

1993 SNA - Updates

Type of update: INTERPRETATION

Other subsidies on production to non-market producers

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The 1993 SNA defines subsidies as follows: “Subsidies are current unrequited payments that government units, including non-resident government units, make to enterprises on the basis of the levels of their production activities or the quantities or values of the goods or services which they produce, sell or import. They are receivable by resident producers or importers. In the case of resident producers they may be designed to influence their levels of production, the prices at which their outputs are sold or the remuneration of the institutional units engaged in production” (para 7.71).

The following paragraph then states: “Subsidies are not payable to final consumers, and current transfers that governments make directly to households as consumers are treated as social benefits. Subsidies also do not include grants that governments make to enterprises in order to finance their capital formation, or compensate them for damage to their capital assets, such grants being treated as capital transfers” (para 7.72).

On the basis of the definition quoted above and as the 1993 SNA also “defines an institutional unit engaged in production as an enterprise. An enterprise may be a corporation..., a non-profit institution, or an unincorporated enterprise” (para 5.1), some experts have pointed out that it is possible to interpret that non-market production units within the sectors of general government and non-profit institutions serving households may also receive other subsidies on production. This treatment would reduce their output and value added, but leave net operating surplus unchanged.

ISWGNA discussed this issue and agreed to adopt the ESA 1995 view that unrequited transfers to non-market producers could be classified as subsidies provided that those payments depend on general regulations applicable to market and non-market producers as well. A clear example was transfers to increase salaries of teachers in both market and non-market enterprises. It was recognized that this was not the explicit intent of the authors of the 1993 SNA, but that the SNA wording was consistent with this treatment.

By convention, subsidies on products can only pertain to market output or to output for own final uses. The ESA 1995 also clarifies further that payments by governments to market producers for goods and services should be treated as social benefits in kind and not subsidies on products if those market producers provide those products directly and

individually to households in the context of social risks or needs and to which the households are legally entitled to.