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Observations to the Advisory Expert Group that participates in the updating of Revision 1 of the System of National Accounts 93 (Social Services of the Government)

One of the System of National Accounts' main objectives is to achieve a representative measurement of the economic facts so that they can characterize and interpret the operations taking place in an economy according to its level of development.

In the case of statistics for free individual services; these systems have attained a high level of maturity in Cuba, in accordance to the full coverage achieved and the growing technological development level. In the statistics of national accounts, services of the government are assessed at cost, while the private ones are recorded by their total value. This procedure has a practical explanation, for we aspire to have the transactions that make up the production account come from an effective record and not from estimates. This way, the opportunity of measuring efficiency is lost, since it is not the same to assess by expenditure than by value.

For example, minimum access surgery, which reduces hospitalization time, medicines and other expenditures, measured by expenditure, it would have a lesser contribution to the added value; while by a rate, it would reflect a higher quality of the provided service. Additionally, we have the contradiction that by comparing between the public and the private sectors, different magnitudes are recorded for equal results.

This way, each country will have a different ratio between services of government and private ones, hence, the more private services are provided, the larger the contribution to the added value of the economy.

In the case of Cuba, the solution provided was to measure the services by a rate made up initially from budgetary unit expenditures, from which underinvoicing elements related to salary were eliminated, and a rate on cost, based mainly on quality criteria. Finally, said assessment was decided to be made directly on the basis of rates, taking advantage of the circumstance that in just a few years, an ample internal rates system arose in Cuba, associated to health tourism and other services.

Some objections to the method have been associated to the fact that there was no market rates system in Cuba that could be taken as reference, to the generation of a surplus in the public sector, and that there should be a system that recorded transactions from the hospital, school or others. As part of the development of the proposed method, a budgetary record method was designed, which also contributed to the solution of these difficulties.

Recently, the Advisory Expert Group that participates in the updating of Revision 1 of the System of National Accounts 93, recommended to adopt the principle of considering a rate of return on the capital assets used by the public sector in providing free services to the population, which would bring about the elimination of many of the methodological objections related to the proposed assessment of services.

While we regard positively this recommendation, we would like these suggestions to be taken into consideration:

- a) In cases involving services with equivalent market rates, their use should be allowed as alternative method in order to eliminate the differences of assessments with the private sector.
- b) The service sector is increasingly based on the economy of knowledge. In many cases the determinant when setting a surplus on the cost is the human capital incorporated to the service worker. The capacity of a doctor, a teacher or a researcher in many cases depends more on their years of study than on the volume of the capital assets they have. This fact might distort the rates of return that are applied.