



UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL



Distr.: LIMITED

ECA/ESPD/ABSA/2006/8
31 May 2006

Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA

Annual Meeting of Advisory Board on Statistics in Africa
Addis Ababa, Ethiopia
13-14 June 2006

**Note on the Revision of the
1993 System of National Accounts**

(1993 SNA.Rev1)

A. Background

1. In 2003, the UN Statistical Commission called for the revision of the *System of National Accounts, 1993 (SNA 1993)* to bring the accounts in line with the new economic environment, and needs of users. The Commission mandated that the revision would not recommend fundamental changes to the 1993 SNA, which may obstruct the implementation of the 1993 SNA. The main issues are consistency with related manuals, including Government finance statistics manual, the *Balance of Payments Manual and Monetary Statistics*.

2. The Inter-secretariat Working Group on National Accounts (ISWGNA) comprising EUROSTAT, International Monetary Fund (IMF), Organization for Economic Co-operation and Development (OECD), the United Nations, and the World Bank—was mandated to coordinate and manage the revision Project. The timetable, as agreed upon by the Statistical Commission in 2004, calls for the *1993 SNA, Rev. 1* to be ready for endorsement in March 2008.

3. The Statistical Commission emphasized the need for transparency in the revision project and the broadest possible involvement of the global statistical community. In line with this emphasis, the Advisory Expert Group (AEG), including 20 country experts from all regions of the world, was established in 2003 to take a key role in the update. The AEG considers the proposals for change and expresses its views, both in meetings and in written consultations.

B. Methodological work on the revision of the 1993 SNA

4. The AEG agreed on an initial list of 44 candidates issues to be considered for the revision, which are related to non-financial assets, government and the public sector, financial instruments and institutions, and the balance of payments. The list, which is posted on the Project website, framed the task of the AEG in the first phase of the Project. The AEG had meeting during 2004, 2005, and in early 2006 to reflect on these issues and make final recommendation.

5. At the final meeting in the issues-oriented phase, the AEG considered papers that represented the research and consideration by a wide range of topical expert groups. These included the Canberra II Group, the Task Force on Pensions, the Task Force on the Harmonization of Public Sector Accounts, the Task Force on the Valuation and Measurement of Equity, the Task Force on Financial Services, the Expert Group Meeting on Industrial Statistics, and the IMF Balance of Payments Committee.

The AEG agreed on recommendations on almost all points of the issues before it. On the few where it did not reach agreement, a time-bound way forward was identified so that the drafting of the *1993 SNA, Rev. 1* can proceed.

6. Following the agreement on the issues, the next phase of the revision will review the overall consistency and integrity of the 1993 SNA Rev1.

7. The body of recommendations emerging from the AEG will help bring the international statistical standard in line with the changing economy, and users' needs. As well, it will promote the harmonization of the macroeconomic statistical manuals and handbooks.

- Several recommendations deal with the problems of statistics in an increasingly globalized world (for example, allocation of multi-territory enterprises, nonpermanent workers, goods for processing, and merchanting).

- Others relate to developments and innovations in financial markets (non-performing loans, index-linked debt instruments, retained earnings of mutual funds, and updated classifications and terminology) and to developments in government and the public sector (tax credits, Public-Private Partnerships, restructuring agencies, and transaction between general government and related public corporations).

- Still others touch on features of the "new economy" (databases, R&D, and originals and copies).

- The recommendation to include a return to capital in addition to depreciation (in supplementary tables) is in line with a large body of methodological research and responsive to user needs in analyzing productivity. There is interest in having an update of the OECD manual on *Measuring Capital*, in part to have more guidance for developing statistical offices.

- The recommendation to include a chapter on the informal sector responds to a longstanding call for guidance on measurement in a national accounting framework.

- Harmonization of the SNA with other manuals is built into the process. These include the *Balance of Payments Manual*, *Integrated Environmental and Economic Accounting (IEEA2003)* and the manuals on government finance.

C. Drafting and Editorial work on the 1993 SNA Rev1

8. Key features of the plan for the phase of the Project that covers the drafting of the *1993 SNA, Rev. 1* and its review have been agreed. The plan is designed to deliver on schedule and in accord with the Statistical

reviewing drafts. The Project Manager, Editor, and ISWGNA are working out the details of the plan, which will be posted on the Project website.

9. The basic structure of the existing SNA document will not change. New material will be introduced throughout existing chapters as appropriate, but major new topics—such as government and the public sector, the informal sector, and accounting for capital—will be stand-alone chapters to minimize the disruption to the existing text. A record of changes to existing text will be made.

10. The Editor will proceed with the task of incorporating the recommendations. Most chapters of the SNA will go through at least four stages, from draft, to review, to redraft, to readiness for the Statistical Commission. Both ISWGNA representatives and the AEG will serve as reviewers. Regional commissions and Member countries will be invited to comment on drafts.

11. The overall scheme is to divide the chapters into roughly two equal parts and proceed with first one part and then the other. The first part will consist of the “heart” of the SNA, starting with the chapter on the production account and working through the sequence of accounts. This approach will allow the review of this part to go on while the Editor drafts the second part. The timetable for the intermediate and final products over the next two years is below.

D. Timetable of the revision of the 1993 SNA

March 2006

Full set of provisional recommendations assembled. Concentrated drafting begins on the “heart” of the SNA.

April-Sept 2006

Full set of provisional recommendations provides the basis for wide review of the consistency of the recommendations.

November 2006

Consolidated set of recommendations prepared for consideration by the Statistical Commission in March 2007.

Early 2007

Draft of the “heart” of the SNA completed and posted for worldwide review. Drafting begins on the rest.

Early 2007

Draft of the “heart” of the SNA discussed at an AEG meeting.

Late 2007

Draft of the rest of the SNA completed, posted for worldwide review, and discussed at an AEG meeting. This meeting begins the transition to discussions of implementation.

Late 2007

Draft of *1993 SNA, Rev. 1*, ready for consideration by the Statistical Commission in March 2008.

E. Implementation phase of the 1993 SNA Rev1

12. The implementation phase of the revised 1993 SNA will start by early 2007, Following the approval of recommendations for *1993 SNA, Rev. 1* by the Statistical Commissions in 2007, they may be used for workshops and training materials.

F. Consultation of the African Statistical Community

13. The UNSD has consulted African Statistical Offices by sending letters, while IMF is sending letters to Central Banks. ECA was requested to assist with the follow up to these letters. Also, during 14-18 November 2005, a seminar was organized by UNECA in collaboration with UNSD with the objective to discuss current issues in national accounts pertaining to the update of the 1993 SNA and relevant compilation practices in African countries. This initiative is based on the recommendations of the CODI IV (April 2005) to promote and encourage countries to make the transition from the 1968 SNA to the 1993 SNA. In addition, it seeks to assist countries in extending the scope of compilation of accounts beyond the production and generation accounts. Senior staff of national accounts departments attended it from 17 countries as well as representatives of UNSD, UNECA, IMF and Johns Hopkins University.

14. The participants welcomed the regional consultations on the issues of the 1993 SNA update. This outreach undertaken by the international organizations as an integral part of the consultation process on the update of the 1993 SNA provides an opportunity to be informed about the international consultation process and express comments about the recommendations made on the issues of the program of the update of the 1993 SNA.

15. By way of introduction, the participating countries informed the workshop that only 50 percent of the countries had reached conceptual compliance with the 1993 SNA although the remaining countries had developed explicit work programs to reach this conceptual compliance with the 1993 SNA. In terms of scope of accounts that are compiled and published on a regular basis, 75 percent of the participating country had

reached milestone 2 while 30 percent published national accounts on a quarterly basis in addition to the annual compilations.

16. It was recognized that many of the proposed changes in the SNA resulted from **globalization, financial innovation and trends in economic analysis** that focused on balance sheets as sources of growth or instability. Globalization had raised new issues, which were discussed at this meeting, such as internationally mobile individuals, complex corporate structures (such as holding companies and special purpose entities) and multi-territory enterprises. Among the issues associated with financial assets were pension schemes, guarantees, repurchase agreements, arrears, non-performing loans and index-linked instruments. Issues of non-financial assets included the treatment of land, water, mineral exploration, capital services, military assets, research and development, originals and copies, goodwill, databases, mineral exploration and evaluation and costs of ownership transfer. While these matters are primarily associated with balance sheets, some implications for GDP and income were identified.

17. The meeting was advised of proposed changes and clarifications for **public sector** data, including public enterprises dividends, taxes on an accrual basis, privatization, sector delineation, public private partnerships, and restructuring agencies. Country papers on government accounts were presented by Kenya and Cameroon.

18. The participants took note of the improved methods that had been proposed for the update of the SNA for **financial services and insurance** at both current and constant prices. It was noted that in some countries, non-life insurance was small and not subject to fluctuations due to catastrophes, so the optional methods to take into account volatility would not be necessary. There were also some concerns about the need for transparency to avoid concerns about excessive adjustment of the data. The participants would appreciate worked examples of the more complex treatments, such as the alternative methods of deriving adjusted claims for insurance or the reference rate approach for FISIM. Representatives of Ghana and Zimbabwe elaborated on methods that they use.

19. In the case of the proposal for the changed classification of **military capital items**, the participants agreed with the proposal. Sensitivity by the military about such data was identified as a problem, but it was concluded that the sensitivity was likely to be less than for the 1993 SNA classification. The meeting discussed options to handle the concerns, such as fixed ratios, special confidentiality, and aggregation.

20. The proposal to include data on **capital services** in the calculation of non-market output was discussed and it was shown that failing to take these into account caused biases in data. It was shown that it is possible

to derive capital services in an integrated manner with data on capital stock and consumption of fixed capital already generated to produce general government output.

21. All countries in the region were encouraged to **participate in the update process**. Now that the participants were more familiar with the issues, they would be more able to respond to questionnaires, electronic discussion groups, etc. The availability of a wide range of materials on the UN website was demonstrated. The UNSD encouraged participants to respond to the invitations for comments on the most recent AEG decisions.

22. Reports were given on the national accounts system and **1993 SNA implementation** in Egypt, Tanzania and Uganda. Seven of the countries are already compliant with the 1993 SNA while some others have partially implemented it.

23. It was noted that the SNA provided a **sequence of accounts**, which was a comprehensive framework for macroeconomic analysis, but only a few of the countries present are able to compile beyond the production and primary income accounts at this stage. In terms of the ISWGNA milestones for national accounts data, eight of the countries represented had reached milestone 1, five met milestone 2, and three milestones 4¹. While production and generation of income data are essential for economic analysis, they provide an incomplete picture of the economy. For example, the redistributive effects of insurance; unfunded pension liabilities; financial flows debt and non performing loans as possible sources of financial instability; and how balance sheet items contributed to growth were all issues that would be of importance for policymakers. While participants recognized that the SNA offers a comprehensive framework, their capacity to extend data coverage was constrained by resources and there is need for technical support and training from international agencies and bilateral donors. The achievements made by some countries indicated that progress was feasible when given adequate backing.

24. The participants identified increasing interest in **quarterly national accounts (QNA)**. Reports were given on the systems in Botswana, Mauritius and Nigeria, where they had been recently developed. In addition, Egypt had also recently introduced QNA and some other countries were already working on QNA or had a plan to do so. Participants encouraged the international agencies to provide regional QNA seminars for training and exchange of experience.

25. All countries represented emphasized the importance of the **informal sector** to the economy. The UNSD advised on how the SNA update proposed to elaborate on the informal sector and best practice compilation methods. Country papers were presented by Seychelles and Zambia.

26. Representatives of Johns Hopkins University provided information on the nonprofit sector and volunteering. They gave a presentation of the Handbook on Nonprofit Institutions in the System of National Accounts, explained its purpose and structure and explained work they were doing on this topic. The nonprofit sector was identified as a distinct and important component of the economy in participants' countries that is currently not reported separately in the SNA. Statistical visibility of the NPIs in the economies requires the explicit sub-sectoral classification in the existing sectoral accounts of the 1993 SNA. Additional information on the NPIs is to be collected as outlined in the Handbook like the volunteer input, paid employment, and value of government receipts.

25. A number of sessions covered reports on country experiences and concrete guidance on suitable national accounting methods. Participants found these very useful and commended seminars as an effective way of spreading best practice to a wide group of countries and developing regional networks.

G. Conclusions and recommendations

- 1) The participants reacted positively to the request by the international agencies to prepare country responses on the recommendations made by the AEG in the global consultation. The UNECA will follow-up with the countries to participate in the update process and encourage their responses by 30 November 2005. In general, participants agreed with the proposed changes, although it was recognized that some would have relatively low priority because it is most of the time beyond the scope of their national accounts and resources to expand the scope are unavailable.
- 2) For the informal sector, the participants supported the idea of an international standard definition (while maintaining the ICLS recommendation for national adaptation with regards to size and non-registration). This would require a clarification (i.e. all formal household enterprises should be treated as quasi-corporations) and a change in the definition of market producers of informal household enterprises (i.e. "most or all" to be replaced by "some or all").
- 3) UNECA was requested to organize another workshop on the 1993 SNA and its update to extend the coverage of African countries. Moreover, the format of this regional training workshop should be maintained in order to integrate the progress and feedback on the update of the 1993 SNA with discussions of country practices in the implementation of the 1993 SNA. The participants agreed that central banks and other relevant agencies should be encouraged to participate in these workshops.

- 4) The participants recognized the importance of making progress in extending the scope of accounts and reaching conceptual compliance with the 1993 SNA. The achievements made by some countries indicated that progress was feasible when given adequate backing and technical assistance. International agencies were requested to increase their efforts in technical assistance.
- 5) Furthering the CODI IV recommendation on the implementation of the 1993 SNA, participating countries accepted the commitment to reach at least milestone 2 and conceptual compliance by the end of 2008. UNECA in collaboration with UNSD was requested to monitor the progress of implementation.
- 6) International agencies are encouraged to organize regional training workshops for African countries on specialized topics like quarterly national accounts, price and volume indexes, regional accounts, satellite applications and integrated survey design for economic statistics (i.e. survey programs supplementing administrative data by integrating data collections across size classes and economic activities of enterprises linked to the exhaustive measure of GDP and accounts of the 1993 SNA, including the informal sector).
- 7) Given the increasing social and political importance of non-profit institutions in the economies of many countries, national statistical offices were encouraged to implement the NPI satellite account as outlined in the Handbook to enhance the statistical visibility of these institutions.
- 8) The need for additional handbooks on practical compilation guidance on specific aspects of the SNA was identified to supplement existing handbooks like the IMF Handbook on Quarterly National Accounts and OECD Handbook on Measuring Capital. This request supports the preparation of UNSD Handbooks on Financial Services covering the measurement of FISIM, insurance and pension schemes at current and constant prices, Handbook on Production Indexes and Handbook on Integrated Economic Statistics.
- 9) To implement the recommendations of the previous CODI meetings, among others, which call upon:
 - (a) Countries: to provide adequate human resource compiling national accounts, it was indicated that over twenty full time professional staff is the minimum required.
 - (b) Countries: to address the institutional issues of 1993 SNA during the design and implementation of National Strategy for Development of Statistics (NSDS).
 - (c) ECA: to provide adequate backing to country efforts, technical assistance, advisory missions, workshops, provision of materials, pilot survey and field project.

ANNEX I: CODI IV RECOMMENDATIONS (2005)

This agenda item focused on Progress report on the implementation of the 1993 System of national Accounts (1993 SNA) in Africa

- 1. The Sub-committee took note of the poor level of transfer of technical knowledge to national experts by visiting experts and lack of sustainability in the actions taken to this effect; and Persistent lack of financial and human resources to enable effective actions for the implementation of the 1993 SNA.**
- 2. The Sub-committee expressed concerns that only a small proportion of member states have made sufficient progress in the implementation of the 1993 SNA.**
- 3. The Sub-committee expressed concerns about the inadequate assistance provided by ECA to African countries in the implementation of the 1993 SNA.**
- 4. The Sub-committee recommended UNECA to play a substantial role in the implementation of the 1993 SNA, with special emphasis on capacity building activities, including workshops, training, material provision and advisory missions, and ensuring effective collaboration with other regional institutions;**

ANNEX II : CODI III RECOMMENDATIONS (2003)

The 1993 System of National Accounts (SNA) in Africa (CODI-III)

Document received:

- The status of the 1993 SNA implementation

Issues raised

- It was noted that human resource constraints at ECA secretariat prevented the Commission from carrying out an in-depth assessment of the implementation of the 1993 SNA;
- An overview of the activities of AFRISTAT and ECOWAS in the area of national accounts, harmonization of methodologies, data quality, timeliness, comparability and compliance with international dissemination standards was highlighted.

Actions recommended:

- An implementation strategy should be adopted at the country level;
- African governments should provide adequate financial and human resources to NSOs; and
- Specialized training programmes should be encouraged

ANNEX III : CODI II RECOMMENDATIONS (2001)

According to previous assessment of the implementation of the 1993 SNA, which was submitted to CODI 3 and endorsed by the sub committee on Statistics, the report pointed out the following issues:

- 1) The methodologies used to assess the implementation of the 1993 SNA in Africa and the results of the survey conducted to that effect.
- 2) The low response rate, which was due to the reluctance of national statistical services to respond to this type of survey;
- 3) The poor level of transfer of technical knowledge to national experts by visiting experts and lack of sustainability in the actions taken to this effect;
- 4) Persistent lack of financial and human resources to enable effective actions for the implementation of the 1993 SNA;
- 5) The reluctance of authorities to fully utilize the data produced within the framework of the 1993 SNA, due to the change in concepts and additional details leading to the sharp increase in the value of the aggregates;

Moreover, they expressed concern at the inadequate assistance provided by ECA to African countries in the implementation of the 1993 SNA. The CODI and its subcommittee on statistics emphasized that the implementation of the 1993 SNA requires extensive details such as that the proposed timeframe of 15 months for the publication of the data is hard to attain, since the basic data are not easy to obtain.

And finally, they recommended the establishment of a mechanism at the national and regional level for monitoring the implementation of the 1993 SNA

ANNEX IV : CODI I RECOMMENDATIONS (1999)

Implementation of the 1993 SNA in Africa (CODI-I)

The sub-Committee considered this agenda item and the following documents:

- (a) Implementation of the 1993 System of National Accounts
 - Progress report on the implementation the 1993 System of National Accounts in Africa
 - AFRISTAT Programme in National Accounts
- (b) Report on a survey on the use of micro-computers and specialized software for compiling national accounts in Africa

Actions taken by the Sub-committee

The Sub-committee:

- (a) Took note of the unsatisfactory progress in the implementation of the 1993 SNA in Africa;
- (b) Further took note of the AFRISTAT programme in National Accounts;
- (c) Considered that National Accounts are an essential tool for policy formulation, planning, monitoring and evaluation of economic performance at the national level, as well as for the promotion of regional and sub-regional integration and;
- (d) Urged African governments to give the implementation of the 1993 SNA the required attention on a sustainable basis, by taking the appropriate steps in this context, and ensuring the these tie in with pertinent medium and long-term strategies,
- (e) Further urged ECA to continue providing technical assistance to the countries of the region in the preparation of project documents, as well as National Accounts compilation, within the framework of the 1993 SNA;
- (f) Requested ECA to draw the attention of the Conference of Ministers to the importance of implementing the 1993 SNA.
- (g) Requested bilateral and multilateral cooperation agencies to launch a five-year multifaceted and coordinated regional assistance programme for the implementation of the 1993 SNA, with emphasis on the compilation of institutional sector accounts;
- (h) Encouraged (AFRISTAT) to continue providing technical assistance to its member States in National Accounts compilation within the framework of the 1993 SNA as well as on improving basic economic statistics.

**ANNEX V: RECOMMENDATIONS BY THE ASSOCIATION OF AFRICAN CENTRAL BANK (AACB),
Continental Seminar on Statistical Harmonization
Toward the African Monetary Convergence Program (AMCP)
Nairobi, April 2006**

- (a) The seminar proposed the inclusion of an additional secondary convergence criterion, which is the gross debt to GDP ratio. This criterion is important as an indicator of debt burden and a measure of debt sustainability. The gross debt/GDP ratio is a secondary convergence criterion for most of the sub-regions.
- (b) The translation of all definitions of concepts into French should be based on the French version of the relevant manuals such as BOPM5, SNA1993, MFSM2000 and GFS2001 to avoid misunderstandings.
- (c) The accounting period should be harmonized to calendar year since the fiscal year varies from country to country. Thus, the reporting of performance of countries in each criteria under the AMCP should be based on calendar year basis.
- (d) Government is defined as general government which includes central government, state government (including social security funds) and local government [In line with GFS]. However, reporting should be based on the availability of data on the various sectors of government in each country.
- (e) GDP at current market prices and GDP at constant market prices should be compiled and reported among all member states, for purposes of monitoring and reporting to meet AMPC criteria.
- (f) All countries should work towards compiling comprehensive GDP data based on SNA (1993) methodology using all the three approaches.
- (g) It was recognized that countries would mainly differ on their GDP harmonization, largely on account of sources data, which required countries to build capacity to collect requisite basic data. Accordingly, member countries should urgently provide the necessary financial and technical resources to meet the required SNA (1993) standards. In addition, member countries should build the necessary capacity to collect the requisite basic data.
- (h) To ensure harmonization, comparability and aggregation GDP should be adjusted to take into

Bank be asked to provide the necessary assistance in this regard, since it already has a running program on this subject. This is used for purposes of measurement of convergence.

- (i) To call upon ECA to consult with Central Banks and statistical officers to undertake methodological work pertaining to the revision of the SNA (1993).
- (j) Urge ECA and ADB to provide adequate support so that countries would reach Milestone level 3 of the implementation of SNA (1993) by 2008.
- (k) There is need to have the institutional framework as recommended in the AMCP. In particular it was recommended that a technical working group under AACB be set up to focus on statistics.
- (l) There is need to enhance cooperation between AACB, ADB, ECA, AU and the IMF in the harmonization of statistics over the medium to long term. This will include highlighting of discrepancies between international standards and those currently used in the sub-regions.
- (m) The criterion on domestic arrears should be extended to include external arrears.
- (n) An issue was raised to take into account Islamic Financial Institutions (IFIs) in assessing the AMCP convergence criterion for real interest rate.

ANNEX VI

MILESTONES DEFINITION

Milestone 0: Development of basic data on production, trade prices, etc....

Milestone 1: Compilation of basic indicators of gross domestic product (GDP):

- Final expenditures on GDP at current or at constant prices,
- GDP by kind of economic activity at current and constant prices;
- Supply and use tables at current and constant prices.

Milestone 2- Compilation of gross national income and other primary indicators:

- Total economy, main aggregates;
- External accounts of primary incomes and transfers;
- Capital and financial accounts for the rest of the world.

Milestone 3- Compilation of institutional sector accounts (first step):

- Production accounts for all institutional sectors.
- Generation of income, allocation of primary income, secondary distribution of
- Income, use of income, capital and financial accounts for general government.

Milestone 4- Compilation of institutional sector accounts (intermediate step):

- Generation of income, secondary distribution of income, use of income, capital and financial accounts for general government.

Milestone 5- Compilation of institutional sector accounts (final step):

- Financial accounts for all institutional sectors other than general government.

Milestone 6- other flow accounts and balance sheets:

- Other changes in assets accounts for all institutional sectors.
- Balance sheets.