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Update of the 1993 SNA: Progress Report

Prepared by the Project Manager
to the
Intersecretariat Working Group on National Accounts (ISWGNA)

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1. This report, the third by the Project Manager, covers developments since September 2005. (The first and second reports, completed in February and September 2005, are available at <http://unstats.un.org/unsd/nationalaccount/snarev1.asp>.) First, it briefly recalls the background of the Update Project. It then evaluates progress on reaching agreement on recommendations for the update, recaps the issues-oriented phase of the Project and looks ahead to the full set of provisional recommendations, and outlines key features of the plan for the drafting and review phase. Finally, it touches briefly on organization and finance.

Background

2. In 2003, the UN Statistical Commission called for an update of the *System of National Accounts, 1993 (SNA 1993)* to bring the accounts into line with the new economic environment, advances in methodological research, and needs of users. The Commission mandated that the update would not recommend fundamental or comprehensive changes to the 1993 SNA that would impede its implementation, and it identified consistency with related manuals such as the *Balance of Payments Manual* as an important consideration.

3. The Inter-secretariat Working Group on National Accounts (ISWGNA)—comprising Eurostat, International Monetary Fund, Organisation for Economic Co-operation and Development, the United Nations, and the World Bank—was mandated to coordinate and manage the Update Project. The timetable, as agreed to by the Statistical Commission in 2004, calls for a consolidated set of recommendations to be ready for endorsement in March 2007 and the 1993 SNA, Rev. 1 to be ready for endorsement in March 2008.

4. The Statistical Commission emphasized the need for transparency in the Update Project and the broadest possible involvement of the global statistical community. In line with this emphasis, the Advisory Expert Group (AEG), including 20 country experts from all regions of the world, was established in 2003 to take a key role in the update. The AEG considers the proposals for change and expresses its views, both in meetings and in written consultations. Proposals for change, for the most part, come from standing and short-term expert groups, which cut across the various topical areas of macroeconomic statistics. The single most important tool to promote transparency and wide involvement in the update is the Project website, “Toward 1993 SNA, Rev. 1,” maintained by the United Nations at <http://unstats.un.org/unsd/nationalaccount/snarev1.asp>.

Progress on reaching agreement on recommendations

5. At its first meeting in February 2004, the AEG agreed on an initial list of candidate issues to be considered for the update, focusing on those related to non-financial assets,

government and the public sector, financial instruments and institutions, and the balance of payments. After some consolidation by the ISWGNA, this list contained 44 issues. The list, which is posted on the Project website, framed the task of the AEG in the first phase of the Project. The AEG subsequently met in December 2004, in July 2005, and most recently during January 30-February 8, 2006 to consider these issues and make recommendations.

6. At the January-February 2006 meeting, the final meeting in the issues-oriented phase, the AEG considered papers that represented the research and consideration by a wide range of topical expert groups. These included the Canberra II Group, the Task Force on Pensions, the Task Force on the Harmonization of Public Sector Accounts, the Task Force on the Valuation and Measurement of Equity, the Task Force on Financial Services, the Expert Group Meeting on Industrial Statistics, and the IMF Balance of Payments Committee. The AEG's agenda was heavy both in terms of the number of issues and of their difficulty and importance. The AEG agreed on recommendations on almost all points of the issues before it. On the few where it did not reach agreement, a time-bound way forward was identified so that the drafting of the *1993 SNA, Rev. 1* can proceed. (An annex to this report, available on the Project website, provides an overview of the meeting in the form of a selectively annotated agenda. The annotations illustrate the motivations that led to identifying the issues for the update, the origins of the research and proposals, and the recommendations reached at the January-February 2006 AEG meeting.)

7. This January-February meeting marked the transition to the next phase of the Project. A paper prepared by the Editor identified consistency issues that have been noted among the recommendations made so far. This paper provided the basis for a first round of discussion on the overall consistency and integrity of the updated system. The resolution of the issues will be undertaken electronically in most cases. (The success of the e-discussions before the July 2005 and January-February 2006 meetings provides encouragement that this can be made to work.) A web page, to open shortly at the Project website, will outline the process and timetable.

8. The AEG discussion of consistency added to the list of issues already identified as outside the scope or timeframe for the update. Steps have been taken to formalize this long-term research agenda. A web page at the Project website will provide a brief description of the issues and, when available, one or more contacts where methodological research is underway.

9. The AEG also noted the comments from countries on the recommendations made at the July 2005 meeting. The number of countries that sent comments increased after each AEG meeting, and almost all the comments supported the AEG recommendations. The ISWGNA seriously considers the few that raise concerns.

10. The so-called short report of the meeting, which is essentially a record of AEG's recommendations, was made available to AEG for comment on February 17, 2005. It will soon be posted on the Project website. As is the standard practice, the recommendations will be sent to countries for comment.

The issues-oriented phase: A recap and looking forward

11. During the issues-oriented phase, the AEG met four times and, over a two-year period, considered close to 100 substantive papers prepared by topical expert groups and the ISWGNA organizations. Some papers covered more than one of the 44 issues, and some issues came back to the AEG several times. In fact, one lesson that might be drawn is that seldom is an issue, especially a complex one, dealt with completely in one meeting; follow up of some kind is usually necessary. The schedule so far has been close to that originally set out to meet the Statistical Commission's mandate. The update has been contained to the 44 issues agreed at the outset, although some issues turned out to be more complex than expected and a few less so. The topical expert groups have put in an enormous effort to research the issues and present well-documented proposals while adhering to the schedule. The AEG has functioned admirably at the top of the pyramid of experts. The members devoted substantial time to preparation for meetings and e-discussions, and they engaged in the collegial and professional consideration of the conceptual and practical aspects of the issues that was needed to reach agreement on recommendations for the *1993 SNA, Rev. 1*.

12. The body of recommendations emerging from the AEG will help bring the international statistical standard in line with the changing economy, methodological research, and users' needs. As well, it will promote the harmonization of the macroeconomic statistical manuals and handbooks.

- Several recommendations deal with the problems of statistics in an increasingly globalized world (for example, allocation of multi-territory enterprises, non-permanent workers, goods for processing, and merchanting).
- Others relate to developments and innovations in financial markets (non-performing loans, index-linked debt instruments, retained earnings of mutual funds, and updated classifications and terminology) and to developments in government and the public sector (tax credits, Public-Private Partnerships, restructuring agencies, and transaction between general government and related public corporations).
- Still others touch on features of the "new economy" (databases, R&D, and originals and copies).
- The recommendation to include a return to capital in addition to depreciation (in supplementary tables) is in line with a large body of methodological research and responsive to user needs in analyzing productivity. There is interest in having an update of the OECD manual on *Measuring Capital*, in part to have more guidance for developing statistical offices.
- The recommendation to include a chapter on the informal sector responds to a long-standing call for guidance on measurement in a national accounting framework.
- Harmonization of the SNA with other manuals is built into the process. These include the *Balance of Payments Manual*, *SEEA2003*, and the manuals on government finance.

13. An important next step is to assemble all the recommendations made by the AEG into one document, along with the descriptions of the issues they are meant to deal with. This will take place in the next weeks. The document, which will be sent to countries and discussed in meetings over the period April-September 2006 (see the timetable in the next section), will provide the basis for review of the internal consistency of the recommendations and consistency of the recommendations with other macroeconomic manuals.

Plans for the drafting and review phase

14. Key features of the plan for the phase of the Project that covers the drafting of the *1993 SNA, Rev. 1* and its review have been agreed by the ISWGNA. The plan is designed to deliver on schedule and in accord with the Statistical Commission's mandate to the ISWGNA, including wide involvement of the global statistical community in reviewing drafts. The Project Manager, Editor, and ISWGNA are working out the details of the plan, which will be posted on the Project website.

15. In line with the mandate that this effort be an update, not a major revision, the basic structure of the existing SNA document will not change. New material will be introduced throughout existing chapters as appropriate, but major new topics—such as government and the public sector, the informal sector, and accounting for capital—will be stand-alone chapters to minimize the disruption to the existing text. A record of changes to existing text will be made.

16. Now that the recommendations are coming together, the Editor will proceed with the task of incorporating them. The Editor will draft most new text; if others contribute text (as is the plan, for example, for the chapter on government and the public sector), she will bring that text into harmony in substance and style. Most chapters of the SNA will go through at least four stages, from draft, to review, to redraft, to readiness for the Statistical Commission. Both ISWGNA representatives and the AEG will serve as reviewers. Member countries will be invited to comment on drafts.

17. The overall scheme is to divide the chapters into roughly two equal parts and proceed with first one part and then the other. The first part will consist of the “heart” of the SNA, starting with the chapter on the production account and working through the sequence of accounts. This approach will allow review of this part to go on while the Editor drafts the second part. The timetable for the intermediate and final products over the next two years is below.

March 2006	Full set of provisional recommendations assembled. Concentrated drafting begins on the “heart” of the SNA.
April-Sept 2006	Full set of provisional recommendations provides the basis for wide review of the consistency of the recommendations.
November 2006	Consolidated set of recommendations prepared for consideration by the Statistical Commission in March 2007.

Early 2007	Draft of the “heart” of the SNA completed and posted for world-wide review. Drafting begins on the rest.
Early 2007	Draft of the “heart” of the SNA discussed at an AEG meeting.
Late 2007	Draft of the rest of the SNA completed, posted for world-wide review, and discussed at an AEG meeting. This meeting begins the transition to discussions of implementation.
Late 2007	Draft of <i>1993 SNA, Rev. 1</i> , ready for consideration by the Statistical Commission in March 2008.

18. The Project website will make it possible to monitor progress. The website will be built around an issue-by-chapter matrix, where the cells will change color to signal moves through the drafting and reviewing cycle. The matrix will have links to draft chapters that are ready for review. Of course, there are risks. At this stage, when so much background has been built up by those who have been deeply involved in the update, there are risks related to the continued availability of key players, especially the Editor. In addition, there are risks about any unraveling of difficult issues and about any technical and timing problems in the several stages of drafting, review, and redrafting. Finally, there are risks related to the overall size and complexity of the task. Strategic adjustments, for which the monitoring system will help provide timely signals, will probably be needed throughout the drafting and review. The nature of the adjustment will, of course, depend on the problem.

19. Attention will turn to implementation as the drafting and review moves forward. Once the recommendations for *1993 SNA, Rev. 1* have been approved by the Statistical Commissions in 2007, they can be used to frame workshops and training materials.

Consultations

20. Immediately following the January-February 2006 (Frankfurt) AEG meeting, the European Central Bank hosted a meeting with data users, focusing on administrative uses of national accounts in Europe but also ranging more widely. Such a meeting was especially welcome because reaching international groups of users is proving difficult.


21. Looking ahead, two meetings have already been organized in 2006 to help introduce the recommendations and provide a forum for discussing consistency. The Joint ECE-Eurostat-OECD National Accounts meeting, April 25-28, 2005, in Geneva, will devote a day and a half to the SNA Update. Other sessions will cover other topics relevant to the update—especially globalization and the informal economy. A double session on the Update is being planned for the International Association for Research in Income and Wealth (IARIW) in Finland, August 20-26, 2006. Of note is that national accountants from Russia, Jordan, and India will provide papers about the Update from their region’s perspective. The Project Manager is looking for other possibilities, especially outside North America and Europe, for similar discussion. The prospects for workshops in UN regional commissions will be investigated.

22. For 2007, early explorations are underway about a Special Conference of the IARIW in China that would include a session about SNA update issues. The Project Manager has proposed A Special Topic Contributed Paper Meeting (STCPM) for the ISI in Lisboa, August 22-29, 2007. The meeting would focus on implications of the Update recommendations for policy analysis and on implementation.

Organization and Resources

23. In December 2004, the ISWGNA agreed on an updated set of governance arrangements for the Project. They have proven robust.

24. As the issues-oriented phase comes to a close, the tremendous volume of in-kind contributions that went into the preparation of issues for consideration at the AEG meetings should be acknowledged. Thanks should go to the countries and organizations who contributed their experts' time and energy. As for cash contributions, as of February 2006, the contributions in hand, mainly those in the Trust Fund (administered by the World Bank), fall short of the amount foreseen as needed for barest essentials by about \$US 225,000. Another \$US 125,000 would be needed for a more robust Project and contingencies.



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