

**Comments on draft SNA chapter:  
Chapter 26: The rest of the world accounts**

**Deadline for comments: 26 September 2008  
Send comments to: [sna@un.org](mailto:sna@un.org)**

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Submission date:	September 26, 2008

This template allows you to record your comments on draft SNA chapter 26 “The rest of the world accounts” and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any or all parts of the template.

There is no file comparing existing text with draft text for this chapter because the draft is largely new text.

Save this template and send it as an attachment to the following e-mail address:  
[sna@un.org](mailto:sna@un.org)

**Part I: General comments**

In the space below, please provide any general comments. This may cover e.g. the structure of the chapter, issues missing and (lack of) consistency with other chapters of the 2008 SNA.

*General comments:*

General comment	<p>This chapter is somewhat confusing from a perspective point of view. Basically, it does not consistently choose the perspective from which the material is presented: non-resident sector of SNA perspective or international accounts perspective. This chapter more often gives the impression that it is about the international accounts rather than the ROW sector in the SNA. It seems appropriate to write from a non-resident sector perspective, and reference the international accounts similarities/differences ... with occasional digressions on international accounts.</p> <p>The purpose (use) of this chapter is to assist SNA compilers. In this context, the links to other component accounts is paramount, while to the international accounts is highly desirable in promoting the integration of the overall system.</p> <p>As a general comment, it seems that the presentation and discussion for some items was far preferable in SNA93. In particular for the sequence of accounts when it comes to <i>Financial Account, Other Changes in</i></p>
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	<p><i>Assets Account</i> and <i>Balance Sheet Account</i>. The ROW sector should primarily relate to the other chapters of the SNA. In this respect, this draft chapter is a not a good substitute for its predecessor.</p> <p>Comments on these points and on other matters included below.</p>
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**Part II: Comments on specific draft paragraphs and sections**

All comments on specific draft paragraphs are welcome. They can be about e.g. scope, content and clarity. Proposing a concrete alternative text or table is also possible. For the paragraphs in separate sections, separate forms are used for providing and collecting comments (see below).

**A. Introduction (paragraphs 26.1-26.6)**

General comment	
26.1	<p>Opening sentence: This chapter is about ROW sector. It should be principally focussed on the links to the SNA components and secondly focussed on the links with the international accounts.</p> <p>The explanation of the ROW is that it is the inverse of the international accounts (26.9). It may also be useful to state (in the context of the sequence of accounts) that, as such, it also represents the slice of economic activity with non-residents included in each of the national sectors of the economy. Therefore, it is also the inverse of this slice of national economy activity. This slice of national activity is presented as the ROW sector in order to close the system of accounts (in Flow-of-Funds terms – to close the matrix).</p>
26.5	<p>The wording in the opening sentence is confusing by mixing terms. Suggest substituting <i>balance sheet account</i> for <i>IIP</i>. As an aside, <i>IIP</i> (where it is used) should always be spelled out.</p>

\* Insert rows in this Word table for each paragraph on which you wish to comment.

## B. Accounting principles (paragraphs 26.7-26.34)

General comment	
26.7	<p>Would prefer the more “generic” <i>shortcomings</i> to <i>imperfections</i>, in the first sentence. It is also worth noting that imbalances can arise due to <i>less than optimal compilation practices</i> and <i>lack of analysis</i> (including lack of integration/coherence with other SNA components).</p> <p>That the NEO or sector discrepancy should be used to indicate possible source of mis-measurement is prescriptive but vague. From the SNA system point of view, the NEO can be used in conjunction with other sector discrepancies to try and resolve cross-cutting measurement issues.</p>
26.8	Suggest the following edit to the second sentence: However, recognizing the integrated nature of the SNA, there has been increasing interest in estimates that are derived from counterpart domestic data with better coverage, valuation, etc.
26.12	<p>The opening sentence is incorrect, unless the paragraph refers to the international accounts presentation ... but what would be the point of that as the emphasis of this chapter?</p> <p>In most of the SNA ROW transactions and positions accounts data are not typically/totally presented according to the international accounts functional categories. In the <i>Financial Account</i>, for example, categories are set up with the same instrument categories used in the other sectors of the economy ... in order to balance and close the matrix. In particular, direct investment is a recommended MEMO item in the SNA sector accounts. The point that should be made here is that the classification systems are different but fully reconcilable.</p>
26.11 Line 7	<p>The statement “in case of merchanting ...the acquisition of the goods is identified as a change of ownership, but shown as a negative export rather than an import” is incomplete. For clarity, the AEG decision should be cited in full. It says “goods acquired ...should be recorded as negative exports on acquisition and positive exports on disposal. ... In the case where goods are acquired in one period and not disposed of until a subsequent period, they will appear in changes in inventories of the merchant even though these inventories are held abroad”. ( Issue #41 Merchanting in <i>The full set of consolidated recommendations</i> by the AEG)</p>
26.25	Typo in the last sentence.

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## C. Structure of the international accounts (paragraphs 26.35-26.66)

General comment	<p>Some parts of this section are fine, while other parts are less so. Overall, the approach in SNA93 is superior to that in this draft chapter.</p>
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Table 26.3	<p>Table is mis-labelled. Suggest the following: <i>Overview of international accounts transactions categories cast in SNA framework.</i></p> <p>In any case, this table is a mash of BOP and SNA categories. In the <i>Current Account</i> SNA sub-titles are used; in the <i>Financial Account</i> BOP sub-titles are used.</p> <p>The row “net lending or net borrowing”, under Capital Account should have a value 29. This value is missing.</p>
26.38	For clarity add a table showing an overview of goods and services account. ( See Table 10.1 in July version of BPM6) This table emphasizes a separate entry for net exports under merchanting.
26.45	Make mention of time-share, an important issue in Tourism account. (See paragraphs 10.100 in July version of BPM6)
26.47	For clarity, add a table (See table 11.1in July version of BPM6) showing overview of the primary income account. This would put the discussion on the primary income account in context
26.52	For clarity, add a table (See table 12.1in July version of BPM6) showing overview of the secondary income account. This would put the discussion on the secondary income account in context
26.56	What is the perspective here? Just above the SNA secondary income account is referenced, followed by balancing items in the current (current should be singular) accounts of the international account. Even so, the most interesting analytic balancing account is largely ignored – the <u>overall current account balance</u> (CAB). CAB should be distinguished from NLB (in 26.58), as many users confuse the two.
26.58	
5. The financial account and international investment position (page 14)	<p>The title of this section should be: The financial account and the balance sheet account (international investment position). The IIP should not be used in short form anywhere in this chapter. The correct terminology would seem to be ROW <i>balance sheet account</i>.</p> <p>The title is the least of the problems in this section. As with SNA93, the financial account and international investment position should be discussed under separate headings, for clarity purposes. Mixing up flows and positions is very unhelpful. In fact, the whole section should go back to SNA93 format, with additions/clarifications where points need to be distinguished.</p> <p><b>Sections E, F and G of SNA93 should be largely reinstated.</b></p>
6. The other changes in	This section is terse and, as such, not very useful. In fact, the whole section should go back to SNA93 format.

assets account	<p>Further, there is no discussion of the change in market value positions (revaluation of debt or equity) that can be a major portion of this account. Market value balance sheet data is the standard in SNA93 and in SNA98.</p> <p>Lastly, there is no mention of the special treatment required to balance the equity stock-flows for reinvested earnings.</p>
Table 26.4	<p>This table is mis-labelled. The chapter is presenting the sequence of accounts for the ROW sector of the integrated SNA. It should be cross-referenced to the IIP.</p> <p>Why put in the functional categories? We would support a dual mapping on this table.</p>

\* Insert rows in this Word table for each paragraph on which you wish to comment.

#### D. International accounts functional categories (paragraphs 26.67-26.84)

General comment	In the heading “International accounts functional categories”, the phrase international account is redundant. Other headings do not have this qualifier. Functional categories would be sufficient.
26.67	Up to this point the emphasis (in our opinion mis-placed) has been on functional categories. They rightly belong in this section with appropriate mappings from SNA categories to international accounts functional categories.
26.71	Suggest dropping the word significant in the first sentence. The point is a degree of influence.
26.73	Maybe we need to define the term <i>chain of ownership</i> . This content of whole paragraph is arguable to complex for this chapter, and maybe it should be dropped.
26.75	For the fourth sentence, we suggest the following: <i>Reinvested earnings are defined as the direct investors claim on the disposable income / saving of the enterprise in proportion to its ownership of this enterprise.</i> We should refer to fully-owned cross-border subsidiary in this section.
26.76	I think that <i>direct investment</i> is the SNA term. While foreign is implied, it is not a bad idea to use this term. For example, reinvested earnings only apply to cross-border inter-corporate ownership.  Not sure about the <i>SNA’s foreign controlled enterprises</i> .
26.81	Second last sentence is confusing. Likely could benefit from a definition of <i>potential assets</i> .
Table 26.5	Generally, a good table. Column titles should be spelled out in long form.

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**E. Special international accounts considerations (paragraphs 26.85-26.94)**

General comment	
26.85	
26.86&22.87	The treatment of exceptional financing is too laconic. Para.26.86 is vague. Again, clarity is required on the distinction between standard and analytic presentation of the balance of payment. (For a lucid description of exceptional financing transactions see A1.1-A1.4 in July version of BPM6)
4. Currency conversion including multiple exchange rates (page 20)	Cite the document BPM6 to emphasize the consistency with the Balance of Payments Manual.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

**Part III. Other specific comments**

You are welcome to make other specific comments. To assist you in doing so, the following points are provided as a guide to the types of points on which you might wish to comment. Note, though, that you are not restricted to commenting on only these points.

1. Is the consistency between BPM6 and the SNA sufficiently emphasised?  
Yes, but partly at the expense of integrating the ROW into the other components of the SNA.
2. Is the description of the functional classification in BPM6 useful and clear to non balance of payments specialists?  
Yes. But keep in mind, non-BOP specialists focus on SNA categories.
3. Are tables 26.1 and 26.2 helpful?

*Specific comments:*

Specific comments	<ol style="list-style-type: none"><li>1. See comments above.</li><li>2. Yes.</li><li>3. Yes</li></ol>
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You are also welcome to comment directly on the PDF file of the draft chapter. Please do so by using Adobe Acrobat Version 6 or 7.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make detailed comments, please send a message to [sna@un.org](mailto:sna@un.org) requesting a version of the draft chapter that permits you to comment. To optimize your commenting tools, please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>