

**Comments on draft SNA chapter:
Chapter 4: Institutional units and sectors**

**Deadline for comments: 1 September 2007
Send comments to: sna@un.org**

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This three-part template allows you to record your comments on draft chapter 4 easily 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 one, any two, or all of the three parts of the template.

Especially when providing comments in Part III of the template, you are encouraged to focus on the new passages of the draft text. To facilitate this process, a file comparing the existing text and the draft text is available on the website under the following link: <http://unstats.un.org/unsd/sna1993/projectmanagement/drafts/Chapter4dv2cdv0.pdf>

Save this template and send it as an attachment to the following e-mail address: sna@un.org

Part I: General comments

In the space below, please provide any general comments, such as about the clarity with which the new recommendations were incorporated (30 words or less).

Comment:

It was difficult to find the reasons for deleting the following paragraphs from SNA 1993 : 4.138 -4.143, 4.146-4.152 , 4.159; they should be reintroduced, as well as the deleted parts of paragraphs.

4.5: the deleted last sentence of this paragraph (4.4 in SNA 1993) seems to be very important and should be reintroduced

4.6 as result of the restructuring of the introduction it isn't so clear at the first glance, what is meant by "the second type"; additional editing may be required also for the rest of this paragraph (or keep the original version).

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 4, you may wish to devote particular attention to the passage listed below. For ease of reference, we have identified the relevant paragraphs.

Please use the space provided to the right of the paragraph number to make your comment.

1. Section A, paragraphs 4.10 – 4.12:

The definition of ‘residence’ was slightly changed in the 1993 SNA Rev.1 by introducing ‘predominant’ before “economic interest.” Because residence is principally a BOP term, the text in paragraphs 4.10 – 4.12 has been taken from *BPM 6*. Do you consider the definition appropriately described? Is it clear to a national accountant?

4.10	The second sentence of this paragraph raises, in particular, the question of multi-territory enterprises (revision point 25c). We agree with the reference to BPM6 in paragraph 12. However, we do not support the split of important explanations about the concept of residence between chapters 4 and 24 as indicated in paragraph 12. We think that paragraph 4.16 of SNA 1993, and its sub-paragraphs (a) to (d), which elaborate on some aspects of residence, should be reintroduced here.
4.11	We suggest deleting the second sentence “In contrast...for future location”
4.13	We suggest editing this paragraph as follows: "The institutional sectors of the System group together institutional units that are similar from the point of view of their economic objectives, functions and behavior.
4.15	A reference to the place where significant prices are explained seems appropriate
4.16	Second sentence: Delete “on the basis of political decisions” and add “and “therefore incur expenditures on final consumption” as stated in paragraph 4.19 of SNA 1993.
4.19	Make reference to paragraph 4.2 in the fifth sentence “The attributes...for only part of a unit”

2. Section A, paragraph 4.20:

A decision tree allocating units to institutional sectors and sub-sectors has been added as figure 4.1. It is first referred to in paragraph 4.21 to the 1993 SNA Rev.1. Do you think it is useful?

4.21	We support the inclusion of the decision tree in figure 4.1. Start of second sentence: Add “all” to read “All the sectors of the total economy...”.
4.27	End of the paragraph, add “and NPIs serving corporations”.
4.28	End of the last sentence, add “unless it is a quasi-corporation”

Section B

4.35	Redundant with paragraph 4.7: Why not start paragraph 4.35 with the part in bold italics “A legally constituted...its general management”? The second sentence would read “Legally constituted corporations may be described by different names (see paragraph 4.7)”
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4.36a	the last sentence of 4.24a (SNA 1993) has to be re-included (branches in other countries)
4.38	Should the six indicative criteria of BPM6 for notional resident units referred to by the AEG (Update issue 25d) not be added here?
4.42	A cross-reference related to the net worth of the quasi-corporation being always equal to zero, between paragraph 4.42 and paragraph 13.93 of chapter 13, seems appropriate.
4.44	Is it optimal to treat groups of corporations before subsidiaries and associate corporations? This leads to the concept of subsidiaries being used in paragraphs in paragraphs 4.44 and 4.46, but being defined only in paragraph 4.60. At least cross-references would be appropriate.
4.46	We would suggest changing the title “holding companies” into “holding companies and head offices”. First sentence, add “often” to read “two quite different types of units exist that are both often referred to as holding companies”.
4.47	First sentence change “the other type of holding company..” to read “In the System, a holding company...”.
4.51	Delete the last part of the paragraph “all of which are classified in the financial corporations sector” as the AEG recommended that SPEs are to be classified by sector and industry according to the principal activity of the SPE.

3. Section B, paragraphs 4.52 – 4.54:

The expression ‘ancillary corporation’ in the 1993 SNA did not fit neatly with the discussion on ancillary activities discussed in draft chapter 5 of the 1993 SNA Rev.1. Therefore the term ‘artificial subsidiary’ has been introduced. Do you agree with this new terminology?

4.48-4.54	This part needs clarification. It would seem preferable to define the artificial subsidiaries first and then to say that they are considered separate institutional units only if resident in a territory other than the territory of residence of the related corporations.
4.59-4.63 and 4.72	the link between paragraphs 4.59-4.63 and paragraph 4.72 would need to be clarified.

4. Section B, paragraphs 4.64 – 4.72 and section C, paragraphs 4.82 – 4.83

Material from draft chapter 21 (public sector) of the 1993 SNA Rev.1 on control of corporations and of NPIs by government has been brought together. Do you consider this useful?

4.69	We agree with paragraph 4.69 which presents the 8 control criteria recommended by AEG. In addition, it would also be useful to make the full document of the Task Force (SNA/M1.06/17) available as an annex
4.72	“investment” in the last sentence to read “foreign direct <i>investment</i> enterprise”
4.88a	Delete the part in brackets “understood in the statistical sense...constituted corporations” We would suggest reintroducing paragraph 4.69 of SNA 1993 to make it explicit that each institutional unit must be classified in one or another sector even if that unit may engage in more than one type of economic activity.

5. Section D, paragraphs 4.89 – 4.90:

NPIs are distinguished as a sub-sector of the non-financial corporate sector in the 1993 SNA Rev. 1. Other units in the sector have been labeled ‘For Profit Institutions’ (FPIs). Do you agree with the new terminology introduced in paragraph 4.89? Do you agree with the full sub-sectoring introduced in paragraph 4.90 and shown in table 4.1?

4.89	We do not think that the new table 4.1 is a clear enough substitute for table 4.1 of SNA 1993 and for the former paragraphs 4.72-4.75 of SNA 1993. We suggest keeping table 4.1 of SNA 1993 and introducing the concept of for profit institutions into it. We also suggest reintroducing paragraphs 4.72-4.75 of SNA 1993.
4.92-4.94	We would suggest starting with the definition of financial intermediation: ESA 95 (paragraph 2.32 and the following ones) and SNA 1993 (478 and following ones) appear to give very good examples.

6. Section E, paragraph 4.94:

The new sub-sectoring of the financial corporations sector, including again by NPIs and FPIs, has been introduced in paragraph 4.94. Do you agree with the new classification?

4.97	This paragraphs refers to measures of money broadly defined, The deleted paragraphs from SNA 1993 must be restored, especially 4.89 an 4.91 (which presented the narrow and broad money concepts),
4.109	This point 10 doesn't fit into the new structure, we'd prefer keeping the former structure of D, or move this to B.2, as this issue relate to institutional units and principal activity.

7. Section F, paragraphs 4.118 – 4.119:

Do you consider the clarification of the role of social security funds in paragraphs 4.118 – 4.119 consistent with the GFSM? Paragraphs 4.118-4.119 set out the role of

social security funds while trying to stay in line with text in the *GFSM* and draft chapter 21 of the 1993 SNA, Rev. 1. Is the text appropriate and clear?

4.119	We suggest to keep the last sentence of paragraph 4.112 of SNA 1993
4.120	Would a reference to paragraph 4.121 and 4.122 be useful in subparagraph (a) of paragraph 4.120?
4.128	we don't think that the deleted sentence here (from 4.118 in SNA 1993) was superfluous (the general government "is responsible for providing collective services for the benefit of the community as a whole, and for this purpose incurs expenditures on defence and public administration")
4.140	Second sentence "as explained above": Please specify the number of the paragraph where the explanation is given.
4.153a	Put "employers' mixed incomes" at the end of point (a) and "Own-account workers' mixed incomes" at the end of (b).
4.159	Some important aspects of NPISHs of paragraph 4.161 are missing and should be reintroduced or reference made to the paragraphs where these elements are described.

Part III. Other specific comments

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

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 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>