

Comments from Regional Meetings, the Statistical Commission, and
Statistical Offices and Individuals

Compiled by
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[Mr. van Tongeren made an introduction.]

UNITED KINGDOM

(1) A few weeks ago a speaker at the ---- Society in London began his address by saying "I only have an hour allocated to me so I would just like to make three simple points." I recognize that I don't have as long as an hour but I do have three simple points I would like to make and perhaps elaborate a little on each of them in relation to this program of work. The points are simply the following:

(2) First, the work should be brought to completion so that the draft is ready for adoption in two years time. I don't think there will be any dispute about that. Mr. Van Tongeren made very clear that is the main single objective of the work program.

(3) Second, the necessary conditions for achieving this target must be identified. I don't feel that we have yet identified those necessary conditions. ---- a program of work, but that is not the same thing as identifying what it is that has to be done if we are to meet our target.

(4) Third, which in a sense is more important, is that having identified those necessary conditions, we must ensure that conditions are actually fulfilled. So I would like to take each of those three points and ---- more about each one.

(5) I think it is right to remind ourselves of the original objectives of the review program and that is, set out in para. 2 paper No. 5, worth repeating: simplification and clarification, further harmonization with other related systems of statistics and updating the system to fit new circumstances. In many respects, as Mr. Van Tongeren has already said, those original objectives have been largely met but the work actually began at least eight years ago. In my experience, most of the work on harmonization with other related systems began even before that; there's a very interesting paper by Richard Ruggles, which some of you may have seen, on statistical measurements for economic systems in transition, which set out the history of this review very clearly and succinctly. And I think it is not unreasonable to ask ourselves the question why has the original target not been met.

(6) Two years ago there should be a revised timetable which would bring a draft to this Commission. But where no agreement was reached the present SNA treatment should be retained. It is not easy to understand what has really happened during those two years. Paras. 4-6 of Paper No. 5 refer to four or five meetings a year of the Inter-Secretariat Working Group refer to the widespread concern in September 1989 that the program was not going to be met, referred to the unforeseen methodological issues and the decision that this Commission would receive an interim draft with the Commission in two years time to consider a final draft for adoption.

(7) So it's not unreasonable to be skeptical about the ability of those concerned with this enterprise to actually meet the new target. I think there is a danger that the same problems could arise unless we're very clear about how they're going to be avoided.

(8) Let me turn to the necessary conditions. There seem to me to be at least five. The first of these is that there is a need to be less ambitious on the delivery of handbooks compared with the program two years

ago. That's being recognized, I hope that the Commission accepts that that is a necessary condition for delivering the main draft to it in two years time.

(9) The second condition is that the resources required should be available. There may be some doubts about that but in my judgement, the resources needed to complete this work are available provided they are used in an appropriate way.

(10) The third condition is that the work on drafting should not be held up by delays in the taking of decisions and I would like to come back to that.

(11) Fourthly, the timetable for work on drafting would have to be strictly adhered to. If the final draft is less polished than it might have been then this should not be a cause for subsequent criticisms.

(12) And, last of all, what actually merges from this process has to be acceptable to the Statistical Commission and I don't think we should lose track of the fact that this is a necessary condition for meeting our objective.

(13) So, how can these conditions be fulfilled? Well, as I've said, the tailoring of objectives to the new situation has been recognized in respect of handbooks and I welcome that. On resources, not only do they have to be put in place but, if necessary, priority has to be given to the project over all the work so that--when it comes to translation, reproduction and circulation of papers--it seems to me that the Statistical Commission should make it very clear to the UNSO that, if necessary, it should give first priority in masses of that kind to this work.

(14) The next point is that there are a number of issues outstanding. The paper itself refers to this in paras. 33-41. But it's clear from the following paras. 42-72 which record the various issues, various matters on which the regional bodies have expressed their views, that there are in fact many other uncertainties or doubts which will have to be resolved in order that the text should be written. And what is absolutely essential in our view is that the necessary machinery for those decisions to be taken rapidly is absolutely essential if this work is to be completed within the timetable.

(15) I'd like to illustrate, if I may, the kind of approach that I think should be adopted by referring to the question of market and non-market production, which is referred to as one of the four outstanding issues. Para. 40 of the paper says that distinction is fundamental to the SNA, and I think the change in terminology which is referred to in para. 40 is to be welcomed. When doubts about where to draw the dividing line between market and non-market production emerged, I do begin to wonder whether the expert group itself may be getting into difficulties. I was particularly struck by a statement in para. 53 (ii) on page 35 of the document, which says "the recommended distinction between market and non-market producers and products is to clarify the valuation of non-market products as distinct from market products." It then goes on to say that non-market products would be valued at cost instead of using as a basis for valuation the prices obtained in the market. Now, I don't understand what that means. I would ---- it was fundamental to the definition of a non-market product that it was not delivered to the market and what I take this sentence to mean is that the prices at which it is delivered to the consumer. But that is not the same thing as delivering it to the market, and that distinction seems to me to be fundamental to what is the issue here, and if there is that kind of confusion,

then it worries me as to whether these matters are going to be resolved quickly and sensibly.

(16) The basic ideas of national accounting after all is essentially very simple. You've got some production leading to a generation of income which is distributed and after which consumption and investment is financed. That's the starting point for national income accounting. When we come on to non-market production, we recognize there are certain kinds of production which may lead to the simultaneous generation of income and its consumption, e.g., unoccupied housing services or the ---- ---- own account capital formation. A further special case occurs with non-market production by general government, typically the provision of education or medical services.

(17) The reason why this production is regarded as non-market is because it is not sold to the consumers but provided free or at nominal charge. So, when we reach the question which is posed in para. 41 of the paper, which is: how can we distinguish in an operational way between market and non-market production, I do begin to get a little worried; doubts begin to surface. We've already at least two kinds of non-market production that we've identified. Why should we be concerned of whether production is heavily subsidized when in fact some other goods and services are heavily taxed? That doesn't seem to concern us in drawing the distinction between market and non-market production.

(18) One starts to wonder on whether the problem is that we've drawn the boundary of production in the wrong place. Does non-market and the related consumption really have a place at all in matters of economic analysis or is it really part of welfare economics? Now I raised these questions not because I want the expert group or anyone else now to start worrying about them, but simply to illustrate if we become too concerned with these essentially fundamental question at this stage in the review process, it seems to me the enterprise is lost. It is absolutely essential at this stage to close down on these questions, to recognize that if there are problems to be resolved one should go back to the basic ideas of national income accounting and try to resolve them sensibly in the light of those principles and if there is still a problem, we have to recognize if it may be necessary to adopt a conventional solution but not agonize on whether it will be this and that conventional solution.

(19) I would say that the distinction between market and non-market production is whether supply automatically responds to demand. Government or non-profit bodies, when they are the paymasters, effectively provide a potential constraint from demand. If you can trust that with heavily subsidized activity where the demand simply finds its level of the subsidized price, it seems to me that that is where we should be regarding the activity as market and where we should be regarding any subsidy from the government as a subsidy.

(20) So, could I just finally return to the third of my three simple points: How can the necessary conditions fulfilling this enterprise be met?

(21) First of all, there needs to be a real priority given by the UNSO to each function in this process, and those should be given absolutely top priority.

(22) Secondly, the mechanism for taking decisions and the role of the expert group in that process with, I would suggest, what I would call a default option--that is to say, if the expert group cannot decide on any of these issues, one should revert to the existing SNA solution.

(23) Thirdly, there needs to be absolutely clarity about the program of work--who is doing what and how it is going to be accomplished and what is to be done if it runs into any difficulties, and

(24) Finally, in relation to the acceptability of the final draft to the UN Statistical Commission, I think there needs to be some flexibility about the application of specific parts of the system by individual countries. Certainly, the UK has a specific problem which, if the revised system had to be applied, would lead to really quite serious and non-sensical results for very sensitive economic series that we are concerned with, and I think that kind of aspect needs to be addressed.

EUROSTAT

(25) I think that it is essential, after these years of hard and excellent work on revision of SNA, we absolutely have a presentation of the work in 1993. I think our credibility is at stake. We've done tremendous work on improving and ---- resources to this and it would be a catastrophe if we would miss 1993. So, I can only support what my colleague, Sir Hibbert, had said on the necessary conditions in place of us to have the work finished. But beginning of 1993 I have to tell you, Sir, that I am concerned because--without going into detail as my colleague, Sir Hibbert, did--there is tremendous work to be done still. The work we're confining to Mr. Hill is very difficult and there are still unresolved questions and I think now is the time for decisions.

(26) We say in French "the better is the enemy of the good." I fear that indeed, in some test areas, we continue to discuss subjects which to be sure are interesting; but we have to make decisions on them, because I want to clearly ask the Commission today, that we have to put in place decision-making processes which will make it possible for Mr. Hill, when he presents the problem to the Secretariat and Expert Group, to have a decision on the subjects he has to deal with. I also hope that the expert groups meeting as well as the interregional meetings will be decision-making groups or in the -- -- decisions. Once again, it is difficult and it is very hard to have the agenda sleep for three or four months; the various parts of the text are interdependent to a great extent, we know, and any change in a decision does imply redrafting of other parts of the text and it is really impossible right now to go in depth from the subjects.

(27) New texts that have come out in the economic areas will not be able, I don't think, to solve our problems; we cannot do that, we have to wait till the next revision for that, because economic analysis is ongoing. I think though, a great progress has been made. Then I am stressing this subject because when you put different decisions to be taken one after the other the possibilities or probabilities of slippage are not negligible. Let me stress one more point. The expert meetings have to be in places which make it possible for the meetings to take place from the technical point of view. I don't think to be going about that any further.

(28) Once again, we would have tremendous problems, particularly in EUROSTAT, explaining to our political authorities that, for technical reasons, the 1993 date cannot be kept. So everything possible should be done so this date can be kept.

CANADA

(29) Well, I just want to join what Jack Hibbert had eloquently said and then Mr. Franchet and the reason I am doing so in spite of the fact that I'll be repeating what they are saying is because it is essential to be on record on this occasion that tremendous progress has been made and the work now has to be brought to a conclusion by 1993 that it would simply be not acceptable for this to continue and I certainly agree that not only would it not be acceptable but it would not be necessary. It would really be a continuation of either in some aspects relatively minor issues being discussed or in other instances, so fundamental issues that they don't have a single right or wrong solution in which case it becomes a metaphysical discussion and metaphysical discussions take centuries not years, sometimes millennium. That's obviously not our objective.

(30) I'd like to, in addition to adding my voice to my two colleagues, on the record, I would like to just add a few more conditions for this exercise to be brought to a successful conclusion by 1993. I think it is quite vital that all necessary time of Mr. Hill be available, that there should be no conflict on his time and to the extent we are not masters of his time, the OECD is, but to the extent that representations need to be made, that he should be made fully available to this effort, I think those should be made.

(31) Second, that in this era of high tech communications, expert group meetings don't need to involve travel. I think it should be quite possible and desirable for most issues to be resolved through electronic communication by the experts as needed not to exclude the possibility of some meetings actually to occur preferably very few, but in this period, some intense decisions, intense activity has to occur; leave decisions to be made as the need arises to be made on an ongoing basis, not to keep them waiting until a meeting can be held. So, I think networking is something I would urge.

(32) Third, who makes a decision when the Expert Group is hung? I think it is time for us to be quite frank and open: Experts are known to disagree and we cannot allow that condition to hinder further our progress because it has hindered that progress until now for longer than it should have for me, some reasonable ---- of course was necessary, it is a major undertaking but I think we are expressing all of us, impatience to bring this work to an end. I certainly think it is essential to have some persons acting on interim authority from the Commission until the next session of the Commission where the product will eventually be accepted hopefully, or not accepted, but the process cannot continue in a doubtfully converging mode. Yes, certainly I am in favor of having the very frequent and electronic means of communication but on specific issues when there is a hung theory so to speak, somebody has to say to P. Hill, this is our operational decision for the time being that you need to know in order to go on drafting. As far as I am concerned, I am certainly more than pleased to trust that kind of residual power to Carol Carson. Could be others, but it has to be one person, otherwise it is a non-guaranteed converging process.

JAPAN

(33) First of all, let me congratulate on behalf of the Japanese Government the excellent works are done so far by either the EGMA, UNSO and other institutions and experts involved in this revision work over SNA, and we appreciate very much that we are able to offer some comments at this stage on the paper No. 5.

(34) As regards the point for discussion A which relates to a conformity between the interim draft and the objective of revision processes I would like to note that in order to maintain the continuity between the present and revised SNA, we have been advocating that the emphasis of the revision should be placed on clarification of concepts and consistency with the related statistics rather than the alteration or expansion of the present system, and I agree with the proposal made by the delegate from UK that a kind of default principle should be taken when we discussed of a lot basic concepts.

(35) Let me come to the point for discussion B which concerns about the orientation of the regional commission and additional guidelines. As I mentioned, we would like to see continuity in the standard accounts and the foreign balances tables between the present and the revised SNA. With regard to presentation of and priorities on the other tables, we think maximum flexibility of countries should be secured. From this point of view I'd like to take this opportunity to make a few comments on the orientations of the regional commissions on further development of SNA.

(36) Regarding the paras. 48 and 49 of the report which discussed the production account, the provision of separate production accounts for the corporate and household sectors might be useful, however the liability of household accounts which suffer from serious date limitation in my country and I guess the suggestion is similar for many other countries. With respect to paras. 50 and 52 which relate to the production boundary, we do not agree to inclusion of natural growth within the production boundary since it would make the concept of production unnecessarily vague. We would like to note that we do not include natural growth in production in our presentation of SNA but include that of only marketable timber in the reconciliation account of the balance sheet and not in the production account.

(37) Regarding para. 54 which we discussed about the subsidized basic means product, we agreed to the treatment of subsidies of the differences between prices paid and cost incurred since the inclusion of it in the ---- consumption would unreasonably increase GDP.

(38) With respect to paras. 55 and 57 concerning the sub-sectoring of household, right now we have private non-profit institutions serving households as a separate institutional sector and we do not intend to merge the sector with the rest of household sector. The sub-sectoring of the household sector should be dealt with in the ----- statistics such as the distribution statistics rather than the SNA itself.

(39) Regarding para. 58 which recommends compilation of entrepreneurial income, we like to note that we already have in the system estimates for entrepreneurial income as recommended in the revised SNA.

(40) Regarding paras. 60-62, the treatment of balance sheet accounts is more or less in conformity with our practice and I think we can endorse it.

(41) Now I can go to paras. 64 and 65, which deal with asset boundary. We basically agreed to the asset boundary as described in the report but we

prefer a more conservative definition of the boundary of environment asset because we think an ambitious definition might cause a serious problem in public acceptance and a delay in establishing an environment account.

(42) With respect to paras. 69 and 70, which relate to inflation accounting, I would like to say that with a view to maximizing flexibility of countries, we do not welcome the idea of including in the guidelines ----- of income corrections for changes in the terms of trade and of real holding gains or losses and interest payment corrections for ----- . It would be sufficient in our view to provide a standard way of treatment of them in related materials.

(43) Coming to para. 71 which describes how SNA should come closer to MPS in the definition of household consumption, we don't regard very useful the distinction between actual final consumption and final consumption expenditure. This is because the classification of collective and individualizable consumption would inevitably involve serious arbitrariness, and even if this can be done, individualizable consumption still serves certain social goals, so the classification as individualizable consumption of certain government consumption may be to a kind of public ----- .

(44) Finally, with regard to additional guidelines, we hope discussions will be made on the standard rebasing processing including in particular the frequency and the choice between the single and multiple base year approaches.

(45) With respect to point for discussion C the timetable, we endorse the timetable as the other colleagues mentioned, 1993 target should be adhered to.

(46) With regard to point for discussion E the priority issue with regard that SNA review should continue to be given the highest priority.

USSR

(47) Sir, we have taken note of the work done to revise the SNA and we have taken note of the results contained in detail in the documentation submitted to our twenty-sixth session. All of these allows us to conclude that on this subject, considerable progress has been achieved even if many questions remain outstanding and require further work. We believe that on the whole the direction taken and the work done is consistent with the mandate that was given to the Commission, a mandate concerning the revision of the System of National Accounts.

(48) It is very important to follow the outline of work contained in the documentation by making effort to integrate systems of national accounts including an analysis of production, analysis of revenues, this is a very valid effort to draw links between the assets and liabilities and to better distribute and redistribute revenues.

(49) It is also our impression that in principle, a certain amount of attention needs to be given to the idea of integrating systems of national accounts in the indicators concerning the environment in these accounts. This could make it possible to have further indicators in order to analyze economic growth and well-being, taking into account factors such as environmental changes. I would also like to emphasize that we are carefully considering here theoretical technical difficulties involved in integrating these factors in the system of national accounts.

(50) Of course we are lacking a certain practical experience in this field and this factor must not be forgotten because it is of some importance. We, therefore support this approach as far as the principle is concerned, but right now, it is difficult for us to say exactly how this integration will be accomplished in the final provisions and the final text of the SNA. I am in agreement as to the fact that the best possible integration would be the so-called satellite accounts, but in order to establish the satellite accounts quite a few other questions also need to be resolved. So this is how I would describe our position in connection with this approach. We want to remain prudent, extremely prudent, although on the whole, a certain amount of work has been done in this direction and I must say we consider the work has been useful.

(51) In paras. 38 and 39 of the report, there is mention made on the use of SNA in transitional economies. I completely support the proposal to the effect that the new text of the SNA should, in so far as this is possible, take into account certain characteristics of this group of countries, both from the standpoint of economic organization and from the standpoint of the development of statistics.

(52) These questions were recently discussed at the meeting of statistical experts of the CMEA in Moscow. The Moscow session took place from 8th to the 11th of January of this year and representatives of the Statistical Office of the United Nations also participated in it as well as members of the OECD and other experts from many European countries. In my opinion, the discussions at that session on a whole range of issues were extremely useful because we need to take into account the new version of the SNA while taking into account the characteristics of these transition economies. The discussions were useful, these were substantive discussions that took place and I would draw the Commission's attention to that fact.

(53) We believe that the results of this Moscow talk will be reflected completely in the new SNA. We have a request to make. We would like to be able in due course, to familiarize ourselves with the provisions of the text that we would like to have the opportunity to discuss them.

(54) There's another question which I would like to refer. In the text of the new SNA, there's a whole series of new indicators which were not contained in the 1968 version. There are terms such as "corrected available revenues", "mixed revenues", "gross national income", "real consumption", a whole series of other terms. I don't want to pass judgement on whether these terms are appropriate. I imagine it is justifiable to introduce this new concepts. But there is a proposal that I would like to make.

(55) It would be good as soon as possible to begin work to prepare a glossary, a multi-lingual glossary of the terms that are contained in the SNA and this would include the new concepts that are contained in this new version of the SNA. I believe that work on that glossary would be highly valuable to statistical experts from these transition economies. I myself was not witness to the work but our specialist told us that in the end of the 1960's work on such a glossary for the SNA and the MPS was done in the Conference of European Statisticians and full documentation was put together but unfortunately, when that glossary was published, a great deal of time had already gone by and many new terms and new concepts had in the meantime appeared and it therefore would be necessary to have a revision of that glossary.

(56) In conclusion there are two other comments that I would like to make. We are extremely satisfied to see that members of the Commission feel

that the work accomplished on the SNA is of high priority given all the consequences of that work. Lastly, I'd like to say that the work accomplished in this direction, is also of priority to us as far as our own statistics are concerned. We have developed a detailed program of activities in this field. It may be that our objectives have been overly ambitious, there may be some fear of that; nonetheless, we plan to do everything in our power in order to have such a system, in order to apply these concepts to our everyday lives and we hope that we will be able to use this SNA in our daily work on statistics.

FRANCE

(57) Although some specific issues have been raised as we have gone around the table, I would like to comment on some general ideas put forward by the United Kingdom, Canada and the Commission of European Communities. It is also our belief that the revised SNA draft as submitted to us in these different documents, represents considerable progress over the 1968 SNA, especially because rather exhaustive and enormous progress has been made in linking the different accounts. We also believe it is imperative to respect the timetable given to us, in other words, formal adoption in 1993 in February. This presupposes considerable preparatory work that needs to be done by those who conduct surveys, by those who deal with nomenclature, with computerization--in other words, a great deal of work in national statistical services and in statistical services of international organizations. That deadline seems to be extremely important to us for substantive reasons and also for a psychological reason, because statisticians and economists and computer experts preparing for these applications would lose incentive if we were not to be working quickly.

(58) As other delegations have indicated, we need a process of problem settlement to arrive at a more rapid consensus. I believe the suggestion made by the representative from Canada is very effective. It is clear that it would not be possible for us to arrive at a consensus or to resolve all the methodological points that remain pending or on which differences of view have emerged in the groups of experts. As far as France is concerned, we very much regret that it was not unanimously agreed that the item on expenses on development be reviewed, but I repeat, the divergence on such a point must not delay the adoption process. So it seems to us clear that the SNA will be revised but that it will not be definitive ad eternum. So our thinking must continue--even following the adoption of the revised SNA--on fundamental points, such as expenses and expenditures on development in future, so there will be contributions to a revised SNA three.

GERMANY

(59) With the risk only to repeat more or less what the previous speakers have already said a few times, I should like to ask all those in charge of the work that the efforts be continued without delay and that the deadline for finishing the overall project now scheduled for 1993 can be met. I think the experts were given a lot of time for the discussions and that we must now come to an end of the process. Nevertheless, we state that the

experts have used the time very well and they have done a very good work so far.

(60) The SNA parts which have already been presented have successfully been adjusted to the economic development in modern national economies and that is also the reason why it is so important that we will get the new version, the revision of the SNA.

(61) The Federal Statistical Office would like to express its appreciation to the authors, Prof. Hill and Mr. Vanoli, on behalf of all those involved in this revision process.

(62) I would like to thank my French colleague who just said that he does not insist on the problem on research and development. I think that in the future process, we must come to decisions and if we have these decisions then we must keep to it. I am very much in favor of the proposal of Mr. Fellegi that there must be someone who has the authority from the Commission to make these decisions and then I think we will be successful.

ARGENTINA

(63) We have heard statements by a number of delegations, and I want to associate myself with what they've said by saying that the efforts that have been made thus far have been extremely important and that those three objectives initially set have been achieved reasonably well and that means that the task should rapidly be brought to a conclusion.

(64) In connection with one of the initial objectives, the first of them, that of achieving the simplification and clarification, we would like to point out that clearly this revision presupposes a level of complexity which is much greater than the previous version. There is greater coverage, the revision incorporates new problems, and this means that that objective of achieving simplification and clarification needs to be understood in the framework of this new complexity, and that prompts me that perhaps, and this is really a question of putting the Secretariat--perhaps the Secretariat could include in some document a rather explicit recommendation to national accounts experts to the effect that it be their responsibility to see to it that the new version is made intelligible to users.

(65) There are specialists in national accounts and there are users. The gap between the two increasingly widens and we do not want to find ourselves confronted by a situation in which in the future we have to start thinking about handbooks that are simpler than the ones that we are producing in order to provide an interpretation. It seems to us that there might be a recommendation made to the effect that national account specialists, those who apply the new system, assume the responsibility of making themselves understood by the users. That's one initial point. I think this comes under para. A (subject for discussion).

(66) Subject B of the last para. of the paper and I'm talking about points for discussion here, it seems to me that one of the concerns we had has already been dispelled because Mr. van Tongeren has announced to us that there is the beginning of a solution, because we would have a handbook for accounting in inflationary conditions and that the resources are available for this. I am really very pleased at that, because this is a basic problem, a fundamental problem faced by a number of developing countries in their economies and we feel that the handbook will be extremely useful. Above all,

because the problems that arise in inflationary economies lead to a distortion of the whole conceptual framework. We find ourselves in situations that are incomprehensible.

(67) Another point I would like to raise is that in connection with para. 77. Our specialists have shown some concern about the following. It seems that para. 77 implies that enterprise units would be made secondary as far as priority is concerned and that is the situation we'd like to correct. While the new system works basically in terms of producer units, we would like to refer specifically to enterprise units, because the producer unit is closely related to enterprise unit and in the short term we're not going to be able to change the whole system for gathering basic information. We're not asking that we regress in any way in the system, but we think that perhaps para. 77 should be a bit more explicit as far as this point is concerned.

(68) Lastly, as far as the importance of this new revision is concerned for the future of statistics, we do not need to dwell on that point. Other participants have already referred to it. As the representative of UK said, we've been working on this for about eight years so we don't need to stress its importance. We do believe it is important that the Commission consider the possibility of a timetable for adjusting economic handbooks. We should not forget that the system for 1993 will be approved, God willing, but its implementation by countries will depend on whether basic information is obtained and adopted to this new accounting system. So the question is, whether we shouldn't begin to think about what the timetable will be for revising handbooks, not the handbooks that are included here, but industrial statistics handbooks, handbooks for all those sectors, so that we can really see to it that this new version is applicable.

GHANA

(69) I would like to add my voice to the previous speaker that it would be ideal to have the system of national accounts for adoption in the next session, 1993 and that in order to do this the necessary and sufficient conditions need to be fulfilled.

(70) I think that it is very important, therefore, in looking at the necessary conditions to constantly ensure that the needs of the developing countries are taken into consideration. In this regard it is very important that the handbooks which are considered of high priority and which will enable many of the developing countries to actually prepare the system of national accounts and the new method be also in place at the time that the new system is being adopted. Again it is very important for the developing countries that when the time comes for adoption, not only the handbooks which will give the guideline, but then the basic data which fit into the SNA are also in place. Therefore, something ought to be done, also as mentioned by the distinguished delegate from Argentina that the basic data from industrial statistics, from agricultural statistics and from other statistics, price statistics, etc. are all in place.

(71) One of the terms which have been causing a lot of difficulties in the developing countries is the distinction between the formal and the informal sector and we would like to see that this distinction is clarified in order to help in the preparation of the system of national accounts.

(72) We would in effect like to see that the system of national accounts reflects the reality in these countries and we feel that once the new SNA is adopted and once the basic data which feed into it is also good, and the handbooks are there to also guide the national statistical offices in how to prepare these accounts on the new method, it will be very good for these countries and the world alike. So I do support and endorse the revised timetable for 1993 and that I will like to see that many of the handbooks, if possible, are also in place at that time because for some developing countries, once you adopt the SNA without the handbooks, then they may have to wait until the handbooks are in place before they could compile the system of national accounts, and that means the handbooks are very important. They must be made available as soon as possible. I also feel that the highest priority must continue to be given to the system of national accounts.

MEXICO

(73) I am going to refer to the points for discussion in document #5. It's a question first of all of getting countries' feelings on the three basic objectives that had been set for the revised system of national accounts. The idea first of all is to have the revised SNA clearer, simpler. In this connection the system of national accounts as revised is aimed at macroeconomic reviews on an institutional basis and in certain aspects greater clarity has been achieved, for example in connection with capital goods. When we don't have basic statistics to raise operational difficulties to compile financial transactions on a major scale, the situation becomes rather complicated and both take considerable time.

(74) It is also the objective that the revised SNA be better adapted to other statistical systems. In this connection important progress has been achieved with statistics on public finances and balance of payments. In general terms this is one of the most important objectives that will make it possible for us to interpret in a more transparent way the incorporation of data from different systems to the national system of accounts.

(75) There is also the objective that the revised SNA be adapted to new circumstances. As far as this is concerned, the needs of major corporations and of developed economies have been incorporated but to a lesser extent the needs of the developing countries have been incorporated. As far as inflationary accounting is concerned, short term estimates and regional calculations have not been given enough attention, and these are subjects that are difficult to develop in the general framework of the SNA. As mentioned by Mr. Van Tongeren, I think that it might be possible for us to resolve the problem of managing inflation in our economies within the system of national accounts.

(76) As we see it, the regional commissions are playing an excellent role in this revision. They have incorporated in it the characteristics of the different countries, in particular, as far as inflation is concerned--this is a great concern to us in Latin America. We're extremely pleased indeed that there will be a manual that we can support in this connection.

(77) We believe that it is recommendable that further guidelines be provided about aggregate adjustments through environmental statistics. On this point we believe that the theoretical and operational difficulties that arise in connection with the system of national accounts means that this

should be managed separately like satellite accounts rather than adjusting the aggregates as part of the central system of national accounts.

(78) We're making every effort in our country to be able to adopt this new version of the SNA in 1993. The system of national accounting is our frame of reference. It is what generates economic statistics for us; it is what helps us to set our priorities. With the new system of national accounts, we'll have new guidelines and new priorities to follow. We know that there will be many difficulties in many areas of statistics; we don't have enough quality right now and some statistics aren't being generated yet but we hope that by 1993 we'll be able to have this new system.

NETHERLANDS

(79) I would merely join previous speakers in expressing our appreciation for the progress that has been made so far. We are in agreement with the general direction the SNA revision is taking and we are rather convinced that all the work can be realized according to the time schedule. I think it could help if the work is concentrated more on the new Blue Book--or whatever color it's going to have--than on the handbooks, although I understand the importance of handbooks; but if there is a conflict, then we say the Bluebook comes first.

(80) As to the problem how to get the experts on one line so to speak, we think the idea expressed by Sir Jack Hibbert is quite interesting, the default option. It could help the experts to agree perhaps if they think the default option is over, they could perhaps decide a bit quicker. Maybe a bit less harsh than that is the suggestion made by Mr. Fellegi to have a kind of referee, we would agree with that also.

(81) I will not go into all kinds of ---- ---- of our own experts. They can do that themselves much better.

(82) A final point I would raise is whether it would be possible in the future not to have SNA revisions once every twenty five years or so but maybe more on a continuous basis.

NORWAY

(83) I'd like to start being positive and we have found that the draft SNA is a very composed manual in which rationale behind the treatment is emphasized. Dr. Odd Aukrust, an author of the 1968 SNA, has told me that he found the draft the most stimulating reading and that many of the chapters are ---- in another countries and that we are satisfied with the overall orientation of the revised SNA. It fits in very well in the strong tradition on integrating i----- with the national accounts and the ---- compilation of using the goods and services accounts and commodity flows as a ---- information in national accounting.

(84) As all previous speakers, we stress the importance of keeping the time set.

(85) Concerning some of the outstanding issues, we like to support resolution to retain present treatments involving service studies, data collection before possible revision in the future.

(86) I will mention just two examples. We are very pleased to read from document shortly that a meeting in Washington in December 1990 agreed that all expenditure on mineral exploration will be classified as fixed capital formation and they agreed that expenditures on research and development will continue to be treated as intermediate consumption and not as capital formation. Research and development will be treated as satellite accounts and we support that very much.

(87) A strong recommendation from Denmark and Norway is also to retain the present treatment of imputed bank services both on conceptual and practical reason. We are against allocation of imputed bank service to the establishment in the household sector. Even with perfect bank statistics, as I think they have in Norway, it is impossible to allocate the bank interest paid to an establishment and to the household.

BULGARIA

(88) I like to support the assessments and the positive statements made before me of course, but I would like to look at this very important question from another standpoint of course. I don't want to take our discussion off to another direction, but nevertheless it is very important for my country and I hope it is for all countries in a transitional stage moving from a centralized to market economy. The question of introducing a system of national accounts in our countries is very important not only in order to make a contribution to the compatibility and comparability of the data at the international level but this is a task and an imperative condition from the standpoint of the international financial organizations, which present us with conditions so that they can help us to restructure our economies if we introduce the system of national accounts into our economic systems. In this regard I would like to say previously when we were given help from the Statistical Office of the European Communities and our Statistical Commission here on a bilateral basis and from EUROSTAT the ---- we certainly hope that this type of help will continue as much as possible on a bilateral basis as well. You will recall too that at the 24th and 25th session of our Statistical Commission we stopped speaking about the coming closer together of two systems, the system balances of national economy and the system of national accounts, that is the integration of the two systems. I think that even now the time is coming when we should no longer speak of integration but simply of the application of the system of national accounts in the countries which--until yesterday, as it were--were ---- about the philosophical system of the national economic balance. As for the adaptation and transition, I think this is necessary to maintain a dynamism. I think this speaks for itself and we need ---- ----.

(89) It is very hard for us in the countries where now and in coming years we are to introduce the system of national accounts and assimilate experience with it. It is very hard for us to adopt the concept that has been used in the system of national accounts. Therefore, it will be very good and useful in this regard to help us for the expert assistance. I spoke for instance with my colleague from Poland. There, they brought documentation on their adaptation which had been very time consuming and of course they have been successful in this with the help of experts from other countries where the system of national accounts is working well.

(90) We in my country have already cleared a large information base which makes possible for us to gradually introduce the system of national accounts because in our parliament we have already adopted a law on Bulgarian accounts to be introduced as of 1 April this year. At this time the parliament is discussing a new statistical law to be passed so the organization and other prerequisites for the introduction of the system of national accounts in our country. All this is being done but as ---- has said this is a very difficult task for which we need expert assistance and of course both bilateral and multilateral help.

(91) Mr. Kirichenko also spoke here of this question and of course he said that he is a very careful optimist, but I think maybe I am also a careful optimist but nonetheless we have chosen this course. And now, I would like to take liberty of recalling your words, which made very strong impression on us at the Conference of European Statisticians, when you said to us that we should not hurry in this regard, nor should we be too slow on our work, to be sure drag it out, but we should not hurry excessively. We will be similar to missionaries if we were to do that because our market economy is not functioning yet. We will be like missionaries who are trying to get the people to read the Bible who cannot read yet. So we have to go as quickly as we can but only on the level of which we cannot break. So in the final analysis I would like to ask certainly to put in our documents that all possibilities are being used in this area to give, let us say, support in order not to repeat the word assistance, to countries making a transition from decentralized to market economy so that this process is easier and can be accomplished more rapidly. I would like to make a request that it be included.

IMF

(92) I'd like to confine myself principally to issues relating to the arrangements and requirements to conclude this process of the revision of the SNA. I think the documentation--the large amount of it--shows what monumental process this has been. As we heard earlier, a process that began in 1982 and will not be completed until 1993 is clearly monumental.

(93) As we approach the concluding stages or the final stages as we have heard, one, I think, can also deduce but not see from the documentation the vast amount of resources that has been applied to this process. I believe this Commission will be doing a great service if in fact, for its next session, we could have a clear picture of the resources applied, both in financial terms and in kind, in order to address these questions when the revision of the SNA next comes up for our successors, unless of course we have a process of continuous revision.

(94) Sir Jack Hibbert, I believe, touched very appropriately on points of concern that I have heard around the floor this morning, and I would have to associate myself a great deal with these points, in particular, with what I would call his conditionality needed to complete the process. I think it is worth repeating perhaps, but yes indeed, resources must be available to complete this process. That there may need to be a tempering of ambition on some issues if timetables are to be adhered to. I would also agree that the drafting process which remains--and it is not inconsiderable, that I must admit--should not be delayed for decisions to be thought out once again. And

to that indeed, that timetable must be adhered to over a tight period that remains according to the schedule that we had put before us this morning and of course the product is acceptable to this Commission for final adoption.

(95) Now, so far as the IMF is concerned, I would also associate myself with Mr. Franchet of EUROSTAT, an organization that has associated itself as a member of the Inter-Secretariat Working Group. And I ask myself again, why did the IMF join in this process? And I think it is worth repeating. We believe that this occasion was one in which we could get a truly representative and agreed position on such important concerns as the system of national accounts. We were anxious to forge links between the new SNA and the IMF systems on the balance of payments, on money and banking statistics, and on government finance--and that we are doing, as I reported previously. So that in this context, I too have concerns that we must agree to the timetable to assure credibility. I too have political masters. In Washington, I have an executive board that, in its commitment to the process and our involvement, is certainly anxious to see the process completed.

(96) And then finally, I believe I am mindful of the need to turn to implementation and, as already been mentioned by others this morning, the adoption in 1993 of the revised SNA will undoubtedly leave us still some way from actual implementation. We are truly going to be late into the 1990's before we see some countries in a position to address themselves. So it is important for the Commission I think to keep that in mind particularly we are talking not only of developed country members, of the transition country members--by that time one would perhaps be able to say would not be in transition--and, of course, our developing country members whose needs we must keep firmly in mind.

WORLD BANK

(97) The Bank has been associated with this entire process over the past eight years and we continue to be committed to the successful completion of this process. We are indeed very heartened to hear our almost unanimous support for the notion that this process must be completed on the revised schedule that has now been proposed.

(98) I agree with many of the suggestions that have been made as to how to proceed to go along that path and I would further agree, in particular, with the suggestions made by Mr. Fellegi.

(99) Like Mr. McLenaghan, I am also focussed on the issue of how we go about implementing the SNA because the task will only begin in that regard in 1993. Merely having the new Bluebook is not going to solve the problems that national statistical offices are going to face. It is here that it may not be too early to start thinking in terms of developing a strategy for implementation and here perhaps, the Commission may, if it agrees, request the UNSO to prepare appropriate documentation in consultation with other agencies ---- at the next session of the Commission. The Handbooks are only one aspect of the implementation phase. We believe that more work is needed on the issue of classifications, the adaptations to suit certain conditions in different parts of the world. We also feel strongly that at this stage, we should be basically focussed on the completion of the Bluebook, but the task of preparing the handbooks should not be put on the back burner, but there has got some parallel work as the issue of resources is certainly a major one.

(100) We believe again that if we do assign the right kind of priorities the resources can be mustered and this is where leadership has got to be exercised by all those responsible for this process.

(101) A word on the nature of the handbooks. I would urge the Commission to be clear as to what it expects from these handbooks. In our judgement, they need to be practical, they need to be clear, they need to put forth best practice rather than be extensions of text which merely elaborates on what's going to be in the Bluebook. We are of the view that Handbooks that do not give practical guidance to countries will be of little value and the task of implementation must not proceed unless and until these handbooks adhered to the needs that exist at the country level.

(102) Mention was made of the work that is proceeding on developing a handbook on environmental accounting. We have been associated with this process. We believe that in the context of the policy concerns both at the global and at the national levels, this work thus deserve support and we in particular thank the German authorities for making available support in this regard.

ESCAP

(103) I don't want to add very much to the remarks of previous speakers. Certainly we at ESCAP have been very active within the limits of our resources in this long and ongoing process of the SNA review. We are fortunate in that our regional adviser has been participating in the expert group on SNA Coordination and as we have been kept very much in the picture in that regard. Also the Commission will have noted we have managed to organize, with funds largely from the Republic of Korea, two sub-regional meetings, one for Asia and the other for the Pacific Island countries. And we mentioned that we held two meetings not only to maximize country participation, as the Statistical Commission had asked but also because we felt that the national accounting issues and problems of the Asian Mainland countries would be quite considerably different from those of the Pacific Island countries, and not surprisingly that, I think, is reflected--those concerns and different emphasis on the two subregions were duly reflected--in the report.

(104) Following this meetings, summaries of which were included in Document No. 8, the revision of the SNA was also discussed in December 1990 at the meeting of the working group of statistical experts where the topic of the implementation of the SNA was focussed on. Let me just touch on some of the major points made by that working group of statistical experts. The Working Group discussed the merits of making available at the international level some recommended priorities in implementing different aspects of the revised SNA. It noted that the 1968 SNA had provided such recommendations but based on prior experience it was considered best that such specific guidelines should not be included in the revised SNA.

(105) The working group also emphasized the importance of maintaining comparability of time series data for national accounts statistics and we would like to urge the UNSO to develop methodologies for linking data of the current series to that of the revised SNA. The working group also considered the application of uniform methodologies for such purposes would improve international comparability of data series.

(106) This has been mentioned by our colleague from Ghana and other representatives. From the point of view of developing countries and here our working group of statistical experts was no exception, the role of the handbooks is certainly to be emphasized. Obviously the role of the Bluebook has to have precedence, but I think we should urge the continued mobilization of consultancy funds for the production of as many handbooks as possible.

(107) The working group also emphasized that the quality of national accounts statistics obviously depended on the quality of data inputs and it considered that subject matter statisticians should be provided sufficient training in national accounts to enable them to appreciate the methodology for estimation and incorporation of sectoral data into the national accounts framework. By the same token the national accounts statisticians should be associated with the planning of the data collection processes.

(108) The working group also underlined the importance of developing uniform methodologies for imputing statistics at a sectoral level in order to improve comparability of data over time and among countries. It noted in particular the importance of the valuation of non-monetary activities especially in the Pacific Island countries, and we are intending to update a manual of evaluation of the non-monetary activities which was originally produced in 1974.

(109) The working group did concur with the suggestion that there should be further sub-regional workshops to assist in the implementation of the revised SNA but it appreciated also the various difficulties, both resources and the time, that are presented. I think there was a feeling in the working group that the interregional seminar which is now planned for 1992 might perhaps run into some difficulties, and I think that's a reflection of the fact that within our Asian/Pacific region there are such very large differences in the conditions and possibilities regarding national accounts statistics.

(110) Finally the working group did express concern at the substantial resources for introducing and implementing the revised SNA in both national and international statistical offices and in that connection, it noted that it would be very helpful to develop software packages for implementing the system in a cost effective manner.

(111) Those were some of the recent reactions of countries in the Asia/Pacific region concerning particularly the implementation of the revised SNA and I thought it would be appropriate to share those with the Commission.

HUNGARY

(112) We think that the background papers, all of them, provided a clear picture of the state of affairs in this very important subject. The subject is of course extremely important for all of us and I think that considerable amount of work was invested in the subject. However, I also share the concern of those speakers who pointed out that the adoption of the new system by 1993 is an absolute necessity. It is of utmost importance also for us and I don't want to raise the reasons because they are well known to everybody sitting here in this room.

(113) I would like to make a few comments on Document No. 13, and in this connection, I would like to point out that the main indicators of

production and income are published in Hungarian statistics regularly since the beginning of the 1970's. A relevant feature of our system is the direct use of basic information sources in compiling SNA compatible data, those of the GDP for instance, and the latter ones are transformed into data which correspond to the MPS requirements. The two accounting systems are ---- not only in the level of aggregates but in respect of the ---- of the data as well. We have accordingly some experiences of harmonizing the systems of MPS and SNA. It must be said at the same time that the simultaneous use of the two accounting systems requires serious intellectual efforts and hamper ---- on cases.

(114) I would like to add that this work will be gradually discontinued since efforts have to be concentrated on the building up of the complete SNA system and the supporting statistics.

(115) Concerning the handbooks about the implementation of SNA in transition countries, we think that solutions which are relatively simple could be in the system and included--solutions which, on the one side, aim at the entire complexity of the system but, on the other side, they are simple in the way of implementation. We also think that special accounting problems of the previously planned economies should be touched upon in the yearbook. I think that those methodological issues could be regarded here as the most relevant ones which influence the level of GDP, which is the most important indicator. I don't want to list that many examples for that, but only one, let's say the problem of highly subsidized products, but there are many others.

(116) Now, the second problem to be touched here is the sources of information for national accounts. The system of basic statistics and use of administrative data sources are the topics helped in the methodology, and availability of documents will be useful. My colleagues feel that it will also be useful to compile ---- in the implementation of SNA in transition countries. Transition countries could use it as a choice of models for statistical development and they could choose the variant most suitable to their special circumstances.

ECLAC

(117) First of all, I think it is important to recognize the participation given in this exercise to regions. In many occasions the representatives of countries and our commission and other commissions have had to express their concern of the lack of participation in some exercises. In this case, intensive participation of regions have been achieved and I think it is to be recognized. ECLAC, like the rest of the commissions, has organized regional work in this field and has been able to participate in expert groups and organize the regional meetings mentioned in the reports.

(118) Since you have the report of the ECLAC regional meeting, I won't get into any detail on that. I would simply like to stress some characteristics of the discussion that took place in ECLAC that illustrate the concerns we should have for the future.

(119) First of all, there is doubtless progress in the conceptual framework. In this context, this progress, like all progress, is not easy. Many of the discussions in the ECLAC meeting had to do with clarifying theoretical concepts and seeing the possible application of these concepts to

practical problems. Therefore, there can be no doubt that conceptually speaking--in the conceptual area--there is progress; there are problems to -----

(120) Secondly, and I think this is reflected in the statements of countries, at the same time, simultaneously with the conceptual discussion --- - was concerning considering the possibility of putting the system in place, setting it up in terms of information and practical possibilities. Thus, those subjects are closely related and I think that summing up the regional meetings, you can see that these two subjects are constantly superimposed upon one another. I'd like to draw some conclusions on this, the first one whichever in ---- is that the region is being concerned with how to establish the system, to put in place. You've heard the statements of the region stressing the difficulties there can be with respect to setting up the system and establishing it. Together with many other participants, we feel that there should be a subject of the next meeting of the Statistical Commission. I think the United Nations Office should prepare a report on the plans for establishing the system. I think quite ---- here that there are certain rules to be played with document by documentation. It is not enough just to have manuals or handbooks but experts will have to discuss the conceptual aspects so that the application of the system is really in accordance with what has been agreed.

(121) Many delegations have stressed that there are subjects where there is no agreement and many subjects where discussion will continue inconclusively. Therefore, we have an important area for consideration of training here. The same discussion in the extension of the conceptual framework will make it necessary also to make the exercise continuous, to give it continuity. When we look at the conclusions of the regional report we can feel in totally, that when attempts are made to apply this scheme in the countries, there will be many problems and adjustments and solutions would have to be found. Some delegations are already, just to give an example: Norway, a country with a great statistical base, questioned some solutions because, despite having a major statistical system, doubt that this could not be done. So I think that continuity will continue to be vital here.

(122) Lastly, I think that when we think about what it would mean when a Latin American country decides to use the system, there can be no doubt, as the basic truth Argentina stated, systems of compiling information will have to be adjusted. And in this regard, I think the United Nations Office and the regional commissions and the rest of the system will have to work on this inculcation, this establishment of manuals for compiling information, because if progresses are made in this area the important changes the system incorporates in many areas, the changes will be impossible to apply.

CZECHOSLOVAKIA

(123) I have some remarks concerning the specific problems of introducing the SNA in the transition countries. First at present time, we regard the efforts aiming at the integration of the SNA and MPS as rather outdated. Many countries using up to now the MPS are doing intensive preparation for the full introduction of the SNA. The MPS at present transition period serves rather to continue time series of microeconomic indicators.

(124) In Czechoslovakia, we will use for the relatively short transition period both the MPS and SNA parallelly. We suppose the complete switch to the national accounting in 1993 and for this reason we do not consider useful in our statistics any methodological adaptation of MPS. This opinion was recollected at the session of the working group of statisticians of the member countries of the former CMEA which was held in January 1991 in Moscow and attended also by experts from the United Nations and OECD. For last several years we have compiled selected aggregated indicators of the SNA for Czechoslovakia--namely gross and net domestic product at market prices and factor cost broken down by sectors. It has been our special approach to compensate the present absence of the SNA. We have used bridges based on a detailed system of various balances and in doing so, we have kept guidelines outlining the studies F.20 which contain a detailed description of such procedures following from the inter-linkages within the SNA. The Statistic Bureau of the IMF visiting Prague last October has found this method appropriate for the provisional calculation of the main SNA indicators.

(125) By implementing the SNA in our statistical practice in the future we will make efforts to obtain data allowing maximum comparability at the international level. Of most importance for the proper introduction of the SNA in our country would be consultations with foreign experts and cooperation with international organizations such as the OECD, IMF, World Bank, EUROSTAT, etc. We appreciate highly also financial support of the international organizations and some developed countries which made possible for Czechoslovakia specialists to take part in the seminars, meetings and consultations abroad. At the same time we are very grateful to statisticians of the Netherlands for their lectures in the SNA in two courses given in Prague as well as the statistical experts of several other countries for their consultations.

FAO

(126) We in FAO do believe that the process has to be completed in the next two years. Moreover, we feel that the process has taken a little longer perhaps than necessary. My feeling is that, though some of the conceptual issues have to be addressed and discussed, enough consensus has emerged so far in the finalizing process, provided that the last phase--basically the drafting phase--is managed properly; I believe that some suggestions have been already made in that regard.

(127) The areas of ---- concern ---- ---- are not likely to be affected by the revision in a major sense. However, we have followed the process so far and we are quite ready to support the implementation. Quite frankly we were perhaps a little naive, so we prepared an initial draft manual on national accounts and agriculture about a year ago and with the idea to reflect the last minute changes and to publish it and to put certain amount of money in our existing budget to support the implementation process. Now we have to wait for another two years. Well, as far as we are concerned, on national accounts we are rather on the user side. We have still a few not very significant concerns, concerns of rather ---- nature, and we hope that there is still a scope to clarify certain things and make certain things more simple. I will not go into a few concerns which are not really very

significant. I will prefer to hand our views over to the UNSO to be taken into account in the process.

KENYA

(128) I would like to ---- ---- to thank the UNSO for the past help and assistance that it has given to Kenya in the maintenance and the development of the national accounts system that we have going on in our Republic at the moment. I just like to add my support to the comments by delegates here that the Commission should recommend to strive to revise the document by 1993. We are waiting for the document although it is possible that we could be working on the draft. It is important for us to have the final document as endorsed by the Commission.

(129) The recommendations of the document itself have far-reaching implications on our national accounts in Kenya. For example, there is a recommendation that ----- be made on rent on government owned building and also to calculate consumption on all government fixed capital such as buildings, roads and dams, etc. This although a welcomed move, we do realize that it is going to affect and in fact ---- to improve our data collection system, and I think there is need also to underscore the need for the improvement of the data collection systems.

(130) These could also be achieved through consultation and further training and in forms of workshops and seminars. We do appreciate the assistance that we have received in the past from the World Bank in training some of our officers in a used particular or computer systems towards the improvement of the national accounts and such trainings and workshops in the future would also go along with those assisting us to improve our national accounts.

BRAZIL

(131) Brazilian national accounts has traditionally followed the 1953 version of the System of National Accounts. In the mid-80's however, we have started working in order to undertake a complete revision of our system and, in particular, to incorporate the approach introduced by the 1968 revision. This work has benefitted from a technical cooperation agreement with the French Statistical Office the (INSEE) and I would like to say that such a cooperation brought the new Brazilian system of national account beyond the 1968 SNA framework. We have already the results of the new system for the end of 1980 and 1985 and within two years we will be able to move definitively to the new system and hence to abandon the traditional one.

(132) In relation to the revised SNA, we have followed the work carried out and the coordination of the statistical office and in fact, we hosted the Latin American regional meeting which was held in Rio de Janeiro last September. As a result contrary to our previous experience in relation to the 1968 SNA, when it took about 20 years for Brazil to move in order to adopt the new version, I think that Brazil is now prepared to adopt the revised SNA within a short period of time. I think that our experience in that particular is different from the other Latin American countries that has been mentioned by the ECLAC representative, and I think that this is due to a large extent to

our joint work with the French Statistical Office which has enabled us in a short period of time to adopt our statistical system to our new system of national accounts. In relation to the work to be carried out by the Statistical Office in the next two years, we strongly welcome the elaboration of a special handbook on accounting in inflationary circumstance. This special attention referred to statistical and accounting problems brought about by high inflation will be very helpful to most of the Latin American countries.

(133) And finally, I would like to stress the necessity that the Statistical Office comes to consider the development of regional accounts as a follow-up of the implementation of the revised SNA. For large countries as Brazil and for countries which are characterized by the ---- development of their different regions, the existence of regional accounts within the new framework are extremely relevant for economic and social planning.

(134) And finally as to environmental accounting, I would only mention that it is not a priority for the Brazilian Statistical Office at the moment. But I think that we will come back to this subject when we return to the item 9E on Environmental Statistics.

ZAMBIA

(135) I may repeat because I came in late. However, I just want to make a few observations. While we appreciate the efforts being made in improving the system of national accounts, I think, from my experience, I find that the system of national accounts does not reflect as much about what happens in the economy, therefore, maybe, so that national accounts figures alone is not much of a ---- in terms of most of us in ---- countries especially Zambia. We find that decisions in the economy cannot be determined from the final figures of the national accounts. In this regard we feel that before we can start looking seriously at the national accounts figures we have to get the inputs to national accounts more refined. That's why I think with ODA we try to make sure that the economic statistics are in order. As far as I am concerned, the priority is improving economic statistics rather than finalizing the national accounts figures.

(136) To this effect we would go for maybe even a new form of an index which could utterly measure what is going on in the economy because you may have a positive growth rate in GDP, but you find that you cannot relate to the benefits accruing to the people. So you find you may go in the platform and talk about an increase of 2% or 5% increase in GDP but you soon find out that you ---- or you may find that social services are still declining and so on. So the weakness that is I am sure here that SNA figures alone do not say much if the broad spectrum of the ---- statistics are not improved. So I'd call for the Commission to ---- looking into developing a better and a more practical index which could depict what really goes on in the economy. Similarly, for SNA figures, sometimes before you get the final situation you are even through with your development strategy at that time, so you find that it comes out in academic exercise. We want to have the situation indicators which will help us monitor our medium and long-term development strategies, whereas in a system which is ---- the ---- etc. cannot do ---- enough to developing countries. Those of us who are now looking for indicators to help us improve and be able to maybe put in place our structure program.

JAMAICA

(137) Jamaica acknowledges the effort that has been made so far in the revision of the SNA and support the need to be completed by 1993. However, from our point of view, completion by 1993 most include completion of the manuals and the handbooks, because without those handbooks, it will not be very useful. I support earlier statements by some representatives that the handbooks should be very simple and practically oriented. But if we accept that the revision is to be completed by 1993, it is time for us to start planning for the implementation of the new system. The implementation will require considerable amount of effort on the part of countries like Jamaica.

(138) There will be need for technical assistance to assist in these countries-- Jamaica and other countries in the Caribbean and other developing countries--in the implementation process and in the linking of the new system to the old, linking of the series is that they have been doing so far with the new series. An important aspect of this technical assistance will be training of the national income and service statisticians so that they can get in place the data inputs ready for the implementation of the system. We need to start this training early and to ensure that it won't be another five or may be another ten years before many developing countries start implementing the system.

IRAN

(139) I would like to say my word of appreciation to the works that have been done by the expert groups; they have reached a lot of new achievement which are valuable to us. I emphasize that the timetable that has been mentioned in the document 5 should be observed too. I also would like to appreciate the Statistical division of the ESCAP for their hard work and regional meeting on the revised SNA. I am fully in favor of holding regional meetings for more discussion of the revised SNA. I also would like to ask other regional commissions to send us all the papers that they have, containing detailed discussions that have already been mentioned in the documents of the 26th session.

NEW ZEALAND

(140) First of all, just to comment on a management of the review so far, just recently we read the section of the report of the 25th session and I must say that it is either ----- and quite surprising how ----- that two years ago ----- information available to the participants of that session that so soon after that session of September ----- the making of the working group to revise it, to ----- understanding of progress. What really happened in that brief period between that session in February 89 and the middle of that year that led to a complete and radical reassessment of the rate of progress. It just find it quite surprising that ----- of February 89 to get some inkling of the impending delay that we are now facing.

(141) I said at the last session that the formulation of conceptual methodological --- of national accounts is too important to be left to

national accountants and I believe that is still true. We need to remind ourselves that these statistics are absolutely basic ---- on economic importance in many countries of the world. The fight of governments in elections can in some extent be decided on public perception on the performance of the economy and the government's management of the economy. And in retrospect the ----. I find it surprising that, in mounting this review (commencing way back in '82, as it is said in the report of the 25th Session, not '83 as being said so often today, we didn't think in a more thorough ---- ways to depending in the organization of this review. The ---- should have insisted the United Nations ---- some responsibilities to fund and direct the whole exercise, and not rely so much on the goodwill and the informal assistance of other bodies, international ---- etc. However, that is all history, we can't change the situation now.

(142) What next ---- me is what really has been the consequences of this delay? By not completing the revision or the review in terms of the Commission being able to endorse a revised updated system at the session, how serious is it? By sticking with the present system perhaps two more years would otherwise be the case and I am not ignoring all the what is required to implement the new system, are we going to continue to pitch, mislead government's economic analysts on the performance of our economies or not? How serious is it that ---- is to lie? In effect, giving experts two more years in completing conceptual methodological reviews more thoroughly in resolving issues that so far have not been started, are we doing justice to our ----? Let me ask yourselves and each country, by sticking by the present methods, are we going to mislead governments and others about macroeconomic performance in the community? I ---- my country delay is not a disaster. The situation may be in other countries. In saying this I am not implying in any way that I am happy about the delay and that we shouldn't double our efforts to complete the exercise, but we need ---- to delay in perspective. I suggest, ---- we can't change what has happened in the past. Do you think that there are some very ---- lessons for us in the quality of management for the direction of the review so far of the last 8-9 years.

(143) My final point is that I believe we should go back more and read what we decided in the previous sessions. There has been a suggestion that when there are disagreements among the experts that we should stick to the present practice. Well, if we read the report of the 25th session, we can read a decision by this commission that it should have been the case, so there's no need for suggestions today in accordance with that particular way of resolving differences. We might affirm decision last time that was what was going to be done. It would be ---- as it is to ---- in past reports to this Commission and more effectively we may well in some small ways without the process.

ESCWA

(144) I had hoped that I would be presenting the report of our regional meeting on the revision of the SNA, but unfortunately this meeting didn't take place. ESCWA has been very active in following up the activities of the revision and has participated in several working groups and had planned to hold the original meeting in October 1990. Unfortunately due to the eruption of the Gulf crisis, this meeting was never held. However, an expert group

meeting was held prior to that and the report of that expert group meeting is presented here in Doc. #10.

(145) I asked for the floor not to comment on this report but only to repeat what Mr. Sainz previously has raised, mainly as regards regional commissions and especially in our case, this applies to ESCWA. We have been active in assisting our countries in adopting and applying the SNA, and obviously we shall have an additional job to do when this revision is ready for application. Therefore, our countries will very much need these manuals to be ready for them to be able to apply the SNA. Therefore it is of course important that the SNA revision be completed even though the manuals may not be, but it is also important that the manuals should become ready as soon as possible.

ECA

(146) I will be brief because it's late. The Economic Commission for Africa participated since the beginning in the preparations for the revision of the system of national accounts and the last report on this was submitted to this meeting. We have also supported the principle of the organizing of any regional meeting in 1992 to finalize the Bluebook as it is called. We hope that the revised system will be adopted at the next session of the Statistical Commission in 1993.

(147) In this regard I'd like to inform the ---- that we have scheduled a regional meeting for the end of 1993, for the implementation of the revised SNA, so we're ready with the adoption of the revised system ----.

ECE

(148) I don't underestimate the Commission in not asking for the floor up to now. The report of the SNA meeting in the ECE region reflects fully the comments we have to make. Instead of commenting on this report I should mention that we focussed our attention to transition problems in our region and that Conference of European Statisticians organized a series of workshops for statistical services in transition, which mainly dealt also with SNA problems. It may be possible to report on this activity later on in under --- item of the agenda.

IRELAND

(149) I am very fond of round figures. I intervene merely to ensure that I haven't lost my voice in my interest in statistics. It is up to us to see that by 1993 a system there must be. This means priority, and that means I support fully the strong representations that were made to ensure completion of the project in two years time.

(150) I have in mind fact the that the volume of resources that has been devoted to this project has been colossal and it's very good ----, but it's clear that if that volume of resources continues to be devoted to the overall system, that reduces the resources that will be available for the other aspects for the plan of implementation, preparation of the handbooks (not only

the handbooks that are mentioned in the document but the other handbooks that have been mentioned relating to sectoral statistics of industry or agriculture), etc. So, it's clearly in everybody's interest to complete this project and as I understand, it's not two years that's left, it's a year and a half that's left because one has to have a long lead into the preparation of the final document. And I would fully support the idea of having an agreed mechanism for decision taking that is the one that was in fact agreed two years ago, a default mechanism of not making a change if we cannot agree on a change. If there is some other element needed, I would think it is important, if one is making a change, to pick changes where the information is normally available in enterprise accounting, and that's it. We are in fact rather conservative when it comes to making a decision; I'll be there on the side of conservatism.

(151) [Mr. van Tongeren responded by mentioning the commitment to the 1993 deadline and issues related to it; implementation, with special reference to flexibility and training; and some of the technical issues raised by Japan. Mr. Seltzer responded by discussing the acceptability of the draft to the Commission in 1993, mechanisms to resolve issues, and resources.

(152) Several delegates raised further questions and made comments about the mechanisms for taking decision, especially the "referee," and about resources, especially for handbooks.

(153) The chairman summarized.]

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Basic Documents

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Arab National Accounts - Expert Group Meeting Tunis, 11-16 June 1990	Tunis
Economic Commission for Africa Intergovernmental Seminar on the Review of the SNA Addis Ababa, 16-25 July 1990	Addis
Economic and Social Commission for Asia and the Pacific Asian Seminar on the Revision of the SNA Bangkok, 15-24 August 1990	Bangkok
Economic and Social Commission for Asia and the Pacific Pacific Seminar on the Revision of the SNA Suva, 29 August - 7 September 1990	Suva
Statistical Commission and Economic Commission for Europe Conference of European Statisticians Working Party on National Accounts and Balances Geneva, 10-13 September 1990	Geneva
Economic Commission for Latin American and the Caribbean Regional Seminar on National Accounts Rio de Janeiro, 18-28 September 1990	Rio

The ceremonial and other comments for the above six meetings that seemed least pertinent to the revision have been deleted from the original document, but the original paragraph numbers have been retained.

Organisation for Economic Co-operation and Development National Accounts Experts Paris, 3-6 July 1990	OECD
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The entries for OECD's meeting are very summary, unofficial notes.

Statistical Commission 26th Session New York, 6 February 1991	STATCOM
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The summary is based on an unofficial transcript. Ceremonial comments have been deleted. The discussions of mechanisms, implementation, and general evaluations, such as of goals of the revision, were left in the document but not put into headings.

Letters received by the UNSO from Countries and Individuals	Letters
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The letters are only those received by UNSO. Letters in languages other than English were not put into headings; letters from persons expected to be at the April EGC meeting were not put into headings and were not included in this document.



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OECD

Financial instruments, including gold
gold

[The discussion centered on a UK presentation (elaborated in Geneva).]

OECD

Financial sector

*

[The discussion centered on the Netherlands' presentation (elaborated in Geneva) dealing with auxiliaries.]

OECD

Research and development

*

[The comments included a number that were critical of treating research and development as capital formation.]

OECD

Reinvested earnings
imputations

[The comments included a number that were critical of including reinvested earnings of foreign direct investors.]

OECD

Alternative income concepts

*

[The comments included a number that were critical of entrepreneurial income.]

OECD

Statistical units

*

[The discussion centered on the Netherlands' presentation "Establishing the Enterprise," similar to ideas presented in Geneva.]

OECD

Financial intermediaries

banks imputations

[Comments included a number that were concerned about the proposal for allocating "bank" service to uses.]

OECD

Market and non-market production

*

[Comments included a number that wanted the economic behaviour of the produced unit considered.]

OECD

Valuation of output, input and final demand

*

[Comments included several that favored output at basic prices and intermediate consumption at purchasers' prices.]

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OECD

Employment, production and income distribution

*

[The group agreed that the SNA needs definitions of population, employment and hours consistent with the value aggregates.]

OECD

Assets and changes in assets: coverage, classification, moment ...

*

[The discussion was based on the paper "What is an Asset."]

OECD

Environmental assets, including natural growth
classifications environmental-accounting satellite

[The discussion was based on a paper by the UNSO that was further developed for the December 1990 EGC meeting, a paper by the OECD, which proposed calculation of Environmentally Sustainable Income, defined as national income minus net reduction in reserves of natural resources minus net degradation of the environment, and a room document by the World Bank. The following were among the conclusions: environmental accounts should be developed as satellite accounts and it should be explained that satellite accounts are part of the system; depletion of natural resources used in the production process could perhaps be introduced into the central framework; classifications should be reviewed to identify transactions related to the environment.]

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Geneva

Text

*

(I..0.0.2) A large number of participants felt that some restructuring of the chapters might be beneficial, in order to make the relationship to the sequence of accounts more transparent. A proposal which received support was to begin with a general overview of the system and then follow with chapters on: institutional units, sectors and sub-sector flows of goods and services; production accounts for sectors; primary distribution of income; secondary distribution of income; use of income account; capital and financial account; balance sheets; production accounts for industries and input-output, price and volume measures.

(I..0.0.3) It was pointed out that the SNA serves different purposes - a reference manual for experienced national accountants; an introduction to those just starting to compile accounts according to SNA and an explanation to users. Many participants felt that for many of these uses the present draft could advantageously be supplemented by a presentation similar to that in the existing ESA.

(I..0.0.4) Participants welcomed the fact that the draft of the SNA explains the rationale behind the various treatments adopted, but recommended this should be accompanied by a bibliography of background and supporting references.

Geneva

Statistical units

*

(II.A.1.0.2) Several participants expressed considerable concern that legal form alone may not always be a suitable basis for defining units given the increasing tendency to adopt legal structures solely in response to administrative or fiscal regulations. It was noted that the concept of "ancillary corporations" has been introduced into a revised Chapter III to deal with this problem in a manner consistent with the introduction to ISIC. Similar issues need to be addressed in the definition of establishment in the relevant chapters of the revised SNA.

(II.A.1.0.3) Some participants questioned the usefulness of production accounts for institutional sectors while others reported that they already compile these and do find them useful. There was more agreement on the desirability of cross classifying value added by institutional sectors and industries.

Geneva

Alternative income concepts

*

(II.A.2.0.2) The group welcomed the introduction of additional income concepts and their elaboration in the accounting structure. However doubts were expressed about the concept of entrepreneurial income in the household sector since this entails splitting interest between that relating to the household's production and consumption activities.

Geneva

Market and non-market production

subsidies transition

(II.A.4.0.1) The majority of the group felt that for an institutional unit to be included in the corporate sector legal form alone is not sufficient but that the unit should be created for the purpose of generating a profit.

(II.A.4.0.2) When government makes payments to producers so that they will supply goods and services at reduced prices, most participants felt these payments should be treated as subsidies, with output valued at the prices actually paid. Other participants preferred that such government payments should be treated as government final consumption expenditure with output valued at total cost.

(II.A.4.0.3) This problem is particularly relevant for countries in transition, where subsidies are currently being rapidly reduced.

Geneva

Financial intermediaries

banks insurance

(II.A.5.0.3) There was no disagreement over the proposal for insurance service charge.

Some participants welcomed the proposals about the allocation of bank service charges among uses. But more had strong reservations arguing that the full range of problems had not yet been studied and resolved. It was not clear how payments by households would be split between their production and consumption activities; it was felt that the method of financing should not affect an industry's value added; the question of how to deflate the service charge to constant price was still unresolved; the treatment adds imputed income to lenders. The number and importance of the assumptions that would be necessary to implement the proposed treatment at present would cast doubt on the validity of the resulting estimates. A number of participants urged that the way of recording bank service charges in the present SNA should not be altered for the moment, until further supplementary analyses have been developed attempting to analyze bank activity.

Geneva

Employment, production and income distribution

*

(II.A.6.0.2) Participants welcomed the proposals to include a set of recommendations for population and employment aggregates consistent with the main aggregates of the system, putting greater stress on actual hours worked as a measure of labour input and hoped they would be accorded adequate importance in the Blue Book.

Geneva

Valuation of output, input and final demand

flexibility

(II.B.1.0.2) The group felt the SNA should give specific recommendations on valuation rather than a range of options. The interrelationships between different valuations need to be adequately explained.

(II.B.1.0.3) The group recommended that in the institutional sector accounts, output should be valued at basic prices and all uses of goods and

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services at purchasers' prices (net of deductible VAT-type taxes). In make and use and input-output tables, more flexibility was appropriate for valuing uses.

Geneva

Research and development

services classifications satellite

(II.C.1.1.2) In discussion one participant rejected outright the proposition that services would be treated as capital and therefore felt in principle no R & D should be so treated. Only one participant spoke wholly in favour of the recommendation that (almost) all R & D be treated as capital. Most participants had some sympathy with the idea that some R & D might eventually be treated as capital. However, serious reservations were expressed about whether R & D should be included since much R & D has a closer parallel with human capital rather than fixed capital. Practical problems were also recognized in the measurement of R & D and separation by type.

(II.C.1.1.3) In conclusion, most participants were not in favor of changing the SNA now to include R & D expenditure as capital formation. It was suggested that identification of R & D expenditure was important and for this and other purposes it was felt it would be useful if the work that had been started on classifying industries outlays by purpose (COIP) should be revived. Several participants expressed their intention to develop satellite accounts on R & D and felt this was the appropriate way to proceed at present, rather than changing the SNA.

Geneva

Mineral exploration

*

(II.C.1.2.2) In discussion, several participants said they felt that there was no need to preserve a parallel treatment for mineral exploration and R & D. There was considerable support for treating some mineral exploration costs as capital, though not necessarily all. The possibility of using commercial accounting guidelines on how much expenditure to treat as capital was also mentioned.

Geneva

Intellectual property

*

(II.C.1.3.2) Discussion on this item was limited. Participants were urged to write with further comments to the inter-secretariat group, care of the United Nations Statistical Office.

Geneva

Software

*

(II.C.1.4.1) The group agreed with the proposals to treat major software purchase and development as capital formation.

Geneva

Capital consumption on roads, dams, etc.

*

(II.C.2.0.2) One participant reported that such estimates are already made in his country, another participant expressed reservations. While recognizing that difficulties may arise in making the estimates, the group agreed with the proposal.

Geneva

Environmental assets, including natural growth
classifications environmental-accounting satellite

(II.C.3.0.3) The meeting recognized there is some lack of conceptual homogeneity in the 1968 SNA, which records growth of animals as production but not growth of crops or trees.

(II.C.3.0.4) As regards annual crop products, many participants saw difficulties in the proposal to value output as the sum of costs - in particular with regard to the labour input of self-employed farmers. Severe data problems were also noted.

(II.C.3.0.5) At the same time, several other participants strongly favoured recording natural growth of forests as output. It was suggested consideration should be given to showing natural growth as output - both for animals and crops - only when the normal growth period exceeds one year.

(II.C.3.0.6) The meeting expressed considerable interest in the development of environmental accounting. However, they felt unable to comment adequately on specific issues until work in this area (including a draft of the Handbook) has progressed further.

(II.C.3.0.7) Several countries reiterated their preference for environmental concerns to be dealt with in satellite accounts, not through changes of the main aggregates of SNA, at least at this stage. It was felt desirable, however, to amend the classifications to identify environmental expenditure and regroup activities to highlight those related to the environment.

Geneva

Financial sector

*

(II.D.1.0.2) Some participants argued that financial units which work exclusively for their parent companies should be classified to the same sector as the parent company. However, this case appears to be catered for by the creation in the draft SNA (and ISIC) of the concept of ancillary corporations. Given this clarification, the group accepted the inclusion of other financial auxiliaries in the financial corporate sector.

Geneva

Financial instruments, including gold
gold

(II.D.2.1.2) One participant argued strongly in favour of retaining the broader concept of financial gold to be found in the 1968 SNA, rather than recognizing gold as a financial asset only when held by monetary authorities (monetary gold) as in the balance of payments. A note from the IMF recognized the usefulness of the points raised and recommended this should be reconsidered at the next SNA expert meeting on the basis of IMF paper.

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(II.D.2.2.1) Doubts were raised about the absence of a recognized debtor for SDR's, about the classification of options as non-financial intangible assets and the adequacy of the notion of conditionality in defining contingent assets.

One participant suggested that direct investment should be brought into the main instrument classification.

Classification guidance should be given on how to treat capitalized income from mutual funds depending on whether this income comes from creation of new units or increased value of existing ones.

Geneva

Reinvested earnings

imputations

(II.E.1.0.2) Several participants were opposed to the proposed treatment for a variety of reasons, including unclear definition of direct investment enterprises and absence of necessary data. One participant felt it would be more useful to develop accounts for a sub-sector of foreign-controlled enterprises.

(II.E.1.0.3) Several other participants strongly endorsed the proposal in the draft SNA and, indeed, have already adopted this treatment in their own accounts.

(II.E.1.0.4) Both groups recommended that consideration should be given as to whether an analogous treatment should be extended to relationships between domestic sectors in the future.

Geneva

Chain indices

*

(II.F.1.0.3) Strong support was expressed for annual chaining of indices, others favoured chaining but not necessarily annual. Whether chaining is annual or five-yearly, discrepancies due to non-additivity arise and the SNA should indicate how to deal with this problem.

Geneva

Terms-of-trade measures

*

(II.F.2.0.2) Many participants called for SNA to recommend only one formula for deriving Real Gross Domestic Income. However, several different methods were advocated.

Geneva

Revaluation of changes in stocks, including work-in-progress

*

(II.F.3.0.2) The group welcomed the fact that the revised SNA makes explicit the conceptual treatment of change in stocks in the context of the general treatment of the revaluation of assets. This exposition is an advance over the previous SNA. Some participants felt, however, that more attention should be devoted to the non-inflationary case and to practical considerations, in particular that most source data related not to physical units but money values from company records.

Geneva

Inflation accounting
holding-gains

(II.F.4.0.1) The group endorsed the recommendations to separate nominal holding gains into neutral and real elements and to record nominal as opposed to real interest in the Distribution and Use of Income Accounts.

Geneva

Consumption expenditure, actual consumption and disposable income
classifications

(II.G.1.0.2) The group welcomed very warmly the introduction of the twin concepts of consumption expenditure and actual consumption. It was noted that changes would be needed to both the classification of household goods and services (CHGS) and COFOG to facilitate this.

Geneva

Accounts and tables
SAMs

(III..0.0.3) Some participants felt that the present draft did not adequately highlight the advantages to be gained from developing a social accounting matrix (SAM). A SAM allows different classifications to be used for different aspects of the accounts and could form the basis for broader based modelling than that associated with input-output analysis. At the same time, it was noted that a SAM should be seen as a particular manifestation of the SNA and not an alternative system.

Geneva

Circumstances

*

(IV..0.0.2) Countries present reported that they are advancing rapidly to calculate national accounts on an SNA basis. Most countries preferred to adopt directly the recommendations of the revised SNA. An obvious problem is the period of overlap between MPS and SNA and how to construct historical time series on a consistent basis. The easiest part to develop, because it is largely treated in the MPS, relates to the production account. Greater difficulty will be experienced with the income flows, financial assets and the financial sector generally.

(IV..0.0.3) Another major common problem flows from the enormously increased number of producer units from which data needs to be collected as a consequence of privatization and the dismemberment of the state enterprises. This brings with it problems of sampling and non-response previously not encountered. The quality and availability of the statistics depends on adoption of good, standardized company accounting methods.

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Addis

Circumstances

environmental-accounting valuation

(11) A 1986 ECA meeting had made a number of important proposals which were submitted to the Inter-Secretariat Working Group on the Review of the SNA. Some of these proposals have been or are in the process of being implemented, while several others which have a bearing on the special circumstances and needs of the developing economies, and statistically less developed systems, remain to be adopted or implemented.

(12) It was stressed that the Seminar needed to emphasize the relevance of the SNA to the requirements of socio-economic planning and projection, economic management and economic analysis, including issues of adjustment, poverty and the environment.

(19) Participants in particular had much interest in four topics: valuation of product flows and value added, the inclusion in the accounts of actual household consumption and adjusted disposable income, the entrepreneurial income accounts and the concept of entrepreneurial income, and application of the residency principle in the case of dams for the generations of electricity which were jointly owned and/or operated by different countries.

Addis

Statistical units

agriculture

(22) The meeting almost entirely focused on the implication of the establishment definition for what would be gross output of agriculture as dealt with in the FAO Handbook on Agricultural Accounts. Most participants felt that the general recommendation by the expert groups not to identify output produced in an establishment and used in the same establishment for intermediate consumption, would have to be amended in the case of agriculture. Two reasons were mentioned. From the data point of view it would be difficult to identify within output, products such as seeds, fodder, milk and so on, which are used in the same agricultural holding. Also it was felt that information would be lost if such intra-establishment deliveries in the case of agriculture would be consolidated out.

(23) The meeting therefore concluded that output in agriculture should be recorded gross, i.e. including production of seeds, fodder, milk and other product used as intermediate consumption in agriculture.

Addis

Alternative income concepts

*

(25) Much interest was expressed with regard to the concept of entrepreneurial income. Participants questioned the assumption that all property income received by households was assumed to be received in their capacity as households and not as owners of unincorporated enterprises. One participant noted that in his country households may receive large amounts of property income from owning and renting out large areas of land on which cattle is raised. Such revenues could not be considered as revenues received by the households in their capacity as households.

(27) Introduction of the three new income concepts in the sequence of accounts, i.e. primary income, entrepreneurial income and mixed income in the

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case of households. These income concepts were thought to be useful in spite of the data problems to compile or develop the estimates.

Addis

Production boundary services

(29) The participants focused on the distinction between goods and services as an essential element in defining the production boundary. Several participants thought that carrying of water was a service and not a good as was recommended by the expert groups and that even fruit gathering and hunting could be seen as services, as production was carried out not by man, but by nature...

(30) Participants agreed with the general principles concluded by the expert groups that all production of goods be included in the production boundary and production of services if they involved a transaction between two separate economic units. They confirmed that output of goods production includes the products of hunting, fruit gathering and carrying of water.

Addis

Quasi-corporations versus unincorporated enterprises small-scale informal

(32) The discussion of this topic was mainly restricted to how small scale production units that carried out financial operations (money lending) as well as other types of production would be classified.

(33) The meeting agreed that a quasi-corporate enterprise be distinguished from an unincorporated enterprise on the basis of the availability of a complete set of accounts, including information on withdrawals from entrepreneurial income. It noted that money lenders operating in the informal sector would be considered as unincorporated financial enterprises to be included in the household sector.

Addis

Market and non-market production banks

(35) The participants presented many examples of producing units in their country with features that should be taken into account determining the criteria for distinguishing between market and non-market producers and products. The main examples of enterprises that were presented, and on which further guidance was needed as to their classification, were the following:

(i) A public enterprise with large deficits; its wage bill and also parts of its other cost were directly paid by the government.

(ii) A public enterprise providing irrigation services to farmers. Are the payments by farmers treated as tax or as sales?

(iii) A cooperative enterprise with individuals participating in its capital, whose profits are entirely paid out to its share holders

(iv) A bank, following the Islamic law, does not charge any interest.

The main capital of the bank is foreign. The bank repays loans and deposits on the expiration date without interest payments. It uses the funds given to the bank to involve itself in commercial operations from which it obtains its revenues. Is it a bank or is it a trading corporation?

(v) The statistical Office in one country is a public corporation by

law. However, its only sales are publications and these sales do not cover by far the cost

(vi) A government agency purchases production of small farmers (e.g. coffee) and sells (in most cases exports) this production on a wholesale basis. Is this agency a quasi-corporation?

(36) In discussing the above examples, some further clarifications were obtained.... One of the participants expressed the view that the distinction between market and non-market producers should be based on the objective of the producing unit in question. If it is profit oriented it should be classified as a market producer.

(37) The revised SNA should contain clear criteria for making this distinction. No definite conclusions with regard to these criteria were reached during the meeting.

Addis

Financial intermediaries

banks insurance imputations

(40) After a brief discussion, participants agreed with the distribution of imputed bank service charges between sectors,... Participants, however, expressed the wish that more specific and practical guidelines be developed for selecting the appropriate reference interest rate that would be used as a key for the distribution of the bank service charges between sectors.

(40) They also agreed that the 1968 SNA imputed insurance service charges be amended to take into account property income on technical reserves.

Addis

Rent on government buildings

imputations

(42) It became clear from the discussion that in most countries, the operation of government buildings was managed by a specific department or ministry. This would mean that it would not be too difficult to identify the cost related to the operation of government buildings... In some instances this same ministry also was in charge of renting from or to others... Many participants had questions on the valuation and classification of the imputed output of government owned buildings. Some thought that it would be difficult to obtain realistic prices for valuing the imputed rents. Others thought that it would be difficult to have a complete record of all government owned buildings, particularly in the case of local governments.

(43) The participants had many questions on the implications of imputing rental services on government owned buildings. These imputations have implications for the valuation of imputed building services output, the incorporation of cost of capital in the calculation of output of government services, the classification of government services, etc. In view of this, participants felt that further thought needed to be given to the conceptual and data implications of such imputations, before a final decision could be made to change the 1968 SNA on this point. Most participants agreed, however, that if imputations were made for the rental services of government owned buildings, a separate establishment would have to be created.

Addis

Valuation of output, input and final demand flexibility

(45) Participants requested particularly clarifications on the relation between the proposed alternative valuations of gross output, the treatment of taxes linked to production and imports and the corresponding valuation of value added by kind of economic activity. Many questions of participants concerned the relation between their present experiences, which were often referred to as using valuations in market prices and factor cost, to the valuations that were proposed for use in the revised SNA.

(46) Most participants agreed with the flexibility in valuation of output thus incorporated in the system, given that many countries may have fiscal systems which may not necessarily allow for observing the ideal valuation of gross output in basic values. Other participants wondered whether the flexibility would not lead to reduced incomparability of data. (In response it was pointed out that total GDP would not be affected; whatever valuation would be used for output and value added, it would only affect the activity breakdown of GDP. On the other hand, international comparability of GDP by activities would be only optimal if basic values are used.)

(47) After considering the advantages and disadvantages of the valuation flexibility, participants finally agreed with the incorporation in the revised SNA of the three valuation alternatives for gross output and value added. It was however, emphasized that for purposes of international comparability, alternative (a) would be preferable. Participants also agreed with the valuation in purchasers' prices of intermediate and final uses in the institutional sector accounts and supply and use table.

Addis

Assets and changes in assets: coverage, classification, moment...

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(50) Discussion focused on the treatment of historical monuments, pre-investment or feasibility studies and on the coverage buildings in fixed assets.

(51) The meeting did not arrive at a particular conclusion regarding the classification, valuation and moment of recording of assets. However, experts in the SNA Review were urged to take into account the examples of assets and changes therein that were presented in the meeting.

Addis

Mineral exploration

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(54) After a brief discussion, the meeting agreed with the expert groups that expenditures on mineral exploration are treated as capital formation, no matter whether the exploration is successful or not.

(54) However, no final conclusions were reached with regard to the incorporation of mineral deposits in the asset boundary of the SNA as there were still too many questions to resolve on valuation of these assets.

Addis

Environmental assets, including natural growth

Agriculture environmental-accounting

(58) Participants asked about the treatment of severe losses due to draught between the growth and harvest... A question, however, remained, to what extent such changes were severe enough to be treated as other volume changes and when they would constitute part of the normal variation in output over the years and thus should be reflected in a negative adjustment to output.

(60) There was much sympathy with basing agricultural output on the growth of agricultural products rather than on their harvest. However, it was felt that more study was needed on how to value such output before a final decision could be taken.

(61) Participants therefore strongly urged experts in the SNA review to explore further the inclusion in the asset boundary of the SNA, of wild parks, beaches and natural monuments which are environmental assets that are important in the development of recreation and tourism. This further study was needed as most participants thought that these assets were clearly of a type that was in between on the one hand, natural cultivated assets which are to be treated as fixed assets, and on the other hand virgin forests and wild animals living in the jungle which are clearly assets outside the asset boundary of the SNA. Many felt that these assets could be considered as a part of the national wealth of the countries concerned.

Addis

Military durables

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(63) Most speakers seemed to prefer a wider definition of capital formation as regards military goods. A number of examples justifying such extension of capital formation, were mentioned, such as roads and bridges that were built by military but were actually used mainly for civilian purposes, and military aircraft that were used for civilian purposes. Others suggested that military expenditures would have to be treated as cost or negative income resulting in a reduction of GDP. Several participants mentioned the difficulty of obtaining reliable data with sufficient detail with regard to military expenditures, which would make it difficult to distinguish between such expenditures that are to be treated as intermediate consumption for the production of government defense services and those that are to be included in gross fixed capital formation.

(64) The meeting, however, agreed in the end that all military equipment and other assets such as schools and hospitals which are of a kind that could be acquired by civilian users for purposes of production and that the military would normally use in the same way, should be classified as capital formation.

Addis

Residence

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(67) A very interesting example of jointly owned and/operated facilities was presented. It concerned a jointly owned dam for the generation of electricity which was also operated jointly between three countries. The dam was constructed by an enterprise which was not a legal residence of either

one of the three countries, the dam was located in the territory of one of the countries, but its construction had involved workers and materials from all three countries as well as from third countries. Participants first discussed the residence of the company which had built the dam and the residence of the company subsequently operating the dam; and then analyzed the effect of such residence on the allocation of capital formation between the three countries and on the exports and imports of each country.

(69) The meeting agreed in general with the principal resident criterion based on the concept of center of economic interest, to be applied to individuals, enterprises and international organizations. However, further guidelines were requested with respect to the residence of students in the case of individuals and to enterprises jointly operated between countries.

Addis

Exports and imports of goods and services

Valuation

(72) More attention should be paid to links between the SNA and foreign trade statistics in addition to the links between SNA and BOP.

(73) The meeting suggested reconsideration the proposed inclusion of direct purchases abroad by residents and in the country by non-residents, in imports and exports respectively. Some thought that this change of the SNA could not easily be implemented as product detail was lacking in these direct purchases.

(73) It generally agreed that the change of ownership should be the primary guide for recording merchandise transactions and noted the proposed changes in SNA and BOP with regard to the gross treatment of goods for processing abroad and the treatment of repairs on investment goods, as goods.

(73) No conclusions, however, were reached on the change in the valuation of imports from a cif valuation in the 1968 of SNA to a fob value in line with the BOP treatment.

Addis

Reinvested earnings

imputations

(75) It was noted that the imputed flows could be easily identified in the accounts, as re-invested earnings would be presented as a separate item in the external account.

(76) After this clarification, the meeting endorsed the proposed introduction of reinvested earnings in principle.

Addis

Valuation of external transactions

Exchange terms-of-trade subsidies

(81) Most of the discussion focused on the revenues obtained as a result of considerable differences between the black market exchange rate and official rates of exchange. Several participants pointed out the distortions that occurred in the calculation of GDP when nearly all imports are obtained on the basis of the very high parallel market exchange rate and most exports are traded on the basis of a much lower official rate of exchange in terms of local currency. In the discussion it was pointed out that the difference between the two would have to be reflected in revenues by parallel market

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exchange rate dealers whose revenues were probably underestimated in the calculation of GDP.

(82) Another participant pointed out that countries GDP was not only affected by the large differences between official and parallel market exchange rates, but also by changes in the terms of trade, when import prices in terms of foreign currency were increasing faster than export prices in foreign currency. It was pointed out that those terms of trade effects would have to be reflected in GDP at constant prices in order to arrive at real Gross Domestic Income.

(83) Several participants saw difficulties in the application of a unitary rate. Others felt that instead of global adjustments in the external account, implicit taxes and subsidies affecting sectors of the economy differently would have to be made explicit.

(84) The meeting therefore did not arrive at a particular conclusion regarding the valuation of external transactions. In view of the importance of the difference between the official and parallel exchange rates in most countries of the region, the meeting urged further reconsideration of the treatment of the parallel market rate in the valuation of transactions and in the generation of income.

Addis

Chain indices

flexibility

(86) The question raised was whether fixed base Laspeyere volume indices would need to be replaced or supplemented by chain indices with moving weights which would change from year to year.

(90) The meeting concluded that there are advantages and disadvantages to any type of volume index, and that the revised SNA therefore should be flexible and include alternative index measures. Countries could then choose which one would best suit their particular analysis and circumstances.

Addis

Revaluation of changes in stocks, including work-in-progress

agriculture

(93) A question was raised with regard to price changes in agricultural products that are entering and leaving stocks. There may be seasonal price changes that fluctuate over time. It was suggested that they may not have to be reflected in the changes in stocks. There could also be different movements of prices between inputs and outputs of agriculture. Care should be taken not to eliminate those price changes from the calculation of value added in agriculture.

(94) The meeting agreed with the methods developed by the expert groups which would eliminate price changes of goods between the moment that those goods enter and leave stocks from value added. Participants supported the proposals that those price be reflected in changes in stocks in addition to the volume changes in those stocks.

Addis

Households: sub-sectoring

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(97) Many participants thought that classifications other than those based on source of income would have to be used as the basis for a further breakdown of the households within the household sector. They argued that the reference person and several members of the households might have different sources of income. A civil servant (employee) may be at the same time an employer running his own business, while a recipient of property income may be at the same time a wage earner. An example of an alternative classification that was used in one of the countries was to distinguish between civil servants, traders and crafts men, and in another example, international experts and embassy personnel was included in a separate category.

(98) Participants therefore concluded that countries may adopt extra breakdowns of households that would suit their national analytical and policy needs, but that at the same time these breakdowns would have to be consistent with classification principles applied elsewhere in the system.

Addis

Formal and informal

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(100) There were suggestions as to how to define the informal sector. Some participants thought that this sector could be defined in a negative manner, by excluding from the total of all production units, those that were clearly belonging to the formal sector, i.e. non-financial and financial corporations and possibly some others. Others suggested to equate the informal sector with the total of all private unincorporated enterprises that are included in the household sector. In response it was pointed out that even within the private unincorporated sector there might be units that are small but clearly not belonging to the informal sector. Other participants pointed out that a much more difficult problem was to obtain data on the informal sector and implicit in these suggestions was the assumption that the informal sector would be confined to those units for which it would be difficult to obtain data. A last group suggested that the informal sector be defined on the basis of technology used, staffing, etc.

(101) In response to the above, it was suggested that the distinction between formal and informal may not be applied to all accounts and transactions -- that would be very difficult from the data point of view -- but only to a selected set of data such as mixed income.

(102) In concluding, participants urged that experts develop an internationally acceptable definition of the informal sector, because the distinction is a very important one for the African region and in general for all developing countries.

Addis

Non-profit institutions, including community activities

Valuation ownership-control imputations

(104) A number of participants commented on the proposed incorporation of non-profit institutions serving households as a sub-sector of the household sector. Particularly, participants from francophone countries found this solution difficult to accept, as non-profit organizations in their countries ("administrations privees") often carried out functions that were close to

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those of government and were not directly serving households.

(105) From the discussion it became clear that churches and religious organizations would be considered as non-profit institutions, even though the government provided most of the finance. The same would apply to political parties as long as they did not constitute the main element of the government.

(106) Several participants commented on the valuation of free labor that was used in the construction of roads, buildings and so on. In one country such activity was even organized officially and local law required from citizens that they contribute voluntary labor at least one day a week, or make otherwise monetary contributions to such communal construction activities. Most participants suggested that a cost would be imputed for the use of the voluntary labor.

(107) Some questions were also raised on the allocation of the capital goods to the sector which would be responsible for its upkeep. In general it was felt that such capital goods would be included with capital formation of the sector that was also responsible for the construction of the schools, roads and other buildings.

(108) The meeting therefore urged the expert groups to come up with clear guidelines for the valuation of voluntary labor used in construction of public assets. It furthermore asked the expert group to reconsider carefully the criteria of finance and control that were used to allocate the non-profit institutions to the government sector.

Addis

Consumption expenditure, actual consumption and disposable income
subsidies

(112) Participants generally agreed with the incorporation in the system of the two consumption concepts. The meeting concluded that in dealing with expenditures by government that reduce the price of goods included in household consumption, it would be preferable to identify those expenditures as transfers to households rather than as subsidies to producers.

Addis

Public enterprises, etc.
ownership-control

(118) Based on the various examples presented in the meeting of institutions that were financed for more than 50% by government controlled funds, but could not be considered as being either public corporations or part of general government (churches, political parties, some "public" enterprises controlled by foreign or private interests), participants urged reconsideration of the control and finance criteria used to separate public corporations and non-profit institutions from general government (see also para. ...)

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Rio

Valuation of output, input and final demand

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3. Where basic prices were used, [the reconciliation between] the values of taxes on products to be deducted from producer-price values and the corresponding taxes collected by the Government is difficult to achieve, particularly for value added tax (VAT), in situations where tax and deduction regimes existed. In practice, net VAT recording was used in preparing national accounts and that tax was not a cost for the production unit.

4. Participants in favour of the gross VAT treatment remarked that, in their countries, VAT existed alongside other taxes on products and that, in some of those countries, VAT had gradually replaced several other types of taxes on products. As a result the proposal not to include VAT in the producers' price would generate non-comparable data over time. By not including VAT-type taxes in the producers' price of output, the greater part of the taxes would be eliminated from the production value. Many taxes could be legally deducted and therefore considered VAT-type taxes. If the VAT category was expanded by including all VAT-type taxes, the result could be a producers' price unstable over time, because the legal possibilities of deduction varied for the different types of tax on products.

5. Conclusion: There was no agreement in the region on the gross or net VAT treatment of valuation. Agreement was reached on the use of mixed prices, although the use of producers' prices was also favoured.

Rio

Statistical units

business-accounting

6. ...and more clearly expressed: establishments and institutional units. Reference was made to the difficulty that might arise in linking, by kind of activity and by institutional sectors, the production accounts recommended by the expert groups. It seemed difficult to reconcile the information on production and intermediate consumption because the enterprises' information was consolidated and the establishments' information included product flows between establishments of the same enterprise. It was also difficult to reconcile value-added data and to classify them by establishment activities and institutional sectors because of the problems that arose in relating the establishments' basic information to their parent company. Emphasis was laid on the need to continue using the SNA approach based on the method of production by establishment, because the establishment was the base of all basic information by economic activity.

7. Some members favoured the institutional classification approach of the revised SNA because that approach showed properly how the institutionally organized economy worked. It was mentioned that reconciliation did not present serious problems because there was no need for reconciliation at the individual unit level but at the institutional sectors level. Reconciliation might be possible at the units level for some groups of enterprises, but only for base years. There were no difficulties for some sectors, such as financial corporations or public enterprises, and that depended on the use made of statistical sources. It was remarked that, by applying the institutional approach, new sources of information, not previously used in preparing national accounts, would be incorporated.

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8. Conclusion: It was agreed to incorporate a complete set of accounts by institutional sector in the revised SNA although, for the purpose of calculating the domestic product, preference should continue to be given to the establishment unit. As a consequence, the value of production and intermediate consumption in institutional accounts should be recorded in gross terms. The importance of accounts by institutional sector was mentioned; in the case of practical problems, accounting should be carried out progressively on the basis of accounting data. The items in the rest of the private sector would be set by differential.

Rio

Production boundary

services agriculture informal

10. It was doubtful whether the distinction between goods and services was sufficiently developed for that highly important boundary of the system to be defined. Criteria were necessary to justify clearly the classification of activities, such as the supplying of water or the storage of goods for own use, within or outside the production boundaries. Moreover, in the case of water, a distinction would have to be made between the production of water, which constituted a good, and its conveyance by boat, truck and the like, which constituted a service.

11. Some participants remarked that the production boundary did not have to include own-produced inputs. The need to distinguish between the definition of production boundary and its measurement was made clear. The revised SNA proposed that the part of production which was used within the establishment itself should not be measured, and it was made clear that a special problem existed in the case of agriculture where the concept "national farm" was used, for that required the inclusion of production for the sector as a whole in net terms.

12. Conclusion: In principle, agreement was reached on the recommendation, but attention was drawn to the need to define the scope of the illegal activities of the underground and informal economy. It was also stated that the measurement of goods production would not include own-produced inputs and that, in the case of services production, services for own-use which were related to capital formation, such as repairs, would be included. The majority rejected the suggestion that part of the housewife's work should be included. It was made clear that storage in the agricultural sector by the same production units was part of that establishment's production.

Rio

Market and non-market production

classifications subsidies

14. Examples of public enterprises not covering 50 per cent of their costs were mentioned: railways, mining enterprises, electricity generating plants and development banks not covering their costs with the interest they received. It was suggested that, for the purpose of identifying market units, the rigid criterion of covering 50 per cent of their costs should not be emphasized and that priority should be given to the objective or function of the production unit. Other participants suggested that non-market units, such as community and social services, should be identified only in terms of the specific activities in the International Standard Industrial Classification of All Economic Activities (ISIC). It was also stated that the 50 per cent

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criterion did not clearly distinguish between the various external influences, which could create deficits in production units.

15. Several participants suggested that the use of subsidies should be maintained so as to deal with the differences between costs and prices, because treatment of those differences as government consumption expenditures was not advisable in that it would eliminate almost all GDP subsidies.

16. Conclusion: The participants considered that the 50 per cent criterion suggested for establishing the division between market and non-market production was inadequate and very rigid and that deeper study of the topic was necessary.

Rio

Alternative income concepts

informal

18. One participant pointed out that the operating surplus concept was sufficiently identified in a separate sector - households - without needing to be renamed. Another participant remarked that the new concept would serve as a point of departure for distinguishing between incomes generated in the formal and informal sectors. Another participant, who had supported the new concept, suggested that another term should be used to identify it.

19. Conclusion: There was agreement on the primary income and entrepreneurial income concepts. So far as the new concept of mixed income was concerned, most of the participants said that that would be neither useful nor meaningful because, by definition, in all unincorporated units the surplus always included the work done by the owner. Although the term "mixed income" was not the most appropriate, some countries maintained that the concept was necessary for analysing, at the aggregate level, the measured part of the informal sector.

Rio

Assets and changes in assets: coverage, classification, moment...

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22. As for the recommendation to include residential and non-residential buildings in fixed capital formation only at the moment when they had a buyer, reference was made to the case of the treatment given when the Government was the agent that initiated the construction of dwellings before allocating them to tenants; the problems involved in identifying the moment of transfer of the goods to users; the treatment where prepayments were made which did not necessarily coincide with the progress of the work; the treatment of "time sharing" in apartment purchases. Questions were also raised on the rules for recording the operating surplus of construction works: whether it should be recorded while work was in progress or when it had been completed.

Rio

Research and development

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24. In the discussion on the coverage of costs with respect to intangible assets, the question was asked whether the costs of publications for disseminating the results of research and development activities and the costs involved in training employees in the use of new technologies were included. The reply was that, although the expert groups had not discussed

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those aspects in depth, caution must be exercised in incorporating costs related to human capital in intangible capital. Other questions were raised on the coverage of government expenditures on research and development generating intangible assets, and on the economic activity to which the production of the intangible asset pertained in the case of mineral exploration.

[see also para. 27]

Rio

Software

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25. In reply to the question ... [about] expenditures on the maintenance of computer programmes one would be treated as fixed assets, it was stated that the same distinction was made between current and capital maintenance, whereby current maintenance was intermediate consumption and capital maintenance was fixed capital formation... It was explained that the coverage of property income should be revised in relation to the treatment of income generated by intangible assets. In that case, the payments were clearly different from land rent payments.

[see also para. 27]

Rio

Mineral exploration

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27. Conclusion: Agreement was reached on the proposal in general and, in particular, on the inclusion of intangible assets in capital formation. So far as those intangible assets were concerned, the study would be continued in order to determine more precisely, in the various constituent categories, the scope and treatment of the income they generated, as well as aspects of their depreciation.

Rio

Environmental assets, including natural growth

environmental-accounting satellite

31. Conclusion: Agreement was reached on the treatment of natural growth, but no specific position was taken on the valuation of standing crops. The participants agreed that environmental accounting should be developed as a satellite system of the revised SNA, although they had some misgivings about the data required for implementing such a system over the short term.

Rio

Financial intermediaries

banks insurance imputations holding-gains

33. On the subject of bank imputations, questions were raised concerning the treatment for exchange-rate fluctuations affecting the interest received and paid by banks and for taking into account offsettings for capital losses which were reflected in high interest rates. An exact definition of the interest rate of reference was requested and alternative suggestions were made for distributing bank imputation by sectors based on the loans and deposits which those sectors had with the banks.

34. Conclusion: In principle, agreement was reached on the valuation of services related to the imputed charges of financial intermediation

services and to the insurance service charges. Note was taken of the progress made in the study for defining more precisely the criteria on the allocation of banking services by different uses.

Rio

Financial sector

banks

35. The role and corresponding treatment of central banks were discussed because, in many countries, they engaged in dealings which went beyond regular central bank practice and they had therefore to be differentiated from other banks. When reserves of the central bank were deposited abroad, there were difficulties in the way of assessing the bank's production because of exchange-rate fluctuations and also because many external debt payments were channelled through the central bank. Finally, mention was made of the problem of assigning the production of central banks to specific sectors because they actually served the whole country.

36. Conclusion: Clarification of the financial intermediaries concept was requested, as was a more precise definition of the treatment of central banks, bearing in mind the special role which they fulfilled in the region, the placement of their reserves abroad and the special government investment funds.

Rio

Financial instruments, including gold

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38. Questions were asked about the compatibility of the moment of recording zero coupon bonds between SNA (on an accrual basis) and the balance of payments (on a cash basis). One participant suggested that two subcategories should be differentiated in the category of shares and other equities at the second level of financial asset classification. It was also suggested that the classification of financial instruments should be expanded so that specific financial instruments, such as bank acceptances, repurchase agreements and zero coupon bonds, could be clearly identified.

40. Conclusion: Agreement was reached on the proposal to classify financial instruments, and it was made clear that the treatment of interest on zero coupon bonds was consistent with the new general criterion to record interest on an accrual basis.

Rio

Residence

banks

42. The expert groups had discussed the treatment of the residence of banks and non-financial enterprises established in countries with extraterritorial status. Special mention was made of "off-shore" banks, oil-company branches and non-financial enterprises whose operations and finances were outside the control of the Government of the country in which they were situated. According to some participants, the recommendation to incorporate them as residents of such countries created insuperable problems with regard to obtaining information and, in addition, it would increase the GDP of those countries to an unrealistic level.

43. Conclusion: Agreement was reached on the treatment of the residence concept and on transactions related to the external sector; emphasis was laid on the special status of "off-shore" banks and free zones and on the treatment proposed in the case of reinvestment of profits from direct investments.

Rio

Reinvested earnings
imputations

45. The incorporation, within the appropriation of the primary income account, of reinvested earnings on foreign direct investment, as well as of private unincorporated units included in the household sector, which could have direct investment shares in non-resident enterprises, was questioned: it was stated that the inclusion of imputations for reinvested earnings from direct investments would change the country's savings concept in an unacceptable form. It was also remarked that savings resulting from such imputation was the correct savings concept.

Rio

Write-off of bad debts, etc.
valuation

46. The problem of whether the external debt was valued at the moment of write-off at nominal value or at a lower value was raised. Reference was also made to the problem of valuation of bonds issued by the Government to non-residents and residents at values below the nominal value of the external debt as financing such debt.

47. Conclusion: The participants requested that account should be taken of the recommendations on the treatment and valuation of capitalization of the external debt.

Rio

Valuation of external transactions
exchange banks subsidies

48. There were several questions and comments concerning aspects of the multiple exchange-rate treatment, which have not been responded to so far. Reference was made to the problem of valuing external transactions which were made exclusively in foreign-currency prices. The problem of how to treat income from private banks obtained through exchange differentials resulting from official multiple exchange rates was raised. Questions were also asked about ways of reconciling the income, based on official multiple exchange rates, from transactions carried out in the external sector, with the income received by the central bank or Government.

49. With regard to the recommendation to make global adjustments in the external sector accounts for official exchange-rate differentials, questions were raised about how such differentials would be treated when measurements at constant prices were used and in the calculation of the terms of trade. In principle, agreement was reached on the treatment of exchange-rate differentials as taxes (on products, income or capital), even though such income was received by the central bank. It was noted that those exchange-rate differentials received by the central bank on the basis of an official multiple exchange-rate system had replaced the taxes/subsidies on products which had been taxed in previous periods.

50. There was no agreement on ways of dealing with the parallel market vis-a-vis the official exchange market. As the parallel market had to be completely separate from the official market, it must be treated in a different way without making global adjustments in the external accounts. Other participants viewed the parallel market as an extension of the official exchange market and were of the opinion that interrelated treatment of transactions in the two types of market was therefore necessary. Enterprises and individuals in a given country could, within the limits of the law, choose to purchase or sell their currencies on the official market or in private banks. Examples of some not very obvious aspects of multiple exchange rates were given. In one country, for example, the external debt of an enterprise had been index-linked basically at a rate lower than the rate of inflation.

51. Conclusion: The topic of multiple exchange rates for the standard valuation of external transactions as an adjustment to the overall level of the nation's consolidated accounts was considered important, although it was considered convenient to complete the guidelines for its practical implementation, including the treatment of the parallel market.

Rio

Price and volume measures
services

53. The participants discussed the distinction between identical goods sold at different prices, which should be considered as different goods sold at different prices so as to reflect different quality, and goods that should be treated as identical goods in the strict sense, for which weighted prices should be used. Examples mentioned included electric power, telephone rates and petroleum products, which are usually sold in separate markets. The view was expressed that if these goods were sold in separate markets and hence were not transferrable from one market to another, they should be treated as different goods. That applied specifically to services, the importance of which had increased substantially in recent years.

55. Conclusion: There was agreement with regard to the treatment of constant price estimates, as outlined in the discussion paper. With regard to the treatment of identical goods for different categories of consumers, participants favoured an approach which considered them as different goods.

Rio

Terms-of-trade measures

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57. Conclusion: With respect to the item on the terms of trade, the seminar took note of the recommendation on the importance of estimates of real national income, in spite of the fact that it was not possible to propose single indices for deflating the different components or standard indices that could be applied to all countries.

Rio

Revaluation of changes in stocks, including work-in-progress

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60. Conclusion: There was agreement with the general treatment proposed, whereby income resulting from capital gains or losses would be separated from the value of changes in stocks. For practical purposes, a proposal was made to adjust the suggested calculation in order to approximate

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more closely the ideal estimate that was sought. In addition, a request was made for clarification of the treatment of storage costs in determining producers' prices.

Rio

Inflation accounting

inflation-accounting holding-gains

63. It was suggested that the revaluation account should be calculated residually, so that capital gains would approximate gains obtained during the year. It was pointed out, in reply, that in periods of high inflation, such an approximation could be very different from the calculation of the proposed revaluation, since it did not include changes in the price of assets appearing or disappearing during the period.

64. Conclusion: With regard to the proposal regarding the treatment of nominal, neutral and real gains, attention was drawn to the inconsistency in reflecting capital gains or losses between opening and closing balance sheets and not doing likewise for gains realized during the accounting period.

66. In the discussion of real national disposable income, participants stated that real net factor income from abroad should include real rather than nominal interest on the external debt, reflecting adjustments for the revaluation of the external debt in local currency. One participant stated that real interest should be deflated. The participants who supported the inclusion of real interest in the primary distribution of income account indicated that in periods of high inflation the distribution of disposable income was distorted: the disposable income of debtors was low, while that of creditors was high. The result was a concept of saving of enterprises that was not very meaningful and that distorted the relationship between the consumption of households and households' disposable income.

67. ... With respect to the treatment of indexed-linked securities, some participants indicated that there were discrepancies between the expert groups' recommendations concerning indexed-linked securities and other indexed securities which adjusted the redemption price. The expert groups had suggested that all interest paid should be treated as nominal interest, including the indexed portion, whereas in the case of the latter it recommended that only interest should be treated as nominal interest and that the additional amount paid upon redemption should be treated as a capital revaluation.

68. Conclusion: The majority of participants emphasized the necessity of recording real interest in the primary distribution income account since that was useful for economic analysis. Nominal interest should be shown together with the items of adjustments which are made owing to gains or losses resulting from inflation. The remaining participants stressed that the issue deserved more detailed study, given its importance, complexity and similarity with other transactions. Consequently, the countries which supported the inclusion of real interest favoured equal treatment in this case.

Rio

Formal and informal

informal

69. Most participants agreed that the distinction between formal and informal activities was important for analysis in the region. However, there was concern over the definition of informal activities, which might result in

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a very large sector that was not very meaningful for analysis. Mention was made of informal activities that were extensions of the production activities of large enterprises clearly belonging to the formal sector, such as the activities of peddlers who sold the goods of such companies but were not their employees. One participant suggested that, as a starting point, the notion of mixed household income should be taken as an approximation of the contribution made by the informal sector to GDP so as to avoid the erroneous conclusion that the role played by labour in production had declined in comparison with that of capital; in fact, as a consequence of the increase of the mixed income of the informal sector, there was a decrease of participation of labour. Other participants did not, however, agree, because that position implicitly assumed that the distinction between formal and informal was the same as the distinction between corporations and quasi-corporations on the one hand and unincorporated enterprises on the other.

Rio

Households: sub-sectoring

informal environmental-accounting satellite

70. Participants commented on the criteria used to distinguish between non-profit institutions included in the household sector and those which were part of the Government. The view was expressed that the criteria of financing and sector served should be given equal weight in deciding how to classify such institutions. It was stated that the informal sector could be dealt with in satellite accounts which would be as important for the region as the satellite accounts for the environment.

72. Conclusion: ... Participants agreed with the inclusion of private non-profit institutions (PNPIS) with households in a single sector, or to the proposed classification for the household sub-sector. With respect to the distinction between formal and informal activities, participants recognized the difficulties involved in drawing an appropriate boundary between them and in applying the distinction systematically in practice to all household sub-sectors. Notwithstanding the foregoing, the participants stressed the importance of continuing the studies needed for effective application of the distinction.

Rio

Non-profit institutions, including community activities

imputations

71. Clarification was requested concerning the treatment of volunteer work for the maintenance of public streets: whether the value of the labour should be imputed and the output of such activity treated as a transfer in kind between households and the Government.

Rio

Consumption expenditure, actual consumption and disposable income

*

75. ... Some participants asked whether any collective final consumption expenditures were included in the final consumption of PNPIs serving only households.

77. ... Mention was also made of the case of expenditures which some mining companies were required by law to make for the provision of hospital services and schools for the entire community. Although the expert groups had

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not considered that kind of expenditure, it could, owing to its legal character, be treated as taxes and not as transfers to households.

79. Conclusion: The seminar agreed to the inclusion in the system of the new concepts of actual final consumption and adjusted disposable income, in view of their importance for analysis, and it agreed not to introduce a new category of final consumption expenditures of enterprises.

Rio

Rent on government buildings

imputations

80. ... In general, there was no support for the inclusion of imputed rent for government buildings. One reason mentioned was that an imputation of that kind would result in a disproportionate increase in the contribution of the government sector to the GDP. Another was the problem of obtaining information. While not supporting the proposal, one participant was of the view that such treatment was justified when several property transfers between the private and government sectors took place.

82 (part). Conclusion: The participants did not support the inclusion of an imputation for the net operating surplus in respect of buildings used by the Government for its own purposes, primarily on practical grounds.

Rio

Capital consumption on roads, dams, etc.

*

81. With regard to the deterioration of roads as a result of inadequate current expenditures on maintenance, it was stated that, while maintenance expenditure was exclusively current, it affected the pace of obsolescence and there was therefore justification for the introduction of a calculation for the consumption of fixed capital.

82 (part). Conclusion: There was, however, agreement to calculate the consumption of fixed capital on roads and other public infrastructure.

Rio

Public enterprises, etc.

ownership-control

84. It was suggested that the criterion of 50 per cent ownership should not be rigidly applied. Rather, account should be taken in many cases of the criterion of control through the appointment of directors or the number of votes controlled. Other participants expressed doubts about the identification of public corporations and quasi-corporations solely on the basis of the existence of separate accounts. Comments were also made on enterprises whose goods were sold primarily to the Government at cost prices bearing no relationship to market prices.

85. Conclusion: No objection was raised to the criterion of corporations and unincorporated enterprises or to the distinction between public and private enterprises.

Rio

Classification of taxes, transfers, etc.

*

88. Conclusion: The participants raised no objections to the aspects of classification and coverage of taxes or to the changes in the relevant terminology in the revised SNA.

Rio

Accounts and tables

subsidies inflation-accounting satellite

89. The proposed accounting framework was explained in detail and commented upon during the first three days of the seminar. During the discussion, one participant stated that the supply and demand [sic] table should be constructed on the basis of producers' and purchasers' prices. On the basis of those alternative valuations it would be possible to construct a matrix of trade and transport margins.

90. In discussing the links between the classification of the production accounts according to activity and institutional sector, it was suggested that illustrative data should be included in the tables in order to provide a better understanding of the relationship between the two kinds of classification.

92. Various suggestions and observations were made concerning the integrated economic accounts for the nation: (1) separate columns should be included for taxes on products not included in value added (in order to avoid the confusion which existed as a result of the inclusion of those taxes only in the national economy column; (2) the category of net taxes on products should be separated into taxes and subsidies on products; (3) a clearer method should be devised for recording consumption of fixed capital; (4) additional columns should be included in the balance of payments (in order to make it possible to present the external sector alternately from the point of view of both the national economy and of the rest of the world).

95. Clarification was requested concerning the treatment and classification of the destruction of assets by insurable risks, which was not identified separately in the classification of capital transactions or in the categories of the "other changes in the volume of assets" account.

96. Although the system included a revaluation account, that account was placed at the end of the real accounts. That constituted a problem for high-inflation economies. There was a need to develop combined analysis of the real process and the inflationary aspect.

97. ... It was pointed out that [the supply and use] table could be called an input-output table. That view did not gain acceptance, since an input-output table had very different features in terms of the categories of classification and valuation of flows of goods.

98. One participant advocated including a matrix in the system along the lines of table 2.1 of the 1968 SNA. Another suggested that the revised SNA should provide a more coherent elaboration of codes for transactions, transactors and accounts than that given in the 1968 SNA. Support was expressed for the inclusion of satellite accounts and other applications of the system since they provided a clearer picture of the relationship between the system and other kinds of analyses.

99. Conclusion: ... Participants considered that the presentation of the accounting structure was useful for specialists in national accounts in

explaining and understanding the full integrated system, but they felt it advisable to codify transactions in order to facilitate exchanges involving computer programmes and present a simplified handbook and accounting structure for users.

Rio

Text

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101. Comments were made on the need to ensure compatibility between SNA and the IMF system of government finance statistics as regards the consolidation rules of the government sector.

102. Conclusion: The participants took note of the general principles to be included in the chapter on accounting rules, which was in the final drafting stages.

Rio

Circumstances

quarterly regional inflation-accounting

104. Conclusion: With regard to the proposed revision of the SNA, there was a general consensus to stress the progress made in the conceptual framework, highlighting, among other outstanding general aspects, the integration of flows in the balances, the presentation of integrated accounts by institutional sectors, the introduction of accounting adjustments for the analysis of inflation and the harmonization achieved with other statistical systems.

105. It was pointed out that in countries experiencing high inflation, there was a need to compile national accounts more frequently than on a quarterly basis. Regional accounts were also very important for the countries of the region. The Statistical Office of the United Nations Secretariat and other international bodies must assist the countries of the region in compiling quarterly and regional accounts.

106. Reference was made to the necessity of bringing pressure to bear on national statistical authorities to produce the kind of statistics needed for the development of the new system, as had been done by one country which had introduced changes in its economic census in 1985 so as to include information on institutional types of units. It was recommended that a handbook be prepared establishing priorities for statistical information systems.

107. Several participants referred to the substantial theoretical and conceptual progress which the new system of national accounts represented, although they believed the new system would be difficult to apply. It was argued that, for analytical reasons, there was a great need for users and those responsible for compiling national accounts in the countries of the region to alter their views concerning the role of national accounts and to make an effort to replace the traditional approach, which emphasized production accounts, with a much broader implementation of the system. Several participants said that they had no objections to the integrated approach of the new system, but emphasized the need for technical, financial and training assistance for the practical implementation of the fourth revision of SNA.

109. Conclusion: In the concluding discussion of the seminar, serious concern was expressed about the real possibility of applying the new system in

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the short and medium term. The most important factors, which had also affected the implementation of the existing version, included (a) the difficulties which were still being encountered in the area of basic statistics; (b) the constant turnover of technical personnel, which required continuing efforts in the area of staff training and adversely affected specialization by staff; (c) the growing need to concentrate efforts on short-term analysis - instead of maintaining, improving or expanding the system itself - and, at the same time, the difficulty in implementing instruments for such analysis, a difficulty aggravated by the inflationary process taking place in most countries of the region. Lastly, it was emphasized that the region would have increased needs for technical co-operation and training in the area of national accounts and basic statistics. The international organizations attending the seminar were called upon to give consideration to those needs in their programmes of activity and budgets.

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Bangkok

Statistical units

Classifications small-scale agriculture

(11) Many participants commented on the data problems involved in linking value added classified by economic activity of establishments and value added classified by institutional sectors. They emphasized that there would be a continuing need for activity breakdowns of value added.

(13) One participant noted that one of the difficulties of establishing the link between the activity breakdown of production accounts by establishment and income and outlay and financial data by institutional sectors was that establishment data were based on international guidelines on industrial statistics that did not include any recommendations as to the institutional dimension of the establishments. ... It was difficult for the national accounts compiler to convince [other] agencies to change their compilation specifications to the requirements of the national accounts. She urged therefore that the United Nations Statistical Office should revise those guidelines in accordance with the revised orientation of the SNA.

(14) Several participants were concerned that it might not be feasible to obtain information for each establishment that would permit reclassification of those data by institutional sectors. One participant pointed out that it might even be difficult to distinguish between establishments in the public and private sectors. There would be in particular much resistance from survey statisticians to incorporating additional information in the survey questionnaires that would permit such a link to be made.

(16) One participant noted that it would be most difficult to identify separate establishments of a homogeneous nature in the group of small-scale producers that would generally be included with the household sector. Many of those producers would be involved in several types of activities...

(17) A revised version of the Handbook on Agricultural Accounts is being prepared by FAO in co-operation with ECE. Efforts were being made to reconcile the guidelines of the agricultural accounts with those of the revised SNA. Some further work was needed on reconciling the definitions of establishments and output regarding agricultural holdings.

(18) Conclusion: The participants recognized the value of adopting the institutional unit as the basic unit for compiling the complete set of accounts. At the same time they saw the need for the continuation of the use of establishments for measurement of output, intermediate consumption and value added by industry. Linking the information on establishments and institutional units would contribute to the analytical value of the accounts. In support of that, it was recommended that the United Nations guidelines for collection of industrial statistics be correspondingly revised.

Bangkok

Alternative income concepts

pensions subsidies

(20) There were some questions on the coverage of compensation of employees. One question was whether implicit subsidies on low- or zero-interest housing loans to employees should be included in compensation of employees.

(21) Another participant thought that similarly if low cost housing was provided as a result of rent controls, final consumption should reflect the

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market rent and not the low subsidized rent. Income of households should be adjusted accordingly.

(23) One participant thought that interest payments on public external debt should not be included in the primary distribution of income accounts and thus should not affect primary and national income. They should be considered as transfers in the secondary distribution of income account and thus affect disposable income. The reason mentioned was that interest was not taken into account in the valuation of government services.

(25) Conclusion: There was general acceptance of the concepts of primary income, entrepreneurial income and mixed income, which were particularly relevant for use in developing countries. Further clarification, however, was needed on the treatment of some transactions such as interest on public debt, consumer debt, unfunded welfare and pension fund transactions, and housing benefits such as subsidized rents.

Bangkok

Production boundary services

(27) Many participants felt uneasy about the extension of the production boundary to all goods, whether for sale to the market or for own use. Some preferred the 1968 SNA restriction that goods production be included only if it were based on primary products as intermediate inputs. They also thought that the distinction made by the expert groups to include all goods, and services only if marketed, was based too rigidly on the distinction between goods and services, which still needed further specification.

(28) In that context, there was much discussion about the inclusion of water carrying in the production boundary of the system. Some thought that that activity, and perhaps others, would not have to be included as they concerned activities necessary for survival which if included would unduly increase the value of GDP and give the impression that the country was better off than it really was. There was also a political dimension: national accountants might be accused of picturing the economic situation in the country as better than perceived by others and that might not be acceptable politically. Also, data on those activities would be difficult to obtain. Others pointed out that GDP was a production measure, which should not be confused with the measurement of welfare. It was also pointed out that water carrying was similar to the distribution of water in developed countries and therefore needed to be included for purposes of international comparability of GDP data.

(29) Others felt that one should refer not to goods but to services, because water was a free good and the most important aspect of the activity was the carrying of water, which was a service activity. In response it was pointed out that the purpose of including water carrying was to assess net product generated and not to imply any measurement of well being.

(30) Several participants also felt that inclusion of activities such as water carrying would unnecessarily increase the coverage of employment, which would give a misleading measure of labour force and unemployment in the country. Others, however, thought that employment would not necessarily have to be increased if those activities were to be included in the production boundary, as there were many activities in the SNA which did not involve employment such as the ownership of dwellings.

(31) One participant noted that own account household services might

have to be included in production, in order to establish comparability of data series over time.... Excluding household services from the production boundary would also distort the comparison of GDP estimates for developed and developing economies.

(32) Conclusion: The participants expressed reservations on some of the suggested expansions of the production boundary. In particular, they did not agree to include in the production boundary the activity of carrying of water for own use, as that was viewed as a service activity. The expert groups were asked to examine carefully the expansion of the production boundary in view of its implications for the measurement of employment and welfare.

Bangkok

Quasi-corporations versus unincorporated enterprises
ownership-control

(34) One participant wondered why the term quasi-corporations was deleted from the title of the financial and non-financial corporations sectors. He suggested that instead of the term "corporation" the term "enterprise" might be used in order to distinguish between corporations as legal entities and institutional units (enterprises) that were delineated by economic criteria.

(36) Some participants suggested that the ownership criterion for distinguishing public from private corporations be given more prominence and some thought that even the control criterion might have to be deleted entirely from the definition of public corporations as distinct from private ones.

(37) Conclusion: The participants had no objections to including financial unincorporated enterprises with the household sector. While there were queries from some participants, the majority of the participants were indifferent to changing the title of the non-financial and financial corporate and quasi-corporate enterprise sectors to non-financial and financial corporate sectors.

Bangkok

Market and non-market production

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(39) Some participants thought that instead of using 50 per cent cost coverage as a criterion for distinguishing between market producers and non-market producers, criteria should be used that were linked to the behaviour of the units in question. If units behaved like private or public enterprises they should be considered as such. Another participant pointed out that public monopolies were clearly market producers if they derived large profits from their monopolistic position. The question was raised as to why such monopolies should be treated as non-market producers, if as a result of government policy they made losses rather than profits.

(40) Clearer guidelines were needed in those cases where most sales were made to the government. It was pointed out that a private enterprise - e.g., a defence contractor - which sold all or most of its products to the government would never be treated as a non-market producer. Similarly, if the enterprise was a public one, such an enterprise might also be considered a market producer, even if it sold most of its output to the government.

(42) Conclusion: The classification of producers into market and non-market, based on the proportion of production cost covered by output, remained ambiguous to some participants. That ambiguity was partly due to the strong

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association of the terms "market" and "non-market" with whether the goods produced were actually marketed or not. It was also suggested that the criteria used in the distinction between market and non-market producers should be reviewed. In particular, the expert groups might consider classifying producers including corporations on the basis of their behaviour or objective instead of using the 50 per cent cost coverage criterion.

Bangkok

Financial intermediaries

banks insurance imputations holding-gains

(44) One participant expressed a preference for recording interest in the primary distribution of income account in terms of actual interest paid and not showing only the pure interest flow after deduction of a service charge. (In response it was pointed out that such a possibility was provided for in the complementary classification, in which the service charge and the nominal interest flow could be identified as separate components of the pure interest flow.)

(45) There was much discussion on the allocation of bank service charges. While some thought that they could be allocated on the basis of the loan and deposits, others thought that they could be linked to the actual interest paid. There was also a proposal to use the allocation of compensation of employees between different types of banking functions as a key in the allocation of the bank service charges between sectors. It was also pointed out that in circumstances when there was specialization of banks in different types of functions, there would be less difficulty in allocating the imputed service charge between different uses.

(46) One of the participants proposed that the output of banks be calculated on the basis of inputs. That would require that a link be established between profits of banks and their operating surplus, eliminating various elements such as write-offs and provisions for bad debts etc. that banks might have included in the calculation of profits.

(47) Questions were raised on the calculation of imported bank service charges. It would be difficult to arrive at such information, as it would require surveying foreign banks.

(48) One participant suggested that the term bank service charge be maintained, because most users were familiar with it.

(51) Some participants suggested that in calculating the output of insurance services, not only should interest on reserves be taken into account, but also capital gains and losses. It was reported that one country, insurance companies took such gains and losses into account in the calculation of their gross premiums. (In response it was pointed out that the expert groups had not yet looked into that question. It was pointed out, however, that if such gains and losses were taken into account in the calculation of output, that would result in the incorporation of capital gains and losses in value added.)

(52) Conclusion: There was general agreement on the allocation of the imputed service charge of financial intermediaries to the various uses, i.e., industries and final demand categories. The participants recognized that the change in terminology from "imputed bank service charge" to "imputed financial intermediation service charge" was necessary to include the output of both banks and other financial intermediaries. There was, however, no agreement on what criteria to use in allocating the service charges between uses.

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(53) Conclusion: The calculation of the insurance service charge as the difference between gross premiums plus interest on the reserves minus claims was accepted. The suggestion to incorporate capital gains and losses in the calculation of gross output was not accepted, but was referred to the expert groups for further study. In addition, the SNA expert groups were requested to review the criteria for allocating the insurance service charge among uses.

Bangkok

Rent on government buildings

imputations valuation

(55) Several questions were raised on the coverage of government buildings to be included in the imputation. Some wondered whether buildings that were normally not rented (historical buildings, temples, prisons etc.) would have to be included. One participant expressed reservations about introducing the concept of positive operating surplus as that would be inconsistent with the valuation of the other productive activities of the general government sector.

(56) Others mentioned the difficulty of finding appropriate rents for buildings that were normally not rented. They felt that the problem was a very different one from that encountered in the imputation of rent on owner-occupied dwellings, because the latter were in many instances actually rented and the variety of dwellings was much less than that of government buildings.

(57) On the other hand it was pointed out that in some countries government had increasingly constructed its own buildings, rather than rent them from the private sector. If no imputations were made, the contribution of the government sector to GDP would actually be reduced. Conversely, in another country, government-owned buildings were transferred to a government agency which actually charged rents to other government agencies. For comparability over time, it would be appropriate to impute rents on government buildings for previous years.

(58) One participant mentioned that if no rents were imputed, outlays to construct government buildings might have to be treated as intermediate consumption of the government rather than as capital formation. That consequence of not imputing government rents would be unacceptable.

(59) Some participants thought that imputing rents would unnecessarily increase GDP and growth of GDP, and that would be difficult to justify.

(60) Conclusion: The majority of the participants favoured imputation of rent for government buildings. They however pointed out the practical problems that might be encountered in the imputation of the rental value.

Bangkok

Valuation of output, input and final demand

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(62) One participant suggested that one of the options to be included in the package should be to identify separately basic values and product taxes as components of market values of intermediate consumption and final demand.

(63) Some participants commented that a common valuation would be needed between the pricing of output and intermediate consumption, and that such a common valuation might be basic values. (In response it was pointed out that such common valuation was not inconsistent with the recommendation by the expert group that the total value of intermediate consumption by activities or sectors, while indeed at purchasers' prices including product taxes, could be

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further broken down to identify the basic prices of intermediate consumption as was done in the present SNA.)

(64) One participant commented that the separate identification of product taxes in intermediate and final demand should be explicitly incorporated in the central framework of institutional sector accounts and the supply and use table.

(65) Conclusion: The participants accepted the valuation options proposed for output and intermediate demand. They felt that they were flexible enough for use by countries with different systems of prices and taxation.

Bangkok

Assets and changes in assets: coverage, classification, moment...

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(68) One participant noted that real estate transfers should be identified as a separate asset.

(69) Another participant suggested that the educational dimension of human capital should be included in the asset boundary of the SNA. He argued that education was one of the most important elements in the explanation of growth of production and income over time.

(70) Several participants thought that the revised SNA should include an asset classification that would be flexible enough to accommodate new assets when they became relevant in the future.

As an example was mentioned the growing importance of fishing grounds as an economic asset because of the increasing scarcity of fish stocks.

Bangkok

Software

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(72) Many participants expressed doubts about the inclusion of in-house software. There were problems of obtaining information on those activities and also problems of valuation, because the same persons might be involved in the development of software and other functions. On the other hand, in-house software development might be much more important than purchased software and therefore there might be no justification for excluding it.

(73) Conclusion: There was general agreement to include outlays for the acquisition of software in capital formation. However, the expert groups were asked to examine further whether they should be classified as tangible or intangible produced assets. The experts were also asked to clarify whether software developed in-house should be included, and if so, how it should be valued.

Bangkok

Mineral exploration

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(75) There were many questions on the coverage of mineral exploration expenditures, for example, whether they should include the studies that were being made prior to exploration, the excavation cost, as well as the cost of geological surveys.

(76) Some participants wondered what asset was represented by the capitalized mineral exploration cost, and whether such an asset was not incorporated in the value of the mineral deposits after exploration.

(77) Many questions were raised with regard to the appropriate valuation

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of the mineral deposits and also the capitalized exploration cost.

(78) It was pointed out that if the cost of mineral exploration was treated as an asset, expert groups would also have to take a decision on related cases, such as feasibility studies, that were aimed at determining available resources, i.e., not only mineral resources, but also resources available for agriculture and other economic activities.

(79) Conclusion: The participants were divided on how to treat mineral exploration expenditures. Some agreed to treat such expenses as capital formation, while others wanted to continue the present SNA treatment of including all such expenses in intermediate consumption. The third option of treating only the cost of successful exploration as capital formation was generally discarded, because of the difficulty of determining within the time frame of the national accounts whether such exploration would be successful or not.

Bangkok

Research and development

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(81) Data problems were the major concern raised by participants when they commented on the issue of research and development. Most thought that it was difficult to identify expenses for R & D and to value the resulting asset.

(82) A participant suggested that the output of research and development should be valued at the market value of the patents or copyrights if they existed.

(83) Conclusion: The participants were undecided on the principle of treating expenditure on R & D as capital formation. They were also not clear on what would be the corresponding asset and whether such an asset would actually contribute to future production in the present circumstances prevailing in the countries of the region. Therefore, it was suggested that the expert groups provide further clarification on that point, as well as on the coverage of R & D expenditures proposed to be classified as capital formation, before a final position was taken.

Bangkok

Environmental assets, including natural growth

agriculture environmental-accounting quarterly satellite

(85) Some participants thought that the SNA asset boundary would have to be extended to include environmental assets such as air and water, which would reflect the environmental quality of life.

(86) The proposal to include growth of natural assets in output was supported by some participants, but not for all natural assets. For growth of livestock the idea was generally accepted and was actually followed by most countries.

(87) There was, however, much more difference of opinion with regard to other natural assets. Some thought that equating output with growth would not resolve the question of links between output and input in agriculture. In fact certain inputs, in particular wages and salaries, would only be paid when output was harvested and not before. An orientation on growth rather than on harvest would also cause problems with regard to the treatment of losses when output did not materialize as a result of drought or other natural disasters. One participant supported the growth orientation of output as it would be the only feasible manner in which quarterly accounts could be set up.

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(88) Other participants thought that the cost of deforestation of virgin forests should be taken into account in the calculation of GDP. They agreed that that would reduce GDP and probably lead to negative value added in the forestry sector, but that would be precisely the message which needed to be given to policy-makers. Treating deforestation in that manner would result in a more adequate concept of capital formation, not only when deforestation took place, but also when reforestation replaced some of the trees that had been eliminated during the logging activity.

(89) The suggestion to include a depletion allowance in the calculation of NDP was supported by some participants. In particular, one participant mentioned the reduction in coral reefs which would have to be taken into account in proper accounting of NDP.

(90) There was some discussion on the treatment of land in the accounts. Some participants suggested that land should be treated separately from the assets on the land, i.e., building construction, growing timber etc.

(91) Conclusion: The participants accepted in principle the inclusion of developed and cultivated environmental assets in the asset boundary of the system. They were however not in full agreement with the proposed asset classification and coverage. Among the elements mentioned which would need further examination were the classification of land and assets on it, the inclusion of water and the treatment of natural growth products. It was furthermore suggested that the classification be made more flexible so that future changes in the coverage of assets could be easily accommodated. Finally, participants supported the idea of establishing environmental satellite accounts in the revised SNA.

Bangkok
Military durables

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(93) Most participants commented that data availability would be too limited to allow for the distinction between those military durables to be included as assets and those that would be part of final consumption.

(94) One participant was in favour of including all military durables including the acquisition of weapons in capital formation. As military services were included in the production boundary of the SNA, there should also be capital formation related to the production of those services. The Seminar felt that there should be no confusion between economic analysis and moral issues.

(95) There was general agreement that expenditure on construction by the military which could be used for civilian purposes should be treated as capital formation, although it would be difficult to obtain the required data in some countries. Some participants were in favour of treating all expenditures on military durables as capital formation.

Bangkok
Households: sub-sectoring
agriculture classifications

(97) Some participants mentioned that they would have difficulties in obtaining information for the household sector according to the sub-sectoring proposed in the revised SNA.

(99) One participant proposed a hierarchy of sub-sectoring the household

sector. At the first level of the proposed classification a distinction would be made between agricultural and non-agricultural households. Within agricultural households a distinction would be made between labourers and operators and the latter group would be further sub-divided by the size of the land owned. Within non-agricultural households a distinction would be made between urban and rural households, with further breakdowns of both groups by categories based on a combination of ISIC and ISCO. Categories such as the ones proposed in the revised SNA would come at a lower level of the hierarchy.

(100) Some of the representatives mentioned that domestic servants were included in households in their household surveys. Others pointed out that if they were not separated for the purposes of the national accounts their contribution to GDP would be eliminated.

(101) **Conclusion:** The participants recognized the analytical value of the proposed subsectoral classification of households. However, some thought that the classification might not be sufficient for the needs of the countries. Also, operational difficulties might not allow them to adopt the classification readily.

Bangkok

Formal and informal
informal

(103) Some participants indicated the need to have a more specific classification of formal/informal activities than the approximation to corporate/unincorporated activities proposed so far by the expert groups.

(104) Several participants thought that it was very difficult to arrive at an operational definition for the distinction between formal and informal. One participant however proposed to include in the informal sector production units that were unincorporated, had no legal basis, were managed by households and had a limited number of employees. Another participant mentioned that even quasi-corporate units could be included in the informal sector.

(105) **Conclusion:** On balance there was a general feeling that the distinction between corporate and unincorporated enterprises as proposed in the revised SNA might not be an adequate approximation of the distinction between the formal and informal sectors.

Bangkok

Non-profit institutions, including community activities

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(107) Several participants requested more specific guidelines on how to classify private non-profit institutions. Some institutions which for tax purposes were registered legally as non-profit institutions should actually be treated as part of the corporate enterprise sector. Also, non-profit institutions such as religious organizations might operate schools or businesses which generated profits that were used to finance the institution. In response it was pointed out that the unit generating the profit would have to be treated either as a separate corporate enterprise or as a separate market activity in the production accounts of the non-profit institutions sub-sector.

(108) One participant mentioned that as a matter of principle private non-profit institutions should not be included with the household sector and should remain as a separate sector as recommended by the 1968 SNA.

(109) **Conclusion:** There was a general sentiment that non-profit

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institutions serving households should be included as a sub-sector of the household sector as was proposed. It was furthermore agreed that non-profit institutions would not be identified on the basis of their legal status but rather on the basis of their economic behaviour.

Bangkok

Consumption expenditure, actual consumption and disposable income

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(112) It was noted that estimation of transfers in kind as a global adjustment to arrive at actual final consumption and adjusted disposable income would be relatively easy in view of data availability from government records. However, if it was desired to allocate such transfers in kind by different household groups - which would be useful for an analysis of the impact of such government expenses on different population groups' incomes - it would be much more difficult to arrive at such estimates as data would have to be obtained from households.

(113) One participant asked what criteria should be used in the distinction between actual final consumption of households and government. In response it was pointed out that in general the distinction would be made on the basis of whom they served. It was also mentioned that the ICP would use the concept of actual final consumption instead of final consumption expenditure by households.

(114) Conclusion: The participants were in favour of incorporating in the SNA the concepts of actual final consumption and adjusted disposable income.

Bangkok

Residence

*

(116) Some participants indicated that the definition of centre of economic interest should be clarified with respect to the type of economic activity (production, consumption) involved, particularly for the classification of individuals.

(117) Several questions were asked on the residence status of specific individuals such as refugees who might stay longer than one year in a country but never permanently, contract workers whose stay abroad never exceeded eleven months per year but who might be contracted for several consecutive years, and migrant workers who stayed abroad for several years but were never socially accepted by the host country.

(118) Conclusion: The participants accepted the centre of economic interest as the basis for determining residence. However, several found difficulty in accepting the one-year residence guideline in all cases as the operational criterion to define centre of economic interest. It was therefore suggested that the expert groups should review the operational one-year rule and refine it further in order to give guidance on the residence treatment of specific individuals.

(119) One participant mentioned that with regard to enterprises operating in his country, "paper companies" were established abroad in order to avoid taxes and the consequences of political uncertainty in the future. More specific guidelines on how to report the direct investment of income flows, retained earnings and capital flows in the external transaction account should be provided.

(120) One participant wondered why a distinction was made between construction companies and installation companies in the application of the residency principle. In both instances companies might stay only temporarily in the host country without establishing firm economic residence and therefore they should be treated in the same way. Another observation was made with regard to consulting firms that were only temporarily operating in the host country; they were required by law to register but could not be considered as economic residents of the host country. For some of those companies it would be impossible to move their residency to another country as information on their activities abroad could not even be obtained in their home country.

Bangkok

Exports and imports of goods and services
services

(122) Several participants pointed out examples related to the difficulties in using the change of ownership as the basis for recording external transactions which differed between BPM data and foreign trade statistics. One example mentioned concerned the sale of goods on consignment; at the time of recording the outgoing flows it was difficult to determine which of those goods would return and which would remain abroad and thus change owner.

(123) Another participant noted that while it was generally not too difficult to measure the export of services it was very often not possible to measure their import.

(124) Several participants questioned the feasibility and usefulness of changing imports from c.i.f. to f.o.b. valuation. Some thought that it might be difficult to estimate the global adjustment needed to convert commodity detail of import data in c.i.f. values to f.o.b. values for total imports.

(125) Conclusion: No specific conclusions were reached as a result of the discussion.

Bangkok

Reinvested earnings
imputations

(127) One participant opposed the introduction of an imputation for the flow of reinvested earnings of direct investment enterprises in the external transactions accounts of the SNA. He strongly supported the maximum possible harmonization of the SNA and BPM but he believed that that could be achieved without changing the present SNA treatment. He would prefer to show reinvested earnings as a memorandum item in the national accounts.

(128) Others supported the change in the SNA in the direction of the BPM. They pointed out that such treatment would better reflect the measurement of foreign interests in domestic enterprises. One participant who supported the change conceptually found it difficult to implement as in his country it would not only require the imputation of reinvested earnings of domestic companies in which there was a foreign interest, but also the imputation of reinvested earnings of enterprises abroad in which there was a domestic interest.

(129) One participant presented a very complex but interesting example of a company operating in the domestic territory of the home country which was owned by a "paper company" registered abroad but owned by residents of the home country.

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(130) Conclusion: Discussion was quite limited, but conflicting views were expressed with respect to the issue and therefore no final agreement was reached on whether to change the SNA with regard to reinvested earnings.

Bangkok
Valuation of external transactions
exchange

(134) Some participants requested more specific guidelines on which type of exchange rate should be used, in particular for reinvested earnings: actual, black market rate or other rate.

(135) Another problem emanating from multiple exchange rates with which participants expected to have difficulties lay in the valuation of foreign assets in the balance sheets owned by residents. One participant raised a question on the effects of multiple exchange rates in the input coefficients of industries which imported commodities using official exchange rates for import quotas which might change on a year-to-year basis. Specifically, a query was raised on whether average exchange rates should be computed over a period of time or at a specific point in time.

(136) Several problems were mentioned on valuation of actual rates of exchange by type of transactions. Those problems might affect the allocation of the adjustments on surpluses/deficits in the rest of the world account.

(137) One participant noted that income earned by a parallel market dealer in foreign exchange might be treated as normal trading revenue even if it was generated as a result of very large differences between the purchase and sale price of foreign currency. Such treatment would be in line with trading revenues by illegal merchants in drugs, alcohol etc. which might also be high. All such revenues could be considered as resulting from market imperfections.

(138) Conclusion: Without reaching any final conclusions, most participants felt that multiple exchange rates required further elaboration in the revised SNA as they reflected a very important element in the accurate measurement of economic activities in the countries of the region.

Bangkok
Financial sector

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(140) Questions were raised with respect to the classification of inter-group financing, property trusts and general insurance specialist enterprises. One participant expressed the view that the inclusion of unincorporated financial intermediaries within the household sector might dilute the value of financial intermediaries in the analysis of capital and financial flows in the system.

(143) Conclusion: The majority of the group were in favour of the inclusion of financial auxiliaries within the financial sector. In general, the proposed classification of the financial sector was found acceptable.

Bangkok
Financial instruments, including gold
gold consumer-durables

(146) It was also pointed out that households in the countries of the ESCAP region often used household durables as an asset similar to financial assets. Participants making those comments wondered whether it would

therefore be sufficient to treat household durables as a memorandum item in the balance sheets as had been proposed in the revised SNA, rather than as a full asset.

Bangkok
Chain indices

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(148) Most of the participants stated that they were not familiar with chain indices and requested that literature on the subject, in particular with reference to country practices, should be made available to countries in the region.

(149) Conclusion: The participants appreciated the introduction of chain indices in the SNA. Nevertheless, they thought that there were serious practical difficulties in implementing them. Furthermore, it was stated that it would be very difficult to justify and explain to users the change to chain indices. The suggestion to publish both types of indices (fixed weights and chain) might confuse users.

Bangkok
Terms-of-trade measures

*

(151) Many of the participants stated that they did not estimate trading gains/losses in their countries. One participant indicated that in his country it was accomplished by using the implicit price deflator of imports of goods and services to revalue the balance of trade.

(152) Conclusion: While there was little experience in the region with regard to the estimation of trading gains and losses, most participants did agree with the suggested formula for the calculation of terms of trade effects. What was considered most critical was the choice of the appropriate price index to deflate the balance of trade.

Bangkok
Real national disposable income

*

(154) One participant suggested that in calculating the implicit price deflator for Gross Final Domestic Expenditure, it would be preferable to include changes in stocks from the calculation. Thus, the implicit price deflator would be calculated as the quotient of the nominal and constant price values of final consumption expenditure plus gross fixed capital formation.

(155) Conclusion: While there was little discussion of the topic, it could be surmised that participants supported the proposed inclusion in the revised SNA of the real income measures mentioned.

Bangkok
Price and volume measures

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(157) One participant questioned whether [user value] approach to quantifying quality change was correct. He argued that as GDP was a measure of production then the value of quality change should be calculated on the basis of the base year resource cost. He also gave an example of a motor car engine which had undergone a specification change to run on unleaded petrol, thereby resulting in a change to the value of production, but not in the value

to the user.

(158) Conclusion: Participants felt that quality change should be accurately reflected in the measurement of output, but considered that further consideration needed to be given to the basis on which quality change should be valued.

Bangkok

Revaluation of changes in stocks, including work-in-progress

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(160) Most participants stressed the fact that they had serious difficulties in obtaining reliable stock data from producers and traders in the first place and that they were generally not in a position to estimate the changes in stocks correctly.

Bangkok

Accounts and tables

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(162) Conclusion: In general the participants found the accounts and tables of the revised SNA more comprehensive, integrated and of better analytical value than those of the 1968 SNA. Nevertheless, it was recognized that data collection must be strengthened in order to implement them.

Bangkok

Circumstances

regional quarterly informal productivity flexibility

(163) There were a few issues that participants... thought had not been given adequate attention in the review process. Those included the development of regional accounts and quarterly accounts, the further breakdown of the household sector by socio-economic groups, the development of definitions for the informal sector, and the development of productivity measures.

(164) Most participants agreed that the revised SNA provided a much clearer set of conceptual guidelines than the 1968 system. The revised system would contribute to the understanding of national accounting and would thus facilitate its implementation. It was noted that as a result of better understanding, available data could be used more effectively.

(165) The view was expressed that the revised system should include sufficient flexibility in its classifications and definitions of concepts that would permit countries which formerly applied the MPS to use the revised SNA.

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Suva

Circumstances

valuation environmental-accounting exchange

(10) The Minister noted that of the many issues to be considered by the Seminar, of special interest to him were the treatment of output relating to non-marketed products, the classification of new products and the treatment of complex business arrangements.

(15) Topics of special interest to the subregion included the valuation of subsistence output, the treatment of expatriates' incomes, the asset boundary of the system in particular with regard to military durables, environmental assets, exchange rate conversion in particular for investments overseas, residence of offshore banks and foreign fishing vessels.

Suva

Residence

banks small-scale

(40) Some participants wondered why individuals were being considered as inseparable as regards all their transactions. That created serious distortions in the calculations of GDP, in particular with regard to expatriates' revenues, as a large part of their revenues might not be received nor spent by them in the host country. Furthermore those revenues could not be considered as reflecting the value of their services in the calculation of GDP and output, and therefore not all those revenues should be reflected in GDP of the country.

(41) Many participants expressed the view that there was a need to identify separately income and consumption of expatriates in their national accounts. Whether that should be done by adjusting the residence criterion or by presenting a breakdown of GDP and consumption by different groups of the population was not clearly expressed. Some countries did report studies that had been made to identify expatriates' transactions separately in the accounts.

(42) Most representatives thought that revenues from migrant workers remitted to the countries in the subregion would generally be small and concern only such groups as seamen on foreign vessels and some migrant workers in Australia and New Zealand. However, remittances in the form of transfers were very large in certain cases.

(44) It was generally felt that the expert groups should pay more attention to the coverage of revenues to be included in GDP for expatriates who received a large part of their remuneration outside the host country, such as technical assistance personnel, as well as for expatriate businessmen.

(47) When discussing the treatment of offshore banks, it was pointed out that implementing the recommendations to treat such units as resident would be difficult. Little information was generally available on capital entering and leaving the corporation and therefore it would also be difficult to estimate the output of such banks as no data were available on interest flows.

Suva

Reinvested earnings

imputations

(55) In response to a question, a number of participants pointed out that surveys of direct investment companies were undertaken in their countries

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in order to determine the size of their profits as a basis for making the imputation for reinvested earnings. Given that very recent development and the fact that most of the countries had little experience in the development of the BPM, few conclusions could be drawn in terms of the practical feasibility of the reinvested earnings concept.

(57) The representative from one of the developed countries present reiterated his country's objections to the revised treatment of reinvested earnings.

Suva

Exports and imports of goods and services

Valuation

(59) Many participants felt that the terminological distinction between factor and non-factor services should be maintained, as they constituted terms which were widely used.

(64) One participant reported a difficulty that was encountered when recording the processed goods on a gross basis. No data were available on the value of the gross incoming and outgoing flows, because they were internal flows of a foreign operation.

(66) One participant wondered why the main valuation of imports in the SNA had been changed from cif to fob, while the main emphasis in the SNA remained on the cif valuation. Expert groups might review that recommendation in view of the difficulties that countries would encounter in obtaining the value of foreign insurance and freight charges levied on imports. While that estimate was made in the context of the BPM, it was not considered to be very reliable. In view of that, it might have been better to align the BPM with the 1968 SNA rather than vice versa.

Suva

Valuation of external transactions

exchange

(72) The discussion of valuation of external transactions in local currency was limited. Most countries reported that they used, or their currencies had close links to the currencies of Australia, New Zealand or the U.S.A., and that there were as a result very few variations over time or between transactions in the exchange rates. Therefore in most countries, average official exchange rates were used in the conversion. Black market rates and revenues resulting from those were of very little importance and no special efforts were made to cover revenues thus obtained in GDP.

Suva

Statistical units

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(74) Participants indicated that only a limited number of countries of the subregion had a large number of multi-establishment enterprises. In the remaining countries, the majority of enterprises consisted of only one establishment.

(76) In all countries of the subregion, establishments were classified by their main activity and very little effort was made to identify and segregate secondary activities.

Suva

Valuation of output, input and final demand

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(79) Many questions were asked on the classification of import taxes. Participants had difficulties relating the classification of import taxes to actual situations and asked for further clarification on the specific content of those taxes.

Suva

Production boundary

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(83) Considerable discussion was devoted to the distinction and treatment of minor and major repairs in the case of owner-occupied dwellings. Some participants thought that it was confusing to state - as had been done in the discussion document (para. 46(v)) - that minor repair activities (as distinct from major repairs) were omitted from the production boundary of the system. Other participants thought that the SNA should be more precise in describing what were major repairs in that context, instead of leaving the national accountants to apply those rules to the particular circumstances of their countries.

(84) Several participants thought that the carrying of water should not be included in the production boundary of the system. According to them, it would unnecessarily increase GDP, particularly if no data were available on the value of the water and the contribution was computed on the basis of time-use studies, in which the time spent in carrying water was multiplied by some kind of minimum wage. Furthermore it was thought that the resulting contribution to GDP of such water-carrying activities might be very different from those of fruit and fuelwood gathering, where the contributions were computed indirectly through the valuation of output for which a market price might be available.

(85) One participant reported on the actual measurement in his country of the contribution of water carrying to GDP. Water was valued as obtained from the distribution system and to that value was added the cost of carrying it from the source to the place where it was used.

(86) Several participants commented on the recommendation of the expert groups that all goods production be included in the production boundary whether it was produced for the market or not. A specific example was presented which indicated an anomalous consequence of that recommendation; namely the catch of fish which was in most instances consumed in the fishing households. Prior to consumption the fish could be treated in order to preserve it for a longer period of time. The output of the preservation activity, which was basically a service activity carried out within the household, would have to be added to the value of the fish, as that would be the value of the final product as generally sold in the market.

Suva

Quasi-corporations versus unincorporated enterprises

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(88) Participants wondered whether the new guidelines on the coverage of those production units would require that the coverage of surveys of household economic activities be adjusted to include, for instance, money-lenders.

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(89) Some participants wondered whether tax records would be adequate as a means of identifying quasi-corporations among private unincorporated enterprises. It was not clear whether the use of that criterion, i.e., identification through tax records, could be treated as equivalent to the availability of separate accounts and information on withdrawals of entrepreneurial income, which was stipulated as a condition for the identification of those units in the revised SNA.

Suva

Households: sub-sectoring
agriculture

(91) A number of participants commented that the sub-classification of households which was recommended by the expert groups was not a useful one for analyzing the behaviour of households in the countries of the subregion. Some suggested that distinctions such as those between expatriates and locals, urban and rural, and inhabitants of the main and outlying islands would be much more useful than the sub-classification suggested.

(92) Some participants also thought that the use of the reference person as the one bringing in most of the income would not work well in the case of subsistence production, where income would very much depend on the type of valuation used in output or value added.

(93) Several participants thought that it would be very difficult to link the classification of households by sub-sectors to the production accounts of the unincorporated units that would be included in the household sector; hardly any survey would cover at the same time the household revenues and expenditures and production information.

(94) There was also a question on how to classify unpaid family members in the socio-economic sub-classification of households. Another participant suggested that own account workers in agriculture should be distinguished from those in other sectors.

Suva

Formal and informal
informal

(96) In the discussion of the distinction between formal and informal activities several suggestions were made on how to separate units into the two groups. All suggestions were based on experiences of the countries concerned. Some included in the informal sector only subsistence activities; others defined the formal sector as consisting of the units that had business licenses. A third suggestion made was to include in the informal sector all subsistence, non-market and non-monetary activities. A more formal definition was used by another country, which defined the coverage of the formal sector as including all units that were legally constituted and/or were covered in the establishment survey.

(97) One participant pointed out that the distinction between formal and informal would become more essential, now that the revised SNA included production accounts for households. Given the distinction between quasi-corporations and unincorporated enterprises, the majority of production units in his country and particularly in the rural areas would be in the household sector, and that would not adequately reflect the state of development. It was therefore essential that within the household sector, a distinction be made between formal and informal sector production units, so that changes in the

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composition of production units as a result of development could be monitored.

Suva

Consumption expenditure, actual consumption and disposable income

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(99) The usefulness of the concepts of actual consumption of households and adjusted disposable income was questioned, except for the purpose of international comparisons of household consumption levels between countries. One participant thought that adding individualizable final consumption expenditure by the government to that of households was not meaningful as households could not decide about its use. Another participant pointed out, however, that it was also needed in order to make comparisons over time.

(100) Actual final consumption was furthermore thought to be an interesting concept in the measurement of relative poverty between different groups of the population. However, it was generally agreed that for that purpose there was a need for intensive data gathering in order to measure the impact of government individualizable consumption expenditure on different groups of the population. Such data were often not easily available in the subregion.

Suva

Non-profit institutions, including community activities

imputations

(102) While the view was expressed that the separate sector of non-profit institutions serving households might be maintained, the Seminar generally agreed with the revised treatment of those institutions.

(103) The main part of the discussion was devoted to the valuation of capital formation resulting from communal activities. Most of the participants who commented thought that it was essential that imputations be made for the valuation of such labour. Several mentioned the importance of such activities in the subregion and the official encouragement in some countries of voluntary labour.

(104) One participant noted the anomalies which would occur if no voluntary labour cost was imputed and the capital good thus constructed was sold on the market at a much higher price. On the other hand, it was pointed out that there were many difficulties in getting the correct value for the labour input. Such valuation faced the same problems as would be encountered in valuing the labour involved in water carrying, firewood gathering etc.

Suva

Household sector: extensions

SAMs

(106) One participant reported on work that had been carried out on social accounting matrices in some countries in the subregion. The work often required additional data that could not be supplied by the national accounts. The compilation of SAMs had not generally been incorporated in regular statistical programmes, and as a result there had been little impact on the development of national accounts in the subregion.

Suva

Rent on government buildings

imputations

(108) Most participants who commented agreed that the imputation for rent on government buildings should be incorporated in the SNA. Some, however, thought that it would distort the presentation of value added in the production of government services, as it would be the only generation of operating surplus that would be recorded there. In view of that many participants preferred to identify a separate establishment (market producer) with an operating surplus, which could be classified separately from the units producing other government services.

(109) Most participants agreed that if the government building rent imputation were introduced in the system, it should not be restricted only to the government sector, but should apply equally to non-profit institutions. They might also use their own buildings in the production of non-market services.

Suva

Capital consumption on roads, dams, etc.

imputations

(110) There was general agreement to introduce consumption of fixed capital on roads, dams and government structures. One of the countries was already applying consumption of fixed capital to those assets in its accounts. Several participants, however, noted that such imputations would require the development of new methods (such as the perpetual inventory method) for the estimation of capital stocks. In one of the countries of the subregion where such an attempt had been made, the experience was that those estimations were very labour intensive and took several work-years to complete.

(111) It was noted that while the incorporation of such consumption of fixed capital was needed in order to account correctly for the cost of capital in the production of government services, there would be a consequent future need for international agencies to use net concepts of income instead of the present gross concepts of GDP and GNP for national and international policy purposes.

Suva

Public enterprises, etc.

ownership-control

(112) Most of the participants thought that in distinguishing private from public corporations, much more prominence should be given to the underlying criterion of control in addition to that of ownership, but stressed the need for greater clarity in the SNA documentation. It was noted that in some countries of the subregion, control -- which could be translated as essential decision-making -- was often effected with less than 50 per cent formal government ownership, and would apply even where majority ownership was foreign. In those instances, the government had a larger influence through some kind of veto power or through the appointment of a larger number of board members.

Suva

Market and non-market production

*

(115) Most participants stressed the importance of using the criterion of intention to make a profit. Such a criterion should be used as an important supplement to the rule of 50 per cent cost coverage. In some instances it might have to supersede that "mechanical" rule. One participant noted that if only the 50 per cent rule were to apply it would be very difficult to use it to decide about the market or non-market character of a unit in its initial years of operation, when there might still be losses. (116) One instance was mentioned of an enterprise (a resort hotel) which had considerable losses in its operations, but where those were compensated by revenues (property income) from its investments; the question was asked whether property income receipts should be taken into account in assessing the cost coverage of producing units.

Suva

Classification of taxes, transfers, etc.

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(118) While many questions were asked on details of the modifications in the classification of tax and non-tax revenues, there was general support for the changes that had been introduced in order to align SNA and GFS.

Suva

Financial sector

insurance pensions

(120) One participant opposed the inclusion of financial auxiliaries in the coverage of financial corporations. In his view, those units had clearly very different functions from other units in the sector and therefore would show a very different structure of accounts and balance sheets.

(121) Another participant suggested that in the classification of financial corporations at the second level of detail, a distinction should be made within "insurance companies and pension funds" (5) between life insurance schemes and pension funds (5.1) on the one hand and casualty insurance schemes (5.2) on the other.

Suva

Financial intermediaries

banks insurance imputations

(124) There was some discussion about whether development banks would be included as financial corporations. Many of those banks were only distributing funds from the government and did not operate on the financial market. The question was asked whether such banks worked only with funds obtained from government or international organizations. If that were the case, they would be construed as operating with their own funds and would have no (financial intermediation) output, and thus would be non-market producers.

(125) There was considerable discussion of moneylenders, who fulfilled a very important financial function especially in the rural areas where there was less access to formal banks. It was generally agreed that those units mainly operated with their own funds, which they accumulated through high interest charges. In the strict SNA sense, such units would again have no imputed output, as they did not work on borrowed funds in any major way. The

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expert groups were requested by the Seminar to review such cases and determine what their imputed output would be and which part of their revenues would be considered property income.

Suva

Financial instruments, including gold
gold

(128) Some participants mentioned that gold holdings by individuals were an important use of gold. It would therefore be too restrictive to include only monetary gold in financial assets. Participants therefore suggested that the definition of financial assets should be extended to include financial gold.

Suva

Assets and changes in assets: coverage, classification, moment...

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(131) One participant expressed the view that real estate transfers should be identified as a separate asset as they could not be allocated to individual asset categories in this country.

(132) The Seminar discussed at length the asset boundary in the revised SNA, and possible extensions. Suggestions for the latter included natural forests, coral reefs, fish stocks, mangrove swamps, beaches, and potable water, although practical data problems in most of those areas were acknowledged. It was pointed out that inclusion of an asset within the asset boundary implied the existence of some costs in order to maintain it, as well as a reasonably close relationship between the asset and the income, if any, generated by it. The classification of mineral assets which had been identified but were not currently being exploited was also raised. Those distinctions were thought to need further clarification.

(133) Some doubt was expressed about the distinction between tangible and intangible assets, which might not be readily discernible in cases such as software.

(134) As regards the moment of recording of assets, some difficulty was expressed concerning the change of ownership criterion, since in some cases, e.g., the construction of dwellings commissioned by an individual, no change of ownership took place. The Seminar noted that similar views had been expressed at earlier meetings and would be taken into account in the further review process.

Suva

Military durables

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(136) Some participants doubted the advisability of the treatment of large capital outlays as government final consumption expenditure, as those would artificially increase government consumption from one period to another in the small island countries.

(137) Other participants preferred the full inclusion of all military durables in gross fixed capital formation, although they acknowledged that data problems could exist. They argued that non-inclusion of weapons and similar military hardware in capital formation, on the grounds that they were very much at risk during war, could not be easily defended as civilian assets could also be destroyed in wartime.

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(138) A remaining group of participants thought that the inclusion of assets such as schools, hospitals etc. would be more justified for the same reasons as mentioned by the expert groups.

(139) Two interesting examples were presented of military equipment that had not been destroyed in wartime. In one country warships which had not been fully destroyed had become a tourist attraction, which was generating income. Another example concerned tunnels constructed for shelter which were currently utilized for laying pipelines.

Suva

Mineral exploration

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(141) Some participants commented that inclusion of exploration expenses as capital would unnecessarily inflate gross fixed capital formation. They preferred exploratory expenditures to be classified as capital only if there was a reasonable probability of success, which was of course difficult to determine.

(142) A problem specific to small island economies was that foreign companies were licensed on a year-to-year basis for exploration. Once it became clear that there was not much chance of success, they would abandon the exploration and the knowledge gained by them remained without value for the country. On the other hand, for the country where the oil company was resident, unsuccessful exploratory expenditures could be very valuable as they generated knowledge which could be used in future explorations. There was an apparent conflict between the assignment of such expenses to capital formation in the country where the exploitation took place and in the country where the oil company was resident.

Suva

Software

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(144) Most participants agreed with the inclusion of systems software, but not application software, in capital formation.

Suva

Research and development

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(144) Those participants who spoke on R & D were not in favour of its capitalization, because they found it difficult to define the asset, to determine its life and thus estimate the corresponding consumption of fixed capital.

Suva

Environmental assets, including natural growth
environmental-accounting regional

(146) During the discussion some participants favoured the proposal in principle to estimate output of natural growth assets on the basis of growth instead of harvest.

(147) One participant pointed out that his country did not include growth of livestock in output and capital formation, mainly because of data problems. Another participant pointed out that, in the calculation of output, not only reproduction of livestock but also growth in weight of livestock

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should be taken into account.

(148) Many participants thought that inclusion of that type of asset [e.g., ocean fish stocks] would be difficult because fish migrated from one territorial base to another. However, other participants pointed out that studies of the stock of fish were being made as well as of their movements between different parts of the ocean. It was unlikely that estimates of national stock could be produced, although regional estimates would be. It was possible to consider shares of that regional stock as a national asset. Such treatment was already possible in the case of river and lake fish.

Suva

Links with other systems

environmental-accounting satellite

(151) Most participants favoured the extension of national accounts to encompass environmental accounting, but only in satellite accounts. The Seminar agreed that environmental aspects were extremely important for the Pacific subregion. It was at the same time emphasized that the smaller island countries currently had difficulties in compiling national accounts and would encounter further data problems with the revised SNA. Thus inclusion of environmental accounts for those countries, even as satellite accounts, would remain a long-term goal.

Suva

Chain indices

*

(153) In the discussion of chain indices, the complications (from both a theoretical and practical view point) were highlighted. It was pointed out that as well as problems of additivity, the need for comparisons over a number of years limited the usefulness of chain indices.

(154) Only one country indicated any experience with the actual use of chain indices in the compilation of its national accounts, and it was likely that it would revert to the more traditional methodology.

Suva

Price and volume measures

exchange

(152) Most of the countries present at the meeting had only limited experience with the complexities of constant price estimation, except for the extrapolation of base year gross product by means of volume indicators. A question was raised concerning the correct method of handling quality change in such circumstances.

(157) During the discussion it was pointed out that, especially in the case of some imported equipment, products might be unique to some countries but not to others. Hence, it might be possible to construct a price index which combined information from the producing country (output price indices) with an index reflecting changes in the exchange rate between the two countries.

(158) It was suggested that further work needed to be carried out in determining the output of non-market services. For example, it was argued that it was too simplistic to assume that education should be extrapolated by teaching hours as there was more to the output of education than simply hours of teaching provided (e.g., student counseling, organizing extra-curricular

activities etc.).

Suva

Real national disposable income

*

(163) During the discussion one participant expressed the view that using the implicit price deflator (IPD) for Net Domestic Final Expenditure (NDFE) was not the best choice of deflator, as experience had shown that any deflator which included changes in stocks was likely to be erratic. Hence, it was suggested that the IPD for NDFE excluding changes in stocks should be used.

(164) The Seminar noted that the issue was not relevant for many of the countries present, as their national accounting development had not reached that stage.

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Tunis

Circumstances

valuation regional productivity business-accounting informal classifications

7. The basic issue for the developing countries is resource development; therefore, greater attention must be focused on resource endowment statistics and income statistics dealing with the utilization and allocation of available resources.

8. With regard to physical resources, productive capital assets are normally subject to high levels of idleness. ... This has an impact on the principles for the valuation of available capacities and rates of depreciation and obsolescence. A part of the commodity stock belongs in reality to the category of "stagnant stock". This raises a problem in connection with valuation principles, particularly since the principles of commercial accounting may be suitable for estimating actual value, thereby causing a delay in the estimation of value added and the operating surplus.

The most important resource for the Arab countries is the human factor. Putting aside the issues relating to the problems of measuring human resources, the need to increase the efficient utilization of the human element ... raises questions concerning the lack of interest in previous attempts to establish a uniform system of human statistics and their breakdown in accordance with sectoral and activity classifications that accord with those in use in economic accounts.

With the increasing tendency towards regional integration and with the new groupings that have begun to emerge in the Arab region, attention is required to certain details that will help in gauging the effects of integrating measures. These would include: (a) a differentiation between the movement of individuals arising out of the opening of borders within the region and movement across the borders of the region; (b) a differentiation in the movement of capital transfers, particularly if they are treated in a special fashion that differs from the treatment of foreign capital; and (c) the provision of a continuous picture of development in relation to production, particularly if the groupings were to concern themselves with the co-ordination of production and the establishment of stronger production links. This would require focusing on two aspects: the extent to which internal integration has been achieved, for the measurement of which input-output tables can be used, and the extent to which integration at the regional level has been achieved, which may involve the construction of regional input-output tables with all that that implies for definitions of establishments and goods and for valuation principles.

9. Particular surveys are often carried out in order to promote the measurement of productivity. However, the system must be capable of providing the necessary data base for the ongoing monitoring of basic production indicators, whether for each factor of production or for general productivity and the various activities.

10. There is a continuing trend in the Arab region towards privatization. Its achievement requires: (a) a separation between the activities of the public and private sectors and the provision of greater detail so as to assist in measuring and comparing the efficiency of performance over time; (b) the establishment of principles for the evaluation of basic services (education, health, etc.) in which the private sector can participate, and the effect of the use of these principles in the two sectors on gauging the volume of activity and the degree to which it changes with the

relative weight of the two sectors; and (c) an examination of the effect of transferring to the private sector in order to stimulate it certain service-related activities normally undertaken by government agencies, such as cleaning services for government buildings or the distribution of water and electricity, including subsidies associated with those types of transfers.

11. With a view to encouraging Arab investment or for facilitating regional trade, exemptions are customarily given to financial commodity flows. It is important that an estimate be made of the volume of such exemptions and of their impact on income distribution in individual countries and at the regional level so that the distribution of benefits and burdens, an issue vital for integration, can be monitored. With the growing role of the private sector and an increasing reliance on market forces, planning methods are changing, and the role of economic and financial policies and of their various instrumentalities is becoming greater. This implies: (a) the expansion of the data base necessary for planning; (b) the increased use of the system of national accounts to monitor the development process; and (c) the measurement of the impact of various policies, and the development and application of principles of accounting in various production units in order to facilitate the linkage between accounting at the establishment level and national accounting.

12. There are certain issues which carry great weight in the Arab region and require special treatment in national accounts. They include: (a) the refugee issue; (b) the use of the Western calendar; (c) the question of allowing Arabs to hold capital assets, particularly land, and of according the right of residence to anyone who deposits a certain minimum amount of funds even if his major activity continues to be outside the country; (d) Arab investments overseas; (e) the special character of the oil sector and the dominance of a single economic activity; and (f) the informal sector and small industries, particularly since technological advance now permits the purchase of services, such as software, from individuals, or the pursuit of certain advanced production processes in household units. The latter type of activity is expected to increase, especially with the increasing number of stages of production and the endeavour of large-scale units to specialize in design and to assign the production of parts to units which work in accordance with the specifications laid down by them. This means that the informal sector will become a tightly organized appendage to the large corporations sector and will not longer be attached to the family sector in the traditional manner.

Tunis

Statistical units

*

13. [The meeting took notice and agreed with suggested definitions of establishment and enterprise units.]

Tunis

Alternative income concepts

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14. The meeting endorsed the proposed alternative income concepts linked to production, and it was of the view that they should be considered as ancillary tools in economic analysis.

Tunis

Production boundary

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15. The meeting examined and expressed agreement with the proposed revisions regarding the production boundary.

Tunis

Quasi-corporations versus unincorporated enterprises

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16. The meeting examined and endorsed the definitions of corporations, quasi-corporations and unincorporated enterprises.

Tunis

Market and non-market production
subsidies flexibility

17. On the criterion for distinguishing between market and non-market production, it was agreed that there should be total flexibility unlinked with the criterion of 50 per cent coverage of production cost and that the criterion should depend on the nature of the producer. The meeting was of the view that market producers should be classified in the corporations sector. The meeting reached no clear consensus on how to treat the output of non-market production and on whether it pertained to government subsidies or government consumption.

Tunis

Financial intermediaries
banks

18. The meeting welcomed [the treatment of the output of bank services], although questions were raised as to the possibility of its practical implementation.

Tunis

Rent on government buildings
imputations

19. The experts agreed that there was a need for an imputation of rent for government use of the buildings it owns, but there was a difference of opinion on how the estimated rent value should be treated in the accounts and on the estimation of its intermediate consumption. Some proposed that the rental value should be considered as output and at the same time as government consumption, and that maintenance costs and other expenditures on such buildings should be considered as intermediate consumption of the nominal production unit in question.

Tunis

Valuation of output, input and final demand

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20. The experts approved the simplification introduced into the valuation principles for products. There are now two types of distinctions in the valuation of products: (a) the distinction between basic prices and market prices, which refers to the exclusion and inclusion, respectively, of product taxes, and (b) the distinction between producers' and purchasers' prices, which refers to the exclusion and inclusion, respectively, of trade

and transport margins. In their discussion of the valuation of final demand and value added, the experts agreed that outputs should be valued at basic prices and inputs at purchasers' prices.

Tunis

Assets and changes in assets: coverage, classification, moment ...

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21. The experts... showed great interest in the classification of assets as produced and non-produced, and thus stressed the importance of measuring changes in net worth, a new concept in the accounts of the system.

Tunis

Research and development

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22. ... A number of different views emerged. They included the view that research and development expenditures should be regarded as current outlay classified in accordance with the sector in which it is made (intermediate consumption or final consumption, as in the case of the government sector, for example); and the view that a distinction should be made between expenditures on applied research leading to increased production for a period of more than one year, which should be considered as capital formation (assets), and expenditures on other research and development, which would be considered as intermediate consumption.

Tunis

Mineral exploration

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23. The experts supported the recommendation that outlays on mineral exploration should be treated as capital formation, and this is the approach that has been used in the region.

Tunis

Intellectual property

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24. The meeting formulated no precise view with regard to intellectual property.

Tunis

Software

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25. The experts agreed that software, whether purchased at the time the hardware is purchased or independently, should be treated as capital formation.

Tunis

Environmental assets, including natural growth
environmental-accounting

26. The experts agreed that the tentative classification proposed for environmental assets represented a sound point of departure for the study of this important subdivision. The experts proposed that environmental assets should be included in national [or natural] resource accounts.

27. Some experts were of the view that natural growth cultivated by human effort should be counted as production whose value should be imputed at the time of harvest or use. Some were of the view that such production should be estimated annually on the basis of cost incurred.

Tunis

Military durables

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28. [No clear decision was reached covering the treatment of military durables.]

Tunis

Government stocks

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29. The experts agreed that government stocks should include all goods, while understanding the practical difficulties involved.

Tunis

Consumer durables

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Agreed with the suggested treatment. [Taken from summary version.]

Tunis

Nuclear fuel rods

*

Agreed with the suggested treatment. [Taken from summary version.]

Tunis

Environmental assets: depletable resources

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30. The meeting was of the view that the following points should be taken into consideration:

- (a) Net income arising out of such resources and differentiation of gross product arising out of their transformation from a physical asset into a liquid financial asset;
- (b) The importance of the valuation of depletable assets in resource accounts. While there was general agreement with regard to the importance of treating income arising out of such resources and the importance of taking account of the depletion factor, as is done in case of capital consumption, there was no consensus on a modality of treatment.

31. The discussion of the second point took two major directions. The first stressed the importance of preparing the relevant national accounts in accordance with two methods: one method taking depletion into consideration and determining net value added after a deduction for depletion, then adjusting all the other accounts in accordance with that concept of value added (net national income, capital formation and net savings) and valuing depletion, reserves and total new value added at current value. The other view was that income accounts should continue to be treated as it was at present and that the depreciation or depletion of depletable resources should be reflected in the resource account by means of revaluation.

32. In either case, the meeting did not decide on the concept of net income or the depletion factor. A number of views were put forward centering on two concepts: the first defining net income by distinguishing between yield and net income on the basis of production cost; and the second defining net income in relation to the depletion factor on the basis of the proven reserve and total new value added at current financial value. The meeting strongly stressed the importance of the preparation of national resource accounts in view of their extreme importance, and it was of the view that the subject required more investigation.

Tunis

Financial *

insurance holding-gains pensions

33. ... The experts agreed with the proposed classification of financial intermediaries contained in the revised SNA. Some proposed that a special item should be established for the public treasury and that it should be separated from the government sector.

34. Experts were of the view that the major criteria for considering an instrument to be of a financial character are an unconditional commitment to pay and transferability. With regard to the most important of the new financial instruments, namely financial leasing, bankers' acceptances, repurchase agreements, zero-coupon bonds and hedging instruments, the experts welcomed the efforts made to define them and their inclusion in the category of financial instruments.

They were of the view that the difference between the issue price and the value at maturity of zero-coupon bonds should be treated as a capital gain.

35. The experts were in agreement with the major revisions to the 1968 SNA with regard to the treatment of insurance and pension fund transactions.

Tunis

Residence

ownership-control flexibility

37. The concept of residence is accorded particular importance in the Arab economies because of the wide-scale movement of labour among the Arab States and between them and the rest of the world, and it requires more detailed delineation in light of the dynamics of labour movement.

38. The experts agreed with the definition of residence [in the case of individuals] other than with respect to the application of the one-year rule. That would affect the accuracy of data, particularly those relating to external trade and balances of payments and, consequently, national income data. Many experts were of the view that flexibility should be used in the application of the time-period criterion and that other criteria should be added, such as income generated and the extent of the use made of and benefit derived from government services by persons present in the country. Some considered that the concept as expanded by the proposed criteria would achieve a harmonization among time series in statistics, whether with regard to balance of payments or national accounts. Some experts were of the view that refugees should be considered as residents.

39. The participants did not agree ["did not disagree" would be more consistent with the earlier summary] with the principle applied to enterprises, provided that the time stipulation was regarded with a degree of

flexibility. There could be no harm in making use of other factors in establishing the resident status of an enterprise. Some participants raised the problem of the so-called "sponsorship" system, as it exists in the Gulf countries, where foreign enterprises engage in economic activity on a sub-contractual basis through a national who is licensed to engage in such activity, against payment of agreed monetary sum on the understanding that he will sponsor those employed by the enterprise. Hence, the quality of residence applies to the individuals employed by such an enterprise but not to the enterprise itself.

40. The experts welcomed the treatment of the residency status of international organizations in the revised SNA.

41. The experts were of the view that the definition [of foreign control] proposed for the revised SNA is in keeping with economic conditions in the Arab countries and that it will assist in the analysis of activities. Some considered that there was a need to observe flexibility in determining the level of participation for joint enterprises, that it should not be limited to 50 per cent and that its determination should be left to each country in accordance with its own particular circumstances.

42. In another respect, the experts stressed the importance of treating offshore units and free zones as resident units, with a distinction being made between free zones with an inland orientation and free zones open to the outside world from the point of view of the objective and nature of the activity in which they were engaged, the former being economically lined with the sectors of the national economy while the latter were directly linked with the outside world.

Tunis

Exports and imports of goods and services valuation

43. ... The experts approved the conclusions reached in the revised SNA with regard to the valuation of imports at f.o.b. prices, the change of ownership as the major criterion for the recording of transactions and the treatment of exceptions relating to shipment of goods between the head office and its branch, shipment of goods between affiliated companies, goods shipped under financial lease arrangements and goods for processing and re-export. The experts supported the current trend towards expanding the coverage of non-factor services to include traditional items, such as transport and travel, and also those items that are becoming increasingly important in international transactions, such as financial services, communications services and information services, in view of the particular importance that they have begun to assume in the economies of the region.

Tunis

Reinvested earnings

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44. The experts ... agreed to the proposal that reinvested earnings should be included in the accounts as part of the receipt/payment of property income and concurrently as part of the increase in foreign financial/liabilities/assets in the external sector account.

Tunis

Write-off of bad debts, etc ...

*

45. The experts agreed to the proposal that the latter should be treated as the cancellation of an external transaction and that the offsetting entry to the reduction in debt should be reflected under capital transfers. No agreement was reached on a modality for treating the former case, that in which non-payment is attributable to one side only, and it was considered that the treatment proposed might have some shortcomings.

46. The experts agreed with the SNA proposal to the effect that the 1968 SNA treatment of arrears in debt payments should be retained. With regard to debt/equity swaps, the meeting was of the view that their treatment required more thorough study.

Tunis

Financial instruments, including gold

gold

47. The experts agreed to the proposed classification of gold in the new SNA as monetary gold and other gold. They also agreed to the proposal that the reclassification of monetary gold to commodity gold and vice versa should be reflected in the reconciliation account.

Tunis

Valuation of external transactions

exchange subsidies holding-gains

48. The experts agreed with the proposed treatments for the following items.

49. Uniform exchange rates: Net proceeds should be classified as financial service charges. If, however, the differentials between the currencies are due to inflation or other factors, they should be treated as holding gains or losses and recorded as capital profits or losses.

50. Multiple exchange rates as a result of a particular policy: net proceeds accruing to the authorities as a result of transacting in the multiple rates should be treated as a tax or subsidy. The meeting discussed the proposed method of calculating the taxes or subsidies for each transaction, namely, the difference between the value of these transactions at the actual rate paid and the weighted average rate for all transactions in the external account, and a number of questions were raised with regard to the manner in which the weighted average rate was calculated.

51. Black market exchange rate: should be included in the calculation of the weighted average rate and the difference treated as a transfer.

Tunis

Price and volume measures

terms-of-trade inflation-accounting

52.-57. The different traditional formulas of Paasche, Laspeyres, Fisher and the chain method were compared but no decision was taken. Four distinct groups of views were expressed:

- (i) The first group proposed direct deflation of each sector to arrive at production in real terms, and if direct deflation was not possible, the general index number should be weighted in such a way as to reflect

the relative importance of goods within its groups, taking into consideration the seasonal variations.

(ii) The second group of experts would like to relate the fixing of prices with the objectives of such fixing, whether to measure welfare or structural change or productivity. Once the objective is determined, then a suitable measure would be decided. Foreign trade would be deflated by imports price index.

(iii) A third view centered on the importance of relative changes in prices in each group of products and the ratios of exchange among these sectoral groups.

(iv) The fourth view expressed was that if the objectives were to measure the purchasing power of income as an indicator of welfare change, then the constant prices approach should be discontinued.

Due to time limitations, the experts could not discuss everything thoroughly; such undiscussed recommendations related to (i) treatment of price differentials for identical products, (ii) quality changes, (iii) unique products, (iv) price and volume measures for non-market goods and services, (v) trading gains and losses, (vi) real national disposable income, (vii) revaluation of changes in stocks and (viii) inflation accounting. On the whole, the experts supported the recommendations, which are mostly operational in the region. [Taken from the summary version.]

Tunis

Households: sub-sectoring

SAMs

59. The experts agreed to the sub-sectoring of the household sector by socio-economic groups so that the SNA accounts would contain the main elements of "Social Accounting Matrix". The experts further recommended that, in order to increase the analytical power of the social matrix, countries should use additional subdivisions in accordance with their own analytical needs, for example, rural/urban households, by educational level or economic activity of the head of household, etc.

Tunis

Formal and informal

informal

60. The experts considered how to distinguish between formal and informal activities, but no final decision was reached.

Tunis

Non-profit institutions, including community activities

imputations

61. The experts agreed with the proposal that NPIS serving households sector should be included in the household sector and that these institutions should be included with the institutional sectors which they serve.

62. The experts discussed the modality for treating construction activities carried out collectively, for example, a road or school built by the people of a village. In that connection, the experts agreed that: (a) such outlay should be regarded as part of capital formation; (b) the activity should be treated as that of a non-profit institution; (c) in valuing output imputation should be made for the voluntary labour, and that the finished

asset should appear in the balance sheet of the sector responsible for its upkeep.

Tunis

Consumption expenditure, actual consumption and disposable income
subsidies

63. The experts discussed the differentiation of consumption expenditure, actual consumption and disposable income. They supported the approach of recording consumption expenditure and disposable income in each sector and then entering transfers in kind to the household sector as imputed income. They also agreed to the division of government consumption expenditure into administrative expenditure and social expenditure and on the need to distinguish "individualizable" expenditure from collective expenditure.

64. The experts also discussed expenditure of enterprises either for the benefit of their employees alone or for the benefit of the population as a whole. The experts agreed that such expenditure should continue to be regarded as intermediate consumption and that expenditure for the benefit of employees should be taken care of by some slight extension of the scope of compensation of employees in kind.

65. The experts reached no firm decision on whether government subsidies to market producers that would make certain goods or services available to the public at prices below the costs of production of those commodities, should be considered as government consumption expenditure or as partial payments for the good or service.

Tunis

Public sector

flexibility pensions

67. There was general agreement that the SNA analysis of the sector should be as close as possible to that reflected in the International Monetary Fund (IMF) **Government Finances Statistics (GFS)** and that, with the retention of the SNA cash basis and the GFS accrual basis, a number of modifications would be necessary in order to link the two systems together and form a kind of "bridge" between the concepts employed in the preparation of government statistics and those employed in the preparation of national accounts estimates.

68. The treatment and classification of social security funds, social transfers and taxes and other public sector transfers proposed in the revised SNA are generally acceptable but should, however, be sufficiently flexible to enable each country to adapt them to the nature and functions of its own public sector and its structural classifications.

69. In the light of the above points, agreement was reached on the adoption of the same rules for identifying corporations, quasi-corporations and unincorporated units with respect to the public sector as those related to the household sector.

70. There was general agreement to treat corporate enterprises as public if the government owns the majority of their equity or exercises control over their economic behaviour. The experts agreed that the structural classification of general government could be modified in the way proposed by the revised system and that an intermediate level of government could be added

between central and local government, thereby allowing greater flexibility in the practical application of the classification.

71. The experts agreed with the recommendation that the new system that flexibility should be introduced into the classification of social insurance and social security funds so that they could be classified, alternatively, as part of the level of government at which they operate or as a sub-sector separate from the other operations of all levels of government. No preference was expressed for either of these alternatives over the other.

72. The experts agreed with the recommendation contained in the revised system that contributions to and benefits from such schemes are to be classified as social contributions and social benefits, respectively, rather than as other transfers paid by government.

73. With regard to taxes and other public sector transfers, the experts agreed with the terminology recommendations of the revised system.

Tunis

Accounts and tables

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74. With regard to the sequence of accounts, the proposed system provides an excellent sequence for the various major flows in the national economy, depicting all stage of operations from production to balance sheets. These accounts are presented in a set of separate accounts, or a set of abbreviated accounts or a set of simplified accounts for the nation, which replace the Consolidated Accounts for the Nation in the 1968 SNA.

75. The meeting was of the view that the simplified accounts, although derived from the sectoral accounts, nevertheless did not show the role of each sector and its overall contribution to economic activity. Accordingly, the experts considered that this aspect should be taken into account and that the role of each institutional sector should be brought out in the simplified accounts.

76. ... Since the experts were of the view that the human factor was basic to the production process, they proposed that the satellite accounts should reflect human services alongside the environmental accounts and any other satellite accounts.

Tunis

Links with other systems

business-accounting central-banks imputations

77. With regard to the relation between balance of payments and national accounts, the experts supported the approach calling for a harmonization of the two systems with regard to concepts and definitions. The problem was raised of the relation between a system based on the physical movement of goods into and out of a country and the information contained in the balance of payments, which is based on actual currency exchange records given the inability of central banks and banking institutions to provide detailed information on operations involving the actual physical movement of goods. The experts also pointed to the difficulties encountered by central banks and banking institutions in providing detailed information on unrequited transfers or the income of factors of production. It was also pointed out that in the case where data on exports and imports were taken from customs statistics, the difference between them and the data contained in the balance of payments should be considered as change in stocks.

Identifier: Tunis

79. The experts stressed the importance of financial flows as a complementary section within the framework of national accounts. Some suggested that there should be an item for the public treasury within the financial intermediaries sector. The experts further discussed expanding means of payment and using methods of estimation (imputation) for certain financial flows in order to achieve a balance between imputed values and financial flows.

80. The experts studied the close relationship between input-output tables and national accounts. They agreed that national accounts were a comprehensive framework which included input-output tables, and some experts stressed the importance of preserving the divisions by institutional sector within the sectoral structural in the table.

81. The discussion addressed itself to the experiment carried out by the League of Arab States (the Industrial Development Centre at that time) and a number of experts from the Arab States in linking the flows of the 1968 SNA with the corresponding items in the unified accounting system. The meeting considered it important that this idea should be adopted, and it called for efforts to be made to link financial accounting systems with the revised SNA.