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**FIRST STEPS TOWARDS THE COMPILATION OF INSTITUTIONAL SECTOR ACCOUNTS**

Supporting paper submitted by the National Accounts Division  
of the Statistical Service of Cyprus\*

**Delimitation of Institutional Sectors**

1. The first step to be faced by the Statistical Service in its effort towards the compilation of the Institutional Sector Accounts was the delimitation of institutional sectors, a concept that has never been applied in the past, as National Accounts in Cyprus have been for many years compiled according to the SNA 1968 definitions.

**Classification criteria and procedure**

2. A first examination of the criteria for the classification of the production units into institutional units and sector, revealed that the presently available data sources do not provide all the necessary information required to make this classification.

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3. A working exercise was initiated with the purpose of (a) establishing the classification criteria to be used and the procedure to be followed, and (b) identifying all changes that have to be made with regard to data sources so that in the future this information is available.

4. Although no significant problems have been identified with the possibility of using most of the classification criteria (control of institutional unit, market/non-market distinction etc), the identification of quasi-corporations (especially in the case where Households had to be distinguished from the Non-financial corporations) seemed to be the most difficult issue.

5. The "Accounting records" criterion is specified under ESA95 in a rather general form and there were doubts about its effectiveness and applicability in the case of Cyprus. Therefore, it was examined together with other supplementary criteria (eg. legal status, employment etc) in order to see if it describes adequately the quasi-corporations in the case of Cyprus. All relevant criteria appeared to have more or less the same effectiveness; therefore they were all selected for use in the classification procedure.

6. The Census of establishments, which is conducted every five years and provides the basis on which the Business Register is constructed, appeared to be the most appropriate way of collecting this kind of information, since the sample used in the majority of annual surveys of productive activities is extracted from the Business Register. It is expected that the forthcoming Census (it will be conducted in the year 2000) will provide most of the necessary information. The data-processing format will be redesigned to take into consideration the relevant criteria and therefore lead to the required classification of units into institutional sectors.

7. In the classification procedure, there will also be an input of certain data that cannot be possibly collected by the Census, such as the information resulting from the market/non-market analysis of publicly-controlled organizations and non-profit institutions. This analysis has not been finalized yet, although a preliminary classification of these producers has been attempted.

#### **Compilation of Sector Accounts**

8. The first institutional sector for which an attempt has been made to compile sector accounts (the sequence of accounts up to the Financial Account) was the General Government Sector. Although a preliminary delimitation of this sector has been achieved, there were certain difficulties in obtaining the

required data and their correct classification. Actions are already under way so that additional data sources can be exploited in the near future, especially in the case of Local Government.

9. Regarding the sectors other than General Government, the construction of the sequence of accounts up to the Financial Account, presupposes the implementation of a number of changes in the survey questionnaire forms that are necessary for the provision of the relevant data. Several working groups have already been set up within the Statistical Service and the required changes are being studied. The major difficulties faced at this stage relate (a) to the explicit understanding of the new concepts and terms, (b) to their correspondence with the terms and concepts already in use, and (c) to the uniformity of changes required.

10. The compilation of sector accounts from the Financial Account and onwards through the complete sequence of accounts is expected to face major problems as most of the required data are not being collected so far by the Statistical Service and the only possible sources of information to be exploited are external to the Service. Special working committees have been set up in order to coordinate activities with the external organizations involved, such as the Central Bank of Cyprus and the Ministry of Finance

11. However, no substantial progress can be achieved in the compilation of these accounts, unless firstly, a definite and applicable delimitation of the institutional sectors is achieved and put into practice. The only attempts that are feasible at present is the examination of all financial instruments required and their availability as well as their preliminary estimation at least at an aggregate level for the whole economy. From a first examination, it appears that estimations on the majority of these instruments are available; however, their compatibility with the ESA 95 definitions is still under investigation, mainly by the Central Bank of Cyprus.

12. Overall, it can be said that the compilation of institutional sector accounts is a difficult and time-consuming process that unavoidably puts enormous pressure on the human and financial resources of any country which does not have already in place a highly developed system of basic data.