

29 April 1994

ORIGINAL : ENGLISH

STATISTICAL COMMISSION and
ECONOMIC COMMISSION FOR EUROPE
CONFERENCE OF EUROPEAN STATISTICIANS

ORGANIZATION FOR ECONOMIC
CO-OPERATION and DEVELOPMENT

Joint ECE/OECD Meeting on National Accounts

(Geneva, 27-29 April 1994)

DRAFT REPORT

I. INTRODUCTION

1. Joint ECE/OECD Meeting on National Accounts was held in Geneva from 27-29 April 1994. It was attended by Australia, Austria, Belarus, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Japan, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Slovak Republic, Spain, Sweden, Switzerland, The former Yugoslav Republic of Macedonia, Turkey, Ukraine, United Kingdom and the United States. Also present were representatives of the Statistical Office of the European Union (Eurostat). Representatives from Korea and Mexico also attended the meeting. The United Nations Statistical Division (UNSTAT), The International Monetary Fund (IMF), The World Bank and the European Bank for Reconstruction and Development (EBRD) were also present.

2. Ms. A.M. Brathen (Sweden) was elected chairperson and Mr. V.G.Dumitrescu vice-chairperson of the Meeting.

3. The Meeting adopted the provisional agenda (doc.CES/AC.68/1).

4. The report of the joint ECE/OECD National Accounts Meeting (doc.

CES/AC.69/2), held in Paris in 1993 was approved and adopted.

5. The main purpose of the Meeting was to review the implementation of the 1993 SNA, the new questionnaire for the 1993 SNA, treatment of natural resources in the 1993 SNA, functional classifications in the 1993 SNA, and the allocation of financial intermediation services indirectly measured (FISIM).

6. The discussion was based on the following documents:

Discussion Document No.1 - "Present National Accounts Questionnaire", prepared by the OECD Secretariat;

Discussion Document No.2 - "Draft OECD National Accounts Questionnaire", prepared by the OECD Secretariat;

Discussion Document No.3 - "Proposed data content for a Revised International Questionnaire on SNA based on the 1993 SNA Guidelines", prepared by the UNSTAT Secretariat;

Discussion Document No.4 - "Accounting for subsoil assets in the 1993 SNA", prepared by the OECD Secretariat;

Document CES/AC.68/2 - "Some Recent Developments in Environmental Accounting", submitted by the CBS, Netherlands;

Document CES/AC.68/7 - "An Integrated Approach Towards Functional Classifications", submitted by UNSTAT;

Document CES/AC.68/3 - "Implementation of the Revised System of National Accounts in Estonia", submitted by Statistics Estonia;

Document CES/AC.68/4 - "Practical Problems of the Implementation of the 1993 SNA in Israel", submitted by the Central Bureau of Statistics, Israel;

Document CES/AC.68/6 - "Some Practical Problems of Implementing the 1993 SNA in Hungary", submitted by the Hungarian CSO;

Document CES/AC.68/8 - "Problem of Measuring High Inflation in the Russian SNA Compilation", submitted by the State Committee of the Russian Federation on Statistics;

Document CES/AC.68/9 - "Implementing the 1993 System of National Accounts: Some Questions on Sectoring", submitted by the Bureau of Economic Analysis, United States;

Document CES/AC.68/10 - "A Summary Report of the Revision Programme of the Greek National Accounts", submitted by The National Statistical Service of Greece;

Document CES/AC.68/11 - "Constant Prices and Additivity - The Dutch Experience", submitted by the CBS, Netherlands;

Document CES/AC.68/12 - "Implementation of the Revised System of National Accounts in Poland", submitted by the Central statistical Office and the Research Center for Economic and Statistical Studies, Poland;

Document CES/AC.68/14 - Report of the State Committee of the Republic of Belarus for Statistics and Analysis;

Document CES/AC.68/15 - "A Note on the Implementation of 1993 SNA in Japan", submitted by Department of National Accounts, Economic Research Institute, Japan;

Discussion Document No.5 - "Financial Leasing", A Report by the Australian Bureau of Statistics;

Document CES/AC.68/5 - "Allocation of the Output of Financial Intermediaries in the Canadian System of National Accounts", submitted by Statistics Canada;

Discussion Document No.7 - "The new treatment of financial leasing in the 1993 SNA: An interim report", submitted by the FSO, Germany;

Discussion Document No.6 - Report of an Expert Meeting at OECD on Informal Activities in the Private Sector in Transition Economies", submitted by the OECD Secretariat.

Document CES/AC.68/13 - "Underground Economy in the General Framework of the Rumanian national Accounts", submitted by the National Commission for Statistics of Romania.

7. The following conference room papers (CRP) were submitted:

- Experience of Statistical Office of The former Yugoslav Republic of Macedonia;

- "National Accounts Questionnaire - Eurostat Proposal", submitted by Eurostat;

- Information on Integrated Economic and Environmental Satellite Accounts, submitted by the Bureau of Economic Analysis, U.S. department of Commerce, United States;

II. QUESTIONNAIRE FOR THE 1993 SNA

Documents: Discussion Documents No.1, No.2, and No.3;

8. Discussion Document No.1 reviews OECD's experience with the present questionnaire which is based on the 1968 SNA. No countries have been able to supply all the tables reported. In general, the response has been very good on the consolidated accounts for the nation reflecting the high priority that countries attach to these data both for internal use and for international comparisons. There has been good response to the tables showing the breakdown of final expenditures and value added, compensation of employees and operating surplus by kind of activity. Countries have been less successful in completing the accounts for institutional sectors; production accounts and sector accounts for private non-profit institutions and for corporations have been supplied by relatively few countries although response has improved somewhat over time.

9. A few countries explained that they could have supplied more data had they been pressured to do so, but in most cases data had not been supplied because they were not available. Several participants said that they were giving higher priority to improving the quality of their data-sets rather than to expanding them. Participants welcomed the OECD paper on past experience with the SNA questionnaire and hoped that the lessons learned would be taken into account in designing the 1993 SNA version.

10. Discussion Document No.2 contains proposals for the revised OECD questionnaire. This will be sent to OECD countries that are not members of the European Economic Area (EU plus EFTA countries); the Organisation will build up its data base for EEA countries from the more comprehensive questionnaire used by Eurostat for the EEA countries. This means that countries will only be asked to complete a single questionnaire; all participants welcomed the consequent reduction in reporting burden.

11. Most participants would like the OECD questionnaire to be comprehensive in the sense of providing a complete overview of the 1993 SNA. At the same time, they would like the questionnaire to indicate which accounts and tables are regarded as priorities by the OECD. This core data-set should be periodically reviewed when member countries find themselves able to provide a larger set of data.

12. International comparability does not depend only on adoption of common reporting standards; it is also affected by the quality of the basic data and by institutional differences between countries. The OECD was asked to consider how it could provide a meta-data set to accompany SNA data for its member countries.

13. Most countries already have plans to recalculate their historical accounts on the new 1993 basis. In general, fairly detailed calculations will be made for the recent past and more approximate techniques will be used for earlier years. The OECD Secretariat will send a questionnaire to member countries to establish their intentions and will circulate this information to the other countries with a view to establish a consensus on the minimum period for which countries should produce consistent time-series.

14. The OECD Secretariat will prepare, as soon as possible, a complete draft of the new questionnaire and circulate it to member countries for comment. The questionnaire will:

- a) show the level of activity/product/functional detail required;
- b) indicate which are regarded as the priority accounts/tables;
- c) indicate the type of constant price data to be

provided;

Countries' comments will be taken into account in drawing up a near-final version for presentation to the group at its meeting in 1995.

15. Participants agreed that a questionnaire on a diskette should be introduced as soon as possible. EXCEL is generally preferred to LOTUS but most countries could use either software.

16. Most countries accepted that the new questionnaire could be sent out for the first time in 1997 for return in 1998. A few countries indicated that they would prefer this time-schedule to be delayed by one year.

17. Discussion Document No.3 explains UNSTAT's plans for the new questionnaire. This will be based on a subset of the accounts and tables included in the OECD questionnaire (which is itself a subset of the Eurostat questionnaire). The UNSTAT questionnaire will be simplified, compared to the OECD proposal, by consolidation of sectors for certain accounts, by the omission of low priority items such as gross output and intermediate consumption broken down by kind of activity and by requesting certain data only in years when countries undertake a major rebasing of their accounts.

18. The UNSTAT questionnaire will be sent by UNSTAT to the New Independent States and the countries of Central and Eastern Europe. The OECD will both undertake the initial review and processing of these data. It was noted that the questionnaire used for these countries may need to be modified to allow countries initially to report data in non-standard classifications.

III. ENVIRONMENTAL ACCOUNTING

Documents: Discussion Document No.4, CES/AC.68/2;

19. The OECD paper raises some important issues regarding the accounting for subsoil assets in the 1993 SNA. It argues that, in spite of the improvement made in the new SNA through the inclusion of subsoil assets in the accounts, the treatment of their depletion has not been satisfactorily resolved.

20. It further underlines the fact that as subsoil assets are scarce, their depletion should be recorded as a cost in the production account.

Transformation of subsoil assets into extracted assets is considered as a production activity. The opportunity cost of an asset is measured by the reduction in future production possibilities incurred by extracting and using up assets in the current period, thus involving discounting. The cost of depletion is thus defined as the decline in the discounted value of future benefits, which is analogous to the definition of consumption of fixed capital.

21. The two-fold aspect of accounting for subsoil assets was discussed. When the the extractor is also the owner, the cost of depleting these assets should be recorded in the same way as the cost of using up fixed assets. However, when a lessor extracts assets, payment is made to the owner in the form of rent or royalties, which are treated by the SNA as payment of primary income. It is argued that this is not appropriate as the extracting unit is also appropriating and using the assets for further sale or production. The owner is progressively selling off the asset, which does not constitute an income flow. The paper suggests that accounting has to follow that of a non owner unit using a fixed asset in production.

22. The issue of where to record the entries arising from the extraction,

sale or use of subsoil assets in the flow accounts was also discussed. For the lessor, the subsoil asset acquired below ground forms part of the intermediate consumption of this process. The owner of the asset, on the other hand, is engaged in an activity similar to the leasing of buildings or equipment and depletion, as in the case of consumption of fixed capital, has to be treated as a cost of production.

23. The Other Changes in Assets Account is also important for recording changes in the values of subsoil assets in the opening and closing balance sheets of the owners. The 1993 SNA records depletion in the Other Change in Volume of Assets subaccount, but this solution was questioned.

24. A query was raised as to how revenue from royalties could be treated as revenue from production. It was explained that, in the case of subsoil assets, royalties should not be treated as property income which arises only when the owner of an asset puts it at the disposal of another person for an agreed period. Subsoil assets, however, are used up and not returned and thus should be treated as fixed assets disappearing over time.

25. A reservation was made on giving such prominence to depletion of subsoil assets. It was felt that there was also a need to strike a balance with the treatment of new discoveries of these assets which was very subjective and politically sensitive. The problem of what would be the appropriate level of interest rate to be used in the calculation was also mentioned, and it was agreed that a decision had to be made as for the calculation of fixed capital consumption. International guidelines on calculation of depletion were thought to be useful.

26. It was stressed that the OECD paper was a discussion paper and not a proposal to introduce a change into the 1993 SNA immediately. If consensus were to be reached on the need for such a change it would have to wait until

such time as it might be decided to introduce a package of agreed changes as part of an updating of the System. There is fairly wide agreement that it is not ^{3/}decisable to wait another 25 years before making any revisions, but it seems likely that any such updating is not likely to occur for 5-10 years.

27. Under this agenda item, the Netherlands also reported on its experiment in using data on the environment combined with national accounts data to reflect on the effect of various economic activities on the environment. For each economic activity, an overview is given of the emission of polluting substances which are further grouped by a number of environmental problems which they cause. Based on the contribution by each substance to the problem concerned, the emission weights are converted into problem-related environmental stress equivalent units. An application of this system shows how branches of industry and households contributed to a number of important environmental issues such as the greenhouse effect, the depletion of the ozone layer, acidification, eutrophication and accumulation of waste. The calculations showed that the average contribution of each branch of industry to the environmental issues concerned did not equal their contribution to Net Domestic Product.

28. A number of countries expressed interest in undertaking a similar statistical exercise which represented an innovative way of matching environment problems with economic activities without involvement of monetary units. A suggestion was made that further analysis could be made by adding to the table the environmental protection expenditures, as they relate to each industry and compare them with degradation caused by each industry.