

**11th Meeting of the Advisory Expert Group on National Accounts,
5-7 December 2017, New York, USA**

Agenda item: 8.3

A Future Strategy for Compiling Satellite Accounts

Introduction

Several handbooks are being developed on various satellite accounts, raising concerns about the negative impact of the proliferation of such accounts on the implementation of 2008 SNA. Priorities for the development of satellite accounts at the national level may differ, and therefore it would not be possible to prescribe international priorities. Nevertheless, a more consistent approach towards the development of satellite accounts relating to well-being and sustainability could be considered. Furthermore, it may be considered to develop more generic guidance on the main methodologies to compile satellite accounts, so that the burden of compiling them can be better shared with researchers and statisticians that would like to develop a satellite account for a certain area of interest.

A paper on: - A Future Strategy for Compiling Satellite Accounts

Main issues to be discussed

The AEG is requested to:

- Provide their opinion about the proposed future strategy for satellite accounts;
- Provide comments and suggestions in relation to possible criteria for the selection of the satellite accounts that should be considered as an integral part of the system of national (economic) accounts;
- Provide comments and suggestions in relations to the list of proposed satellite accounts.

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**A Future Strategy for Compiling Satellite Accounts
By: Peter van de Ven (OECD)**

1. There is clearly a growing demand for compiling satellite accounts, in particular when it comes to functional, or thematic, types of satellite accounts, which provide a more detailed description of a particular economic function or theme, including its interaction with and the impact on the economy at large. Examples are satellite accounts for the digital economy, education and training, health, tourism, transport, aviation, non-profit sector, ocean economy, etc., etc. These satellite accounts typically involve some rearrangement and/or further breakdown of the central classifications, and the introduction of complementary elements which are of particular relevance for the theme under consideration. However, they could go beyond that, by introducing concepts and definitions that are alternative to the ones applied in the 2008 SNA.

2. In addition to these functional satellite accounts, national accounts are also requested to compile satellite accounts which are closer to major (conceptual) questions around the measurement of, for example, sustainability and well-being. They may also address the impact of including some alternative concepts and definitions which are particularly relevant for policy and research.

3. The above proliferation of satellite accounts asks for a more strategic and global orientation on the compilation of satellite accounts. The suggestion made in this short note goes in the direction of setting clear priorities for compiling the second type of satellite accounts, combined with an elevation of the status of these accounts as compared to the central framework, and leaving the development and compilation of functional satellite accounts to the relevant area specialists. To support such a delineation of work, the latter specialists may require some further guidance on the set-up of functional satellite accounts. Discussions with relevant national accounts specialists on the changes made to the original data sources and the final balanced results in the system of national accounts, or appropriate metadata describing this process, may also be needed. The compilation of further guidance is part of this proposal.

4. The proposal to come up with a defined set of satellite accounts is more or less in line with what André Vanoli suggested in his keynote address at the IARIW-OECD Conference on the Future of National Accounts (Paris, 16 – 17 April 2015). Vanoli proposed to change the structure of the System of National (Economic) Accounts (SNEA), by defining a Central Framework, i.e. the more traditional set of accounts, and a number of associated satellite accounts. In addition to having more detailed descriptions of certain functions or themes, these satellite accounts could also be used for the presentation of alternative concepts. By defining the System of National (Economic) Accounts in such a way, satellite accounts would become an integral part of the system, thus implicitly elevating their status. See the relevant excerpt from the keynote address in the annex.

5. Different from Vanoli's keynote address, this proposal would typically exclude functional satellite accounts from the SN(E)A, unless they have a clear link to the measurement of sustainability and well-being, and/or to measurement issues in national accounts. For the selection of the core satellite accounts, which are to be considered an integral part of SN(E)A, one could consider the following, not mutually exclusive, criteria:

- The satellite accounts address major conceptual issues, for example in relation to the delineation of the production boundary and/or the asset boundary. Alternative definitions of the income definition would also fall under this perimeter.
- The satellite accounts address major aspects related to sustainability and/or well-being.
- The satellite accounts address major measurement issues in the area of national accounts, including major concerns raised by policy and research.
- More detailed guidance on the compilation of the satellite accounts has been developed.

6. Obvious examples would relate to the following satellite accounts (with between brackets the applicability of the above criteria):

- Unpaid household activities and volunteer work (1, 2, 3 and 4).
- Education, training and human capital (1, 2, 3 and 4).
- System of Environmental-Economic Accounting (SEEA) Central Framework (2 and 4), possibly including accounting for ecosystems (1 and 2).
- Health (2 and 4).
- Globalisation, ranging from extended supply and use tables (3 and 4) to new approaches to accounting for multinational enterprises (1 and 3).
- Digital economy (3).

Annex: Excerpt from the Keynote Address by André Vanoli (IARIW-OECD Conference on the Future of National Accounts (Paris, 16 – 17 April 2015))

3 - The importance of the structure of the system of economic accounts

1. The above detour concerning the holding gains issue shows us once more the importance of the general question of the structure of the system of economic accounts (that is, the system of accounts of the Economy as understood in part I of this paper). In this perspective, the SNEA is made of the SNEA Central Framework on the one hand, and Satellite accounts of various types on the other hand. While this distinction is generally known, broadly speaking (most national accountants have a certain idea of what satellite accounts are), it is not sure that it is as well understood as it should be. Anyway, when thinking about the future of the SNA, it is useful to look at it again. In effect the temptation of people arguing in favour of introducing a new treatment in the SNA generally seems to ask for such an inclusion, though not necessarily explicitly, in the central framework itself. In a number of cases however, other options are open that usually are not explored (here I have in mind again the case of military activities).

2. As I said already, making the concept of central framework, including its name, fully explicit and well understood is crucial. This is closely connected with the importance of knowing and understanding the accounting structure, including the full sequence of accounts (current accounts, accumulation accounts, balance sheets) of the SNEA and its implications. Too often the use of expressions like “core accounts” has been a source of misunderstanding, some people taking a truncated traditional (that is, before the SNA 1993) sequence of accounts, ending with the financial accounts, as if it were the central system’s sequence of accounts itself. Unlike the SNEA Central Framework, the satellite accounts (or “Other SNEA Constructs”) do not constitute a closed system. Their relationships with the Central Framework can be of various types, and they can also be connected in various ways with other information bodies. Below, a number of examples are discussed, using the expression “satellite accounts” as an umbrella denomination.

3. Certain satellite accounts, like the one covering the own account production of services by households, can in principle be fully integrated in the Central Framework. If in practice they are not integrated in current annual and quarterly accounts, it is for practical reasons, not for conceptual considerations. Other satellite accounts, like the functional ones (education, health, social protection, housing, tourism, environmental protection expenditures, etc.), are fully compatible with the Central Framework in which their main components are included. Besides this, they are much more developed in connection with the specific information system to which they belong.

4. However, there exist more complicated cases, like the one on human capital (recent work is being done by the UNECE Task Force on Measuring Human Capital). For the time being, the only connection between human capital estimates and the Central Framework is through education expenditures which are treated as current expenses. Reflections in the past about the possible integration of human capital in the Central Framework concluded that it would imply such drastic changes in the accounting structure that it was not a desirable ambition¹. Whereas this conclusion is correct, the treatment of education expenditures as current expenses was and still is unsatisfactory. I turn to this issue below in Part 3.

¹ At that time the concept of human capital was taken in its full extension, for instance by John Kendrick (1976), that is, including tangible human assets (measured by the cost of physically rearing children until working age). For a brief

5. Furthermore, when briefly discussing the question of holding gains and income in the above, I suggested the creation of a possible new accounting tool called “semi-integrated variants“, in order to illustrate the great variety of possibilities (not everything is acceptable of course). Another example of such a variant may be found in the valuation of public debt instruments, where the principle followed in the ESA/SNA debt figures differs from the one used in the figures corresponding to the definition of the “Maastricht debt“.

6. It is not my purpose to further investigate here the potential flexibility in the field of broadly speaking “satellite accounting“. However it would be useful to undertake such a reflection in the near future. It would probably help to clarify issues like the relationship between the SNA/SNEA and economic research on the one hand, and between the SNA/SNEA and administrative and public policy uses on the other hand. It would also allow for a more in-depth review of the relationship between the SNEA and other information systems.

summary of his book, see Vanoli 2005, p.306; a quick presentation of the obstacles to the full integration of human capital is p.306-307. Later on, in most cases, it was limited to (intangible) capital due to education.