

## Delineation between General Government and Public Corporations

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Because of the increasing importance of the general government accounts, the issue of how to define the borderline of the general government (sector S13 of the national accounts) has become a major one. The experience of the implementation of the SNA 93 is that existing recommendations are not clear and precise enough in difficult cases. The opportunity of the drafting of the new SNA 1993 Rev 1, will be used to try to clarify the guidelines.

The general government sector consists of the national, regional, and local governments plus non market institutional units controlled by government units. The public sector consists in the general government plus the "public" corporations or quasi-corporations.

A decision tree should be included in the new SNA to help to decide when a unit is inside or outside the general government, and inside or outside the public sector.

The first stage of the decision tree is whether the unit is an institutional unit. If not, the unit is to be classified in the larger unit of which it is the part. An institutional unit is an economic entity that has a complete set of accounts and that is capable, in its own rights, of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities.

If the answer is yes to the first question, then comes the second question: is the unit controlled by a general government unit? If no, the unit is outside the general government sector and the public sector. Control is defined by a number of indicators: control of board or other governing bodies, control of appointment and removal of key personnel, control of key committees of the unit, control of golden share, control as dominant customer, and ownership of a majority of voting interest.

If yes to the second question, comes the last question: is the unit market or non market? If non market, then unit is to be classified inside the general government. If market, it is classified outside the general government, but in the public sector, as a public corporation or a quasi-corporation. Market or non market is determined based on whether a unit sells at economically significant prices, which are the prices that have a significant influence on amounts producers are willing to supply and amounts purchasers are willing to pay. In the new SNA, reference will probably be also made to a new criterion based on the ratio of sales over costs. If this ratio is above 50% this would be an indication that the unit is market.