PROGRESS IN THE SNA UPDATING
By ISWGNA

The Intersecretariat Working Group on National Accounts (ISWGNA) has been entrusted by the Statistical Commission at its meeting in March 2003 with the responsibility of overseeing and managing the update of the 1993 SNA. With respect to the resolution of the agreed list of issues for the update of the 1993 SNA, the Advisory Expert Group on National Accounts (AEG) has been established to advise the ISWGNA on the resolution of the issues. The advice on each of the issues is subsequently submitted for country consultations of which the written responses are consolidated by the ISWGNA and posted on the SNA updating website.

During 2004 considerable progress has been made on the updating of the 1993 SNA in accordance with the agreed timetable:

(a) The work programme was approved by the United Nations Statistical Commission in March 2004.
(b) At the meeting of the Advisory Expert Group on National Accounts (AEG) in February 2004, a number of candidate proposals to make substantive changes to the SNA, the balance of payments and the government finance statistics manuals were considered for inclusion in the update. It was agreed that forty-four issues were suitable for detailed consideration.
(c) Detailed consideration was then given to a number of the candidate issues. Agreement was reached on many of them at the meeting and through subsequent electronic consultations.
(d) Organization of the second meeting of the AEG on 8-16 December in New York is underway.
(e) Appointment of the project manager and editor is in progress.

Website of the SNA updating

Probably the most important single development to promote broad involvement of stakeholders has been the creation of a website, maintained by the United Nations Statistical Division (UNSD) at http://unstats.un.org/unsd/nationalaccount/snar ev1.htm. This website displays:

(a) The work programme approved by the Statistical Commission in March 2004;
(b) The list of issues to be reviewed, with a short description of each issue and an indication of when it is expected to be considered by the AEG;
(c) Issue papers already considered by the AEG, together with the decisions of the AEG;
(d) Comments made by experts, national statistical offices and central banks on the issues and the recommendations of the AEG;
(e) Issue papers approved by the ISWGNA and awaiting discussion at a future AEG meeting;
(f) Minutes of the first AEG meeting held in February 2004 and the provisional agenda of future AEG meetings;
(g) Minutes of the ISWGNA meetings;
(h) Links to websites on the updating of the balance of payments managed by the IMF’s
Committee on Balance of Payments (BoP) Statistics and the government accounts statistics managed by the Task Force for the Harmonisation of Public Sector Accounts (TFHPSA), as well as the revisions of statistical classifications (ISIC, CPC).

**Progress with issues**

At the first AEG meeting (February 2004) and subsequent consultations, the AEG reached agreement on six issues:

(a) Taxes on holding gains – approved the recommendation that there should be no change to the SNA;
(b) Military weapon systems as fixed assets – accepted all the recommendations from the issue paper, the principal one being to recognize expenditure on military weapon systems as fixed capital formation;
(c) Employee stock options (ESO) – approved the four recommendations made in the issue paper, the principal one being to recognize ESO as compensation of employees;
(d) Costs of ownership transfer (COT) on non-financial assets – approved the two recommendations made, namely (i) to continue to record COT as fixed capital formation, and (ii) that they should be written off over the expected period of ownership (rather than over the life of the asset);
(e) Measurement of the production of non-life insurance – accepted the major proposal to replace the current formula used to estimate the production of insurance services with one using adjusted claims and adjusted premium supplements, to reflect the expected rather than actual values, and it also accepted the simple cost plus operating surplus alternative;
(f) Cultivated assets – rewording of the relevant paragraph in the SNA accepted.

Additionally, the AEG agreed that among the issues considered, further work was needed on (i) Employer retirement pension schemes, (ii) Provisional recommendations on the measurement of the production of (non-insurance) financial services and (iii) Measurement of the output of central banks.

At the February 2004 AEG meeting some members proposed that some additional issues should be considered in the update. Fourteen proposals were received and then considered by the ISWGNA which made recommendations in respect of each one. Afterwards a vote was taken on each proposed issue by members of the AEG and the outcome is reported on the UNSD website. The report indicates that only points for clarification and textual improvement were approved.

The second meeting of the AEG will be held in New York on 8-16 December 2004. A number of issues embracing national accounts, balance of payments and public sector accounts will be discussed. Proposals that have been prepared for decision by the AEG include: databases, mineral exploration, originals and copies, loan valuation and non-performing loans, cost of capital services from government owned assets, land improvements, cost of ownership transfer – part II, change of economic ownership, the application of accrual principles to debt arrears, the meaning of the term “predominant center of economic interest”, multi-territory enterprises, holding companies, special purpose entities and trusts.

**Transparency of the update process**

In the spirit of the Statistical Commission’s emphasis on transparency and call for broad involvement of country experts, the ISWGNA has, from the very beginning, sought to make the updating process as transparent as possible and to involve as many interested parties as possible in the update. Articles have been published in the previous two numbers of the *SNA News and Notes* and ISWGNA members have given numerous presentations at conferences and seminars to provide information on the update.

In addition, the following steps have been taken:

(a) Placing issue papers on the SNA update website as soon as they become available and advising interested parties of this availability.
(b) Consulting member countries directly by sending to all national statistical offices and central banks summaries of the changes recommended by the AEG (with reference to the website containing the issue papers) and asking for their comments. After the first AEG meeting, the comments of national statistical offices and central banks from 39 countries and the European Central Bank
Coordination with the BPM and GFS Manuals

The coordination of the update of the 1993 SNA with the Balance of Payments Manual (BPM) and the Government Financial Statistics (GFS) Manual is a critical task that the ISWGNA takes most seriously. The steps taken include the following:

(a) National accountants from the ISWGNA institutions take part in the meetings of the IMF’s Committee on Balance of Payments (BoP) Statistics and the Task Force for the Harmonisation of Public Sector Accounts (TFHPSA); this participation should ensure that the implications for the SNA of proposed changes to the BPM or GFS will be carefully considered;
(b) All the papers and reports produced by the IMF’s Committee on BoP Statistics and the TFHPSA are publicly accessible;
(c) It has already been agreed that time should be set aside at AEG meetings for representatives from the IMF’s Committee on BoP Statistics and the TFHPSA to give briefings on issues under consideration; and
(d) All the issue papers from the BoP Committee and TFHPSA are considered by the AEG.

TOWARDS ADAPTING TOURISM SATELLITE ACCOUNTS IN LATIN AMERICA AND THE CARIBBEAN: A GENERAL PERSPECTIVE

By Sandra Manuelito and Marcelo Ortuzar, ECLAC

To ECLAC, work on tourism satellite accounts is a relatively new subject. However, the compilation and elaboration of tourism statistics is an activity that has been going on for some time now in Latin American and Caribbean countries. An analysis of the information available shows that economic activities related to tourism have been gaining importance in the generation of the value added of economies in the region, as well as gaining importance in the countries’ balance of payments. In Latin American countries the sector of hotels and restaurants represents around 3% of total GVA at basic prices\(^1\), while for smaller Caribbean countries this value rises up to around 10%.

The economic impact of the tourism industry in Latin American and Caribbean countries is also reflected in the major balances of the Balance of Payments. For instance, for many Caribbean countries, the travel balance offsets the negative trade balance. For Latin American countries, however, the impact of travel balance on the current account balance is mixed. Although in many cases, the travel balance shows an important positive contribution to the current account balance, in some countries the outbound travel and related expenditures have been significant in times of overvaluation of the national currency.

In the last seven years, ECLAC has been incorporating references or analyses related to tourism activity or the tourism sector in the main documents published by the institution. In addition, ECLAC is actively promoting the Tourism Satellite Account (TSA) as the international standard approved by the United Nations Statistical Commission in recognition of the importance of this sector to the economies of many countries in Latin America and the Caribbean, and of the need for more accurate, reliable, and comparable data with increased coverage.

The implementation of national accounts under the 1993 SNA requires a broad set of basic statistics. The preparation of the

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\(^1\) Countries’ GDP for whom this information is available represent around 90% of total regional GDP.
TSA allows the possibility of further improving the information on the different activities of the central framework of the SNA. In addition, the TSA enhances the correspondence between the national accounts and other macro statistics systems such as Balance of Payments, Public Finance, and so on. The importance of this new integrated focus involves a major effort by the countries of the region, regarding the coordination of the producers of basic statistics and those preparing macro statistics. This way it is ensured that the data prepared will be understood both by the official financial authorities, other government bodies, private agents and users in general.

Progress with the implementation of the new recommendations in Latin America and the Caribbean are encouraging. Nevertheless, greater efforts must be made to improve the scope of the accounts and ensure the strictest adherence to the recommended concepts, definitions and classifications. ECLAC continues to support the process of implementation of the 1993 SNA and of the satellite accounts in Latin America and the Caribbean that started in 1995 when the new international guidelines were set forth. It is for this reason that ECLAC supported the holding of workshops for experts of various groups of countries in this region on several aspects of the 1993 SNA, including satellite accounts. Additionally, it has taken the initiative for the harmonization of the information collected.

Practice shows the necessity for the relationship between the compilers of national accounts and those who compile the TSA. Moreover, we believe that the compilers of national accounts should be responsible for the elaboration of the TSA as this is most likely to lead to results that will be consistent with other results obtained through the national accounts. In this sense, the 1993 SNA should guide the conceptual framework for the TSA.

However, we acknowledge and understand that in the case when the TSA is part of the work programme of the institutions responsible for national accounts compilation, it happens many times that the elaboration of the TSA is postponed and the interests of analysts and institutions of the tourism sector are adversely affected. In this regard, we see a very important role for the public and private institutions related to tourism for convincing the authorities about their needs for information. This requires the government institution in charge of the tourism sector to make efforts to coordinate the different institutions involved, which must translate into better collaboration between these institutions generating greater benefits for all involved. The National Tourism Agency and the office in charge of national accounts work must incorporate the conceptual framework specific to the TSA complementing the general conceptual framework.

The comprehensive knowledge of the National Tourism Agencies, especially on the inputs the tourism sector uses, the outputs it produces, and the economic functioning of this sector in general, allows also the price collecting units of national statistical offices to improve these statistics that may serve both the purposes of consumer price indexes (CPI) and the elaboration of TSA. An example of this is the price of tourism packages.

The experience of national accounts offices in elaborating the Supply and Use Tables indicate that there are different ways of completing these tables. Generally, the information sources in one way or another determine the elaboration methods. Therefore, it is recommended to verify the results obtained through different approaches and to confront the results obtained through them.

The elaboration of the employment table is another aspect of the elaboration of the TSA where the experience of the national accounts offices is valuable. TSA proposes the elaboration of a table of employment (full time equivalent figures). On the basis of this information and relating it with the production we can generate labor productivity indicators, characteristics of jobs and so on. Such elements will help to verify the observed behavior when measuring the output of economic activity.

In the end, the elaboration of a TSA will also prove to be useful in terms of the quality and accuracy of the data collected for the purpose of elaborating the national accounts. In the Caribbean countries tourism is a very important economic activity. It is important to consider the costs associated with the gathering of the necessary information required for the elaboration of the TSA, due to the already available information, and compare
it to the benefits resulting from having good information on the importance of tourism activities in relation to the overall economic activities of the countries. In many cases, the objective of compiling the TSA may require improvements in the compilation of services statistics, as the services sector is often the least covered sector of the economy.

**ASSESSING CONCEPTUAL COMPLIANCE AND THE SCOPE OF NATIONAL ACCOUNTS DATA AVAILABILITY**

*By Christof Paparella, UNSD*

As per the request of the UN Statistical Commission, every year the UNSD assesses worldwide implementation of the 1993 SNA and reports it to the annual session of the Commission. This assessment includes testing for conceptual implementation and also for the scope of data submitted by the UN members to UNSD. Conceptual implementation is assessed based on a detailed conceptual questionnaire. The available data scope, or range, is compared to two benchmarks - developed by the ISWGNA and approved by the UN Statistical Commission - labeled: “Milestones” and “Minimum Requirement Data Set” (MRDS). Both benchmarks refer to sets of tables of the UN National Accounts Database.

The conceptual assessment for the year focused on the core conceptual shifts from the 1968 SNA to the 1993 SNA framework and also taking into account the economic characteristics of the given country into consideration. It led to the following main conclusions:

a) A total of 84 out of 207 countries and territories have implemented the 1993 SNA. They account for 41 per cent of the total number of countries and territories, 56 per cent of world population, and for 92 per cent of world GDP;

b) Among the UN members, developed countries and countries in transition have the highest rate of implementation with 98 to 99 per cent of their GDP being calculated on the basis of 1993 SNA;

c) Only 26 per cent of the developing countries that are UN members have implemented the 1993 SNA. Around 65 per cent of the GDP of this group is thus estimated according to 1993 SNA. In Oceania (excluding Australia and New Zealand) only one country has implemented the 1993 SNA.

Africa is the region with the second lowest implementation rate (15%). In terms of the GDP and population, the 1993 SNA implementation in Africa covers only 29 per cent and 11 per cent, respectively. For Latin America and the Caribbean and for Asia the rates of implementation are significantly higher. In Latin America and the Caribbean 36 per cent of the UN members comply with the 1993 SNA that accounts for 89 per cent of GDP in the region. In East, South and South East Asia, 48 per cent of the UN members comply with the 1993 SNA that accounts for 65 per cent of regional GDP. In Western Asia 40 per cent of the UN members implemented 1993 SNA that accounts for only 36 per cent of the GDP of the region.

The method employed to produce the scope assessment results consists of the following procedure: for every national accounts table of the national accounts questionnaire (NAQ), a set of most important items was determined. If data on at least 50 per cent of these critical items have been submitted to the UNSD for a given table for at least one fiscal year in the observation period, then the table is counted as “available”. In the latest analysis, two six-year observation periods were selected and compared, 1993 to 1998 and 1996 to 2001. The analysis produced the following results for the 191 UN member countries (see tables on page 7):

(a) Compared to the earlier observation period, data availability has improved. 47 countries (25%) fulfilled the MRDS benchmark, and 78 (41%) compiled six or more tables of the defined data set. In the earlier period, these values amounted to 24 (13%) and 44 (23%), respectively;

(b) Also the milestone measure exhibits improved results. 137 countries (72%) meet or exceed level 1, and 104 (54%) meet or exceed level 2. For the earlier observation
period these values amounted to 122 (65%) and 84 (44%), respectively. By now, in seven of the nine defined regions more than 75 per cent of the countries in the region achieve milestone 1;

(c) Developing and transition economies have significantly increased their national accounts data production and dissemination over the last few years. Particularly the MRDS measure shows strong improvements;

(d) Among the developing regions, Western Asia shows the highest implementation rates for all tables, while implementation rates for the individual tables are lowest in Africa and Oceania.

The reported results reflect both an improvement in the 1993 SNA implementation in UN member countries and an improved reporting, i.e. the submission of more up-to-date statistics by the countries to the UNSD database. By the end of fall 2004, a new assessment of data scope will be conducted. Data submissions covering the latest 12 years are published in the new yearbook National Accounts Statistics – Main Aggregates and Detailed Tables 2003, available for download from the UNSD website in PDF format at: [http://unstats.un.org/unsd/nationalaccount/nasp1.htm](http://unstats.un.org/unsd/nationalaccount/nasp1.htm).

**Notes**

1. The milestone measure delivers better results than the MRDS because the definition used for the milestone assessment by UNSD required the availability of either current or constant price estimates for GDP by expenditure and industry breakdowns. Moreover, the definition of milestone levels 1 and 2 does not require Table 2.3 of the NAQ, while the MRDS does.

2. The MRDS comprises the following statistics: Value Added by industries at current and constant prices, Expenditures of GDP at current and constant prices, Income components of value added by industries at current prices, Employment by industries, Accounts for the total economy.

The **Milestone 1** measure comprises: Final expenditures on GDP at current and constant prices; GDP by industry at current and constant prices. The assessment of 2000, presented to the thirty-second session of the Statistical Commission in 2001, relaxed this definition to require only current or constant prices for each of the GDP compilation approaches, not both. For the present assessment, this relaxed definition has been maintained to facilitate comparison with the previous results. **Milestone 2** comprises: External account of primary incomes and current transfers; capital and financial accounts for the rest of the world.

See the tables to this article on next page.

**NATIONAL ACCOUNTS – A PRACTICAL INTRODUCTION**

**Announcement by UNSD**

As part of the Handbooks of National Accounting series, the new United Nations publication National Accounts: A Practical Introduction provides an introduction to some basic concepts and structures of the 1993 System of National Accounts (SNA) for economists and policy makers who are not familiar with national accounts, as well as for newcomers to the field of national accounting.

The text may serve as a guide to reading the SNA itself. In that sense, the text is written in as simple a style as possible, and therefore the detailed elaboration of concepts in both theory and practice is avoided. Simple exercises are included, whenever possible, to make concepts and structures clearer to readers. The handbook also provides an example of the complete system in Excel so that readers can trace the linkages in the system by looking at the formulas there. A compilation spreadsheet that can be used for compiling national accounts has also been developed as part of the development of the handbook. It has been tested and used in many developing countries. These supplements are posted on the same web page where the handbook can be downloaded: [http://unstats.un.org/unsd/nationalaccount/seriesf_85.htm](http://unstats.un.org/unsd/nationalaccount/seriesf_85.htm).
Table 1: Availability of the tables of the "minimum requirement data set" and milestone levels 1 and 2 for UN members, 1996-2001

<table>
<thead>
<tr>
<th>Fiscal Years 1996 to 2001</th>
<th>Tables of the Minimum Requirement Data Set</th>
<th>Six or more tables % of Total</th>
<th>Seven tables % of Total</th>
<th>Milestone Level 1 or higher % of Total</th>
<th>2 or higher % of Total</th>
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1 Western Europe, USA, Canada, Japan, Australia, New Zealand

Table 2: Availability of the tables of the "minimum requirement data set" and milestone levels 1 and 2 for UN members, 1993-1998

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<th>Seven tables % of Total</th>
<th>Milestone Level 1 or higher % of Total</th>
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1 Western Europe, USA, Canada, Japan, Australia, New Zealand
MANUALS AND HANDBOOKS


MEETINGS AND SEMINARS

8-12 November 2004: Latin-American Seminar on National Accounts, organized by ECLAC and Central Bank of Ecuador, Quito, Ecuador

6-11 December 2004: Regional meeting of MERCOSUR and Andean Community countries and Chile to review price data collection in the International Comparison Programme, organized by ECLAC, Statistics Canada and the National Statistical Office of Brazil (IBGE), Rio de Janeiro, Brazil

8-16 December 2004: Second meeting of the Advisory Expert Group on National Accounts, New York, USA

31 January - 1 February 2005: Technical Subgroup on the Movement of Natural Persons - Mode 4 in Trade in Services Statistics, organized by OECD, Paris, France

2-3 February 2005: Interagency Task Force on Statistics of International Trade in Services, organized by OECD, Paris, France

February 2005: Task Force on Harmonization of Public Sector Accounts, organized by OECD, Paris, France

March 2005: UNSD/UNESCAP Workshop on National Accounts, Bangkok, Thailand

29 March – 1 April 2005: Canberra II Group on the Measurement of Non-financial Assets, Canberra, Australia
April-May 2005: Task Force on Financial Services organized by OECD, Paris, France

April-May 2005: Task Force on the Valuation of Equity organized by OECD, Paris, France

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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