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-first session of the Sub-Committee on Statistical Activities the revision of the System of National Accounts (SNA) was discussed on the basis of documents SA/1987/2 and SA/1987/12 (pages 6-8) prepared by the Statistical Office of United Nations. The Sub-Committee stressed that the revision of the SNA was a major and critical undertaking of the international statistical system since the SNA played a major role in macro-economic description, analysis and policy-making, both at the national and international levels. Clarification, updating and elaboration of the system are needed to reflect properly the full range, complexity and multinational character of economic activity existing today in many parts of the world, and to serve better the needs of developing countries for national accounts statistics. Efforts to reconcile and harmonize SNA standards with those of related statistical systems were recognized as an essential and integral part of the revision. The Sub-Committee took note of the progress of the review and the high level of collaboration it was receiving from many international organizations, recognized that the review was entering a critical stage, 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. Several more regional and global expert group meetings have taken place on the revision of the SNA since April 1987:

(a) Three global expert group meetings, which considered general guidelines for the revision of the SNA (Blue Book), the preparation of the Handbooks, and approaches to technical issues:

(i) Expert Group Meeting on Household Sector Accounts, sponsored by the World Bank in Florence from 31 August to 4 September 1987;

(ii) Expert Group Meeting on Public Sector Accounts, sponsored by the IMF in Washington from 25 to 29 January 1988; and


(b) The Statistical Office of the European Communities (EUROSTAT) organized three more meetings in Luxembourg. One before the global Expert Group Meeting on the Households Sector Accounts (September 1987), another before the global Expert Group Meeting on the Public Sector Accounts (January 1988), and a third before the global Expert Group Meeting on Production Accounts and Input-Output Tables (March 1988).
The Economic Commissions for Latin America and the Caribbean (ECLAC) organized another regional meeting, this time co-sponsored by the Latin American Centre for Monetary Studies, in Santiago, from 23 to 27 November 1987. The meeting dealt with a wide range of SNA topics and emphasized the need to reflect in the revised SNA the analytical uses of national accounts in developing countries.

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

3. Expert Group Meeting on Household Sector Accounts: national accounts experts from twelve countries participated in this meeting. In addition to the six core experts (from Chile, Congo, 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: Canada, Hungary, Mauritius, Mexico, United Kingdom and Venezuela. Representatives from the Statistical Office of UN, OECD, EUROSTAT, IMF, World Bank and ILO were present. The group dealt with the question of the production boundary and the distinction between unincorporated enterprises to be included in the household sector and quasi-corporations to be included in the corporate enterprise sector. It discussed the treatment and separate identification of transactions of non-profit institutions as distinct from those of households, government and enterprises. It devoted much discussion to a new concept of total consumption of the population and how to incorporate it in the SNA. Finally the group discussed the micro/macro links concerning the relation between the central SNA and the Handbook on Households Sector Accounts, the relation between SNA and Social Accounting Matrices and the use of ILO standards to be applied to detailed breakdowns of labour statistics that are incorporated in the SNA in more aggregate form.

4. Expert Group Meeting on Public Sector Accounts: national accounts experts from twelve countries participated in this meeting. In addition to the six core experts, experts from the following countries participated: Brazil, Congo, Finland, Mauritius, Papua New Guinea and Sri Lanka. Representatives from the Statistical Office of the UN, OECD, EUROSTAT, IMF and World Bank were present. The group discussed in detail the relations between SNA and Government Finance Statistics (GFS). It paid particular attention to the difference between cash and accrual basis in the two systems. It discussed proposals to sub-classify the government sector and what criteria to use in the separate identification of departmental enterprises and public corporations, and dealt with the relation between the activity breakdown of government production units and the use of COFOG to classify government expenditures by function. Finally, it discussed how to deal with capital cost of government assets including the imputation of consumption of fixed capital and operating surplus to government owned buildings, infra-structural and other assets.
5. **Expert Group Meeting on Production Accounts and Input-Output Tables.** National accounts experts from 13 countries participated in this meeting. In addition to the six core experts, experts from the following countries participated: Austria, Canada, Denmark, Indonesia, Mexico, USA and Zimbabwe. Representatives from the Statistical Office of UN, OECD, EUROSTAT, IMF, World Bank, ECE and INSTRAW were present. The group devoted a large part of its discussion to various aspects of statistical units including establishments, ancillary and integrated activities, enterprises, etc. It made various suggestions to modify existing terminology concerning producer's, goods and services, indirect taxes, etc. It dealt in detail with the coverage of final consumption and capital formation and devoted in particular attention to a new concept of total consumption of the population and to a proposal to include in capital formation, durable military goods. Finally, it dealt with the question of valuation of goods and services including the treatment of multiple exchange rates in the case of exports and imports and other transactions with the rest of the world that are quoted in foreign currency.

C. **Funding of SNA Review activities**

6. A suggestion made by the Inter-Secretariat Working Group on National Accounts to create a fund with the International Association for Research in Income and Wealth (IARIW) which would be financed by contributions made by national organizations as well as participating organizations of the Inter-Secretariat Working Group. This idea was discussed at the IARIW Council meeting which took place in the last days of the Conference Meeting the IARIW held in Rome from 23 to 29 August 1987. There was an agreement that IARIW would be associated with the effort of engaging a consultant for the revision of the SNA and helping to raise additional funds. It was also agreed that any funds obtained by IARIW for this purpose would be administered by the Chairman of the IARIW in close association with the Director of the UN Statistical Office, and that the draft of the revised SNA prepared by the IARIW consultant will be seen, but not formally approved, by the Chairman of the IARIW before going to the Director of the UN Statistical Office. These arrangements were endorsed by the Statistical Commission's Working Group on International Statistical Programmes and Co-ordination, at their twelfth session in Geneva, 6 - 9 October 1987.

7. The involvement of IARIW in this effort has already begun. The UN Statistical Office and EUROSTAT are providing the necessary finance through IARIW to enable Professor T.P. Hill to draft the revised SNA. The funds from both organizations have been approved for this task and all necessary administrative arrangements have been made. Prof. Hill has already started as of 1 March 1988 to work on the draft of the revised SNA. Additional funds will need to be raised through IARIW, or by other means, particularly towards financing the participation of developing countries in global expert group meetings, the organization of regional meetings and additional travel. The Bank of Korea has already offered to finance a regional seminar on the review and development of SNA for the ESCAP region.
D. Other matters

8. Extensive documentation has been prepared for the subsequent expert group meetings and also for the regional meetings mentioned in paragraph 2. For each of the expert group meetings, summary conclusions were adopted by the respective meetings and more extensive final reports were subsequently prepared. This and other documentation on the SNA review is available from the UN Statistical Office and from other organizations members of the Inter-Secretariat Working Group.

9. After publication in 1986 of the first Handbook on National Accounting: Accounting for Production, a second volume was recently issued, entitled "Public Sector Accounts". This and the previous volume are issued as preliminary editions that will be revised once the revision of SNA is approved by the Statistical Commission.

III. FUTURE PROGRAMME OF THE SNA REVIEW

10. Four more global meetings have been proposed for the remaining period:


   (i) One Expert Group Meeting on SNA/MPS Links, sponsored by the UN Statistical Office in co-operation with ECE and CMEA, in Moscow, in June 1989.


11. An additional Expert Group may also deal with some other issues that have been left open by previous specialized expert groups and which need to be dealt with before the first draft of the Blue Book will be discussed and finalized by the SNA Co-ordinating Expert Group.

12. Towards the end of 1989, pending the availability of funds, all regional commissions are recommended to hold regional meetings to discuss the first draft of the revised SNA and assess whether the conclusions and recommendations of all regional and specialized expert groups meetings have been adequately taken into account. These regional meetings should be held after the first meeting of the Expert Group on SNA Co-ordination (June/July 1989) and before its second meeting in 1990 (approximately April). In the first meeting of the Expert Group on SNA Co-ordination the first draft of the revised SNA will be reviewed and preliminary recommendations will be made to revise it. The revisions, however, will not take place until regional meetings have had an opportunity to review the draft so that all revisions can be incorporated before the second meeting of Expert Group on SNA Co-ordination in 1990.
13. The meeting of the Statistical Commission in 1989 will have the opportunity to evaluate mid-term the results of the SNA review process. The Commission will have a progress report which will be prepared in June/July 1988 and which will among others deal with the progress made in the writing of the revised SNA. In addition, selected chapters will be available to the Commission members in English and ad-hoc translations into French and Spanish. The Commission will then have the opportunity to provide its recommendations to the first meeting of the Expert Group on SNA Co-ordination which has to discuss the first draft of the revised SNA.

14. The twenty-sixth session of the Statistical Commission in 1991 will have available an advanced draft of the revised SNA after the full review process, including the two meetings of the Expert Groups on SNA Co-ordination, has been completed. 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. Also available to the 1991 session of the Commission will be drafts of Handbooks on the Household Sector, Input-Output Tables and possibly Handbooks on External Transactions and Constant Prices.