

UPDATE OF THE 1993 SNA

Progress Report
by the Project Manager
to the Inter-Secretariat Working Group on National Accounts

February 25, 2007

1. This report covers developments since March 2006, particularly those since October 2006. (The four earlier reports are at <http://unstats.un.org/unsd/nationalaccount/snarev1.asp>.) First, it briefly recalls the background of the Update Project. Then it traces the progress on recommendations for the Update and the drafting of chapters for the *1993 SNA, Rev. 1*. Looking ahead, it touches on the 2007 Advisory Expert Group (AEG) meetings, research, and groundwork for implementation. Finally, it briefly mentions organization and finance.

Background

2. In 2003, the UN Statistical Commission called for an update of the *System of National Accounts, 1993 (SNA 1993)* to bring the accounts into line with the new economic environment, advances in methodological research, and needs of users. The Commission mandated that the update would not recommend fundamental or comprehensive changes to the *1993 SNA* that would impede its implementation, and it identified consistency with related manuals such as the *Balance of Payments Manual* as an important consideration.

3. The Inter-secretariat Working Group on National Accounts (ISWGNA)—comprising Eurostat, International Monetary Fund, Organisation for Economic Co-operation and Development, the United Nations, and the World Bank—was mandated to coordinate and manage the Update Project. The timetable, as agreed to by the Statistical Commission in 2004, calls for a consolidated set of recommendations to be ready for endorsement in March 2007 and the *1993 SNA, Rev. 1* to be ready for endorsement in March 2008.

4. The Statistical Commission emphasized the need for transparency and the broadest possible involvement of the global statistical community. In line with this emphasis, the AEG, with 20 country experts from all regions of the world, was established in 2003. The AEG considers the proposals for change and expresses its views. The Project website at <http://unstats.un.org/unsd/nationalaccount/snarev1.asp>, maintained by the United Nations Statistics Division, has proven to be a great success.

Recommendations for the 1993 SNA, Rev. 1

5. The recommendations for the updated *SNA* are before the Statistical Commission at the thirty-eighth session, as called for by the timetable. To arrive at this point, a transparent and deliberative process involved five key steps. First, a list of 44 issues, endorsed by the Statistical Commission and posted on the Project website, framed the tasks in the issue-oriented phase of the Project. Second, topical short-term and standing expert groups took the lead in researching issues and preparing well-documented proposals. Third, the AEG considered these proposals at four meetings and in e-discussions over a two-year period and

made recommendations. The recommendations were circulated to countries for comment after each AEG meeting. Fourth, in early 2006 the AEG's provisional recommendations were assembled in a single document to facilitate a review of consistency of the recommendation and robustness of the system; countries were invited to comment. Fifth, the ISWGNA reviewed in depth the country comments and found wide acceptance of a large majority of the recommendations. Country comments were divided on only a few. In the ISWGNA report to the Statistical Commission (and its supplement), the ISWGNA asks the Commission to adopt the recommendations as set out in the background document *The Full Set of Consolidated Recommendations* with the additional considerations presented on five issues. The ISWGNA concluded that the set of recommendations it is bringing to the Commission is crucial to maintaining the relevance of the SNA for analysis and for policy formulation and monitoring.

Drafting and review of the chapters of Rev. 1

6. Work has moved forward under the plan for the drafting and review phase outlined in the Progress Report a year ago. To date, 10 chapters (of a total of 27) have been posted for worldwide comment (and two more have been circulated to the AEG). These chapters include those describing the sequence accounts, from the production account through the balance sheet. These chapters account for about two-thirds of the occurrences in the existing text in which changes are needed to incorporate the recommendations.

7. When a chapter is posted for comment, a template for comments is provided to facilitate comments, from general comments to paragraph-by-paragraph detail for those who wish. A clear statement is given of the end of the 60-day comment period to encourage timely submission. The comments received on the chapters available will provide input to the next AEG meeting, March 19-23, 2007 (see below), and will be considered in the revision of the draft chapters. Chapters as revised using these comments will be considered final and ready for the Statistical Commission's consideration in 2008.

8. In March 2007 the Project team will focus on preparations for the AEG meeting. The ISWGNA is assembling a database of comments on each chapter and will identify issues that require AEG attention. After the AEG meeting, work will pick up on the second tranche of chapters. It is likely that the progress matrix on the Project website will prove its worth in 2007. (See <http://unstats.un.org/unsd/sna1993/draftingPhase/ChapterIssueMatrix.asp>.) At times during the year, the editor will be revising chapters in the first tranche and drafting chapters in the second tranche, countries and the AEG will be reviewing chapters, and the ISWGNA will be assembling comments on chapters posted earlier. The progress matrix is designed to help track all these efforts and their timelines. In this issue-by-chapter matrix, the entry for each chapter changes color to indicate the advancing stages of the chapters

9. A year ago, the Progress Report listed three risks to the success of the Update Project: the continued availability of key players, especially the Editor; unraveling of difficult issues and problems of a technical or timing nature in the several stages of drafting, review, and redrafting; and risks associated with the overall size and complexity of the task. With respect to the first risk, several career moves among the ISWGNA national accountants, inevitable in a project underway as long as the Update, will present challenges to the maintenance of

continuity in the coming months. To say that the Editor is working hard, efficiently, and conscientiously is an understatement.

10. With respect to the risk of recommendations unraveling, so far this has been avoided. The upcoming AEG meeting without doubt will present opportunities to attempt to reopen recommendations as the ground is covered once again in the form of comments on chapters. On technical and timing problems in the several stages of review, drafting, and redrafting, a stock taking is in process, as is appropriate now that a first tranche of chapters is out for comment. A few points are clear already. The sequence of steps prior to posting a chapter on the web for comment is taking longer than had been anticipated. Also, the comments on chapters have been more far-reaching than anticipated, in part because some question text that is not affected by changes associated with the recommendations, such that processing these comments will probably take longer than had been allowed for in the schedule. Some adjustments in the drafting and review arrangements will be needed going forward.

11. The risks associated with the overall size and complexity of the task continue and may well increase as deadlines loom, final cross-checks are made, and some attention turns to associated next steps. Strategic adjustments will probably be needed in this realm as well.

12. Because harmonization with related manuals is an important feature of this Update, it should be confirmed that the parallel work with the ongoing revision of the *Balance of Payments Manual* is going well. Work on the SNA chapter on the informal sector is being closely coordinated with work on a manual *Surveys of the Informal Sector and Informal Employment*, supported by the ILO and the Government of India. Work on that manual has been rescheduled and some adjustment in the schedule for the work on the SNA chapter will be needed. As mentioned in the ISWGNA report to the Commission, the classifications in the SNA are being harmonized to the extent possible with other relevant classifications, and a set of codes for flows and stocks will be worked out with interested parties, including those involved in data transmission.

AEG meetings

13. The next AEG meeting will be held at UN headquarters in New York City, March 19-23, 2007. The timing was planned so that the meeting would have the benefit of the Statistical Commission's actions on the recommendations. The main agenda item will be on draft chapters, drawing on the Commission's actions and comments received from countries and AEG members on the draft chapters available so far. Other agenda items are resolution of issues identified by the Editor that have come up in drafting the first tranche of chapters, opening consideration of the topic of general implementation, and early organizational steps on the long-term research agenda.

14. A second AEG meeting in 2007 is planned toward the end of the year to resolve issues that arise in comments on the second tranche of chapters and to consider implementation more comprehensively. Consideration is being given to seeking support for a wide meeting for the discussion of implementation.

Groundwork for implementation

15. As mentioned in the last Progress report, the ISWGNA is taking first soundings on views about implementation of the Update recommendations in preparing to develop a strategy to be presented to the Statistical Commission in 2008. A paper presented by the IMF and UNSD at the Forum for Asia-Pacific Statisticians (Apex II) reviewed the ISWGNA efforts following the *1993 SNA* and noted that some members of the Statistical Commission have argued that a global strategy and timeframe for implementation should be formulated. In this context, some first thoughts on an implementation strategy for the *1993 SNA Rev. 1* were suggested. A strategy could be formulated and adopted by the Statistical Commission consisting of five key components:

- (i) publication of a series of new and revised manuals and handbooks about measuring newly introduced concepts and basic source data;
- (ii) research to support the conceptual development of national and satellite accounting;
- (iii) organization of meetings, training seminars, and workshops in national accounts;
- (iv) technical cooperation in individual countries; and
- (v) advocacy activities to assist the national statistical offices in generating additional resources and ensuring stakeholder participation.

16. Views were sought at the Apex II meeting and the workshop in December 2006 sponsored by UNESCWA for Western Asian countries. So far, participants stressed the need to coordinate international and bilateral assistance, to mobilize regional infrastructure, and to develop support for improved basic statistics at the country level. Others' views will be sought in workshops in other regions, such as that in April 2007 sponsored by UNECE for Central Asian countries. As noted earlier, the AEG will touch on this subject in their upcoming meeting.

17. Given the long lead times, most thought so far has been directed to planning manuals and handbooks. The ISWGNA organizations have an array of manuals related to the updated SNA in progress or planned. Among these, in addition to the manual on balance of payments already mentioned, are an *Input-Output Manual* (Eurostat), an updated *Manual on Government Deficit and Debt* (Eurostat), a nearly completed *Export and Import Price Manual* (IMF), a *Handbook on Measuring Intellectual Property* (OECD), a revised edition of *Measuring Capital* (OECD), *International Recommendations on Industrial Statistics* (UN), and a *Handbook on National Accounting: Financial Production, Flows and Stocks in the SNA* (UN in collaboration with ECB).

18. Specific identification of an advocacy component is new for SNA implementation. In the last decade, experience has been gained in how to carry out such activities effectively, and the synergies between the SNA and other projects, such as the International Comparison Project, would be sought. The Integrated Economic Statistics initiative may well have the potential for creating an environment that would substantially benefit SNA implementation.

Research

19. Irrespective of whether it is called implementation or research, the ISWGNA is prepared to carry forward the recommendations the Statistical Commission is being asked to approve this session. Some recommendations call for coordination with other groups of statisticians, such as the trade statisticians. Some others may involve coordination of experimental estimates or tests of sensitivity of parameters. These efforts are seen as taking place in the next five years or so.

20. Further, some issues were identified as outside the scope or timetable of the update and were put on a long-term research agenda. The discussion of consistency issues during 2006 added to the list of issues already identified. A page for the long-term research agenda is open on the Project website. The web page provides a brief description of the issues and, when available, one or more contacts where methodological research is underway. In recognition of the increasingly close connection between balance of payments and national accounts in the globalized economy, the long-term research agenda will be coordinated with that of the balance of payments.

Organization and Resources

21. The governance arrangements for the Project, as updated in December 2004, have continued to prove robust. Adjustments were made as needed to move from the issue-oriented phase to the drafting-and-review phase. Needs and resources are being reconciled for the remaining months of the final year of the work programme.



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