

Discussions and methodological analysis

Eurostat questioned the amount of capital injections for local government classified as financial transactions. ISTAT explained that the increase in shares is recorded in EDP table 3D, under "acquisition of shares and other equity". Taking into account that, during the reporting period, there were no privatisations at the level of local government, the amounts in EDP table 3D reflect the capital injections recorded as financial transactions (715 million euro in 2008, 786 million in 2009 and 605 million euro in 2010). However, the Italian statistical authorities mentioned that the figures might be recorded net and agreed to investigate on the issue.

Eurostat investigated on the issue of the superdividends and enquired if the test is regularly done. In table 10.2 of the Questionnaire related to the EDP notification, dividends paid by Poste Italiane are recorded in the year 2010. Eurostat asked if ISTAT analysed the operation with a view of deciding if these are normal dividends, recorded as revenue in the government national accounts, or superdividends, which should be recorded without impact on the deficit. Eurostat wondered whether the time of recording was correct and whether there were no dividends paid in the previous years.

Findings and conclusions

*Action point 18: Before mid August 2011, ISTAT will check if "Poste Italiane" paid any dividends to the government in previous years and how this was recorded for EDP purposes. ISTAT will send to Eurostat the accounts of Poste Italiane for the years 2009 and 2010.*¹³

4.3.3. Debt assumptions/debt cancellations/write-offs

Introduction

Under this item of the agenda, the issue of debt assumption or debt cancellation for entities other than the State, was discussed.

Discussions and methodological analysis

Eurostat analysed table 8 and the related table 9 of the Questionnaire related to the EDP notification and enquired if the local government units can legally assume debt of public corporations. ISTAT mentioned that this would be quite unusual that local government assumes some debt of public corporations, however committed itself to investigate and report to Eurostat, as soon as possible.

Findings and conclusions

*Action point 20: ISTAT will check whether there have been any cases of debt assumptions/cancellation by local government units.*¹⁴

¹³ Action point implemented according to the deadline

4.3.4. Recording of EU flows

Introduction

Prior to the EDP dialogue visit, ISTAT provided a note on EU transactions and EDP tables 2 and 3, showing the recording of the EU flows. Also the survey relating to EU flows has been updated.

Discussions and methodological analysis

ISTAT recalled that the management of EU flows is based on specific accounts at the Regioneria Generale dello Stato (RGS), which contain the certified expenditure (claims submitted). These accounts are headed to EU and to the cash managers (“organismi pagatori”) acting on behalf of the EU. The “organismi pagatori” are only intermediaries between the EU and the final beneficiaries (project managers, public, and private businesses).

At the request of Eurostat, the Italian statistical authorities confirmed that the specific accounts only contain EU funds and provide detailed information.

The impact of the balance of funds (inflows minus outflows) managed on behalf of the EU by central government is included in the first line of EDP table 2A and is neutralised in the line "other adjustments", so there is no impact on EDP B.9.

Eurostat enquired about the revision of the balance of funds managed on behalf of the EU, for the year 2009. ISTAT stated that the revision was a consequence of the analysis of transactions in each State Treasury account headed to EU flows, when it was found out that an amount of about 800 million euro has not been effectively transferred to the final beneficiaries.

Findings and conclusions

Eurostat took note of the explanation provided by the Italian statistical authorities on the recording of EU flows.

4.3.5. PPP contract, Securitisation operations, Sale and leaseback operations

Introduction

Prior to the mission, ISTAT sent to Eurostat a note analysing the risks relating to the PPP project "Ospedale di Castelfranco and Montebelluna" which is classified outside the government accounts (off government balance sheet). Securitisation operations were also discussed under this item of the agenda.

¹⁴ The Italian statistical authorities reported in April 2012 that they are investigating the sources to monitor the phenomenon.

PPP projects

The Italian statistical authorities presented their analysis of the risks concerning the project. The construction risk, the demand risk and the availability risk are borne by the private partner (Asolo Hospital Service S.p.a.). ISTAT confirmed that there is no government guarantee to the private partner for project related borrowing. Taking into account that all the risks are with the private partner and that there is no other government intervention related to the project, the asset is recorded off the government balance sheet.

Eurostat questioned if really all the risks of the PPP project are with the private partner and asked to have a copy of the contract. ISTAT stressed that, according to the documentation available, all penalties for delay are with the private partner.

ISTAT also explained that the information on this kind of projects is gathered through a questionnaire addressed to all public administration entities. The questionnaire is quite new and experimental, for the moment, but it captures the necessary information on the projects sent to UTFP Institute.

Securitisation

In the April 2011 and October 2010 EDP notifications, several securitisation operations were reported for the year 2007. The securitisations were all linked to credits towards the Local Health Units and were classified as government borrowing. ISTAT confirmed that there were no new securitisation operations.

Findings and conclusions

Action point 21: ISTAT will send as soon as possible to Eurostat the PPP contract of the hospital of Castelfranco Veneto and Montebelluna.¹⁵

Eurostat took note that there were no new securitisation operations to be reported.

4.3.6. Military expenditure

Introduction

ISTAT follows the Eurostat decision on recording of military equipment published on 9 March 2006, and records the military equipment acquired after the year 2005, on a delivery basis. Following the same Eurostat decision, for the military equipment under long term contracts involving prepayments, for the period 2002-2004, the transitional arrangements method has been chosen.

¹⁵ The PPP contract has been sent to Eurostat in July 2011.

Discussions and methodological analysis

Eurostat analysed table 7 of the Questionnaire related to the EDP notification, in relation to tables 4.1.1 and 4.1.2, as well as EDP tables 2A and 3B, and asked for confirmation that there are no receivables (advance payments) to be recorded for military equipment, as it is the case in other Member States. ISTAT confirmed that there were some advance payments in the past, and promised to check, with the Ministry of Defence, the recording of acquisitions when Italy is participating like other countries in common projects.

Eurostat wondered if the payables are not recorded “net” and commented that possibly receivables for equipment paid in previous years should be recorded.

Findings and conclusions

Action point 22: ISTAT will check whether there are really no receivables related to military equipment which should be reported in tables 4.1.1, 4.2.1 and 7 of the Questionnaire relating to EDP as well as in EDP tables 2A and 3B, if needed.¹⁶

4.3.7 Recording of financial derivatives

Introduction

Prior to the EDP dialogue visit, the Italian statistical authorities drafted a note on the recording of financial derivatives and reporting in EDP Tables 2 and 3.

Discussions and methodological analysis

The Italian statistical authorities explained the basic principles used in Italy for recording of swaps in EDP tables 2 and 3. In EDP table 2, the cash amounts relating to swaps flows are included in the working balance with a negative sign (expenditure). The difference between interest accrued and paid related to swaps is reported in EDP table 2, in the line “difference between interest paid (+) and accrued (EDP D.41)(-). Through this recording, the swaps flows are included in the net borrowing/net lending balancing item as interests, on an accrual basis.

In EDP Table 3, the swaps flows are neutralised in the block “net acquisitions of financial assets (under F.2 – currency and deposits and F.3 – securities). The swaps flows are then treated as ordinary interests flows in the line “Interest accrued – interest paid +”. The cash amount is subtracted to the differences between interest accrued(-) and paid related to swaps (that is included in the item above), so the final flow impacting on the line Difference between interest (EDP D.41) accrued(-) and paid(+) is the accrued amount of interest swaps (with negative sign).

Eurostat enquired on the swap transactions at the level of local government. According to the Italian statistical authorities, since 2008 the local government does not undertake any swap operation. They were confident that the database contains exhaustive information for local government (on bonds and loans). For municipalities, the information comes from SIOPE, which includes swaps flows from 2007; for regions, the source data is the direct budgetary reporting.

¹⁶ According to the information available, there may be pre-payments related to military equipment, however the amounts can not be distinguished from the post-delivery payments, therefore the recording is net.

Eurostat pointed out that the difference between interest paid and accrued in EDP table 2C was always positive (+ sign), while in EDP table 2A, negative (- sign), with the exception of 2008, and asked for explanations. The Italian statistical authorities explained that the recording in EDP tables of swap flows, since 2006, reflects the general policy concerning the government debt.

Findings and conclusions

Eurostat took note of the explanations given by the Italian statistical authorities on the issue.

5. ESA95 transmission tables

ISTAT recalled that, as announced in April 2011, all national accounts, including GDP figures, are being revised, due to the transition to Nace Rev 2. The work is expected to be finished by the end of September. Therefore, with the EDP notification at the end of September, the new GDP will be reported for the whole period. The outcome of the revision will also impact the figures reported with ESA tables 2 and 9. However, the quarterly accounts will be revised later (by December 2011), which will result in discrepancies between annual accounts and the quarterly data provided at the end of September 2011.

Eurostat took note of the explanations and of the temporary inconsistency between annual and quarterly national accounts for general government.¹⁷

¹⁷ However, the temporary inconsistency related only to non-financial accounts, while for the quarterly financial accounts, there were discrepancies only on the « other accounts receivable/payable » (F.7).

List of participants

EUROSTAT:

Luca Ascoli
Denis Besnard
Cecilia Pop
Viktor Popov

DG Economic and Financial Affairs:

Ernesto Vito Reitano

European Central Bank (ECB):

Henri Maurer

ISTAT (National Institute of Statistics):

Luisa Picozzi (Director of National Accounts Directorate)
Maria Emanuela Montebugnoli
Gerolamo Giungato
Marinella Cosco
Assunta Carulli
Giuseppe Cinquegrana
Michele Marotta
Assunta Fugnitto
Maria Letizia D'Autilia
Rosa Bianca Sanna
Daniela Versace

Ministry of Economy and Finance:

State General Accounting Department:

Federico Nusperli
Pier Paolo Italia
Luciana Patrizi
Cinzia Simeone
Emilia Scafuri

Treasury Department:

Maria Cannata
Paola De Rita

Bank of Italy:

Economic and Financial Statistics Department:

Gabriele Semeraro

Structural Economic Analysis Department:

Alfredo Bardozzetti
Emilio Vadalà

Treasury Services Department:

Daniela Monacelli