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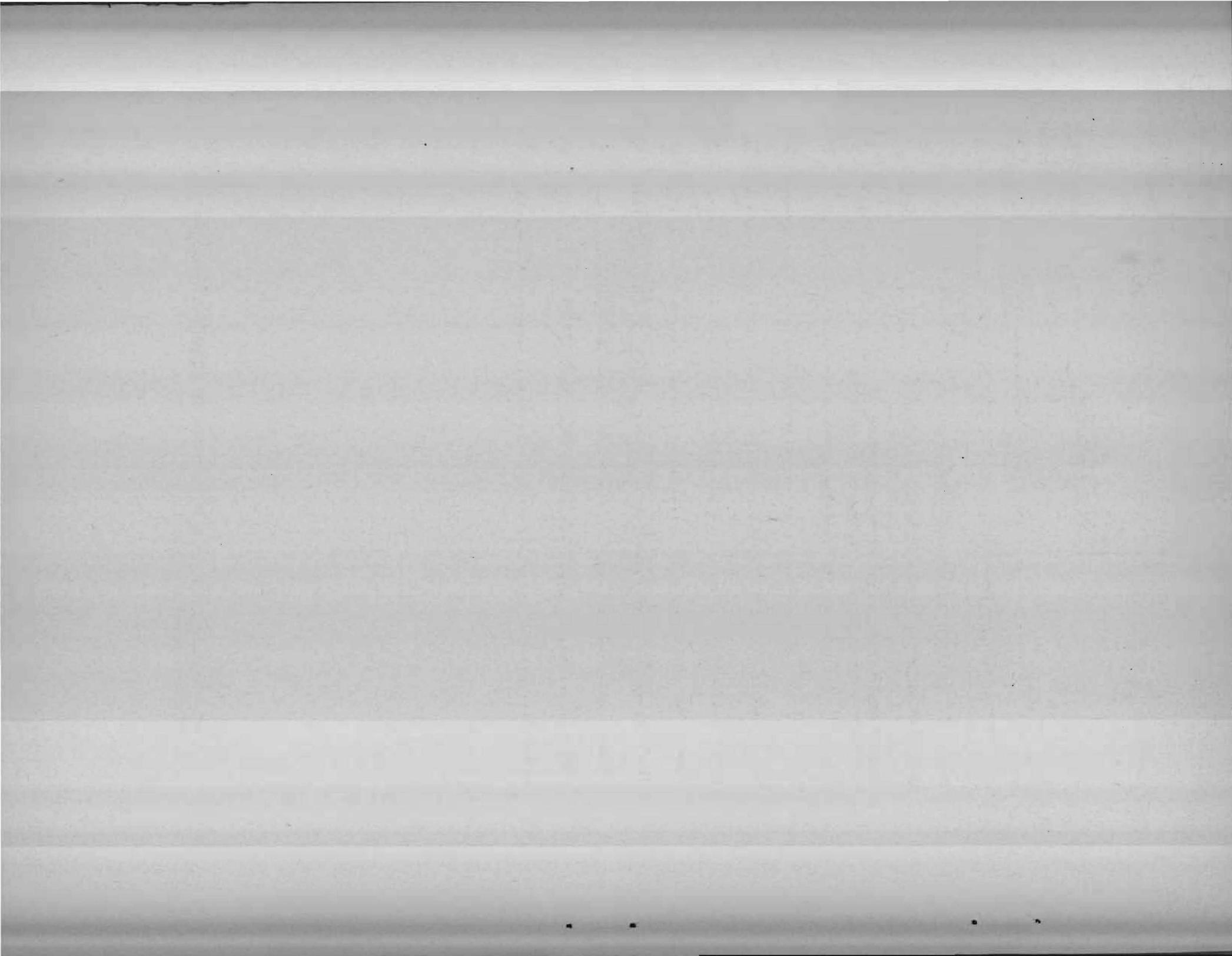
Santiago, Chile, 8 to 17 November, 1965

SUGGESTIONS SUPPLEMENTARY TO THE PROPOSALS FOR REVISION  
OF THE SNA IN THE LIGHT OF THE ECONOMIC ANALYSIS  
REQUIREMENTS OF THE LATIN AMERICAN COUNTRIES

Prepared by the ECLA secretariat

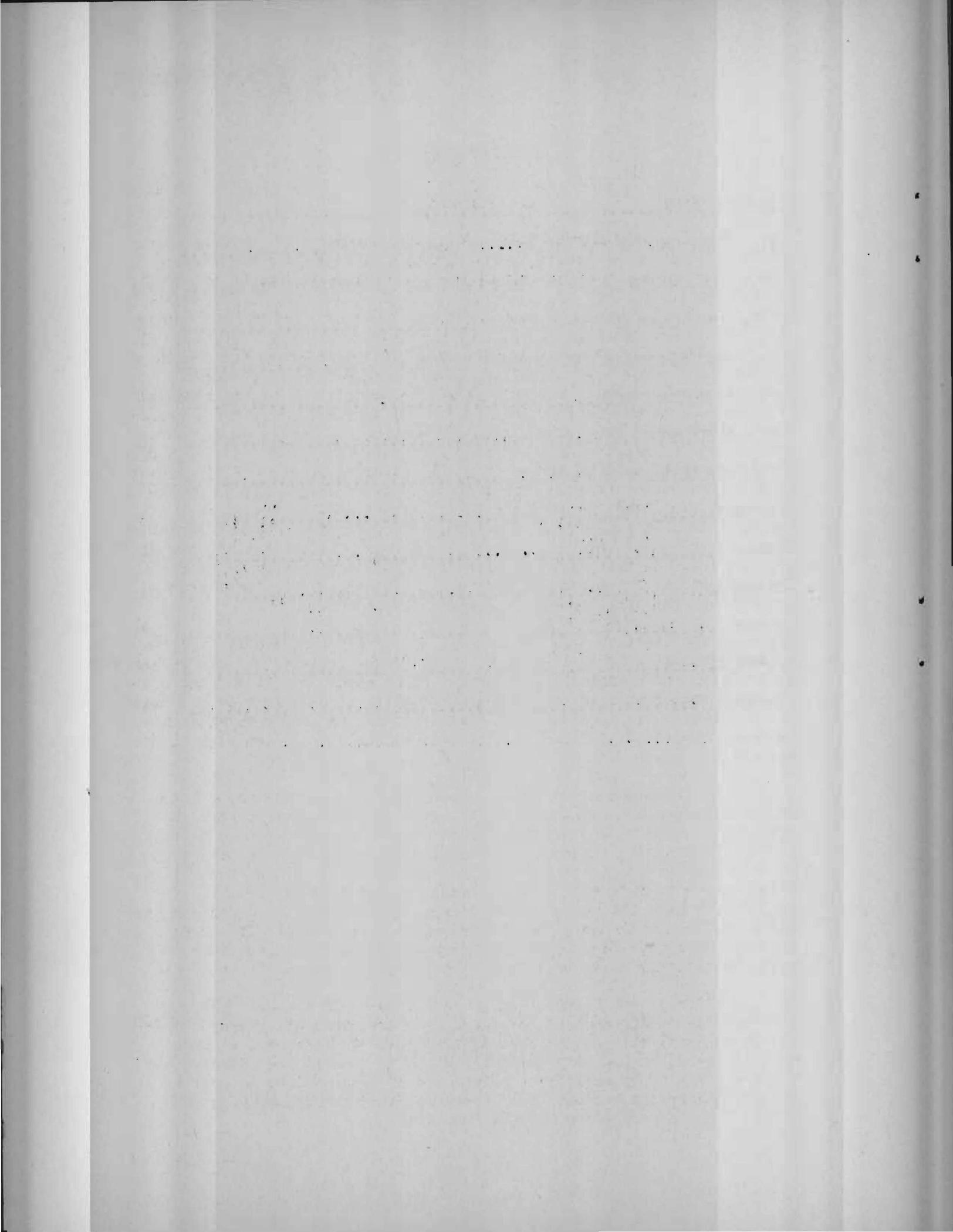
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\* This text has not been revised and is subject to changes  
of substance and style.



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## INTRODUCTION

1. The ECLA secretariat attaches great importance to the discussion of the proposals for modifying the System of National Accounts which the ad hoc Expert Group convened by the Secretary-General of the United Nations has drawn up. In the space of a few years, national accounts have come to represent a basic instrument for the analysis of economic development problems and for planning activities in Latin America. At the same time, the secretariat views its participation in the present meeting as a major responsibility, since the demands of its work programme have entailed action at the two levels on which the problem must be considered: that of the statistical formulation of the accounts, and that of their use for analytical purposes. At the first of these levels, it has acquired a measure of experience by virtue of much pooling of effort with the appropriate national institutions and officials, with whom it has sought to co-operate, to the full extent permitted by the resources available, in the task of amplifying and perfecting the statistical base proper. At the level of application of the information thus obtained, the ECLA secretariat has not only made extensive use of it, but has tried to bring it more closely into line with what is needed for the analysis of Latin America's special problems, and has even made suggestions for defining new supplementary concepts.
2. In the light of this experience, a very favourable view is taken of the general tenor of the new proposals. The fact is that the requirements of analysis and planning have already, in practice, overflowed the bounds of the formal system in use at present, making it necessary to establish new priorities and to redouble the efforts made in connexion with what have not always constituted essential aspects of the system of national accounts.

This is particularly true of the measurement of the major macro-economic concepts at constant prices. The periodic evaluation of development, and the formulation of objectives in terms of acceleration of the growth rate, in economies that are often affected by severe inflationary pressures, have promoted the spread of effort to establish measurements in real terms. As a result of these endeavours, in conjunction with the weight still carried by the external sector in the Latin American economies, the favourable or unfavourable effects on economic activity produced by the sharp and frequent fluctuations of the region's external terms of trade are assessed as accurately as possible.

Similarly, the formulation of development plans necessitates a considerable enlargement of the panel of instruments of analysis relating to the external current and capital accounts. To this end, various classifications indicating the composition of exports and imports, and changes therein, by markets of origin and of destination, as well as tables showing the various forms taken by external financing, have been devised and are now being brought into use.

/Although they

Although they have not yet materialized in the shape of equally substantial progress, significant efforts are also being made in other directions. For example, to supplement the system in force, important studies have been undertaken in relation both to input-output matrices and to methods of presenting finance accounts which will further the better understanding and more efficient analysis of the basic problems of development financing in Latin America.

3. Alongside the many noteworthy advances made, certain backward areas of statistical information still subsist, in which inadequate data or lack of systematization have precluded appreciable progress in the analysis of subjects which are, nevertheless, keystones in Latin America's complex of economic development problems. An outstanding case in point is the need for fuller knowledge of the characteristics of income distribution in the Latin American countries, which would facilitate the analysis of its root causes and determining factors and pave the way for the formulation of an appropriate and efficacious redistribution policy.

In the same context, mention must be made of the problems connected with information on the public sector, both as regards the structure of its income and with respect to the channelling of its current and investment expenditure. Needless to say, the relative importance usually attaching to the public sector in the Latin American economies, its direct and indirect influence on the rates and patterns of economic growth, the role incumbent on it in planning activities, and the new and heavier responsibilities that it is having to shoulder in relation to over-all regional development policy, more than justify increasing concern for the improvement of the statistical instruments whereby the results of its action can be properly evaluated.

4. With respect to these and other essential problems, the new proposals indubitably represent a great stride forward, and still more headway can be made on the present occasion, in the light of experience at the national and regional levels. It is in this spirit that the ECLA secretariat wishes to put forward a few suggestions that may perhaps be useful for the purposes of discussion at the meetings of the Working Group.

What has been said of measurements in real terms suggests that the new system, rather than incorporating them in the set of supplementary tables, should include a specific group of accounts at constant prices. In this connexion a concrete proposal is put forward, with the sole intention of facilitating specific consideration of the topic on the present occasion.

The concepts of the terms of trade and of real income, and their measurement - already introduced de facto in current practice in Latin America and other regions - will thus be accorded formal recognition in the new system of accounts.

/The effort

The effort entailed in perfecting and applying the new system also affords, in the opinion of the secretariat, an opportunity to amplify the basic information presented on the external sector and on income distribution, as well as to make a proper study of the background data for the public sector. The secretariat considers that by means of certain expansions or modifications of a mainly formal character - regarding which specific suggestions are also put forward as bases for discussion - these objectives can be pursued in accordance with the spirit and general conception of the new proposals.

5. Unquestionably, the new system represents a far-reaching programme of work in the field of social accounting. A comparison between requirements and the progress achieved in most of the Latin American countries to date might lead to the conclusion that some of the demands made are too exacting. In the secretariat's view, however, it would be a mistake, in evaluating the possible applicability of the system in Latin America, to quail before the immediate difficulties; the system should rather be interpreted as a set of guiding principles for a long-term undertaking and for the intensification of activities which in any event it is urgently necessary to strengthen, in view of the analytical and planning requirements that are saddling the region with daily increasing responsibilities in these fields.

There will necessarily be a transitional period during which efforts will have to be concentrated on specific aspects of the broad field of action implied by the new system. Consequently, this seems a particularly opportune moment for consideration of the priorities that should be borne in mind to ensure the more efficient scheduling of the efforts in question, or even for a careful revision of the specific formulation of the principal accounts, to guard against omission of any of the basic data already furnished under the existing scheme. In the same context, ideas are mooted which it would seem interesting to discuss in relation to the experience of the countries represented in the Working Group.

6. On the basis of document E/CN.3/320, and of the valuable suggestions for the adaptation of these proposals to the needs of the developing countries formulated in the paper presented by the Statistical Office of the United Nations (ST/ECLA/Conf.22/L.2), the content of the present note is confined to the following major topics, in conformity with the aims set forth:

- (a) Consolidated "A" accounts at current prices;
- (b) "A" accounts and tables at constant prices;
- (c) Break-down of "B" accounts in real terms;
- (d) External-sector data;
- (e) Public-sector accounts and tables;
- (f) Priorities within the system;
- (g) Classification problems.

/I. CONSOLIDATED

## I. CONSOLIDATED "A" ACCOUNTS AT CURRENT PRICES

7. The presentation of "A" accounts offers the advantage of providing a consolidated nucleus in which the whole body of basic economic transactions is contained in brief. It must be borne in mind, however, that in comparison with the previous system these five accounts, considered apart from the rest of the system, imply a much higher level of consolidation of statistical data, as regards both the number of accounts analysed and the break-down of the items included.

Consequently, the consolidated accounts of the system as such record less statistical information than the existing SNA, since they do not include the income and expenditure accounts of households and non-profit institutions and of the government, which, on the other hand, appear among the "C" accounts.

8. In so far as during the initial stage efforts are concentrated on the completion of accounts of this type, and in view of the broad scope of the new system and the volume of work entailed in formulating it in its entirety, there is some risk that for the time being the coverage of the flow of information provided might fall short of that obtainable under the existing system.

Two alternative possibilities for obviating this risk may be considered. One solution would be to assign top priority to all those accounts and tables which guarantee at least the same amount of information as the existing system provides. The other would be to break down the headings in the "A" accounts, principally in respect of savings and domestic income, by types of remuneration, in such a way as to show each flow's separate components, while the basic structure and design of the system would remain unaffected. This is the approach adopted in the suggestions as to priorities to which reference will be made later, although the Working Group may still consider it desirable to discuss the possibility of a fuller break-down of the accounts concerned.

## II. "A" ACCOUNTS AT CONSTANT PRICES AND SUPPORTING TABLES

9. The structural imbalances with which the Latin American economies are grappling in their process of growth - inflation, devaluation, wide fluctuations in external purchasing power, etc. - have made it vitally necessary for these countries to have analytical tools with which to ascertain the real evolution of the macro-economic aggregates and the effect of changes in domestic and external prices on the income received by the different sectors of production. The importance attached to this type of analysis can be gauged from the fact that several countries have begun to calculate their domestic product by branches of activity at constant prices before completing the preparation of a comprehensive national accounts system at current prices.

/In view

In view of the work involved in the proposed revision of the SNA, it seems expedient to seize this opportunity to suggest that the data given in real terms in the tables appended to document E/CN.3/320 should be presented in the form of accounts in the interests of greater logic and consistency. This suggestion also meets points that have been raised in a number of publications and studies. <sup>1/</sup>

10. The specific form to be given to such accounts might be on the lines proposed in Annex I to this note. There would be, in short, a production account, an income account, a capital account and an account for the rest of the world. The information would be supplemented by an extension of Table 5 in the basic document and by another supporting table dealing with general government expenditure at constant prices. These suggestions have also been set out in Annex I.

11. A brief glance should be taken at the implications of this proposal. In the first place, it envisages a consolidated system of accounts that would be built up in the same way as the "A" accounts at current prices set forth in document E/CN.12/3/320. This structure would make it easier to obtain a number of totals of great importance for analysis, relating, for instance, to real gross domestic income at market prices, national disposable income, gross savings and the real external deficit. The system would also provide a homogeneous method of external sector valuation at constant prices.

12. When interpreting these concepts, allowance should of course be made for the fact that their meaning may not be the same as when they were expressed in terms of current prices. Based on the methodology that seems most appropriate to the level of statistical data in Latin America, expenditure flows would indicate the value of commodity transactions at constant prices. Income flows, on the other hand, would express the real value of the goods and services purchasable with the revenue in question, i.e. they would measure real factor payments rather than factor inputs in production.

As regards the external sector a similar methodology would be used, and factor income payments to the rest of the world and net transfers from the the rest of the world would relate to the commodity flows purchasable abroad with the income in question.

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<sup>1/</sup> See, for instance, the following United Nations publications:  
A system of price and quantity indexes for national accounts (E/CN.3/331) 1957; Cuentas nacionales a precios constantes (ST/STAT/Conf.7/L.9), 1959; Estimates of product and expenditure at constant prices (E/CN.3/322), 1965; The gathering and compilation of statistics of prices (E/CN.3/328), 1965. The subject has also been dealt with in the ECLA publication, Economic Bulletin for Latin America, Vol. I, No. 2, September 1956.

13. These suggestions would make it possible for separate figures to be presented on the effect of changes in the external terms of trade. Such changes would be expressed as an addition to or deduction from the gross product, depending on the fluctuations in the relative price levels of exports and imports. In the proposed framework, the addition of this item to net factor income from the rest of the world would change the concept of the gross product to that of gross national income.

14. From the statistical standpoint, the system would call for direct estimates at constant prices of consumption expenditure, gross capital formation, exports and imports, the adjustment for fluctuations in the terms of trade, factor income received from or paid to abroad, and current net transfers from abroad. In the shortened form in which it is presented, the system by-passes the difficulties of direct deflation of factor income, its adjustment in real terms, deflation of taxes and adjustment, and adjustments to allow for the inter-sectoral terms-of-trade effect, which are still highly controversial statistical and conceptual problems in accounting at constant prices.

15. The idea of explicitly incorporating these concepts does not of course extend to the formulation of specific recommendations on the most suitable method of calculation to be used. Largely because of the nature of the information available in Latin America, ECLA has been using certain methods that the secretariat itself would like to see revised in due course so as to introduce any modifications that may be desirable for conceptual reasons or because of improvements in the basic data themselves.

16. The use of the constant price system for analytical purposes shows that significant results can be achieved even with a fairly simple design of the kind proposed. A mere comparison of real domestic income with the gross product will give an idea of the impact on real productivity of the transfers that take place in purchasing power as a result of fluctuations in the prices of external transactions. The domestic product at constant prices is a useful yardstick for a more searching analysis of the product-capital, labour-capital and other technical ratios connected with the internal productivity of an economy, while national income measures the product after allowing for international trade adjustments. The national product thus refers to the production available for distribution to residents as real income and provides an indicator of the state of the economy.

17. The proposed account 2 shows the fluctuations in the actual saving made in the economy. In account 3, this item becomes equal in value to the base year prices of the goods and services intended for gross domestic capital formation minus the real deficit in external transactions on current account. An estimate of gross saving by direct deflation of the current values, shows, by comparison with these values, the way in which changes in the prices of consumer and investment goods have influenced decisions to save for purposes of investment. Estimates of saving at constant prices obtained from account 2 are also indicative of the extent to which changes in national income as a result of variations in the terms of trade can affect the saving process.

/18. The

18. The observation made in relation to "A" accounts at current prices that the data supplied are too highly aggregated to be really useful, especially regarding the extent to which the items included are broken down, is equally applicable to accounts at constant prices. Consequently, the question of breaking down the items included in the system might well be taken up once the methodological and conceptual studies of estimates at constant prices have reached a more advanced stage, since it would broaden the possibilities of analysis to include such factors as internal productivity, external trade conditions, consumption modules, wage adjustments, and capital formation in fixed assets and stocks. This would, however, call for equal progress in the preparation of compatible price index systems, as suggested by the more recent United Nations publications mentioned.

19. Lastly, it should be pointed out that the proposed system could be simplified by not separating the item "increase in stocks" from "net transfers from the rest of the world", since the relevant Latin American statistics are unreliable, and their conversion to constant prices poses a number of difficult conceptual and methodological problems.

### III. BREAK-DOWN OF "B" ACCOUNTS

20. The "B" accounts are those relating to production and capital, and therefore include real commodity flows. In document E/CN.3/320, four groups of economic activities are distinguished, whereas in the paper adapting the system to the needs of Latin America (ST/ECLA/CONF.22/L.2), on the basis of the proposals accepted in the case of Africa and the decisions of the group of European statisticians, the break-down comprises six sectors of activity and two institutional sectors. Construction and mining are thus isolated, and, as institutional sectors, the general government on the one hand, and households and non-profit institutions on the other.

The suggestion made by the Statistical Office (see ST/ECLA/CONF.22/L.2) to the effect that a fuller sectoral break-down should be presented in the "B" accounts seems highly opportune in view of the requirements of economic analysis in the under-developed regions. For the same reason, the Working Group should consider the possibility of an even more detailed classification of the sectors of economic activity, so as to isolate certain important services. In this connexion the proposals made are as follows: (a) the separation of public utilities (electricity, gas and water) from the manufacturing sector; (b) the separation of commerce and distribution from transport, storage and communications; (c) a classification of the other services, since coverage in this sector is not clear enough in the present lay-out.

21. The adoption of these suggestions would mean that for analytical purposes a clear-cut distinction could be made between goods and services, and would thus facilitate comparison with other economic systems, especially those of the centrally-planned economies. Another relevant consideration

/is that

is that the difficulty of formulating estimates is not the same for the sectors producing goods and those providing services, especially when the calculations have to be made at constant prices. Furthermore, for programming purposes it will be indispensable to separate these sectors if the "B" accounts are to fulfil the function expected of them, in view of the order of priority envisaged in document ST/ECLA/CONF.22/L.2. The separation of transport from commerce is also justified by the importance of the former in relation to economic development, and the special problems that deserve consideration in programming for this sector.

22. In dealing with the sources of production of goods, the above-mentioned "B" accounts distinguish between competitive and complementary imports. Whatever the value of this distinction, it is very important that imports should be properly classified from other standpoints, for which no provision is made in the proposals submitted to date. In the context of the external sector (see section IV of the present note), some specific suggestions will be formulated in this connexion.

23. The incorporation of the general government and of households and non-profit institutions in the production accounts is a means of providing valuable additional information. In particular, the general government account includes items that are not analysed equally clearly or in as much detail in the existing SNA. For example, the structure of costs and of sales is definitely related to government consumption expenditure, so that sales plus consumption expenditure are equivalent to total inputs.

24. Commodity production accounts are an interesting innovation in the revised SNA. In Latin America, with a little effort, these accounts can unquestionably be constructed. Perhaps the immediate application of capital accounts may be more difficult in the region for a time, since the countries have virtually no data by branches of activity, although the information thus afforded is so valuable that its computation deserves a high priority.

#### IV. INFORMATION ON THE EXTERNAL SECTOR

25. The document prepared by the Statistical Office proposes that more detailed information be provided on the external sector in view of the special part played by external transactions in nearly all the developing countries and of the urgent need for full information specifically relating to each of a number of aspects mentioned in that document. The way in which such information is to be developed and presented is, however, left to the countries to decide. It is undoubtedly difficult for national accounts to include all the economic data of different kinds that are needed for purposes of economic analysis, and have a bearing on some aspect of the accounts, particularly in the case of a comprehensive system covering a wide variety of aspects. In the interests of international comparability

/and uniformity

and uniformity of presentation, however, and to simplify the task of processing such data for the different countries, it is important to bring some more tables into the system and to devise ways of presenting more detailed information which, without forming part of the national accounts documents, could serve as a basis for establishing standards for foreign trade statistics.

26. In this connexion, it is suggested in annex II to this note that some detailed tables on the balance of payments should be added, namely: (a) a table breaking down the current account, at current prices, based on the information required for table XI of the present SNA; (b) a similar table at constant prices; (c) an itemized table of capital transactions in the external sector, on the lines of the International Monetary Fund classification; (d) a table of external financing by types of transaction and by economic areas. It is proposed to add these to the supporting tables that form part of the system.

27. Apart from the tables described in the previous paragraph, annex VI includes others on the external sector that, while not necessarily an integral part of the system, would supplement the national accounts and provide extremely useful information for economic analysis. In suggesting the inclusion of such tables, the secretariat is endeavouring to meet by the constant demand for information of this nature, deriving, among other things, from the increasingly detailed knowledge of trade flows that is required for regional integration purposes and from the recommendations of the United Nations Conference on Trade and Development. Envisaged are: (a) a table of imports of goods by area of origin, classified according to the sections and divisions of the revised SITC; (b) a table of exports of goods by area of destination, classified according to the sections and divisions of the revised SITC; (c) a table of imports of goods by area of origin, classified according to the items of the revised SITC; (d) a table of exports of goods by area of destination, classified according to the items of the revised SITC; (e) a matrix of total imports, by economic use or destination and industrial origin; and (f) a matrix of total exports, by degree of processing and industrial origin.

The last two tables are based on the foreign trade classification by economic use or destination (CUODE) which was built up on similar principles to the ten-group classification adopted by ECLA some years ago. ALALC's activities in the field of statistics have now made it possible to obtain from its member countries their foreign trade figures classified in accordance with the latest Brussels Tariff Nomenclature and then to bring them into line with the revised SITC.

## V. PUBLIC SECTOR

28. The proposal made in document ST/ECLA/Conf.22/L.2 to supply more detailed information on the public sector is important for the adaptation of the system to Latin American conditions. It would strengthen the interest taken by the different countries in carrying out the proposals made for reconstructing the public sector accounts through the adoption of economic and functional criteria on the one hand, and, on the other, would consolidate the progress already made in establishing the system of programme and performance budgeting.

This is, however, a subject that is so closely bound up with analysis and planning requirements and tasks that it calls for a major effort to which the new system could give dynamic impetus.

29. These are the problems that have motivated the suggestions set forth in annex III to this note. In submitting them to the Working Group for its consideration, the aim of the secretariat is not to formulate a specific and considered proposal precluding any other course of action but to indicate a possible line of approach, thus paving the way for discussing the fundamentals of the problem rather than a particular solution.

In the last analysis, the object of the proposal is that the system should provide an integrated picture of all the activities of the public sector, ranging from the commercial, industrial and financial activities of State enterprises and social security bodies to the work of general administration undertaken by the central and local governments. Activities involved in production, income utilization, capital formation and capital financing would also be included.

More specifically, it is suggested that three accounts concerned respectively with production, income utilization and capital formation and financing for the public sector as a whole and for each of its components should be incorporated into the "D" accounts in the system.

30. In order to deal with this sector in the most appropriate way possible, the annex in question also suggests that "B" and "C" accounts be disaggregated, together with other supporting tables, and divided among public and private establishments. Apart from its intrinsic interest, this disaggregation would make it easier to draw up integrated accounts for the public sector.

31. A few other suggestions of minor importance are also made regarding the treatment of pensions and social security programmes and the subdivision of the items in the "local government" sector of tables 10 A and 11 A in document ST/ECLA/Conf.22/L.2.

## /VI. PRIORITIES

## VI. PRIORITIES

32. Given the complexity of the proposed system and the effort involved in the compilation of the necessary information, the question of priorities is naturally one of the main concerns of the Working Group.

As the document prepared by the Statistical Office points out, it is difficult to establish priorities that meet the needs of each of the different situations. It is, however, vitally important to work out standard criteria on the main priorities so as to concentrate on the subjects of cardinal importance for analysis and planning.

33. In this connexion, annex IV to the present note sets forth a list of priorities that is considered by the secretariat to be well-suited, in principle, to conditions in Latin America. It is, of course, merely a basis for discussion at the present meeting when it can be set against the experts' own experience as regards both the needs of the users and the basic data available in their respective countries. For an evaluation of this kind, it might also be advisable to consider ECLA document ST/ECLA/Conf.22/L.3 in which a comparative analysis is made of the region's availabilities in national accounts.

34. In suggesting these particular orders of priority, the secretariat's main concern has been to prevent, from the very beginning, the application of the new system from reducing the flow of basic data of the kind already included in the present system. In view of this, the secretariat considers it especially important that the highest possible priority should be given to the group of "A" accounts and to the "C" account on receipts and expenditure of households and non-profit institutions.

Among the new proposals put forward on this occasion, it is also envisaged that top priority be assigned to information on measurements at constant prices, which could be incorporated either in the form of a special group of accounts or through the expansion of the supporting tables.

Although no specific mention is made of this in the relevant annex, it seems advisable that the proposed consolidated public sector tables or accounts should also be given a high priority rating.

## VII. CLASSIFICATION PROBLEMS

35. Document E/CN.3/320 sets forth the requirements of the new system in terms of classifications and definitions for effective use of the proposed tables and accounts. In some cases, the classifications or amendments are provisional, and will be extensively revised in the near future in the light of the findings of detailed studies on the subject. In others, the suggested classifications are those actually intended for the system. In view of the scope of this document, a few observations only will be made here. The proposals in question are to be found in annex V to the present note.

36. In relation to economic activities, document E/CN.3/320 points out that the classification currently in use - the International Standard Industrial Classification of All Economic Activities (ISIC) needs overhauling, and suggests an amended version for provisional use in the revised SNA. This is a compromise solution, which, in the interests of comparability, might well be used until a new solution has been found.

37. Despite its provisional nature, it is thought advisable to make the following comments on conditions in the Latin American countries.

(a) There seems to be no very clear reason for combining hunting and fishing activities in item 1 c. On the contrary, there are grounds for keeping fishing apart in Latin America, as in the present SNA and as proposed by the input-output working group.

(b) Group 5 B "Manufacture of furniture and fixtures" includes metal as well as wooden furniture and fixtures. It might be more appropriate to have the metal furniture and fixtures in group 10.

(c) In group 7 there are a number of discrepancies with ISIC that are enumerated in annex V to the present note.

(d) In the same group there are inconsistencies traceable to ISIC itself. For instance, group 7 A includes the manufacture of animal and vegetable oils and fats (ISIC 312) which should be in group 3 A, while 7 c includes the manufacture of vulcanized rubber (ISIC 300) and plastic footwear, that would be better suited to group 4 c.

(e) It would be useful to take up the suggestion of the input-output working group that group 9 should be subdivided into A (341) and B (342).

(f) The equivalences of group 10 and subgroup A should be made clearer.

(g) In practice it might be very difficult to include own-account construction in group 11.

38. The new proposals for the institutional classifications separate pensions from the other social security plans, only the latter being treated as a government sub-sector. Pension funds, on the other hand, come into the financial institutions sector. This is a logical distinction founded on the particular functions and organization of the two activities. However, it is unlikely that such a distinction will always be easy to make in Latin America. In a number of countries, for instance, both functions are undertaken by the same institution, which operates independently of the Government and keeps its own records, but in practice mixes its activities and does not maintain separate funds for each type of work. Again, all its funds and reserves usually go to the Government, which also supplies such institutions with money to make their disbursements. Consequently, they are independent in theory only, in practice, both the pensions and social security disbursements being direct State operations with no functionally independent accounting and administrative services. In view of this, consideration should be given to a new definition of financial institutions and of the general government sub-sector known as the social security funds, as suggested in annex III.

Annex 1

SUGGESTIONS REGARDING ACCOUNTS AND TABLES AT CONSTANT PRICES

"A" accounts at constant prices

Account 1 - Expenditure on product and income

1.1 Real gross domestic income at market prices (2.4 + 4.7)	1.2 Private consumption expenditure (2.1)
	1.3 Government consumption expenditure (2.2)
	1.4 Gross domestic fixed capital formation (3.1)
	1.5 Increase in stocks (3.2)
	1.6 Exports of goods and services (4.1)
	1.7 <u>Less</u> imports of goods and services -(4.6)
	<u>Expenditure on gross domestic product at market prices</u>
	1.8 Adjustment for terms of trade variations (4.2)
Real gross domestic income at market prices	Real gross domestic income at market prices

Account 2 - Gross national disposable income

2.1 Private consumption expenditure (1.2)	2.4 Real gross domestic income at residents' market prices (1.1*)
2.2 Government consumption expenditure (1.3)	2.5 Factor income from the rest of the world (4.3)
2.3 Gross saving (3.3)	2.6 Net current transfers from the rest of the world (4.4)
Disposal of gross national disposable income	Gross national disposable income at market prices

Account 3 - Capital transactions

3.1 Gross domestic fixed capital formation (1.4)	3.3 Gross saving (2.3)
3.2 Increase in stocks (1.5)	3.4 Real external deficit (4.5)
Gross domestic capital formation	Finance of gross domestic capital formation

Account 4 - External transactions of the nation

4.1 Exports of goods and services (1.6)	4.6 Imports of goods and services -(1.7)
4.2 Adjustment for terms of trade variations (1.8)	4.7 Factor income to the rest of the world (1.1*)
4.3 Factor income from the rest of the world (2.5)	
4.4 Net current transfers from the rest of the world (2.6)	
4.5 Real external deficit (3.4)	
Current receipts	Disposal of current receipts

Note: An asterisk denotes "part of" item listed.

Table 5

GROSS DOMESTIC PRODUCT AT CONSTANT PRICES, BY TYPE OF EXPENDITURE  
AND CORRELATIVE PRICE INDEXES

(Add at the end of table 5)

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After:	8. Gross domestic product at market prices
	9. Adjustment for terms of trade variations
	10. Real gross domestic income at market prices
	11. Net factor payments from rest of the world
	12. Gross national income at market prices

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Table 7 c

GENERAL GOVERNMENT EXPENDITURE BY TYPE OF EXPENDITURE AT CONSTANT PRICES

---

1. Consumption expenditure
    2. Compensation of employees
    3. Purchases from enterprises and abroad
    4. Less purchases by enterprises and households
  5. Gross domestic capital formation
    6. Gross domestic fixed capital formation
    7. Increase in stocks
-

## Annex 2

## SUGGESTIONS FOR ADDITIONAL TABLES IN THE EXTERNAL SECTOR

Table 12 A

## CURRENT EXTERNAL TRANSACTIONS OF THE NATION, BY ECONOMIC AREA

Type of transaction	Total	Economic areas				
		Latin America	United States	Western Europe	Eastern Europe	Rest of the world
1. Exports of goods and non-factor services						
(a) Exports (f.o.b.), freight and insurance						
1. Goods (f.o.b.)						
1i. Freight and insurance payments						
1ii. <u>Plus or minus</u> other adjustments						
(b) Transportation n.e.s.						
(c) Travel into the country						
(d) Other non-factor services						
2. Factor services						
(a) Income from property						
1. From direct investment						
1i. From other investment						
(b) Compensation of employees						
3. Current transfers from the rest of the world						
(a) Households						
(b) General government						
4. Current receipts						
5. Imports of goods and non-factor services						
(a) Imports (f.o.b.), freight and insurance						
1. Goods (o.i.f.)						
1i. <u>Less</u> freight and insurance payments to residents						
1ii. <u>Plus or minus</u> other adjustments						
(b) Transportation n.e.s.						
(c) Travel out of the country						
(d) Other non-factor services						
6. Factor services						
(a) Income from property						
1. From direct investment						
1i. From other investment						
(b) Compensation of employees						
7. Current transfers to the rest of the world						
(a) Households						
(b) General government						
8. Current payments						
9. Surplus on current account (4-8)						

Table 12 B

## CURRENT EXTERNAL TRANSACTIONS OF THE NATION AT CONSTANT PRICES

- 
1. Exports of goods and non-factor services
    - (a) Exports (f.o.b.), freight and insurance
      - i. Goods (f.o.b.)
        - ii. Freight and insurance payments
        - iii. Plus or minus other adjustments
      - (b) Transportation n.e.s.
      - (c) Travel into the country
      - (d) Other non-factor services
  2. Adjustment for terms of trade variations
- 
3. Current receipts
- 
4. Imports of goods and non-factor services
    - (a) Imports (f.o.b.), freight and insurance
      - i. Goods (c.i.f.)
        - ii. Less freight and insurance payments to residents
        - iii. Plus or minus other adjustments
      - (b) Transportation n.e.s.
      - (c) Travel out of the country
      - (d) Other non-factor services
  5. Net factor services paid to the rest of the world
    - (a) Net income from property paid abroad
      - i. From direct investment
      - ii. From other investment
    - (b) Net compensation of employees
  6. Net current transfers to the rest of the world
    - (a) Households
    - (b) General government
- 
7. Current disbursements
- 
8. Real deficit on current account (7-3)
-

Table 12 C

CAPITAL TRANSACTIONS OF THE EXTERNAL SECTOR

---

1. Capital transfers
    - (a) Private
    - (b) Public
  2. Long-term private capital
    - (a) Direct investment
    - (b) Investment in corporations
    - (c) Other investment
    - (d) Foreign government securities
    - (e) Other securities
    - (f) Other loans and commercial credit
    - (g) Other assets
  3. Short-term private capital
    - (a) Currency and bank deposits
    - (b) Central government securities
    - (c) Commercial credit
    - (d) Other assets
  4. Local authorities
    - (a) Foreign securities
    - (b) Other assets
  5. Central government
    - (a) Long-term foreign securities
    - (b) Short-term securities
    - (c) Long-term loans
    - (d) Other long-term assets
    - (e) Other short-term assets
  6. Monetary authorities
    - (a) Account with IMF
    - (b) Realizable assets
    - (c) Deposits
    - (d) Loans
    - (e) Other external assets
    - (f) Gold
  7. Other monetary institutions
    - (a) Realizable assets
    - (b) Deposits
    - (c) Loans
    - (d) Other external assets
    - (e) Gold
- 
8. Net variation in external assets
-

Table 12 C (cont.)

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- 9. Capital transfers
    - (a) Private
    - (b) Public
  - 10. Long-term private capital
    - (a) Direct investment
    - (b) Investment in corporations
    - (c) Other foreign investment
    - (d) External securities
    - (e) Other loans and commercial credit
    - (f) Other liabilities
  - 11. Short-term private capital
    - (a) Commercial credit
    - (b) Other liabilities
  - 12. Local authorities
    - (a) External issues
    - (b) Other securities
    - (c) Other liabilities
  - 13. Central government
    - (a) Long-term external issues
    - (b) Other long-term securities
    - (c) Short-term securities
    - (d) Long-term loans
    - (e) Other long-term liabilities
    - (f) Other short-term liabilities
  - 14. Monetary authorities
    - (a) Accounts with IMF
    - (b) Deposits
    - (c) Loans
    - (d) Other external liabilities
  - 15. Other monetary institutions
    - (a) Deposits
    - (b) Loans
    - (c) Other external liabilities
  - 16. Net errors and omissions
- 
- 17. Net variations in external liabilities
- 
- 18. Net foreign loans (8-17)
-

Table 12 D

## FINANCE OF EXTERNAL SECTOR CAPITAL, BY TYPE OF TRANSACTION AND ECONOMIC AREA

Type of transaction	Total	Economic areas				
		Latin America	United States	Western Europe	Eastern Europe	Rest of the world
1. Net non-compensatory foreign funds						
(a) Net direct investment						
(b) Net long-term loans						
i. To the public sector						
ii. To the private sector						
(c) Net short-term liabilities						
(d) Net capital transfers						
2. Net compensatory foreign funds						
(a) Deferred import payments						
(b) Net balance-of-payments loans						
(c) Net liabilities in respect of IMF						
(d) Net liabilities in respect of regional compensatory agencies						
(e) Other net liabilities of monetary authorities						
3. Net variation in financial liabilities						
4. Net non-compensatory national funds						
(a) Net private long-term assets						
(b) Net public long-term assets						
(c) Net short-term assets						
5. Net compensatory national funds						
(a) Net assets of monetary authorities						
(b) Assets in IMF						
(c) Assets in regional compensatory agencies						
(d) Official monetary gold						
6. Errors and omissions						
7. Net variation in financial assets						
8. Net external financing (3-7)						

Annex 3

SUGGESTIONS REGARDING TABLES FOR GENERAL GOVERNMENT AND THE PUBLIC SECTOR

A. Suggestions for the treatment of general government

1. Inasmuch as pension funds in the region generally form part of social security programmes and it is not easy to separate them, it is proposed that in all cases of government social security schemes pension programmes should also be included.

2. If this suggestion is to be adopted the following changes would be necessary in the tables contained in document ST/ECLA/Conf.22/L.2:

(a) Account 2, sector 3, page 37:

- 3.2.9 Social security benefits - should read: 3.29 Social benefits
- 3.2.16 Social security contributions - should read: 3.2.16 Social contributions

(b) Table 10 A, page 68, items 3 and 17:

- 3. Social security contributions - should read: Social contributions
- 17. Social security benefits - should read: 17. Social benefits

(c) Table 11 A, column 7:

- Insurance companies and pension funds - should read: Insurance companies

3. With a view to obtaining additional information for the purpose of analysis it is suggested that:

(a) In table 10 A, page 68 of the same document, columns 2 and 3 should be broken down as follows:

Table 10 A

INCOME AND EXPENDITURE OF THE VARIOUS SECTORS OF GENERAL GOVERNMENT

Type of transaction	General government	Social security bodies and pension funds	Other decentralized institutions with government functions	State or provincial governments	Municipal governments

(b) In table 11 A, page 70, columns 11 and 12 should be broken down in the same way as columns 2 and 3 of table 10 A.

B. Suggestions concerning the public sector

1. Disaggregation of the "B", "C" and key segment of "D" accounts into public and private establishments.
2. Break down of tables 3 C, 4, 8 A and 8 C into private, public and total.
3. Explicit formulation of a set of accounts for the public sector to be included in the "D" accounts of the system, in line with the suggestions contained in the three tables attached hereto.

Account 1 - Production account - branches of activity

Transactions  (1)	General government						Public enterprises			Total public sector (11)
	Central government (2)	State and provincial governments (3)	Municipal governments (4)	Social security bodies and pension funds (5)	Other decentralized institutions with government functions (6)	Total (7)	Commercial and industrial (8)	Financial enterprises (9)	Total (10)	
Purchases of goods and non-factor services										
(a) Domestic										
(b) Imported										
<u>Less</u> subsidies received										
Compensation of employees										
Provisions for fixed capital consumption										
Operational surplus										
<b>Total inputs</b>										
General government consumption										
Intermediate consumption (sales)										
Private consumption goods and services (sales)										
General government activities										
Sales of capital goods										
Increase in stocks										
Exports										
<b>Total output</b>										

Account 2 - Income and expenditure

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Consumption expenditure Interest on the public debt paid to: (a) Rest of the world (b) Residents Subsidies paid Social loans paid Current transfers n.e.s. (paid to other sectors) (a) Public (b) Private Payments of income from property and entrepreneurship Direct taxes on income Saving										
Disbursements										
Indirect taxes (received) (a) Import duties (b) Other taxes Social contributions (received) Other direct taxes on income Transfers n.e.s. from other sectors (received) (a) From internal sources (1) Public (11) Private (b) From the rest of the world Operational surplus Income from property and entrepreneurship										
Receipts										

Account 3 - Capital expenditure and finance \*

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Gross domestic fixed capital formation												
Increase in stocks												
Net purchases of land												
Gross capital formation												
Saving												
Provisions for fixed capital consumption												
Net capital transfers from other sectors												
Net loans received												
Finance of gross capital formation												

\* The breakdown of financial assets and liabilities which determines the net loans received is shown in table 11 A, items 9 to 40.

## Annex 4

SUGGESTIONS OF PRIORITY FOR THE ACCOUNTS AND TABLES UNDER THE NEW SYSTEM  
AND THEIR ADAPTATION TO THE REGIONI. Accounts

<u>Accounts</u>	<u>Priority</u>
<b>A. <u>Consolidated accounts of the whole economic system</u></b>	
1 Expenditure and product	I
2 National disposable income and its disposal	I
3 and 4 Capital transactions of the nation	I
5 External current transactions of the nation	I
Capital transactions of the nation	I
<b>B. <u>Production and capital expenditure accounts</u></b>	
Branches of activity	
Agriculture, forestry and fishing	
1 Production account - goods	II
1 Production account - branches of activity	I
3 Capital expenditure accounts - branches of activity	II
Mining	
1 Production account - goods	II
1 Production account - branches of activity	I
3 Capital expenditure account - branches of activity	II
Manufacturing industries	
1 Production account - goods	II
1 Production account - branches of activity	I
3 Capital expenditure account - branches of activity	II
Electricity, gas and water supply	
1 Production account - goods	II
1 Production account - branches of activity	I
3 Capital expenditure account - branches of activity	II
Construction	
1 Production account - goods	II
1 Production account - branches of activity	I
3 Capital expenditure account - branches of activity	II
Transport, storage and communication	
1 Production account - goods	II
1 Production account - branches of activity	I
3 Capital expenditure accounts - branches of activity	II
Wholesale and retail trade	
1 Production account - goods	II
1 Production account - branches of activity	II
3 Capital expenditure account - branches of activity	III

/Other activities

<u>Accounts</u>	<u>Priority</u>
Other activities	
1 Production account - goods	II
1 Production account - branches of activity	II
3 Capital expenditure account - branches of activity	III
General government	
1 Production account	I
3 Capital expenditure account	I
Households and non-profit institutions	
1 Production account	II
3 Capital expenditure account	II
<u>C. Income, expenditure and capital finance accounts</u>	
Non-financial enterprises, corporate and quasi-corporate	
2 Income and expenditure account	II
4 Capital finance accounts	
Investment	II
Financial assets and liabilities	III
Financial institutions	
2 Income and expenditure accounts	I
4 Capital finance account	
Investment	II
Financial assets and liabilities	II
General government	
2 Revenue and expenditure account	I
4 Capital finance account	
Investment	II
Financial assets and liabilities	II
Households, including certain unincorporated enterprises and private non-profit institutions	
2 Income and expenditure account	I
4 Capital finance account	
Investment	III
Financial assets and liabilities	IV
<u>D. Accounts relating to special segments of the economy</u>	
Traditional rural segment(s) of the economy	
1 Production account - goods	III
1 Production account - branches of activity	II
2 Income and expenditure account	III
4 Capital finance account	IV
5 External transactions	IV
Key segment(s) of the economy	
1 Production account - goods	I
1 Production account - branches of activity	I
3 Capital expenditure accounts - branches of activity	I
Corporate and quasi-corporate enterprises	
2 Income and expenditure account	I
4 Capital finance account	II

<u>Accounts</u>	<u>Priority</u>
Households of owners of other unincorporated enterprises	
2 Income and expenditure account	II
3 Capital finance account	III

"A" accounts at constant prices

1 Product and income expenditure account	I
2 National disposable income account	I
3 Capital account	I
4 External transactions account	I

II. Tables

1 A Gross domestic product and factor income, by type of economic activity	
a. Total	I
b. Private and c. Public	II
1 B Gross domestic product at constant prices, by type of economic activity	I
2 Employment, by type of economic activity	
a. Total	II
b. Private and c. Public	III
3 A Gross production for own use and for exchange	III
3 B Demand and supply, goods and non-factor services	II
3 C Commodity demand and supply	III
4 Industrial output and inputs	III
5 Gross domestic product at constant prices, by type of expenditure and correlative price indexes	II
6 A Composition of private consumption expenditure	II
6 B Composition of private consumption expenditure at constant prices	II
7 A General government consumption expenditure, by type and purpose	I
7 B Categories of general government expenditure, by purpose	I
7 C General government expenditure, by type, at constant prices	II
8 A Gross domestic fixed capital formation, by type of capital good	I
8 B Gross domestic fixed capital formation, by type of activity and organization of purchaser	III
8 C Gross domestic fixed capital formation at constant prices, by type of economic activity and organization of purchaser	IV
9 National income and its distribution	
a. National income at market prices	I
b. Distribution before transfers of national income at market prices	II
10 A Revenue and expenditure of the various sectors of general government	I
10 B Current receipts and disbursements of different types of households	IV
11 A Capital transactions of economic sectors:	
Columns 2 and 3	
Rows 1-8	II
Other rows	III
Columns 4, 5 and 6	I
Columns 7, 8, 9 and 10	III
Column 11	I
Column 12	III

<u>Accounts</u>		<u>Priority</u>
	Column 13	
	Rows 1-8	III
	Other rows	IV
11 B	Capital transactions of private and public sectors	
	Rows 1-8	III
	All other rows	IV
11 C	Consolidated statement of capital transactions of the monetary sector	I
12 A	Current external transactions of the nation by economic area	I
12 B	Current external transactions of the nation at constant prices	I
12 C	Capital transactions of the external sector	I
12 D	Finance of external sector capital, by type of transaction and economic area	II

Annex 5

SUGGESTIONS REGARDING THE CLASSIFICATION OF ACTIVITIES

In paragraph 35 of the document ST/ECLA/Conf.22/L.4 the following changes are suggested in the provisional classification contained in document E/CN.3/320:

1. To break down item 1 c in items 1c and 1D, i.e., in items 03 and 04 of ISIC.

In this way hunting and fishing would be separate items.

2. In group 5B, "Manufacture of furniture and fixtures", furniture to be separated from metal fixtures and included in group 10.

3. To correct references to ISIC in group 7, as follows:

<u>Present version</u>		<u>Corrected version</u>	
<u>Group</u>	<u>ISIC</u>	<u>Group</u>	<u>ISIC</u>
7	30-32 and 399	7	30-32 and part of 399
7A		7A	31
7C	33 and 399	7C	30 and part of 399

4. To regroup as follows the components of group 7, which represent inconsistencies in ISIC:

<u>Present group</u>	<u>ISIC</u>	<u>Item to be separated</u>	<u>Should be in group</u>
7A	312	Manufacture of vegetable and animal oils and fats	3 A
7C	300	Manufacture of vulcanized and plastic footwear	4 C

5. To clarify the equivaleness of group 10 and sub-group A:

<u>Read at present</u>		<u>Should read</u>	
<u>Group</u>	<u>ISIC</u>	<u>Group</u>	<u>ISIC</u>
10	35-38	10	35-38 and 391-395
10A	391-395 and 35	10A	35

Annex 6

Suggestions for additional tables on foreign trade, whose systematic preparation might well be encouraged, even if they are not formally incorporated in the SNA.

Table a

IMPORTS OF GOODS, BY AREA OF ORIGIN, CLASSIFIED BY SECTIONS AND DIVISIONS IN THE SITC, REVISED

(C.i.f. import values)

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Page 32

Section code	Division code	Titles of sections and divisions (1)	Total (2)	Areas of origin				
				Latin America (3)	United States (4)	Western Europe (5)	Eastern Europe (6)	Rest of the world (7)
0		FOOD AND LIVE ANIMALS						
	00	Live animals						
	01	Meat and meat preparations						
	02	Dairy products and eggs						
	09	.....						
	..	.....						

Table b

Table b

EXPORTS OF GOODS ACCORDING TO AREA OF DESTINATION, CLASSIFIED BY SECTIONS AND DIVISIONS IN THE SITC, REVISED

(F.o.b. export values)

Section code	Division code	Titles of sections and division (1)	Total (2)	Areas of destination				
				Latin America (3)	United States (4)	Western Europe (5)	Eastern Europe (6)	Rest of the world (7)
0		FOOD AND LIVE ANIMALS						
	00	Live animals						
	01	Meat and meat preparations						
	02	Dairy products and eggs						
	03	.....						
	..	.....						

Table b

Table c

IMPORTS OF GOODS, BY AREA OF ORIGIN

(Volume in tons - c.i.f. values)

Modified SITC items	Description  (1)	World total		Areas of origin									
				Latin America		United States		Western Europe		Eastern Europe		Rest of the world	
		Volume (2)	Value (3)	Volume (4)	Value (5)	Volume (6)	Value (7)	Volume (8)	Value (9)	Volume (10)	Value (11)	Volume (12)	Value (13)



Table e  
TOTAL EXPORTS  
MATRIX BY DEGREE OF PROCESSING AND INDUSTRIAL ORIGIN  
(F.o.b. export values)

Industrial origin Degree of processing	Agriculture, forestry, hunting and fishing (01; 02; 03-04)	Mining and quarrying (11; 12; 13; 14 and 19)	Food, beverages and tobacco (20 y 214; 211-213; and 22)	Manufacture of textiles, wearing apparel and leather goods (23; 241-242; 243-244; 29)	Wood products and manufacture of furniture (25; 26)	Manufacture of paper and paper products; printing and publishing (27; 28)	Manufacture of chemicals and chemical products, petroleum and coal products, and rubber and plastic products (31; 32; 30; and 399)	Manufacture of non-metallic mineral products (331; 334 and 339; 332-333)	Basic metal industries (341-342)	Manufacture of metal products (35; 36; 37; 38; 391-395)	Electricity, gas, steam and water supply (511; 512-513; 521)	Wholesale and retail trade (61)	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
A. PRIMARY PRODUCTS													
B. SEMI-PROCESSED PRODUCTS													
C. PROCESSED PRODUCTS (EXCLUDING CAPITAL GOODS)													
D. WASTE USED AS RAW MATERIAL													
E. CAPITAL GOODS													
TOTAL													

Table e

