COMMISSION ÉCONOMIQUE POUR L'EUROPE   **COMMISSION DE STATISTIQUE**

CONFÉRENCE DES STATISTICIENS EUROPÉENS

Groupe d'experts des comptes nationaux

Huitième réunion
Genève, 25-28 avril 2006

RAPPORT DU GROUPE D'EXPERTS SUR SA HUITIÈME RÉUNION

Note du secrétariat

La réunion a été organisée conjointement avec Eurostat et l'Organisation de coopération et de développement économiques.

I.   INTRODUCTION

1.   La réunion commune CEE/Eurostat/OCDE sur les comptes nationaux s'est tenue à Genève du 25 au 28 avril 2006. Y ont participé des représentants des pays suivants: Albanie, Allemagne, Arménie, Australie, Autriche, Azerbaïdjan, Bosnie-Herzégovine, Bulgarie, Canada, Chypre, Croatie, Danemark, Espagne, Estonie, États-Unis, ex-République yougoslave de Macédoine, Fédération de Russie, Finlande, Georgie, Grèce, Hongrie, Inde, Iraq, Irlande, Israël, Italie, Japon, Kazakhstan, Kirghizistan, Lituanie, Luxembourg, Malte, Mexique, Mongolie, Norvège, Ouzbékistan, Pays-Bas, Pologne, Portugal, République de Corée, République de Moldova, République slovaque, République tchèque, Roumanie, Royaume-Uni, Serbie-et-Monténégro, Suède, Suisse, Tadjikistan, Turquie et Ukraine. Des représentants de la Commission européenne (Eurostat) et de l'Organisation de coopération et de développement économiques (OCDE) ont également participé à la réunion. Des représentants de la Division de statistique de l'ONU étaient eux aussi présents. Des représentants des institutions spécialisées et des organisations intergouvernementales suivantes ont pris part à la réunion: Banque des règlements internationaux, Banque centrale européenne, Cour des comptes européenne, Bureau international du Travail, Fonds monétaire international, Banque mondiale, Organisation mondiale de la santé

et Organisation mondiale du commerce. Des représentants du projet de mise à jour du SCN ont également participé à la réunion.

2.   L'ordre du jour provisoire a été adopté.

3.   M. Andrey Kosarev (Fédération de Russie) a été élu Président.

II.   ORGANISATION DE LA RÉUNION

4.   Les questions de fond ci-après ont été examinées au cours de la réunion sur la base des communications sollicitées et des communications d'appui:

        a)   Révision du SCN de 1993 (examen organisé par C. Carson, A. Harrison, l'OCDE et le FMI);

        b)   Les séries chronologiques longues en cas de changements majeurs (examen organisé par la CEE);

        c)   L'économie non observée dans les comptes nationaux (examen organisé par la CEE);

        d)   La mondialisation et son effet sur les comptes nationaux (examen organisé par R. Lynch, ONS, Royaume-Uni);

        e)   Comptes nationaux et données sur l'emploi (examen organisé par P. van de Ven, Statistics Netherlands);

        f)   Aspects régionaux des comptes nationaux (examen organisé par M. Girard, Statistique Canada).

5.   Le 26 avril, le secrétariat de la CEE a organisé une séance spéciale sur les comptes nationaux à l'intention des pays de la CEI.

III.   RÉSUMÉ DES PRINCIPALES CONCLUSIONS DÉGAGÉES AU COURS DE LA RÉUNION

6.   Les recommandations concernant les activités futures sont indiquées ci-après. D'autres conclusions auxquelles les participants sont parvenus au cours du débat sur les thèmes mentionnés plus haut sont présentées (en anglais seulement) en annexe. Tous les documents de travail établis pour la réunion sont affichés sur le site Web de la CEE (http://www.unece.org/stats/documents/2006.04.sna.htm).

IV.   ACTIVITÉS FUTURES RECOMMANDÉES

7.   Les participants ont recommandé qu'une nouvelle réunion commune CEE/Eurostat/OCDE soit organisée en avril 2008 à Genève sur le modèle de celle organisée en 2006. Elle devrait porter essentiellement sur les questions touchant à la mise en œuvre des recommandations du SCN de 1993 Rev.1. Les participants pourraient également aborder d'autres questions pratiques en rapport avec la comptabilité nationale.

8.   Les questions de fond ci-après ont été jugées les plus intéressantes dans la perspective de cette nouvelle réunion:

        a)   Mise en œuvre du SCN de 1993 Rev.1: concepts, questions pratiques et établissement de manuels;

        b)   Statistiques de la mondialisation: suite donnée au séminaire de 2006;

        c)   Mesure des services tirés du capital, du stock de capital et de la consommation de capital fixe dans un cadre de référence intégré;

        d)   Statistiques de R-D et comptes nationaux;

        e)   Relations entre les ressources naturelles et les comptes nationaux;

        f)   Comptes financiers et comptes de patrimoine: calcul des flux à partir des stocks; questions de cohérence.

9.   La réunion a recommandé que chacune de ces questions fasse l'objet d'une session distincte, dont le Comité d'organisation aura confié l'organisation à un pays ou à une organisation internationale donné. Les pays et organisations internationales suivants ont fait part de leur intérêt, comme indiqué ci-après: question a) CEE en coopération avec le Groupe de travail intersecrétariat sur la comptabilité nationale; question b) ONS (Royaume-Uni); question d) Statistics Israël; et question f) Statistique Canada et le FMI.

10.   La réunion pourrait également étudier la révision d'autres classifications économiques internationales et leurs relations avec les comptes nationaux, la mesure du capital humain, et les comptes satellites.

11.   Une session spéciale pour les représentants des pays de la CEI et d'autres pays en transition devrait être organisée juste après la réunion proprement dite.

12.   La réunion a recommandé que la CEE élargisse le champ de son enquête sur l'utilisation des données relatives à l'emploi dans les comptes nationaux aux pays de la CEE qui ne sont pas couverts par le questionnaire Eurostat/OCDE (pays de la CEI et des Balkans occidentaux). En outre, elle a recommandé d'étudier le meilleur moyen de procéder à des échanges d'expériences de pays, y compris la compilation d'un document sur les meilleures pratiques.

13.   Eu égard à la mise à jour en cours du SCN de 1993 et à l'importance que revêt la mesure du secteur informel pour les pays en transition, la CEE organisera au début de 2007 un atelier sur la mesure de l'économie non observée dans les pays d'Asie centrale.

ANNEX
Summary of the discussion
(English only)

Item 3: Review of the 1993 SNA

1.   The discussion on the review of the 1993 SNA was organised by Carol Carson (SNA Update, Project Manager), Anne Harrison (SNA Update, Editor), OECD and IMF. The members of the Intersecretariat Working Group on National Accounts (ISWGNA) acted as chairs of the separate sessions.

2.   In introducing the topic, it was stressed that the timing of the Meeting was very good for discussing the SNA Update. A document containing the full set of recommendations was prepared and presented for the first time to the meeting. In that respect, the large participation at the meeting was noted as an important advantage that created opportunity to discuss the issues among many experts from different countries.

Session 1: Overview of the SNA Update

3.   Barbo Hexeberg (World Bank) chaired the session. The discussion was based on a presentation by Carol Carson.

4.   The full set of provisional recommendations became available just before the meeting. It was noted that the discussion on the update of the 1993 SNA had entered the second stage, i.e. focusing over the next few months on the consistency and integrity of all recommendations. Issues that were out of the scope of this update will also be identified, laying ground for further research.

5.   The revised chapters will now be drafted and will be in the public domain for comments over the next two years. After country consultations, the full set of recommendations will be submitted to the Statistical Commission in late 2006, while the draft of the chapters that are the "heart" of the SNA should be ready for the AEG meeting in early 2007. It is planned that the draft of 1993 SNA Rev.1 be submitted to the Statistical Commission in late 2007, and be reviewed in spring 2008.

Session 2: Non-financial assets

6.   Charles Aspden (OECD) chaired the session. The discussion was based on presentations from the Bureau of Economic Analysis (United States) and OECD.

7.   The meeting was informed about the Advisory Expert Group (AEG) decision to include R&D in the asset boundary. If the Statistical Commission accepts this recommendation, the big challenge in front of national offices and international organizations would be to develop implementation guidelines (boundary of R&D capital, measurement of current price and volume estimates of GFCF, exports and imports, capital measures, etc.) in order to ensure internationally comparable statistics. The Joint meeting of NESTI and Canberra II will look into these matters with the goal of developing comprehensive and practical guidance.

8.   In its February meeting, the AEG decided that the revised SNA should include some indicative guidance on determining the actual economic owner of assets produced by public-private partnerships. Such a guide should be presented in an annex to facilitate revision if and when more definite guidelines come from the International Public Sector Accounting Standards (IPSAS) or some other sources that are consistent with SNA principles. The definition of economic assets should also be improved to better reflect the contemporary situation. The category "other non-produced assets" will be dropped from the new SNA to avoid misuse, while the category "other intangible fixes assets" will remain and be renamed to "other intellectual property products".

9.   Currently, the calculation of government output is based on costs, but by only including consumption of fixed capital it does not cover the full cost of capital. In order to consistently measure the output of market and non-market services and the contribution of government to the economy, the AEG recommended that all the capital cost components should be included in the measure, including a return to capital. Countries that have capital stock estimates should be able to implement the recommendations without much difficulty. However, those countries that still do not have capital stock estimates would be unable to properly implement the recommendations. They are advised to develop a fully integrated system that would derive estimates of capital services, capital stock and consumption of fixed capital. The forthcoming revised version of the OECD manual *Measuring Capital* will provide full details of how this can be done.

10.   The AEG made a number of important recommendations concerning the treatment of leases and licences and other related issues. These are the distinction between financial and operating leases, the recording of financial lease payments, the treatment of the operating lease as an asset, future provision of goods and services. Some other issues, however, are still outstanding and will be addressed by the AEG in the short run (e.g. resource leases, sharing the ownership of assets, treatment of restricted permits).

11.   In the discussion that followed the following points were made:

•   The decision to impute return on government assets applies to all non-market production when output is estimated by summarising costs;
•   The revised GFS will be consistent with the revised SNA to the extent appropriate. The ISWGNA will also monitor the developments in the international accounting standards. On the other hand, it should be kept in mind that the recommendations should follow the conceptually correct approach;
•   It is important to exchange views on how the new SNA will be implemented by countries, how the data collection would be ensured, etc. The recommended recording of financial and operating leases would apply only when large transactions take place. It is not expected that national accountants review each single transaction;
•   Some countries are in a favourable position because their law automatically reclassifies financial lease contracts. For example, according to the German legislation all contracts where the risk is transferred from the lessor to the lessee should be treated as a sale on credit;
•   The distinction between economic and legal ownership - while it is clear who the legal owner is, there are many aspects to economic ownership and it is not always easy to determine

who the economic owner is. Clear and comprehensive criteria are needed to help national accountants make the correct decision. The question of economic ownership is also very important in view of health accounts;

• Contracts, licences and permissions should not be classified together. While licences and lease contracts have roots in civil law and stem from purely economic relations, the permissions have a different root, coming from the specific power of the state to forbid or permit activities;

• Any institution can give permits; they are not limited only to the state. However, permits granted by non-government units always entail either the provision of a service or an entitlement to use the owner's asset. This is not the case with government permits that merely entitle the permit holder to undertake an activity for a fee with no commensurate service provided. In such cases the SNA recommends that the payment should be recorded as a tax. It is therefore important as to who issues the permit and whether the permit fee is required. If the permit is for more than one accounting period and there is an upfront payment, then the permit holder has an asset, but what sort of asset?;

• The recommendation to impute a return to capital used in non-market production aims at a consistent treatment for market and non-market production;

• The proposed treatment of leases and licences could lead to a situation where a lease or licence - a non-financial asset - has a negative value. This would occur if prevailing market rental for the services provided by the type of asset under the lease falls below the rental specified in the terms of the lease.

12. The meeting was informed that the updated SNA would provide reference to external documentation where appropriate. The chapter on satellite accounts will be changed as well. Currently, it deals mainly with environmental accounts. The revised chapter will discuss briefly all satellite accounts (including health accounts) and will provide reference to corresponding documents and manuals.

13. In conclusion, it was noted that:

• There is much interest in the treatment of leases and licences and different points of view exist;

• The question of identifying the economic owner was raised by several participants, which underlines the need for a detailed list of criteria;

• More guidance will be needed on issues concerning the nature of assets;
There are some outstanding issues concerning prepayments for permits;

• Some concern about the return to assets used by non-market producers exists: what type of interest rate should be used?

• The ISWGNA will take note of all the questions and concerns raised.

Session 3 Government-public sector issues

14. Dieter Glatzel (Eurostat) chaired the session. The discussion was based on presentations from OECD, Australian Bureau of Statistics and IMF.

15. The discussion focused mainly on the AEG recommendation on recording of pension liabilities in the revised SNA. The AEG decided that liabilities should be recognised for all

employer pension schemes, including the unfunded ones. However, it was acknowledged that for some countries the distinction between pension schemes for government employees and social security schemes would be difficult. Therefore, more detailed criteria should be developed. Until such criteria are finalised, the countries would have the possibility of not including the liabilities for government employees' pensions in the core accounts, but in the supplementary accounts for social security schemes.

16.   The meeting was informed about the Australian experience of recording unfunded pension liabilities of government in the national accounts. The liability is recognised by the employers and is included in the government's own reporting as part of accrual accounting. The methods for calculation of the liabilities and flows are well established and undertaken by experts in the area. Therefore, the national accounts estimates are not based on models but on reported data from governments.

17.   It was noted that for Europe the issue is strategic, as it will affect the estimates of government deficit and debt. Due to the ageing of population and other problems, the pay-as-you-go systems are being reformed and may gradually be replaced by funded schemes.

18.   On the treatment of taxes, the AEG supported the general definition of tax revenues. The AEG also agreed that: taxes should be recorded on accrual principle; uncollectible taxes should not be included in the revenues; and payable tax credits should be recorded on gross basis.

19.   In the discussion the following points were made:

•   The unfunded schemes provide an institutional guarantee for a certain payment, although there is not a fixed amount;
•   The recommendation for recording of pension liabilities is key for both public and private decision makers. There are examples of businesses incurring the consequences of large pension promises made in the past, that were not accounted for as liabilities;
•   Data are not always readily available from the businesses. Therefore estimates have to be made. The issue is important, given the large amounts involved;
•   It is necessary to be explicit about the methods applied and the criteria to determine the "strength" of the obligation;
•   The main problem in Europe would be setting the dividing line between social security and pension schemes;
•   The wording 'alternative' accounts should be used rather than 'supplementary', because they will present an alternative treatment. The conceptual issues need to be solved first, and only then can a decision on the presentation be taken;
•   In most cases the data comes from the employers (sponsors). If they use different assumptions for their estimates, the international comparability of the data will be affected.

20.   In response to the questions raised, it was mentioned that the international comparability is already under question because of the different coverage of the item D8 "Adjustment for the change in net equity of households in pension funds". Most of the statistical offices are not able to do all the estimations. They have to rely on the actuaries.

21.   There is still a lot of work to be done in order to implement the recommendation on recording of pension liabilities. The issue is important because it will have a big impact on the accounts.

22.   The AEG recommendation should also be reflected in the revised ESA to bring it in line with the SNA.

<u>Session 4: Units and classifications</u>

23.   Adriaan Bloem (IMF) chaired the session. The discussion was based on presentations from Statistics Netherlands and Eurostat.

24.   The first presentation touched upon two problems: (i) units with ancillary activities and (ii) the treatment of holding companies, special purpose entities (SPEs) and trusts. In the revised SNA, the units undertaking ancillary activities would be recognised as establishments if they satisfy the necessary criteria. Their output will be calculated as sum of costs including capital cost. Currently, the SNA does not provide much guidance on the treatment of holdings, SPEs and trusts. It is proposed that holdings and trusts that are separate institutional units be classified in the other financial intermediaries sub-sector. A notional institutional unit should be recognised for the non-resident SPEs and they should be classified according to their activity.

25.   The meeting was informed about the progress in the revision of the activity classifications ISIC (global level) and NACE (European level). The Statistical Commission adopted ISIC Rev.4 in March 2006; the NACE Rev. 2 has also been finalised. The revision was necessary in order to adapt the classifications to the technological and organizational developments in the economy. It was also needed in order to improve international comparability. It was noted that for the first time the three major international activity classifications ISIC (NACE), NAICS (North American Industry Classification System) and ANZSIC (Australian and New Zealand Standard Industrial classification) would be coherent on the top aggregation level.

26.   In the discussion the following points were made:

•   The proposed treatment of trusts refers only to corporations i.e. those units that could be identified as separate institutional units. An incorporated trust is not an institutional unit in the SNA sense and would remain in the household sector;
•   The main reason for the AEG recommendation on SPEs was to reconcile the recording of these entities in the Balance of Payments and Government Finance Statistics. It is important to ensure that their treatment does not affect government deficit and debt;
•   One of the consequences of the revision of the international activity classifications is that the tables with the industrial breakdowns would change. Most likely the national accounts presentation would move to the so-called top-top aggregation level of the classification;
•   The revised ISIC and NACE would not be implemented at the same time as the updated SNA. NACE Rev. 2 will be introduced in national accounts in 2011, while the new SNA would most likely be put into practice in 2013;
•   The revised NACE will be introduced in 2008 in business registers and structural statistics and in 2011 in national accounts. That may lead to problems with the weights used for national accounts.

Session 5: Financial issues

27.   Ivo Havinga (UNSD) chaired the session. The discussion was based on presentations from the European Central bank and OECD.

28.   The OECD presentation explained the need for reviewing the treatment of non-life insurance in the 1993 SNA. In the case of catastrophes, the present formulae may lead to uninterpretable movements in the current price value of non-life insurance output and consumption. It could also have a somewhat unwelcome impact on price indices, when the effect of the movement is smoothed in the volume measures. Therefore, the AEG recommended that insurance output still be calculated as premiums plus premium supplements minus claims, but to use adjusted claims and premium supplements in order to avoid the volatility of the measure. It also recommended that a direct volume indicator be compiled and that the price index be derived on the base of the current price series and the volume measures.

29.   Another issue discussed by the meeting was the treatment of guarantees. The 1993 SNA states that only guarantees that are financial derivatives be recorded in the accounts with supplementary information to be provided for important contingencies. The AEG agreed that the treatment of guarantees should be modified in the new SNA as they could have a significant impact on the behaviour of economic agents. The various proposals were presented to the meeting.

30.   In the discussion the following points were made:

•   Smoothing claims by using 5 year moving average may not be enough in the case of huge catastrophes. The OECD paper provides more detailed guidance on the methods to be used;
•   The annex on insurance in the 1993 SNA provides one possible way out to account for catastrophic losses - extended calculation of the insurance service charge using the technical reserves. This solution will remain in the revised recommendation, but it is recognised that it may not be suitable in all cases. Sometimes technical provisions are not enough to cover for catastrophic events and the insurance companies have to use their own funds;
•   The insurance companies are seen as mutual enterprises distributing the risk among the policyholders. If a capital transfer is recorded in cases of exceptional events, this would mean that insurance companies are recognised as risk-taking enterprises;
•   Italy informed that deflating the premium by price index did not give satisfactory results;
•   In the US, averaging of claims produced good results to smooth the effects of 11 September and the hurricane in 2005. The new recommendations would lead to an improved picture of the insurance companies. The present treatment results in a drop of insurance production in periods of catastrophic events, when, in fact, insurance companies undertake most activities;
•   The proposed recording of the guarantees would lead to double counting on the asset side, while there would be only one entry on the liability side;
•   Guarantees are a tool used by the state to stimulate the economy. The guarantee has a value, equal to the additional value the bank would charge in the absence of a guarantee;

• The question of implicit guarantees was raised: e.g. when public companies ask for loans, the state as their ultimate owner implicitly guarantees their liability. However, these are usually not standard but one-off guarantees.

31. In conclusion, it was noted that the topic touches upon the question of consistency. After the treatment of pension schemes and non-life insurance has been revised, the treatment of life insurance has also to be brought in line. Another consistency issue is the recording of guarantees that could lead to some double counting. Some questions on the recording of the assets in the beneficiary's balance sheet have also been raised. There will be further consultation on these topics and countries are invited to provide more detailed comments.

Session 6: Other topics and wrap-up discussion

32. The session was organised and chaired by Carol Carson (SNA Update, Project Manager). The discussion was based on a presentation by Anne Harrison (SNA Update, Editor).

33. The meeting was informed that the consistency of the SNA update will be checked from different viewpoints: consistency among the new recommendations; between the new recommendations and the unchanged text; within the unchanged text and with other manuals. Some examples were pointed out in the previous sessions, such as: consistent recording of life and non-life insurance; recording of guarantees and market versus nominal value of loans. Other known cases where inconsistencies exist are the issues of market/non-market output, property income (related to non-life insurance and pensions) and annuities. These inconsistencies will be flagged on the UN website. **Countries were asked to inform the ISWGNA, the Manager and the Editor of the SNA Update about other inconsistencies in the recommendations**.

34. The meeting also discussed the update process and the means to ensure large participation and contribution of all countries. Europe and North America have been more involved in the discussions on the SNA update. However, it was pointed out that it is important that the recommendations be discussed in other regions of the world. In that respect the meeting expressed appreciation for the translation into Russian of the full set of recommendations, undertaken by Statistics Canada. The translated text will facilitate discussion within the CIS countries. The participants were also informed about the various outreach meetings in different parts of the world, organised by the UNSD.

35. Countries were encouraged to read carefully the full set of recommendations and to comment. The importance of engaging a wide range of experts within countries was also highlighted.

36. In addition, the following points were made:

• Feedback on the recommendations should also be sought from other areas outside statistics that are affected by the SNA update;
• Not all issues are of equal importance for all countries, e.g. for CIS countries the main concern is the informal sector;
• The plans on implementation of the SNA update should be shared between countries. Thus, for example, Statistics Canada plans to analyse all the recommendations and has offered to

provide their implementation plan to other countries. UK tried to rank the issues in terms of importance (e.g. effect on GDP, government deficit, etc.) and presented this information to the users. The UK experience was published in SNA News and Notes;

- It is very important to document the implementation process in order to ensure the transfer of knowledge within statistical offices and internationally.

37.   The following comments were made in the discussion concerning consistency and specific issues under revision:

- It will be difficult to estimate the government output and government consumption, when no market equivalents are available;
- The annuities are already in the SNA, even if not explicitly mentioned, but their treatment should be made more explicit in the SNA;
- The treatment of residents and non-residents needs more discussion, e.g. within the Special Purpose Entities (SPEs);
- Japan offered to provide to the AEG concrete examples on non-life insurance and guarantees, to be taken into account in the discussion that has so far been quite hypothetical;
- The off-shore companies should be given similar consideration to that of SPEs;
- The issue 6(b) – output of Central Banks needs more reflection. The output of central banks is valued at cost similar to non-market producers. The non-market producers usually provide collective services, while all the output of the central bank goes for intermediate consumption of other banks. An IMF paper presented at the Frankfurt AEG meeting provides more guidance on the topic;
- Trying to reach consistency at any price sometimes makes things complex and difficult to explain. More consideration should be given to the measurement problems and the significance of issues in terms of size. It will be interesting to look at how much the issues in the SNA update will affect the NA estimates and to focus on the issues that have the greatest effect.

38.   The meeting was informed that the upcoming opportunities to discuss the SNA update will be the 29th General Conference of the International Association for Research in Income and Wealth (Joensuu, Finland, 20 - 26 August 2006), and a special session on SNA implementation at the next International Statistical Institute meeting (Lisbon, 22-29 August 2007).

Item 4: Long time series when major changes occur

39.   The session was organised by the UNECE. Philippe Stauffer (Swiss Federal Statistical Office) served as chair and discussant. The discussion was based on invited papers from Eurostat (ECE/CES/GE.20/2006/11) and Rosstat, Russian Federation (ECE/CES/GE.20/2006/3).

40.   In introducing the topic, the Discussant noted that the key issues addressed by both papers concern trade-offs, quality of data and coherence and comparability. Statistical offices are often confronted with both the pressure from users to have long time series that could be used in econometric modelling, forecasts and analyses, and the constraints imposed by data availability, methodological and economic changes. Long time series may become meaningless when fundamental economic and political changes take place. When compiling time series, the central concern of statistical offices is to ensure the quality of the data.

41.   The production of the European Union accounts differs to some extent from the usual production of statistics by national offices. It benefits from the readily available country data, which meets certain quality standards. On the other hand, additional problems not typical for a national office could appear, like the changing geographical coverage.

42.   The fundamental political changes and their impact on the businesses' structure require different classifications of economic activities and units to reflect the new reality. These classifications are difficult to implement and involve new definitions of the main kind of activity.

43.   In addition, the following points were made during the discussion:

•   For the computation of EU aggregates, Eurostat compiles the totals from previous year prices provided by countries and then chain links the aggregates. A problem appears with quarterly accounts when country data are chained and seasonally adjusted. For the purposes of aggregation, Eurostat has to unchain them mathematically. The topic will be explored further;

•   The provision of long time series is important because if they do not exist, the researchers will create them. The statistical offices should assist users in compiling long time series but should be realistic and clearly explain what is the quality of the results. The creation of meaningful time series is one of the most important tasks of national accountants;

•   There are different levels of scrutiny that Eurostat applies in checking data quality from countries depending on the use of the series. Special attention is paid to data used for administrative purposes e.g. GNI, government deficit and debt. The data for general dissemination on the other hand is subject to a more routine quality checking;

•   The statistical office should decide which data to backcast. Going back in a complete network and using double coding is important to ensure quality. Documentation is equally important;

•   The old industrial classification (OKONKH) used by transition countries and NACE are two principally different classifications. OKONKH was developed for planned economies and did not take into account certain economic activities. Therefore, development of a transition key between the two was very difficult and even impossible in some cases. Several countries decided not to recalculate the series for long time periods, because they were not satisfied with the quality of the results.

44.   In conclusion, it was noted that transitions are unique in nature. The method that should be applied to extend the series depends on the type of the change, on the source and the size of the discrepancy. Long time series are important, but statisticians should keep in mind the limitations of the data. In addition to the length of series, users need also good quality and coherent data.

Item 5: Non-observed economy in national accounts

45.   The session was organised by the UNECE. Andrey Kosarev (Russian Federation) served as chair and discussant. The discussion was based on invited papers from Carol Carson and   UNSD (ECE/CES/GE.20/2006/8 and ECE/CES/GE.20/2006/9) and UNECE (ECE/CES/GE.20/2006/7). In addition, supporting papers were provided by the State Statistics Committee of Ukraine (ECE/CES/GE.20/2006/SP/3) and the State Statistics Committee of Azerbaijan (ECE/CES/GE.20/2006/SP/8).

46.   In opening the session, the discussant proposed that the term "non-observed economy" (NOE) be reconsidered. This term does not describe the phenomenon correctly and sometimes could be misleading for users. The statistical offices often need to explain that many of these activities are observed but not recorded by official sources. The term "non-recorded" was proposed.

47.   The meeting was informed that an AEG subgroup has been formed. The subgroup will work over the coming months on preparing the new chapter on the informal sector, together with ILO and the Delhi group. ILO has a long history of dealing with the informal economy and their willingness to work with national accountants is much appreciated. The countries were asked to consider what would be the most useful format for the chapter. Although the annotated text is prepared, it can be revised in the coming months.

48.   It was noted that the AEG recommended that the updated SNA provide more examples and guidance to countries on the recording of illegal activities such as theft, fencing, bribery, extortion and money laundering.

49.   The following comments were made in the discussion:

•   It is important that the NOE concepts and definitions be consistent with other terms used in SNA Rev.1, e.g. market production, formal/informal, hours worked, etc.;
•   The main interest of the ILO is in the enterprises with labour inputs. The terminology is a difficult question and a decision on the definitions must be reached in the coming months;
•   Registration is not always a good criterion to identify the informal sector, e.g. the producers may be registered but do not have a legal status;
•   For Central Asian and other CIS countries, the agricultural informal sector has a big share in GDP. The OECD Handbook on NOE classifies it in non-observed economy, although most of these units are observed, and even recorded. The terminology should be carefully used, because the issue is sensitive and could give a wrong impression of the quality of the accounts;
•   The measurement of the informal sector should move towards official statistics and towards harmonisation. This will also permit better household statistics in the developing world in the context of household accounts;

•   The NOE framework provided in the OECD Handbook and used in the first round of Eurostat Pilot Projects on Exhaustiveness is oriented more towards users, while the framework used in the second round of Eurostat Projects is more oriented towards statisticians.

50.   The meeting underlined that international comparability in this area is important. It was recommended to draw on existing material and practices to try to define a set of informal sector activities that are most likely comparable between countries. The participants agreed that a common framework for the different types of non-observed economic activities would be useful.

51.   The session concluded that explanations on NOE in the updated SNA are much needed. Countries were encouraged to comment on the AEG recommendations concerning the treatment of the informal sector and illegal activities.

Item 6: Globalization and the Effect on National Accounts

52.   The seminar was organised by the Office for National Statistics (ONS) of the UK and chaired by Robin Lynch (ONS, UK). The discussion was carried over four sessions and based on six presentations by the authors of the invited papers.

53.   The ever-increasing globalisation of the world's economies sets new challenges for national accounts. The aim of the seminar was to identify and describe characteristics of globalisation that pose statistical challenges, and to indicate short-term approaches to tackle the problems, as well as the longer term strategies.

Session 1

54.   The discussion during this session was based on invited papers from Statistics Canada (ECE/CES/GE.20/2006/22) and Statistics Netherlands (ECE/CES/GE.20/2006/20).

55.   Multinationals organise their activities on a global basis in order to produce effectively and minimise costs and tax burden. As a result, the measurement of national economies through the traditional national accounts framework becomes more difficult. The challenge of globalisation equally applies to national and regional accounts. The most complex units have to be identified. For that purpose, it is essential that an appropriate business register be created, enabling a survey system to establish the relevant statistics. Coherent and consistent treatment of those units within national accounts and related source statistics need to be sought.

56.   The paper from Statistics Canada proposed some solutions to the measurement of globalisation, based on business registers. Production processes are becoming increasingly complex due to free trade agreements, FDI fostering vertical integration and contributing to partition production and international contractual arrangements. The challenge in building new registers relates to keeping track of complex economic processes while keeping coherence within the accounts. The new business registers implemented in Canada are expected among other things to lead to better classification of units, to provide a better coverage of ancillary units, to help monitor FDI, to strengthen trade in services data and to facilitate enterprise-establishments allocation.

57.   The paper from Statistics Netherlands presented a practical approach to improving the measurement of multinational enterprises. It was pointed out that neither the SNA nor ESA offer appropriate solutions to all globalisation problems. Therefore, often statisticians have to resort to tailor-made solutions. Furthermore, globalisation entails many international consistency problems, since the legal ownership of goods can pass from a resident unit to a non-resident unit. Also there are consequences for the concept of 'resident production unit' and for the attribution of gross value added to the various countries.

58.   The following points were made in the discussion:

•   Achieving good establishment statistics is difficult because enterprises do not use real market prices for the transactions between their branches. Depending on the prices chosen, one unit could make or lose profit and that has a big impact on regional accounts;

- It is difficult for national accountants to convince the statisticians dealing with production, business and external trade to reconcile their statistics. A potential solution would be to exchange information on good practice and cooperation of other national statistical offices;
- The new Canadian business register will be launched in 2008. This and next year analyses and piloting would be undertaken to test to what extent it improves the estimates. Double coding will be used;
- Statistics Canada is building a data warehouse to bridge business accounting and national accounts in order to allow for data comparison. This goal is difficult to achieve. Even though some items and operations can be computerized, there is still a need for expertise on business accounting as well as national accounting. It is believed, however, that once built, it will facilitate decision taking for statisticians;
- Confidentiality is a barrier to accounting for some countries as foreign companies are registered with the central bank and confidentiality agreements prohibit the exchange of such information. Access to the bank's register has to be sought under special agreements;
- Some daughter companies transfer part of their income to the mother company abroad and register it as royalties. There is a concern that this income may be recorded in the accounts of the mother country, but not symmetrically included in the country where the daughter company resides;
- Recording in business accounts does not follow the same strategy and logic as in national accounts. Hence, the information provided by producers may not suit the needs of national accountants. One approach is to try to explain to the businesses and to other statistical departments where the problem is and what the impact on the accounts could be.

59. Summarising the session, the chair pointed out that it is important that the different departments of national statistical offices, such as Balance of Payment, business statistics, national accounts and financial accounts work together to tackle the globalization issue. Statistics Canada and Statistics Netherlands have found ways to combine the efforts of all these teams to solve the problem. However, it is recognized that this may require lots of resources and can be done on a limited basis. Some of the processes could be computerized.

Session 2

60. The discussion was based on an invited paper from the US Bureau of Economic Analyses (ECE/CES/GE.20/2006/21).

61. The paper provided an overview of different issues related to the impact of globalisation on statistical indicators and the pitfalls in measuring the activities of multinational companies. Among them are the difficulties to distinguish between services trade and financial transactions; the increasing number of direct transactions and small firms; the incomplete reporting by large companies; the off-shoring and holding companies; the global competition and differential pricing, etc. Several methods to overcome the difficulties were presented, such as: use of detailed estimates of cross-border services, use of counter-party data, reducing the time-lag in incorporating new subsidiaries, sampling techniques to improve coverage of small firms, travel and passenger surveys, etc.

62. There are many common issues in measuring globalisation. Methodology and guidance are greatly needed. The meeting was asked to consider how the work could be moved forward. In

that context it was proposed to identify the issues where it is possible to develop guidance more quickly, or to single out issues of particular significance to certain countries and discuss these within the group of the affected countries.

63.   During the discussion, attention was drawn to the following:

•   Reconciliation of cross-border transactions data with the most important partners means that the measurement problems can be assessed. However, this is a resource intensive exercise and can be done only with the main trading partners;

•   Sharing the documentation (forms, manuals, instructions) for surveys used in measuring globalization with partner countries could facilitate the exchange of knowledge;

•   Having a good registration process to track newly appearing multinationals is important;

•   One way to move forward is to try to develop a way to assess the relative importance and the effect of the different aspects of globalisation. This could be done in a structured way similar to the guidelines for measurement of non-observed economy. The work would require significant resources and international cooperation;

•   Priority areas where guidance is needed would depend not only on the size of the component but also on its volatility;

•   The problem of asymmetries in data caused by globalisation is expected to become even more significant in future. At the EU level, the biggest challenge would be to find workable solutions to produce the European accounts;

•   Other statistical areas, in addition to national accounts, are also affected by globalisation. Recently the OECD has collected data on international trade of services. Consistency between the frameworks used in the major statistical systems is essential;

•   The implications of globalisation on SNA concern not only the statistical measurement problems but also the interpretation of the results;

•   It would be interesting to analyse the effect of multinationals and the related transactions on the accounts of the counter-party (e.g. China, India). Even more interesting would be to study the impact on a small economy where multinational enterprises (MNEs) have a large share of the economy;

•   Confidentiality can be an obstacle to integration at micro level. Such investigations should be undertaken very carefully. Thus, for example, UK and Netherlands will exchange data on a confidential and bilateral basis, following the EU regulation that allows such an exchange;

•   International organizations could be very helpful in drawing attention to the data problems and flagging the inconsistencies e.g. remittances. Meetings that bring together the developed and the developing world should be organised because, even if one transaction is not important for a big economy, it could have a significant impact on a small country;

•   Many problems could be overcome if the manuals (on trade in services, BOP, etc.) were followed more carefully;

•   A European Community register on multinationals will be set up in 2008, which will include data on ownership and links of control between legal units in the EU.

64.   In conclusion, it was noted that international cooperation between countries is needed in order to address the issue of globalisation. International organizations could greatly contribute by guiding the process and bringing countries together to share knowledge and problem solving experiences.

Session 3

65.   The discussion was based on invited papers from the ONS, UK (ECE/CES/GE.20/2006/17) and the Central Bureau of Statistics, Israel (ECE/CES/GE.20/2006/6).

66.   The UK paper dealt with 'goods for processing' ('toll processing'), which present a range of practical and conceptual problems for statisticians that need to be addressed at the international level. To allow clear reporting of this activity, internationally agreed definitions of such terms as 'toll processing', 'contract manufacturing', 'outsourcing' and 'sub-contracting' are necessary. The UK paper presented the pragmatic approach adopted by ONS to measure activities of companies that are part of the global toll-processing set-up.

67.   The Israeli paper noted the following among the other problems faced by statistical offices in the last years: the growing flows of services and transactions that are not covered by existing surveys and administrative data, joint international production, outsourcing across borders, and complicated transactions such as those linked to mergers and swaps. They may result in flawed measures of growth and productivity. The Israeli paper focused on the measurement of cross-border transactions with particular attention to intellectual property.

68.   In addition, the following points were made during the discussion:

•   Most of the problems related to cross border transactions can be addressed through surveys;
•   Most of the toll processing related to the activities of MNEs and to distinguish the toll product from the manufactured product is very difficult;
•   The recording of toll fees should be made on a gross basis;
•   The meeting was informed of the joint recommendation of AEG and BOPCOM that no change in ownership should be recorded for toll processing, both for domestic economy and across board;
•   International merchandise trade classification is under revision to be brought into accordance with national accounts and balance of payments. PRODCOM is also under review;
•   Statistical offices become aware of toll processing only after it takes place; there is no systematic way to register it. Different sources could be used to identify toll processors: publications in the press, websites, etc.;
•   Toll processing has great impact on the accounts and the economy of developing countries, where most of the production processes take palace.

Session 4

69.   The discussion was based on invited paper by Carol Carson, SNA Update Project Manager (ECE/CES/GE.20/2006/13).

70.   In its December 2004 meeting, the AEG expressed interest in discussing the statistical challenges of recording globalisation in the updated SNA. A small group was formed. It developed an outline for a modest amount of text to be included in the SNA. The meeting was asked to consider the following four points:

(i) Does the draft outline capture the main topics for a modest amount of new text in SNA Rev. 1 about globalization in general and multinational enterprises in particular? What is missing?
(ii) If two, perhaps three, issues dealt with in the SNA Update were to be described briefly to illustrate the accounting challenges stemming from globalization, which should they be?
(iii) Given that the SNA is not meant to be a compilation guide, how much attention should be given to practical considerations?
(iv) What additional sources should be consulted?

71.   The following points were made during the discussion:

•   The 1993 SNA system provides enough material on treatment of goods. It would be helpful if more guidance on services was added;
•   Other topics on which the updated SNA could focus include the regional aspect of ownership versus classification of economic activities and the sharing of intellectual property across national borders;
•   The text that will be incorporated in the SNA should be consistent with other international standards. Reference to other manuals should be included, e.g. BoP manual;
•   It is important to draw attention to data collection systems;
•   Most of the solutions proposed so far were experienced on a bilateral basis. International organizations could put the efforts of countries in a common framework;
•   The main drivers for globalisation are costs and taxation reasons. This could be a way to approach the problem;
•   The increase in offshore companies makes the job of statistical offices more complex;
•   Statistical offices are facing a new problem that is increasing very rapidly. The main issues outlined in the papers could be taken as a starting point to develop guidance on how to deal with them in a consistent way internationally.

72.   In conclusion, it was noted that it would be a real challenge to bring material together and to prepare a draft chapter on globalisation within one year. The meeting provided some very good examples and papers that made clear what issues could be included in the chapter (e.g. role of business registers, survey methodologies). However, to find the balance between conceptual and practical aspects would be difficult. Hence, the dialogue should continue and countries are invited to propose new ideas and interesting material that could be reviewed by the ISWGNA.

73.   Closing the session, the chair underlined that globalisation affects all countries: developed and developing. The seminar dealt mainly with practical approaches and provided some very good examples of how issues could be addressed. National accountants should work with the other stakeholders in the statistical offices: bank statisticians, business register units, business statisticians, etc. Statistics Netherlands provided a very good example in that respect. The same principle should be followed internationally. Countries should compare data on a bilateral basis and exchange experience, while international organizations should take the lead to foster the process. Development of international registers could be one of the outcomes of this activity.

Item 7: National accounts and employment data

74.   The session was organised by Statistics Netherlands and chaired by Peter van de Ven (Netherlands). Bent Thage (Statistics Denmark) served as discussant. The discussion spread over two sessions.

75.   The chair introduced the topic by noting that, together with economic growth and prices, the data on employment are amongst the most important economic indicators. Nevertheless, there are many inconsistencies and differences between the national accounts and labour market statistics. These inconsistencies cause problems in areas where the two data sets are used together, e.g. labour productivity.

76.   In recent years, pressed by the demand to decrease the response burden, the statistical offices had to introduce changes in the data sources for labour statistics. They rely less on surveys and replace them with register data. The aim of this agenda item was to discuss ways to arrive at more consistent sets of national accounts and employment data in view of the importance of productivity analyses and the need to change the data sources.

Session 1

77.   The discussion was based on invited papers from Eurostat and OECD (ECE/CES/GE.20/2006/16) and Statistics Norway (ECE/CES/GE.20/2006/12).

78.   Although chapter XVII of the 1993 SNA deals with population and labour concepts, until now employment has played a modest role in national accounts and there is very little guidance on its measurement. Nevertheless employment data are needed for consistency checks and adjustment in the process of compilation of the accounts, productivity analysis and input/output impact analysis.

79.   A first step towards harmonizing labour inputs data, both within the frame of the other national accounts aggregates and across countries, is gathering information on how national accountants estimate employment. OECD and Eurostat undertook a project to prepare a questionnaire about labour inputs in national accounts, gathering explanations about sources and methods for persons employed and total hours worked. The summary findings concerning the practices for estimating persons employed and the role of labour force surveys (LFS) were presented at the meeting.

80.   Statistics Norway has traditionally calculated consistent employment figures as a part of the Norwegian national accounts. The meeting was informed about the new major revision of labour accounts based on the more efficient use of registers as a source for labour market data.

81.   The following points were made in the discussion:

•   It is important that all the documentation received from countries is shared;
•   The LFS is used as an overall benchmark for employment in the economy. However, the LFS data cannot be directly used in NA. There are differences in the way in which employment

is defined and in the classification of economic activities and economic units. Adjustments are needed for non-resident employees and for the hidden economy;

- In many countries, non-resident employees pose a problem in measuring labour inputs. Often they are part of the non-observed economy and could lead to biased unit labour cost, etc. Employment registers are the preferred data source. In the absence of such registers, information from demographic and administrative sources could be used;

- The WHO, which was requested to estimate the wage bill for the health systems, faced some of the problems mentioned by previous speakers: heterogeneity in reporting practices, boundary setting and delineation of sectors, classifications, measurement of non-salary earnings and valuation. It is important to work towards harmonisation and convergence of health and economic accounts;

- There is a need for more explicit and precise definition of the terminology used. There must be a clear difference between persons and jobs, actual and paid hours worked, employed and self employed, etc. Even if the correspondence is known, there is a risk of interchanging some of the terms;

- The updated SNA could provide more detail on the treatment of employment agencies. Their recording leads to consistency problems in several countries;

- Concerning the employment agencies, the AEG decided that their employees should be allocated to the agency and not distributed between the industriesin which they work. However, it would be useful to have the allocation of labour to the industry as supplementary information;

- ILO is interested in the work done by Eurostat on total hours worked. It is important that the definitions in the updated SNA are consistently reflected in the ILO resolution. In that respect, the contribution of national accountants would be highly appreciated;

- Time-use-surveys can provide some information for employment statistics: to validate data from other sources, capture employment outside the production boundaries (e.g. unpaid household workers) and shed light on non-observed economy. However, their use is very limited as they provide information only on total hours worked, usually have a small sample size and do not provide an industrial breakdown.

Session 2

82.   The discussion was based on invited papers from Statistics Canada (ECE/CES/GE.20/2006/14) and Rosstat, Russian Federation (ECE/CES/GE.20/2006/4).

83.   The SNA requires the labour input variable in order to examine productivity. The session dealt with the different approaches used by the countries to arrive at an estimate of annual hours worked in order to measure labour productivity.

84.   Both papers dealt with the process of adjusting the data sources to correspond to the SNA concepts of labour inputs. The advantages and disadvantages of the LFS as a primary source for estimation of hours worked were reviewed. LFS is mainly used in combination with establishment surveys that provide more reliable industry breakdowns. Other sources of data are also applied depending on the type of the observed unit.

85.   The following points were made during the discussion:

•   There is a risk that LFS does not estimate the total hours worked correctly as people use proxy reporting;
•   Canada, Finland and UK have undertaken studies by comparing the LFS against the establishment survey data. The results have shown that there are no specific problems with misreporting the actual number of hours worked;
•   Special studies of labour market are useful to ensure good coverage of the employment estimates, especially in countries with economies in transition, e.g. surveys of own account workers, etc.

86.   The meeting concluded that there is a need for more harmonisation and guidance in compiling employment data for national accounts. The Eurostat/OECD questionnaire was seen as a necessary step in that direction. However, the above-mentioned issues are of significant interest not only for the EU members but also for all countries in the ECE region. Therefore, the Meeting recommended that the UNECE should extend the survey on use of employment data in national accounts to those ECE countries not covered by the Eurostat/OECD questionnaire (CIS and Western Balkan countries). Different possibilities to share the country experiences should be explored, e.g. compilation of a document on best practices, special websites, and exchange of documentation.

87.   It was also pointed out that there is a need for additional clarification on labour inputs in the updated SNA. The work should be done in cooperation with the ILO and the Paris Group in order to achieve consistency throughout labour market data.

Item 8: Regional aspects of national accounts

88.   The session was organised by Statistics Canada and chaired by Michel Girard (Canada). The discussion was based on invited papers from Statistics Netherlands (ECE/CES/GE.20/2006/23), Eurostat (ECE/CES/GE.20/2006/10) and the CIS Statistical Committee (ECE/CES/GE.20/2006/5). In addition, supporting papers were provided by Statistics Canada (ECE/CES/GE.20/2006/SP/1 and ECE/CES/GE.20/2006/SP/2) and the State Statistical Committee of Ukraine (ECE/CES/GE.20/2006/SP/4).

89.   The presentations discussed the difficulties of achieving consistency within regional accounts and between regional and national accounts. Statistics Netherlands noted the lack of sufficient regional account coverage in the SNA as well as the need to update the ESA 95, by reviewing the regional accounts chapter. The use of regional accounts for administrative purposes has lead to increased interest in their accuracy. Therefore, closer cooperation between regional and national accountants was recommended. It is also necessary to develop inventories for regional accounting.

90.   The Eurostat presentation underlined that good regional accounts are made up of four elements: (i) up-to-date business register with local KAUs, (ii) detailed structural business statistics, (iii) access to appropriate administrative data and (iv) a regional classification, with regions comparable in population and stable over time. It was recommended that the regional variables should not go into very great detail and that the regional classification is protected

against political pressure. In cases where priorities are dictated by available resources, it was suggested to first develop GVA by region, followed by employment, households accounts and gross fixed capital formation.

91.   The discussion made the following points:

•   One of the main difficulties related to regional accounts is the allocation of extra-regional activities. Countries may use different approaches to solve the issue. In the case of Ukraine, extra-regional activities are attributed to the central region (capital). In other cases, extra-regional activities could be dealt with by going to higher grouping, by redistributing them proportionally across regions or by allocating the total sum to a fictitious region with no population;
•   In smaller countries, the extra-territorial production may belong to only one or two companies. It cannot be shown as an undistributed sum because this may create confidentiality problems;
•   Another issue that has to be considered in relation to regional accounts is the allocation of the output of auxiliary units. Recommendation on their treatment would be appreciated;
•   The EU regulation sets certain population thresholds concerning the definition of statistical regions. However, there are considerably stricter rules for the definition of statistical regions, if these are not also administrative regions.

92.   In conclusion, it was noted that the discussion showed the need for convention and methodological advice in the compilation of regional accounts. Further guidance on defining the size of the regions could also be considered. The consistency between national and regional accounts could be improved if this is done within one team. However, the statistical offices should decide the actual distribution of the work.

93.   The speakers and the statistical offices that are advanced in computation of regional accounts could provide the related documentation and support to the countries that are just beginning this process.