



Economic and Social Council

Distr.
GENERAL

[IN] TIBD ADV

E/CN.3/1989/4
3 October 1988

JUN 7 1989

ORIGINAL: ENGLISH

UN/SA COLLECTION

STATISTICAL COMMISSION

Twenty-fifth session

6-15 February 1989

Item 4 (a) of the provisional agenda*

NATIONAL ACCOUNTS AND BALANCES: SYSTEM OF NATIONAL ACCOUNTS (SNA)

Progress in the revision of the System of National Accounts (SNA)

Report of the Secretary-General

SUMMARY

The present report is a continuation of a previous progress report on the SNA review presented to the Statistical Commission at its twenty-fourth session in 1987. It covers the period 1987 through 1988. Section I deals with organizational matters concerning the System of National Accounts (SNA) review, including details on meetings already held and those scheduled to be held and on the dissemination of SNA review materials to a wide group of experts. Attention is also given to the resources needed to complete the SNA review process in a timely and effective manner and the action being taken to mobilize these resources (paras. 3-16). Section II summarizes the conclusions reached by various global and regional expert group meetings (paras. 17-47). Section III reports on the progress made in writing the revised SNA and handbooks on national accounting and includes tentative outlines (paras. 48-55). Section IV describes the activities of the Statistical Office of the United Nations Secretariat aimed at developing a compilation methodology which would assist countries, particularly developing countries, in the implementation of the revised SNA in parallel with the present efforts to improve the conceptual framework (paras. 56-59). Section V suggests a future programme of work for the Statistical Commission and includes points for discussion by the present session of the Commission (paras. 60-62).

* E/CN.3/1989/1.

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
INTRODUCTION	1 - 2	3
I. ORGANIZATION AND FUNDING OF THE SNA REVIEW	3 - 17	3
A. Regional and global expert group meetings	4 - 12	3
B. Widening input to the SNA review process	13 - 14	8
C. Funding of SNA review activities	15 - 18	8
II. SUMMARY CONCLUSIONS OF EXPERT GROUPS	19 - 48	9
A. Expert Group Meeting on External Sector Transactions	20 - 22	10
B. Expert Group Meeting on Household Sector Accounts ...	23 - 27	10
C. Expert Group Meeting on Public Sector Accounts	28 - 33	11
D. Expert Group Meeting on Production Accounts and Input-Output Tables	34 - 42	12
E. ECLAC Regional Seminar on National Accounts	43 - 48	14
III. REVISED SNA AND ACCOMPANYING SERIES OF HANDBOOKS ON NATIONAL ACCOUNTING	49 - 57	15
A. Revised SNA	50 - 52	15
B. Handbooks on National Accounting	53 - 57	16
IV. DATA DEVELOPMENT	58 - 61	20
V. POINTS FOR DISCUSSION	52 - 63	21

INTRODUCTION

1. At its twenty-fourth session, the Statistical Commission commended the progress report on the revision of the System of National Accounts (SNA) (E/CN.3/1987/5) as a valuable and comprehensive description of the progress made since its twenty-third session. The Commission endorsed the organizational arrangements and work schedules for the review of the SNA, noting the central role of the Statistical Office of the United Nations Secretariat and the Inter-Secretariat Working Group on National Accounts. It emphasized the need for strict adherence to the timetable established for the review and gave high priority to that work in the Statistical Office. In addition, the Commission requested that the review give full attention to the needs of developing countries through greater participation of experts from developing countries and the regional commissions. Further, it welcomed the efforts to harmonize the SNA with related statistical systems and requested that the review and quality assessment of basic statistical information suitable for the preparation of national accounts be continued in developing countries in the context of the SNA review by incorporating information from the regional commissions. Finally, the Commission made a number of comments on the various technical issues concerning the proposed revision of the SNA. 1/

2. The present report is a follow-up to document E/CN.3/1987/5 and has been prepared to keep the Statistical Commission informed of further developments in the SNA review.

I. ORGANIZATION AND FUNDING OF THE SNA REVIEW

3. The Inter-Secretariat Working Group on National Accounts, which is composed of the Statistical Office of the United Nations Secretariat and the statistical offices of the Organization for Economic Co-operation and Development (OECD), the European Communities (EUROSTAT), the International Monetary Fund (IMF), the World Bank and the United Nations regional commissions, has continued co-ordinating, planning and organizing the SNA review work programme within the mandate accorded to it by the Statistical Commission. Representatives of the member organizations of the Working Group have continued to meet several times a year in conjunction with other related meetings in which they were represented, and have taken action regarding regional and global expert group meetings, necessary funding activities and other organizational matters.

A. Regional and global expert group meetings

1. Meetings held until now

4. Since the twenty-fourth session of the Statistical Commission in February 1987, several more regional and global expert group meetings have taken place on the revision of the SNA:

/...

(a) Four global expert group meetings, which dealt with general guidelines for the revised SNA, preparation of the handbooks, and approaches to technical issues:

- (i) The Expert Group Meeting on External Sector Transactions, sponsored by the IMF was held in Washington, D.C. from 23 March to 2 April 1987. 2/ National accounts and balance-of-payments experts from 12 countries participated in this meeting. In addition to the six core experts (from Chile, the Congo, France, the Federal Republic of Germany, India and the United States), who participate in all global expert group meetings to ensure continuity in the revision, other experts from the following countries also participated: Australia, Ecuador, France, Netherlands, the United Kingdom and the United States. Representatives from the Statistical Office of the United Nations Secretariat, OECD, EUROSTAT, IMF and the World Bank were present;
- (ii) The Expert Group Meeting on Household Sector Accounts, sponsored by the World Bank, was held in Florence from 31 August to 4 September 1987. 3/ National accounts experts from 12 countries participated in this meeting. In addition to the six core experts, experts from the following countries also participated: Canada, Hungary, Mauritius, Mexico, the United Kingdom and Venezuela. Representatives from the Statistical Office of the United Nations Secretariat, OECD, EUROSTAT, IMF, the World Bank and the International Labour Organisation (ILO) were also present;
- (iii) The Expert Group Meeting on Public Sector Accounts, sponsored by IMF was held in Washington, D.C. from 25 to 29 January 1988. 4/ National accounts and government finance experts from 12 countries participated in this meeting. In addition to the six core experts, other experts from the following countries participated: Brazil, the Congo, Finland, Mauritius, Papua New Guinea and Sri Lanka. Representatives from the Statistical Office of the United Nations Secretariat, OECD, EUROSTAT and the World Bank were also present;
- (iv) The Expert Group Meeting on Production Accounts and Input-Output Tables, sponsored by the Statistical Office of the United Nations Secretariat in co-operation with the United Nations Industrial Development Organization (UNIDO), was held in Vienna from 21 to 30 March 1988. 5/ National accounts and input-output experts from 13 countries participated in this meeting. In addition to five of the core experts, experts from the following countries participated: Austria, Canada, Denmark, Indonesia, Mexico, the United States and Zimbabwe. Representatives from the Statistical Office of the United Nations, OECD, EUROSTAT, IMF, the World Bank, UNIDO, the Economic and Social Commission for Asia and the Pacific (ESCAP) and the International Research and Training Institute for the Advancement of Women (INSTRAW) were also present;

(b) The Statistical Office of the European Communities (EUROSTAT) held four more meetings in Luxembourg: one before the global Expert Group Meeting on External Sector Transactions (March/April 1987); another before the global Expert Group Meeting on the Household Sector Accounts (September 1987); another before the global Expert Group Meeting on Public Sector Accounts (January 1988) and another before the global Expert Group Meeting on Production Accounts and Input-Output Tables (March 1988). These meetings were intended to facilitate a discussion by representatives of the European Communities on the subject-matter of the four expert group meetings. Representatives from other international organizations were also present;

(c) OECD held a meeting of national accounts experts in May 1988 to review the progress in the revision of the SNA to give their comments on unresolved issues and to identify topics not yet covered;

(d) The last session of the Working Party on National Accounts and Balances of the Conference of European Statisticians of the Economic Commission for Europe (Geneva, 2-5 May 1988) discussed the reports of the various expert groups on the SNA revision and made comments on their conclusions;

(e) The Economic Commission for Latin America and the Caribbean (ECLAC) organized a regional meeting, co-sponsored by the Latin American Centre for Monetary Studies (CEMLA) which was held in Santiago from 23 to 27 November 1987.

2. Future meetings

5. The following four global meetings have been planned for the remaining period of the SNA review:

(a) Expert Group Meeting on Financial Flows and Balances, sponsored by the IMF in Washington, D.C. from 6 to 14 September 1988;

(b) Expert Group Meeting on the Reconciliation of SNA and MPS (System of Balances of the National Economy) Standards of National Accounts, sponsored by the Statistical Office of the United Nations Secretariat in co-operation with the Economic Commission for Europe (ECE) and the Council for Mutual Economic Assistance (CMEA), tentatively scheduled for the second half of 1989 in the Soviet Union;

(c) Two meetings of the Expert Group on SNA Co-ordination, sponsored by the Statistical Office of the United Nations Secretariat in New York, in July 1989 and in April 1990. In its 1989 meeting, the Expert Group on SNA Co-ordination will review the comments received on the first draft of the revised SNA from an extended list of individual experts, the regional commissions and international organizations, some of which are members of the Inter-Secretariat Working Group on National Accounts. The other objective of the first meeting is to reconcile disparate views that have emerged from previous expert group meetings. The conclusions of the first meeting should determine the modifications to be applied to the first draft of the revised SNA. The second meeting of the Expert Group on SNA Co-ordination in 1990 will review the second draft before the revised manual is

to be discussed for final approval in the 1991 meeting of the Statistical Commission.

6. Another regional meeting on national accounts, which is being sponsored jointly by ECLAC and CEMLA, will be held in Buenos Aires from 14 to 18 November 1988. At this meeting, issues related to inflation accounting, financial flows, balance sheets and public sector accounting will be discussed.

7. The documentation, participation and administrative arrangements for the Expert Group Meeting on Financial Flows and Balances are completed, and an extensive annotated agenda has been prepared. The meeting will deal mainly with four issues: (a) conceptual and data links between the SNA and other statistical systems of financial flows and balances, (b) financial transactors, (c) financial transactions and (d) national and sectoral balance sheets and reconciliation accounts.

8. Preparations are also under way for the Expert Group Meeting on the Reconciliation of SNA and MPS Standards of National Accounts. This meeting has two objectives. The first is to examine the potential use of SNA concepts and classifications in centrally-planned economies. In such an examination the definitions and operational coverage of SNA concepts might have to be adjusted in order to be applicable to the special socio-economic features of countries with centrally-planned economies. For instance, the Expert Group might have to re-examine in the light of different administrative arrangements that prevail in countries with centrally-planned economies, the definition of enterprises and establishments as units of classification, the definition and operational coverage of the financial institutions sector and subsectors, the approximation of the output of bank and insurance services and the treatment of interest, the classification of financial flows, the coverage and classification of taxes, the role of prices and the different concepts of valuation. Similar questions may arise in the application of the SNA in some market economy countries which have a large degree of central planning. The second objective is to examine the analytical potential of a number of MPS approaches to concepts and classifications, particularly in developing countries. Until now, the technical co-operation efforts of the United Nations, other international organizations and individual countries have emphasized the use of the SNA as a framework for the development of national accounts in individual countries. However, planning in countries with little sophistication in service production is often sufficiently served by focusing national accounts development mainly on the production of goods and related services. In view of the considerable experience accumulated in the past development of MPS in this area, the Expert Group might review the potential use of certain MPS concepts and definitions under those circumstances. If such a use is accepted, it might be useful to identify broadly within the SNA production and product boundary the scope of MPS. This would facilitate the joint use of SNA and MPS in those countries for different types of analysis.

9. In order for the Expert Group to effectively carry out the examinations described above, the Statistical Office of the United Nations Secretariat intends to survey national accounting practices in a number of countries with centrally-planned economies which use the MPS and, for comparison, also study the practices in a number of countries with market economies presently using the SNA.

/...

In preparation for these surveys the Statistical Office will draw up a list of issues which need further detailed examination in the countries to be surveyed.

10. Prior to the Expert Group Meeting on the Reconciliation of SNA and MPS Standards of National Accounts an intermediate discussion meeting is being proposed for the first half of 1989 to review the results of case studies in selected developing countries for the compilation of SNA and MPS aggregates. These studies would supplement the studies that have already been carried out in Europe between countries with market economies and others with centrally-planned economies. An appropriate forum for this intermediate discussion would be the Working Party on National Accounts and Balances of the Conference of European Statisticians which has considerable experience in the area of links between SNA and MPS. ECE has agreed that the next session of the Working Party on National Accounts and Balances, which is now scheduled to be held in Geneva from 16-19 May 1989, will essentially be devoted to SNA/MPS links. In order to provide a wide forum for this intermediate discussion, it is suggested that the 1989 meeting of the Working Party on National Accounts and Balances incorporate additional representatives from countries and regions outside Europe which have participated in the preparatory case studies.

11. An additional expert group meeting may take place in January 1989, which EUROSTAT has tentatively agreed to sponsor. This meeting will deal with a number of issues that have been left open by previous global expert groups and which need to be dealt with before the first draft of the revised SNA is reviewed by the Expert Group on SNA Co-ordination. A final decision on this additional meeting will be reached at a two-day review meeting that the Inter-Secretariat Working Group on National Accounts has decided to hold in September 1988, in Washington, D.C., immediately after the meeting on Financial Flows and Balances. Core experts along with Professor Peter Hill, who has been assigned the task of preparing the draft of the revised SNA, will also participate. The review meeting will consider the following issues: (a) carry-overs and referrals from previous meetings; (b) new issues that have arisen and have not been discussed previously; (c) issues on which Professor Hill needs clarification and guidance; and (d) issues already discussed but on which no agreement has yet been reached. The list of issues to be considered will reflect the comments received from core members and other experts that have participated in previous expert group meetings as well as those received from the 180 national accounts experts whose views and comments have been sought by the Statistical Office of the United Nations Secretariat.

12. In order to ensure that the revised SNA fully takes into account the needs and circumstances of all regions, it is important that each regional commission hold one or more regional meetings to review the first draft of the revised SNA. The timely holding of these meetings poses special resource problems for most of the regional commissions which are more fully discussed in Section I.C below. The regional meetings should be held between the first meeting of the Expert Group on SNA Co-ordination scheduled for July 1989 and the second meeting scheduled for April 1990. At the first meeting, the first draft of the revised SNA will be reviewed and preliminary proposals for revisions made. However, actual revisions will not take place until regional meetings have had an opportunity to review the draft so that all revisions can be incorporated before the start of the second meeting. For the ESCAP region, the Government of the Republic of Korea has

/...

generously agreed to finance a meeting in Bangkok to discuss the first draft of the revised SNA immediately after the first meeting on SNA co-ordination.

B. Widening input to the SNA review process

13. To guide the discussions, extensive documentation has been prepared for all regional and global expert group meetings. At each meeting, summary conclusions are adopted, and extensive final reports will subsequently be prepared. A list of all available documents will be circulated informally to all Statistical Commission members. Documents included in the list can be obtained from the Statistical Office of the United Nations Secretariat and from other organizations members of the Inter-Secretariat Working Group on National Accounts.

14. The Inter-Secretariat Working Group is conscious of the need to ensure that the discussions involve as wide a group of experts as possible. Every effort has been made to increase the number of participating experts by varying the composition of the expert groups. To further broaden the discussion, selected SNA review documents and all final reports of global expert group meetings have been distributed by the Statistical Office of the United Nations Secretariat to some 180 national accounts experts throughout the world. The IMF has also distributed the reports of expert group meetings to its official correspondents in member countries dealing with its related statistical systems. Their comments as well as those of the experts participating in the regional and global expert group meetings are also being taken into account in the revised SNA. As the SNA review process is well under way, the Statistical Office of the United Nations Secretariat recently requested these 180 experts to express their views on those issues they considered had not yet been sufficiently covered, or not covered at all, so that those issues could be adequately discussed before the final draft of the revised SNA is ready.

C. Funding of SNA review activities

15. The SNA review activities continue to be considerably affected by the repercussions of the financial crisis of the United Nations and by reductions in the funds available from other international organizations participating in this joint effort. The Statistical Office of the United Nations Secretariat has followed the recommendations of the Statistical Commission to treat the SNA review as one of the highest priority activities in its work programme and, as a result, a major portion of the regular budget consultancy and travel funds available to the Office have been allocated to this work. Nevertheless, because of the lack of resources, important shortcomings in the review process are apparent. These include delays in the preparation of some of the handbooks, the participation of only some of the regional commissions in the global SNA review discussions and problems in the organization of SNA review meetings by the regional commissions of the developing regions. In addition, because of shortages of travel funds, the ability of Statistical Office staff to participate in regional and other technical meetings is not assured and uncertainties remain in finding adequate funds to provide for the final revisions of the revised SNA and ensuring technically sound translations.

/...

16. The adverse impact of the financial crisis of the United Nations on SNA review activities has to date been considerably mitigated by the generous co-operation and support of a number of organizations and countries. EUROSTAT has shared some of the expenses involved in preparing the text of the first draft of the revised SNA, the United Nations covering the balance out of its regular budget. The IMF has sponsored three SNA review expert group meetings, the World Bank has sponsored one and a number of developed countries participating in the various SNA expert groups have paid for the participation of experts from their countries in these meetings. Such support has made it possible to carry out the programme as planned until now. All expert groups scheduled in the context of the SNA review until now have been held as scheduled. Previous Statistical Commission and regional meetings have noted that the handbooks will be the main instruments for making the SNA concepts operational in terms of actual data compilation and the effective linking of data to the requirements of planning, policy-making and analysis, particularly in developing countries. It is therefore essential that funds be made available to ensure that the handbooks are prepared on schedule. It is also important that funds become available to finance the organization of meetings by the regional commissions in the developing regions for extensive discussion of the first draft of the revised SNA towards the end of 1989, so that the practical applicability of the revised SNA in developing countries is assured.

17. In order not to lose the present momentum of the SNA review and to alleviate some of the difficulties encountered in the involvement of the developing countries in the review process, discussions have taken place in the Inter-Secretariat Working Group on how to mobilize the additional funds needed. As the Commission's Working Group on International Statistical Programmes and Co-ordination was informed at its twelfth session, the International Association for Research in Income and Wealth (IARIW), which represents the main core of expertise internationally available in this field of research, has agreed to associate itself with the review process and the effort to mobilize additional resources needed to ensure that the review process will be completed in a sound and timely manner.

18. The involvement of IARIW has already begun. The United Nations and EUROSTAT are providing the necessary funds through IARIW to enable Professor Hill to draft the revised SNA. The funds from both organizations have been approved for this task, the necessary administrative arrangements have been made and some payments have already been effected. In March 1988, Professor Hill started work on the draft of the revised SNA and some chapters are already available in draft form. Additional funds are being sought by IARIW and by other means, particularly to help finance the participation of developing countries in global expert group meetings, the organization of regional meetings, the preparation of handbooks and additional travel.

II. SUMMARY CONCLUSIONS OF EXPERT GROUPS

19. The following is a summary of discussions that took place, conclusions drawn and recommendations made in regional and global expert group meetings subsequent to the Interregional Seminar on the SNA Review for Developing Countries, the Expert Group Meeting on the SNA Structure and Expert Group Meeting on Price and Quantity Comparisons, which were held in 1986 and covered in detail in the progress report presented to the twenty-fourth session of the Statistical Commission.

A. Expert Group Meeting on External Sector Transactions

20. This Expert Group addressed many issues and made recommendations on several topics. In the area of harmonization between the concepts and treatment of transactions in the external accounts of the SNA and the balance of payments (BOP), several agreements were reached. For instance, it was agreed in principle that the BOP would make explicit the distinction between factor and non-factor services and between current and capital transfers which is now made in the SNA. Imports should be valued f.o.b. in the SNA following the present recommendations in the BOP. Given the growing importance of exports and imports of financial services, the Expert Group advised the Group on Production Accounts and the Group on Financial Flows to work on a revised treatment of banking and insurance transactions in the external accounts. At the same time the balance of payments experts noted their willingness to introduce imputations and adjustments as part of the harmonization between the SNA and the BOP. Reinvested earnings of subsidiaries of foreign enterprises, which until now were imputed only in the BOP, should also be introduced as imputations in the SNA.

21. The Expert Group established general and more flexible principles in the external accounts of the SNA and the BOP regarding the concept of residency and the application of the ownership principle in the registration of transactions. It was agreed that the basic criterion for residency should be economic, that is, the centre of economic interest of individuals or units should be more or less permanently established in the country. Jurisdictional criteria and the one-year rule, presently included in both the SNA and the BOP, should only be used as approximations. Similarly, the change of ownership was considered to be the guiding criterion for the registration of transactions in the SNA and the BOP. The treatment of technical assistance personnel was left undecided with a decision to be taken later by the Expert Group on SNA Co-ordination.

22. Furthermore, the Expert Group clarified issues that are not presently dealt with in an explicit manner in the SNA. This applies, for example, to the treatment of financial leasing, the coverage of international organizations and the use of exchange rates for converting external transactions in foreign exchange values to local currency values under circumstances of multiple exchange rates and rapidly changing exchange rates. Some of these issues were fully resolved, while further discussion in subsequent meetings of the Expert Group was recommended for some other issues, such as the multiple exchange rate question.

B. Expert Group Meeting on Household Sector Accounts

23. The Expert Group agreed that a comprehensive typology of imputations and re-routings should be developed and included in the SNA; however, handbooks should provide guidance as to which of those imputations should be identified in published tables.

24. In the discussion about the production boundary it was recommended to exclude from it all non-marketed services, increase the coverage of non-marketed goods, removing the restriction that they be made from primary goods or that some be

/...

exchanged in the market. It was agreed that all illegal transactions should in principle be included in the SNA.

25. A new concept of consumption to describe household consumption including individualized consumption of government and private non-profit institutions, should be integrated with the central framework of the SNA without, however, changing the present coverage of income and expenditure transactions in household and government accounts. The proposal to introduce a concept of enterprise final consumption was not accepted; instead it was proposed that the coverage of wages and salaries in kind should be widened. The concept of quasi-corporations was retained but modified to include those unincorporated enterprises for which complete accounts were available.

26. Different groups of non-profit institutions were examined, and it was agreed that the allocation of private non-profit institutions to either the enterprise or household sector should be based on the criterion of whom they serve. Subsequent discussions in the Expert Group Meeting on Public Sector Accounts concluded that the allocation of non-profit institutions to the government sector should continue to be based on the joint criteria of majority financed and majority controlled by Government. However, it was suggested that the control criteria be further clarified, particularly those regarding religious organizations and political parties. Most participants in the Expert Group on Household Sector Accounts agreed to treat private non-profit institutions serving households as a sub-sector of the household sector and not as a separate sector.

27. Particular features of the Social Accounting Matrices (SAMs) regarding socio-economic breakdowns of the household sector and the subdivision of labour inputs should be integrated with the central framework of the SNA. The Expert Group on Household Sector Accounts recommended that the household sector be subdivided based on socio-economic characteristics of the reference person of the household, such as employment status. The Expert Group further supported the preparation of a handbook on household sector accounts which would deal in particular with the linking of micro and macro data and concepts. Finally, it was agreed that further harmonization with ILO labour statistics standards should be achieved by elaborating the distinction in the SNA between formal and informal activities and between employees and own-account workers.

C. Expert Group Meeting on Public Sector Accounts

28. At the Expert Group Meeting it was agreed that the conceptual bridge tables between the Government Finance Statistics (GFS) and the SNA were necessary to show all the differences between the two systems, whereas operational bridge tables with figures were an important tool for estimating SNA government accounts on the basis of GFS data for countries where such sector accounts had not yet been developed.

29. The Expert Group reaffirmed the accrual basis for recording transactions in the SNA and the cash basis in the GFS. However, it recommended the inclusion of supplementary tables based on cash registration in the SNA to facilitate the link with the GFS.

30. The Expert Group recommended the imputation of rent for government-owned and occupied buildings which would result in a government operating surplus. It also recommended the calculation of consumption of fixed capital for roads, bridges and dams. It suggested to the Expert Group on Production Accounts that it reconsider a proposal to impute for government fixed assets, in addition to consumption of fixed capital and operating surplus, which would reflect the capital cost of those assets. Subsequent discussions in the Expert Group Meeting on Production Accounts concluded that before a final decision was made a paper would be needed explaining the conceptual and practical problems of this proposal and its relation and interaction with the proposal on imputation of rent.

31. The Expert Group considered it useful to include intermediate levels of government between central and local governments in the SNA for use by countries where such levels existed. It was thought important to have separate data for social security funds as well as data for each level of government, including the social security funds associated with that level.

32. The Expert Group agreed to treat as public corporate enterprises those in which the government either held the majority of the equity or in which it controlled the enterprise's economic behaviour even if it held 50 per cent or less of the equity. Departmental enterprises should be treated separately from producers of non-market government services in the analysis of production but not in the sector accounts. Subsequently, the Expert Group Meeting on Production Accounts recommended that government units be identified as market producers if the price of their output was intended to cover the cost, that ancillary and integrated activities of government should be treated in the same manner as proposed for the case of enterprises and that the term "departmental enterprises" should not be used in the revised SNA.

33. A proposal to widen the concept of capital formation of government to include military assets was discussed, but a final decision was postponed until further reconsideration by the Expert Group on Production Accounts. Other important recommendations were to replace the terms of direct and indirect taxes in the revised SNA and to reconcile the coverage of taxes between the SNA and the GFS. The Expert Group reconfirmed that transaction units were the statistical unit of the Classification of the Functions of Government (COFOG) but accepted the notion that the statistical unit could also be a group of transactions.

D. Expert Group Meeting on Production Accounts and
Input-Output Tables

34. The Expert Group made recommendations to redefine many concepts in respect of statistical units, taxes and secondary products, among others, with the intention of simplifying and clarifying them, making them operational and obtaining a common set of terminology for the SNA and the European System of Accounts (ESA). These definitions should be closely co-ordinated with those used in the revised International Standard Industrial Classification of All Economic Activities (ISIC).

35. The Expert Group also recommended that the triple distinction between institutional units, establishments and units of goods and services (for products)

/...

should be maintained in the revised SNA. The establishment unit should continue to be the statistical unit for production accounts and capital formation by detailed kind of activity. It was defined, in principle, as an enterprise or part of an enterprise that engaged in one kind of activity at a single physical location but, in practice, some establishments may be engaged in more than one activity and at more than one location.

36. A distinction was made between ancillary and integrated activities. Ancillary activities referred to the production of services that were for the use of the enterprise they served and were usually found in similar enterprises. If sales of ancillary activities exceeded 50 per cent of the output of the enterprise, the units should be treated as separate establishments. Integrated activities referred to the production of different kinds of goods and possibly services, such as may be the case in a vertically integrated enterprise. If those activities were carried out at separate locations, they were always to be treated as separate establishments.

37. For the purpose of subclassifying the corporate enterprise sector, an explicit definition was recommended for enterprise units, which were defined as units that kept complete accounts, including profit and loss accounts, and balance sheets.

38. The following new terminology was also recommended: "market producers" to replace "industries", "non-market producers" to replace "other producers" and "producers of government services", "goods and services" to replace "commodities", "products" to be synonym for "goods and services", "taxes on products" to replace "commodity taxes", "other taxes linked to production" to replace "other indirect taxes" and "taxes on income, capital, etc." to replace "direct taxes".

39. The input-output matrices should continue to form an integral part of the SNA. However, details on the derivation of the matrices should be shown in a handbook.

40. For imputed bank service charges, the Expert Group favoured retaining the present SNA valuation method but recommended the allocation of imputed bank service charges to intermediate consumption of producers, including producers of government services, to final consumption of households and to exports and imports.

41. In the case of official multiple exchange rates, accounts should contain global adjustment items. Adjustment items were calculated as the differences between transactions with the rest of the world converted into national currencies using the actual multiple rates and the same flows converted using a "unitary" exchange rate which could be calculated as a weighted average of the multiple rates.

42. The majority of the Expert Group felt that mineral prospecting and some research and development should be included in capital formation (whether or not results were obtained). The Expert Group was divided in deciding whether or not to retain the present treatment of outlays on military durables as consumption expenditure. However, a substantial number of participants argued that at least immovable assets, such as hospitals, schools, roads and airfields which could also be used for civilian purposes, should be treated as capital formation.

E. ECLAC Regional Seminar on National Accounts

43. The regional seminar organized by ECLAC and co-sponsored by CEMLA dealt with a wide range of SNA topics.

44. The participants emphasized the need for the revised SNA to reflect the analytical uses of national accounts in developing countries. They also emphasized the need for the characteristics of the revised SNA to be related to the characteristics of the organization of the economic system in the country and the institutional organization of the statistical system, and that it should serve as a basic text for the instruction of national accounts.

45. The meeting dealt in detail with issues identified in the draft agenda for the Expert Group Meeting on Production Accounts and Input-Output Tables, and it made several recommendations. The institutional classification of the SNA should be the primary classification applicable to the system as a whole, while the activity breakdown should be treated as a secondary classification applicable only to production accounts transactions. There was a need for a clear definition of establishment unit as well as enterprise unit. The meeting preferred to distribute the imputed banking services to sectors of destination rather than to maintain the fictitious banking sector of the present SNA. The extent to which indirect taxes and subsidies were imputed should be carefully examined. The gross registration of value added tax (VAT) rather than the net treatment, as presently applied in the European System of Accounts (ESA), was preferred because in Latin American countries other indirect taxes and subsidies existed in parallel with VAT. A need was expressed to incorporate in the revised SNA separate tables that classified capital formation and capital stock by user. Some modifications were also suggested in the coverage and components of capital formation; for example, expenditure on public construction of hospitals and roads, which were used mainly for mixed military/civilian purposes, should be treated as gross fixed capital formation where civilian use dominated.

46. The meeting also reviewed the conclusions of the Expert Group Meeting on Household Sector Accounts and made several recommendations. Non-profit institutions serving households should not exclusively cover units with a zero operating surplus but may include units with a positive operating surplus which was redistributed to households through transfers. There was little support for changing the coverage of the consumption concepts in the sector accounts for households and government; however, the distinction between individual and collective consumption was considered to be important enough to justify separate analysis in supplementary tables.

47. The meeting also considered the annotated agenda prepared for the Expert Group Meeting on Public Sector Accounts held in January 1988. Most participants agreed that the public sector should be identified explicitly in the revised SNA even though there was no consensus on whether this sector could be made comparable between countries; also it was felt that a definition of what was a surplus or deficit in the public sector should be incorporated into the revised SNA.

48. The meeting recommended that the topic of price and quantity measurement be treated with utmost priority in the next ECLAC/CEMLA Seminar on National Accounts scheduled to be held in Buenos Aires in November 1988. It also proposed that this Seminar should consider the topic of financial flows and balance sheets. Finally, the meeting emphasized the need to develop international guidelines on regional accounts which were consistent with the national accounts concepts and classifications, and it suggested that a handbook on quarterly accounts should be prepared.

III. REVISED SNA AND ACCOMPANYING SERIES OF HANDBOOKS ON NATIONAL ACCOUNTING

49. The end result of the review process will be a revised SNA accompanied, over time, by a series of handbooks on national accounting prepared and issued by the Statistical Office of the United Nations Secretariat.

A. Revised SNA

50. As mentioned earlier, work on the preparation of the first draft of the revised SNA has already begun. A tentative outline has been prepared. It is subject to revision in the light of a further development of the manuscript. The outline provides the following list of chapters:

- Chapter 1. Introduction
 - Chapter 2. An outline or overview of the new system
 - Chapter 3. Transactions and imputations
 - Chapter 4. Economic units and statistical units
 - Chapter 5. The sectors and sub-sectors of the system
 - Chapter 6. Production accounts
 - Chapter 7. Supply and disposition matrices and input-output tables
 - Chapter 8. Components of final demand
 - Chapter 9. Income and outlay accounts
 - Chapter 10. Capital finance accounts
 - Chapter 11. Balance sheets and reconciliation accounts
 - Chapter 12. Price and volume measurement
 - Chapter 13. Real income
 - Chapter 14. Standard accounts and tables
- GLOSSARY OF MAIN TERMS

51. The introduction will deal with the historical development of the SNA through its various versions in 1949, 1952, 1954 and 1968 up to the newly revised one, the purpose of national accounting and the use of the system in different stages of economic development. It will elaborate on the principles that govern the conventions adopted in various parts of the system. The overview in chapter 2 will include a summary matrix presentation of the system and an alternative presentation in the form of T-accounts. Both will include illustrative data from selected countries. The T-accounts and matrix presentation will emphasize the integration of the production accounts with the income and outlay and capital accounts of the

system and will identify alternative income aggregates (gross domestic product (GDP), gross national product (GNP), national income, national disposable income) within the same accounting framework. Chapter 3 on transactions and imputations elaborates the principles that govern the coverage of monetary and non-monetary transactions in the revised system. Chapters 4 and 5 deal with the statistical units and the elaboration of classifications in which they are being used. Chapters 6 through 11 specify the transaction and transactor detail which determine the format of the different accounts (production, income and outlay, capital accounts and balance and reconciliation accounts) and other analytical tables (supply and disposition, matrices and input-output tables). Two other chapters, 12 and 13, are devoted to the issue of deflation in order to arrive at volume measurements of goods and services flows and real income from which price movements over time are eliminated; also included in these chapters is an explanation of how to compare national accounts data between countries based on the present methodology of the International Comparison Programme (ICP). In order to make the revised SNA the central publication which co-ordinates further developments and elaborations in handbooks, the revised SNA will include a few chapters dealing with adaptations of the revised SNA to specific circumstances, for example, countries with centrally planned economies or countries affected by war or natural disasters. These chapters will also deal with links between the revised SNA and related systems (such as balance of payments (BOP), Government Finance Statistics (GFS), System of Balances of the National Economy (MPS), and the European System of Accounts (ESA)), and with satellite accounts (including, for example, statistical elaborations for environmental analysis, an analysis of the impact of social transfers). The precise content of these chapters, however, has not yet been determined.

52. The first drafts of several of the chapters will be discussed at a two-day review meeting that the Inter-Secretariat Working Group on National Accounts is planning to convene together with the core experts and the author in September 1988 in Washington, D.C. following the Expert Group Meeting on Financial Flows and Balances. In addition, preliminary versions of selected chapters will be made available to the Statistical Commission at its twenty-fifth session to give an indication of the orientation and manner of presentation of the revised SNA.

B. Handbooks on National Accounting

53. The series of handbooks include or will include further elaborations of the revised SNA in more specialized directions covering the conceptual framework of the subsystem in terms of concepts, accounts and tables for specialized types of analysis and a detailed discussion of statistical sources and methods to arrive at these specialized statistics. They will also contain conceptual and compilation links between specialized elaborations of the framework and other existing related statistics.

54. Two handbooks have already been published. In 1986, the first Handbook on National Accounting: Accounting for Production-Sources and Methods, 6/ was issued; and in 1988, a second volume was issued entitled Handbook on National Accounting: Public Sector Accounts. 7/ These two volumes have been published as preliminary

editions and they will be revised after the revised SNA is approved by the Statistical Commission. Four more handbooks are in progress. The following is a brief summary of the published volumes and an outline of those which are in progress:

(a) Accounting for Production: Sources and Methods: This handbook describes the various sources and methods for compiling GDP and is divided into four parts. The first part is a general introduction, which includes essential definitions and classifications, an overview of national accounting methodology and a review of the main types of sources used for benchmark and periodic estimates of national accounts. The second part deals with estimation methodology - how to utilize basic sources and how to adjust information obtained from those sources in order to measure national accounts aggregates. In this description, a distinction is made between three different approaches: the production approach, the cost approach and the commodity flow combined with the expenditure approach. Annexes I to VI present the detailed classifications referred to in the text. The bibliography contains titles of publications on methodology and standards for compiling national accounts prepared by statistical offices of international organizations.

(b) Public Sector Accounts: This handbook describes the accounts and tables relating to the public sector - both government proper and public enterprises - which countries may find useful to compile. The primary purpose of this volume is to assist countries in designing and implementing a set of public sector statistics that meet their internal needs for public sector analysis and policy-making within the broader context of the economy as a whole. It is divided into two parts, with five annexes. The first part, entitled Analytical Framework, lays out the structure of the analytical framework proposed for public sector analysis. The three chapters in it outline the scope of the public sector and the definitions and classifications of the entities included in it. They also provide information needed for the analytical framework, explain the format of the proposed tables and accounts shown in annex I and consider the priorities in their compilation. The four chapters in the second part, entitled Sources and Methods, give an overview of basic sources and provide references to more detailed treatments. They also deal with methods of compilation of current price data, provide sample worksheets and discuss the issue of gross output and its disposition in constant prices. The annexes list the suggested public sector tables (annex I); present the Classifications of Functions of Government (COFOG), which is of particular importance for public sector statistics (annex II); give detailed definitions of relevant SNA transactions concepts (annex III) and Government Finance Statistics (GFS) categories (annex IV); and provide a detailed reconciliation of SNA and GFS concepts (annex V).

(c) Input-Output Tables: This handbook will be an update and improvement of Input-Output Tables and Analysis, published by the United Nations in 1973. 8/ It will deal with the theoretical background of input-output analysis, the integration of input-output statistics with the system of national accounts and the conceptual as well as practical problems in compiling and analysing input-output tables. In dealing with practical and conceptual problems, statistical sources are reviewed, benchmark and annual updating methods are described and a detailed description is provided on adjustments to the basic data, for example, how to merge separate make

and use matrices into square input-output tables, how to deal with secondary production, how to allocate imports, how to distribute indirect taxes, how to arrive at trade and transport margins, how to price goods and services flows of domestic production and imports and how to treat banking, insurance, and output of other financial intermediaries. The handbook will deal with the analytical applications of input-output tables, such as their compilation and use for regional and multinational analysis, the analysis of needs for imports, capital and employment and the analysis of the effect of changes in technology and productivity on production and value added. An outline has been prepared and three chapters have already been completed. Further elaboration of some of the chapters will be done in conjunction with assistance in technical co-operation projects in developing countries.

(d) Household Sector: A detailed outline of this handbook was prepared in 1987 with World Bank funding and discussed in the Expert Group Meeting on Household Sector Accounts in September 1987. The outline consists of eight chapters, a glossary and an analytical index. Chapters I and II explain the purpose of the handbook and its theoretical and practical nature (chapter I has already been drafted). Chapters III through VIII describe proposals related to the presentation of accounts and tables, other measurements in the household sector, valuations and sources and methods for compilation, such as the use of household sample surveys. Examples of different uses of household sector accounts are provided. There is a need for more experience in the area of incorporating household surveys into national accounts compilation. Some of the remaining chapters will be further elaborated on the basis of the experience gained in the use of household surveys in national accounts compilation through the participation of the United Nations Secretariat and counterpart staff in technical co-operation projects.

(e) Enterprise Accounts: This handbook will elaborate further on the production, income and outlay, capital accumulation and finance accounts of non-financial enterprises. An important requirement in the development of an integrated system of enterprise statistics is the standardization of profit and loss accounts and balance sheets in terms of macro-economic concepts. The availability of enterprise sector accounts helps to put into proper perspective development issues involving the production and distribution of goods and services, the formation of income and wealth and the mobilization and use of financial resources. In order to obtain consistent estimates of aggregates of output, incomes generation and net saving and lending, data collection systems are employing enterprise units at an increasing rate to gather the basic statistics of current and capital transactions. The handbook will (a) describe a general conceptual framework of the economic accounts for the enterprise sector; (b) illustrate the integration of the commercial accounting records of transactions with the conceptual framework of enterprise accounts; and (c) examine the common experiences of countries in compiling the basic statistics from enterprises and present aggregate enterprise accounts. An outline has already been prepared. However, to gain more knowledge of the situation that exists in developing countries, more experience from technical co-operation projects is needed to complete the handbook, which is tentatively scheduled for 1989.

(f) External Sector: A draft of this handbook has already been prepared by a consultant. However, modifications are required in view of the conclusions and recommendations of the Expert Group Meeting on External Transactions held in March 1987. Agreement has been reached between the IMF and the Statistical Office of the United Nations Secretariat, that in conjunction with the revision of the IMF balance of payments manual, a handbook describing data sources will be prepared by the IMF. The Statistical Office of the United Nations Secretariat will contribute the part on BOP/SNA reconciliation bridge tables based on data obtained from country studies.

55. No definite arrangements have yet been made for the drafting of the handbooks on national accounting on constant prices, on the relationship of SNA and MPS standards of national accounts, on financial flows and balance sheets and on environmental accounting. ECLAC has agreed, in principle, to engage a consultant to prepare a draft for the handbook on national accounting in constant prices from the Latin American perspective. The Statistical Office of the United Nations Secretariat would draw up an outline which ECLAC would follow, and the finished draft prepared by ECLAC would be reviewed and expanded by the Statistical Office in order to make it applicable world wide.

56. The handbook on the relationship of SNA and MPS standards of national accounts will be prepared as a revision of the present United Nations manual Comparisons of the System of National Accounts and the System of Balances of the National Economy, Part One: Conceptual Relationships. 9/ It will reflect the conclusions reached in the Expert Group Meeting on Reconciliation of SNA and MPS Standards of National Accounts which was described in paragraphs 8-10 above, which implies that it will deal with two objectives. On the one hand, it will be a guide for national accountants in centrally planned economies who are applying the SNA to the specific circumstances of their countries. For this purpose the handbook will include detailed descriptions of SNA transaction and transactor categories in terms of the specific institutional arrangements of countries with centrally planned economies. On the other hand, it will deal with the identification of broad MPS concepts and classifications within the SNA. This feature of SNA is important not only for countries with centrally planned economies but also for other countries that are interested in the joint use of SNA and MPS for different types of analysis. The possibility of co-operation and contributions from CMEA for the preparation of this handbook is being explored.

57. In addition to the nine topics mentioned above, six other topics have been suggested by the Interregional Seminar for Developing Countries on the SNA Review: quarterly accounts, regional accounts, developing countries and Social Accounting Matrices (SAMs), capital stocks, ICP and small island economies. Furthermore, the last session of the Statistical Commission recommended the following two topics: measurement and valuation of informal sector activities and the contribution of women to economic activity. For these additional handbooks, extrabudgetary funding is being explored. The possibility of free consultancies to elaborate those handbooks previously offered by some national statistical offices is also being examined.

IV. DATA DEVELOPMENT

58. In addition to the attention given to the conceptual design of the revised SNA, the Statistical Office of the United Nations Secretariat has paid much attention to the future implementation of the SNA. It is well aware of the difficulties encountered by many developing countries in using the 1968 SNA, not only in understanding its concepts and classifications, but also in implementing the framework through the application of its concepts and classifications and the adaptation of the SNA to the specific analytical, planning and policy needs of each country.

59. In this context, the Statistical Office of the United Nations Secretariat has emphasized, in its contributions to the SNA review, the development of an accounting framework for the SNA, which not only serves to explain the system but can also be used to present and compile data for national purposes, with international reporting only a secondary by-product. Initially the framework was designed in the form of T-accounts to serve as an alternative to the matrix presentation which is presently included in the SNA. Subsequently, the framework was expanded to be used not only as an illustrative scheme to be incorporated in the future SNA but also as a compilation framework that could be used on microcomputers. The framework could easily be adapted to the specific statistical, policy-making and planning circumstances of each country in which it would be applied. The compilation framework is a comprehensive one. Not only does it include GDP, breakdowns for production accounts and data on goods and services flows, which have been the traditional focus in many developing countries, but it also incorporates the links between production data and income and outlay and financial flows. The latter expansion has proven to be increasingly important in many countries where production data are no longer the only information required by policy-makers who, given the financial implications of government deficits, external deficits and foreign debt, are asking national accountants to respond to questions which cannot be answered by production information alone.

60. So far the compilation framework has been used in two areas. One is in technical co-operation provided to selected developing countries in the national accounts field. In those countries, the framework has been adapted to the specific data detail available and to the compilation methodology followed until now. Also, the specific classifications and concepts that need to be measured for planning and policy-making purposes are taken into account. This use of the framework in the actual compilation of national accounts has prepared the format of the scheme for large-scale processing of data. On a more aggregated scale, the scheme is being used in the Statistical Office of the United Nations Secretariat to elaborate integrated national accounts data files for individual countries based on national accounts and related data available from international statistical sources. The latter exercise is meant to be a pilot study to test the feasibility of the compilation framework. However, it will also provide the Statistical Office of the United Nations Secretariat with the means to guide individual countries on ways to expand their national accounts and incorporate more data into a comprehensive framework. Furthermore, both exercises make national accounts more useful for analysis, planning and policy-making.

61. As a contribution to the above studies and in order to better understand the statistical limitations within which national accounts compilation takes place in many developing countries, the Statistical Office of the United Nations Secretariat has continued its study of basic sources available for national accounts in individual countries. This study was begun in 1986 and the results were presented in a paper (document E/CN.3/1986/6) to the Statistical Commission at its twenty-fourth session. In response to a request by the Statistical Commission at that time, the Statistical Office of the United Nations Secretariat wrote to each of the United Nations regional commissions in the developing regions to obtain additional information on statistical sources used in national accounts compilation in their member countries. Responses to this inquiry varied among regional commissions. The Economic Commission for Africa (ECA) indicated that a descriptive commentary with examples of individual countries' national accounts would be more effective in assessing the quality of data sources. ESCAP considered that the subject could be best handled in a seminar. The Economic and Social Commission for Western Asia (ESCWA) proposed that the study be expanded beyond the assessment of the implementation of the SNA in terms of accounts and tables to an assessment of the reliability of individual transaction flows. ECLAC updated an earlier study for its region on basic sources for national accounts. It is suggested that this particular data study be continued by the Statistical Office of the United Nations Secretariat because it will help to understand more fully the data constraints under which national accounts compilation takes place. The Office will use this information to update its summary description of sources and methods for each chapter of National Accounts: Statistics and Main Aggregates and Tables. This would be in line with the suggestion made by ECA mentioned above. Also, the Statistical Office of the United Nations Secretariat suggests that in the context of the SNA review an entire meeting be devoted to the data aspect of national accounts. This may be done towards the end of the SNA review or immediately following the final approval of the draft of the revised SNA by the Statistical Commission in 1991.

V. POINTS FOR DISCUSSION

62. In order to meet the timetable established by the Commission at previous sessions to have a complete draft of the SNA before it for consideration and possible adoption at its twenty-sixth session in 1991, the Commission will have to decide how best to organize its discussions at its present and upcoming sessions. At its present session, the Commission might wish to evaluate the mid-term results of the SNA review process outlined in the previous sections, particularly with regard to the progress made in preparing the revised SNA and its accompanying series of handbooks on national accounting. Using the present report and the available draft chapters of the revised SNA, the Commission may also take this opportunity to provide recommendations on a number of issues of substance and orientation to the first meeting of the Expert Group on SNA Co-ordination which will discuss the first complete draft of the revised SNA in July 1989. At its twenty-sixth session, the Commission will have before it the final draft of the revised SNA and will thus be able to give its views on the draft itself and consider whether it is ready to recommend the draft for publication. If the Commission so recommends, the draft would then be revised to take into account the

Commission's comments before publication. The Commission is also expected to have before it at that time drafts of handbooks on the household sector, input-output tables and possibly handbooks on national accounts in constant prices and enterprise accounts. Under this arrangement for organizing its discussions of the SNA revision at its twenty-fifth and twenty-sixth sessions, the Secretariat would not be soliciting comments on the substantive content of any of the draft chapters of the revised SNA at its twenty-fifth session.

63. In light of the above, the Commission may wish at its present session to comment on the following aspects of the SNA review programme:

- (a) The coverage of conceptual SNA issues in past and future expert groups;
- (b) The general orientation and manner of presentation of the revised SNA;
- (c) The coverage and progress made in the elaboration of handbooks;
- (d) Past and future involvement of developing countries in the SNA review process both through their own experts and through the involvement of regional commissions;
- (e) Actual implementation of the revised SNA through the further development of basic data and computerized compilation methodologies; and
- (f) Funding of the SNA review activities.

Notes

- 1/ See Official Records of the Economic and Social Council, 1987, Supplement No. 6 (E/1987/19), chapter IV.
- 2/ Report of the Expert Group Meeting on External Transactions held in Washington, D.C., 23 March-2 April 1987.
- 3/ Report of the Expert Group Meeting on Household Sector Accounts held in Florence, 31 August-4 September 1988.
- 4/ Report of the Expert Group Meeting on Public Sector Accounts held in Washington, D.C., 25-29 January 1988.
- 5/ Report of the Expert Group Meeting on Production Accounts and Input-Output Tables held at Vienna, 21-30 March 1988.
- 6/ United Nations publication, Sales No. E.86.XVII.11.
- 7/ United Nations publication, Sales No. E.88.XVII.5.

Notes (continued)

- 8/ United Nations publication, Sales No. E.73.XVII.11.
- 9/ United Nations publication, Sales No. E.77.XVII.6.
