

SPECIAL ISSUE ON THE REVIEW OF THE UNITED NATIONS SYSTEM OF NATIONAL ACCOUNTS

EDITOR'S INTRODUCTION

The United Nations Statistical Office and other international statistical organizations, together with interested national statistical offices, are currently engaged in a review of the United Nations System of National Accounts (SNA).¹ The activities involved in the review and the topics under consideration received considerable attention at the Nineteenth General Conference of the International Association for Research in Income and Wealth, held in August 1985. This issue of the *Review* presents some of the papers dealing with the basic structure of SNA, together with the comments of the invited discussants both on the program as a whole and on these papers. In order to provide the context of the discussion for readers who have not been associated with the review process, this note summarizes developments to date and outlines the intended future program. It is based upon UNSO's Progress Report prepared for the twenty-third session of the United Nations Statistical Commission in 1985 (E/CN.3/1985/5), as updated for presentation at the IARIW conference, supplemented by the papers for this session of the conference prepared by the Statistical Office of the European Communities (EUROSTAT) and the International Monetary Fund (IMF) on their programs, and the papers on specialized topics prepared by UNSO.²

BACKGROUND

The current version of the UN System of National Accounts (the third revision) was published in 1969. In 1975, UNSO began a review of countries' experiences in implementing this version of the system. A series of regional and interregional meetings of representatives of statistical offices were held, and in 1980 and 1982 two expert group meetings were convened. The experts recommended that a long term review of SNA should be undertaken, aiming at implementation of a new version by 1990. After the second of these meetings, an Inter-Secretariat Working Group on National Accounts was set up which included representatives of UNSO and the statistical offices of the Organisation for Economic Cooperation and Development (OECD) and EUROSTAT, and later the IMF and the World Bank. The function of the group was to plan and co-ordinate the SNA review activities and to see to it that the views of national statistical offices and international organizations were taken into account. The

¹*A System of National Accounts*, Series F, No. 2, Rev. 3, 1969 (United Nations Sales No. E.69.XVII.3).

²The papers in question are as follows: Y. Kurabayashi, "United Nations Statistical Office Progress Report on the Review of the System of National Accounts"; J. Levin and J. van Tongeren, "Harmonization of International Statistical Standards on Government Finance Statistics (GFS) and National Accounts (SNA)"; A. Bouter and J. van Tongeren, "Harmonization of the Classification of International Transactions in the System of National Accounts (SNA) and the Balance of Payments Manual (BPM)"; V. Viet, "Input-Output Standards in the SNA Framework"; A. Chantraine and B. Newson, "Progress on the Revision of the European System of Accounts"; L. Drechsler, "The International Comparison Project and the System of National Accounts"; Y. Ivanov, "Possibilities and Problems in the Reconciliation of the SNA and the MPS"; C. Norrlof, "Issues in the Revision of the International Income Distribution Guidelines."

Working Group has met several times, and has identified the topics to be included in the review, co-ordinated the work programs of the participating organizations, and outlined a strategy to arrive at a revised version of SNA by 1990.

This strategy involves three phases. In the first phase, now close to completion, studies on the topics identified have been or are being prepared by the international organizations, consultants engaged by them, or national statistical offices. These studies have been discussed at regional meetings in which national statistical offices were represented. In the next phase, planned to take place during the period 1986-88, a series of expert group meetings are expected to be held, each dealing with one of the major topics identified in the work program. Finally, in 1989-90 an expert group will seek to integrate the recommendations on the parts of the system into a revised version of SNA.

To maximize the contribution of developing countries to the SNA review, selected developing countries have been asked to participate in studies of the feasibility of proposed amendments on topics considered to be important to them. The topics include the reconciliation between SNA and the IMF guidelines on balance of payments and government finance statistics, institutional sectoring, subsistence and other informal activities, imputed banking service charges, terms of trade effects, regional accounting, the incorporation of household survey information with the national accounts, and the integration of input-output statistics with national accounts. UNSO has also suggested to institutes that train statisticians from developing countries that they might use the studies prepared in the work program as supplementary material in their training seminars.

Simultaneously with the review of SNA concepts and standards, UNSO is preparing a *Handbook* series on national accounting to provide practical guidance to statisticians in developing countries in collecting and compiling national accounts according to SNA recommendations. Each volume deals with a particular segment of national accounts, describing sources and methods and presenting detailed step-by-step procedures and illustrations. The volumes currently completed or in preparation are *Accounting for Production* and *Public Sector Accounts*. Volumes on *External Transactions*; *Financial Flows*, *Balance Sheets and Reconciliation Accounts*; *Input-Output Statistics* and *Household Sector Statistics and Income Distribution* are planned for later dates within the 1986-89 review period.

PROPOSED EXPERT GROUP MEETINGS

Tentative plans for the phase II expert group meetings are listed below. The topics of these meetings follow those of the consolidated work program, as outlined in the next section.

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| 1. Structure of SNA | June 1986 |
| 2. National accounting in constant prices and international comparisons | November 1986 |
| 3. External transactions | February 1987 |
| 4. Public sector accounts | June/July 1987 |
| 5. Household sector and income distribution | September 1987 |
| 6. Production accounts and input-output tables | March 1988 |

7. Financial flows, balance sheets

July 1988

8. SNA-MPS links

November 1988

The planned expert group meetings will be preceded by an Interregional Meeting of experts from developing countries (to be held in New York in April 1986), to review the discussions up to this point, evaluate the relevance of the results for developing countries, and provide guidance for the later expert group meetings.

The expert group meeting on the structure of SNA scheduled to be held in June 1986 will deal with the general framework of the system in terms of accounts and tables, as well as with the layout of a revised edition of *A System of National Accounts*. Subsequent expert group meetings will then work within this framework and make recommendations on further details. The expert group on the structure of SNA will be reconvened in 1989-90 for a series of consolidating meetings.

THE WORK PROGRAM

The Intersecretariat Working Group organized the preparatory work into a joint program, with the various organizations each taking responsibility for certain studies. The program was divided into eight major parts, each of which is considered to be the focus of interest of a different group of specialists. The eight major topics are (1) the structure and sectoring of SNA, (2) price and quantity comparisons, (3) external transactions, (4) public sector accounts, (5) household sector accounts and income distribution statistics, (6) production accounts and input-output tables, (7) financial flows, balance sheets and reconciliation accounts, and (8) other accounting frameworks.

(1) *Structure and Sectoring of SNA*

With respect to the basic structure of the system, the Statistical Commission has on several occasions expressed its concern that continuity should be maintained. At the same time, however, the need for increased flexibility to meet both changing policy problems and changing institutional forms has also been recognized, and to this end the Commission has expressed "general support for the core/building blocks approach." At the suggestion of the OECD, the Netherlands Central Bureau of Statistics prepared a study exploring the implications of this approach. In their conception, the central core would consist of monetary transactions only, and these transactions would be recorded in the accounts of the sectors actually engaging in them. Additional modules ("building blocks") would show (a) imputations for non-monetary output (subsistence agricultural output, owner-occupied housing, etc.), and (b) attributions of transactions to sectors other than those actually making or receiving the monetary payments (health care services and other household consumption paid for by government, pensions and insurance). The core and these modules could together encompass the content of the present SNA; the entries would be rearranged and in some cases additional breakdowns would be needed, but the approach in itself implies no change in the definitions of the SNA aggregates. Additional modules, apart

from those needed to construct the SNA aggregates, could be compiled as desired for analytic purposes, thus providing for needed flexibility. This paper of the Netherlands CBS was discussed at an OECD meeting in 1983 and again at an informal meeting during the 1983 IARIW Conference.

Two papers on flexibility in the national accounts were prepared by the international organizations for the OECD meeting on national accounts in May 1985. UNSO prepared a paper entitled "The SNA as a Framework for Statistical Co-ordination," which was concerned with links between SNA and related standards of other international agencies, and in particular with reducing duplication in data compilation. It proposed a fully articulated set of institutionally sectorized core accounts, which would exclude imputations and attributions to the extent possible so as to facilitate the analysis of sectoral behavior. OECD presented a paper entitled "Flexibility in the National Accounts," which proposed various ways of handling problems that have arisen with the present SNA without disturbing its basic structure. The OECD study concluded that the present SNA was sufficiently adaptable, but that considerable work was needed on classification systems.

In addition, the international organizations are pursuing a number of further studies in this area. EUROSTAT is exploring the issues that arise in linking macrodata for the national accounts with microdata collected in industrial surveys, company accounts, and household surveys, in terms of harmonization of concepts and classifications. OECD considered a similar question from a different point of view: they were concerned with the definition of enterprise and establishment statistical units, and the ways in which the statistical units for compilation purposes can be derived from the reporting units used in the basic statistics. The conclusion reached emphasized the need for alternative compilations for different uses.

This heading of the work program also includes some questions of sectoring. Some aspects of the sector definitions set up in the 1969 SNA have proven to be difficult for countries to implement and/or analytically less useful than had been anticipated, and meetings of OECD and EUROSTAT working groups have considered some alterations. For the most part, the changes proposed are marginal, and would tend to make the SNA standards conform more closely to common country practice. Some of these sectoring questions are treated in this part of the work program, and others in the parts of the program dealing with the specific sectors.

One group of questions treated here relates to unincorporated enterprises. The 1969 SNA established the concept of "quasi-corporation," to accommodate those unincorporated enterprises that behave like corporations. These quasi-corporations were grouped with corporations to form the corporate and quasi-corporate enterprise sector. The remaining unincorporated enterprises were grouped with households in the household and unincorporated enterprise sector. In practice, few countries have identified any private quasi-corporations; they generally either put all enterprises, whatever their legal form, into a comprehensive enterprise sector, or else combine all enterprises that are not corporate in legal form with households, regardless of their size or behavior. Both OECD and EUROSTAT have therefore been considering ways of presentation that will

preserve both of these options. OECD has recommended including all unincorporated enterprises with households, but providing for two subsectors of the household sector, one for unincorporated enterprises and the other for households proper. EUROSTAT, while endorsing this proposal, has proposed also showing a combined enterprise sector as an alternative.

Private non-profit institutions serving households were also treated under this heading. The 1969 SNA created a separate sector for these institutions, but this recommendation has not been widely implemented. EUROSTAT considers that these institutions are small and relatively unimportant, and that a strict application of “non-profit” criteria would exclude many institutions now commonly considered non-profit, such as many schools and hospitals. It has therefore proposed that these institutions be reclassified as profit-making, and the remaining smaller group of non-profit institutions be combined with the household sector.

(2) *Price and Quantity Comparisons*

UNSO and EUROSTAT have been working on problems of price and quantity comparisons among countries for a number of years. The UN International Comparison Project has developed a data base that covers more than a hundred countries and thirty years. EUROSTAT regularly publishes data on its own members. Both organizations expect to continue work in this area. Conceptual development, however, is now confined to relatively marginal matters, including the use of chain indexes and the integration of deflation over time with deflation over space.

OECD has been concerned with measures of the terms of trade, and together with UNSO and the World Bank is continuing work in this area, with emphasis on the effects of different measures of the terms of trade on real national disposable income.

(3) *External Transactions*

The emphasis of work on external transactions is on reconciliation of SNA with IMF standards on the Balance of Payments. UNSO and IMF have identified differences between the two sets of standards, and work is now focusing on the availability of data needed to quantify these differences. This is expected to lead to proposals for revising the classifications employed.

(4) *Public Sector Accounts*

Sectoring questions relating to the public sector are treated here, rather than under heading (1). The 1969 SNA set up a dual sectoring system, in which the institutional sector “general government” was divided, for analysis of production, into “producers of government services”—or government proper—and “industries of government” (later often called “departmental enterprises” after the IMF terminology)—defined as activities resembling those often carried on by private enterprise. The latter category has been little used, and OECD has proposed to eliminate it by classifying some of these activities as public enterprises (to be included in the corporate sector) and combining the remainder with producers

of government services, which would then become identical with general government. To compensate for the possible loss of kind-of-activity information this would entail, consideration is being given to further subclassification of the government sector, either according to the Classification of the Functions of Government (COFOG) or according to the International Standard Classification of All Economic Activities (ISIC).

The treatment of social security transactions has also raised problems. SNA proposed that a separate subsector be established for social security funds and the transactions related to them, whereas IMF has included these transactions with the level of government that controls them. IMF is conducting a study of country practices and the implications of alternative treatments.

UNSO and IMF have been working for a number of years on reconciliation of SNA's recommendations relating to the public sector with the IMF's Government Finance Statistics. Bridge tables have been developed, and work is now being undertaken on identifying differences between the two systems that are quantitatively significant, that can be measured with currently available statistics, and that are justified in terms of differing analytic aims.

(5) *Household Sector Accounts and Income Distribution Statistics*

UNSO published Provisional Guidelines on Statistics of the Distribution of Income, Consumption and Accumulation of Households³ in 1977. This volume is being revised to take into account discussions on the treatment and coverage of particular household transactions, such as entrepreneurial income, compensation of employees, household final consumption, pension contributions and benefits, and insurance contributions and benefits.

EUROSTAT has devoted much attention to the need for alternative ways of accounting for expenditures made by government or enterprises on behalf of households, especially for health care. This, in turn, has led to reconsideration of the treatment of certain consumption subsidies, and to a proposal for an alternative concept of income.

OECD has considered ways to incorporate alternative treatments of pensions and insurance into the accounts. Together with UNSO, OECD has been working on the allocation of the banking service charge and the treatment of interest.

UNSO and OECD have undertaken a joint study of country practices in the measurement of subsistence and informal production activities, which will examine the possibilities of expanding the coverage of subsistence activities and evaluate the feasibility and desirability of distinguishing between transactions that are monetized and those that are not.

(6) *Production Accounts*

The first volume of the *Handbook* series, entitled "Accounting for Production," is now in press. Further work is under way in UNSO on input-output standards, and in OECD on services.

³Series M, No. 61, 1977, Sales No. E.77.XVII.11.

(7) *Financial Flows, Balance Sheets and Reconciliation Accounts*

UNSO has issued provisional guidelines in this area,⁴ which are now being revised to take into account new developments in enterprise accounting and such topics as inflation accounting. The new version will include a bridge table between SNA and the forthcoming IMF standards on money and banking statistics.

Special attention is being devoted to two questions. UNSO and OECD are concerned with the definition and measurement of depletion of subsoil assets and the various ways of incorporating it into the accounting framework. EUROSTAT, following the broad agreement reached at EUROSTAT and OECD meetings in 1982, is drawing up detailed proposals on the treatment of financial leasing.

(8) *Other Accounting Frameworks*

Three topics are included under this head. EUROSTAT and UNSO are studying the possibilities and problems of regional accounting. OECD is working on guidelines for quarterly accounts. Finally, UNSO, in cooperation with the Council for Mutual Economic Assistance (CMEA), is planning to undertake a revision of its publication on the System of Balances of the National Economy (MPS),⁵ which will explore possibilities of bringing SNA and MPS closer together.

⁴Provisional International Guidelines on the National and Sectoral Balance Sheet and Reconciliation Accounts of the System of National Accounts, Series M, No. 60, 1977, Sales No. E.77.XVII.10.

⁵Basic Principles of the System of Balances of the National Economy, 1971, Sales No. E.71.XVII.10.