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

Progress report on the review of the System of National Accounts (SNA)

Report of the Secretary-General

SUMMARY

At its twenty-second session, the Statistical Commission expressed continued support for the revision of the System of National Accounts (SNA) and set the target year of 1990 for its completion. The Commission also entrusted the Inter-Secretariat Working Group on National Accounts with planning and co-ordinating the work programme for that undertaking.

The present document reports on the progress made in that direction and includes the results of the discussions of the Inter-Secretariat Working Group in the form of a list of meetings scheduled for the purpose of the SNA revision and the Consolidated Work Programme agreed upon by the members of the Inter-Secretariat Working Group. A brief description of the issues involved is given under each topic of the work programme, with a specific indication of the role of the members of the Inter-Secretariat Working Group.

* E/CN.3/1985/1.

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INTRODUCTION

1. At its twenty-second session, the Statistical Commission endorsed the report of the Secretary-General entitled "Review and development of the System of National Accounts (SNA)" (E/CN.3/1983/5); agreed that the revision of SNA should be accomplished by 1990; emphasized that the clarification of SNA and its harmonization with related statistical systems, rather than its modification or further extension, were required; and decided that high priority should be assigned to selected non-market imputations and the distribution of income which were relevant to developing countries. 1/

2. At the same session, the Commission entrusted the Inter-Secretariat Working Group on National Accounts with the planning of the work programme and the arrangement for adequate participation of statistical experts of national offices and interested international organizations in expert group meetings.

3. The present report covers the progress that has been made in response to the decisions of the Statistical Commission. It is organized into three sections: the first section contains a brief summary of the review of SNA since 1975; the second section presents a schedule of meetings organized by members of the Inter-Secretariat Working Group on National Accounts and by the regional commissions for the period 1983-1985, as well as a preliminary plan of expert group meetings to be held from 1986 to 1990; and the third section reviews the Consolidated Work Programme of the members of the Inter-Secretariat Working Group on National Accounts for the 1990 revision of SNA, which has been arranged into groups of related subjects, such that each group can be handled by one specialized expert group. Each of those topics includes a short description that characterizes the issues involved, summarizes the results of discussions that have already taken place and indicates the time at which studies will be ready for further discussion. It should be noted that all plans incorporated in the present report are tentative and subject to budgetary approval by each organization.

I. BRIEF SUMMARY OF THE REVIEW OF SNA SINCE 1975

4. The Statistical Commission approved the publication of the revised SNA at its fifteenth session in 1968 and, at the same time, requested the Secretary-General to "keep under review and to report to the Commission from time to time the progress made by countries in applying the new system, together with any conceptual or practical difficulties encountered". 2/

5. Around 1975, the Statistical Office of the United Nations Secretariat began a review of countries' experiences in implementing SNA. An Interregional Seminar on the Revised System of National Accounts was held in Caracas in December 1975. 3/ Regional meetings held in Africa in 1975 and 1979, in Western Asia in 1977 and in Europe in 1978 4/ and 1980 5/ also contributed substantially to the review. A preliminary report on the findings of the review was presented to the Statistical Commission at its twentieth session. 6/

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6. Two Expert Group meetings have been convened since 1979. At the first one in April 1980 the Expert Group discussed the general directions of future work (E/CN.3/541), stressing the importance of clarifying the system and the need to improve its consistency with other international standards of statistics. It was concluded that modifications of the system should be minor, safeguarding the continuity of the efforts to implement it and preserving the continuity of the time series. An Expert Group meeting held in March 1982 conformed generally to those directions but was more specific in its recommendations (E/CN.3/1983/5). It had before it an inventory of major issues prepared by a consultant to the Statistical Office of the United Nations Secretariat, Professor Richard Ruggles, ^{7/} which identified specific topics for clarification and updating in the measurement of income and consumption and in the structure and sectoring of SNA. It also reviewed specific problems in the extension of the system to regional and quarterly accounts and examined issues regarding the harmonization of SNA guidelines with other international standards on external transactions, public sector statistics, monetary statistics and flows of funds, and income distribution statistics, as well as activity classifications and input-output. The Expert Group recommended that a long-term review of SNA should be undertaken and that its revision should be finalized and implemented by 1990. Furthermore, it determined the priorities for the implementation of the revision and recommended that the review should be executed in close co-operation with the statistical offices of interested international organizations.

7. Subsequent to the Expert Group meeting on the SNA review in March 1982, the Inter-Secretariat Working Group on National Accounts was established with the participation of the Statistical Office of the United Nations Secretariat and the statistical offices of the Organisation for Economic Co-operation and Development (OECD) and the European Communities (EUROSTAT); that group was later expanded to include the International Monetary Fund (IMF) and the World Bank. The Inter-Secretariat Working Group was to plan and co-ordinate the implementation of the SNA review activities and to see to it that the views of national accounts experts in the national statistical offices and interested international organizations would be adequately reflected in a future version of SNA. The Working Group has convened several meetings since its establishment in 1982 in which the topics to be included in the SNA review work were identified, work programmes concerning the national accounts conceptual development were co-ordinated among the organizations represented in the Working Group and a strategy was outlined to arrive at a revised version of SNA by 1990. A consolidated work programme in which the work programme of the Statistical Office of the United Nations Secretariat is incorporated, is presented in detail in section III of this report (see paras. 15-63 below).

8. The Inter-Secretariat Working Group on National Accounts recommended that the implementation of the SNA review should take place along the following lines: studies on the topics identified and reflected in the consolidated work programme should be prepared either by the interested international organizations, by consultants contracted by the organizations or by national statistical offices. Those studies should be circulated for comments to experts on the specific topics and thereafter discussed at regional meetings in which national statistical offices would be represented. In the next phase, discussions should take place in a series

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of expert group meetings, each of which would take up a group of subjects along the lines of the topics identified in the consolidated work programme. Those meetings might have to be sponsored by different international organizations in order to distribute the financial burden. Finally, one or a few expert group meetings should be held to integrate the recommendations of the separate expert group meetings into a revised version of SNA that takes into account the required consistency of the various elements of the national accounting framework. The approximate timing for the three groups of discussions would be, respectively, 1983-1985 for the initial preparation of the studies and the discussion at the level of regional meetings, 1986-1988 for expert group meetings on groups of topics regarding the SNA review and, finally, 1989-1990 for the concluding discussion of an expert group meeting (or meetings) that would integrate the recommendations on the parts of the system into a revised version of SNA.

9. Simultaneously with the SNA review of concepts and standards, the Statistical Office of the United Nations Secretariat is preparing a handbook series on national accounts (forthcoming) to provide practical guidance to the statisticians in developing countries in collecting and compiling national accounts and tables according to SNA recommendations. The series focuses on the data requirements necessary to compile the statistics needed for SNA as reflected in the national accounts questionnaire of the Statistical Office of the United Nations Secretariat. It describes sources and methods of compiling statistics and presents detailed step-by-step procedures and illustrations to be followed in order to obtain the best available estimates. Each volume of the handbook series deals with a particular segment of national accounts. The following volumes are currently in preparation and will be published on the dates indicated: (a) Gross Domestic Product (GDP): already submitted for publication in 1984; (b) Public Sector Accounts: completed for publication in 1985; (c) External Transactions: a first version is available in draft form and is to be published in 1985; (d) Financial Flows, Balance Sheets and Reconciliation Accounts: a draft is being prepared and is to be published in 1986. Volumes on institutional sector accounts, household sector statistics and income distribution and input-output statistics are planned for later dates. Additional volumes will be added as the need arises and resources permit.

10. To maximize the inputs of developing countries in the SNA review process, the Statistical Office of the United Nations Secretariat, in close co-operation with the member organizations of the Inter-Secretariat Working Group, has drawn up guidelines for country studies to test the data feasibility of amending the present SNA guidelines. Selected countries have been asked to participate in the feasibility studies, and the regional commissions have been requested to assist in the implementation of those studies through regional advisory services. The SNA review topics selected are those that are most closely related to the national accounts compilation procedures followed in the countries concerned and, therefore, are directly relevant for improving the national accounts data of those countries. The topics covered are the reconciliation between SNA and International Monetary Fund (IMF) guidelines on Balance of Payments and Government Finance Statistics, SNA standards on institutional sectoring, the coverage of subsistence and other activities of the informal sector, the treatment of imputed bank service charges, alternative calculations of terms of trade effects, regional accounting, the

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incorporation of household survey information with the national accounts and the integration of input-output statistics with national accounts. For all studies, countries have been asked not only to provide qualitative information on their practices, but also quantitative estimates that reflect the surveyed aspects of SNA. The results of those studies will be presented for discussion at the relevant meetings (see paras. 12-14 below).

11. The Statistical Office of the United Nations Secretariat has also dispatched a circular letter together with the Consolidated Work Programme to institutes that have long been involved in the training of statisticians from developing countries. In the letter, the Statistical Office of the United Nations Secretariat suggested to the institutes the use of the topics listed in the Consolidated Work Programme as supplementary material in their training seminars on national accounts. Discussions on those topics could provide useful inputs from developing countries for the revision of SNA. Replies have been received from some institutes that have agreed to participate in such an effort.

II. SCHEDULE OF MEETINGS ON SNA REVIEW TOPICS

12. The following are phase I meetings that were held by international organizations or United Nations regional commissions in 1983-1984 and those that are planned for 1984-1985 or later:

Statistical Office of the European Communities (EUROSTAT)

December 1983:	National and sector balance sheets, including aspects of inflation accounting
March 1984:	Comparison of SNA/European System of Accounts (ESA) aggregates of consumption; hidden economy; International Comparison Project (ICP) weighting
November 1984:	Balance sheets, own account production of government; chain indices
March 1985:	Consumption, subsidies, income measures and related subjects; unincorporated enterprises
November 1985:	Balance sheets; inflation accounting; subdivision of household sector by socio-economic groups

Organisation for Economic Co-operation and Development (OECD)

May 1983:	Treatment of bank interest; structure of SNA (building block approach); quarterly accounts; pension and life insurance schemes; financial leasing
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May 1984: Statistical units; measurement of national disposable income in real terms; institutional sectoring; production boundary; inflation accounting; treatment of bank interest

May 1985: Pension and life insurance; depletion of subsoil assets; structure of SNA; services

UNITED NATIONS REGIONAL COMMISSIONS:

Economic Commission for Europe (ECE)

October 1985: Working Party on National Accounts and Balances:
(Geneva) SNA/MPS links, treatment of natural resources, total consumption of the population, input-output tables, national accounts at constant prices

Economic and Social Commission for Asia and the Pacific (ESCAP)

March 1984: Asia-Pacific Meeting on Statistics on Input-Output
(Tokyo) Tables

Late 1984: Seminar on Statistics of Poverty and Income Distribution

June 1985: Seminar on Surveys of Household Economic Activities

Late 1985: Seminar on Review and Development of National Accounts

Economic Commission for Latin America and the Caribbean (ECLAC)

October 1983: Input-output statistics and short-term indicators
(Lima)

1984-1986: Two tentatively scheduled meetings on income distribution, subsistence production, institutional sectoring, terms of trade, quarterly accounts

Economic Commission for Africa (ECA)

1986: Working Group on Capital Formation

1987: Working Group on National Accounts at Constant Prices

1988: Working Group on Input-Output Tables

1989: Working Group on Improvement of Data on Small Scale and Household Industries

Economic Commission for Western Asia (ECWA)

November 1983: Income distribution statistics
(Baghdad)

1986: Depletion of natural resources

International Association for Research in Income and Wealth (IARIW)

February 1985: Special Conference on the Depletion of Subsoil Assets

August 1985: SNA review session of the General Conference, covering
(Netherlands) SNA structure, sectoring and reconciliation with other statistical standards; other sessions relevant to the SNA review include income distribution statistics, flow-of-funds and financial statistics, regional accounts, treatment of interest and financial intermediaries, integration of economic and social statistics, measurement of services.

13. Tentative plans for the phase II Expert Group meetings, elaborated by the Inter-Secretariat Working Group on National Accounts during its past meetings in 1984, are listed below. The topics of the Expert Group meetings would follow those described in the Consolidated Work Programme. References should be made to the particular section of the Consolidated Work Programme, indicated by a letter in parenthesis:

Structure of SNA (A)	1986
National accounting in constant prices and ICP (B)	1986
External transactions (D)	1986
Public sector accounts (C)	1987
Household sector and Income Distribution Statistics (E)	1987
Production accounts (G)	1987
Financial flows, balance sheets (F)	1988
SNA-MPS links (H.3)	1988

14. The Expert Group meeting on the structure of SNA scheduled to be held in 1986 will deal with the general framework of the system in terms of accounts and tables, as well as with the layout of a revised edition of A System of National Accounts, 8/ as the centre of the system. Subsequent Expert Group meetings would then work within that framework and make recommendations on further details. The Expert Group on the structure of SNA would be reconvened for a series of consolidating meetings at the end of the review period in 1989-1990 to reconcile disparate views that might emerge in the phase II meetings.

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III. CONSOLIDATED WORK PROGRAMME OF INTERNATIONAL ORGANIZATIONS FOR THE REVISION OF SNA

A. Structure and sectoring of SNA

1. Structure of SNA (OECD)

15. The Netherlands Statistical Office prepared a paper for discussion at an OECD meeting in 1983, which suggested that greater flexibility might be introduced into SNA by defining a central "core-account" to which "building blocks" were added to meet particular analytical needs. The participants agreed that, while the Netherlands proposals were interesting and useful, more thought should be given to defining the "core accounts" and the "building blocks".

16. The Netherlands paper was used subsequently as a basis for discussing the future structure of SNA at an informal Expert Group meeting in Luxembourg in August 1983. It was agreed at the meeting that the SNA review should be as comprehensive as possible and should not only cover the guidelines included in the present edition of A System of National Accounts (referred to as the Blue Book), but should also cover the supplementary guidelines that had been issued in the past and will be issued in the future to further elaborate particular subsets of national accounting, such as government accounts, income distribution statistics, household accounts and input-output tables. For such a comprehensive system to be as flexible as possible, it should be defined in terms of a "core", to be included in a revised version of the Blue Book, "building blocks", for alternative types of analysis, and "satellite accounts", for additional types of analysis to be reflected in the supplementary guidelines. No final conclusions were reached on the coverage of the "core", which could be defined in terms of the present SNA guidelines contained in the Blue Book, or could be restricted to market transactions, for example, or could be further extended beyond the present scope of the Blue Book. Consideration should also be given to incorporating, in the core, the gross national product (GNP) concept in addition to the present gross domestic product (GDP) and national disposable income aggregates. Further discussion will be needed on the exact nature of the supplementary guidelines in terms of satellite accounts and/or building blocks and their relation to the guidelines contained in the Blue Book. Finally, a question was raised regarding how SNA guidelines would be internationally standardized. Should the guidelines be restricted to a standardization of concepts and classifications only, or should they also include standardized accounts and tables? Should the latter standardization be restricted to the core system only, or should that structural standardization also involve the subsystems included in the supplementary guidelines? These issues will be among those discussed at a session of the General Conference of the International Association for Research in Income and Wealth (IARIW), at an OECD meeting and at an ECE meeting, all of which will be held in 1985.

2. Links between macro and micro data (EUROSTAT)

17. The Statistical Office of the European Communities considers the links between macro and micro data to be of interest as a way of subdividing the national accounts aggregates and as a part of national accounting's role in co-ordinating

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basic statistics. It is a study of the links between the concepts and classifications used in the national accounts, industrial surveys, company accounts and household surveys. The Statistical Office expects to define a concrete work programme in the first part of 1986 (see para. 36 below).

3. Country practices in institutional sectoring (OECD/Statistical Office of the United Nations Secretariat)

18. A consultant has carried out a survey of OECD countries to determine how they currently resolve certain borderline problems with regard to institutional sectoring. That survey covered the treatment of public versus private enterprises, departmental enterprises of Governments, quasi-corporate public and private enterprises and private non-profit institutions serving households. Complementing that survey, the Statistical Office of the United Nations Secretariat has sent questionnaires to developing countries to collect information about their respective practices. Reports on both surveys and proposals for amendments to SNA guidelines on institutional sectoring were discussed at an OECD meeting in May 1984, at which the following conclusions were reached:

(a) The main criterion for defining public enterprises should be ownership rather than control, taking into account the permanency of ownership;

(b) The dual sectoring of SNA might be avoided by including departmental enterprises in producers of government services and introducing an activity breakdown of the latter;

(c) Private quasi-corporate enterprises might be included together with other private unincorporated enterprises in the household sector, and depending on statistical feasibility, they might be shown as a separate subsector of households;

(d) Private non-profit organizations serving households should be treated as a subsector of households rather than as a sector on its own.

4. Unincorporated enterprises (EUROSTAT)

19. One aspect of the dual sectoring of SNA and the European System of Accounts (ESA), which gives rise to the greatest difficulties in international comparisons, is the considerable difference in the relative importance of incorporated and unincorporated enterprises (and the way in which the SNA/ESA rules are applied) in different countries. The Statistical Office of the European Communities is most anxious to obtain above all a correct application of the SNA/ESA rules, but it is aware that that would not solve the whole problem. One solution might be to construct additional tables in which all enterprises are treated together and data for households would relate to households only in their role as consumers. An expert has been chosen to suggest alternative solutions, within or outside of the core accounts of SNA, and to produce a report by autumn 1984.

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5. Private non-profit institutions (PNPI) serving households (EUROSTAT)

20. The proposals of the Statistical Office of the European Communities based on an expert report were discussed at the meeting of the Working Party on National Accounts of the Community system in March 1983. At that meeting it was concluded that the PNPI sector was small, and if SNA definitions were to be properly applied, many bodies now classified as PNPIs would be assigned to either the enterprise sector (for example, certain schools and hospitals) or the government sector (for example, universities in certain countries). The remaining PNPIs would be explicitly treated as a subsector of the household sector.

6. Statistical units (OECD)

21. The study of statistical units and the studies of institutional sectors and sectoring in SNA mentioned earlier are relevant, given the emphasis in the 1980 version of the SNA questionnaire on integrated sector analysis. That analysis is based on complete accounts for all institutional sectors, including production accounts and balance sheets. This implies that a dual classification by economic activity and institutional sectors is required of all transactions of the production and capital formation accounts of SNA. As this considerably amplifies the scope of the dual classification problem in SNA, it is important to reconsider the present SNA guidelines regarding the links between transactions classified according to the two criteria at the macro as well as at the micro level and also to evaluate the adequacy of the present definitions of the units used in the two classifications, namely, establishments and institutional units, in particular enterprise units.

22. A consultant has made a survey of country practices regarding the statistical units (or units of observation) used in the basic statistics from which the national accounts were compiled. The report on that survey dealt, in particular, with the ways in which the basic data were manipulated to generate national accounts statistics for establishment-type and enterprise-type units. The report was discussed at an OECD meeting in May 1984. It concluded at the meeting that more consideration should have been given to the distinction between the reporting unit and the statistical unit used for compilation purposes and that both units may be reflected in alternative sets of accounts in SNA.

7. Social accounting matrices (SAMS) (World Bank)

23. The World Bank will prepare one or more papers on data priorities in national accounting in developing countries. The intention is to draw on earlier work using a social accounting matrix framework, particularly as a basis for defining a minimum standard modeling capability in the context of its dialogue with particular countries. The first draft of a paper will be ready in late 1984.

B. Price and quantity comparisons

1. Use of chain indices in national accounts (EUROSTAT)

24. A study is being conducted by the Netherlands Central Bureau of Statistics (CBS) on the theoretical advantages and disadvantages of using chain indices in national accounts and on the administrative aspects and cost of regularly updating the weights. The report on that study will be discussed in November 1984.

2. Terms of trade (EUROSTAT/OECD/World Bank/Statistical Office of the United Nations Secretariat)

25. The Statistical Office of the European Communities prepared a paper on the measurement of real national disposable income for a meeting of the Working Party on National Accounts in March 1983. That document reviewed various methods of calculating the real income effects of changes in the terms of trade and the deflation of net transfers and the net receipts of factor income from abroad. No consensus was reached on a standard method for measuring the terms of trade, although there was general agreement on the importance of that subject.

26. The OECD has prepared a paper describing the analytical interpretation of the various terms of trade measures that had been proposed. That paper was discussed at an OECD meeting in May 1984. The Nicholson method of deflating exports by import price indices was favoured because of its simplicity and in spite of its analytical drawbacks. OECD is considering the publication of this type of estimate in the near future. Detailed guidelines for the estimation procedures are still to be worked out, which would have to take into account the integration of this methodology with the methodology used in the measurement of holding gains and losses.

27.¹ The World Bank and the Statistical Office of the United Nations Secretariat will undertake a joint study on the effects of the different measures of terms of trade on the real national disposable income of developing countries.

3. Deflation in time and space (EUROSTAT)

28. Purchasing power parities had been introduced by EUROSTAT in national accounts as an instrument for carrying out real comparisons between countries. The comparisons had highlighted the need for a consistent system of time and space deflation. For example, the use of purchasing power parities to express national accounts aggregates in real terms had introduced the elements of reconciliation between purchasing power parities calculated for benchmark years and the implicit price deflators of the relevant aggregates. Furthermore, the extrapolation of purchasing power parities with the implicit price deflators of national accounts had raised the problem of consistency between specific parities and the overall GDP parity. EUROSTAT is preparing papers concerning those problems.

C. Public sector accounts

1. Reconciliation and/or harmonization of GFS and SNA standards with regard to government accounts and tables (Statistical Office of the United Nations Secretariat/IMF)

29. Bridge tables have been developed which reflect a large number of differences between the Government Finance Statistics (GFS) and SNA standards. The aim of the current joint project of the International Monetary Fund (IMF) and the Statistical Office of the United Nations Secretariat is to assess those discrepancies on the basis of case studies of a limited number of countries in order to determine which discrepancies are quantitatively important, which ones can be measured with the help of the currently available statistical sources and methods and which ones can be analytically justified because of the different analytical purposes of the two schemes. That study will result in recommendations to adjust GFS, as well as SNA guidelines on the government sector, and it is expected to include a final bridge table between the two systems that would reflect only those conceptual differences that satisfy the conditions mentioned above. A joint Statistical Office of the United Nations Secretariat/IMF questionnaire was sent to national accounts compilers and government statisticians in a representative sample of 10 countries in order to obtain the information required for the study. Results of that exercise will also be incorporated in the Statistical Office of the United Nations Secretariat Handbook of National Accounting: Public Sector Accounts, which will be published in 1985.

2. Own account production of general government and departmental enterprises (EUROSTAT)

30. There appear to be significant differences in the way countries treat production by the general government sector of goods and services (other than government services) for its own use or for residual sales to other parts of the economy. A study will attempt to clarify the definitions and to establish rules on certain frequent borderline cases with the intention of obtaining a more harmonized treatment. One possibility might be the creation of a clearly defined concept of departmental enterprise to be transferred to the enterprise sector, leaving the coverage of the general government sector virtually the same as the producers of government services. That study will be carried out in late 1984, to be discussed in 1985.

3. Classification of activities and purposes (EUROSTAT/Statistical Office of the United Nations Secretariat)

31. The programme of work on the harmonization of classifications has advanced simultaneously with the revision of the national accounts. Co-ordination with the national accounts is particularly important in the service industries. The Statistical Office of the European Communities will carry out a study on co-ordinating the activity and purpose classifications in 1984.

32. The introduction of the Classification of the Functions of Government (COFOG), 9/ which replaces the classification of the purposes of government contained in table 5.3 of SNA, has raised a number of issues. Although COFOG is, in principle, a classification of government transactions (outlays), in practice it may use the same unit of classification that is utilized in the International Standard Industrial Classification of All Economic Activities (ISIC). For all practical purposes, it thus would become a more detailed extension of ISIC in the government sphere. The question then is whether the SNA distinction between industries and producers of government services is still needed, when in fact it is already sufficiently reflected in two alternative breakdowns of government outlays, and whether government activities, such as those on education and health, should be integrated with private activities when presented in an ISIC breakdown rather than lumped together in the ISIC category of community, social and personal services, as is suggested in the 1980 version of the SNA questionnaire.

4. Social security arrangements (IMF)

33. The IMF will prepare a paper that discusses the structure and trends of social security arrangements and their implications for the statistical presentation of social security operations. That paper will be ready in early 1985.

D. External transactions

Reconciliation and/or harmonization of BOP and SNA standards with regard to external transactions data (Statistical Office of the United Nations Secretariat/IMF)

34. The Statistical Office of the United Nations Secretariat and the IMF are currently engaged in undertaking a joint inquiry into the availability of separate data for each of the "building blocks" that furnish, from a conceptual standpoint, the reconciliation between the classification of external transactions contained in SNA and in the Balance of Payments (BOP) manual of IMF. The inquiry covers a cross-section of both developed and developing countries, and its results will be embodied in a joint paper that will be prepared by the Statistical Office and IMF. It will constitute the topic for discussion at a meeting of national accountants and balance-of-payments experts to be convened jointly by the two bodies.

35. It is hoped that the deliberations of the joint meeting will make a positive contribution towards achieving, to the fullest extent possible, a harmonization of the classification schemes of the two systems. Special attention will be paid to the concern of the World Bank regarding the definition of residence and the treatment of workers' remittances to reflect the income of "usual residents" more adequately, which is particularly important for small countries and countries with a substantial number of migrant workers. In addition to its contribution to the work on the harmonization of the two systems, the joint project will also provide guidelines for data conversion from one system to the other within the framework of the existing standards and furnish input to the Statistical Office handbook on external transaction, which is to be prepared and finalized in 1985.

E. Household sector accounts and income distribution statistics

1. Revision of income distribution statistics guidelines and standards for the household sector accounts in SNA (Statistical Office of the United Nations Secretariat/World Bank)

36. The Statistical Office of the United Nations Secretariat plans to revise the Provisional Guidelines on Statistics of the Distribution of Income, Consumption and Accumulation of Households, 10/ in order to bring those guidelines closer into line with a future SNA and to take into account the results of recent discussions and discussions that will take place in the near future on the treatment and coverage of particular household transactions, such as household (versus government and enterprise) final consumption, consumer durables, transactions of pension, social security, life insurance and casualty insurance schemes, and the results from surveys of country practices in income distribution statistics. Discussions of those issues and ultimate decisions by expert groups should form the basis for the coverage and classification of household sector transactions in a future version of SNA. Proposals for revising the guidelines will be based on the results of a study that is to be developed jointly with the National Household Survey Capability Programme (NHSCP). It will include case studies of a limited number of developing countries to assess the possibilities for incorporating household survey data into the national accounts compilation process in order to improve the reliability of the data of the national accounts, particularly that of the household sector account. The case studies will also be of assistance in the preparation at a later date (after 1985) of a handbook on the sources and methods of national accounting for the household sector. An issues paper is being prepared on the incorporation of household survey data into the national accounts. The issues raised will be reflected in the revised guidelines. An additional input is being provided by the World Bank's Living Standards Measurement Study (LSMS) in the form of a report tabulating household survey results by household sectors in a social accounting matrix. That report is expected by late 1984.

2. Informal activities (Statistical Office of the United Nations Secretariat, World Bank, OECD)

37. Different organizations have different understandings of what is meant by the "informal sector". It may refer to subsistence production, small-scale establishments or the underground economy. The Statistical Office will conduct a survey of the actual practices of various organizations with regard to the concept and definition of the informal sector. Based on the findings of the survey, the Statistical Office will prepare a first draft of proposals for clarification and harmonization of the concept of informal sector for discussion at the nineteenth session of the Administrative Committee on Co-ordination Sub-Committee on Statistical Activities.

38. A joint study of country practices in the measurement of subsistence and the informal production activities in the national accounts will aim at identifying the coverage, valuation, classification, statistical sources and methods used, quantitative importance of and other aspects of the measurement and treatment of

those activities in the national accounts of individual countries (particularly those of the developing countries). It will examine the possibilities and obstacles of further expanding the actual implementation of the coverage of subsistence activities within the present SNA limits or beyond in order to arrive at international comparability of data. An analysis of country practices may be used to clarify and to evaluate the statistical feasibility and analytical desirability of the distinction in SNA between transactions that are within the monetized economy and those that are not. Separate estimates, wherever feasible, will be provided for. The study of sources and methods should contribute to a future update of the handbook on sources and methods of GDP. The information will be gathered through case studies conducted in individual countries. The results of the study should build further on previous OECD research on subsistence production and should take into account present research efforts in the wider area of the informal sector, such as International Labour Organisation (ILO) research on unpaid household work and experimental surveys to measure employment in the informal sector, research by the Economic Commission for Latin America and the Caribbean (ECLAC) on rural employment and incomes and research by the Economic Commission for Africa (ECA) on the improvement of data and price information on small-scale household industries in urban and rural centres. The World Bank's review of national accounting practices in developing countries will also be used as input in completing that phase of the study.

39. A consultant to the OECD has prepared a report on illegal activities which examined what types of illegal production should, in principle, be included in the national accounts. The OECD secretariat used that report to prepare a paper for discussion at a meeting of OECD in May 1984 on the production boundary in SNA. In addition to illegal activities, the paper attempted to clarify the extent to which the present SNA was supposed to include various types of informal production such as subsistence farming, household production and output by volunteer workers.

3. Final consumption expenditure of households and of Governments (EUROSTAT)

40. In December 1982, a working group of the Statistical Office of the European Communities considered proposals by a consultant for a dual breakdown of consumption, by sector incurring the expenditure and by type of consumption. Several EEC countries are now conducting experiments to assess the problems of assembling the necessary data and to discover any outstanding methodological problems. On the basis of the results, the Statistical Office will draw conclusions and submit revised proposals to its working party in March 1985.

41. The reason for the above-mentioned proposals is the inability of the present SNA guidelines to provide internationally comparable data regarding the distinction between private and public final consumption expenditures. The problem is exacerbated by changing institutional arrangements in countries, whereby a growing proportion of household consumption, particularly in health and education, is financed by the Government through social security and similar schemes and, in some instances, by enterprises through their intermediate consumption. As the present distinction is based on a mixed set of criteria that account for the type of

expense and the sector of payment, different institutional arrangements in different countries results in incomparabilities between data from those countries. The proposed distinction between a classification by type of consumption, individual and collective, intends to restore international comparability. It also implies some redefinition of the transfer flows. The proposed new consumption redefinitions would bring the consumption concepts used in SNA closer to those applied in the System of Balances of the National Economy (MPS), those used in the Provisional Guidelines on Income Distribution Statistics and those developed for the International Comparison Project (ICP). A further consequence would be to remove the value of goods or services distributed or merely financed by Governments (for example, prescribed medicines under a national health service) from the intermediate consumption of government and, hence, provide a better measure of government output.

4. Subsidies (EUROSTAT)

42. The work already done on consumption (and ICP) has shown a need to re-examine the present treatment of subsidies on consumption. A particular problem relates to the subsidies paid to producers with the intention of reducing the prices of certain goods and services bought by specific groups of consumers. It has been suggested that those payments should be treated as social benefits to consumers rather than as subsidies to producers. A preliminary discussion paper was submitted to a working party meeting in December 1982. A second paper was discussed at the IARIW Conference in August 1983, and a revised paper will be discussed at a EUROSTAT working party meeting in March 1985.

5. Income measures (EUROSTAT)

43. The proposed revision of consumption concepts implies changes to the income aggregates of SNA/ESA relating to social benefits (and possibly compensation of employees) in kind. The working party convened in December 1982 considered a EUROSTAT proposal that it would be useful to go further and, just as for consumption, distinguish a broad measure of income, including all imputations and income in kind and a narrow measure of discretionary income (cash). There was general agreement on the need for both types of measures. The Statistical Office will make concrete proposals in 1984, to be discussed in 1985.

6. Pensions and life insurance transactions (OECD)

44. A consultant's report proposing a number of changes to SNA treatment of pensions and life insurance transactions was considered at the May 1983 OECD meeting. While many participants disagreed with the consultant's proposals, the discussions highlighted several points where the present SNA guidelines were unsatisfactory. On the basis of the discussions at the meeting, OECD will draw up proposals for a revised treatment of those transactions for a final review at an OECD meeting in 1985.

45. The consultant's report contained a number of proposals designed to simplify the household sector account by eliminating the present SNA imputations of revenues and outlays to the household sector. The first proposal was to allocate employers' contributions to social security, pension and similar schemes directly as revenues to the ultimate sectors of receipt, without channelling them as income of the household sector through the compensation of employees and as household sector outlays, through contributions paid. In the same vein, it was proposed that purchases of health and similar services by the Government or insurance sectors should no longer be imputed as revenues and outlays of the household sector; rather, they should be shown directly as payments by the government sector or by the insurance sector to the producer of the services.

46. As far as pension funds were concerned, the consultant proposed that changes in the net equity of pension funds should be presented as savings of the pension funds rather than as savings of the household sector, while at the same time, contributions and benefits should be shown explicitly in the income and outlay accounts of households. A similar treatment was proposed for life insurance schemes, except that the "cash surrender value" of life insurance schemes would remain in the savings of the household sector. Those recommendations would bring the household sector account closer into line with the present Provisional Guidelines on Income Distribution Statistics. However, while those advantages were recognized by the participants at the May 1983 meeting, it was felt that there were substantial advantages in the present SNA treatment for many analytical purposes. The new OECD proposals, to be formulated in 1985, will attempt to incorporate the main advantages of the two alternatives.

7. Interest (OECD/Statistical Office of the United Nations Secretariat)

47. Alternative definitions and treatments of imputed bank service charges have been discussed in the light of the anomalies that the present SNA treatment created in a number of circumstances. The present SNA allocation of the imputed service charge to a nominal financial industry assumed that such services would only contribute to intermediate consumption. Thus, that imputation was not reflected in the GDP, even for countries such as Switzerland, Luxembourg and Singapore, where imputed bank services were provided to non-residents and could therefore be regarded as exports. Another anomaly became apparent in the use of input-output tables for analysis. As the nominal financial sector to which the imputed service charge was allocated had no gross output, it was not possible to derive total input-output coefficients, including that sector. Those and other considerations had induced many countries to continue using the former SNA treatment of allocating the imputed service charge to individual economic activities and to final demand categories on the basis of an allocation "key", which was geared to, for example, the actual interest receipts.

48. The treatment of interest in the national accounts was discussed at the OECD national accounts meetings held in 1982 and 1983. At the 1982 meeting, the Statistical Office of Luxembourg (STATEC) prepared a note that proposed changes in the treatment of imputed bank service charges; at the 1983 meeting, Statistics Canada submitted a paper recommending that interest should be treated as a payment

for a commodity service and not as property income as in the current SNA. The Statistical Office of the United Nations Secretariat prepared a paper for the May 1984 meeting of OECD, including proposals for removing some of the deficiencies of the present SNA guidelines on the treatment of interest, while maintaining the recommended imputation of a bank service charge. The Statistical Office of the United Nations Secretariat study extended the coverage of the imputed service charge to reflect not only net interest received on deposits, but also interest received on other liabilities, including shares, and proposed concrete guidelines for the allocation of the service charge to sectors of depositors, other lenders and borrowers. Later versions of the paper will include a feasibility study based on data availability in a selected number of countries.

49. Discussions on those papers showed that there was widespread support for some revision of the present SNA treatment of interest. However, it was felt that the STATEC proposals needed further elaboration, while the proposals by Statistics Canada were not acceptable because they would involve radical changes to the system. The thrust of the Statistical Office of the United Nations Secretariat proposals was favoured, and the allocation of the service charge to both borrowers and depositors was generally accepted. However, it was felt that further study was required to define the allocation criteria which were both theoretically acceptable and statistically feasible.

F. Financial flows, balance sheets and reconciliation accounts

1. Draft supplementary guidelines for statistics of financial flows, balance sheets and reconciliation accounts within SNA (Statistical Office of the United Nations Secretariat)

50. The material will be incorporated into a draft from three existing documents, namely, Provisional International Guidelines on the National and Sectoral Balance Sheets and Reconciliation Accounts of the System of National Accounts, 11/ Guidelines on Statistics of Tangible Assets 12/ and a draft of a handbook of national accounting, concerning financial flows which was prepared in 1979 by a consultant. Furthermore, new developments, particularly with regard to the links between balance sheets and national accounts will be taken into account, such as the latest discussions on inflation accounting (see paras. 53 and 54 below) and new developments in enterprise accounting. Also, attention will be paid to the links between SNA and MPS with regard to the definition of capital stock and capital formation of tangible assets. Finally, the draft will include a bridge table between the standards of SNA and those IMF standards that are in preparation regarding Money and Banking Statistics (MBS). A draft of the guidelines will be prepared by a consultant in 1984 and, together with the bridge table between SNA and MBS standards and a study of statistical sources and methods of compilation, incorporated in a handbook on financial flows and balance sheets, to be completed by the Statistical Office of the United Nations Secretariat in 1986.

2. Bridge table between SNA and the IMF's draft Guide to Money and Banking Statistics in International Financial Statistics (Statistical Office of the United Nations Secretariat/IMF)

51. A joint study will be undertaken to relate the standards contained in the Statistical Office of the United Nations Secretariat Provisional Guidelines on National and Sectoral Balance Sheets and Reconciliation Accounts of SNA to the classification scheme normally used for reporting financial institutions' accounts in the IMF publication International Financial Statistics (IFS), as described in the draft Guide to Money and Banking Statistics in International Financial Statistics. That study, to be completed in late 1984 or early 1985, is intended to provide the framework for the bridge tables mentioned earlier (see para. 50 above), which will also be included in the forthcoming Statistical Office handbook of national accounting, concerning financial flows and balance sheets.

3. Classification of financial assets and liabilities (IMF)

52. The IMF will prepare a paper on the classification of financial assets and liabilities in the context of financial institutions and the implications of that classification for the delineation of sectors. The paper will be completed in late 1984 or early 1985.

4. Inflation accounting (EUROSTAT/OECD)

53. A consultant prepared a report on inflation accounting which was discussed at EUROSTAT and OECD meetings and which was published by OECD in the first half of 1983. 13/

54. One of the main conclusions to be drawn from that report was that little progress on quantifying inflation gains and losses could be made before more countries have sectoral balance sheet statistics. EUROSTAT engaged experts to examine how the United Nations recommendations could be implemented in an ESA framework and how much data was currently available in Community countries. The experts' reports were discussed at a working party meeting in December 1983. Based on the results of that meeting, draft Community recommendations will be compiled and countries will be encouraged to collect at least rudimentary balance sheets as soon as possible.

5. Depletion of subsoil assets (Statistical Office of the United Nations Secretariat/OECD)

55. The Statistical Office plans to circulate a discussion paper on the definition and measurement of depletion and the possible incorporation of depletion into the accounting framework. A report on the reactions of United Nations Member States will be available in 1986. The discussions of the IARIW Special Conference on the Depletion of Subsoil Assets and the ECWA meeting on that subject will be taken into consideration in the report. OECD has tentative plans to hire a consultant to

study the feasibility of measuring the depletion of hydrocarbon reserves in a small sample of OECD countries.

6. Financial leasing (EUROSTAT)

56. Following the broad agreement reached by experts at both EUROSTAT and OECD meetings in 1982, EUROSTAT will draw up detailed, final proposals to allocate capital goods to the user when they are obtained under certain clearly defined financial leasing arrangements. The main idea of the proposal is that the imputed purchase will be offset by an imputed loan from the finance company. The final proposals will be available in 1984.

G. Production accounts

1. Handbook of National Accounting (Statistical Office of the United Nations Secretariat)

57. A volume in the Handbook of National Accounting series entitled Gross Domestic Product has been completed and will be published in 1984.

2. SNA input-output standards (Statistical Office of the United Nations Secretariat)

58. Country practices in the design and compilation of input-output tables are determined to a large extent by analytical criteria. That is why input-output tables are often compiled separately from the national accounts by agencies, such as planning institutes, that are particularly interested in the immediate analytical use of those tables. It also explains why input-output standards vary considerably between countries, depending on their particular analytical requirements. However, as input-output compilation not only serves the purposes of analysis, but is also useful in the improvement of the quality and internal consistency of national accounts data, it is essential that an attempt be made to prepare analytically useful input-output standards that are consistent with SNA. The first step in that process is to undertake a study to identify the major differences between SNA input-output standards and standards used in input-output practices. Discussions of those differences could be helpful in the adaptation of the relevant SNA standards on input-output statistics so that countries' analytical input-output tables could be more easily integrated with the national accounts. The Statistical Office has prepared a first draft of a report entitled "Conceptual problems of the System of National Accounts and input-output tables" for the ESCAP Asia-Pacific Meeting of Statisticians on Input-Output Tables (March 1984, Tokyo). That report will also serve as a basis for a future handbook on national accounting regarding input-output statistics which will incorporate the present Statistical Office supplementary guidelines on input-output statistics and the relevant directives for the use of statistical sources and methods.

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3. Services (OECD)

59. Statistics on services have not been given adequate attention at the national and international levels. With the movement towards an information society, the question of the production of statistics relevant to the information field is particularly important. Several organizations are now preparing studies on the subject: OECD had a working party and a consultant engaged on developing recommendations for collecting statistics in the information field. ILO will prepare a paper on the problem of the adequacy of the coverage of services statistics. The United Nations Educational, Scientific and Cultural Organization (UNESCO) will prepare a study with input from the International Telecommunication Union (ITU) concerning the development of statistics relevant to information services. Based on the results of those studies, for its next meeting on national accounts, to be held in May 1985, OECD will prepare a paper summarizing the conclusions that are relevant to national accounts, reflecting in so far as possible the national needs for statistics in those areas.

H. Reconciliation with other accounting systems

1. Regional accounts (EUROSTAT, Statistical Office of the United Nations Secretariat)

60. The Statistical Office of the European Communities organized a seminar in 1982, designed to review current work and to determine how it should develop in future. During 1983, the Statistical Office of the United Nations Secretariat built on the work already done on regional accounts for the household sector through two studies relating to the Netherlands and Belgium. EUROSTAT also proposed to study further the methodological problems raised by a regional breakdown of the accounts of central government; an expert was commissioned in 1983 to carry out a study in that area. At the same time, a project for regional accounts was started in 1983. The papers from the seminar and the methodological descriptions of the work done by national statistical offices will be published by EUROSTAT in 1984. A special session of IARIW will discuss this topic at its General Conference in 1985.

61. The Statistical Office of the United Nations Secretariat, in close co-operation with the regional commissions, will analyse regional accounting practices in a limited number of developing countries that compile regional accounts. The study will cover the whole field of regional accounting and not confine itself to the particular areas identified in the EUROSTAT study. It will examine statistical sources and methods used in compilation, and it will identify the accounts and transaction categories that are "regionalized". The results of the study will be used at a later stage (after 1985), when a handbook on the use of national accounts will be prepared. The handbook will deal with the specific requirements of regional accounting as a particular form of national accounting. The regional accounts study will be based on separate studies by the regional commissions and will be finalized in 1985.

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Notes (continued)

10/ United Nations publication, Sales No. E.77.XVII.11.

11/ United Nations publication, Sales No. E.77.XVII.10.

12/ United Nations publication, Sales No. E.80.XVII.2.

13/ Jack Hibbert, Measuring the Effects of Inflation on Income, Saving and Wealth, (Paris, Organisation for Economic and Co-operation and Development, 1983).
