

**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**

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Submission date:	September 12, 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

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:

General comment	This SNA chapter is well written in terms of describing the Government Finance Statistics. However, countries compiling the GFS (for general government and public corporations separately) should be able to draw on GFS data for Government sequence of accounts to avoid duplication. In this context a section (Para. 22.76 and 22.77 are not adequate) describing the differences in the treatment of certain activities in the two systems will be of immense value for preparing a bridge table. See a lucid description in appendix 3(Government Finance Statistics and the system of National Accounts) of the 2001 GFS Manual.
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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	
22.3 line 19	The highlighted phrase of the sentence, “A public corporation may be required to provide services to areas of the economy that would not be covered otherwise and to subsidise prices ” needs clarification. Public corporations cannot subsidize prices; they may be required to sell at subsidized prices.
22.11	The use of terms “government”, “general government” and “government units” should be made consistent. See the sentence “Government is an exception in that the statistics for government units and public corporation are often derived from the micro –data in government financial data base.

* 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)

General comment	
22.21 Line 1	The promise of a definition of quasi –corporation in the sentence” ...any government level might control market producers fulfilling the criteria to be quasi-corporation as defined below” is met only in Para 22.48. Reference should be made to this Para here.
22.26 d	For precision add “by government” in the phrase “degree of financing”.
22.30 Line 8	The sentence” when compiling the general government sector accounts, this should never result in combining the accounts of market institutional units with those of non-market institutional units” is inconsistent with the preceding sentence “... the distinction between market and non-market may be made for a group of entities undertaking similar activities rather than on case-by-case basis”. The grouping of entities into market and non-market slots at the group level may be different to that done on case-by-case basis.

* 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	
22.70	<p>Revenue is defined “a revenue transaction is one that increases net worth and improves net lending/borrowing” The net worth comprises real assets and net lending and borrowing. It is sufficient to define revenue in terms of net worth. GFS manual also defines revenue that way “ all transaction that increase the net worth ...” (Para. 4.20 of GFS Manual)</p> <p>The text presents summary classification of revenue. Mention should be made of the second level of classification (See Table 5.1 in GFS 2001) which will facilitate transition to SNA Sequence of Accounts?</p>
<p>22.73 Line 7</p> <p>22. 75</p> <p>22.76</p> <p>22.77</p>	<p>Define imputed sales (see Para.22, page 167 of GFS Manual)</p> <p>Expense should be also defined in terms of decrease of net worth only (See Para 6.1 of GFS) Again, mention should be made to the second level classification (see Table 6.1 in GFS) which will facilitate transition to SNA Sequence of Accounts. For clarity say that the production expenses (use of goods and services)do not include the cost of own account production of capital good</p> <p>It says “the absence of a production account in the government finance presentation makes it impossible to show both the cost structure of own account production and its final use. Thus, for instance, the salaries of employees engaged in own account capital formation is directly classified as acquisition of capital formation and not as compensation of employees’</p> <p>The problem of identifying cost structure of own account capital production exists even when an entity has a production account. This data is often not available in the public accounts. Therefore supplementary data source would be used to disentangle cost of own account capital.</p> <p>This Para “Government typically produce many services and some goods and distribute them free or at prices that are not economically significant. In the SNA, the cost of these goods and services is recorded as a use when they are produced and as social benefit or final consumption expenditure. To reduce unnecessary duplication these costs are recorded only as production expenses in the government finance presentation” is not clear. To simplify provide an example.</p>

22.78	This paragraph requires elaboration. See Paragraphs 6.76-6.80 in the GFS Manual 2001.
22.85 Line 5	For clarity, the sentence” but it is particularly useful for the general government sector and its sub sector” should be rephrased “ but it is particularly useful to consolidate units within general government sector and its sub-sectors”.
22.86	The sentence “in the SNA, consolidation is discouraged” is confusing. See also para.22.12. It should be made clear whether the discussion relates to SNA or Government Finance.
22.92 Line 5	<p>The word “purpose” seems to be used in two senses: one (Line 4) equivalent to function and the other (Line 5) as use of a commodity The cross classification is economic cum functional.</p> <p>The last sentence reads” a cross-classification of the transactions of government by both economic nature and according to functions is encouraged”. Illustrative tables like Table 6.3(cross –classification of functional and economic classifications of expenses) in the GFS Manual will be helpful.</p>

* 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)

General comment	
22.93	The sentence “the accounting rules of the SNA apply to general government and public sector in the same way as they apply to other sectors of the economy” is inconsistent with Para 22.86 and 22.89.
22.102 to 22.105	The treatment of tax credit warrants some elaboration. See the AEG ruling in <i>The full set of Consolidated Recommendations</i> “Some subsidies and social benefits are made available via the tax system in the form of tax credits, and incidence of linking payment systems with the tax collection system is increasing. Tax credits represent tax relief and so reduce the tax liability of the beneficiary. If the relief is greater than the liability, and the beneficiary actually receives the excess, these are described as payable (sometimes non-waste able) tax credits. It is recommended that the whole amount of the payable tax credits be recorded as government expenditure as well as noting the amount of payable tax credit drawn back in tax paid. This would then allow comparison to be made with presentation on a net basis, where only the excess of the payable tax credit over the tax liability is shown”.

	According to the GFS only net payments are treated as an expense.(Para 5.23)
22.110 to 22.120	It would be useful to mention the case where the government borrows funds on behalf of a public sector unit to obtain favourable interest rate. If the amount borrowed is lent to the public sector at identical interest rate, there would be no impact on surplus/deficit but it would impact the government investment income and debt charges.

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

General comment	
22.172	<p>The guidance given for the consolidation of the public sector is rather vague and does not appear to be consistent with GFS Para 3.91. It would be useful to specify what flows should be eliminated on consolidation of the general government and public corporations.</p> <p>In some cases a public corporation rather remitting profit directly to the government may disburse its operating profits to individuals/ corporations / government. For example in Canada there are gaming corporations that disburses some of its operating profit to individuals/ corporations /other government units while other gaming corporations remit the profit to general government which in turn makes the payments to others. We currently reroute through general government the payments made directly by the gaming corporation to others.</p>
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* 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?
2. Is the relationship between the SNA and GFS clear?
3. Is the description of privatisation and nationalisation helpful/sufficient?

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

Specific comments:

Specific comments	See comments
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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 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>