



UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



GENERAL

E/CN.12/801
28 November, 1967

ENGLISH
ORIGINAL: SPANISH/ENGLISH

ECONOMIC COMMISSION FOR LATIN AMERICA

REPORT OF THE WORKING GROUP ON NATIONAL ACCOUNTS

Santiago, Chile, 30 October-10 November 1967

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I. INTRODUCTION

1. Organization of the meeting

1. The Working Group on National Accounts met at Santiago, Chile, from 30 October to 10 November 1967, under the joint auspices of the Economic Commission for Latin America (ECLA) and the United Nations Statistical Office.
2. Participants from Argentina, Bolivia, Chile, Colombia, Ecuador, Guatemala, Mexico, Trinidad and Tobago and Venezuela attended the meeting. Representatives of the Latin American Institute for Economic and Social Planning and the Development Centre of the Organization for Economic Co-operation and Development (OECD) also participated, and the Inter-American Statistical Institute (IASI), the Universidad de Chile and the Universidad de Concepción sent observers. The list of participants is appended as annex I to this report.
3. The Group met as part of a world programme to consider recent progress in the revision and extension of the United Nations System of National Accounts (SNA), and will submit its views to the United Nations Expert Group which is scheduled to meet in Paris in November 1967 and to the fifteenth session of the Statistical Commission to be held in New York in February 1968. This was the second meeting of the Working Group. The first was held in November 1965 to examine the extension and revision of the SNA and its adaptation to conditions in the Latin American countries.^{1/}
4. At the opening meeting, Mr. Manuel Balboa, Acting Executive Secretary of ECLA, welcomed the participants on behalf of the Commission and reviewed the history of the United Nations SNA which was first presented in 1953. In the early stages, it had been used as a basis for devoting special attention to economic analysis. In a second stage, which began at the end of the fifties, countries began to use it to obtain information for planning purposes as well.

^{1/} See Report of the Working Group on National Accounts, Santiago, Chile 8-17 November 1965 (E/CN.12/740).

5. Mr. Balboa stressed the advances that Latin America had made over the past fifteen years in compiling and preparing national accounts. Basic statistical services, however, had not developed and were still not developing to the extent required by the region, particularly as regards planning data. Latin America should cautiously but unhesitatingly support the recommendations adopted at the international level, with a view to extending the systems of national accounts for purposes of analysis in depth of economic and social development problems and consolidation of planning systems. Latin America would have a last opportunity of expressing its views at the international meetings which would work out the details of the new integrated system.

6. The following officers were elected at the opening meeting:

Chairman: Mr. Luis Cossio, Bank of Mexico, Mexico

Vice-Chairman: Mr. Luis Torres, Central Bank of Ecuador, Ecuador

Rapporteur: Mr. Enea Avondoglio, Central Bank of Argentina, Argentina.

2. Agenda and documents

7. The following agenda was adopted at the opening meeting:

1. Opening meeting
2. Election of officers
3. Adoption of the agenda
4. The revised system of national accounts and its adaptation to Latin America
 - (a) Purposes, uses and structure, including input-output tables
 - (b) Definitions and classifications
 - (c) Standard accounts and tables
 - (d) Orders of priority
 - (e) Estimates at constant prices
5. Sources of data and techniques for compiling national accounts in Latin America
6. Discussion of the draft report
7. Closing meeting

8. The list of background documents is appended as annex II.

9. Statements at the closing meeting were made by the Director of the Statistical Division and the Acting Executive Secretary on behalf of the Commission, and Mr. Bernardo Ferrán and Mr. Luis Cossio on behalf of the participants.

II. SUMMARY OF THE DISCUSSION

1. The revised system of national accounts and its adaptation to Latin America

(a) Purposes, uses and structure, including input-output tables

10. The Working Group noted the structure of the proposed new system, and in particular the relationship between the matrix and the accounts and tables. The new system includes three types of accounts. The number I accounts are the consolidated accounts for the nation, which are comparable to the accounts included in the existing SNA although less detailed. The II accounts refer to production, consumption expenditure and capital formation and the III accounts take care of financial transactions, and include income and outlay and capital finance accounts. All three main accounts of the system can be derived from the matrix and the II and III accounts can be consolidated into the I accounts.

11. The system contains two types of main tables, namely supporting and supplementary tables. The supporting tables represent a further detailing of the categories included in the accounts, i.e., they refer to the sub-matrices which are implied within the main matrix. The supplementary tables are meant to accommodate information which cannot be derived from the main accounts but which is still considered important enough for some purposes to be included in the system.

12. The adaptation of the system to developing countries includes a number of accounts and tables which cannot be derived from the matrix. The adaptation includes illustrative accounts for areas, for key segments and for the public sector, as well as a table for the supply and use of commodities where transactions are valued at market prices rather than at basic values like in the main system.

13. There was general agreement that the lay-out of the new system represented in general an adequate solution for the presentation of data and for socio-economic analysis, since it provided a more complete basis than the existing one. The Working Group felt that document E/CN.3/356 ought to have included a chapter on regional accounting which is of considerable interest to the region, and expressed a wish that the Statistical Office should undertake a supplementary study on the subject in the near future.

/14. Also,

14. Also, the Working Group indicated that income distribution statistics is a subject of great interest to the Latin American region. In this respect the Group was informed that work is going on at the Statistical Office of the United Nations on developing a system of income distribution statistics which is supplementary to the new SNA.

15. The Group also noted with interest that the Statistical Office is working on recommendations for national and sectoral balance sheets, which are supplementary to the main system. The Working Group noted with considerable interest that the new system included tabulations which could be used in arriving at input-output tables, both commodity by commodity and industry by industry, and that several bases of valuation would be possible.

16. The Group placed particular emphasis on the need to define a standard nomenclature of the terms used in the system of accounts.

(b) Definitions and classifications

17. In describing the principles on which the classification of the transactor units is based in the revised system, it was pointed out that in the production, consumption expenditure and capital formation accounts, attention is focused on economic agents as suppliers and users of goods and services. As economic agents, the resident transactor units are divided into industries, general government, private non-profit institutions and households. Industries produce goods and services for sale on the market; general government and private non-profit institutions also produce goods and services, but consume most of their production on behalf of the community; and households are in essence final consumers, since they neither produce goods and services nor engage in capital formation.

18. A different statistical unit is selected for each of these cases. For industries, the units in the classification should be similar in character, cost-structure and technology, and the establishment is the most suitable. Enterprises should, therefore, be sub-divided into establishments according to type of economic activity. General government and private non-profit institutions should, in addition to the classification by type of activity, include a classification of expenditure in accordance with expenditure objectives. This particular classification should, however,

/be integrated

be integrated with the classification of units by type of economic activity, and both classifications should be brought into one-to-one correspondence at the detailed level.

19. The supply of goods and services shown on these accounts comes from the gross output of resident units and imports, and is consumed by the different units in intermediate or final form. Goods and services are classified as follows: (a) commodities which are essentially marketed goods and services, consisting mainly of the gross output of industries and imports; and (b) other goods and services, which account for almost all the output of general government and private non-profit institutions.

20. The Working Group noted that the classification of transactions for the use of the income and outlay and capital finance accounts of the system differed from the classification in the case of production, consumption expenditure and capital formation accounts. The unit of observation used for the financial accounts of necessity had to be broader because the relevant statistical data were not available on an establishment level like for the production accounts. The institutional sectors consist of non-financial corporate and quasi-corporate enterprises, financial institutions, general government, private non-profit institutions serving households and households including some unincorporated enterprises. Enterprises for which separate balance sheets and profit and loss statements do not exist are left in the household or government sector where they are actually located. There is a considerable sub-division of the institutional sectors of the system except as far as private non-profit institutions serving households are concerned.

21. The statistical unit for classifying non-financial corporate and quasi-corporate enterprises and financial institutions is the enterprise, and the system includes a proposed enterprise-type classification of type of activity which is derived from the establishment-type classification of the ISIC. The Group noted that this classification is still in an experimental stage and will be finalized after the revision of the ISIC is passed, which will probably be at the next session of the Statistical Commission in February 1968. A detailed description was given of income flows between institutional sectors which are included in the new system, in particular, compensation of employees and operating surplus by institutional sector of origin.

22. The Working Group then discussed the following specific points related to this subject.

The concept of production limits

23. After a long and detailed discussion during which the definition in the present SNA, the definition proposed by the Latin American Working Group at its 1965 meeting and the point of view put forward in chapters V and VI of document E/CN.3/356 were examined at length, most of the members of the group preferred to maintain the definition recommended by the Working Group in 1965, and expressed in the following terms: "The Group decided to suggest that, in principle, the concept of production be expanded to include all the processing done by primary producers and similar to that effected by goods-producing enterprises and generally forming the basis of transactions in a monetary economy".^{2/} The remaining participants preferred the recommendation put forward in document E/CN.3/356, but indicated that the processing of primary products should not be limited to the items listed in chapter VI of that document.

Treatment of the real estate industry

24. The main subject of discussion was on the proposal concerning the real estate industry made in document E/CN.3/356. Most of the participants agreed that the definition of a branch of activity that includes the services rendered by establishments hiring out immovable property, machinery or other reproducible fixed assets would be disadvantageous in many ways for the analysis of production functions in the system. Consequently, they believed that it would be best to maintain the same type of coverage as in the present SNA, which only includes the services attributable to the use of housing, by either owners or tenants, under the ownership of dwellings industry. The rent for the use of buildings which are not housing units or other assets is included in the operating surplus of the industries using them, and depreciation is calculated on the basis of the property used in the process of production instead of on the basis of property owned. This solution involves the adoption of

^{2/} See E/CN.12/740, para. 27.

the same criterion for tables 7 and 16, of document E/CN.3/356, on gross capital formation at current and constant prices, in which capital formation should be classified by the branch of activity of the users rather than of the owners.

Income distribution

25. Both the theoretical and practical problems of income distribution accounting were discussed in detail. Some of the participants described their experience, and a statement on the subject was made by the ECLA secretariat. All the participants said that they were anxious to know how the item would be treated in the recommendations of the Statistical Office. It was pointed out that the information should be full enough to be used for the purposes of analysis by income levels, by socio-economic groups, by occupational categories, by branches of activity and by main geographical areas. Details should be given on expenditure as well as on income. Both income and expenditure classified as indicated should be properly integrated with the corresponding flows of the system's accounts and tables.

Problems relating to the analysis of the labour force

26. The proposed system of accounts and tables shows the aggregate value of compensation to wage-earners for industries, non-profit institutions and general government. A similar criterion is followed in respect of employment data. For each of these groups, employment is divided into total number of persons engaged and employees, both expressed in terms of full-time man-year equivalents. The Group felt that, in view of the particular importance of the problems of analysing the labour market and their direct connexion with the process of economic and social development, employment data should be presented at a lower level of aggregation. It was agreed that the proposal made by the Group at its previous session should be maintained. This proposal was for the inclusion of a table on employment by occupational category and type of economic activity. The occupational categories identified in table 1 are for purposes of illustration only and distinguish between top-level professionals and technicians; directors, executives, managers and senior administrative personnel; other administrative personnel; production foremen and supervisors; and skilled workers and other unspecified workers.

Table 1

EMPLOYMENT BY OCCUPATIONAL CATEGORY,^{a/} ACCORDING TO KIND OF ECONOMIC ACTIVITY

Kind of economic activity		Total	Top-level professionals and technicians	Directors, executives, managers and senior administrative personnel	Other administrative personnel	Production foremen and supervisors	Skilled workers	Other unspecified workers
Condensed list (1)	More detailed list (2)							
As in table 10 b/								

a/ This classification by occupation is for purposes of illustration only, the final version to be designed by the United Nations Statistical Office.

b/ The classification would change if the proposal put forward in paragraphs 35-40 of the present report is adopted.

Problems relating to information on capital and depreciation

27. Capital can be measured in two ways: either in terms of its productive capacity or in terms of its economic value. For the purposes of an accounting system, the first entails a particular system of depreciation, in which the total value of the good is deducted in the last year of its economic life. In the second case, capital consumption allowances are deducted at regular intervals in an amount representing the value of the use or wear of the capital during the accounting period.

28. The system adopted in document E/CN.3/356 is that of recording the economic value of the capital goods and not their productive capacity. The integration of the balance-sheet tables and the consequent problems of defining wealth make it imperative to adopt this solution. However, as is also pointed out in document E/CN.3/356, in many cases, particularly in planning activities, it is also necessary to know the original value of the reproducible tangible assets, adjusted, where necessary, for withdrawals. After a detailed discussion of this subject, some participants suggested that, without modifying the system, a supplementary table should be included, showing the value of withdrawals of capital made every year, and that this aspect should be taken into consideration when formulating the recommendations on balance sheets.

Capital formation

29. The discussion focused on the classification and definition of goods included in the concept of capital formation. After a full exchange of views, it was decided not to include education costs as part of capital formation in the economy, because such treatment would involve defining the capital stock applying to human resources, which lay outside the sphere of purely economic considerations. Moreover, it would mean adopting a criterion which would also be applicable to other types of expenditure affecting the productivity of human resources, such as health and in some cases nutrition. It was agreed to present household expenditure on education in a special category in the condensed list of consumption expenditure given in table 6.

30. In considering the inclusion of durable consumer goods in the concept of gross fixed investment, some participants suggested that motor vehicles might be considered, as plentiful statistical data were available for them. They could be given the same treatment as housing, which would solve the problems arising not only when producers purchased second-hand goods from families but also when families effected purchases with instalment payments. Most of the participants rejected the proposal, regarding it merely as a change in the existing conventional limit, which would extend the concept of economic production and broaden the area of imputations. The Group accordingly accepted the treatment of durable consumer goods proposed in document E/CN.3/356, but stressed that the classifications of household consumption should be clearly identified.

31. The participants discussed specific points concerning the classification of gross capital formation. It was agreed that the costs involved in developing plantations should be treated as the Group had suggested in 1965:^{3/} as increases in inventories instead of fixed capital formation. That meant including the concept in table 2, chapter VI, of document E/CN.3/356 and treating it in the same way as other work in process.

32. Some participants felt that military constructions should be included in gross capital formation, since many of them were included in the production of productive goods and services, which were essentially no different from productive goods and services stemming from ordinary economic activities.

33. There was no agreement within the Group that capital repairs should be more precisely defined. However, it was agreed that such costs should be separated in the capital formation tables 7 and 16 in the basic document, and that the consequences of that treatment should be further studied.

34. Most of the Group considered that, conceptually speaking, art objects could be included in capital formation, although it expressed some concern at the impact of the market value of this type of goods.

Production and capital formation accounts by institutional sectors

35. The Working Group analysed the links that would exist between accounts II and III in the proposed system after the regrouping of the items on compensation of employees and operating surplus. Taking

^{3/} E/CN.12/740, para. 36.

into account the mode of application of economic policy, and that, from the accounting standpoint, the surplus is a residual value, it was considered necessary to establish production accounts by institutional sectors, to be done by presenting for each sector a table itemized in the same way as table 1. As regards the classification by economic activity within each institutional sector, there was no consensus on the degree of disaggregation, but the members of the Group agreed on the advisability of making such a classification in keeping with each country's requirements and supply of information. The Group also considered that it would be useful to have a capital formation account by economic activities and institutional sectors. The former would record investment according to the use made of the property and the latter according to the nature of the property.

Administrative and similar expenditures

36. The Group then examined the proposal made in document E/CN.3/356 to allocate outlays on central activities and services which were not clearly linked to one establishment, in proportion to value added. This method would be used in preference to other indicators. The majority of the Group were in agreement with this proposal on the grounds that the indicators reviewed in the document seemed to differ relatively little in practice. One participant considered that the method in question should be employed only if the allocations for depreciation in value added related to the use of the fixed assets.

Classification of economic activities

37. The Working Group then discussed the criteria on which the classification of economic activities should be based. Document E/CN.3/356 dealt with the problem by separating production by industries for sale in the market from the output produced and consumed by the general government and private non-profit institutions respectively. The kind of economic activity would then be considered in each of those categories. During the discussion, the Working Group recalled that at its previous session, it had upheld the concept that the government, in its branches of public administration and defence, was a producing as well as a consuming unit, and noted with satisfaction that that concept had been included in the

/new proposal.

new proposal. However, the Group was not in favour of the classification on the grounds that it was unclear since it brought in aspects that should be excluded from a breakdown by institutional sectors.

38. It was pointed out that the suggested classification was mainly according to the way in which production was channelled by the market mechanisms. Hence, it did not show clearly which type of activity was carried on in the production process as a whole, and led to confusion in classifying certain establishments. In document E/CN.3/356, it was argued that ancillary government bodies with inputs and processes similar to those of private activities, such as printing works, repair shops, etc., should be regarded as industries although they did not sell to the market as a general rule. It was also established that government services should include schools, hospitals and so forth provided that their rates did not "approximately" cover their costs. The problem of determining the functions of a government was thus tacitly raised, since the possibility of similarities between specific government services and those rendered by private institutions was not taken into account. The group generally agreed that it would be inadvisable to leave it to the discretion of each country to determine the exact implications of the term "approximately". Even if it were defined more precisely, the classification would be subject to circumstantial changes that would entail explanations of the entries for each year.

39. After a lengthy examination and exchange of views, most of the participants concluded that the main criterion adopted for the classification of activities should be the economic good mainly produced, with the establishment as the statistical unit of observation. Some of the participants argued that it would be necessary to divide, within each activity, the units that operated in the market from own-account consumption units. For that purpose, the government and non-profit making institutions should be taken into account as well as households of primary producers consuming their output themselves. The latter are classified as industries in document E/CN.3/356.

40. One participant said that the tenor of the document presented by the Statistical Office should be maintained, stressing that since it was necessary to determine priorities for the analysis, it would be better to present in the first instance the classification of production by institutions.

41. Table 2 shows that the effects of the changes proposed by the majority of the Working Group would not affect the basic structure of the system expounded in document E/CN.3/356 or reduce the information it contained; on the contrary, they would make it possible to organize the data and present them more consistently. As may be seen in the table, the columns for each activity would show the total for each group of homogeneous goods produced by similar processes, while the criterion upheld in the basic document would be maintained in the rows for each activity, showing what proportion of production was marketed and what proportion was destined for own-account consumption.

42. It should be made clear that in input-output analysis the fact that the proposed divisions in table 8 of document E/CN.3/356 are consolidated under each economic activity does not mean a reduction in the information. The data covered by the system and the very production account for institutional sectors suggested by the Working Group make it possible to reclassify the cost components for the purpose, or to present any other secondary classification, as for example in public and private sector or by size of establishment, etc.

Classification by institutional sector

43. It was agreed that the dividing-line between quasi-corporations and other unincorporated enterprises should depend exclusively on the existence of balance-sheet accounts (chapter V, para. 49) instead of on additional factors such as size of establishment or scale of market operations, which would be incompatible with the basic approach of distinguishing between the wealth of persons as individuals and their activities as producers, for financing purposes.

Table 2

AN ILLUSTRATION OF THE PROPOSED CLASSIFICATION OF ECONOMIC ACTIVITIES

		5...8...12	13...16...17...20	21...22...23	24...25...26	27
Commodities (including commodity taxes)	Agricultural commodities <u>a/</u>	5		30		
	Education services	8			20	
	.	.				
	.	12				
Activities	Agriculture, etc.	13	55	15		
	Education	16	20		25	5
	Public administration and defence	17			10	
	.	20				
Household expenditure on goods and services	Food, etc.	21				
	.	22				
	Services (including education)	23				
General government expenditure by use	Public administration and defence	24				
	Education	25				
	.	26				
Expenditure of private non-profit institutions serving households	All purposes (including education)	27				
.	.					
.	.					
.	.					
.	.					
Total			70 50 10			

a/ Other unspecified uses of agricultural commodities are equivalent to a value of production of 25.

/EXPLANATION OF

EXPLANATION OF THE ILLUSTRATIVE EXAMPLE

1. Column 17 shows the production of the activity public administration and defence.

Row 17, column 24, shows own-account consumption of the government for public administration and defence purposes.

2. Column 16 shows the total value of the production of education services.

Row 16 shows:

- (a) in intersection with column 8, the services produced by units which sell in the market (mainly private units);
- (b) in intersection with column 25, the services produced and consumed by the government itself;
- (c) in intersection with column 27, the services produced and consumed by the private non-profit institutions serving households.

The intersection between row 8 and column 23 shows the education services bought in the market by households.

3. Column 13 shows the total value of production of agriculture, etc.

Row 13 shows:

- (a) in the intersection with column 5, marketed agricultural production;
- (b) in the intersection with column 21, agricultural production for own consumption by households.

Row 5 shows, in the intersection with column 21, the agricultural products for household consumption which are purchased in the market.

The use of the rest of the marketed agricultural production is not shown in the example.

Note: The registration of own-account agricultural production in this example is a variant of that suggested in document E/CN.3/356. It directly divides production into its two main channels: namely, production for the market and own-account production.

/Indirect import

Indirect import taxes

44. In document E/CN.3/356 it was proposed that indirect taxes on imports should be entered as a separate item under the head of value added for each sector. Some participants explained that in two countries of the region the practice was to include them in the gross output and indirect taxes of the trade sector, so that the value added at factor cost remained the same. The Group proposed that the system as currently practiced should be adopted. Some participants expressed concern about the effects of extending it to cover other expenditure which might be directly linked to the import trade besides indirect taxes.

Classification of direct taxes and current transfers by households

45. Most of the Group agreed that this distinction should be eliminated, since in practice it created problems in connexion with a number of transactions between households and the general government. It was proposed that there should be a single entry called current transfers, and that the respective disaggregations, including income tax, social security payments and those relating to the analysis of consumption, should be made within that classification.

Balance of payments

46. In its discussion of the concepts and definitions relating to balance-of-payments accounting, the Working Group expressed the view that the balance-of-payments manual should be brought into line with the new integrated system of national accounts, in order to avoid any discrepancy between the two.

47. In discussing the concept of territory, the Group agreed that it should be made clear that the oil rigs referred to in paragraph lll of chapter V of the basic document were rigs used in international waters. With regard to buildings acquired by embassies and classified as exports, it was made clear that the calculation related to the total value of the construction and not to inputs and value added separately. The Group also expressed its view that current transfers should be dealt with separately from capital transfers.

/Treatment of

Treatment of bank services

48. The Working Group next considered the imputation of bank service charges, and endorsed the proposal adopted at its previous meeting to maintain the present treatment, and extend it by allocating bank service charges to borrowers.

Used goods

49. The Group dealt in detail with the transfer of second-hand goods from consumer to producer units. Document E/CN.3/356 cites the example of the transfer of a construction from military to civil use, and suggests solving the problem by increasing investment and decreasing intermediate consumption in the appropriate year.

50. A majority of the Group was in agreement with a proposal to establish a fictitious account of "used goods", whose income, considered similar to transfers, would be transferred to the consumers. This would enable the supply of used goods to be added to the supply of goods stemming from domestic production and imports, thus avoiding the creation of value added and increasing the disposable income of households and their savings potential.

51. Some members of the Group considered that in the case of durable goods, particularly automobiles, purchases should be shown separately for each period in an account entitled "accumulation of durable consumer goods", imputing in each year the part which is considered to be actually consumed, and applying a similar treatment to the calculation of depreciation. The majority of the Group was in agreement with the current presentation, which identifies these goods under total consumption of households, as shown in para. 30 of this report.

Capital finance accounts

52. In discussing these accounts, as the last topic under agenda item 4 (b), stress was laid on their importance for economic analysis and for short-term problems in particular. The participants endorsed the proposals made, and pointed out that it would be advisable for the classification of financial values to make a distinction between mortgages and long-term credits with an obligation to repurchase.

/(c) Standard

(c) Standard accounts and tables

53. The discussions on this item centred on the accounts and tables proposed for the adaptation of the full system to the developing countries. The proposals made in the relevant chapter of document E/CN.3/356 were considered by the Group to be very interesting. It was agreed, however, that the conceptual aspects of the proposals should be dealt with in greater detail, particularly when they related to accounts for specific areas.

The public sector

54. In discussing the problems relating to public-sector accounts and tables, the participants noted that in the chapter of the basic document dealing with the adaptation of the full system to the developing countries a set of accounts for the public sector as a whole was presented. Such an approach, however, was not in line with the opinions of the Working Group, which felt that in view of the significance of the public sector's transactions in all national economies, its activities should be incorporated within the general system. Furthermore, the participants agreed that the consolidated presentation of public-sector activities as a whole solved only certain over-all information problems, and provided no means of analysing, for example, the behaviour of public enterprises in the field of production.

55. In the same context, the Working Group endorsed the proposals for the treatment of public-sector activities in systems of national accounts put forward in the ECLA secretariat document ST/ECLA/Conf.28/L.4. According to that paper, one way of overcoming the difficulties relating to information on the public sector and on particular groups of its component institutions, within the system of national accounts and supporting tables, would be to add tables on public enterprises to the set of accounts and tables appearing in document E/CN.3/356, chapter VIII. The tables in question are presented in annex III, and fall into two groups. The first comprises Nos. 1-B, 7-B, 9-B, 10-B, 16-B and 20-B, which it is suggested should be taken as supporting tables. The second is formed by tables 3-B and 12-B, which should be regarded as supplementary. The presentation of these B tables is purely illustrative.

/In many

In many instances only slight changes will need to be introduced in the design of the original tables, as in the case of table 20-B. The data they furnish, in conjunction with the general government accounts and tables in the proposed system, give a clear and detailed picture of the operation of the public sector and its major components - general government and public enterprises -, and of particular subdivisions of these.

(d) Orders of priority

56. The question of priorities was considered to have two main aspects. In the first place, the processing of data for the base years (bench-mark years) had top priority, and should cover the whole system. For the intervening years, it was decided to set an order of priority for the system accounts, and to fix the priorities for the supporting tables on the basis of the accounts in question. The points borne in mind in drawing up the orders of priority were the urgency with which certain aggregates were needed, the availability of basic data, and the cost of processing them.

57. The priorities established for the accounts and for the tables not deriving directly therefrom are set forth in table 3. It was unanimously agreed that the consolidated accounts of the system, including the detailed balance-of-payments table, had first priority.

58. The principal change introduced in the orders of priority established in document E/CN.3/356 consists in the assignment of a higher priority to the tables at constant prices, in view of their importance for the Latin American countries in particular and for economic analysis in general.

(e) Estimates at constant prices

59. The Group noted that document E/CN.3/356, in the chapter on quantity and price comparisons over time, is concerned exclusively with flows of goods and services. In addition, there is some mention in the chapter of the possibility of deflating compensation of employees and operating surplus. The document also deals with valuation and index number problems and lays down a number of rules for the treatment of special product flows.

Table 3

ORDERS OF PRIORITY

(a) Accounts

Accounts Concepts	Products	Production	Expenditure	Capital formation	Income	Financing	
						Investment	Credit
Activities	3	1	-	2	-	-	-
Non-financial corporate and quasi-corporate enterprises:							
(a) Public	-	1	-	1	1	1	1
(b) Private	-	2	-	2	2	2	2
Financial institutions:							
(a) Public	-	1	-	1	1	1	1
(b) Private	-	1-2	-	1-2	1-2	1-2	1-2
Government	-	1	1	1	1	1	1
Private non-profit institutions	-	} 2	2	} 2	} 2	} 3	} 4
Households	-		2				
Adaptation to developing countries:							
(a) Areas	3	1	-	1	2-3	2-3	3
(b) Key sector	3	1	-	1	2-3	2-3	3
Constant prices (activities)	3	1	-	2	-	-	-

/(b) Special

(b) Special tables

Number	Title	Priority
3.	Gross output and input of industries	3
7.	Composition of gross capital formation, by type of goods	1
8.	Value in constant prices and price indexes of the gross domestic product, by type of expenditure	1
10.	Employment, by kind of economic activity	1
12.	Gross output and input of industries in constant prices	3
13, 14 and 15	Final consumption expenditure, by object and by purpose, at constant prices	2
16.	Composition of gross domestic capital formation, by type of goods, at constant prices	1
27.	Gross output for sale on the market or for own-account consumption	1
28.	Supply and use of goods and services	1

60. The Group agreed that the inclusion of a chapter on constant prices in the revised SNA was in itself an advance. It felt, however, that very little progress had been made during the last twenty years in developing principles of deflation which go beyond the items on the production account. The present session of the Group, like the 1965 session, was very much concerned with the problems and possibilities of deflating income flows, in particular the direct deflation of the foreign balance. It was recognized that, except as far as the deflation of compensation of employees and the foreign balance are concerned, little practical experience is available in the field of deflating income flows. In view of the importance of the subject for countries with inflationary problems, however, the Group felt that the matter required intensive and thorough study.

61. In this connexion, the Group expressed regret that it had not been possible to hold a special meeting on the problems of estimates at constant prices in Latin America, corresponding to the meetings held in other regions. The Working Group agreed to recommend strongly that the United Nations continue work on the problems of estimating national accounts at constant prices, and that a determined effort should be made in this respect to solve the problems of deflating income flows for different purposes, explicitly defining the concepts involved in each case.

62. It was decided to suggest that table 9, on the gross domestic product at constant prices, by kind of economic activity, should be amended by the addition of columns for the value of production, intermediate consumption and provision for consumption of fixed capital. One participant proposed that a system of accounts at constant prices should be presented, similar to that recommended by the 1965 Working Group, in which the current external transactions account should be confined to trade in goods and services. The proposal was rejected by the other participants.

2. Sources of data and techniques for compiling national accounts in Latin America

63. The practical difficulties encountered in preparing estimates were discussed in detail, with emphasis on those relating to agricultural activities and services. Information and views were exchanged on the methods used to fill the gaps in basic statistics in respect of constructions and improvements undertaken by agricultural producers on their own account, as well as with regard to estimates of inventories of agricultural and livestock products held by both producers and middlemen. The discussion also touched upon the procedures adopted to define prices at the producer level, for which basic data are non-existent in most of the countries of the region.

64. Detailed descriptions were given of the methods applied in preparing services estimates, at both current and constant prices. Special attention was devoted to the problems deriving from the use of occupied-population figures as basic data for such estimates. The Group discussed the possibility of adopting alternative methods based on the analysis of tax data and other administrative records. The results obtained by means of ad hoc surveys on certain specific services were also described.

3. Other business

65. The Working Group thanked the ECLA secretariat for organizing the meeting, and at the same time requested it to institute a system for the regular exchange of views and information and the maintenance of contact among national accounts experts in the ECLA region. To that end, it would be useful for periodic meetings to be convened. Ideally, they should be held every year, although it was recognized that financial difficulties might arise. The ECLA secretariat stated that it would not be possible for the United Nations to provide financing for annual meetings. The participants should include not only representatives of the agencies responsible for preparing national accounts, so that the experiences of their respective countries could be analysed and

/compared, but

compared, but also others whose activities were linked to social accounting. Provision should be made for participants to submit background documents. It was also suggested that a system of communication among participants should be set up and channelled through the ECLA secretariat, and that it should include the issue and distribution of a leaflet giving up-to-date information on relevant publications, as well as on any studies that were being carried out in Latin America.

Annex I

LIST OF PARTICIPANTS

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Mr. Max Brice	National Accounts Section, ECLA

Annex II

LIST OF DOCUMENTS

E/CN.3/356	Proposals for the revision of the SNA, 1952
ST/ECLA/Conf.28/L.2	The programme for the revision of the United Nations System of National Accounts and its discussion in Latin America
ST/ECLA/Conf.28/L.3	Características generales y disponibilidad de información en materia de cuentas nacionales en América Latina
ST/ECLA/Conf.28/L.4	El tratamiento del sector público en los sistemas de cuentas nacionales
E/CN.12/740	Report of the Working Group on National Accounts (Santiago, Chile, 8-17 November 1965)
Series F/No.2/Rev.2	A System of National Accounts and Supporting Tables

Annex III

SUPPORTING TABLES FOR PUBLIC ENTERPRISES



Table 1-B

GROSS DOMESTIC PRODUCT AND FACTOR INCOME, BY KIND OF ECONOMIC ACTIVITY

Component establishments of public enterprises

At current prices

Kind of economic activity		Gross out- put at market prices	Intermediate consumption	Gross domestic product at market prices	Indirect taxes less subsidies	Compensation of employees	Consumption of fixed capital	Operating surplus
Condensed list	More detailed list							
	Flow	1.1.0*	1.2.1* +1.2.2* +1.2.3*	1.3.0*	1.3.4* -1.3.5*	1.3.1*	1.3.3*	1.3.2*
(1 a)	(1 b)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
As in table 1 a/								

a/ These categories could be subdivided into public corporations and government enterprises.

Table 3-B

GROSS OUTPUT AND INPUT

Component establishments of public enterprises

At current prices

Gross output and input		Establishments, by kind of economic activity					
		As in table 3 ^{a/}					
Gross output	Gross output at producer prices, exclusive of net commodity taxes	1.1.1*					
	Net commodity taxes	1.3.6*					
Gross output	Intermediate consumption Characteristic products, at producer prices exclusive of net commodity taxes, of each kind of activity	As in table 3	1.2.1*				
		Net taxes goods	1.3.6*				
		Compensation of employees	1.3.1*				
		Operating surplus	1.3.2*				
		Consumption of fixed capital	1.3.3*				
		Net indirect taxes	1.3.4* 1.3.5*				

^{a/} These categories could be subdivided into public corporations and government enterprises.

Table 7-8

COMPOSITION OF GROSS CAPITAL FORMATION, BY KIND OF ECONOMIC ACTIVITY

Component establishments of public enterprises

At current prices

Kind of economic activity		Gross capital formation	Gross fixed capital formation	Increase in inventories
Condensed list	More detailed list			
	Flow	4.2.6* +4.2.5*	4.2.6*	4.2.5*
(1 a)	(1 b)	(2)	(3)	(4)
As in table 7 a/				

a/ These categories could be subdivided into public corporations and government enterprises.

Table 9-B

GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY

Component establishments of public enterprises

At constant prices

Kind of economic activity		Gross domestic product at market prices	Gross domestic product at market prices less net commodity taxes a/
Condensed list	More detailed list		
	Flow	1.3.0*	1.3.0* - 1.3.6*
(1 a)	(1 b)	(2)	(3)
As in table 9 b/			

a/ This could also be the gross domestic product at factor cost.

b/ These categories could be subdivided into public corporations and government enterprises.

Table 10-B

EMPLOYMENT ACCORDING TO KIND OF ECONOMIC ACTIVITY

Component establishments of public enterprises

Kind of economic activity		Employment	
		Employees, in terms of full-time man-year equivalents	Man-hours worked
Condensed list	More detailed list		
(1 a)	(1 b)	(2)	(3)
As in table 10 a/			

a/ These categories could be subdivided into public corporations and government enterprises.

Table 12-B

GROSS OUTPUT AND INPUT

Component establishments of public enterprises

At constant prices

Gross output and input			Establishments, by kind of economic activity						
			As in table 12 a/						
Gross output	Gross output at producer prices, exclusive of net commodity taxes		1.1.1*						
	Net commodity taxes								
Gross output	Intermediate consumption	Characteristic products, at producer prices exclusive of net commodity taxes, of each kind of activity:	As in table 12	1.2.1*					
		Net commodity taxes		1.3.6*					
	Net domestic product at factor incomes			1.3.0* (-1.3.4* -1.3.5)* -1.3.3*					
	Consumption of fixed capital			1.3.3*					
	Net indirect taxes			1.3.4* 1.3.5*					

a/ These categories could be subdivided into public corporations and government enterprises.

Table 16-B

COMPOSITION OF GROSS FIXED CAPITAL FORMATION, BY KIND OF ECONOMIC ACTIVITY

Component establishments of public enterprises

At constant prices

Condensed list	Kind of economic activity	More detailed list	Gross fixed capital formation
		Flow	4.2.6*
(1 a)	As in table 16 a/	(1 b)	(2)

a/ These categories could be subdivided into public corporations and government enterprises.

Table 20-B

INCOME AND OUTLAY AND CAPITAL TRANSACTIONS OF PUBLIC ENTERPRISES,
BY KIND OF ECONOMIC ACTIVITY

Type of transaction	Categories of kind of economic activity in table 17, omitting 19 and combining 1 to 3 and 15 to 23, except 19, into single categories ^{a/}
As in table 20	

^{a/} These categories could be subdivided into public corporations and government enterprises.