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TREATMENT OF COSTS INCURRED IN TRANSFERRING OWNERSHIP OF ASSETS By Francois Lequiller, OECD

(ISWGNA Official Position)

At a joint OECD/ESCAP national accounts meeting in Bangkok in May 1998, the Singapore Department of Statistics (SDOS) presented a paper on the 1993 SNA-recommended treatment of the costs incurred in transferring ownership of assets (buildings etc). It claimed that a major problem in this treatment was that capitalizing transfer costs would distort the measures of capital formation. In particular, at times when a lot of buildings are being bought and sold, the capital stock would be increased somewhat artificially because of the transfer costs being added on.

The ISWGNA considered that the issues raised by the SDOS were worthy of investigation, so an electronic discussion group (EDG) was set up by the OECD in late 1998 to obtain feedback from interested national accountants. The SNA News and Notes covered this topic in No. 8 in a summary article outlining the

problem and a brief note in No. 9 announced the EDG. About a dozen papers were submitted to the EDG. The papers have been retained on the website, which can be found at "<http://www1.oecd.org/std/transfsna.htm>".

The conclusion of the moderator, Peter van de Ven from Statistics Netherlands, was that there is no case for changing the 1993 SNA treatment of the costs incurred in transferring ownership of assets. The relevant part of his report to the ISWGNA reads "... it is recommended to leave the 1993 SNA unchanged, as there are convincing arguments for as well as against the recommendations of the present international guidelines". The ISWGNA discussed this issue at its meeting in April 2001 and agreed with Mr. van de Ven's conclusion and so decided to finish off the debate on this topic by closing down the EDG on 26 April 2001.

LAUNCH OF THE NATIONAL ACCOUNTS WEBSITE

By Cristina Hannig and Viet Vu, UN Statistics Division (For Information)

The Economic Statistics Branch of the United Nations Statistics Division is proud to announce the launching of its new webpage on National Accounts at <http://www.un.org/Depts/unsd/nataacts/>. The webpage features among other things the complete 1993 SNA publication including all updates, a glossary, and a search function to look up words or word groups in the entire book, and a number of handbooks on national accounting (in English only) prepared by the United Nations Statistics Division. Also there is a special site for the ISWGNA including all electronic discussion groups and ISWGNA meetings minutes and reports to the UN Statistical Commission.

A DATA QUALITY ASSESSMENT FRAMEWORK

By Claire Liuksila, International Monetary Fund

(For information)

The more explicit use of statistics in economic policymaking and goal setting in recent years has focused attention on the need to have a clearer view of statistical quality. This has sparked a flurry of activity in the area of defining and assessing data quality.

In the IMF's Statistics Department, work on data quality has proceeded at a rapid pace, motivated by a number of factors.¹ In particular, there was a need to make more explicit and strengthen the links to data quality included in the IMF's Special Data Dissemination Standard (SDDS) and the General Data Dissemination System (GDDS); to focus more closely on the quality of the data provided by countries to the IMF; and to assess even-handedly the quality of the data provided in the context of the IMF's Reports on the Observance of Standards and Codes² (ROSCs).

These issues pointed to the need for more work on data quality. A two-pronged approach was undertaken, leading to an Internet site³ and a suite of tools with which to assess data quality—the Data Quality Assessment Framework (DQAF). The DQAF aims to provide more structure and a common language about data quality and thus facilitate the assessment of data quality.

Three main areas were envisioned in which such an assessment tool could be helpful. First, the DQAF could help guide data users in gauging data quality for their own purposes. In

this sense, it could serve as a useful complement to the quality aspects included in the SDDS/GDDS. Second, the DQAF could be useful in guiding IMF staff in assessing the quality of data provided for country surveillance and operations, in preparing ROSCs, and designing programs of technical assistance. Third, it was hoped that the DQAF could be useful to guide countries' efforts to strengthen their statistical systems by providing a self-assessment tool.

Given the multiple purposes it was intended to serve, the DQAF would have to be comprehensive, balanced, flexible, lead to transparent results, and draw on the best practices of national statisticians. The DQAF that is being developed reflects these criteria, as well as the growing literature on data quality, the Statistics Department's practical experience and field testing, and extensive consultation with statisticians and non-statisticians.

To date, the DQAF that has emerged from this iterative, consultative process consists of a generic data quality assessment framework, dataset-specific frameworks⁴, a preview tool designed mainly for non-statisticians, and a summary presentation of the assessment results. Additional materials, including a glossary and guidance notes, are being developed.

The generic framework serves as the starting point for the DQAF. It follows a cascading structure, going from the general to the more concrete and specific. Recognizing the emerging consensus that data quality, in the sense of meeting users' needs, is multidimensional, the framework's first level consists of a common set of dimensions of quality: integrity, methodological soundness,

¹ Details of the Statistics Department's work appear in *Further Steps Toward a Framework for Assessing Data Quality*, by Carol S Carson and Claire Liuksila, presented at the International Conference on Quality in Official Statistics (May 2001). The paper is available at www.q2001.scb.se.

² Information about these reports is available on the IMF's website at www.imf.org, under "standards and codes."

³ This site, the Data Quality Reference Site, can be accessed at dsbb.imf.org.

⁴ Dataset-specific frameworks have been developed for the national accounts, balance of payments, fiscal accounts, analytical accounts of depository corporations, producer prices, and consumer prices. Additional frameworks are planned.

accuracy, reliability, serviceability, and accessibility. It then identifies pointers or observable features that can be used in assessing quality. Thus there are elements (second level) and then indicators (third level). For the dataset-specific frameworks, there are more detailed, more concrete pointers to quality in the form of focal issues (fourth level) and even more detailed key points (fifth level). Finally, recognizing that the quality of an individual dataset is intrinsically bound with that of the institution producing it, the framework includes a separate category—prerequisites of quality—which includes pointers to quality that aim to encompass the institutional preconditions for quality.

The DQAF has been well received by the large and diverse group of statisticians who have been consulted throughout its development. In particular, the Statistics Department has received feedback from statisticians on the national accounts framework on a number of occasions.⁵ In this context, some experts suggested that the DQAF could be a useful tool in assessing progress toward implementation of the 1993 SNA. Others have wondered if particular aspects of the national accounts were sufficiently well covered, and also noted that the national accounts framework focuses only on GDP. These and other questions are being addressed in field testing and by actively seeking feedback from potential users of the DQAF.

With a good part of the development effort of the DQAF now completed, the Statistics Department's further work is now focused on the following areas:

- Further testing the suite of tools among a wider range of country situations and users
- Refining and revising the suite, based on field testing and comments.
- Completing the supporting materials.
- Developing frameworks for additional datasets, possibly in collaboration with other agencies.
- Experimenting to see how the DQAF might be useful in assessing progress in statistical capacity building
- Exploring how the DQAF can be adapted to serve the international community more fully, and experimenting with the Data Quality Reference Site to expand its functionality

Comments on this note and on the Data Quality Assessment Framework are invited. Comments should be addressed to cliuksila@imf.org

⁵ For example, Meeting of National Accounts Experts (6/00), Meeting of Heads of National Statistical Offices of the East Asian Countries (8/00), Meeting of the ISWGNA in Washington (4/01)

EU HANDBOOK ON PRICE AND VOLUME MEASURES IN NATIONAL ACCOUNTS **By Paul Konijn, Eurostat** **(For Information)**

Since 1998, Eurostat has been working with the EU Member States on a research program to improve price and volume measures in national accounts. The research program was initiated because of a growing demand for comparable price and volume data, in particular since the introduction of the common monetary policy and central bank in Europe.

A large number of Task Forces with Member States were organized (in which the OECD also participated actively), and numerous papers were discussed at the National Accounts Working Party. The research program is now drawing to an end. It will be completed by the publication of a handbook that brings together all the results of the research program. A complete draft of the handbook is now available. It was discussed at a special international seminar, organized jointly by Statistics Netherlands and Eurostat that was held 14-16 March 2001. It is currently being revised to allow publication in November. The final version will be available as PDF file free-of-charge from Eurostat's website. The current draft can be consulted on <http://forum.europa.eu.int/Public/irc/dsis/pnb/library> then go to "National Accounts" and then to "Handbook on Price and Volume Measures".

The handbook consists of four main parts. After a general introduction in chapter 1, chapter 2 discusses the general principles of price and volume measurement, such as the use of an integrated framework, the choice of index formula and base year, how to deal with quality changes, etc.

Chapter 3 goes into more detail by discussing measurement issues by transaction category. Hence, the principles for deflating output (both market and non-market), intermediate consumption, value added, final consumption expenditure, gross capital formation, exports and imports, taxes and subsidies on products, etc. are described.

Chapter 4 subsequently discusses prices and volumes for each main heading of the product classification CPA. This is the most extensive and most detailed part of the handbook. It gives recommendations on all products, including notoriously difficult ones such as large equipment goods, computers, wholesale and retail trade, banks and insurance, business services, health, education, public administration, etc.

The chapters 2-4 focus on annual national accounts. Chapter 5 outlines how the recommendations of those chapters can be applied to quarterly accounts. Special problems for quarterly accounts such as seasonal products, choice of chaining method, how to balance quarterly accounts, etc. are discussed here.

Throughout the handbook, the available methods for price and volume measurement are classified into those that are most appropriate (A methods), those that are less appropriate but still acceptable (B methods) and those that are not acceptable (C methods). This classification provides the instrument for Member States to work on the improvement of their deflation practices in a comparable fashion.

REVISED HANDBOOK ON ENVIRONMENTAL ACCOUNTING (THE SEEA 2000) **By Anne Harrison, OECD** **(For Information)**

From May 7th to 11th an expert group met in Voorburg, Netherlands to discuss the draft version of the revised System of Environmental and Economic Accounts, commonly referred to as SEEA 2000. The expert group consisted of the individuals from

national statistical offices, international agencies and consultants who form the London Group on Environmental accounting as well as a number of other representatives of developing country statistical offices and other international agencies.

The original SEEA published in 1993 was issued as an interim draft. The revised handbook takes further many of the ideas outlined in the original version and reflects work, which has taken place since. Various drafts of the material to be included in the new handbook have been made generally available via a website dedicated to the London Group and hosted by Statistics Canada who are the secretariat of the London Group. Successive drafts were available in November 1999, May 2000, and February 2001. This last is the one, which was discussed in Voorburg with a view to one last revision being ready by the end of December 2001.

Like the 1993 SEEA, SEEA 2000 includes tables in purely physical terms showing the links between the use of goods manufactured in the economy, natural resources drawn in from the environment and residuals output to the environment. (The word residual is used to cover emissions to both air and water and also solid waste.) The ideas behind this work form the basis of work on "total material requirements" and work done in a number of institutions to show the dependence of the economy on a volume of material inputs which typically expands as the economy develops. Much policy concern at the moment is devoted to finding ways in which economic development can take place without ever increasing demands on the environment for resource inputs and as a sink for undesirable outputs.

The SEEA 2000 also introduces the idea of hybrid accounts, which show the conventional national accounts, completely consistent with the 1993 SNA, augmented by physical measures for residual outputs and resource inputs. This type of account has been much publicized by Statistics Netherlands under the acronym of NAMEA (a national accounts matrix with environmental accounts) and there is a growing body of experience in developing such tables, especially in connection with air emissions. Like the physical accounts just described, the analytical power of the hybrid tables comes from the use of classifications of environmental activities and products which

are strictly consistent with the standard classifications used in the SNA, that is ISIC and CPC. Whereas the 1993 SEEA was restricted to a consideration of supply and demand tables, SEEA 2000 shows how this can be expanded to symmetric input-output tables and indeed to the whole system of flow and accumulation accounts.

Another area of growing policy interest is the extent of activity and government expenditure devoted to environmental protection and resource management. One chapter of the SEEA 2000 is devoted to this subject, though there is as yet more experience with environmental protection than with accounts for resource management.

The 1993 SEEA contained monetary accounts corresponding to supply and demand tables with adjustments for the cost of depletion of natural resources and degradation of environmental media. Making such valuations and incorporating them into the accounts is the subject of continuing controversy covering not just how to value the flows but also whether it is legitimate to incorporate the valuations, once made, into the regular national accounts. In the course of developing the manual, it was agreed by the Statistical Commission in 2000 that the SEEA 2000 should include descriptions of all the techniques under discussion with the arguments for and against their adoption and should not indicate a single preferred approach. Environmental accounting is still a developing science and it would be premature to claim that consensus on how to proceed in all areas has emerged. While the SEEA 2000 thus represents a large advance on the 1993 version, it will by no means be the last in this series, though it is hoped it may remain valid for about five years. In addition to the theoretical arguments underlying alternative techniques, the handbook gives a number of detailed examples based on country experience and includes a chapter on policy applications and uses. It is hoped that the Statistical Commission in 2002 will be able to approve the final draft that will be ready by the end of December 2001.

UN STATISTICAL COMMISSION DECISIONS ON NEW APPROACH TO ASSESSMENT OF THE 1993 SNA IMPLEMENTATION

By Cristina Hannig, UN Statistics Division

(For Information)

As requested by the UN Statistical Commission in February 2000, the Inter-Secretariat Working Group on National Accounts proposed to the Commission in March 2001 a new and more comprehensive approach for the assessment of the extent to which the 1993 SNA has been implemented in countries. As already described in SNA News and Notes No. 11, the new approach consists of three dimensions: (a) scope of the accounts, (b) conceptual compliance, and (c) quality issues. The previous milestones assessment corresponded only to the "scope" dimension of the new approach. In March 2001, the Commission supported the definition of the new scope of the accounts consisting of three data sets (minimum, recommended, other) and the conceptual compliance questionnaire that concentrates on the major conceptual differences between the 1993 SNA and the 1968 SNA that affect GDP and GNI. Regarding the assessment of the quality issues, the Commission took note of the work done in

2000 by the International Monetary Fund in cooperation with the UN Statistics Division, other member organizations of the ISWGNA and country experts in developing a framework for assessing quality in the national accounts. The IMF, as indicated in the first article of this newsletter, has pilot tested and continued to further develop this framework in 2001 at a very rapid pace. The ISWGNA has monitored and discussed the progress done by the IMF in this area and debated to which extent this quality framework can be used for the assessment on the implementation of the 1993 SNA but has not yet reached a conclusion. More information on the new assessment approach can be found in documents E/CN.3/2001/7 and E/CN.3/2001/8 submitted to the thirty-second session of the United Nations Statistical Commission in March 2001 and on its report E/CN.3/2001/25.

MANUALS AND HANDBOOKS

Tourism Satellite Account: Recommended Methodological Framework, - World Tourism Organization, Organisation for Economic Cooperation and Development, Eurostat and United Nations, New York, 2001; in English and Spanish, other languages forthcoming; UN document symbol ST/ESA/STAT/SER.F.80

Quarterly National Accounts Manual – Concepts, Data Sources and Compilation, by A. Bloem, R. Dippelsman and N. Maehle, International Monetary Fund, Washington D. C., May 2001

Expert Group on Household Income Statistics, The Canberra Group – Final Report and Recommendations, Ottawa, 2001

MEETINGS, SEMINARS

9–12 October 2001: Meeting of OECD National Accounts Experts, Paris, France

22-26 October 2001: UNSD/ESCWA Workshop on SNA Implementation, Beirut, Lebanon

29-30 October 2001: Technical Expert Group meeting on Producer Price Indexes, Geneva, Switzerland

29 October – 7 December 2001: National Accounts Course on concepts and practical implementation of the 1993 SNA, IMF Institute, Washington D.C., USA

31 October 2001: Technical Expert Group meeting on Consumer Price Indexes, Geneva, Switzerland

31 October 2001: UNECE Session on CPI for Transition Economies, Geneva, Switzerland

1-2 November 2001: Joint ECE/ILO Meeting on Consumer Price Indices, Geneva, Switzerland

12-14 November 2001: Consultation on the European Comparison Programme, Geneva, Switzerland

12-15 November 2001: UNSD/ECLAC/Central Bank of Chile Workshop on Uses of the 1993 SNA, Santiago, Chile

15-16 November 2001: OECD-Eurostat-EFTA-UNECE Workshop on PPPs for West Balkan countries, Geneva, Switzerland

21-22 November 2001: 9th Conference on National Accounting organized by INSEE, Eurostat, the Association de Comptabilite Nationale and the University of Paris in Paris, France

11-13 February 2002: Expert Group Meeting on Research into Integration of Work on CPI and ICP, and on the Use of PPPs in the Study of Poverty, Bangkok, Thailand

11-15 March 2002: Seminar/Expert Meeting on the International Comparison Programme (3 days seminar + 2 days expert meeting), World Bank, Washington D.C., USA

22 April – 3 May 2002: Price statistics course in consumer, producer and foreign trade prices, Joint Vienna Institute, Vienna, Austria

2-13 September 2002: Seminar on Quarterly National Accounts, Singapore Training Institute, Singapore

21 October – 5 November 2002: National Accounts Course on concepts and practical implementation of the 1993 SNA, IMF Institute, Washington D.C., USA

Editorial Note

SNA News and Notes is a bi-annual information service of the ISWGNA prepared by United Nations Statistics Division (UNSD). It does not necessarily express the official position of any of the members of the ISWGNA (European Union, IMF, OECD, United Nations and World Bank).

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The updated version of the 1993 SNA with search capability, national accounts glossary, handbooks on national accounts and activities and reports of the ISWGNA can be accessed on the internet: <http://www.un.org/Depts/unsd/nataacts>

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