



**Statistics Iceland**

28 September 2006

United Nations, Statistics Division  
Mr. Ivo Havinga,  
Chief of the Economic Statistics Branch  
UN Headquarters  
First Avenue at 46<sup>th</sup> Street  
New York, NY 10017  
U.S.A

**Subject: Updating of the 1993 SNA**

Dear Mr. Havinga,

In a letter of 19 May 2006 to the directors of the National Statistical Institutes, the Director of Statistics Division of UN asks NSIs to send their comments on the updating of the System of National Accounts 1993. Hereby, Statistics Iceland wants to express its opinions on a few of the 44 recommendations under discussion.

In general, Statistics Iceland welcomes and support the present revision of the 1993 SNA. From a theoretical point of view most of the 44 recommendations are definite steps forward in further developing international standards in national accounting.

Nevertheless practical problems of implementation should be kept in mind. One aspect of practical problems are limited resources available for national accounting. This applies in particular to small countries and developing countries. As far as we know there are still many of the about 200 member countries of the UN which still are struggling to implement the 1993 SNA. In view of this one should be very careful when adding a lot of imputations in the accounts. Sometimes imputations and modelling are necessary like in the present version of the system. However, these imputations are often based on complicated model calculations and require detailed data. The SNA update should be kept as close as possible to market transactions and to assets that are tradeable. All kinds of imputations should be kept to a minimum.

Apart from these more general views, Statistics Iceland would like to offer more specific comments on 3 of the 44 issues under consideration.

*Issue 2, Employers' pension schemes*

Statistics Iceland is in favour of recognizing and recording as liabilities unfunded employers schemes. In Iceland the private pension schemes are entirely funded. However, the pension schemes for government employees are

also funded to a certain extent, but substantially under-funded. Obligations due to this under-funding are recorded in the government accounts in a similar way as other liabilities. This under-funding is also taken into account in estimating government final consumption. In our view this is not a kind of an imputation but rather keeping with the accrual principle of accounting.

*Issue 9, Research and development (R&D)*

Statistics Iceland is of the opinion that it is not advisable to capitalize R&D following the definitions in the Frascati manual. Definitions in that manual are vague and very much depend on subjective views of the compilers. Therefore there is a risk of a lack of consistency both between countries and from time to time within the same country. To improve consistency, a better solution is to follow the accounting principles of the enterprises. These principles to a great extent follow international guidelines which ensure comparability between countries.

*Issue 16, Government and non-market producers: cost of capital of own assets*

Although Statistics Iceland is in general opposed to increased imputations in the current SNA update, issue 16 is an exception. From a theoretical point of view this kind of imputation is a definite step forward and can be implemented in Icelandic national accounts with an acceptable degree of accuracy.

As regards other issues of the SNA update some of these are of minor importance in our case and others might be difficult to implement. Whatever the result of the revision will be, Statistics Iceland wants to assure you that the Institute will in future like in the past do it's utmost to adopt the forthcoming SNA update as far as possible within the limited resources available in our tiny economy.

Yours sincerely,

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