

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

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

Your name:	Viet Vu
Your country/organization:	UNSD
Contact (e.g. email address):	vuv@un.org
Submission date:	Click here and enter your submission date

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>

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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:

<p>General comment: The text does not spell out clearly the reason/objective for B3 when discussing ownership and control of corporations. A paragraph is needed for this, especially in relation to the classification of:</p> <ul style="list-style-type: none">PublicNational privateForeign controlled <p>In addition, control is also used to classify an NPI as part of the government, corporations or NPISHs.</p> <p>Comments are requested only for a number of specific paras, therefore it is requested that the drafter also reviews carefully many other important comments on the PDF text.</p>

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	Yes.
4.11	Yes
4.12	We don't see why there is a need to make this statement in the SNA which is supposed to be the standard for economic statistics: The concept of residence in the System is exactly the same as in <i>BPM6</i> .

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	Yes
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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?

4.52	We do not believe that the change of term "ancillary corporation/subsidiary" to "artificial subsidiaries" fits neatly to ancillary activities discussed in chapter 5. There are two reasons to retain the old term: 1. these are not "artificial" but bone fide corporations/subsidiaries. 2. to retain the term provides a better connection to chapter 5 where, like the old chapter, the ancillary corporation/subsidiary provides ancillary services/goods to the parent corp can only be treated as ancillary establishments, not a separate institutional unit.
4.53	See above.

4.54	Draft: Artificial subsidiaries are to be distinguished from units conducting ancillary activities as described in chapter 5.
	The above text is unclear and may even be misleading. What are these "units" conducting ancillary activities? "units" are understood to stand for institutional units, and therefore the general term "units" is not appropriate. The better term is "ancillary establishments". Ancillary corporations are ancillary establishments from the point of view of the SNA.

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?

4.64	Yes
4.65	Yes
4.66	Yes
4.67	Yes
4.68	<p>This sentence should be changed as follow: Determining the general corporate policy of a corporation while acting as a fiduciary would not imply control.</p> <p>Because determining the general corporate policy of a corporation means control</p>
4.69	It is too complex to comment on the para here. Please see comments on the PDF file.
4.70	Yes
4.71	Yes
4.72	Yes
4.82	<p>There is a disconnect between para. 4.81 and 4.82. Para 4.81 is as follows: NPIs engaged mainly in non-market production are divided into two groups: those NPIs controlled by government and those NPIs that provide goods and services to households at prices that are not economically significant and that are financed mainly by transfers from non-governmental sources in the national economy or from non-residents. The latter are described as “non-profit institutions serving</p>

	<p>households” (NPISHs) and constitute a separate sector in the System.</p> <p>It should be stated in para. 4.81 that NPIs that are controlled by government should be part of the government sector. Para. 482 then defines government control.</p>
4.83	<p>After reading para. 4.82 and 4.82, it is unclear about the priority of the factors. To say that a single factor is enough to determine control. Then, what is this single most important factor? At least in the 1993 SNA, the most important factor is that the NPI is mainly financed by the government.</p>

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	<p>Table 4.1 does not identify NPIs as for profit. We don't see why NPIs which are currently called neatly market NPIs are now termed "For Profit" NPIs., which is contrary to the definition of NPIs.</p>
4.90	<p>No problem with table 4.1</p>

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?

4.94	<p>Para. 4.92</p> <p>Financial corporations can be divided into three broad classes namely, financial intermediaries, financial auxiliaries and other financial corporations. Financial intermediaries are institutional</p> <p>This implies that other financial corporations include captive financial institutions and money lenders and insurance, pension. Is this the intention?</p> <p>See comments on the PDF file.</p>
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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?

4.118	The writing should be clear if social security funds or social security schemes should be used.
4.119	<p>The amounts raised, and paid out, in social security contributions and benefits may be deliberately varied in order to achieve objectives of government policy that have no direct connection with the concept of social security as a scheme to provide social benefits to members of the community.</p> <p>This sentence may be better rephrased. In case that it has no thing to do with the concept of social security as a scheme then why not treat it as social benefits other than social security benefits.</p>

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>