

UPDATE OF THE 1993 SNA

Progress Report by the Project Manager to the Inter-Secretariat Working Group on National Accounts

As of February 20, 2008 with a Postscript

1. This report, my fifth and final report as Project Manager, covers developments since February 2007. First, it briefly recalls the background of the Update Project. Then it summarizes the status one year ago, about the time of the Statistical Commission and the last Advisory Expert Group (AEG) meeting. Next, with the aid of a table, it considers developments over the last year, including a summary of the present status. Finally, it briefly mentions 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 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 Project website at <http://unstats.un.org/unsd/nationalaccount/snarev1.asp>, maintained by the United Nations Statistics Division, maintains fuller documentation on project management, draft chapters and materials supporting the world-wide comment process, the list of issues agreed to be considered during the update and the development of a set of recommendations, the forward-looking research agenda, and meetings.

The status one year ago

3. One year ago, the focus was on the package of recommendations that the ISWGNA was bringing to the Statistical Commission, as presented in the ISWGNA's report, a supplement to the report, and the 70-page background document entitled the Full Set of Consolidated Recommendations. However, during the preparation of the recommendations in late 2006, work had moved forward under the plan for the drafting and review phase outlined earlier. As of late February, 10 chapters (of a total of 27 then envisaged) had been posted for worldwide comment (and two more had been circulated to the AEG). These chapters included those describing the sequence accounts, from the production account through the balance sheet.

4. While these 10 chapters accounted for about two-thirds of the occurrences in the existing text where changes are needed to incorporate the recommendations, the list of chapters yet to be posted included several that were new and/or otherwise difficult. Apprised of the difficulty in carrying through the full sequence of drafting and review steps on 27 chapters in time to have the chapters ready for adoption by the 2008 Commission, the

Management Group decided to break the 27 chapters into two groups, the first group to be delivered to the Commission in 2008 and the second group in 2009.

5. At the 2007 Commission, the ISWGNA's package of recommendations was accepted and the proposal to break the *1993 SNA, Rev. 1* into two deliverables was noted. Volume 1 was described as comprising a full set of chapters that represents the SNA framework in terms of accounting conventions, the accounts, and the integration of the accounts and incorporates the adopted recommendations on the 44 issues. Later that set of chapters was identified as being chapters 1-17. Volume 2 was described as comprising interpretations of the accounts and extensions such as satellite accounts. The Commission requested that the ISWGNA prepare an implementation strategy for discussion in 2008.

6. Even before the Commission, the Project team (national accountants of the five ISWGNA organizations (ISWGNA:NA), Editor, and Project Manager) were well along on preparations for an AEG meeting two weeks after the Commission. The ISWGNA assembled a database of comments on each of the 10 chapters and the Project team identified issues that required AEG attention. (Other issues were identified for the attention of the ISWGNA:NA and most were left to the Editor's discretion.) Issues papers were prepared for each chapter.

Developments over the last year

7. *The flow of work.* Table 1 attempts to show the main elements of the flow of work during the drafting and review process. It starts in September 2006, the month when the first of the 10 chapters referred to above were posted for worldwide comment, and ends in February 2008. The columns show the months the chapters were posted to the Project website, activities of Editor aside from drafting chapters and participating in meetings, the activities of the ISWGNA:NA aside from review of chapters and participating in meetings, meetings of the Project Team, and related events. Columns B and C, the Editor's and ISWGNA:NA's activities, respectively, are probably best read down a column because a number of activities carried over for several months and they are entered in the starting month with their duration entered in parentheses. For example, in column C, starting in June 2007, there is an entry for formatting country comments to facilitate Editor's use. This activity went on through December, when the comments on the last chapter posted for worldwide review were formatted for the Editor's use.

8. A few points are clear from the table. First, the posting of chapters is bunched: in late 2006-early 2007 for the version posted for the worldwide review and in late 2007-early 2008 for the version for the Statistical Commission. In both cases, the drafting and review did not proceed on the schedule that had been agreed. Second, in the drafting and review phase, with few exceptions (such as work on the codes), the Editor is the initiator and the ISWGNA:NA's are the responding discussants and reviewers. In part this reflects that the Editor alone worked full time on the Update.

9. As of February 20, 2008, 13 updated chapters are posted for the Statistical Commission. Four were posted by mid December 2007, another four were posted by end January 2008, and five more were posted by February 20. These chapters total more than 400 pages, are formatted for publication (including with "bookmarks" that allow the reader to

click on the table of contents to go directly to a section of interest), include tables with a consistent set of values, and include embedded glossary entries. For two chapters, the introduction and overview, the text from the *1993 SNA* was posted in February with a note that these chapters will be updated in time for inclusion in the pre-edit (white cover) publication of Volume 1. The updating of these chapters that is foreseen does not involve substantive changes. Two chapters, both new in the sense that *1993 SNA* text did not exist, are not yet posted. In sum, although a substantial body of work was put together, it must be said that the expectation of having the chapters of Volume 1 ready for the Statistical Commission in 2008 was not fully met.

10. *The risks and the realities.* A year ago, the Progress Report discussed three risks to the success of the Update Project, focusing on the risks for the completion of Volume 1: the continued availability of key players, especially the Editor; unraveling of difficult issues and problems of a technical or timing nature in the several stages of drafting, review, and redrafting; and risks associated with the overall size and complexity of the task. My assessment of the extent to which the risks became realities is below.

11. With respect to the first risk, several career moves among the ISWGNA national accountants, inevitable in a project underway as long as the Update, did slow the process over the last year. The administratively prompted move of the Editor from Paris to Washington and the time it took to assemble a fully functioning office took a toll. Further, although I am not sure how much difference it made, my own situation was such that I did not put in as much time (and, of course, did not request as much pay) in the second half of 2007 as I had in earlier.

12. With respect to the risk of recommendations unraveling, this risk has been largely avoided. With respect to technical and timing problems, one way in which this risk did become a reality is linked to the difficulty some of the national accountants had in devoting timely attention to the issues that needed to be resolved. The minutes of the teleconferences provides examples of repeated requests for more time to respond or of not responding within a deadline. Both of these, in a setting aiming at consensus and in a project that needed to follow a sequence, put bumps in the road. This being said, it is recognized as a fact of life that the SNA Update is one of several tasks on which the national accounts work.

13. With respects to the risks associated with overall size and complexity, one way in which this risk became a reality was the difficulty in gauging how much time and effort it would take to put a chapter through the drafting and review process. Both for the chapters as posted for the worldwide consultation and for the chapters as posted for the Commission, the expectation was that the postings would be complete two months before they actually were. Two months per se may not seem like such a long time, but in both cases meeting the expectation was crucial to the flow of the Project. Even then, two important elements were not completed leading up to the Statistical Commission. Responses to major comments were not made, and a full check across chapters for consistency and omissions is belatedly underway.

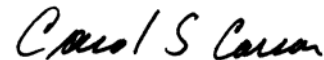
14. As noted a year ago, some adjustments in the drafting and review process seemed called for and they were made. Further, after the AEG meeting in March, the Management

Group confirmed that the intent was to produce an update, not a rewrite. This meant that changes other than those required to incorporate the recommendations and clarifications were to be kept to a minimum, although allowing some flexibility (for example, in order to have consistency of format and style across chapters). Later, the guidelines for review were confirmed in that light, and it was confirmed to the Editor that the comments identified as being at her discretion were indeed that and not subject to ISWGNA review. Shortly thereafter it was agreed that certain features, such as the glossary and the external cross-references, would be done after the Statistical Commission. That being said, it was always understood that the quality of the end product was not to be compromised. It would seem that some further consideration of the tradeoffs is needed.

Organization and Resources

15. The governance arrangements for the Project, as updated in December 2004 and supplemented with the memorandum agreed on September 3, 2006, have continued to prove generally robust. In my view, the challenges to the completion of Volume 2 in a timely manner are such that some realignment of responsibilities would be advisable.

16. Table 2 presents a summary of incomings and outgoings of the Trust Fund as January 30, 2007.



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Postscript

17. Further to paragraph 9, two more chapters were posted on February 21 (one of them with indicative editing). By February 22, all of the expected parts of Volume 1—the preface, the 17 chapters, and the two annexes—were available for the Statistical Commission.

18. On February 27, the discussion of the national accounts agenda item in the Statistical Commission concluded with the adoption of Volume 1 in principle with the understanding that there will be a two-month examination period during which countries can bring to the attention of the ISWGNA substantive observations that should be addressed before Volume 1 is made available in a pre-edit (white cover) version.

February 27, 2008

Table 1. Activities and Events during the Drafting and Review Phase, Late 2006–Early 2008

(See the key to Project-related acronyms at the end of the table.)

	Chapters posted, with version as indicated ⁱ A	Editor's activities aside from drafting ⁱⁱ and events in D and E B	ISWGNA:NA activities aside from chapter review ⁱⁱⁱ and events in D and E C	Project Team's face-to-face meetings ^{iv} D	Related events E
2006 Sept		Preparation of papers for OECD WPNA	Comments on the provisional recommendations	Focused on pensions, guarantees, non-performing loans, and property income along with several AEG "wrap-up issues"; confirmed process of dealing with issues in drafting	MG meeting: Focused on tightness of schedule for drafting and review; pensions, and comments on the provisional recommendations
Oct	9 v2; 16 v2			Focused on AEG "wrap-up issues," agreed on drafting as per the provisional recommendations, and discussed ISWGNA review of chapters	<ul style="list-style-type: none"> ▪ OECD WPNA ▪ MG meeting with the Project Team: focused on the few provisional recommendations that raised concerns
Nov		Update provisional recommendations for Full Set of Consolidated Recommendations (FSCR)	Review of FSCR		
Dec	10 v2; 11 v2; 12 v2; 13 v2		<ul style="list-style-type: none"> ▪ Review of ISWGNA report to SC ▪ Preparation of AEG consultation on Government-owned assets 		

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2007 Jan	8 v2	Preparation of two draft chapters for AEG-only consideration	Sorting of comments from worldwide review of chapters 6-14 (cont'd)		
Feb	6 v2; 7v2		Preparation of AEG meeting, focused on papers by chapter to identify issues requiring AEG discussion (continued)		<ul style="list-style-type: none"> ▪ MG: (1) noted progress and need for adjustments; (2) decided on two volumes; confirmed the need to present an implementation strategy ▪ SC: (1) approved the proposed set of recommendations, (2) noted that <i>Rev. I</i> will be in two volumes, (3) asked for implementation plan
Mar		<ul style="list-style-type: none"> ▪ Notes for the AEG meeting ▪ Work with rapporteur on the short report of the AEG meeting (cont'd) 		18: Focused on preparation of AEG meeting 23: Focused on sense of the AEG meeting and way forward	AEG meeting, 19-23, focused on comments on the 10 chapters posted for comment plus those on cross-cutting issues and capital services
Apr		Issues, e.g., decision tree, pensions, (cont'd into June)			MG confirmation of intent to bring an update, not a rewrite, to the SC
May					
June		Preparation of a note before and after Project Team's meeting	<ul style="list-style-type: none"> ▪ Formatting of comments to facilitate Editor's use (shared out, continued through last chapter in December) ▪ Review of the paper on implementation strategy (cont'd) 	13-15 Focused on (1) disposition of country comments on chapters 6-14 and (2) proposals for the remaining chapters (moving some topics to volume 2); decided to try to include codes	<ul style="list-style-type: none"> ▪ MG meeting: administrative issues and options, including perhaps a different timeline for chapters 1 and 2 ▪ MG meeting: administrative issues

	Chapters posted, with version as indicated ⁱ A	Editor's activities aside from drafting ⁱⁱ and events in D and E B	ISWGNA:NA activities aside from chapter review ⁱⁱⁱ and events in D and E C	Project Team's face-to-face meetings ^{iv} D	Related events E
July	4 v2; 5 v2; 17 v2		Preparation of codes (continued through Sept.)		
Aug	3 v2; 15 v2	On leave; moved from Paris to Washington			MG meeting: outlook and options on Volume 1 (shorter consult time on SUT, preface to PM, timeline on chapters 1 and 2)
Sept		<ul style="list-style-type: none"> ▪ Re-established office in Washington ▪ Notes insurance and dividends 			
Oct	14 v2	<ul style="list-style-type: none"> ▪ Annexes 1 on classifications and 2 on accounts (cont'd into Nov) ▪ Note for BOP Committee ▪ Proposals for chapters 1 and 2 (circulated to AEG) ▪ Note before and after Project Team meeting 		2 Focused on insurance and dividends; handling of comments designated for Editor; proposals to discuss with AEG on process for Volume 2	<ul style="list-style-type: none"> ▪ OECD WPNA ▪ AEG (a few in Paris): focused on process for Volume 2 ▪ IMF BOP Committee
Nov		<ul style="list-style-type: none"> ▪ Issues, e.g., contingent liabilities, net present value, SPEs, ancillary activities, insurance (cont'd) ▪ Pensions (cont'd) ▪ Review of Preface (cont'd) 	<ul style="list-style-type: none"> ▪ Review of two-part ISWGNA report (continued until mid Dec.) ▪ Review of Preface (cont'd) 	1-2 Focused on disposition of country comments and other substantive issues (e.g., insurance, pensions, output of central bank); also agreed on codes and plan for the longitudinal review of chapters	MG meeting: outlook and options on Volume 1, content of Volume 2, high-level group and approach on implementation strategy for ISWGNA report
Dec	3 sc; 4 sc; 5 sc; 6 sc				

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2008 Jan	7 sc; 8 sc; 9 sc; 10 sc		Drafting and review of room document on implementation (cont'd)		
Feb	11 sc; 12 sc; 13 sc; 14 sc; 15 sc ^v				

Key to Project-related acronyms:

AEG	Advisory Expert Group
ISWGNA	Inter-secretariat Working Group on National Accounts
MG	Management Group of ISWGNA
NA	National Accountants of ISWGNA
PM	Project Manager
SC	Statistical Commission

ⁱ Chapters are numbering according to list currently on the Project website. The version follows the chapter number. V2 is the version posted in the world-wide review. V3 is the version circulated for ISWGNA review. V4, or sc for UNSC, is posted on the Project and Statistical Commission websites.

ⁱⁱ "Drafting started for most chapters in volume 1 with an electronic copy of the existing text of the *1993 SNA*. The Editor keyboarded new text and, after each review, incorporated comments. She formatted text and tables.

ⁱⁱⁱ ISWGNA review of the several versions of chapters is not shown separately. ISWGNA:NA reviewed V1, which preceded the posting of V2. The ISWGNA organizations commented as part of the world-wide review, that is on V2. ISWGNA:NA reviewed V3, which preceded the posting of V sc. ISWGNA:NA and other staff are now conducting a comprehensive review across chapters.

^{iv} In addition to meetings, the Project Team (ISWGNA:NA, Editor, and Project Manager) held teleconferences on the average of more than once a month.

^v Chapters 1 and 2 were posted with a note that they had not yet been updated for inclusion in Volume 1. They will be updated to bring them into line with chapters 3-17; the changes foreseen will not involve substantive changes and will take into consideration the views expressed in the AEG consultation. The chapters will be ready for the pre-edited (white cover) publication of Volume 1.

Table 2. Funding for the Update of the 1993 SNA

30-Jan-08

Contributions (Actuals):

<u>Donor</u>	<u>Grant amount</u>	<u>Currency</u>	<u>Grant amount (USD)</u>	<u>Contr. received</u>
IMF	400,000	USD	465,000	465,000
EUROSTAT	300,000	EURO	437,175	437,175
World Bank			293,480	293,480
Countries			559,374	334,374
Total			1,755,029	1,530,029
Ins				
Contributions				1,530,029
Adjustment (FX)				(81,759)
Investment income				61,479
				1,509,749
Outs				
	<u>Adm fee</u>	<u>Travel</u>	<u>Consultant fees</u>	
Project staff		170,695	820,264	990,959
AEG meetings		127,587		127,587
Other		-	-	-
Adm fee (trust funds)	47,553			47,553
Adm fee (JPS)	30,000			30,000
				1,196,099
Ins less outs				313,650
Available				
TF053483				244,987
TF054374				27,392
TF054559				41,271
JPS				-
				313,650

¹ No further direct contribution is expected, but IMF will pay Editor's salary for part of FY 08 and 09.

² A further contribution in the amount of Euros 150,000 is expected.

³ No further contribution will be received.

⁴ Includes salaries for PM and Editor until end February 2008 as these expenses are committed in the system. Payment of approximately USD 90,000 to Paris 21 (Editor's salary spring 2007) is pending.

⁵ As noted above, payment of approximately USD 90,000 to Paris 21 (Editor's salary spring 2007) is pending.

Source: World Bank.