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Clarification C13

Clarification of Chapter XXI on satellite accounts

FOR INFORMATION

**SATELLITE ACCOUNTS**

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## **AEG clarification number 13: Satellite accounts**

### **Paper for information for the AEG Jan 30 –Feb 8 2006**

#### **Background**

Two suggestions have been made concerning chapter XXI on satellite accounts. The first of these concerns accounts for non-market activity and was raised by Brent Moulton.

There are three proposals to improve the relevance of this chapter, in particular in the discussion of satellite accounting related to a more extensive production frontier for non market production (inclusion of domestic own-account production of services, etc.):

- (1) Discuss the function of double-entry bookkeeping (accounting independently for value of outputs and value of inputs) in non-market accounting context and the implications of adopting this approach for the development of non-market satellite accounts;
- (2) Discuss more explicitly the various possible approaches to valuing the inputs and outputs to non-market production and, if possible, endorse some general principles for doing this recommendation. This might also include taking a general position on physical versus monetary accounting (see the current comments on this topic in the context of environmental accounting at paragraph 21.138);
- (3) Propose non-market accounts for some specific areas in addition to the environment, say perhaps an education account and a health account."

These proposals reflect the findings of a recent study by the U.S. National Academy of Sciences on this topic.

Further, the editor made the following observation to the ISWGNA:

One chapter at least of the 1993 SNA is outdated; this is the chapter dealing with satellite accounts. It contains a fairly lengthy description of the 1993 SEEA which should be updated to be consistent with the 2003 version of the SEEA. Further, it would probably be useful to include abbreviated description of some of the more standard satellite accounts which have been developed since 1993. These could include the tourism account, NPIs and work on the non-observed economy and unpaid household activity. These latter are of considerable policy interest in themselves and help to address the concerns of developing countries about the informal economy.

#### **Present situation**

The present chapter XXI consists of three sections after the introductory section. Part B discusses satellite analysis in paras 7 to 48; part C a framework for functionally orientated satellite accounts in paras 49-121 and then part D in paras 122 to 186 gives an overview of the 1993 version of the SEEA. In addition, part E of chapter XIX describes key sectors and other special sector accounts.

The purpose of the satellite account chapter is to encourage a more flexible use of the general accounting framework, either by concentrating on and expanding some existing flows of interest while collapsing others to a more aggregate level (an "internal satellite" account) or by adding material normally not covered by the SNA but juxtaposing it with conventional material to have an enlarged view of a field of interest (an "external satellite" account).

Some of the work describes as "satellite accounting" is in fact closer to the key sector analysis described in chapter XIX, for example work on R&D, the ICT sector or environmental protection expenditure. It might thus be sensible to merge these two aspects of "flexible" accounts and perhaps be a little less categorical about how satellite accounts should be formulated.

Rather than restrict the example of a satellite account to the SEEA, it is suggested that, in addition to the sector work just referred to, it would be useful to give a brief overview of the work on both internal and external satellite accounts so far developed. For internal satellites, both tourism satellite account and, the NPI handbook are being widely implemented. As far as external satellite accounts are concerned, the revised SEEA and the work on non-market activities are good examples to illustrate the possibilities of combining traditional national accounting data with other data of interest, both when a monetary value might be imputed and when physical information in itself might be useful. Another example is the health satellite account developed by OECD. These accounts would be reasonably brief, indicating just enough that those interested would follow up the references to be included for the full details. The goal of the chapter would be to emphasise that these approaches can be applied for many topics and flexibility of implementation can be adopted to suit the purpose of the analysis in hand.