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REVISION OF THE SYSTEM OF NATIONAL ACCOUNTS (SNA)

Progress on revision of the System of National Accounts

Report prepared by the United Nations Statistical Office

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I. INTRODUCTION

1. At the twenty-second session of the Sub-Committee on Statistical Activities the revision of the System of National Accounts (SNA) was discussed on the basis of document SA/1988/8. Regional commissions outlined their plans for meetings within the overall framework of meetings described in document SA/1988/8. In most cases these plans were provisional and depended on finding sources of funding. Several organizations considered that in developing the SNA more emphasis should be placed on satellite accounts for specific areas, including environment. The Sub-Committee expressed its appreciation that work on this important co-operative undertaking was proceeding despite financial problems, with the assistance of a number of international organizations and countries. The Sub-Committee noted the need to obtain additional extrabudgetary funds for the completion of the planned programme and decided to consider the matter again at its next session on the basis of a progress report from the Statistical Office of the United Nations Secretariat.

II. PROGRESS MADE SINCE LAST REPORT

A. Regional and global expert group meetings

2. Two more global expert group meetings and several regional meetings have taken place on the review of the SNA since April 1988:

(a) Global expert group meetings

- (i) Expert Group Meeting on Financial Flows and Balances, sponsored by the International Monetary Fund (IMF) in Washington from 6 to 14 September 1988;
- (ii) Expert Group Meeting on SNA Co-ordination, sponsored by the Statistical Office of the European Communities (EUROSTAT) in Luxembourg, from 23 to 27 January 1989.

(b) Regional meetings

- (i) EUROSTAT has organized three more meetings in Luxembourg: one in August 1988 in preparation for the global Expert Group Meeting on Financial Flows and Balances in Washington, another in December 1988 in preparation for the global Expert Group Meeting on SNA Co-ordination in Luxembourg; and, another in April 1989 in preparation for the global Expert Group Meeting on SNA Co-ordination in New York (July 1989).
- (ii) The Organization for Economic Co-operation and Development (OECD) held a meeting of national accounts experts in Paris in May 1988 to review the progress of the SNA revision, to give their comments on unresolved issues and to identify topics not yet covered.

- (iii) The Working Party on National Accounts and Balances of the Conference of European Statisticians of the Economic Commission for Europe discussed last year at its session in Geneva, 2-5 May 1988, the reports of the various expert groups on the SNA revision and made comments on their conclusions.
- (iv) The Economic Commission for Latin America and the Caribbean (ECLAC) organized another regional meeting, co-sponsored by the Latin American Centre for Monetary Studies (CEMLA) and the Central Bank of Argentina, in Buenos Aires, from 21 to 25 November 1988. The meeting dealt with a wide range of SNA topics and in particular, with the identification of holding gains and losses and their relation to interest flows in countries with high inflation rates.
- (v) The Council for Mutual Economic Assistance (CMEA) organized a meeting on national accounting in Prague, from 13 -18 March 1989, and discussed the methodological problems of calculating gross domestic product and related SNA estimations in centrally planned economies. The meeting was broadly supportive of the idea of integrating SNA and the System of Balances of the National Economy (MPS), nevertheless, many issues -- policy, technical and practical -- will have to be resolved if significant progress is to be achieved. The process of integration will require changes not only in MPS but also in SNA.

B. Participation and summary SNA issues discussed in global expert group meetings

3. Expert Group Meeting on Financial Flows and Balances: eleven national accounts and financial experts from different countries participated in this meeting. In addition to five core experts (from Chile, France, Germany Fed. Rep, India and USA), which are participating in all global expert group meetings to ensure continuity in the revision, experts from the following countries also participated: Cyprus, Japan, Mexico, Thailand, United Kingdom and United States. Representatives from the Statistical Office of United Nations, OECD, EUROSTAT, IMF and World Bank were present. The group dealt mainly with four issues: (i) conceptual and data links between the SNA and other statistical systems of financial flows and balances, (ii) financial transactors, (iii) financial transactions, and (iv) national and sectoral balance sheets and reconciliation accounts.

4. Expert Group Meeting on SNA Co-ordination: twelve national accounts experts from different countries participated in this meeting. In addition to five core experts, experts from the following countries participated: Argentina, India, Ethiopia, Papua New Guinea, United Kingdom, United States and Zimbabwe. Representatives from the Statistical Office of the UN, OECD, EUROSTAT, IMF, World Bank, ECLAC, ESCAP and ECA were present. This meeting dealt with a number of issues that had been left open by previous global expert groups and which needed to be dealt with before the first draft of the revised SNA is reviewed by the Expert Group Meeting on SNA Co-ordination scheduled for July 1989. The group discussed issues related to: capital accumulation; (total) income

and (total) consumption; statistical units, sectoring and issues mainly related to the treatment of technical assistance personnel as a part of the residency concept in SNA and BOP (Balance of Payments); factor income and transfer issues dealing with the harmonization of taxes between SNA and GFS (Government Finance Statistics); distinction between current and capital transfers and the treatment of reinvested earnings on direct investment; valuation and time of registration issues dealing with the distinction between cash and accrual, the treatment of the effects of hyper-inflation, the treatment of interest rates, and the identification and treatment of holding gains and losses; structural SNA issues dealing with the tabular presentation of the revised SNA, the classification hierarchy of transactions and transactors, the incorporation of Social Accounting Matrices (SAMs), environmental accounts as satellite systems, and with the design of a glossary of terms.

C. Statistical Commission

5. The Statistical Commission at its twenty-fifth session, from 6 to 15 February 1989, expressed overall satisfaction with the progress made in implementing the SNA review programme so far. It noted that this progress was largely due to the efforts of the Statistical Office of United Nations and the co-ordinating role of the Inter-Secretariat Working Group of National Accounts. It was pleased to note the participation of the regional commissions in the Inter-Secretariat Working Group and the increasing involvement of developing countries in the review process, as well as the participation of some developed countries in regional commission meetings in the developing regions. The Commission commended the preliminary draft of the selected chapters of the revised SNA as prepared by a consultant to the Statistical Office. It was considered to be a good attempt to clarify some of the SNA concepts and it was confident that the balance of the text would be equally well written. It agreed that in addition to the present text, the revised SNA should contain a glossary and an accounting framework with tables. For the further elaboration of the accounting framework the Statistical Office of United Nations should be assisted by another consultant. The Commission also endorsed the work on the SNA/MPS links and agreed that the main objective in this area is the achievement of substantial progress in the convergence of SNA and MPS, with the ultimate goal of integrating the two systems. The Commission also considered essential that Handbooks be prepared as soon as possible and developing countries should be actively involved in preparing them. It highlighted the importance of satellite accounts, in particular, those related to the environment. The Commission endorsed a revised time table for the revised SNA (see part III below), noted as critical the need to mobilize all funds required for a timely completion of the SNA review programme, and once again assigned highest priority to this work programme.

III. FUTURE PROGRAMME OF THE SNA REVIEW

6. Three more global expert group meetings have been proposed for the remaining period:

- (i) Two Expert Group Meetings on SNA Co-ordination, sponsored by the Statistical Office of United Nations, in New York, from 12 to 21 July 1989 and 11 to 20 September 1989, respectively, to discuss the first entire draft of the revised SNA.

- (ii) One Expert Group Meeting on the Reconciliation of SNA/MPS Standards on National Accounting, sponsored by the Statistical Office of United Nations in co-operation with the USSR State Committee on Statistics, the Statistical Division of the Council of Mutual Economic Assistance, the USSR Ministry for External Economic Relations and the United Nations Economic Commission for Europe, in Moscow, from 4 to 9 December 1989.

7. The OECD will organize a meeting of national accounts experts in Paris in June 1989 to review the progress of the SNA revision and to prepare for the 1989 July and September meetings on SNA Co-ordination.

8. To prepare for the Moscow meeting, the Working Party on National Accounts and Balances of the Conference of European Statisticians will meet in Geneva from 16 to 19 May 1989. At this May meeting, a joint work programme of statisticians working in the Statistical Office of United Nations, the ECE and the CMEA as well as those working in the concerned Member States will have to be developed to ensure the necessary technical preparations are made for the Expert Group Meeting on the Reconciliation of SNA/MPS Standards on National Accounting. This meeting will bring together experts on national accounting from countries with centrally planned and market economies and include participants from developed and developing countries. It will be critical in reaching points of agreement on needed modifications in the MPS and the SNA, if any real progress on the integration of the systems is to be made.

9. Since the January 1989 Expert Group Meeting on SNA Co-ordination accepted the proposal that environmental satellite accounts should be created and linked to the SNA and subsequently the Statistical Commission in February 1989 endorsed this proposal, it has been agreed that the joint World Bank/UNSO project will hire a consultant to prepare a Handbook on Environmental Accounting. In addition, a number of country case studies will be carried out to test the implementation of the environmental accounting framework. Also, an expert group meeting on environmental accounting will be organized at the end of 1990.

10. After the two meetings on SNA Co-ordination in the summer of 1989, the draft of the SNA would be revised in light of comments from the experts. Subsequently, the revised English draft would be translated into French and Spanish and would be available for use at the regional meetings to review the draft. Under this arrangement the regional meetings would be held in the period between April and December 1990.

11. As a result, the next session of the Statistical Commission would have a revised draft of the SNA in all required languages of the Commission, together with reports of the SNA review meetings organized by the regional commissions. In addition the Commission would have available for its consideration a report of the Expert Group Meeting on the Reconciliation of SNA/MPS Standards on National Accounting. The Commission will thus be able to give its final views on the draft and consider whether it is ready to recommend the draft for publication. If the Commission so recommends, the draft would be revised to take into account the Commission's comments and then published.