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**REPORT OF THE REGIONAL SEMINAR ON NATIONAL ACCOUNTS
(Santiago, 7 - 11 April 1986)**

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I. ORGANIZATION OF WORK

1. Place, date and purpose of the meeting

1. The Regional Seminar on National Accounts - 1986 was held at ECLAC Headquarters in Santiago, Chile, from 7-11 April 1986, and was organized by ECLAC.
2. Pursuant to the recommendation made by the United Nations Statistical Commission, and in co-ordination with the United Nations Statistical Office, the Seminar was organized in support of activities planned as part of the Programme to Revise the SNA approved by the said Commission at its twenty-second session. It also constitutes part of the various activities periodically carried out or fostered by ECLAC as a means of improving and extending the region's systems of national accounts.

2. Attendance

3. The meeting was attended by government experts from Argentina, Bolivia, Brazil, Colombia, Costa Rica, Chile, the Dominican Republic, Ecuador, Haiti, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.
4. Experts from the Centro de Estudios Monetarios Latinoamericanos (CEMLA) were also present, together with experts from the Centro Interamericano de Enseñanza Estadística (CIENES), from the Board of the Cartagena Agreement (JUNAC) and observers.
5. A representative of the Statistical Office of the United Nations Secretariat (Department of International Economic and Social Affairs) was present, together with a representative of the Department for Technical Co-operation for Development. ^{1/}

3. Election of Officers

6. The following officers were elected by the participants:

<u>Chairman:</u>	Juan Carlos Adroher (Uruguay)
<u>First Vice-chairman:</u>	Carlos Blanco Odio (Costa Rica)
<u>Second Vice-chairman:</u>	Olga Díaz Mora (Dominican Republic)
<u>Rapporteur:</u>	María Eugenia Gómez Luna (Mexico).

/4. Agenda

4. Agenda and documentation

7. The documents which appear in annex 2 were available to participants and the following agenda was approved.

1. Opening
2. Election of Officers
3. Adoption of provisional agenda
4. The experience of Latin American countries in applying the System of National Accounts (SNA).
5. The System of National Accounts from the users' viewpoint.
6. Constant price accounting in countries with high inflation.
7. Revision of the System of National Accounts. Difficulties and proposals on selected topics.
 - a) Purpose of the Blue Book and the Manuals and considerations in respect of specific issues (constant prices, input-product, public sector, income distribution, etc.)
 - b) Accounting structure
 - i) Forms of presentation and possible modifications to the accounting structure.
 - ii) General coverage of the system of accounts.
 - c) Transactors
 - i) Dual sectoring and institutional classification
 - ii) Quasi-corporate enterprises
 - iii) Public enterprises.
 - iv) Informal activity.
 - d) Transactions
 - i) Production boundary.
 - ii) Imputed Commissions.
 - iii) Valuation.
 - e) Modifications to concepts resulting from efforts to harmonize the SNA with:
 - i) Public finances and monetary and financial statistics.
 - ii) The balance of payments.

5. Opening session

8. The opening session was addressed on behalf of Mr. Norberto González, Executive Secretary of ECLAC, by Mr. Gert Rosenthal, Deputy Executive Secretary for Economic and Social Development, who expressed the wish that the Seminar should prove highly successful.

9. In his welcome to participants in the Seminar, the Deputy Executive Secretary for Economic and Social Development took the opportunity to make a number of remarks on the central concerns of ECLAC at the present time, by way of background information. He stated that in his view, these reflected the thinking of many Latin Americans involved in the process of economic and social development of the countries of the region, and that such concern quite naturally reflected in the activities of the specialists on national accounts present at the meeting.

10. He opened his address with a brief description of the present state of the Latin American economies, following five consecutive years of recession. He made special reference to the shrinkage in national per capita income, the fall in levels of saving and investment, the persistence of imbalances and the deterioration affecting social indicators and the distributive structure. He also made mention of the transformations recorded in recent years in the political and social sphere. He stated that a considerable part of the Secretariat's activity was centred on the question of how to face the crisis, and more specifically, how to recover the capacity to achieve development.

11. In this respect, he stressed that the Secretariat was pursuing a number of lines of investigation into multiple facets capable of throwing light on the answer to the question.

12. The research under way could be set out in six categories. Firstly, examination of the international economy and of its repercussions upon the countries of Latin America and the Caribbean continued to be one of the Commission's permanent tasks. While this is indeed a traditional activity for ECLAC, it is taking place today in a new environment: that created by the technological revolution under way in the centre countries, the rapid transformations affecting comparative advantages, the transnationalization of markets, of finances and even of consumer patterns, the trend towards managed international trade, and the likely shortage of capital available to the countries of the region.

/13. Secondly,

13. Secondly, research activity was under way into short-term economic policy, particularly readjustment and stabilization policies; inflation as a specific phenomenon, and the need to foment domestic saving. Thirdly, a set of activities bears on the readaptation of the productive structure of the countries of the region so as to be able to take advantage of national as well as regional and international markets; the latter, on a selective basis. The aim is to define means of increasing efficiency, improve the articulation between primary and secondary activities and stimulate the production of those sectors likely to incorporate new technologies. Attention is also being devoted to the issue of services, of particular relevance to the Seminar.

14. Fourthly, activities were under way in relation to the social aspects of development, and in particular the social impact of the crisis. These activities covered issues such as the informal sector, employment and modes of social organization.

15. Moreover, he stated that a fifth topic to which attention was being given and which was traditionally of interest to the Commission was that of interregional co-operation, but within a new context in which such co-operation would play a fundamental role in overcoming the crisis. Finally, expressing the conviction that economic development was not only or even principally an issue of concern to economists alone, he stressed that ECLAC had incorporated into its programme of work, activities linked with democratization, and particularly with the role of the State in the development process.

16. Finally, Mr. Rosenthal concluded by stating that just as the programme of work reflected an effort to adapt to the changing circumstances which determine the economic and social development of the countries of the region, it was quite natural to assume that accounting, as a means of measuring and quantifying the evolution of such development, would also bring itself up to date, both in terms of methodologies, and of areas requiring greater attention. In this respect, he declared that the moment was particularly opportune for carrying out this periodic revision and expansion of the coverage provided by national accounts.

/II. SUMMARY

II. SUMMARY OF DEBATES

1. The experience of Latin American countries with the application of the System of National Accounts (SNA)

a) Overall features

17. The contributions made by representatives of countries, and the exposés set out in the documents presented to the Seminar, reveal varying degrees of progress in the application of SNA in the countries of the region. Thus, it was confirmed that only 15 out of the 32 Latin American and Caribbean member countries of ECLAC applied the present version of SNA, although to differing degrees and depths.

18. While a considerable improvement had been observed in these 15 countries as to the use of the concepts recommended by the System of National Accounts Series F, No 2, Rev. 3, ^{2/} of no less importance was the effort which all countries in general had made to present their data in accordance with the classifications, concepts, coverage and priority suggested by this document.

19. It was also emphasized that considerable success had undoubtedly been achieved in the adoption and application of methods and procedure for calculation in compiling national accounts. In this sphere, the use of computer systems had not only made it possible to speed up calculation, which in the past had been long and arduous, but also to make use of a greater volume of primary information by way of experiment and harmonization of results. Such is the case, for example, of the extensive use made of the many administrative records.

20. A number of representatives stressed that, for institutional reasons connected with the demand for information for analysis of economic policy and the formulation of plans, the greatest progress had been made in the sphere of production accounts, both in so far as their origin by kind of economic activity was concerned and in their use, in accordance with major components of final demand. However, this had not been accompanied by development in the analysis of the breakdown of domestic costs by sector of economic activity, with the result that in many countries estimates alone were available as to the functional distribution of income for the economy as a whole.

21. In connection with the above, it was also confirmed that 25 countries in the region compiled statistics on gross domestic product by type of expenditure and sector of origin at current prices, when 20 did so at constant prices. As far as the series at constant prices were concerned, it was stressed that a greater relative effort had been made, thereby revealing the deeper interest of countries in analysis of macroeconomic flows in real terms.

22. In analysing the periods of reference of the SNA series at constant prices, it was observed that the change of the base involved a number of technical and financial problems. Many countries presented periods which had fallen far behind, which was particularly serious in the case of countries with higher rates of inflation, in which the breakdown of relative prices changes more rapidly. In this respect, it was worth noting that five countries possessed a base year prior to 1970 (the most distant base years were 1958 in the case of one country and 1962 in the case of another). On the other hand, six countries possessed series at 1970 prices, and 15 at prices between 1973-1979. However, in the last two years, three countries had updated their base year to 1980, and one to 1982. Similarly, Brazil, Mexico and the Dominican Republic had commenced work to update the base year for their calculations to 1980; Uruguay, to 1983, and Venezuela to 1984.

23. In addition, the majority of representatives gave prominence to the fact that estimates of available national income and its use were obtained in their countries by combination of the flows of transactions at aggregated levels, and not by means of consolidation of the accounts for current income and outlay by the institutional sectors. In this respect, it should be stressed that only four countries estimated accounts for the whole of these sectors; a few obtained estimates in isolated fashion for households and the general government, while others merely compiled government accounts.

24. In contrast, a number of participants revealed that the area in which less progress had been made was that relating to financial transactions and capital funding. In this respect, it was stated that while there was no doubt that countries possessed a considerable volume of monetary and financial statistics, these were not presented in an integrated fashion within a consolidated table of financial transactions, and even less so on the basis of institutional sectors.

/25. Whatever the

25. Whatever the case, and despite acknowledgement of the progress made, it was agreed by all that, with the exception of some who had made considerable progress towards materialization of SNA, the majority of countries in the region did not possess "integrated systems of accounts". Progress had been partial and aimed at identifying those countries which had made considerable progress in their calculations; those which had maintained their output at past levels; and, finally, those whose capacity to compile SNA had deteriorated.

26. A considerable number of contributions concerned the use of SNA to guide the production of basic statistics, particularly in the production sphere. In this respect, it was stated that a number of countries adopted the system as a frame of reference, but in the majority it was only used from time to time, particularly when planning bodies needed information for their activities. The most successful cases went hand in hand with the existence of considerable political support. Generally speaking, it was agreed that the units which compiled the SNA were technical bodies devoid of political power and even occasionally of the legal capacity to take part in the running of national statistical activities and establishment of norms and priorities for the same.

27. It was considered that the work carried out was still extremely partial in relation to the overall framework of SNA. It was further remarked that in order to achieve the present level of development it had been necessary to overcome major hurdles, two sets of which were mentioned. Firstly, it was stressed that statistical activity was a process requiring time to mature, a considerable physical and operational infrastructure and continuity in the application of methodologies, which made its materialization relatively costly for the countries in the region. Consequently, it was often the case that when resources were being allocated, governments took the easy way out and set statistical tasks in the background, or allocated insufficient resources to them. It was also remarked that so far no country had been able to count on the necessary infrastructure to satisfactorily develop the basic statistics necessary to compile all the various areas of SNA.

28. Although it was recognized that primary statistics had improved in many countries, it was asserted that they were still insufficient, and of limited

value for the requirements of national accounts. In a number of cases there may even have been a clear regression in the taking of censuses and economic surveys.

29. It was also observed that in many of the countries in the region it was quite common to come across a divergence between the international classifications proposed and those in fact used, particularly those concerning establishments, products, external trade, etc.

30. It was also revealed that the heterogeneity of the modes occasionally used by the National Accounting Offices to compile data on the various items, constituted a serious obstacle to achieving coherent results. In this field, for example, it was indicated that when uniform reference years were not adopted considerable distortion generally existed, appearing with greater or lesser degrees of dispersion depending on time. As had already been mentioned, this situation led to greater methodological difficulties when these years fell far behind in relation to the new price structures which appeared in economies.

31. Many participants underscored the fact that the present SNA had been drawn up on the basis of parameters of relative stability in the domestic prices of countries. However, it was common for countries in the region to present extremely pronounced inflationary cycles and even hyperinflationary processes. This meant that application of the international recommendations generated unsatisfactory results. As a result of this, it was stated that in many cases it was impossible to avoid resorting to ad hoc procedures and solutions, which subsequently caused problems of comparability, even within the same variable for different periods, and even more so between countries.

32. Several experts stressed that the present recommendations did not envisage the separate presentation of transactions carried out in the informal area of the economy. In addition, they stressed the major importance of these transactions in many countries in the region, both in so far as production and employment were concerned. Consequently, the need for recommendations regarding the treatment of informal units in SNA was raised. In this context, mention was made of the desirability of defining them and specifying their coverage,

/with the aim

with the aim of setting about measuring them explicitly.

33. Moreover, it was stated that the presentation of SNA contained in the document mentioned, whose original version was published in English in 1968 and not translated into Spanish until 1970, had not been sufficiently disseminated among users, thereby constituting a restriction to full understanding of the role it played as an integrated system of economic information and in concretely visualizing its potential. Moreover, this situation had to some extent led to insufficient allocation of resources for its development.

34. It was remarked that cases frequently occurred in which it had been observed that the designers and executers of government policy continued to almost exclusively use budgetary programmes and government financial records as their principal and most important sources of information, i.e., they failed to refer to the tables and accounts provided by SNA, which would enable them to more fully appreciate government activity within the overall economic context.

35. Moreover, it was pointed out that in research under way into the situation of households, use was normally made of different information systems to that of SNA, in view of which it would be extremely worthwhile to design multipurpose surveys which fully satisfied the requirements of SNA and those of household surveys, such as income distribution, for example.

36. Finally, in connection with the external sector accounts, a number of representatives agreed on the possibility of developing greater detail therein and making them compatible with the International Monetary Fund's Balance of Payments Manual. Moreover, attention was drawn to the difficulties of interpretation and measurement which arose when different exchange rates, either official or parallel existed, or when there was a continuous process of devaluation as a result of each country's economic policy. With regard to this, it was suggested that the revised SNA should incorporate means of dealing with these problems into its recommendations.

/b) The experience

b) The experience of countries

Argentina

37. Of particular importance, among the statistical activities to be carried out is the preparation of a new reference basis for national accounts and the general overhaul of calculation methodologies with the aim of incorporating the changes which have taken place in the economy and making use of the new sources available.

38. As a consequence of the inflationary process which has affected the economy and in accordance with a partial introduction of SNA, the results of the production and income and expenditure accounts possess particular significance. Thus, in the production account, the main repercussion of inflation is on calculation of value added and estimation of the operating surplus; in the income and expenditure account, it is above all the treatment of interests and the estimation of saving which are affected. Consequently, it is suggested that the new recommendations should include the principal methodological aspects connected with the adjustment of accounts to correct distortions caused by inflation.

39. Moreover, it is suggested that the international recommendations provide broader guidelines in the following areas: treatment of interests, treatment of certain indirect taxes; disaggregation of the basic tables in the public and private sectors; separation of the net income of self-employed workers; and methodological aspects of the quarterly estimates at constant prices.

Bolivia

40. Bolivia has made considerable progress in developing its SNA. In this respect, international recommendations have been observed; nevertheless, it has had to face difficult problems deriving from the operation of the economy itself. In particular, the sharp inflationary process and the expansion of illegal activities have constituted serious obstacles to achieving satisfactory measurement of macroeconomic aggregates. However, considerable steps have been made towards making real accounts and financial accounts coherent; in this respect, for example, the nomenclature for classifying financial operations as well as the institutional agents acting in this area has been defined.

/41. It is suggested

41. It is suggested that the international recommendations contain specific treatment for the following areas: definition of the informal sector; estimates of illegal activities; valuation during periods of inflation and treatment of multiple exchange rates.

Brazil

42. In view of the size of the country, calculation of macroeconomic regional aggregates in Brazil has been a source of constant concern. Official estimates of regional accounts are summarized in five-yearly calculations of value added, by branch of economic activity and by State. These estimates are prepared by the Fundação Getulio Vargas using as a basis information from censuses and special surveys carried out by the Brazilian Institute of Geography and Statistics (IBGE). The majority of sectors of activity are covered by five-yearly censuses research, and those few sectors which are not covered are the subject of special research (electrical energy services, some types of transport and the activities of self-employed workers).

43. In Brazil no annual estimate at a regional level is produced, principally because of two factors: a) primary information is fairly unreliable at the regional levels; and b) the effect of the law, in accordance with which federal fiscal aid provided by the government to the States and municipalities (Joint Fund for States and Municipalities), must be distributed in accordance with a series of variables, the most important of which is per capita income in each State, giving a certain political bent to the calculation of this aggregate.

44. Moreover, as the importance of the State's carrying out annual estimates of the main macroeconomic aggregates has become increasingly apparent, several Brazilian States have independently prepared calculations of regional aggregates, through their planning and finance secretariats or research offices, which have in most cases been of the highest quality. As example, the experiments carried out in Minas Gerais, Bahia, Sao Paulo, Parana and the Northeast of Brazil (the area covered by the Superintendency for the Development of the Northeast, SUDENE), could be mentioned.

/45. In view of

45. In view of the difficulties deriving from the lack of harmonization between calculations, the Fundación Getulio Vargas has prepared a joint project with the IBGE Foundation and regional bodies to adopt a common methodology, making it possible to obtain estimates of regional aggregates with direct participation by all bodies involved in the various States, co-ordinated by the central statistical body and the Fundación Getulio Vargas.

Colombia

46. Colombia has gained valuable experience in the field of institutional classification. In this respect, the following points should be mentioned: i) the private non-profit-making sector serving households was included in the household sector on account of its scant significance within the national economy and the absence of basic information to compile its accounts; ii) the non-financial enterprises sector was defined in such a way as to include only companies and quasi-corporate enterprises, private companies and private quasi-corporate enterprises owned by non-residents. All individual enterprises, notwithstanding their size and real economic behaviour were included in the household sector; and iii) within the public sector, accepted as such by all Colombian analysts, the various components were classified in accordance with the terms recommended by SNA, in spite of the problems of definition which arose as a result of the variety of economic functions fulfilled by a number of public bodies, and of their diverse sources of funds.

47. Among the suggestions made to improve the process of revising SNA are: the need to avoid dual sectoring within the public administration sector; the need to deal with multiple exchange rates; the formulation of recommendations with regard to Regional Accounts; analysis of the impact of inflation upon SNA as a whole; investigation of the analytical implications of accounts at constant prices on a fixed base period, or with regard to a previous period; the need to ensure satisfactory articulation of National Accounts with other statistical instruments: balance of payments, public finances, households surveys, the accounting systems of enterprises, etc.; the promotion of greater clarification of financial operations and of their relationship with traditional monetary and financial statistics.

Costa Rica

48. The Costa Rican delegation made a number of suggestions concerning the SNA review based on its own experience, which are set out in the following paragraphs.

49. The system must provide specific indications as to the way of dealing with the accounting problem caused by the existence of multiple exchange markets; it must also provide a solution to the readjustment resulting from imputation of banking services which proves understandable to users of national accounts statistics; it needs to examine the advisability of dealing separately with import duties, again with users in mind; it must also examine the possibility of including losses as production. Those affecting banana production are extremely high in Costa Rica. In the case of production cost, an item could be introduced under this heading so as to avoid affecting the operating surplus. This could also be done on the side of final utilization.

50. Moreover, it will be necessary for the revision to give greater priority to valuation at constant prices, above all with regard to services, as at present the diversity of methodologies used lessens the validity of comparisons within countries and between countries. In addition, another area of high priority should be that connected with the introduction of quarterly calculation of gross domestic product and with quarterly accounts, which in turn should be related to short-term indicators, for which there is a such considerable demand on the part of those responsible for economic policy.

Chile

51. In view of the particular features of the Chilean economy, it has been necessary to adopt particular solutions in dealing with various aspects of SNA. The following three paragraphs set out a number of these.

52. Treatment of multiple exchange rates. In view of the existence of differences between the various official exchange rates used to value exports and imports and between these and the exchange rate adopted in national accounts, the alternative of considering such differences, which are reflected in the valuation of transactions, as a subsidy or indirect tax, depending on the case, was examined.

/53. The distinction

53. The distinction between capitalizable repairs and current repairs, particularly with regard to construction works. In practice, it is difficult to distinguish between those repairs which improve or considerably extend the useful life of the asset (those which can be capitalized) and those which are current and thereby constitute an intermediate transaction. A typical example is the considerable amount of repairs carried out on housing damaged by earthquakes or other elements.

54. The banking sector: the impact of the "bad debts". In dealing with banking imputations, the interests borne are taken into account. However, should the debtors become insolvent, banks classify the loans in the category of "bad debts". From this moment the interest borne is no longer considered as interest received and is consequently excluded from the flow imputed to national accounts.

55. In the light of Chilean experience, the need for the international recommendations to give due consideration to the following features was raised: the need to specify the concept of subsidies in SNA; the need to explicit the treatment of banking imputations, as well as the exchange rate for expressing transactions in foreign currency; the need to establish a relation between national accounts and balance of payments; the need to define the treatment of accidental damage to assets; to achieve greater precision in defining and classifying social security institutions; the need to establish alternative methods for those cases in which double deflation cannot be applied and in which changes in production functions exists. In addition, in connection with the above suggestions, it was proposed that the advisability of putting forward international recommendations for the presentation of balances and accounting statements which would be useful for the purposes of national accounts be analysed; and finally, that national accountants keep in close touch with the bodies which prepare consolidated accounts and basic statistics.

/Dominican Republic

Dominican Republic

56. As part of the tasks designed to gather recommendations for the application of SNA, consideration has been given to a plan of work which includes analysis of the principal methodological aspects in this field; expansion and intensification of the compilation of basic statistics for use in SNA, and finally a change over from 1970 to 1980 as the base year for the series of national accounts.

57. It appears relevant that the recommendations should include a subsystem for economic accounts for tourism within SNA, with the aim of measuring the interrelations between this activity and the other macroeconomic variables included in the system. Moreover, it is considered necessary to achieve objectivity in handling external trade operations, bearing in mind the different exchange rates practised in countries.

Mexico

58. The Mexican System of National Accounts is the responsibility of the National Institute of Statistics, Geography and Informatics, and is based on the United Nations proposals set out in the document "A system of national accounts" (series F, No 2, rev. 3). Of the activities carried out, the following are worth special mention:

- a) Input-product matrixes: 1970, 1975, 1978 and 1980.
- b) Tables for supply and use of goods and services. Series 1970-1985, at current and constant prices.
- c) Expansion of SNA:
 - i) Public-sector production accounts.
 - ii) GDP per state 1970, 1975 and 1980.
 - iii) Quarterly GDP (under way).

59. It is fully recognized that the 1970 input-product matrix constitutes the starting point of the Mexican SNA and that all of those which have been developed are part of the same. The 1980 one will provide a basis for a new series, at constant prices.

60. The major gap is that relating to financial accounts; in this respect, such accounts have only been compiled for the budgetary public sector.

61. This situation is the result of limits to basic information needed to carry out the measurements referred to.

62. The following suggestions are drawn from Mexican experience: the SNA should provide broader conceptual guidelines with regard to production, for application to quarterly and regional calculations; the concept of value added should be revised when it appears as negative; the concept of the informal sector requires definition, bearing in mind that this sector includes transactions which do not take place on the market, which are illegal, or which are extremely difficult to measure; guidance should be provided and support given to the development of basic statistics; suggestions should be made for incorporating the impact of excessive levels of inflation, frequent readjustments to the exchange rate or the existence of multiple exchange markets.

Nicaragua

63. The main efforts made by Nicaragua are designed to improve and expand basic statistics with the aim of achieving improved estimates of accounts. In this respect, surveys are under way into households, commercial establishments and wholesale prices.

64. Moreover, the process of change which the country is undergoing has affected estimation of national accounts in a number of ways. Thus, by producing a greater volume of sectoral data of an administrative nature, institutional changes have made it possible to expand estimates of gross domestic product by sector of activity. It has also proved necessary to design records and methods of measurement in order to follow-up the most important economic changes caused by the above process.

65. Finally, efforts are under way to harmonize national accounts with the specialized data produced previously.

Panama

66. Panama has encountered a number of difficulties in applying the present SNA as a result of the discrepancies which existed between its recommendations and those made by the International Monetary Fund. These are particularly apparent if it is borne in mind that the Office of Statistics and Censuses itself prepares the national accounts, in addition to statistics relating to public finances and the balance of

/payments. In

payments. In this respect, mention should be made of the problems of classification and opening which arise in the case of public financial statistics, in transferring from the International Monetary Fund's recommendations to those of the SNA.

Moreover, the difficulties which arise over recording banking transactions, and those which take place in the Colón Free Zone, in the balance of payments, and which then have to be incorporated into the SNA, should be mentioned.

67. In order to improve and stimulate the development of SNA, it is suggested that more didactic and better translated documents be produced; that methods of valuation at constant prices be improved; that specific methodologies be developed to measure the contribution of international financial centres and free zones; and that explicit consideration be given to the recommendations of developing countries, as the present SNA is considered to fundamentally represent the suggestions made by the developed countries.

Paraguay

68. Paraguay compiles its national accounts on the basis of the recommendations made by the previous version (Rev. 2) of SNA. They are calculated at the prices for each year and at constant 1982 prices. Simultaneously, an input-product table has been drawn up taking into account the norms of the present SNA. The data series cover the years 1962-1983. For the period 1962-1976, 61 sectors of economic activity have been defined in accordance with the International Standard Industrial Classification (ISIC), at users' and producers' values. After 1977 analysis was restricted to a smaller number of sectors of activity.

Peru

69. Peru has made considerable progress with calculation of national accounts, which are at present compiled by the National Institute of Statistics. However, integral application of the SNA proposed by the United Nations only began in 1981, at the same time as the change in the base year for the series at constant prices. In this respect it should be mentioned that the materialization of these changes was only possible thanks to the considerable degree of development attained by the national statistical system. In this respect for example, single purpose economic

/surveys were

surveys were available, whose detailed information at the enterprise (financial statements) and establishment levels considerably expanded the possibilities for improving estimates and ensuring the coherence of such information at these levels.

70. In applying SNA the accounts relating to production and goods were defined on the basis of specially prepared nomenclatures for activities and goods and services, which moreover converged with the preparation of input-product tables. In addition, production accounts by type of economic activity, as well as income and outlay accounts, accounts for accumulation and financial operations are available for institutional sectors (households, including private non-profit making institutions which serve households). However, it has not been possible to prepare the last of these accounts for private companies and for those included in households.

71. A number of suggestions for the review of SNA are given below, based on the experience obtained from its application. In the case of public companies, it is proposed to standardize the criterion for classification of ownership and direct control by the State; to include non-profit making institutions serving household sector; to disaggregate the remuneration of financial capital and that of self employment within the item "operating surplus". To specify the ways of handling insurance services; to incorporate into SNA compilation of the production accounts of non-financial enterprises and quasi-corporate enterprises, as this information would make it possible to ensure the coherence of accounts II and III of the system; and finally to explicitly include input-product tables within the structure of SNA, as the most suitable instrument for the analysis and coherence of the system.

Uruguay

72. At the beginning of the 1980s a major stimulus was given to the compilation of series at constant and current prices for the goods-producing sector, with the aim of providing support for economic planning.

73. The most outstanding statistical activities include the revival of surveys into manufacturing industry; classification of public expenditure according to

/purpose;

purpose; application of the criterion of goods to the construction sector; use of household surveys to estimate private consumption; methodological changes in order to estimate the gross value of agricultural production when the productive cycle does not coincide with the calendar year, etc.

74. In parallel with the above progress, an input-product matrix with information for 1983 is being compiled. It is estimated that this matrix represents the first step of a plan of work designed to improve the quality and coherence of national accounts, which will constitute the basis for compiling an overall presentation of Accounts I and II of SNA, which would later be completed by opening accounts for the income and outlay of the government and financial enterprises. In this respect, emphasis is placed on the gradual adaptation of basic statistics to attain the proposed aims, which leads to consideration of the flexibility which the international recommendation should incorporate so as to seize the statistical realities of the countries of the region.

Venezuela

75. The Venezuelan delegation gave a detailed presentation of the principle problems which have had to be faced in compiling national accounts, which are set out in the following paragraph.

76. As far as the treatment and scope of the imputations to financial services are concerned, the absence of guidelines in SNA with regard to the treatment of non-banking public financial institutions and that of gross production of gambling was underscored. As far as import duties are concerned, the SNA guidelines do not produce results which are easy for the user to interpret. With regard to capital valuation, the treatment of capitalizable interest is not clear. Problems exist over the definition of a certain number of transactions imputed to subsidies, and which, if applied, could generate negative value added. There are also difficulties over the institutional classification with regard to State enterprises and central government administrative organisms, in view of their particular form of operation, as well as over definition of direct and indirect economic subsidies within SNA. The problem of the treatment which must be given to financial leasing firms

not dealt with, nor that of reconciling the accounts of public sector enterprises with those of the general government, nor the treatment of multiple exchange rates. This aspect is related to the need to ensure coherence between balance of payments data and those included in the "rest of world" sector of SNA, as well as the reconciliation of external factor transactions and net capital flows with public finances, flow tables and financial balances.

77. The suggestions for improvement of the SNA review include: preparation of more didactic documents, both as far as conceptual aspects are concerned, and with regard to special manuals of procedure for the compilation of accounts and tables; definition and compilation of accounts and tables for informal activities; greater openness in the classification of institutional sectors; revision of the definition of direct and indirect subsidies and their accounting effect in SNA; revision of the scope of financial imputation and its separate treatment in a fictitious unit or assignation to a specific account; definition of specific guidelines for the treatment of the leasing of capital goods; greater debt in the treatment of the theoretical, methodological and statistical problems of estimates at constant prices, particularly in the case of services; and finally, the establishment of international norms within SNA for the treatment of multiple exchange rates.

2. The System of National Accounts from the users' point of view

78. One user expressed the view that the national accounts without any doubt constitute a valuable instrument in the tasks of planning and formulation of development strategies and governmental policies.

79. However, he stated that working experience in these areas had revealed that both the degree of implementation of the present System of National Accounts and a number of its characteristics suffer from several limitations which could be overcome. These limitations are essentially:

- a) The failure to deal explicitly with informal activities in the economy which, in the countries of the region are of considerable importance for development policy.
- b) The lack of sufficient disaggregation, at the level of economic agents, (meaning the different forms of ownership which exist in the countries of the region), which also makes it difficult to examine the role of these agents in development strategies.
- c) The fact that only historical series are presented at current and constant prices. In this respect, it would be desirable for such series to be complemented by others, for a number of significant variables expressed in physical units (volume of production, employment series, etc.) which are used by national accounts as an input in the production of data.
- d) Treatment and interpretation of a number of accounts, such as for example the income of domestic factors or valuation of the main export products at international prices, irrespective of whether they are used for export or as inputs which are subsequently processed domestically.
- e) The absence of a presentation of gross capital formation by main sectors of activity.
- f) The occasional clash between information in National Accounts and other sets or groups of information directly linked to the same, such as for example the balance of payments (in dollars) and fiscal and monetary statistics.

80. These limitations give rise to problems for a more efficient use of National Accounts in planning tasks and in the formulation of development strategies and government policies.

81. In so far as such limitations can be overcome it will be possible to achieve greater coherence and wider use of National Accounts in these activities.

82. In view of this, the delegations of Argentina, Costa Rica, Mexico and Venezuela agreed that it would be necessary to carefully examine the limitations affecting the use of National Accounts set out in the above paragraphs.

83. In this respect, it was indicated that the problem did not so much lie in the SNA, but rather in the fact that use of the basic information in countries was rendered difficult because it was not always clear what data were available, nor was all the data produced made available to potential users.

84. Moreover, it was emphasized that the SNA possesses sufficient classifications for each country to carry out the desired breakdown for study or analysis.

85. Finally, one observer stated that the National Accounts had made progress precisely towards satisfying planning requirements, at whatever stage they were required by the latter. Countries should assume responsibility for seeking ways of making better use of the statistics provided by the different institutions which record them in each country.

3. Constant-price accounting in countries with high inflation.

86. In introducing the topic, ECLAC Secretariat stated that the inflationary processes had become permanent factors of the economies of the majority of the countries of the region. Such processes went hand in hand with major changes to consumer patterns, to the allocation of funds, to the competitiveness of the productive sectors and to the real incomes of the various socioeconomic groups and were also associated with considerable capital losses or profits resulting from the differing impact of inflation on the different sectors. As the process had become more marked, the need for more and better information on prices and quantities had become apparent, so as to permit quantification and assessment of these phenomena for the purposes of analysis and for the formulation and supervision of policies.

87. Officials responsible for compiling indexes of prices and volume, as well as for the surveys which provide the basic elements for the preparation of such indexes, encounter increasing difficulties in dealing with the demand arising out of these circumstances. On the one hand, in an inflationary context, the need arises for greater detail concerning the goods whose prices or quantities it is desired to record. In this case, changes in the periods of payment, which mean that prices contain considerable differences as a result of interest, acquire particular importance.

/88. Moreover,

88. Moreover, in such an inflationary context, more frequent changes in quality take place, as well as the appearance or disappearance of articles as a result of price controls. Changes also take place in weighting or relative prices as a result of alterations in the structure of flows of goods and services (which requires more frequent changes in the reference base of price and quantity indexes), with the consequent need for new surveys, censuses and other sources of information. Under inflationary circumstances great care is required over incorporating definition of concepts, classifications, product codes, criteria for assessment and more specific instructions for answering questionnaires, etc., into the surveys.

89. In view of these increased requirements, statistical services face difficulties in overcoming shortcomings caused by their own organizations and by the scale of their resources, which depends on the overall state of the public administration and on restrictions on public expenditure incorporated into anti-inflationary programmes.

90. Offices handling national accounts also meet increased demand for more detailed, timely and reliable estimates of the physical volume and prices of economic flows and their aggregates. This task requires both greater and improved basic information on prices and quantities, which statistical services are not at present in a position to provide sufficiently. Simultaneously, in those countries with high inflation, it is increasingly difficult for National Accounts Offices to continue adapting basic information by classifications, coverage and definitions, and to fill information gaps in sectors of the economy using assumptions on behaviour based on similar areas for which information is available. In circumstances of high inflation it is difficult to accept many of these assumptions.

91. In order to overcome these circumstances it would be necessary to review the present state of affairs, spot gaps and cases of duplication, and design statistical programmes on the basis of a systematic table providing elements for the definition of concepts, coverage, criteria for classification, valuation and timing. It would thereby prove possible to link information prepared for different ends; duplication would be avoided and it would be possible to set priorities. In the United Nations publication "Guidelines on principles of a system of price and quantity statistics" (Series M, No 59), the basic features of a system of price and quantity indexes complementary to SNA are set out.

92. These international recommendations provide an indication as to which transactions it is advisable to include within a system at constant prices, and

/limit these

limit these to those wherein it is possible to identify prices and quantities (flows of the production of goods and services and their uses). The recommendations exclude transactions connected with distributive flows, such as interests, remunerations, transfers, etc., and suggest no measurement of their purchasing power. They also exclude expression of capital stock at constant prices.

93. Bearing in mind the observations of the Secretariat and following an exchange of opinions among participants it was agreed:

- a) To suggest that the coverage of estimates at constant prices -and the associated price index- be as suggested by the international recommendations (Series M, No 59, mentioned above, and the Manual on National Accounts at Constant Prices, Series M, No 64). However, in view of its importance for analysis and assessment of the performance of the region's economies, it was suggested that in spite of the difficulties which arise from the existence of more than one criterion for measurement, the terms of trade effect be incorporated, making it possible to quantify real domestic and national income, in order to reflect changes in the purchasing power of product.
- b) To suggest that aspects which are of particular significance in circumstances of high inflation be incorporated into the international guidelines on censuses, surveys and indexes.
- c) To foment the updating and expansion of recommendations for the preparation of estimates of stocks at constant prices, and measurement of the impact of inflation upon the different sectors, bearing in mind the increasing importance of inflationary processes.
- d) To suggest that the countries in the region -particularly those which have made progress towards preparing the accounts of institutional sectors- incorporate those estimates into the sectors of non-financial, financial and government enterprises. There is more potential for information in these sectors, and moreover they are key sectors for appraisal of the redistributive impact of inflation.

/4. Revision

4. Revision of the System of National Accounts
Difficulties and proposals relating to selected items

a) Purpose of the Blue Book and the Manuals. Considerations on specific topics
(constant prices, input-product, public sector, income distribution, etc.)

94. In her presentation of the topic the representative of the United Nations Statistical Office made it clear that the report "A System of National Accounts (SNA)",^{3/} does not constitute a manual in itself. Rather it represents a description of the System of National Accounts, including conceptual features and definitions. If it is to be put into effect it requires a set of manuals, some of which are in the process of preparation, giving detailed consideration to sources and methods necessary to deal with specialized areas of national accounts, including production accounts, the public sector, the external sector and the household sector.

95. The preliminary results of the SNA review process -which are mainly set out in the reference documents "Organization of the SNA Review" and "Conceptual framework of the revised SNA"- stress the following points:

i) It is assumed that SNA must continue to constitute the basic element for the compilation of national accounts, and that it plays a major role in directing the production and co-ordination of primary statistics and of specialized data systems. However, it is acknowledged that it is open to clarification and greater detail, and that whilst there is no doubt that it contains all possibilities for economic analysis, new preoccupations such as the problem of debt servicing, the money supply, income distribution, inflation and a number of others require particular attention.

ii) The above proposals lead to reorientation towards institutional unity, which would require a certain number of alterations to the present version of SNA.

iii) It is important that efforts be made to harmonize SNA with information systems such as those of public finances and the balance of payments.

96. After having analysed these points, participants agreed over the validity of the conceptual framework of SNA. Consequently it was considered advisable to maintain the same as a starting point for measurement of economic aggregates, while recommending that it would be updated with a view to overcoming the restrictions which have resulted from its application.

97. It was considered necessary that the future version of SNA should concentrate its attention on standardized accounts, as well as on opening and closing balance

/accounts and

accounts and reconciliation accounts as an integral part of the former. It was suggested moreover that consideration of specific topics such as the input-product pattern, the public sector, income distribution, key sectors, specific areas, etc., should be dealt with in detail by separate volumes or manuals. With regard to input-product, the proposal is based on the need for specific classification and valuation; separate presentation would possess the twin advantages of simplifying the future report on SNA and dealing extensively with the specific treatment of each item, but nonetheless deriving from the central system.

98. In this respect, it was agreed to suggest that the next revision should maintain the first two chapters as a general presentation of SNA, emphasizing that separate treatment of specific topics does not indicate that they are not considered to be integral parts of the overall system.

99. After this proposal had been accepted, there was also a consensus over the leading role played by compilation of input-product tables in developing accounts II of SNA, in so far as it had provided a reference year in which the balance between global demand and supply for goods and services possessed far firmer foundations, within a framework in which intermediate and final transactions were harmonized.

100. It was also pointed out that the principal accounts should not be replaced by a simplified set of accounts. It was considered necessary to maintain continuity in the application of SNA since many countries had not yet finished putting it into practice and had made considerable investments in this respect. Moreover, if SNA were in addition simplified to a central nucleus, it would no longer assume its role in directing and co-ordinating statistics.

101. One participant suggested that in order to make it easier for countries to both gradually apply the revised system and ensure timely delivery of basic data to users of SNA (particularly those individuals and institutions responsible for taking economic policy decisions), the system's structure take as its nucleus a simplified set of core accounts, complementing these with building blocks covering different areas of economic activity both extensively and in detail. The notion of a core for the system with building blocks is contrary to that of a single general system, which is both complete and detailed and which would acquire a high degree of complexity. Building blocks, however, would need to be closely linked to the core accounts as well as to all the other accounts, on a basis of common definitions, classifications and concepts.

/102. Another

102. Another participant underscored the need for the manuals to contain methodological guidelines relating to the use of information from administrative records, in order to improve a number of the system's variables.

103. Moreover, there was consensus over the need for Latin America and the Caribbean to participate both actively and opportunely in the various tasks of revision, modification, expansion, improvement or debate over special activities linked to national accounts, so that the international proposal should include the region's viewpoint.

104. Finally, there was consensus that, in view of the large number of countries which belong to the United Nations Organization and whose official language is Spanish, it is important that the translations of the documents which make up Revision 4 of SNA be revised by Spanish-speaking experts on national accounts.

b) Accounting structure

i) Layouts and possible modifications to the accounting structure.

105. The representative of the United Nations Statistical Office pointed out that the system's structure included conceptual definitions, coverage, classifications, matrixes, accounts, tabulations and supplementary tables, within an integrated framework. She requested that participants should express themselves in favour of maintaining the system as it appears in SNA or in favour of replacing it, suggesting that consideration should be given to the possibilities of adopting the presentation contained in tables 1 and 2 of reference document N^o 9 of this Seminar.

106. After debate, it was decided that it would be desirable to maintain both the present structure and layout of SNA. However, it was pointed out that tables 1 and 2 referred to in the previous paragraph are considered useful from the point of view of the presentation of macro-aggregates; in addition it was stressed that they were not incompatible with the conceptual framework of SNA, but that they required certain commentaries. In this respect it was stated that the tables mentioned give priority to the institutional sectors (giving rise to a serious problem of practical application); they may lead to confusion in changing the presentation of present calculations; a number of the accounts they present are not balanced; they change the accounting balance of production accounts (value added by operating surplus), and finally, they do not facilitate production of so satisfactory an accounting set as SNA.

/107. After

107. After the recommendation to maintain the present SNA had been adopted, a number of modifications were proposed. It was suggested that production accounts by sector be included, making it possible to analyse the organization of production; that the link with income and outlay accounts be illustrated; that the allocation of the operating surplus be examined, and the full accounting structure of each sector and of each agent reflected. Analysis to include this information within the SNA accounting framework will need to take into account two possible alternatives: in accounting form, if it does not affect the design of the overall matrix, or in the form of an additional table, in which case the present table 17 of the System of National Accounts will be expanded.

108. A recommendation was also made that the capital formation accounts be explicated. Provision is made for these accounts in SNA and they are contained in the general presentation matrix of the framework; nevertheless, they are not published among the type II accounts.

109. Moreover, doubt was expressed over the desirability of maintaining the division of goods and services between goods and "other goods and services" (non-goods). In practice, this classification is by definition only applied to production for self-consumption by the producers of government services, since in the case of income from sale of services it is practically impossible to obtain the necessary basic data and elements for the strict application of such criteria for classification.

110. Moreover, a different criterion is apparent, between exports or imports, in the case of direct current account purchases by government departments.

111. In so far as recording of such transactions is concerned, it was considered desirable to examine the possibility of replacing the account for the sales of other goods and services by an account recording the total of such sales. Such an approach would possess the advantage of illustrating the total supply and use of goods and services, by aggregation with the merchandise accounts.

112. Finally, it is suggested that the title of accounts II B be specific, since under the name of "other goods and services" they include goods transactions in the consumption accounts.

/ii) Overall

ii) Overall coverage of the system of national accounts and considerations regarding a number of specific topics.

113. The exposé by the United Nations Statistical Office raised the question as to whether SNA should continue to stress flows alone or whether participants wished to make any other observation.

114. Following a brief exchange of opinions, participants emphasized that definition of the overall coverage of SNA should be set out in a single document, both with regard to flows and stocks.

c) Transactors

i) Dual sectoring and institutional classification

115. The representative of the United Nations Statistical Office observed that SNA identified units of the enterprise and establishment type; however, it had been considered necessary to present a clearer explanation of the definitions and criteria for the two types of unit; on the one hand institutional units, meaning those which keep a full set of accounts and which possess decision-making autonomy, and are grouped depending on their principal role in the economy; and, on the other hand, those which are more homogenous for analysis of production processes. She indicated that while the present SNA considers both methods to be completely independent, proposals have been put forward to integrate them more fully and thereby mitigate a number of the drawbacks of this procedure in the case of presentation by households and public administration.

116. Moreover, the representative emphasized that "institutional sectors" are those groups of institutional units with similar functions or economic behaviour.

117. With regard to dual sectoring of transactors, it was agreed to suggest that this be eliminated from the next SNA document. It is clear that there is a single transactor and that there are two units of observation, depending on the type of transactions in which the transactor takes part. In this respect there is not, strictly speaking, a classification by type of producer; for the purposes of analysis of production and the flow of goods and services on the basis of production units of the establishment type, transactions in the production accounts are reclassified in order to obtain classifications by type of main economic activity and type of product.

118. With regard to institutional classification, a consensus existed that private non-profit institutions serving households should be included as a subsector of the institutional sector of households, in which unincorporated non-financial enterprises also appear.

/ii) Quasi-corporate

ii) Quasi-corporate enterprises.

119. The representative of the United Nations Statistical Office stated that quasi-corporate enterprises, which are linked with problems of a more general nature concerning production outside enterprises (both in households and in the public administration) are of widely varying importance, both from one country to another and from one moment to another; and in general, constitute a type of organization which has not been regulated or covered by legislation in countries. In the face of the difficulties which exist, it is intended in principle to eliminate this concept, or at least, to lessen its importance in the revision of SNA.

120. There was considerable debate among participants over this topic. A consensus was reached as to the desirability of including private quasi-corporate enterprises within the non-financial enterprises sector, regardless of their size.

121. In the case of public quasi-corporate enterprises, it was suggested that the non-financial enterprises sector should only include those enterprises which sell their output principally on the market, and, on the other hand that those which only do so on a small scale should be included in the general government sector, together with auxiliary units serving the government itself.

122. One delegation suggested that the concept of quasi-corporate enterprises be expanded to include those major government-owned productive units which mainly sell their production on the market, even though they do not possess complete accounting statements, and that attempts should be made to complete or estimate the missing data. This proposition met with consensus. It was in addition proposed that the concept of producers of government services should include all small-scale governmental enterprises within the general government sector, rather than classifying them as industries. The other delegations did not agree with this proposal.

iii) Public corporations

123. The representative of the United Nations Statistical Office made a number of observations on the criteria for classifying non-financial enterprises, and on their division into private and public. She suggested the need for a debate over the possibility of establishing a clear definition of public enterprises, and pointed out that in many countries definition of the public sector had become more complex as a result of variations in the execution of economic policy, either through expansion or contraction of this sector's coverage.

/124. She

124. She added that three criteria for the definition of public enterprises had so far derived from the discussion over the SNA review in other spheres: a) "ownership", which indicates that the government owns more than 50% of the shares; b) "control", i.e., the government is involved in major decisions, particularly those relating to prices, investment, loans and employment, or that the government appoints all or part of the board of directors, and, finally, c) "importance" (a criterion which was not so widely accepted as the previous two), which restricts the definition of public enterprises to the most significant ones or to those which are fully owned by the central government.

125. It was agreed to suggest ownership as the principle criterion for classifying enterprises as public, and to complement it in the case of mixed enterprises, by that of control over decisions. It was considered desirable to also examine aspects connected with the nature of production, the type of financing and the legal-administrative framework underlying enterprises, bearing in mind their usefulness within the State structure as an additional means of putting economic policy into effect.

126. There was also consensus that their temporary or permanent nature could not be considered one of the main relevant characteristics in defining public enterprises. In this respect it was borne in mind that despite the sharp changes involving nationalization or privatization in a country's economic policy, which clearly reflect changes in the economic importance of their public sector, it is important to assess the scale of the public sector each year, in comparison to the previous period. However, one delegation expressed its support for the inclusion of the criterion of permanence in drawing up the boundary of public enterprises, principally on account of the fact that such changes would affect the "stability" of the classification of the public sector within national accounts.

127. One observer expressed his disagreement with the characteristic of permanence, which in his view introduced doubt as to the sphere occupied by public enterprises. In this respect he stated that the frequent turnaround in the application of economic policy meant that the notion of privatization was present, but not put into practice over a period of several years; during such a period, decisions regarding production, savings investment, the use made of surplus, etc. would be made by the government.

iv) Informal activities

128. The representative of the United Nations Statistical Office drew attention to the fact that the present SNA suggests that developing countries distinguish between two types of production, traditional and modern. She addressed the difficulties in applying this criterion in present circumstances and indicated that few countries had proved capable of making use of it, at least in the publication of their estimates. She suggested that perhaps a distinction between structured and non-structured sectors would be more desirable in addition to being of interest to the industrialized countries, but that it would be difficult to achieve. She also remarked as to a number of omissions in the International Standard Industrial Classification; for example, the latter fails to distinguish between a farmer and a large agricultural enterprise, or between a handweaver and textile factory, differences which are quite common in less developed countries.

129. The secretariat stated that the concept of productive absorption of labour constitutes a central feature of this topic in the analyses of ECLAC and particularly in the economic projections carried out by the Commission, since the provision of productive work for the unemployed and underemployed labour force constitutes one of the major challenges facing development, particularly during the present crisis. He added that the heterogeneous nature of production, an outstanding feature of the styles of development of countries in the region in the postwar period was apparent even within each analytical category, and affected the criteria used in international classifications, which generally prove efficient in separating relatively homogeneous categories in the conditions prevailing in developed countries. That sector of economic activity generally known as "informal", is marked by relatively low levels of productivity and out-of-date technologies, and generally concentrates on tertiary activities and to a lesser extent on industrial ones, with the peasant economy constituting the informal sector of agriculture. In this respect he suggested that future research into the evolution of economic activity and the characteristics of absorption of

labour on the basis of relatively homogeneous categories might be facilitated if classifications were available for productive units by income, technology, productivity, levels of education and wages, as well as other similar criteria. 130. After a thorough debate on this topic, a number of delegations pointed out discrepancies in the productive units which should be included within the informal sector. There was consensus over the fact that the failure of the present recommendations to define the treatment of a certain number of transactions opens the way to a variety of interpretations by officials responsible for compiling national accounts in countries. It was concluded that in view of its complexity, the topic needed detailed analysis in the SNA review, and for this reason the need for the future SNA to include clear definitions in this respect was reiterated.

d) Transactions

i) Production boundaries

131. The representative of the United Nations Statistical Office set out the contents of the relevant paragraphs on this topic in reference document NQ 9. For the purposes of analysis, the chair suggested that it should be divided into five sub-topics: household production, changes in mineral reserves; voluntary work; illegal activities and subsistence activities.

132. With regard to household production, participants considered that it was worthwhile maintaining the present criterion of not including imputations for the transformation processes which take place in households, such as the preparation of meals, manufacture of clothing, cleaning, washing, etc. Such imputations could be considered in special studies linked with the welfare economy.

133. As far as net changes in mineral reserves were concerned, the group noted that if the idea of expanding the SNA document to include opening and closing balances and reconciliation accounts was accepted, valuation of stocks and depletion would be reflected therein. As for including net extensions in the gross output for the year, preoccupation was expressed as to the suitable method for dealing with it, and this subject was deemed

/worthy of

worthy of special attention. It was agreed that countries concerned should send their views to the United Nations Statistical Office.

134. In so far as voluntary work supplied to private non-profit institutions is concerned, there was consensus that this should not be added to the value of production, except when such work was used to construct capital goods; this item generally includes non-salaried work and it is hoped that it will be subject of consideration in the future.

135. Participants expressed their preoccupation with the serious difficulties in measuring illegal or underground activities which are usually considered together with illegal activities. However, it was considered that there were insufficient factors of judgement for any suggestions on this to be adopted. In any case, participants acknowledged the importance of such activities in a number of countries.

136. With regard to subsistence activities, it was agreed to maintain the SNA norm, but it was requested that the transformation of primary products should be recorded at their first stage of manufacture.

ii) Imputed commission

137. The representative of the United Nations Statistical Office made a number of observations on that part of reference document No 9 which concerns those modifications to SNA which would alter value added. Although this item contains three subjects of reflection, only that relating to imputed bank service charges was dealt with. In this respect, preoccupation was shown over the inclusion of fictitious industry in calculations. In view of the fact that such banking services do not only constitute intermediate consumption, there was consensus over the desirability of their being shared out among economic activities, despite the practical difficulties involved. As far as the basis for distribution is concerned, it was agreed that in principle it would be viable to apply the sum of deposits and loans. However, on examining these items and the consequences which elimination of fictitious industry would have on other transactions, as well as measurement of imports of imputed banking services, representatives considered that all such aspects

/should be

should be specially dealt with by the United Nations group of experts.

138. One delegation pointed out that since imputed banking services were a "fictitious industry" with no production, they could only be "distributed" at the level of intermediate demand, with adjustments to surplus so that the components of value added did not change at the level of the economy.

iii) Import duties

139. One delegation explained the reasons for its proposals concerning the distribution criteria it applied in assigning import duties by type of economic activity. In this respect, after an extensive debate, the delegations present did not agree to recommend modification of the present treatment given by SNA.

iv) Valuation

140. The representative of the United Nations Statistical Office presented chapter 5 of reference document N^o 9. In this respect the valuation of subsistence activities and the problem of multiple exchange rates were analysed.

141. As far as valuation of subsistence activities is concerned, it was recommended that producers' prices of similar goods sold on the market be used. Should there be no such prices, it was suggested that direct costs be applied, and as far as salaries are concerned, the cost of labour in agricultural areas.

142. With regard to multiple exchange rates, in view of the theoretical, methodological and statistical problems raised by the topic, and the complexity of any interpretation -which implies that multiple exchange rates be dealt with in SNA and reconciled with the Balance of Payments- the meeting recommended that the United Nations Statistical Office carry out an in-depth study into the subject, with the aim of defining international norms for inclusion in the revised SNA. In this respect, consideration will need to be given to the scope of treatment in the consolidated national accounts, production and consumption accounts, institutional accounts and financial balances as well as links with government financial statistics.

- e) Modifications to concepts resulting from efforts to harmonize SNA with:
i) Public finances and monetary and financial statistics

143. The representative of the United Nations Statistical Office mentioned the efforts which had been carried out in conjunction with the International Monetary Fund (IMF) over harmonization of the system of government statistics with SNA. It indicated that an effort had been made to establish the relationship between the concepts of both systems, and enumerated those points which coincided, as well as those in which there were differences. She pointed out that the total number of items defined in the comparison of both classifications is higher than that of each one taken separately. To illustrate this point, she revealed that if one classification possesses 150 items and the other 80, there may be as many as 200 in the joint classification. She illustrated the exposé with the copy of the relations between these statistics, and requested of participants that, as a contribution to the analytical task being carried out by the United Nations Statistical Office, those national accounts offices in the region which are able to complete these data do so as quickly as possible.

144. She added that this task, which is being carried out at the level of comparison of information on public finance, also involve translation of the link-up between balance of payments and SNA. She also informed participants of the project due to start shortly, involving analysis of the connection with banking and monetary statistics. She concluded by stating that it seemed that the above-mentioned harmonization -particularly that between IMF government finances and SNA- presented considerable difficulties, since the aims of the respective classifications are quite different in each system.

145. However, she observed that unless future analyses of the real figures which have been requested altered the assumption, the predominant idea was to suggest prior-reconciliation of accounts as a methodological alternative for those countries with limited resources and which generally gave priority to providing information for the IMF. By means of this harmonization, the task of disaggregating information on public finances for the purposes of national accounts would be made easier for countries.

/146. The Secretariat

146. The Secretariat informed participants that it was at grips with the process of deepening its analysis of the public sector, bearing in mind the role which it played in the region, and even more so that which it would be called on to play in the future in putting economic policy into effect. One of the goals of this is to improve public sector accounts and in so far as possible organize, in conjunction with other national and international bodies, a wider data base than that which exists at present.

ii) Balance of payments

147. The representative of the United Nations Statistical Office presented reference document No 8, "Harmonization of the classification of international transactions in the System of National Accounts (SNA) and the Balance of Payments Manual (BPM)".

148. In view of the importance and scope of the topic, and as there had been insufficient time for an exhaustive analysis, the meeting took no decision concerning this document. The following points alone were examined:

149. With regard to migrant workers, it was recommended that they be considered as residents of the country in which they provide their services, regardless of the length of time they reside there.

150. As far as unilateral transfers were concerned, it was recommended that -since the BPM does not distinguish between current and capital transfers- a memorandum item giving capital transfers be entered at the foot of the balance.

151. Concerning reinvested earnings, it was suggested that SNA adopt the BPM criterion, which considers such earnings as part of external savings.

152. As far as capital flight is concerned, it was considered essential to provide a definition of the item and clarify how it is to be recorded both in BPM and in SNA.

153. Moreover, bearing in mind the absence of norms regarding residence in the case of international financial centers, free zones, and other zones beyond national tax jurisdiction, registration of ships, etc., it was proposed that a more thorough study be carried out. Special mention was made of the case of Panama, where difficulties are more apparent as a result of the characteristics of the country's economy.

/154. As the balance

154. As the balance of payments is not always compiled by the department which compiles national accounts, it was considered necessary that opinion on its link-up with SNA be approved by all officials involved, and that there be sufficient time for an evaluation of the proposal to be made, as well as for remarks and suggestions.

Footnotes

- 1/ See list of participants in annex 1.
- 2/ A System of National Accounts, Series F, No 2, Rev. 3, United Nations, New York, 1970.
- 3/ Studies in Methods, Series F, No 2, Rev. 3 (United Nations publication, Sales No S.69.XVII.3).

ANNEX 1
LIST OF PARTICIPANTS

MEMBER COUNTRIES OF THE COMMISSION:

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ANNEX 2
LIST OF DOCUMENTS

Number	Title	Author
WORKING PAPERS		
LC/R.491 (Sem.33/1)	Temario Provisional	
LC/R.490 (Sem.33/2)	Cuentas nacionales: las experiencias en América Latina y el Caribe, sus posibilidades de ampliación y sugerencias sobre el mejoramiento de la recomendación internacional	Statistics and Quantitative Analysis Division ECLAC
LC/R.492 (Sem.33/3)	Proyecto de Informe	

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2	Alcances y perspectivas de las estimaciones sobre la unidad empresa. Experiencias nacionales.	Alberto R. Ocampo R.
3	Una revisión del milagro económico chileno.	Patricio Meller, Ernesto Livacic y Patricio Arrau
4	Revisión metodológica y cuantificación de las cuentas nacionales chilenas .	Patricio Meller y Patricio Arrau
5	La experiencia colombiana en relación con el SCN	Evaristo Arrieta
6	Sectoring of Transactors in the System of National Accounts	Organization for Economic Co-operation and Development

Number	Title	Author
7	Sectoring of Transactors in the System of National Accounts (SNA), based on a study of country practices in developing countries	United Nations Statistical Office
8	Harmonization of the classification of International transaction in the System of National Accounts (SNA) and the Balance of Payments Manual (BPM)	Arie C. Boutier Jan van Tongeren
9	Conceptual Framework of the revised SNA	Joint paper prepared by the Statistical Offices of the UN, OECD, EEC, IMF of the World Bank
10	Organization of the SNA review	Joint paper prepared by the Statistical Offices of the UN, OECD, EEC, IMF and the World Bank
11	Métodos de cálculo del efecto de la relación de intercambio exterior e ingreso real: aplicación empírica a países de América Latina y el Caribe.	Pablo Mandler
12	Cuentas Nacionales: experiencia boliviana	Félix R. Monasterios Nisttahuz
13	Los mercados múltiples de cambio y su tratamiento en cuentas nacionales	Marion Pinot de Libreros
14	Experiencias y dificultades en la aplicación de la revisión 3 del sistema de cuentas nacionales de las Naciones Unidas en la República de Panamá	Markela Castro S. y Omar Sánchez B.
15	Experiencias de Costa Rica en la aplicación del Sistema de Cuentas Nacionales, Rev. 3. Sugerencias para la nueva revisión.	Carlos M. Blanco O.

Number	Title	Author
16	Comentario resumen del documento "Conciliación de la clasificación de las transacciones exteriores contenida en el Sistema de Cuentas Nacionales y el Manual de Balanza de Pagos".	Carlos M. Blanco O.
17	Metodología de cálculo del tipo de cambio del colón con relación al dólar estadounidense y ajustes correspondientes en un sistema de tipos de cambio múltiple	Carlos M. Blanco O.
18	Metodología para la estimación de la formación interna bruta de capital	Carlos M. Blanco O. José M. Castro S.
19	Cuentas nacionales en la República Argentina. Su relación con el <u>Sis</u> tema de Cuentas Nacionales	Banco Central de la República Argentina
20	Las cuentas nacionales en el Uruguay: situación y planes	Juan Carlos Adroher
21	Experiencia peruana en la aplicación del Sistema de Cuentas Nacionales	Carmen Reyes H.
22	Experiencias y dificultades de Venezuela en la aplicación de la Revisión 3 del Sistema de Cuentas Nacionales	Banco Central de Venezuela
23	Experiencias y dificultades de Venezuela en el tratamiento de los cambios múltiples en el Sistema de Cuentas Nacionales	Banco Central de Venezuela
24	Cuentas Nacionales: experiencia de República Dominicana	Olga Díaz Mora y Guillermo Luna
25	El programa de armonización de cuentas nacionales en el Grupo Andino	Junta del Acuerdo de Cartagena

Number	Title	Author
26	Comentarios sobre el sistema de cuentas nacionales desde el punto de vista de su utilización en la planificación y formulación de políticas públicas.	Alberto Tassara S.
27	Experiencias de México en la aplicación del Sistema de Cuentas Nacionales y sugerencias para la nueva revisión	María Eugenia Gómez L.
28	Informe del Taller de Cuentas Nacionales. México 4 al 13 de febrero de 1986.	Oficina de Estadística de Naciones Unidas
29	Experiencia del Perú en la relación entre la Balanza de Pagos y las Cuentas Nacionales	Teresa Lamas
30	El Sistema de Cuentas Nacionales en Chile: una evaluación	Mario A. Gutiérrez