

**Comments on draft SNA chapter:  
Chapter 22: The general government and public sectors**

**Deadline for comments: 13 September 2008**

**Send comments to: [sna@un.org](mailto:sna@un.org)**

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| Submission date:              | 13 September 2008   |

This template allows you to record your comments on draft SNA chapter 22 “The general government and public sectors” and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any or all parts of the template.

There is no file comparing existing text with draft text for this chapter because the draft is all new text.

Save this template and send it as an attachment to the following e-mail address:

[sna@un.org](mailto:sna@un.org)

**Part I: General comments**

In the space below, please provide any general comments. This may cover e.g. the structure of the chapter, issues missing and (lack of) consistency with other chapters of the 2008 SNA.

*General comments:*

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|------------------------|---|
| <p>General comment</p> | <ul style="list-style-type: none"> <li>• We welcome and support the extra clarity incorporated in the SNA 2008, for example like the indicators of control. We recognise that Volume 1 has been confirmed and this chapter is not intended to break new ground but provide a summary. However, if any of the detailed comments correct an error, there will be a need for cross-checking the corresponding parts elsewhere in Volume 1 to ensure consistency.</li> <br/> <li>• Either in the introduction or early in the chapter, there is a very important need to explain why non-market producers like general government are recorded differently when compared to market producers. For example, in current prices, general government output is equal to the sum of the costs of production, including consumption of fixed capital. Whereas, output of market producers is derived based on sales of goods and services adjusted for issues like changes in inventories of work-in-progress and finished goods not sold.</li> <br/> <li>• Discussion amongst colleagues has raised the issue, and agreement, that much more clarity over the 50 per cent market/non-market classification guidance is needed. For example, a producer may charge prices that do not cover 50 per cent or more of their costs yet charge prices which are economically significant. These prices may be lower than the market prices that would be charged by a market producer providing the same type of goods or services, and say, cover only 30 per cent of the costs. In this case, the producer would be treated as a non-market producer. This does not seem consistent – should the guidance stipulate a higher percentage?</li> <br/> <li>• Need to be consistent with the use of terminology, for example : <ul style="list-style-type: none"> <li>○ “Public unit” should be referred to as “public sector unit”.</li> <li>○ Should use “expenditure” and not “outlays” throughout although the latter term is defined later in the chapter, and is relevant for that section.</li> <li>○ “Units” in some cases are correctly referred to as “institutional units” and in other cases just as “units”.</li> </ul> </li> </ul> |
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## Part II: Comments on specific draft paragraphs and sections

All comments on specific draft paragraphs are welcome. They can be about e.g. scope, content and clarity. Proposing a concrete alternative text or table is also possible. For the paragraphs in separate sections, separate forms are used for providing and collecting comments (see below).

### A. Introduction (paragraphs 22.1-22.12)

|                 |   |
|-----------------|---|
| General comment |   |
| 22.2            | Not all private corporations will be profit maximising. Insert 'general' before “profit-maximising...”  |
| 22.5            | Regarding the other aggregates that are not available, it is worth stating that they can be derived from aggregating identities within the framework. Paragraph 22.6 tries to do this, but a general statement in Paragraph 22.5 will get the message across earlier. For example, in the penultimate sentence, insert “... do not appear as such in the SNA but can be derived through aggregating specific identities that are part of the SNA framework. |

\* Insert rows in this Word table for each paragraph on which you wish to comment.

### B. Defining the general government and public sectors (paragraphs 22.13-22.66)

|                 |   |
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| General comment |   |
| 22.13           | Public corporations may also be controlled indirectly through other public corporations (as written in Paragraph 22.13, this is inconsistent with the correct definition used later in Paragraph 22.27). This point occurs several times in this chapter.   |
| 22.13           | The distinction between government units and NPIs controlled by government provides a source of confusion, since NPIs according to the SNA are also recognised as 'government units'. Ideally a different term should be used, or at least a reference to the definition given in Paragraph 22.17 should be made after government units is mentioned to explain the context in which it is used.  |
| 22.14           | Need to insert “public sector” before “unit is treated ...”.  |
| 22.14/15        | This distinction is based on the production boundary but this is not always relevant. For example, consider a 'corporation' with activity leasing land (or another tangible non-produced asset), which to all intent and purposes acts like a profit-making corporation (including charging market prices). As it behaves like a corporation it should be classified alongside them. But the reference to 'output' excludes such companies from the public corporation sector. If accepted, this point needs to be carried through in numerous places in the chapter. |
| 22.17           | <ul style="list-style-type: none"> <li>• Need to tidy up separation of bullet points, e.g. “;” followed by penultimate point with “and” or use full stops.</li> <li>• For each of the bullets under (b), it would be very useful to the reader for the text to include examples to demonstrate the concept.</li> </ul>  |

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| 22.19       | Sentence starting "This unit is often ..." would be better as the second sentence in this paragraph. Presently, it does not fit-in well in its current location.   |
| 22.20       | 1 <sup>st</sup> sentence, need to briefly explain the difference between expenses and outlays, as these terms are being used for the first time, albeit explanations exist later in the chapter.   |
| 22.22       | 1 <sup>st</sup> sentence, need to explain why a fund is a government unit, i.e. an institutional unit. Reference should be to the management of the fund forms the institutional unit as opposed to the fund itself – akin to pension funds and pension fund managers.   |
| 22.28       | <ul style="list-style-type: none"> <li>• 1<sup>st</sup> sentence, repetition of “a”.</li> <li>• 1<sup>st</sup> sentence, after the 1<sup>st</sup> public corporation, insert “or other parts of the public sector in aggregate,”</li> </ul>  |
| 22.29       | <ul style="list-style-type: none"> <li>• 1<sup>st</sup> sentence, inclusion of “a return to capital” in the estimation of output for own use or the value of non-market output in the production function of government does not seem to have been discussed or agreed at the AEG.</li> <li>• This brings the SNA into line with 50% rule under ESA. However, from experience gained from using this in practice, 50% is very low and entities that are more government-like than corporation-like can end up outside the government sector. An entity charging below the market price, to just cover its costs, should be considered borderline but note that may achieve 100%. Further clearer guidance is needed. Also, see comment for Paragraph 22.31.</li> </ul> |
| 22.30       | This paragraph is unclear. It states that en-bloc classification of entities may be made (for example, if there are hundreds of educational units, which are a mixture of market and non-market when analysed individually, it is acceptable to consistently classify all en-bloc to one sector based on the total position of them all) but having established this approach it then suggests in the last sentence that the approach is not acceptable.   |
| 22.31       | Last sentence is inconsistent with Paragraph 22.29. This sentence mentions “...large portion of their costs, but...”. The terms “large” and “majority” as used in Paragraph 22.29 are very different.  |
| 22.34       | This paragraph introduces the term “public producer” without defining it. It would be better to use “public sector producer”.  |
| 22.42       | (b.), replace “public unit” with “public sector unit”.<br>(b.), see 2 <sup>nd</sup> bullet point comment made under Paragraph 22.28.   |
| 22.43       | 3 <sup>rd</sup> sentence would be clearer if replaced with “Depending on national circumstances not all of these sub-sectors will be present.”   |
| 22.46       | <ul style="list-style-type: none"> <li>• 1<sup>st</sup> sentence, remove “is”.</li> <li>• 2<sup>nd</sup> sentence, do not need “public” repeated for each of the sub-sectors. For example, central government public sector should be central government sector.</li> <li>• This second approach creates difficulty if a public corporation is a joint venture (or jointly controlled) between central government and local government (or other combinations of the general government sub-sectors).</li> </ul>   |
| Figure 22.1 | <ul style="list-style-type: none"> <li>• Under general government, show the sub-sectors.</li> <li>• Under households, shows NPISHs separate from Households.</li> </ul>  |
| 22.48       | After the last sentence, should consider adding “Under the SNA, it is intended that general government form a non-market sector of the economy with zero net operating surplus in current prices. Therefore, it is important that all units which meet the conditions for a quasi-corporation should be treated that way.”   |

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| 22.49    | <ul style="list-style-type: none"> <li>• 2<sup>nd</sup> sentence, the phrases 'existence of' and 'possibility of constructing' accounts provide a contradiction.</li> <li>• 3<sup>rd</sup> sentence, spelling of "instiutuional" should be "institutional".</li> </ul>  |
| 22.52    | <ul style="list-style-type: none"> <li>• For these market sales by non-market bodies described, it should be possible to treat them as quasi, and then redistribute them to the parent as property income. This then creates a net operating surplus at current prices equal to zero and provide a clear demarcation between market and non-market.</li> <li>• Last sentence, replace "a government unit" with "units classified to the general government sector or NPISHs sector."</li> </ul> |
| 22.54 a. | Need to specify that the corporations are market or enough of them are market for the holding company to be classified as a public corporation.   |
| 22.55 a. | Replace "aninstitution" with "an institution".  |
| 22.62    | This paragraph suggests all joint ventures are public sector, for example, they could be classified to the private sector, and even if non-market, could be classified to NPISHs. The following paragraphs indicate this is a drafting mistake. 2 <sup>nd</sup> sentence should start "If it is a public sector and non-market unit..." and end with "... public sector market producer."   |
| 22.63    | 2 <sup>nd</sup> sentence, the normal situation in a joint venture is joint ownership, so by definition normally this will be insufficient to determine control.   |
| 22.64    | <ul style="list-style-type: none"> <li>• 1<sup>st</sup> sentence, "public units" should be "public sector units".</li> <li>• This paragraph is a good summary of the types of situation that may arise, but there needs to be some guidance on what to do when they do occur.</li> </ul>  |

\* Insert rows in this Word table for each paragraph on which you wish to comment.

### C. The government finance presentation of statistics (paragraphs 22.67-22.92)

| General comment |   |
|-----------------|---|
| 22.67           | 2 <sup>nd</sup> sentence, replace "...government finance presentation ..." with "...government finance or public finance presentation ...".   |
| 22.68           | Government finance presentation or public finance presentations may vary between countries, and also evolve. This paragraph is written as if there is one prescriptive SNA presentation. Is this intentional? |
| 22.73           | Last sentence refers to "variations in implementation from decisions .....", it would be very useful to provide examples of different decisions.  |
| 22.79           | It would be very useful to the reader for the text to include examples to demonstrate the concept.  |
| 22.80           | Need to define what is meant by the term "sustainability". This can have more than one meaning, for example, either related to future flows of incomes and expenditure or net lending performance.            |
| 22.85           | 3 <sup>rd</sup> sentence, replace "... general government sector and its sub-sectors." with "... public sector, general government and their sub-sectors."  |

\* Insert rows in this Word table for each paragraph on which you wish to comment.

**D. Accounting issues particular to the general government and public sectors (paragraphs 22.93-22.168)**

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| General comment |   |
| 22.95           | Taxes may also be paid to supranational authorities such as the European Union. Is this being reflected in the SNA update? Paragraph 22.106a suggests it will be the case.  |
| 22.96           | It would be very useful to the reader for the text to include examples to demonstrate the concept, for example payment made for a passport.   |
| 22.96 a.        | Replace “confirm” with “confirm”.   |
| 22.96 b.        | The reference to proportionate for all the entities is fine, but to extend this to proportionate for any can be misleading. Some cases may be in proportion, but ignoring the others may disguise a large element of redistribution between entities that would usually be associated with a “tax and redistribution” model.  |
| 22.97 b.        | Also need to cover a licence to operate a government building, which is a form of rental and thus neither an acquisition of an asset nor a rent.  |
| 22.102          | Last sentence is missing a full-stop.   |
| 22.110          | What is the definition of debt? Need to show what is included and what is excluded.   |
| 22.111          | Penultimate sentence and last sentence merge as one sentence - there is a missing full-stop.  |
| 22.125          | <ul style="list-style-type: none"> <li>• Paragraph states “well-defined financially distressed situations ....”, where is the definition?</li> <li>• How is this to be recorded if the guarantee is then not called at inception?</li> </ul>  |
| 22.128          | <ul style="list-style-type: none"> <li>• The “loosely defined” term does not fit well with the description in Paragraph 22.125 as “well-defined”.</li> <li>• What is short-term? Need to describe some distinction with the treatment of state-aid.</li> </ul>  |
| 22.130          | For type (a), this contradicts Paragraph 22.125, which states that there must be a high likelihood of the guarantee being called. This point on the likelihood needs to be included and ideally quantified by a giving an indicative probability.   |
| 22.136          | Inconsistent spelling of securitisation, i.e. securitisation and securitization.  |
| 22.140          | This paragraph and Paragraph 22.141 seem to have the same message and could be merged.  |
| 22.144          | Replace 1 <sup>st</sup> sentence with “Privatization has several meanings but the most common describes the case where the majority of shares or other equity in an entity or unit are sold by government to entities outside the public sector, thus triggering its reclassification from the public to the private sector.” |
| 22.145          | Replace the body of the 1 <sup>st</sup> sentence with "... and land, may also be described as privatization but is recorded differently to the share and equity sales described earlier. The assets sales are generally recorded ..."   |
| 22.146          | Replace “in all cases” with “in such cases”.  |

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| 22.147    | <ul style="list-style-type: none"> <li>• Replace “other” with “another”.</li> <li>• Replace “... of the sale is ...” with “... of the sale are ...”.</li> </ul>   |
| 22.147 b. | <ul style="list-style-type: none"> <li>• Amend the 1<sup>st</sup> sentence to read “... genuine public sector head office ...” and then remove “public” from start of second sentence.</li> <li>• Replace last word in last sentence “government” with “corporation”.</li> </ul>  |
| 22.148    | <ul style="list-style-type: none"> <li>• Inconsistent spelling of nationalisation between title and text, i.e. nationalisation and nationalization.</li> <li>• 1<sup>st</sup> sentence should be replaced with “Similarly to privatization, nationalization may have several meanings. The most common is where the public sector takes ownership of specific assets of, or the majority or all of the shares and equity of, a private sector corporation, often involving a parliamentary bill/legal act.”.</li> <li>• 2<sup>nd</sup> sentence, replace “government” with “corporation”.</li> </ul>  |
| 22.148 b. | <ul style="list-style-type: none"> <li>• 1<sup>st</sup> sentence, add “or a nominal amount” at the end.</li> <li>• Advice should be offered on the case that is effectively “compensated seizure”, whereby a corporation is nationalised in an emergency and the shareholders are later compensated when the valuation of the company is determined. With increasing use of human rights legislation in countries, which effectively outlaws uncompensated seizures, this situation is becoming more common. This belongs alongside the share purchase category even if there is not mutual agreement.</li> </ul>                                 |
| 22.155    | Central banks are defined here as “the single exception to the rule”, yet central monetary agencies and supervisory authorities (which can also exist in the non-market sector) are mentioned in preceding paragraphs, and there will probably be other examples. Also, see earlier point made under Paragraph 22.14/15. May be easier to say that central banks are judged as being controlled by government and hence are part of the public sector. Even if they are undertaking non-market activity, central banks are classified to the public financial corporations sector and not in the general government sector.                       |
| 22.156 a. | Replace “decrease in equity” with “withdrawal of equity”.   |
| 22.158    | <ul style="list-style-type: none"> <li>• Replace 1<sup>st</sup> sentence with “... (PPPs) is another term that has multiple meanings. The most common describes a long-term contract between public and private sector partners whereby one unit acquires, constructs or improves an asset, operates it for a time, and then transfers legal ownership of it to the second partner at the end of the period.”</li> <li>• Private Finance Initiative (PFI) is singular and PFIs is an abbreviation for PFI deals.</li> <li>• What does BOOT stand for?</li> <li>• This section would benefit with a diagrammatic and numerical example.</li> </ul> |
| 22.159    | <ul style="list-style-type: none"> <li>• In the final sentence, need a space after the comma.</li> <li>• Need to describe the income stream and the way they should be classified, e.g. capital services.</li> </ul>  |
| 22.161    | Is “operational control” a term defined and used in SNA? Maybe consider replacing it with “economic ownership”, as this term is used in Paragraph 22.164. Alternatively, “legal ownership of the assets may differ from the true economic position”.  |
| 22.162    | 1 <sup>st</sup> sentence, replace “as follows” with “given here”.<br>Maybe Paragraph 22.162 should replace Paragraph 22.159 as it is a better description of the situation.   |

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| 22.163            | Should avoid using the term about “controlling the asset”. For example, in the final sentence, maybe try “Thus, it is frequently difficult to judge whether the private or government partners is the true economic owner of the assets over their service lives ...”.                           |
| 22.164            | It is important here to say that economic ownership should be judged at various time points. In particular, when the economic ownership situation may be different at the start of the contract period and the point where the construction phase is completed and the operational phase begins. |
| 22.164 c., d., e. | These factors should define what construction etc. risk is in this context, rather than expect them to be commonly understood and uniquely defined terms. The current descriptions go a long way to already achieving this.  |
| 22.166            | 2 <sup>nd</sup> sentence, remove the word “accounting”.  |
| 22.168            | Last sentence, replace the words either “non-monetary” or “constructed” with “imputed”.  |

\* Insert rows in this Word table for each paragraph on which you wish to comment.

### **E. The public sector presentation of statistics (paragraphs 22.169-22.175)**

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| General comment |  |
| 22.170          | Should also mention that public sector statistics can also be presented in a number of other formats.  |
| 22.171          | 1 <sup>st</sup> sentence, replace “... both sub-sectors...” with “... both main sub-sectors (e.g. general government and public corporations) ...”.  |
| 22.174          | 1 <sup>st</sup> sentence, how widespread is this? This is not true in the UK, where PSBR meant something different, and many countries do not produce public sector statistics. If this does have wide usage, then it needs to be amended anyway, since the borrowing requirement will be in terms of net borrowing (and not net lending). |

\* Insert rows in this Word table for each paragraph on which you wish to comment.

### **Part III. Other specific comments**

You are welcome to make other specific comments. To assist you in doing so, the following points are provided as a guide to the types of points on which you might wish to comment. Note, though, that you are not restricted to commenting on only these points.

1. Are the extended examples about how to decide when a unit supplying to government is market or non-market helpful/too extensive? Further and clear guidance is needed – see general comments.
2. Is the relationship between the SNA and GFS clear? Reasonable sign-posting.
3. Is the description of privatisation and nationalisation helpful/sufficient? Yes.



4. Is the section on debt sufficiently comprehensive given the existence of other manuals e.g. external debt guide? Adequate.
5. Do you have comments on the treatment of tax credits? Is this consistent with the AEG recommendations?

*Specific comments:*

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|----------------------|--|
| Specific<br>comments |  |
|----------------------|--|

You are also welcome to comment directly on the PDF file of the draft chapter. Please do so by using Adobe Acrobat Version 6 or 7.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make detailed comments, please send a message to [sna@un.org](mailto:sna@un.org) requesting a version of the draft chapter that permits you to comment. To optimize your commenting tools, please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>