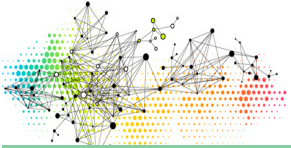




# Interpreting Coverage and Sectorization of the Public Sector

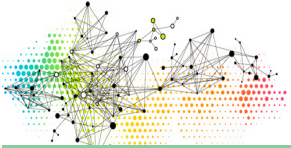
Tobias Wickens



# Overview of coverage and sectorization

(1/2)

- Distinguish between domestic economy and rest of the world (resident / nonresident)
  - Residence
- Domestic economy consists of institutional units
- Group these institutional units into 5 mutually exclusive sectors of the domestic economy
  - Nonfinancial corporations sector (private & **public**)
  - Financial corporations sector (private & **public**)
  - **General government sector**
  - Households sector
  - Nonprofit institutions serving households sector



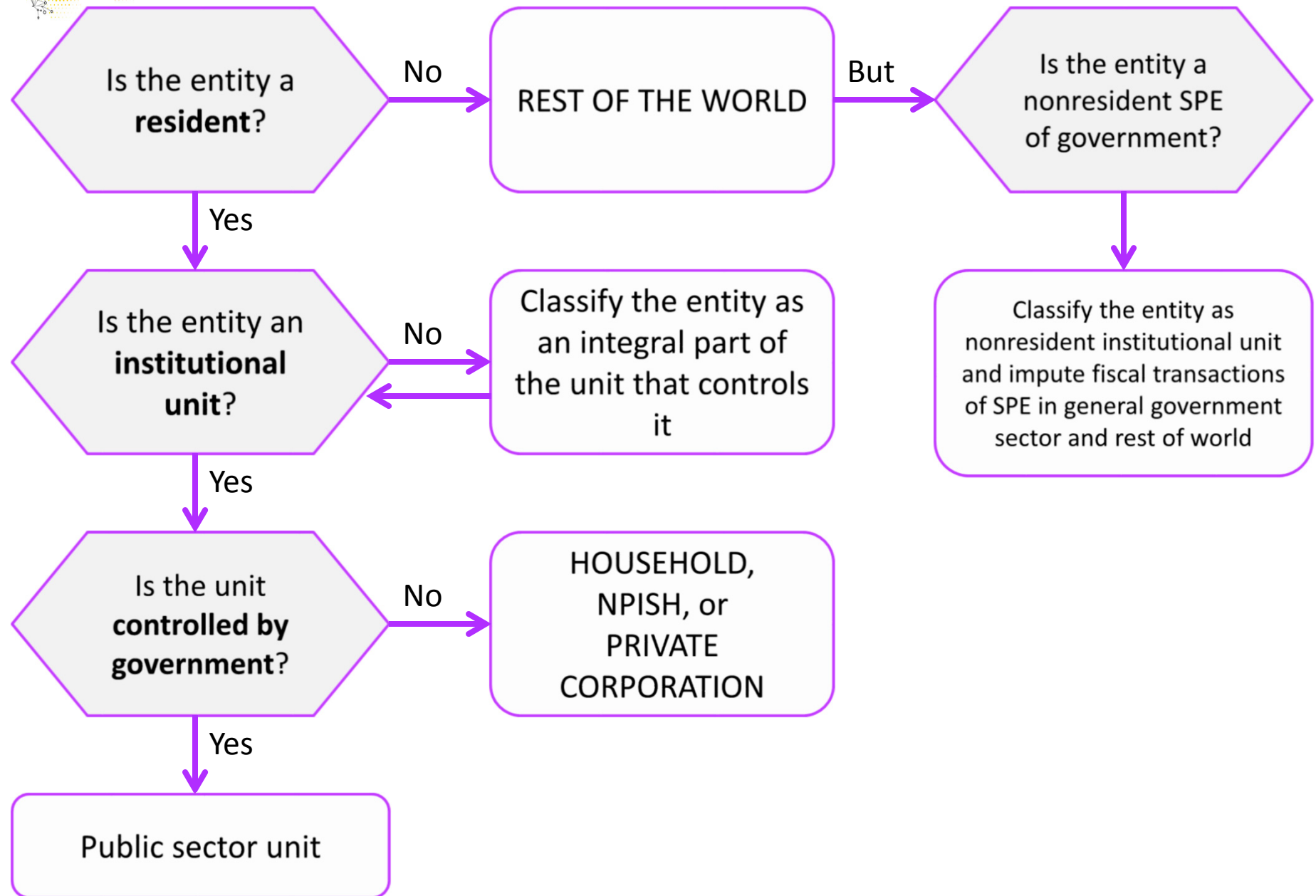
# Overview of coverage and sectorization

(2/2)

- Public sector = units controlled by government
  - GFS cover general government and public sector
- Subsectors of the public sector
  - General government sector + public corporations
- How do we distinguish between general government and public corporation?
  - Market / nonmarket producer
- General government sector and its subsectors
  - Central, state, and local governments
    - Budgetary, extrabudgetary, social security funds
- Public corporations sector and its subsectors
  - Public nonfinancial corporations
  - Public financial corporations
- Decision tree

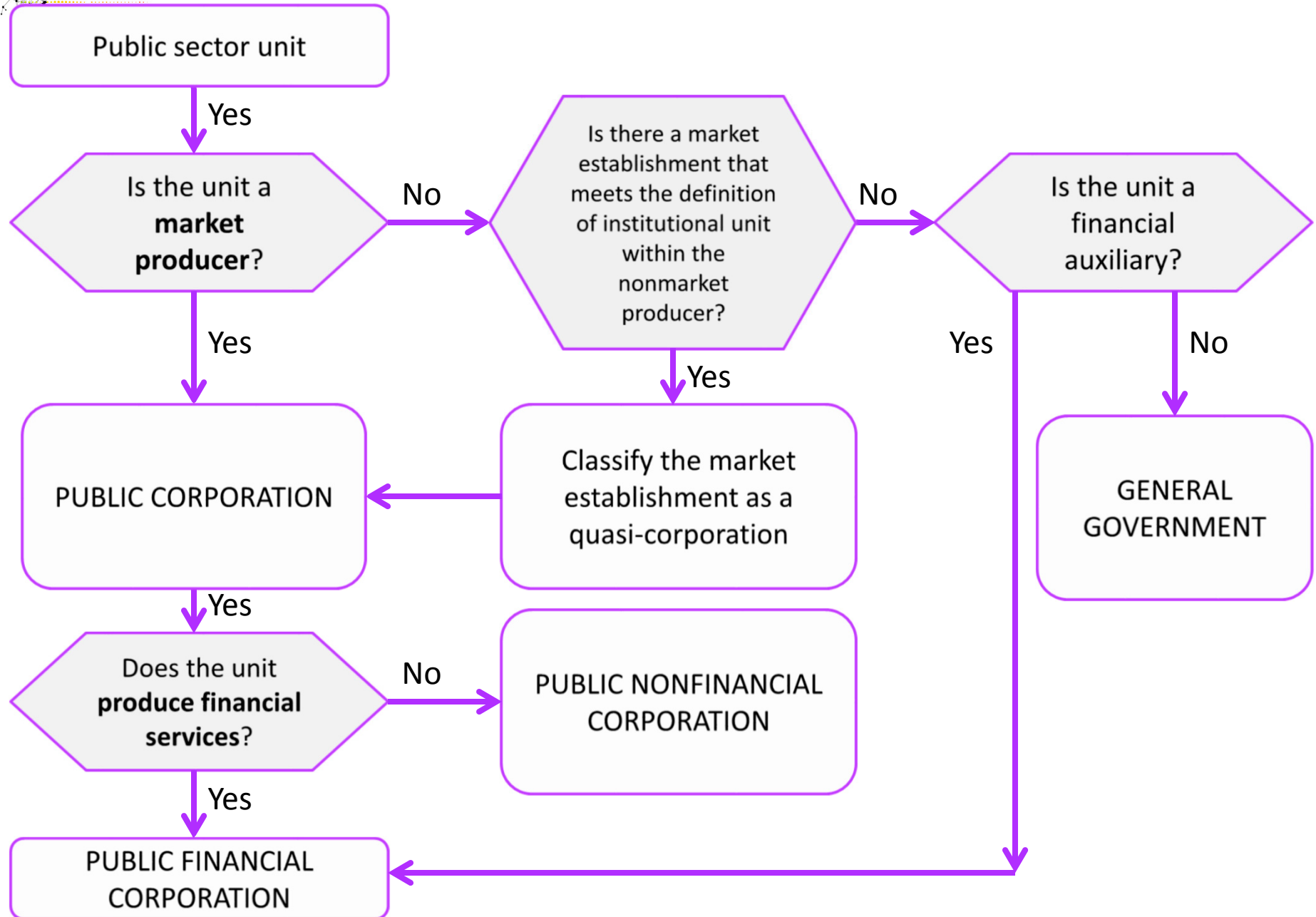
# Decision tree classification of public entities

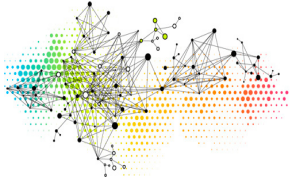
www.statistics.gov.uk



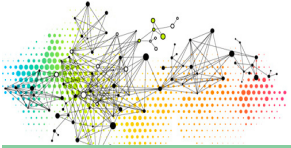
# Decision tree classification of public entities (2/2)

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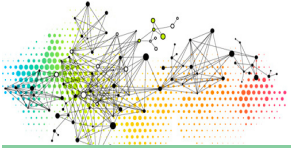


# Interpretation issues ...



# Is the entity an institutional unit?

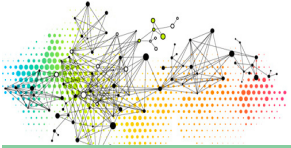
- Guidance is generally clear but room for additional guidance on:
  - Resident artificial subsidiary
    - Cannot act independently → how do we interpret? What about legal units that do not really have sufficient autonomy (Eurostat)?
    - Passive holder of assets and liabilities → how do we interpret?
    - No separate institutional unit (unless resident in different economy)
    - Classify with level of government that controls them
  - Examples:
    - Some resident SPEs
    - Resident central borrowing authority
    - Some restructuring agencies created under bailouts



# Is the unit controlled by government?

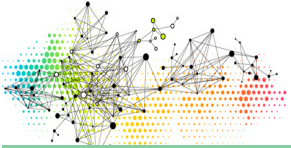
- Guidance is generally clear on control of corporations and NPIs
  - “... determine general corporate policy ...”
- In some cases, where PPPs/SPEs are established as 49% government owned / 51% privately owned
  - Use other indicators of control → decision remains judgmental in nature
  - Can we develop additional guidance on interpretation of other indicators of control?





# Is the unit a market producer?

- Market producer is well defined for government units and public nonfinancial corporations, but:
  - What about influence of CFC/depreciation on market test?
- Not well-developed for public financial corporations
  - “... principally engaged in **providing financial services** to other units...”
  - Production of financial services is result of
    - Financial intermediation
    - Financial risk management
    - Liquidity transformation
    - Auxiliary financial services



# Is the unit a market producer?

- Not well-developed for public financial corporations (continued)
  - What about:
    - Interpretation when unit fully guaranteed by government?
    - Government involvement in captive financial institution?
    - Development banks, investment banks, restructuring agencies, sovereign wealth funds, national housing fund, etc.?



# Is the unit a market producer?

## General government vs Public Financial Corporation

General Government	All assets and liabilities guaranteed by government	No assets and liabilities guaranteed by government	Public Financial Corporation
	Only lends to government	Lends to all sectors	
	Only funded by government (or borrowing with guarantees)	Funded by a range of sources, no funding from government	