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NATIONAL ACCOUNTS AND BALANCES: SYSTEM OF NATIONAL ACCOUNTS (SNA)

Progress in the revision of the System of National Accounts (SNA)

Report of the Secretary-General

SUMMARY

The present report is a follow-up of an earlier progress report that was presented to the Statistical Commission at its session in 1985. Substantial progress has been made since then, and this is reflected in the report. The series of regional and specialized SNA meetings has come to an end in 1986 and two expert groups already have met to make final recommendations on the general structure of the SNA and also on the constant price series of the system, including questions of inflation accounting and the relation between the SNA and the International Comparison Project.

The present report includes in section I details of the co-ordinating activities of the Inter-Secretariat Working Group, the proposed layout of the revised A System of National Accounts and the coverage of the Handbook series, as well as information on how the discussions on the SNA review are organized in meetings and what measures have been taken to involve a larger audience of experts. Section II provides information on several major technical topics that have been discussed and conclusions that have been reached. Section III contains points for discussion.

* E/CN.3/1987/1.

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INTRODUCTION

1. The Statistical Commission at its twenty-third session discussed the report of the Secretary-General entitled "Progress in the review of the System of National Accounts" (E/CN.3/1985/5), which included information on work carried out until then in the context of the SNA review. It endorsed the consolidated work programme contained in the report and also approved the series of expert group meetings which were tentatively scheduled for the period 1986-1990, ending with the revision of A System of National Accounts 1/ (referred to as the "Blue Book" in the present document) at the end of the SNA review work. It noted with appreciation the co-ordinating role which the Inter-Secretariat Working Group on National Accounts had played in the review process until the time of the report. 2/

2. The present report* was prepared in response to the request by the Statistical Commission at its last session, to keep the Commission informed about further developments in this area of statistics. The report consists of three sections. Section I gives an overview of the SNA review process. It includes information on the co-ordinating activities of the Inter-Secretariat Working Group on National Accounts and proposals on the content of a revised Blue Book and the coverage of the Handbook series, and on the regional, specialized and expert group meetings that have or will be held before the revised SNA is completed. It also specifies the arrangements that have been made to improve the dissemination of SNA review information so as to incorporate comments of a larger audience beyond the participants in the planned expert group meetings and facilitate the flow of information between subsequent meetings. At the end of section I, a proposed work programme is presented to the Statistical Commission indicating what type of outputs the Commission might expect at various stages of the review process, so that it can decide (a) what should be discussed at the present meeting; (b) what to review at its 1989 session; and (c) what to expect at its 1991 meeting when the SNA review process will have come to an end. Section II of the report enters into more technical details on the topics that have been discussed and conclusions that have been reached until now. Section III presents the items for discussion. They are divided into topics that have to do with the general organization and orientation of the SNA review as described in section I of the report, and more technical topics that reflect the information presented in section II.

I. ORGANIZATION AND ORIENTATION OF THE SNA REVIEW PROGRAMME

3. The progress in the SNA review since the twenty-third session of the Statistical Commission has been made possible through the co-ordinating efforts of the Inter-Secretariat Working Group on National Accounts. Representatives of the member organizations of the Working Group have met on an average of two to three times a year in conjunction with other related meetings in which member

* Information on meetings, recommendations and so on has been brought up to date until 11 October 1986.

organizations of the Working Group were adequately represented. Within the mandate accorded to the Working Group by the previous Statistical Commission, the Working Group has taken various actions with regard to the Blue Book and the Handbooks, regional and expert group meetings on the SNA, and other organizational matters which needed to be addressed in order to facilitate the SNA review process. Below are given some details on actions by the Working Group. Some of these were thought to be so essential for an adequate outcome of the SNA review, that they were also discussed in the first co-ordinating Expert Group Meeting on the SNA structure held at Geneva in June 1986, as well as in some regional meetings (see sect. B below). The information provided below, therefore, not only reflects the actions and considerations of the Working Group, but also the consensus that has emerged in meetings with wider representation that have dealt with these matters.

A. Blue Book and the Handbook series

4. It is envisaged that the SNA review will result in a rewritten Blue Book, accompanied by Handbooks and related manuals consistent with details included in the Blue Book. In addition to rewriting the Blue Book, the revision process is likely to entail modifications of existing specialized statistical manuals, such as deal with balance of payments, government finance, money and banking, income distribution and industrial statistics. Furthermore, revisions are envisaged in two alternative national accounting frameworks, the European System of Accounts (ESA) and the System of Balances of the National Economy (MPS), in order to link those more effectively with a revised SNA.

5. The Working Group recommended that drafts of the revised Blue Book should be prepared by a consultant to be engaged by the United Nations.* A first draft of the revised Blue Book should be available by the middle of 1988, in time for the meeting in 1989 of the co-ordinating expert group (para. 16 below).

6. It is proposed that simultaneously with the preparation of a new Blue Book, translations into other languages should be prepared in order to avoid terminological differences between the original version, which will be in English, and drafts of the Blue Book in other languages. Such technical draft translations would assist the formal translation of the final document. To date, tentative arrangements have been worked out with the Statistical Office of the European Communities (EUROSTAT) for the French translation, and it is suggested that a similar arrangement be worked out with the Economic Commission for Latin America and the Caribbean (ECLAC) for the Spanish translation.

7. A rewritten Blue Book should be more comprehensive than the present SNA. It should not only contain, as at present, a discussion of the conceptual framework,

* It was suggested that Professor T. P. Hill, who is, at present, head of the Economic Statistics and National Accounts Division of the Organisation for Economic Co-operation and Development (OECD), would be a suitable person to carry out this demanding task.

and deal with questions of definitions of transactor and transaction categories and valuation, but should also include references to all existing related statistical standards that may be elaborated in other manuals. Furthermore, sections on the uses of national accounts should be included, including international reporting, as well as suggestions on how the system could be adapted to arrive at alternative presentations for specific analytical needs. As the Blue Book is also used as a textbook, it is essential that it should contain a section giving an elementary explanation of national accounts. In order to provide continuity in the implementation of the System, the Blue Book should define the differences between the concepts and classifications of the present SNA and the future version. Finally, a comprehensive glossary is proposed, which will provide detailed information on transactor and transaction categories and other features of the SNA, together with an extensive set of cross-references.

8. The proposed overall outline of a revised Blue Book is as follows:

Elementary explanation of national accounts

Uses of national accounts

Conceptual framework

Transactors

Transactions (including classifications)

Valuation

Alternative presentations

Co-ordination with related systems

Questionnaire tables

Detailed relationship to previous SNA

Glossary

9. It was generally agreed that no major conceptual changes in the SNA should be introduced. In accordance with earlier recommendations by the Statistical Commission, the emphasis should be on clarification and simplification of the system, making it sufficiently clear for producers as well as users of national accounts. The Blue Book will describe the theoretical structure of the SNA with emphasis on clarification. The Handbooks, while having other functions as well, should supplement the Blue Book in the clarification of details that cannot be dealt with in the presentation of the comprehensive framework in the Blue Book. The revised Blue Book, therefore, should draw extensively on the material that constitutes the present Blue Book, and should present alternative and possible simplifications, taking into account practical limitations relevant to implementation.

10. There was also general agreement that clarification would not mean that the SNA would be reduced to a smaller and simplified core. It was emphasized that the SNA should be as comprehensive as possible and include all the necessary refinements (e.g., quasi-corporations, social security funds), that might be relevant to some countries, but not necessarily to all. The SNA should not only cover the guidelines in the present Blue Book but also supplementary guidelines that have been issued in the past or will be published in the future, on further elaborations of subsets of the system, such as those on government accounts, household sector accounts, input-output tables, financial flows and balance sheets etc. It was emphasized in several meetings, including the Interregional Seminar and the first Expert Group Meeting on the SNA Structure, that the comprehensiveness of the framework was such that it served both developed and developing countries. It was, therefore, inappropriate to have a separate chapter on the SNA for developing countries, as in the present Blue Book. Developing countries' special issues should be referred to specifically, but should be presented as an integral part of the presentation and explanation of the system.

11. The rewritten Blue Book will be, over time, accompanied by a series of Handbooks of National Accounting to be prepared and issued by the Statistical Office of the United Nations Secretariat. The Handbooks will include a further elaboration of the Blue Book in more specialized directions, covering the conceptual framework of the subsystem in terms of concepts, accounts and tables for specialized types of analysis, a detailed discussion of statistical sources and methods to arrive at these specialized statistics, as well as conceptual and compilation links between specialized elaborations of the framework and other existing related statistics. The latter is important for co-ordinating the conceptual development of the SNA with statistical development supported by other organizations in specialized areas, such as balance of payments, government finance etc. and also aims at linking the SNA data compilations to the compilations of related statistics.

12. The Handbook series has, in principle, an open-ended coverage. However, at present, the Statistical Office programme through the end of the biennium 1988-1989 includes seven Handbooks. The Handbooks are either available or are planned to be prepared. These volumes will treat the following subjects:

Accounting for production

Public sector accounts

External transactions

Household sector accounts and income distribution

Input-output tables

National accounting in constant prices

Comparisons of the System of National Accounts and the System of Balances of the National Economy

/...

13. The preparation of the Handbook series is proceeding, however, with some delays. The Handbook of National Accounting for Production has recently been published ^{3/} and a draft of the Handbook on public sector accounts is being finalized for publication. Drafts are in preparation for Handbooks on input-output tables, external transactions and household sector accounts and income distribution statistics. The Handbook on household sector accounts is being prepared in co-operation with the World Bank. Delays in the remaining two volumes on input-output tables and external transactions may be unavoidable owing to a recent staff reduction and unavailability of consultancy funds that were initially approved for the preparation of the Handbooks for the biennium 1986-1987. It is now expected that drafts will be made available sometime in 1988. At the request of representatives at several SNA meetings of developing countries a Handbook on national accounting in constant prices was included in the programme for 1988-1989. In response to the decisions of the Statistical Commission, all further Handbooks will be issued as preliminary editions based on the present Blue Book prior to 1990; they will be revised once a revised Blue Book has been completed and accepted by the Statistical Commission for publication.

B. Regional and expert group meetings

14. With the active participation of other international organizations participating in the Inter-Secretariat Working Group, the regional commissions and also national statistical offices, several meetings have been held on SNA topics including:

(a) Ten regional meetings dealing with a wide range of SNA topics, some of which were dealt with in several meetings in succession. The meetings were organized as follows:

- (i) Economic Commission for Africa (ECA), Addis Ababa, October 1985 and September 1986;
- (ii) Economic Commission for Europe (ECE), Geneva, March 1986;
- (iii) Economic Commission for Latin America and the Caribbean (ECLAC), Santiago, April 1986;
- (iv) Economic and Social Commission for Asia and the Pacific (ESCAP), Bangkok, July 1986;
- (v) Statistical Office of the European Communities (EUROSTAT), Luxembourg, July 1985, November 1985, April 1986;
- (vi) Organisation for Economic Co-operation and Development (OECD), Paris, May 1985 and May 1986;

(b) Two interregional meetings for developing countries sponsored by the Statistical Office and the World Bank, respectively, to discuss the general

orientation of the SNA review; and to give detailed instructions to those countries that have recently embarked on national accounts development:

- (i) Interregional Seminar on the SNA Review for Developing Countries, Geneva, June 1986;
- (ii) Workshop for the Statistically Least Developed Countries, Mexico, February 1986;
- (c) A specialized meeting, held by the International Association for Research in Income and Wealth (Netherlands, August 1986), which considered many of the SNA review topics from an academic point of view;
- (d) Two expert group meetings, which recommended, respectively, general guidelines for the revision of the Blue Book and the preparation of Handbooks; and approaches to technical issues regarding national accounting in constant prices including its relation to ICP:
 - (i) Expert Group on the SNA Structure, Geneva, June 1986, sponsored by the Statistical Office;
 - (ii) Expert Group on Price and Quantity Comparisons, Luxembourg, November 1986, sponsored by the EUROSTAT and OECD.

15. The period of regional and specialized meetings was extended until the end of 1986 in order to give developing regions more time to organize meetings and make inputs into the review process, and an Interregional Seminar on the SNA for Developing Countries was added to the initial meeting schedule in order to provide developing countries with a further opportunity to present their views on the general orientation of the SNA review process.

16. Seven expert group meetings are proposed for the remaining period of the SNA review. They are tentatively sponsored by different member organizations of the Inter-Secretariat Working Group and in some instances are organized in co-operation with other organizations, as indicated below.

Expert Group on External Transactions (International Monetary Fund (IMF), Washington, March 1987)

Expert Group on Public Sector Accounts (IMF, Washington, January 1988)

Expert Group on Household Sector Accounts (World Bank, Rome, September 1987)

Expert Group on Input-Output Tables (Statistical Office in co-operation with the United Nations Industrial Development Organization (UNIDO), Vienna, April 1988)

Expert Group on Financial Flows and Balance Sheets (IMF, Washington, July 1988)

Expert Group on SNA/MPS Links (Statistical Office in co-operation with ECE and the Council for Mutual Economic Assistance (CMEA), Moscow, November 1988)

Expert Group on SNA Co-ordination (Statistical Office, New York, 1989 and 1990)

17. In line with the wishes expressed during the previous meeting of the Statistical Commission, the Inter-Secretariat Working Group agreed on the selection of six national experts - three from developed countries and three from developing countries - to constitute the so-called "core" group of experts. This "core" group participated in the two expert group meetings that have been held until now. Together with representatives from five international organizations of the Inter-Secretariat Working Group, they would be responsible for delineating the lines on which the SNA should be revised, taking into account the recommendations and conclusions emerging from the various expert group meetings, and the need for overall consistency of the system.

C. Organization of the discussion

18. In order to have co-ordinated discussions in subsequent expert groups, the Inter-Secretariat Working Group drew up a list of SNA review topics which it assigned for discussion to subsequent expert groups. The result, which was adopted as a discussion programme by the Expert Group on the SNA Structure, is shown in the table below. The table presents the SNA topics in the rows and the names of the subsequent expert groups in the columns. The topics are allocated in the tables on the basis of the main interest of each expert group, which implies that on other issues of minor interest to each expert group, conclusions would have to be accepted from other expert groups. This discussion procedure was adopted as a convenient and efficient way to avoid repeated discussion of topics after conclusions already had been reached in a previous meeting. The topics in the table refer to rather broad groups of subjects which need to be further detailed in designing the agenda for each meeting. The last column of the table, referring to the two meetings in 1989 and 1990 of the co-ordinating SNA expert group, has been left blank, as this group would have to deal with all remaining issues where there is conflict between the recommendations of individual expert groups and with successive drafts of the revised Blue Book.

19. Each of the expert groups will have before it a central discussion paper and some additional documents. The central discussion paper will deal with the topics assigned to that particular expert group, and will include a summary of prior discussions and conclusions reached in regional and specialized meetings, as well as in previous expert group meetings that may already have dealt with some of the topics. An annotated agenda should be drafted with a list of points for discussion for the group in question. Two central documents were jointly drafted for the Expert Group Meeting on the SNA Structure by staff members of three organizations of the Inter-Secretariat Working Group - the Statistical Office, OECD and EUROSTAT - with further contributions from the IMF and the World Bank covering the organization and past developments in the SNA review 4/ and presenting proposals for the future SNA framework. 5/ In other expert group meetings, additional papers may be available on specific topics which cannot be well reflected in a central

ASSIGNMENT OF SNA REVIEW TOPICS TO EXPERT GROUPS

Topics of the SNA review	Expert group on SNA review (1986-1990)									
	SNA structure	Constant prices, I C P	External transactions account	Public sector accounts	Household sector, income distribution	Production accounts, input/output tables	Financial flows, balance sheets	SNA M P S	SNA co-ordination	
	June '86	Nov. '86	Feb. '86	June '87	Sept. '87	Mar. '88	July '88	Nov. '89	1989-1990	
I. SNA STRUCTURE										
1. Structure of the accounts and balancing items	X									X
2. Core and building blocks	X									
3. Role of input-output and commodity flows						X		X		X
4. Contents of the reconciliation accounts	X		X			X		X		X
5. Classifications and statistical units	X									
5.1 Present classifications and links				X		X				X
5.2 Alternative classifications						X				X
6. Links between SNA and alternative accounting systems and specialized statistical systems	X		X	X	X	X		X		X
7. Alternative implementation of SNA recommendations										
Regional Accounts										
Quarterly Accounts										
National Accounts Questionnaire for international data compilation										
II. TRANSACTORS										
1. Dual sectoring and the nature of statistical units	X						X			X
2. Resident transactors										
2.1 Sector classification	X									X
2.2 Residency			X							
2.3 Departmental enterprises				X			X			
2.4 Private unincorporated enterprises					X		X			
2.5 Public/private enterprises				X						
2.6 Financial institutions/non-financial enterprises								X		
2.7 Private non-profit institutions						X	X			
III. TRANSACTIONS										
1. Coverage and recording of transactions										
1.1 Coverage and recording of transactions, imputations and re-routings	X									
1.2 Transaction boundary	X									
1.2.1 Production boundary					X		X			X
1.2.2 Other imputation and re-routings				X	X		X			X
1.3 Ownership principle			X		X		X			
1.4 Micro-macro links	X				X		X			
1.5 Consolidation										
2. Transaction classification										
2.1 Total and household consumption	X				X	X	X			X
2.2 Capital outlays										
2.2.1 Distinction between gross fixed capital formation and changes in stocks							X			X
2.2.1 Distinction between current and capital expenditures	X				X	X	X			
2.2.3 Consumption of fixed capital							X			
2.2.4 Consumer durables						X	X			
2.3 Property income and transfers					X	X	X			X
2.3.1 Entrepreneurial income					X					
2.3.2 Taxes					X					
2.3.3 Social security and insurance transactions					X	X				
2.4 Financial flows and balance sheets										
2.4.1 Classification of financial assets			X	X				X		
2.4.2 Net purchases of intangible assets								X		
IV. VALUATION OF TRANSACTIONS										
1. Special problems of valuation	X	X					X			
2. Price and quantity comparisons		X								
V. OTHER ISSUES										

document without distorting the balance of that document, and also the Handbooks of national accounting, which the Statistical Office is preparing in draft form for the expert groups on the public sector, external transactions, household sector accounts and input-output tables. In addition to these documents, the reports of previous expert group and regional meetings will be made available. (This has been the procedure employed in regional and global meetings held so far.) The documentation of each expert group meeting generally will be prepared by the sponsoring organization in co-operation with other member institutions of the Inter-Secretariat Working Group.

20. The main function of each expert group is to draw conclusions with regard to the points of discussion indicated in the central discussion document. The additional documentation provided will only serve as background information for the expert group, on which members of the group may comment, but does not have to be reflected in the conclusions reached by the expert group. The conclusions of the meeting will be presented in a brief document, to be agreed upon by the meeting. 6/ The sponsoring organization will prepare a more extensive set of minutes of the meeting, which will be sent to members of the group for their comments several weeks after the meeting has been concluded. The conclusions thus incorporated in the SNA review documentation will be available to the Inter-Secretariat Working Group and to other experts.

21. In line with the wishes expressed in several meetings on the SNA, the Statistical Office has arranged to give the SNA review a wider audience than the experts that participate in the individual expert group meetings. A mailing list of approximately 150 experts throughout the world has been prepared. This larger group of experts will receive the main SNA review documents and will be requested to give their comments. These comments, along with those of the experts participating in the various regional and global expert group meetings, will be organized in readily accessible format so that they can be taken into account in revising the Blue Book.

22. While the expert groups should take account of conclusions reached in a wide number of forums and comments received from individual experts, it is expected that the revised Blue Book should mainly adhere to the conclusions reached in subsequent expert groups, subject to the comments and conclusions of the Statistical Commission.

D. Proposed programme of work on the SNA for the Statistical Commission

23. Based on the programme and general considerations of the SNA review as outlined in the previous sections, it is suggested that the Statistical Commission should proceed as follows in organizing discussion in its present and future meetings leading to the adoption of a revised SNA.

(a) During the present session, the Commission may wish to deal with the general orientation and organization of the SNA review in the coming expert group

meetings, and comment on the general principles laid down by the Expert Group on the SNA Structure that would have to be reflected in the revised Blue Book and Handbooks;

(b) The meeting in 1989 of the Statistical Commission will have before it the results of the remaining specialized expert groups on external transactions, public sector accounts, household sector accounts, financial flows and balance sheets, production accounts and input-output tables, and SNA-MPS links. It will also have available a first draft of the revised Blue Book as well as preliminary versions or drafts of the Handbooks on public sector accounts, external transactions, household sector accounts and income distribution statistics, input-output tables, national accounting in constant prices, and comparisons of SNA and MPS. The Statistical Commission will meet just before the second meeting in 1990 of the co-ordinating Expert Group Meeting on the SNA Review. It will thus have an opportunity to evaluate mid-term the results of the SNA review process and provide final recommendations to the co-ordinating expert group which has to discuss the draft of the Blue Book in view of the comments received and conclusions reached in the specialized expert groups;

(c) The meeting of the Statistical Commission in 1991 will have available a more advanced draft of the Blue Book and the Handbooks earlier mentioned after the review process in the expert groups has been terminated, and will thus be able to give its final views on the drafts before they are finalized and prepared for publication.

II. TECHNICAL ISSUES DISCUSSED IN REGIONAL, SPECIALIZED AND EXPERT GROUP MEETINGS AND CONCLUSIONS REACHED

24. A summary of the discussions and conclusions reached in the previous meetings is presented below. Most of the conclusions refer to those of the first Expert Group Meeting on the SNA Structure held at Geneva in July 1986. The recommendations of that meeting reflect opinions of experts from both developed and developing countries representing various regions in the world. When no conclusions were reached in the Expert Group Meeting on the SNA Structure, the conclusions of specialized or regional meetings are presented. However in this case, the specific meeting(s) in which these conclusions were reached is mentioned. Regional and specialized meetings are also referred to in order to give the background on previous discussions that finally lead to the conclusions reached in the Geneva meeting.

A. SNA structure

1. Conceptual framework and its implementation

25. In broadest terms, the Expert Group on the SNA Structure defined the SNA as an intellectual or abstract construction or conceptual system which should be described in sufficient detail in the revised Blue Book. In order to explain the system, various devices might be used, including the matrix presentation that was

presently contained in the Blue Book. However, many felt that the matrix presentation, while providing a very useful overview of the system, should be supplemented by an alternative form of presentation or explanation based on "T-accounts" as suggested in one of the two central discussion papers on the conceptual SNA framework. It was emphasized that the tables and other presentations in the Blue Book were purely explanatory devices, which were not necessarily useful for national compilation, tabulation and presentation of national accounts information, or for international reporting purposes. The Blue Book, being a conceptualization of the system, should not contain any information on priorities of compilation. That type of information would have to be included in the Handbooks.

26. In the Interregional Seminar for Developing Countries and also in some other SNA meetings in the developing regions, much emphasis was placed on the presentation and explanation of the system, as that would encourage countries to expand its implementation beyond the present focus on production accounts and thus reach other users of data that traditionally had limited themselves only to analysis of financial and budgetary information compiled and published by the ministries of finance and central banks.

27. It was noted that the Handbooks were practical guides advising national accountants on a number of important issues and techniques in line with the recommendations embodied in the Blue Book. Thus, the Handbooks would contain descriptions of short-cut methods for use when original concepts could not be measured in detail, where minor components of concepts were quantitatively unimportant, or when refinements of the SNA were irrelevant in the specific circumstances of individual countries. The Handbooks would discuss the criteria for priority assignment of tables and data compilations, without fixing uniformly the priorities for all countries; that should be done by the countries themselves, depending on their needs for analysis and policy-making. The Handbooks would elaborate the tabular presentations that could be used as worksheets in the compilation of national accounts and those that might be used for the analytical presentation of data. Finally, details on statistical sources and compilation methods would be included in the Handbooks, as well as further details on concepts that had not been dealt with in extenso in the Blue Book. In general, the concepts in the Handbooks should be the same as those used in the Blue Book. However in some areas, such as income distribution and household sector accounts, government accounts and external transactions, specific analysis relevant to subsystems of the SNA might require the use of concepts and classifications different from those used in the SNA. In such cases, means of reconciling the concepts in the Handbooks and Blue Book would be explained explicitly. All information in the Handbooks would be of a suggestive nature and still needed to be adapted to the specific circumstances of each country that applied the SNA.

2. Reconciliation of the SNA with related fields of statistics

28. There was a widespread expression of the need to harmonize the differences between SNA concepts and data and those of other fields of statistics, and in those cases where that was not possible, to identify the nature and significance of the differences. Such reconciliation efforts had been in progress with regard to the

links between SNA and the IMF systems of government finance statistics (GFS) and balance of payments (BOP) and would be initiated shortly with regard to the IMF system of money and banking statistics (MBS). Moreover, it was felt that the approach might also be useful in other areas of statistics that are reflected in the national accounts aggregates. 7/ Particular mention was made of the links with International Labour Office (ILO) employment standards, Food and Agriculture Organization of the United Nations (FAO) standards for agricultural statistics, and related statistical standards of the United Nations on industrial statistics, household sector accounts and income distribution statistics. In a EUROSTAT meeting, the need to link ESA data and concepts with those of the SNA was mentioned. If such a reconciliation could be achieved, duplication in the collection of national accounts data from some member States by EUROSTAT and the Statistical Office of the United Nations Secretariat could be avoided through the use of a joint questionnaire.

29. There was agreement that a concerted effort should be made to harmonize concepts between the SNA and related statistical fields, although it was recognized that harmony would not be possible to achieve in a number of instances because of the differing requirements of different types of users or because the internal inconsistency of SNA or related systems would make implementation of changes difficult. It was recognized that the issue would need to be addressed in depth, both in the conceptual work in the related fields of statistics and in the forthcoming meetings of the relevant SNA expert groups. Various possibilities of harmonization of concepts were already mentioned in regional meetings. An ESCAP meeting, for instance, suggested harmonizing tax concepts between the SNA and GFS, by changing the SNA to include social security contributions as taxes in the SNA, treating inheritance taxes as taxes and not as capital transfers and by eliminating the distinction between payments of fees to Government by households and business and including them all as direct taxes in the SNA. The same ESCAP meeting also recommended bringing the concept of the present provisional guidelines on income distribution statistics in closer harmony with the SNA standards on household sector accounts. An OECD meeting suggested that the ownership principle would be more fully used in the SNA in recording foreign transactions in line with the balance of payments, except for the present treatment in the balance of payments of reinvested earnings. The ECA meeting on the SNA emphasized the need to reconsider the present SNA and BOP criteria of residence, particularly with regard to international technical assistance personnel, migrant workers, production units in free trade zones and population groups living in border areas and frequently moving between countries etc. The Interregional Seminar for Developing Countries finally mentioned the possibility of harmonizing concepts at the aggregate and not at the detailed level of each system, leaving the detailed subdivisions of each field of statistics more or less intact. That approach was followed in the SNA-BOP reconciliation and resulted in a considerable reduction in the number of required changes in concepts of both systems.

3. Classification of transactors and transactions
and the accounting structure

30. The Expert Group on the SNA Structure accepted the inclusion in a revised SNA, of a hierarchy in the classification of transactors and transactions similar to the one-, two- and three-digit breakdowns that are used in the International Standard Industrial Classification of All Economic Activities (ISIC), the Classification of the Functions of Government (COFOG) and other classifications. What to include as major divisions of the current classification of transactors and transactions in the SNA, and what to show as further breakdowns of major divisions would still need to be elaborated by the various expert groups when dealing with details. However, various criteria were mentioned for taking decisions about this structuring of the classification. One criterion might be the relevance of transactor and transaction groupings for a large number of countries or reflect compilation priorities. The first digit level would constitute the level of detail at which data would be internationally comparable. On the basis of that criterion, the Expert Group decided not to show private non-profit institutions and social security funds at the first level of detail but to include them as subgroupings with households and government respectively. Another criterion might be the relevance of different groupings of transactions for different sectors or parts of the SNA. That criterion could be used, for instance, to decide about the first digit breakdown of taxes, social premiums and benefits that would be presented for all sectors. The first digit detail of transactions could be furthermore the level at which the SNA concepts would be reconciled with those of related systems of statistics such as the GFS and BOP.

31. Several proposed modifications in the accounting structure of the SNA were supported by the Expert Group. One modification was to include value added in addition to operating surplus, as a balancing item in the accounts, by subdividing the present SNA production accounts into two parts. That would make explicit in the accounts an important concept - value added - which was now only implicitly available through alternative table presentations. Accepted also was the suggestion to subdivide the income and outlay account further between compensation of employees, operating surplus, entrepreneurial income, net indirect taxes and property income on the one hand, and current transfers on the other, so that an intermediate income concept would be made explicit, which would be the sectoral equivalent of national income for the economy as a whole. The latter concept might be useful for analysing the rentability of the enterprise sector, which does not generate income only through investments in its own production process, but also through financial investments in other production processes and elsewhere. The Expert Group recommended further that the capital accumulation account should be broken down between capital transfers on the one hand and gross capital formation, net purchases of land and intangible assets on the other. That would result in an additional balancing item, reflecting the change in net worth in the balance sheets.

4. Main income aggregates and valuation measures

32. The Expert Group on the SNA Structure confirmed the use of gross domestic product (GDP) as the central aggregate in the SNA, even though many countries continue using gross national product (GNP) in their national accounts. The reason for the recommendations was that GDP was both an income and product aggregate which could be alternatively expressed as the sum of income - i.e., value added - generated in the economy, and also as the difference between product or commodity flows, gross output minus intermediate consumption, or final demand minus imports. GNP on the other hand was solely an income aggregate, derived by adding to GDP as an income measure, net factor income received from abroad. Even though GDP should therefore remain the central aggregate, there was also general consensus that a number of alternative aggregates such as GNP, national income and national disposable income which were used in analysis should be represented in the system and the Blue Book should define how they could be derived from GDP. In view of the income nature of GNP, it was further recommended that this concept should be renamed "gross national income" (GNI). Some also recommended the re-introduction of national income at factor cost, which was included in the previous SNA as an important aggregate, but no final decision was taken on this matter pending a study by the Statistical Office to clarify and standardize the terminology of various valuation measures that are presently reflected in the SNA, including true, approximate, basic and factor values and cost; producers', purchasers' and market values and prices.

5. Input-output tables

33. There was much discussion on the role of input-output tables in general and in the SNA in particular. Before the 1968 revision of the SNA, input-output tables were mainly an analytical instrument and often developed by research and planning institutes, which were often independent from the national accounts; and the input-output data were often inconsistent with related national accounts information. The 1968 Blue Book did much to change this relationship between input-output tables and national accounts, by presenting the input-output framework as an integral part of the SNA as a statistical system. As a result, input-output tables had been increasingly used as a statistical instrument to check the internal consistency of the national accounts data with regard to commodity and income flows. The make and absorption matrices introduced in the 1968 SNA supplemented the traditional supply and disposition tables that were used as a framework for the so-called commodity flow method to derive internally consistent data on domestic and imported supply and intermediate final demand for detailed commodity groups.

34. Given this shifting role of input-output tables, there was general agreement in the Expert Group on the SNA Structure and also in previous meetings, that the input-output framework should remain an integral part of the SNA. However, in the Blue Book it should be restricted to the make and absorption matrices or similar tables that would reflect the internal consistency between output and use of commodities. A more specialized Handbook on input-output tables should include the further derivation of symmetric commodity and/or industry input-output tables, based on transfer assumptions regarding the output and/or input of secondary

production. The Handbook - but not the Blue Book - should also deal with analytical measures such as input-output coefficients, capital output ratios and other manipulative techniques that are needed to use input-output tables in analysis.

6. Reconciliation accounts

35. The 1968 revision of the SNA introduced the so-called revaluation accounts and balance sheets as an integral part of the system. The revaluation accounts included value changes in the assets and liabilities of the balance sheets that were not reflected in the flow accounts of the system. When later on the balance sheets were further developed as a part of the SNA, ^{8/} the coverage of the revaluation accounts was changed to include not only revaluations, but also creations and cancellations of assets and debts, and the name of the accounts was changed to reconciliation accounts to reflect this change in coverage. In practice the reconciliation accounts have not been statistically elaborated by countries except for a specialized study that was done by OECD in the context of inflation accounting. This lack of statistical development of the balance sheets and reconciliation accounts has led some to propose to change the concepts of the flow accounts, to reflect exceptional events that are not at present taken into account in the main aggregates of the SNA, such as war and flood damage, hyper-inflation, discovery of mineral deposits etc.

36. Although the Expert Group on the SNA Structure expressed only a preliminary view on the question of the scope of the reconciliation accounts, it was very much opposed to the transfer of reconciliation items other than revaluations, to the flow accounts, as had been suggested by some. There was particular opposition to the idea of including changes in the reserves of mineral deposits, in the production accounts of the system as that would lead to unacceptable movements of GDP over time. Instead it was recommended that the present reconciliation accounts should be subdivided into two parts: one part would include revaluations of assets and liabilities and another part would include the effects of exceptional events such as the ones mentioned above. This subdivision - it was thought - might encourage countries to elaborate statistically the non-revaluation part of the present reconciliation accounts, while leaving the more difficult revaluation aspect of the balance sheets to future studies. Statistical development of the non-revaluation part of the present reconciliation accounts of the SNA would also allow analysts to derive alternative income and product measures that would reflect exceptional events. It was recommended that the Expert Group on Financial Flows and Balance Sheets, scheduled to meet in 1988, should examine in detail the contents of the reconciliation accounts.

B. Sectoring

37. When discussing the hierarchy in the classification of transactors, the Expert Group on the SNA Structure agreed that four major sectors should be distinguished in the system: corporate non-financial enterprises, financial institutions, general government and households, in addition to the accounts for transactions

with the rest of the world. Further breakdowns should be only presented at the second and third digit level of the transactor classification, including the separate identification of social security funds in the government sector and private non-profit institutions serving households in the household sector.* It was agreed that subsequent expert group meetings dealing with details would have to propose further subsectoring of each of the major sectors mentioned, establish clearer sector definitions, decide about borderline cases concerning, particularly, quasi-corporations, private non-profit institutions serving households as distinct from those serving business and those mainly financed by Government, and financial institutions (e.g., the allocation of development banks). In deciding about clearer sector definitions, international comparability should not be the main criterion. That meant that sector groupings, while based on SNA definitions as a point of departure, should be interpreted in a flexible manner, and if necessary, adapted in order to make them more useful for domestic analytical purposes.

38. The present dual classification of the SNA should be retained, i.e., different units should be used in the classification of the production accounts on the one hand, and institutional sector accounts on the other. A number of modifications, however, were suggested. It was generally agreed that in addition to the classification of production accounts by establishment units, production accounts classified by institutional units should also be incorporated in the system, as well as links between the classification of value added components by establishments and institutional units. That would make explicit the relation between production information, and data included in the income and outlay and capital accounts. The agreement implied that production accounts for private unincorporated enterprises should be included with the present household sector accounts, as was already done in the SNA questionnaire. The Expert Group furthermore confirmed that the principal classification scheme for the production account would be ISIC 9/ and the Central Product Classification (CPC) 10/ for the classification of goods and services and that all other breakdowns, such as the current distinction between industries and other producers, between commodities and other goods and services, and also alternative distinctions between market and non-market, informal and formal, modern and traditional, should be superimposed on those basic classifications. It was, furthermore, suggested that the present distinctions between industries and other producers and between commodities and other goods and services should be re-examined with the aim of simplifying the present dual sectoring of the SNA at the level of the main groupings.

* At the meeting held by the Economic Commission for Africa on the SNA review, it was emphasized that private non-profit institutions should be retained as a separate sector in view of the important role that religious organizations, international relief agencies, charities etc., play in the economic development of African countries.

1. Non-financial quasi-corporations

39. The 1968 revision of the SNA introduced the concept of quasi-corporations, in order to include in the coverage of the enterprise sector not only public and private units that are legally public or private corporations, but also units that behave economically as corporations, but are legally unincorporated. The Expert Group on the SNA Structure and also previous meetings agreed that this concept should be retained in the SNA, even if it were only to emphasize that economic behaviour and not legal criteria were behind the institutional classification of the SNA. For some countries with different legal systems, the group of quasi-corporations might be important and worthwhile to identify in the public and/or private sector. In other countries, the group might be very small and quantitatively unimportant. The Handbooks should work out how to deal with the different circumstances in countries. In order to emphasize that the concept of quasi-corporations only implied an adjustment to the coverage of legal corporations, the Expert Group recommended renaming the sector to non-financial corporations, leaving out the present reference of quasi-corporate enterprises.

2. Public sector

40. The Interregional Seminar for Developing Countries recommended that more attention should be paid in the future Blue Book to the public sector as a separate grouping of units for which data could be compiled. The present Blue Book does not explicitly recognize the sector concept, contrary to the IMF system of GFS; it only included general government as a sector.

41. The Expert Group on the SNA Structure confirmed that the main and operational distinction between public and private enterprises should be a legal criterion, i.e., majority ownership of the shares. The control criterion should be used as an additional criterion in specific circumstances, for instance, when the ownership changed from one year to another from public to private majority. As that would not necessarily entail much change in government control or a different role of the enterprise in public policy, it might not be convenient to re-classify the unit on the basis of the ownership criterion only. On the other hand, in the ESCAP meeting, it was pointed out that sudden changes in the distribution of production between the public and private sector should not be entirely avoided if they reflected a clear shift in emphasis from public to private control or vice versa.

42. The Expert Group recommended that government ancillary agencies should not be identified separately. They should always be included with government units in whatever classification. Some participants in the Interregional Seminar for Developing Countries and also participants in the ESCAP and ECLAC meetings favoured a similar treatment for departmental enterprises if they were small and unimportant, and treating them always as quasi-corporations when they were large. That suggestion, which was not generally accepted, would imply that the difference between the present SNA coverage of producers of government services and general government would disappear and that at least the dual sectoring in the public sector would be eliminated from the system.

3. Household sector

43. While it was agreed by the Expert Group on the SNA Structure to have a separate production account for the household sector covering the activities of private unincorporated enterprises, no firm conclusions were reached on what precise coverage those unincorporated household production activities would have, or conversely, what units would be termed quasi-corporate enterprises in the private sector. The Interregional Seminar for Developing Countries emphasized the need to introduce and define the distinction between formal and informal production activities and suggested that it could be related to the distinction between private quasi-corporate and unincorporated household economic activities. ^{11/} The Seminar also suggested that in addition to introducing a production account for household economic activities, other transactions included in the income and outlay and capital accounts of the household sector should also be shown separately for private unincorporated enterprises, where feasible. Detailed guidelines on these questions should be further worked out by the Expert Group Meeting on Household Sector Accounts which will be convened in 1987.

C. Transactions

44. The discussion of transactions has focused on the transaction boundary in general and the production boundary in particular. The Expert Group Meeting on the SNA Structure and also experts in previous meetings have emphasized the need to clarify the coverage of two important components of the transaction boundary, which are the imputations for non-market transactions and the attributions of transactions to sectors that are not actually involved in those transactions. As a part of this clarification, the Expert Group has suggested including in a future SNA an explicit definition of what a transaction is, as the term "transaction" is very frequently used in the present Blue Book and very basic to the SNA.

45. It was also agreed that imputations and attributions should be separately presented from the value of actual transactions, if feasible. The Expert Group, however, insisted that the total concept, including imputations and attributions, should be the most important concept to be displayed. That recommendation was a reaction to earlier proposals by the Netherlands Bureau of Statistics ^{12/} which suggested establishing separate modules of market and non-market transactions in the SNA.

1. Production boundary

46. There was general agreement that the production boundary of the SNA should not be drastically changed. Some clarifications, however, were needed. As examples were mentioned the treatment of crop storage by farmers, and activities such as water carrying, repair and maintenance of buildings (which could be very important in developing countries), and finally the treatment of illegal activities. With regard to the valuation of farm crops, it was agreed that producers' prices should be measured at the nearest point where those crops were actually sold, even if that included transport cost. In the ESCAP meeting, it was suggested that further

extension of basic production boundary in the Blue Book should be worked out in the Handbooks covering, for instance, own-account housework activities, services of durable goods etc.

47. Further extensions of gross domestic product (GDP) were proposed by the Interregional Seminar for Developing Countries in the government sector and in communal activities. In the government sector it was suggested that consumption of fixed capital on major structures such as roads, dams and government buildings should be included, as they do depreciate, even though over very long periods. In addition, it was suggested that rent should be imputed on government owned buildings, similar to what was being done for owner-occupied dwellings in the household sector. Communal activities, which were important in developing countries, were included in the SNA. However, more guidance was needed on the valuation of free labour engaged in those activities and also on the proper sector allocation of capital assets such as roads, bridges and schools that resulted from communal activities. In the ECA meeting on the SNA review, the need to review the present definition of government output was expressed in view of the large amount of interest paid on government debt and not reflected in the government contribution to GDP, while on the other hand, GDP did include compensation of government employees who were in the payroll for political purposes and not in order to produce an output.

48. The production boundary was also discussed in the Nairobi Forward-looking Strategies for the Advancement of Women. ^{13/} The meeting recommended that efforts should be made to measure and reflect the remunerated and, in particular, the unremunerated contributions of women to all aspects and sectors of development in national accounts and economic statistics and in the gross national product. Specific proposals to meet those objectives were to be considered by an expert group on measurement of women's income and their participation and production in the informal sector, convened by the Statistical Office of the United Nations Secretariat and the International Research and Training Institute for the Advancement of Women in Santo Domingo, 13-17 October 1986. One proposal to be considered by the Expert Group is development of an extended concept of GDP, to supplement the traditional one. In this proposal, non-marketed activities with special reference to the chores of housekeeping, would be included in productive activities with the expanded GDP, whenever there existed the possibility that they could be carried out by others.

2. Bank services and interest

49. A consensus has been reached in OECD and EEC meetings with regard to the estimation of imputed bank service charges and the treatment of interest. The general feeling is that the present SNA estimation of imputed bank service charges should be clarified and that the present allocation to a nominal financial sector should be changed. It was agreed that the estimation of bank service charges should not only be based on the difference between interest received and interest paid on deposits by domestic banks, but should also include imputations for imported bank service charges. The imputed charges should be allocated to the sectors using the services, including exports of imputed bank services. The

allocation should be done not only on the basis of loans given by financial institutions and interest paid to them, but also allowance should be made for imputed service charges to depositors as a result of which they receive less interest.

50. Once calculated, the imputed service charges should be deducted from the interest payments by borrowers and added to interest received by depositors, in order to arrive at pure interest flows. It was agreed that the pure interest flows should be recorded in the income outlay accounts and not the actual interest payments as was done at present in the SNA.

3. Social security, insurance and pension fund transactions

51. The present SNA treatment of social security and insurance transactions is complex. It is characterized by adjustments to actual transactions and re-routing of some of these transactions through the household sector, in order to arrive at meaningful macro-economic aggregates of labour income, consumption and saving. Some simplifications and clarifications of the present treatment were discussed at an OECD meeting. 14/

52. The meeting accepted a number of modifications proposed, but insisted on maintaining the present SNA treatment in other instances. The majority of participants did not agree to eliminate the present re-routing through the household sector. The meeting agreed to show in the income and outlay account of households, payments of contributions and receipts of benefits from pension funds, which were at present only reflected in the capital finance account of households as a change in net claims of households on pension funds but did not accept the elimination from the capital finance account the latter item, as that would result in unacceptable changes in the savings of households. It also agreed to distinguish term life insurance from whole life insurance and to treat the term life insurance as casualty insurance for which the SNA did not include in the capital finance accounts of households a change in the net equity of households with financial institutions.

4. Total household consumption

53. Since the third revision of the SNA was completed and published in 1968, patterns of household consumption and income have considerably changed as a result of increasing government intervention to aid the lower income groups in meeting their expenses. Governments in several countries have assumed part or all of the cost of medical services, education, housing and transportation, and have also borne some of the expenses of lower income groups on basic needs of food, clothing etc.

54. The effect of these measures is that household expenditures on consumption are lower than they would have been if Governments had not intervened in the manner described. Consumption by households, however, has not necessarily changed, only the form of finance of household consumption has been modified. Also international

comparability of data of household income, consumption and saving have been affected, because of the different ways in which Governments have intervened.

55. The question of international comparability and comparability over time of household consumption has been extensively discussed in EUROSTAT meetings. Based on the conclusions of these meetings, the Expert Group Meeting on the SNA Structure recommended the introduction into the revised SNA a new concept of total consumption of the population similar to the one currently included in the MPS ^{15/} and also used in the provisional guidelines on income distribution. ^{16/} That concept was wider than the present household consumption concept in the SNA and included, in principle, a larger number of consumption expenses paid for by the Government or even by enterprises that were directly benefiting the households as consumers.

56. The participants in the EUROSTAT meetings elaborated the total consumption concept further. They recommended the inclusion in total consumption of households all consumption paid for by the Government as defined in three main expenditure categories defined in the COFOG classification: ^{17/} education (04), health (05) and social security and welfare (06); in two subcategories of this classification: sport and recreation (08.01) and culture (08.02); and in parts of three subcategories: provision of housing (07.11), collection of household refuse (07.31) and operation of transport systems (12.12). In addition, it was recommended that the number of items to be treated as wages and salaries in kind paid by enterprises should be increased, consequently including more enterprise expenses as final consumption of households. Thirdly, it was suggested that all subsidies paid to market producers of health, education, housing, as well as subsidies to other producers that had the intention of reducing prices paid by certain socially defined categories of users, should be treated not as subsidies but included as social benefits to households. This implied that the subsidized commodities were included at their full cost in household consumption and not at their subsidized value. The general recommendation of the EUROSTAT meeting was that the present structure of the SNA household sector accounts should not be changed and that total consumption and other modifications should be incorporated through further subdivisions of the present SNA categories in the household sector accounts.

5. Leasing

57. The 1970s saw a rapid growth of the practice of equipment leasing, whereby industrial enterprises, instead of buying the capital goods themselves and receiving finance through a bank loan, used equipment bought by the banks who leased it long-term to the users. Financial leasing contracts may be signed for industrial equipment, computers, buildings, even government infrastructure and houses, and they may relate to new goods, but also to existing goods. As the SNA did not recognize this practice explicitly, leasing was treated as other rental of equipment. As a result of this development, gross fixed capital formation of enterprises went down, the amount of loans given by banks was reduced as well, while gross fixed capital formation of banks went up. This change over time, however, was artificial, as leasing contracts are a clear substitute for the

traditional bank loans and should therefore be treated as such. It is the user who chooses the equipment and is responsible for the maintenance, even though he is not legally the owner.

58. The question of financial leasing was extensively discussed in EUROSTAT and OECD meetings and most participants agreed that financial leasing should be explicitly distinguished in the SNA as a financial transaction, instead of being a simple extension of equipment renting only. They agreed that the leased equipment should be recorded as capital formation of the user (lessee) at the moment the leasing contract is signed, that a loan be imputed from the bank or owner (lessor) to the sector of the lessee and that the periodic payments be split up into two parts: a repayment of the loan and an interest payment. The financial leasing companies should be classified in the banking sector. Further details still need to be worked out by the Expert Group Meeting on External Transactions which should harmonize these recommendations with the present treatment of financial leasing in the balance of payments and also further discussion is needed in the Expert Group Meeting on Financial Flows and Balance Sheets.

D. Price and quantity comparisons

59. Although this report is written prior to the expert group meeting concentrating on price and quantity comparisons and constant price national accounting (scheduled for 10-14 November 1986), substantial progress can be reported already at this stage, since these topics were considered by a number of regional meetings on the SNA review organized by OECD, EEC, ECE, ECLAC and ESCAP.

1. Problem areas in the quantity and price index calculations

60. The OECD meeting discussed in detail the "resource-cost vs. user-value" issue which is one of the most important problems in treating quality differences in the price and quantity index computations. Although no final conclusions have been reached yet, it seems that a clear majority recommends carrying out quality adjustments whenever needed and feasible on the basis of user-values; however, it is recognized that in many cases resource-cost differences approximate quite well user-value differences and on this basis resource-cost information can also be used as an adjustment factor.

61. The special problems of the quantity and price indices of services was discussed at some length at a number of meetings, and OECD carried out recently a survey on the methods applied in the practices of its member countries. In spite of the inherent difficulties and limitations of some service indices, there is a strong feeling that the methodology of the service indices has to be improved; these problems will be discussed in detail in the Expert Group Meeting on Price and Quantity Comparisons, and a special meeting on this subject is envisaged by the Conference of European Statisticians scheduled for 1988.

2. Measures of real income

62. In the present SNA, the only overall aggregate expressed in real terms is the gross domestic product. Gross domestic product at constant prices provides an unambiguous measure of product in real terms, however, it falls short of expressing the "real effect" of a number of other income flows that may have a significant impact on the development of the economy in a number of countries. The most important of these is the terms-of-trade effect. Another important item to be taken into account is the real net factor income from the rest of the world, that enables the determination of gross national product or gross national income in real terms. Furthermore, with the deflation of the other net current transfers from the rest of the world and of the consumption of fixed capital, net disposable income in real terms can be obtained.

63. Relatively large importance is attached to the terms-of-trade effect calculations; in fact, after the 1973 "price explosion" a large number of countries and also some international organizations started to compile, most of them on a regular basis, growth indices adjusted for the terms-of-trade effect. The constant price aggregates, determined on the basis of these indices, generally referred to as gross domestic income in real terms, do not require additional basic information; however, in the absence of any international guidelines on the method to be applied, practices differ to some extent, mostly depending on which aggregates the unit terms-of-trade effect (the ratio of the export and import price indices) is projected. The two most common projection bases are the mean of the exports and imports (method used by the Statistical Office, proposed by a number of authors) and the exports (method used by a number of countries, often referred to as the Nicholson formula).

64. Passing from the real gross domestic income to the real gross national income, the net factor incomes from abroad have to be deflated. The gross domestic product implicit deflator is commonly used for this purpose. Among the factor income flows, interest payments deserve special consideration. Since interest payments are strongly connected with the inflationary losses on financial assets, there is a danger that if interests received are added to the real gross domestic income but inflationary losses on financial assets are not deducted this would give a false result on the real economic content of these flows. This problem is being studied by the Expert Group on Price and Quantity Comparisons.

3. Deflation in time and space

65. The increasing country coverage of the International Comparison Project (ICP) (in 1980 already 60 countries participated in this inter-country comparison of real product and purchasing power parities), has made it more important to have greater consistency between the inter-temporal and inter-spatial quantity and price indices. Both the expert group meetings concerned with SNA review and ICP workshops have attached much importance to this requirement.

66. It should be noted, however, that no full consistency can be achieved between the inter-spatial and inter-temporal indices. Inter-temporal indices use the

national measuring scale as a basis, while inter-spatial indices must use some international measuring scale. For this very reason, one cannot expect that inter-spatial indices for the base year, extrapolated by inter-temporal indices, will provide exactly the results of the inter-spatial indices of the current year.

III. POINTS FOR DISCUSSION

67. In view of the importance of the SNA review to the improvement of economic statistics and to statistical development generally, the Commission's views and conclusions are sought on both the organization and orientation of the SNA review process itself and on various technical issues that will have to be dealt with in more detail in subsequent work. In considering this subject, the Commission may wish to take into account the views of the Expert Group Meeting on the SNA Structure, the regional meetings held so far and the Interregional Seminar on the SNA for Developing Countries presented in sections I and II of the present document.

A. SNA review programme (Section I)

68. With respect to the SNA review process, does the Commission agree to the proposals contained in section I above concerning:

(a) The general coverage and proposed outline of the future Blue Book and the criteria distinguishing this coverage from that of the Handbooks of National Accounting (paras. 4-10, 25-27)?

(b) The coverage of the Handbook series to be prepared before the end of the SNA review period, and the plan to issue them as preliminary editions along with the preparation of the revised Blue Book (paras. 11-13)?

(c) The overall procedure proposed for reaching a consensus on the revised SNA standards, including the further planned expert group meetings, the broad dissemination by the Statistical Office of SNA review materials for comments and the subsequent consideration of this work at the twenty-fifth and twenty-sixth sessions of the Statistical Commission (paras. 14-23)?

B. Technical issues (Section II)

69. With regard to the technical issues, the Commission's comments are sought on:

(d) The proposed incorporation into the SNA of a hierarchy in the classification of transactors and transactions (para. 30);

(e) The proposed extension of the present breakdown of the SNA accounts in order to arrive at additional balancing items beyond the present ones covering operating surplus, saving and net lending (para. 31);

- (f) The proposal to retain GDP as the main income and product aggregate of the SNA, while including in the SNA the relation between this aggregate and alternative income aggregates, and renaming GNP as "gross national income" (para. 32);
- (g) The proposal to retain in the present Blue Book the detail of the make and absorption tables and supply and disposition of the SNA input-output framework, while leaving the analytical elaboration to the Handbooks (paras. 33-34);
- (h) The proposed subdivision of the present reconciliation accounts of the SNA in two parts, one part covering the revaluations of assets and liabilities and another part including the effects of exceptional events (war, flood damage etc.), while leaving the present distinction in the SNA between the flow accounts and reconciliation accounts unchanged (paras. 35-36);
- (i) The proposal that the principal categories of transactors in the production accounts would be defined by ISIC (and accordingly by CPC for goods and services) and that the main institutional sectors would be corporate non-financial enterprises, financial institutions, government and households, while at the same time leaving the dual sectoring of the SNA intact (paras. 37-38);
- (j) The proposed inclusion of production accounts for the household sector, taking into account future clarifications of the distinction between private unincorporate and quasi-corporate units, the distinction between formal and informal activities and the coverage of household economic activities in household surveys (paras. 38 and 43);
- (k) The proposal to retain the present production boundary of the SNA, while clarifying the inclusion and valuation of the products of some activities, and presenting non-market imputations and attributions separately (paras. 46-48);
- (l) The proposed allocation of imputed bank services to intermediate and final users, while clarifying the coverage of allocated imputations particularly to imports and exports, and introducing a pure interest flow in the income and outlay account which would be net of the imputed bank service charges (paras. 49-50);
- (m) The proposal to include in the income and outlay account of households, payments of contributions and receipts of benefits from pension funds and to distinguish term life insurance from other life insurance, which would be treated as casualty insurance for which no claims of households on financial institutions are included in the SNA (paras. 51-52);
- (o) The proposal to include a total household consumption concept in the SNA, define its coverage on the basis of COFOG, increase the number of items included as wages and salaries in kind and treat producers' subsidies paid to market producers of health, education, housing and other socially defined categories of users as social transfers rather than subsidies (paras. 53-56);

(q) The proposal to introduce in the SNA a concept of financial leasing which would be treated as a financial transaction as distinct from the present SNA treatment of renting equipment and other rentals (paras. 57-58); and

(r) The proposals to introduce and clarify in the SNA the use of terms of trade effect in calculating real gross domestic product, to elaborate measures for real gross national income and to work out conventions that would avoid inconsistencies between inter-temporal and inter-country (ICP) price and quantity indices (paras. 59-66).

Notes

1/ United Nations publication, Sales No. E.69.XVII.3.

2/ Official Records of Economic and Social Council, 1983, Supplement No. 2 (E/1983/12 and Corr.1), para. 27.

3/ United Nations publication, Sales No. E.86.XVII.11.

4/ See "Organization of the SNA review" (ESA/STAT/AC.27/2), 17 March 1986, a paper prepared jointly by the Statistical Office of the United Nations Secretariat, OECD and EEC, with contributions from the IMF and the World Bank at the request of the Inter-Secretariat Working Group on National Accounts.

5/ See "Conceptual framework for the revised SNA" (ESA/STAT/AC.27/3), 17 March 1986, a paper prepared jointly by the Statistical Office of the United Nations Secretariat, OECD and EEC, with contributions from the IMF and the World Bank at the request of the Inter-Secretariat Working Group on National Accounts.

6/ The first recommendations adopted by the Expert Group on the SNA Structure, are presented in a brief report entitled, "Expert Group Meeting on the SNA Structure: conclusions and recommendations", Geneva, 22-27 June 1986.

7/ See "Links between the System of National Accounts (SNA) and related fields of statistics, with particular reference to balance-of-payments statistics (BOP), government finance statistics (GFS) and money and banking statistics (MBS)" (E/CN.3/1986/7), 8 November 1986.

8/ United Nations publication, Sales No. E.77.XVII.10.

9/ United Nations publication, Sales No. E.68.XVII.8.

10/ See "First Draft of the Central Product Classification" (ST/ESA/STAT/SER.M/77/Rev.1).

11/ The question of coverage of household production activities is also discussed in "Draft recommendations for a statistical programme for household and small-scale industries" (ST/ESA/STAT/SER.M/80), 12 August 1986.

Notes (continued)

12/ Pieter G. Al, Cornelis A. van Bochove, A Proposal for the Synoptic Structure of the Next SNA, (DES/NI.86.8), OECD, April 1986.

13/ See Report of the World Conference to Review and Appraise the Achievements of the United Nations Decade for Women: Equality, Development and Peace, Nairobi, 15-26 July 1985 (United Nations publication, Sales No. E.85.IV.10), chap. I, sect. A.

14/ Richard and Nancy Ruggles, "The treatment of pension and insurance in the national accounts", The Review of Income and Wealth, December 1985.

15/ United Nations publication, Sales No. E.71.XVII.10.

16/ United Nations publication, Sales No. E.77.XVII.11.

17/ United Nations publication, Sales No. E.80.XVII.17.
