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STATISTICAL COMMISSION ADOPTS THE CONSOLIDATED RECOMMENDATIONS FOR THE 1993 SNA UPDATE

By UNSD

The promotion of international standards and, specifically, work on national accounts has always been high on the agenda of the Statistical Commission. This has been demonstrated at its March 2007 session when the international statistical community celebrated the 60th anniversary of the establishment of the Statistical Commission. The commemorative session was attended by the chief statisticians of 134 countries and 32 international agencies, making this meeting a truly global event. For this special occasion commemorative brochures were published that included the description of the involvement of the statistical programme in the field of national accounts in the international statistical system. These materials are accessible at http://unstats.un.org/unsd/statcom/doc07/UN_Stat_Commission_1947-2007_bookmarks.pdf and http://unstats.un.org/unsd/statcom/brochures/UNSD_Brochure.pdf. This year's session again reflected the general consensus among the Commission's members about the significance of work on statistical standards and guidelines in many substantive areas, among them in national accounts that have contributed to statistical capacity building world-wide and greatly improved the quality and comparability of official statistics.

It was in this context that the large number of delegates present at the Statistical Commission devoted close attention to the progress report of the Intersecretariat Working

Group on National Accounts (ISWGNA) on the status of the 1993 SNA update along with the recommendations of the Advisory Expert Group (AEG) on the 44 issues. The ISWGNA's report asked the Statistical Commission to adopt the recommendations as a coherent package as presented in the background document *Full Set of Consolidated Recommendations* (see <http://unstats.un.org/unsd/statcom/doc07/BG-SNA.pdf>) taking into account additional considerations on five issues (see documents <http://unstats.un.org/unsd/statcom/doc07/2007-7e-NationalAccounts.pdf> and <http://unstats.un.org/unsd/statcom/doc07/BG-ISWGNA.pdf>).

The package of recommendations was considered a major intermediate output of the update process. It has emerged as the consensus after extensive and transparent global consultations in which the recommendations on almost all of the 44 issues received unanimous or overwhelming support. Only in the case of five issues the extent of disagreement necessitated additional analysis and further AEG consultations that have led to the following ISWGNA considerations: 1) adopt the principle of capitalization of research and development in the update of the 1993 SNA along with focused work to implement the principle in a sound and internationally comparable way; 2) recognize the cost of capital services for market producers in the

update of the 1993 SNA with the understanding that the identification of the costs is voluntary within the recommended supplementary accounts; 3) extend the accounting principle of capital formation to military expenditure in the update of the 1993 SNA; 4) adopt the treatment of goods for processing on the basis of change of economic ownership in the update of the 1993 SNA; and 5) undertake more research that deals squarely with unresolved points, tests the impact on GDP and takes into the account the differing degrees of data availability on the cost of capital services of the assets of non-market producers.

In the thorough and long discussion on national accounts 35 interventions were made in a spirit of overwhelming support for the package of recommendations. The Commission was impressed with the quantity and quality of work that went into producing the set of recommendations and thanked the various actors, primarily the AEG, ISWGNA, Project Manager and Editor for their joint efforts to move forward the update process, and acknowledged the countries for their active participation in the global consultations.

Among its decisions, first of all, the Commission adopted the package of recommendations on the update of the 1993 SNA as submitted in the ISWGNA report and supporting documentation. With their adoption the recommendations are now officially recognized as the basis for the drafting of the chapters of the updated 1993 SNA.

Concerning the work ahead to complete the draft of the update of the 1993 SNA, the Commission took note that the draft will be presented to it in two volumes: volume one, in 2008, comprising a full set of chapters representing the SNA framework in terms of accounting conventions, the accounts, and the integration of the accounts and incorporating the adopted recommendations on the 44 issues; and volume two, in 2009, comprising interpretations of the accounts and extensions such as satellite accounts.

With a view to further work on specific issues, the Commission emphasized the need to establish guidelines on when to recognize pension entitlements in the core set of accounts, to undertake additional research on the estimation of research and development as

capital formation, to provide guidelines taking into consideration the impact of the treatment of goods for processing on input-output analysis and the recording of international trade and to elaborate on the guidelines on the integrated measurement of the informal sector within the national accounts.

With regard to the SNA implementation, the Commission took a number of specific actions. Considering that the current update had retained the framework of the *System of National Accounts, 1993*, it encouraged countries to continue with the implementation of the 1993 SNA. The ISWGNA was requested to act on the concerns raised by the Commission with regard to supporting countries in establishing a basic data collection strategy for the implementation of the SNA, the integration of the informal sector in the national accounts and the need for capacity building to implement the strategy and recommendations. The Commission also requested the ISWGNA to continue to report on the progress in the implementation of the SNA by countries, focusing on scope, coverage and quality. One of the decisions reiterated the request to the ISWGNA to submit a strategy for the implementation of the SNA to the Commission in 2008, based on regional consultations in 2007, reflecting user perspectives and taking into account the different levels of SNA implementation across countries. As part of the actions on implementation, it underlined the importance of preparing handbooks and manuals with implementation guidance and to enhance capacity building through training and technical assistance.

Another initiative of the Commission was the formation of a high-level group to examine long-term implications of the SNA and possible future changes, taking into consideration rapid changes in the global economy; the need to balance users' needs, theory and the ability to collect primary data, the choice between imputed versus observable transactions, and the role of satellite accounts vis-à-vis the core accounts. Therefore the Commission requested the ISWGNA to establish this high-level group and to ensure broad country representation in it.

In light of the above decisions made by the Statistical Commission, work in the coming months coordinated by the ISWGNA will remain focused on the timely completion of the first volume of the draft updated 1993

SNA while continue planning the implementation that will follow its publication as well as the development of the long-term research agenda of national accounts.

DEVELOPING THE OECD HANDBOOK ON MEASURING VOLUME OF HEALTH AND EDUCATION

By Alain Gallais, OECD

During its meeting in 2005, the OECD Committee on Statistics supported the initiative taken by the OECD Secretariat to organize a seminar on the measurement of education and health volume output. Consequent to the seminar, the OECD embarked on the creation of a handbook on measuring education and health volume output, in both temporal and spatial dimensions (national accounts and purchasing power parities (PPPs)). A Eurostat task force, initiated in January 2006 to consider the measurement of PPPs for non-market production, has contributed to the development of the education component of the Handbook, and a new OECD-led task force is being created to consider health output in the spatial dimension.

The main objective of the handbook is to provide guidance for the use of “output methods”, rather than the traditional “input methods”, in measuring these major non-market activities, i.e. the direct measurement of the volume of services provided. It is proposed that this should be achieved by adjusting quantity indicators by kind of service with adjustments for changes in quality based on changes in the outcome of services. This approach is considered to be superior to input or output methods used in the past that did not capture changes in the quality of the services performed.

The 1993 SNA encourages the use of output methods for measuring non-market output in volume terms (paragraphs 16.134 and 16.138) and notes that there is “*no mystique about non-market health or education services*”. Nevertheless, developing satisfactory output measures has proved to be difficult, and while most European countries

have implemented output methods in their national accounts recently, they have done so in different ways and, especially, with different views about quality adjustment.

A basic premise of the OECD non-market output project is that it requires the combined expertise and knowledge of national accountants and education and health experts, as well as experts in measuring public service efficiency to achieve the desired goal. As a result, experts in these various fields from OECD Member countries and the OECD Secretariat are represented in the new task force on health and have been involved in the drafting of the handbook.

The first workshop took place in London, 3-5 October 2006, and was an opportunity to learn from the UK experience (ATKINSON review), as well from Nordic countries practices and various US research projects. The main purpose of the second workshop on 6-7 June 2007 in Paris was to review the first draft chapters of the future OECD handbook. (see: http://www.oecd.org/document/47/0,2340,en_2649_34245_37733615_1_1_1_1,00.html)

A proposal for using an output method for education in the context of calculating PPPs was adopted within the European Union at a meeting of the NA-PPP Working Group on 14-15 May 2007. The first meeting of the new “health-specific PPPs task-force” was scheduled on 8 June 2007 in Paris to immediately follow the second workshop. The results of these various streams of work will be included in the final version of the OECD Handbook, which is expected to be released in 2009.

USE OF SPECIFIC VERSIONS OF COICOP IN THE EUROPEAN UNION

By Alice Zoppè, Eurostat

One of the SNA functional classifications, the international standard *Classification of Individual Consumption According to Purpose* (COICOP) has been adapted in the European Union in a way to suit the specific needs and reflect the particular characteristics of the economies of the countries in the region. In addition to traditional applications within the National Accounts context, the European Union (EU) applies specific versions of COICOP for three main purposes in statistics:

- i. COICOP/HICP used in the context of the Harmonised Index of Consumer Prices.
- ii. COICOP/ PPP used for the definition of the Purchasing Power Parities (PPP), developed for the Eurostat-OECD PPP Programme and consistent with the classification used in the International Comparison Programme (ICP) by the World Bank (see chapter 5 of the ICP Handbook at http://siteresources.worldbank.org/ICPINT/Resources/Ch5_Product_Lists_Apr06.doc)
- iii. COICOP/HBS used in the Household Budget Surveys. The classification was established in 2003 (see http://europa.eu.int/comm/eurostat/ramon/statmanuals/files/KS-BF-03-003-__-N-EN.pdf and forum.europa.eu.int/Public/irc/dsis/hbs/library?l=/rounds2005/hbs-153e-03-endoc/_EN_1.0_&a=d

The table below presents the characteristics of the three versions of COICOP.

Table 1: Main characteristics of detailed classifications used in the EU

Classification	No of levels	No of positions in total	Characteristics
COICOP/HICP	4	127	
COICOP/PPP	5	146	Additional information on food but also on actual rentals, furnishings and motor cars.
COICOP/HBS	4	368	Additional information mainly on food.

Compared to COICOP/HICP, the PPP and HBS classifications have more detail, particularly as regards 01 Food, 03 Clothing, 05 Furnishings and, to a lesser extent, 07 Transport, 08 Communication and 10 Education.

PPP and HBS are very similar with a few exceptions: HBS recommends more detail on fruit and vegetables compared to PPP, whereas the PPP classification shows more detail in relation to 04.1 Actual rentals, 05.1 Furnishings and 07.1 Motor cars.

COICOP/HICP

The mandatory use of COICOP/HICP was established via an EU Commission regulation of 1996, for the monthly provision of indices and sub-indices of consumer prices. The latest version is laid down in Commission regulation No 1749/1999 of 23 July 1999. COICOP/HICP includes detailed explanatory notes.

A more detailed version of COICOP/HICP is being developed, (adding 5th and 6th digit levels), taking into account national practices in several EU Member States. This is work in progress, and detailed positions would be introduced on a case by case basis.

The table below presents an overview of the indicative number of positions of a potential COICOP/HICP at 5-/6-digit level which was set out initially and shows the structure of the EU25 weights for 2004.

Table 2: Number of detailed potential COICOP/HICP positions

COICOP	Label	EU25 weights	Positions at 5 th level	Positions at 6 th level
01	Food and non-alcoholic beverages	152	54	77
02	Alcoholic beverages, tobacco	44	13	13
03	Clothing and footwear	71	20	36
04	Housing, water, electricity, gas and other fuels	145	18	28
05	Furnishings, household equipment and routine maintenance of the house	75	39	77
06	Health	37	15	0
07	Transport	149	25	41
08	Communication	29	8	18
09	Recreation and culture	104	45	127
10	Education	11	5	11
11	Restaurants and hotels	99	11	24
12	Miscellaneous goods and services	85	25	42
Total		1000	278	494
Cumulative total (rounded)		127*	405	899

* Cumulative total for first four levels.

Next activities

Within the activities related to the implementation of NACE Rev. 2 and CPA 2008, the Eurostat Classification Section intends to develop correspondence tables between the three versions of COICOP described above and the revised CPA. Whenever possible, the work will be performed in cooperation with the relevant international organizations (UNSD, OECD, World Bank).

ADVISORY EXPERT GROUP REVIEWS DRAFT CHAPTERS, IMPLEMENTATION PLAN OF 1993 SNA REV.1 By UNSD

The fifth meeting of the Advisory Expert Group on National Accounts (AEG) took place at the United Nations Headquarters in New York on 19-23 March 2007. It signified an important milestone in the series of meetings held by the AEG in the SNA updating process. The previous four AEG meetings concentrated on the discussion of 44 issues and were devoted to reaching consensus and developing recommendations on the issues. In turn, at the fifth meeting the AEG focused on how the recommendations on the issues were reflected in a number of draft chapters. In addition to its main focus at the fifth meeting on the chapter review, the AEG also discussed the implementation strategy of the 1993 SNA Rev.1 and the long-term research agenda.

The drafting of the chapters of the updated 1993 SNA has been undertaken by the editor on the basis of the AEG recommendations contained in the consolidated list of recommendations as adopted by the March 2007 session of the Statistical Commission (see related article in this issue of the SNA News and Notes and for the document refer to <http://unstats.un.org/unsd/nationalaccount/AEG/recommendations/fscr.pdf>). As an essential element of the global review and consultation process, each draft chapter has been made available on the dedicated UNSD website for comments. The draft versions of chapters are presented in a way to allow comparison with the existing text of the corresponding chapter. The successive posting of draft chapters

started in October 2006. The comments received were analyzed and summarized by the ISWGNA and the fifth AEG meeting took up the consideration of the substantive comments chapter by chapter.

The fifth AEG meeting considered the following draft chapters: 6 – The production account; 7 – The distribution of income accounts; 8 – The redistribution of income accounts; 9 – The use of income account; 10 – The capital account; 11 – The financial account; 12 – Other changes in assets accounts; 13 – The balance sheet; 14 – Summarizing and presenting the accounts; 17 – Cross-cutting and other special issues; and 26 – Links to monetary and financial statistics. The AEG provided advice on specific substantive questions that can be found in detail in the report of the meeting at <http://unstats.un.org/unsd/nationalaccount/AEG/papers/m5report.pdf>. The results of the AEG meeting will be used as input to the preparation of the revised draft chapters. The AEG also offered general advice regarding the drafting of the chapters of the 1993 SNA Rev1. Noting the large amount of new, changed or reordered text, it considered that focusing on the incorporation of the 44 issues and 39 clarifications had highest priority. However, it also acknowledged that much of the changed material had improved the readability and accessibility of the chapters and, therefore, suggested that efforts continue to refining text.

In the context of the discussion of the implementation strategy, the AEG considered some regional timetables and a list of

methodological publications planned by ISWGNA organizations to provide support in the form of manuals, classifications and guidance on how to collect the required data. The ISWGNA is committed to prepare a comprehensive plan of implementation to be presented to the Statistical Commission in February 2008. The AEG proposed to facilitate an exchange of experience and ideas among countries describing how particular problems in the context of their implementation practices will be tackled.

Regarding the long-term research agenda, the AEG was consulted on a list assembled from suggestions for topics that should be investigated for further improvement of the SNA in the longer term and for the purpose of some future update or revision. Instead of focusing on the individual items suggested, the AEG discussed a general approach for long-term research and advised that the list of topics should be open to be able to add significant topics at any time and that the ISWGNA should be responsible for setting priorities. There were suggestions to concentrate long-term research on the bigger questions not currently handled well or not included in the System, among which, by way of example, GDP and welfare, regional accounts and reexamining the definition of income were mentioned.

The AEG also reviewed more immediate plans for the completion of the 1993 SNA update project and took note of the tasks where the involvement of its members was anticipated.

STATUS OF REVIEW AND COMMENTING ON DRAFT CHAPTERS OF THE UPDATED SNA Announcement

All available draft chapters of the 1993 SNA Rev.1 can be accessed online at <http://unstats.un.org/unsd/sna1993/draftingPhase/ChapterIssueMatrix.asp>. This website allows tracking progress in the drafting and makes possible reviewing and commenting on draft chapters. By end of September 2007 drafts will have been posted and will be past the commenting period for chapters 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17 and 26. An addendum has been posted or is expected for draft chapters 6, 7, 8, 9 and 17 on which comments are requested. Among chapters 1-17 due for submission to the 2008 Statistical Commission, the outstanding drafts are also expected to be posted for global commenting.

MANUALS AND HANDBOOKS

For reference to a list of manuals planned by member organizations of the ISWGNA as part of the SNA implementation process in the medium term, presented as background document to the Fifth Advisory Expert Group Meeting (March 2007, New York) see <http://unstats.un.org/unsd/nationalaccount/AEG/papers/m5plannedManuals.pdf>

MEETINGS AND SEMINARS

4-6 June 2007: Workshop on International Economic and Social Classifications, Panama City, Panama

6-8 June 2007: Work session of the Friends of the Chair on Integrated Economic Statistics, jointly organized by the Swiss Federal Statistical Office and UNSD, Bern, Switzerland

18-19 June 2007: Joint ECE/Eurostat/OECD Seminar on Business Registers, Geneva, Switzerland

25-28 June 2007: Expert Group Meeting on Tourism Statistics, New York, USA

3-6 July 2007: Joint EFTA/UNECE/SSCU Seminar on Economic Globalization challenge for official statistics, Kiev, Ukraine

5-6 July 2007: Committee of Experts on Environmental-Economic Accounting, New York, USA

16-18 July 2007: Workshop on Water Accounting, Santo Domingo, Dominican Republic

16-19 July 2007: Expert Group Meeting on Industrial Statistics, New York, USA

16-19 July 2007: Expert Group Meeting on Distributive Trade Statistics, New York, USA

1-4 October 2007: OECD Working Party on National Accounts, Paris, France

8-10 October 2007: 10th Meeting of the Delhi Group on Informal Sector Statistics, Geneva, Switzerland

Editorial Note

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The 1993 SNA with search capability, national accounts glossary, handbooks on national accounts and activities and reports of the ISWGNA can be accessed on the internet: <http://unstats.un.org/unsd/sna1993/introduction.asp>

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