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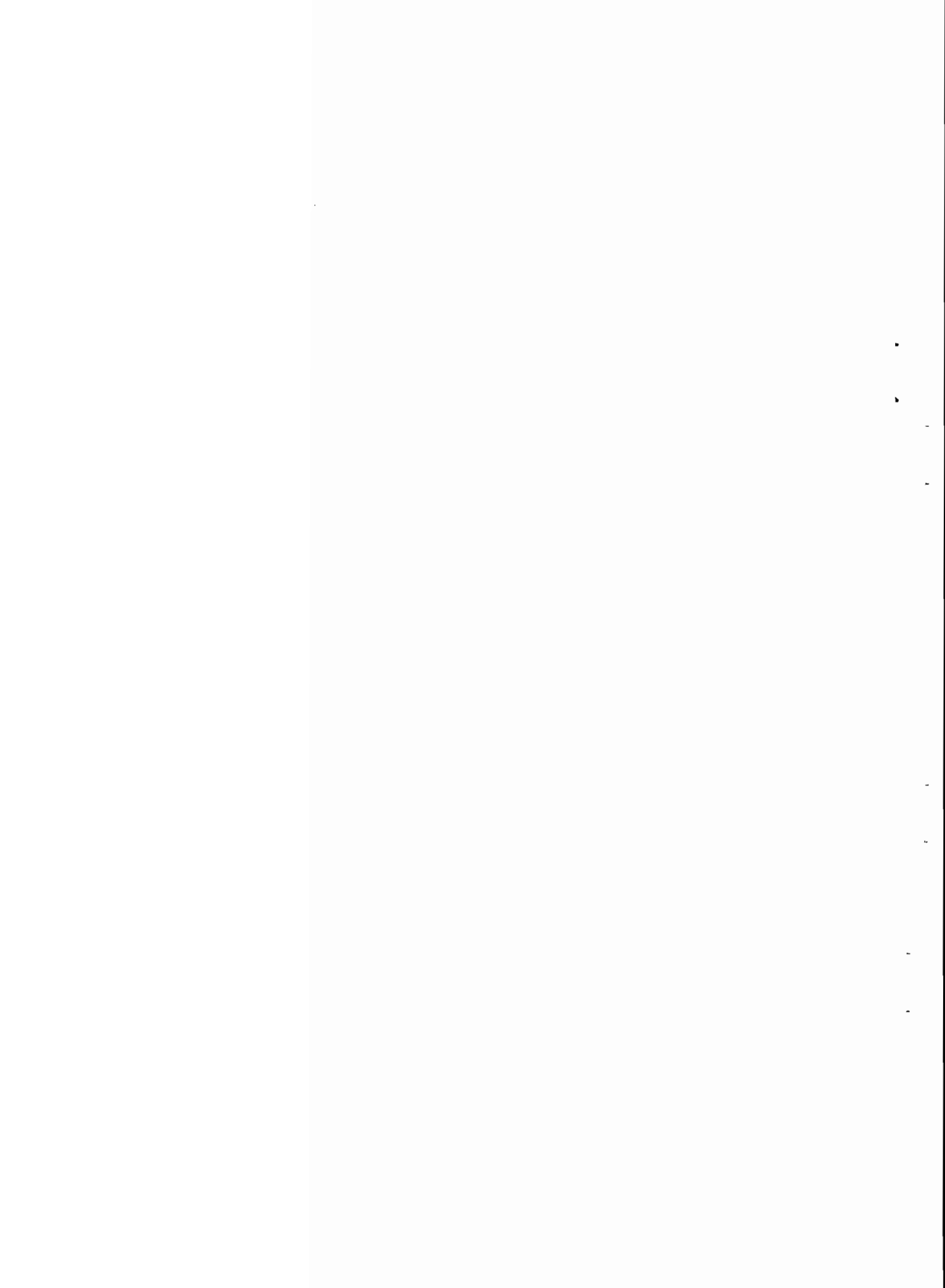
**REGIONAL SEMINAR ON IMPLEMENTATION OF THE
SYSTEM OF NATIONAL ACCOUNTS 1993 (SNA 1993)**

(Caracas, Venezuela, 13-17 November 1995)

96-4-324

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I. ORGANIZATION OF WORK

Place, date and purpose of the seminar

1. The regional seminar on implementation of the System of National Accounts 1993 (SNA 1993) took place in Caracas, Venezuela, from 13 to 17 November 1995 at the headquarters of the Central Bank of Venezuela.
2. In view of its design and structure, the System of National Accounts 1993 (SNA 1993) is being implemented gradually according to the regional implementation strategy adopted in November 1993 by the countries of the region. The more uniform the objectives at various stages and the methods and procedures to be employed, the easier it will be for the countries to pool their experience, achieve international cooperation and improve international comparability of data, all of which will, in turn, will facilitate the implementation of SNA 1993 in the region.
3. Given this situation, ECLAC, as a focal point for regional and international cooperation in implementing SNA 1993 in Latin America and the Caribbean, organized the present seminar jointly with the Central Bank of Venezuela, chiefly in order to provide the countries of the region with an opportunity to examine what progress had been made in the implementation process and to consider and reach a consensus on the treatment of a number of conceptual, methodological and statistical problems relating to particular parts of SNA 1993 accorded priority.

Attendance¹

4. The seminar was attended by representatives of the following States members of ECLAC: Antigua and Barbuda, Argentina, Bahamas, Bolivia, Canada, Chile, Colombia, Dominican Republic, Ecuador, Guatemala, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Spain, Uruguay and Venezuela. Representatives of Aruba and Netherlands Antilles, associate members of ECLAC, also attended.
5. Representatives of the Statistical Division of the United Nations (UNSD, formerly UNSTAT), the Statistics and Economic Projections Division of ECLAC and the ECLAC office in Buenos Aires were also present.
6. In addition, representatives of the following organizations attended by invitation: the Board of the Cartagena Agreement (JUNAC), the Central American Monetary Council (CMCA), the Centre for Latin American Monetary Studies (CEMLA) and the Organisation for Economic Co-operation and Development (OECD).

¹ See list of participants in annex 1.

Organization of the debates

7. To lead the debates, the representatives designated as Chairman Mr. Freddy Garrido Paiva, Economic Statistics Manager at the Central Bank of Venezuela; as Vice-Chairman Ms. Ana María Teja, Macroeconomic Statistics Manager at the Central Bank of Uruguay; and as Rapporteur Mr. Aurelio Valdez, National Director of National Accounts at the National Institute of Statistics and Informatics of Peru. A technical secretariat was selected, composed of Mr. Jan Van Tongeren, United Nations Interregional Adviser, Mr. A. Raúl García Belgrano, Chief of the National Accounts Section of ECLAC, and Mr. Trino Valerio, Chief of the Macroeconomic Accounts Department of the Central Bank of Venezuela.

Agenda and documentation

8. The participants had before them the documents listed in annex 2, along with the following agenda:

1. The SNA 1993 implementation process
 - a) Progress, strategies, plans and projects
 - b) Organization and operational aspects
 - c) Main statistical programmes (design, instruments and coverage)
 - d) Training of human resources
2. Treatment of conceptual, methodological and statistical problems in the application of SNA 1993
 - a) Focus and extent of application of the classification of institutional sectors, the International Standard Classification of all Economic Activities (ISIC Rev. 3), the System's accounting structure and the supplementary tables
 - b) Treatment and presentation of taxes and subsidies, such as VAT, in the valuation of output and consumption (valuation at basic, producers' and purchasers' prices)
 - c) Estimation of changes in stocks of finished goods and work-in-progress (for example, in the agricultural sector): valuation and holding gains
 - d) Measurement and presentation of the output of financial institutions, including insurance services, at current and constant prices

- i) Valuation of the output of non-explicit services of financial intermediaries, other than insurance
 - ii) Allocation of non-explicit services with respect to intermediate and final consumption
 - iii) Valuation of the output of insurance services
 - iv) Treatment of financial services with respect to their measurement and allocation in national accounts and balance-of-payment accounts
- e) Measurement of the output of services of central banks and similar institutions, including agencies that regulate and supervise the financial sector
- f) Treatment of special government financing funds
- g) Integral methodological treatment of SNA in cases of privatization, nationalization and government intervention (temporary supervision) with reference to non-financial and financial enterprises
- h) Valuation of external transactions and their harmonization with balance-of-payments records, in the event of multiple exchange rates and movements of exchange rates over time owing to devaluation or inflation, providing for their integral treatment in the entire System of National Accounts
- i) Change of base year and selection criteria
- j) Other matters
- i) The role of basic statistics in the SNA 1993 implementation process
 - ii) Treatment of free zones under SNA 193
 - iii) Preparation of satellite accounts for the tourism sector
 - iv) Statistical discrepancies resulting from a change of base year: analysis of country practices
 - v) Basic aspects of the measurement of the informal sector under SNA 1993
 - vi) Methodology for measuring savings in Mexico (proposal)
 - vii) Treatment of transactions involving derivative financial instruments
 - viii) Treatment of ancillary units in economic censuses and regional estimate of value added, employment and income

3. International technical cooperation on national accounts and basic statistics: development and preview of mechanisms

Opening meeting

9. Mr. Hugo Romero Quintero, First Vice-President of the Central Bank of Venezuela, opened the seminar, speaking for the Bank and also for the Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), joint organizer of the seminar.

10. Mr. Romero said that beginning in the early 1980s, the United Nations, with the cooperation of other important international organizations (the International Monetary Fund (IMF), the World Bank, OECD and the European Union), had developed a programme of work for the revision of the 1968 version of the System of National Accounts (SNA), a guide for recording the major variables used for measuring the macroeconomic performance of countries (such as GDP, consumption, investment and saving) and for analysis and decision-making in the area of economic policy. The programme of revision had been carried out with the aim of updating the conceptual and methodological framework of the System of National Accounts and improving its integration with other related statistical systems (balance of payments, public finance and financial statistics).

11. The revision process, in which the countries had actively participated, had resulted in a new national accounts manual, adopted by the Economic and Social Council of the United Nations in July 1993, and the countries were currently working on implementing the new manual.

12. The new System of National Accounts contained important innovations and additions and new guidelines of great utility for improving estimates and analyses of macroeconomic variables. Its adoption posed a major challenge for the countries, in view of its requirements and the current limitations with respect to the production of basic statistics. In addition, it meant that the countries would need to standardize their criteria with regard to the methodological treatment of the system's main outlines.

13. He recalled that at the meeting organized by ECLAC in Chile in November 1993, the Latin American and Caribbean countries had adopted an SNA implementation strategy appropriate to their particular situation. The strategy provided for gradual, step-by-step implementation and emphasized the desirability of developing technical cooperation plans, exchanging experiences, stepping up human resource training and maintaining close regional coordination and communication throughout the process. Given that situation, particularly the agreements reached by the countries of region in 1993, the Central Bank of Venezuela, which was planning to put into effect a special programme starting in 1996 to adopt SNA 1993 and change its base year, had

decided to join with ECLAC in holding the present seminar for the following purposes: to examine the progress already made by the countries with regard to plans, strategies and projects for implementing the new version of SNA and changing their base years; to exchange experiences and agree upon uniform criteria for treatment of the main methodological and statistical problems that adoption of SNA 1993 would entail; and to evaluate the situation and prospects with respect to mechanisms of technical cooperation and training in the countries of the region.

14. He noted that the seminar was attended by experts from the central banks and statistical offices with responsibility for preparing national accounts of 21 countries (19 in Latin America and the Caribbean, plus Canada and Spain). Also present were representatives of international organizations working on those topics, including ECLAC, the Organisation for Economic Co-operation and Development (OECD), the Centre for Latin American Monetary Studies (CEMLA), the Central American Monetary Council (CMCA), the United Nations and the Board of the Cartagena Agreement (JUNAC). The seminar also benefited from the presence of special guests who were outstanding experts on national accounts. Altogether, including the representatives of the Central Bank of Venezuela, some 60 people were participating in the seminar, a meeting of the utmost importance and benefit to countries in the process of developing or about to launch programmes to implement the new System of National Accounts. Given the demands of the system and the statistical problems that the countries in general were facing, it offered an excellent opportunity for the participants not only to learn about the progress that had been made in the implementation process, but also to exchange experiences and to consider and come to agreement on criteria for the treatment of conceptual, methodological and statistical problems relating to the System. In addition, during the seminar they would try to develop ideas for technical cooperation initiatives aimed at helping the countries to implement SNA 1993.

15. Lastly, the representative of the Central Bank of Venezuela pointed out that the seminar constituted a contribution to ongoing international efforts, in which Latin America was particularly active, to improve instruments for macroeconomic measurement, a category that included national accounts. Viewed in that light, the conclusions reached at the meeting would be of great value to the world at large.

II. MAIN CONCLUSIONS

16. In the opening meeting, the Interregional Adviser on Macroeconomic Accounts for Policy Analysis and Development of the United Nations Statistical Division (UNSD) reported on the SNA implementation strategy developed by the Inter-Secretariat Working Group on National Accounts and the Statistical Division. He said that the Inter-Secretariat Working Group on National Accounts had recently met in New York to discuss SNA implementation and had prepared a working document, which would

be submitted for the consideration of the United Nations Statistical Commission at its meeting in New York during the first quarter 1996. The document that the Inter-Secretariat Working Group had recently distributed to its members, including the regional commissions, was meant to fulfil the Statistical Commission's request that a number of intermediate goals or outputs should be defined that could be used to measure and project SNA implementation in the countries and to estimate each country's need for external technical assistance to facilitate SNA implementation. UNSD had analysed the responses it had received from the countries to the SNA questionnaire in order to arrive at an idea of the current status of SNA implementation in the various countries. The results of its analysis would be presented to the regional commissions for their consideration, to enable them to review SNA implementation in their respective areas of influence.

17. The Inter-Secretariat Working Group had defined six stages in the implementation of the System of National Accounts, a schema that could be used to evaluate the countries' progress in that regard. The **first stage** entailed the breakdown of GDP and supply and use tables at current and constant prices. The **second stage** entailed the incorporation of estimates of national income, national disposable income, savings and net borrowing at the national level for the total economy, including compilation of external sector accounts. The **third stage** entailed the preparation of production accounts by institutional sector and of integrated accounts for general government, excluding financial accounts. The **fourth stage** entailed the integration of institutional sector accounts, excluding financial accounts. The **fifth stage** entailed the preparation of financial accounts by institutional sector and the **sixth stage** the preparation of balance sheets. The above stages could be taken by the regional commissions as intermediate objectives or outcomes in the SNA implementation process.

18. The Inter-Secretariat Working Group would support the implementation of SNA by four means: brochures, handbooks and manuals; conceptual updates; training; and technical cooperation projects. The following brochures and manuals were in preparation: 1) IMF would publish revised versions of the manuals on financial statistics (1996) and public finance statistics (1997); 2) the Statistical Office of the European Union (EUROSTAT) would publish a manual on regional accounts (1996); 3) OECD would publish a manual on applying SNA in situations of high inflation and a manual on quarterly accounts; 4) the United Nations Statistical Division would publish manuals on the use of SNA in transition economies (1996), on links between business accounting statements and national accounts (1997), on household accounts (1997) and on national accounts for analytical and policy uses. With respect to training, IMF would carry out a series of yearly programmes in the various countries, the first to take place in 1996 in Washington, D.C.; the United Nations Statistical Division would prepare modules to be used in those training programmes to illustrate the use of the data in the SNA 1993 tables, elaborated using specific databases for a few countries and extendable to other databases. The Division would not itself

organize training courses, but would provide teaching materials to institutions, such as CEMLA in Latin America. The United Nations Statistical Division would sponsor and provide technical support for training seminars that would allow for exchanges of experience between countries on SNA implementation.

19. The Inter-Secretariat Working Group would organize regular debates on SNA concepts and aspects of SNA implementation to facilitate the process the countries would have to undergo in that area. At the Working Group's last meeting in New York, a number of conceptual issues were discussed, including treatment of central banks, calculating financial intermediation services indirectly measured (FISIM) in situations of high inflation and other circumstances that could result in volatility in valuations of FISIM.

20. The United Nations Statistical Division had supported and would continue to support technical cooperation projects in various countries, provided the projects had a regional orientation. The transfer of know-how to the countries could be accomplished through seminars and through exchanges of experts and professionals from countries within the same region.

21. The representative of Spain reported that the European System of National and Regional Accounts (ESA 1995) would be covered for the first time by a European regulation. The regulation would set forth the specific methodology of the European system (a methodology fully compatible with SNA 1993) and would establish a schedule of specific dates for submitting a set of tables and accounts prepared in accordance with ESA 1995. The regulation would not make it mandatory to apply the European System, but rather to submit information in harmony with its methodology. Judging from the progress of the debate on the proposed regulation, he thought it very probable that it would be approved before the end of the year.

22. He said that the submission schedule would cover practically all the tables and accounts in the central framework of the European System, which were to be submitted on a progressive schedule from April 1999 to December 2003, as follows:

April 1999:

- Tables presenting the main aggregates (annual and quarterly figures) for the period 1995-1998

September 1999:

- Tables presenting the main aggregates for public administration for the period 1995-1998

From September to December 2000:

- Tables by kind of economic activity

- Exports and imports by geographical area (within or outside the European Union)
- Final consumption expenditure of households by purpose
- Non-financial accounts by institutional sector
- Financial accounts (operations) by sector
- Balance of financial assets and liabilities
- Breakdown of social contributions and taxes
- (All the above for the period 1995-1999)
- Regional tables for the period 1995-1998

December 2001:

- Public administration expenditure by function for the period 1995-2000
- Regional tables
- Regional household accounts
- Fixed assets for the total economy
- (All the above for the period 1995-1999)

December 2002:

- Source (supply) tables at basic prices, showing conversion to purchasers' prices, for the period 1995-1999
- Application (use) tables at purchasers' prices for the period 1995-1999
- Symmetric input-output tables (five-yearly) from 1995 onward

December 2003:

- Cross-classification of fixed assets by acquiring industry and by product for the year 2000 (five-yearly)
- Cross-classification of the production account by kind of economic activity and by institutional sector for the year 2000 (five-yearly)
- Cross-classification of gross capital formation by acquiring industry and by product for the year 2000 (five-yearly)

Retrospective series of the main aggregates extrapolated back to the year 1970 were also to be submitted. A number of exceptions were contemplated involving some of the tables and operations to allow various States members of the European Union to postpone their submittal until the year 2005.

23. Lastly, he discussed the strategy that Spain would follow to implement the new system, taking 1995 as the new reference year for national accounting.

24. The representative of OECD reported on the plans of OECD member countries for implementing SNA 1993. She said that her remarks would summarize the responses received from those countries to a questionnaire sent out in 1994 on:

a) Timetable for implementing SNA 1993 - Norway had the most advanced timetable; it had actually begun implementing the System in 1995. The next to fall in line would be Canada and Australia in 1997, followed in 1999 by Japan and Turkey plus the European Union countries under the new European System. The United States and Switzerland would be publishing accounts prepared according to SNA 1993 in 2000 and 2001, respectively. The new concepts, definitions and classifications and the new sequence of accounts would be adapted in almost all the OECD countries. Following the initial phase, all the countries except Japan planned to amplify their accounts to incorporate additional features of SNA 1993.

b) Reverse extrapolation - The countries had reported on the possibility, when introducing SNA 1993, of preparing retrospective series over a longer period for the consolidated accounts (to 1970) than for the accounts by sectors (generally 1980). Canada and the United States planned to extrapolate back to 1926 or 1927, while Germany and Turkey would do so to 1991 and 1992, respectively. Generally speaking, the countries were going to try to calculate the new series and accounts directly, at least for recent periods, and to make approximate estimates by means of indices for periods further in the past.

c) Problem areas and need for clarification - The most common problems areas were allocation of FISIM, valuation of non-produced assets, institutional sectoring, constant price estimates of commercial and financial services, measurement of holding gains and distinguishing between subsidies and social benefits.

d) Volume estimates - Responses showed that most of the OECD countries used fixed base indices every five or ten years. Australia, Canada, Finland and Greece also used annual chain indices. Norway used only annual chain indices. Generally speaking, the countries that used chain indices encountered statistical discrepancies when they constructed constant price series.

e) Divergence from SNA 1993 - The countries of the European Union were required to complete implementation of the new system. Other OECD countries were at liberty to decide not to implement SNA 1993 in full. Australia and Japan, for example, might decide not to apply SNA recommendations concerning military expenditures; Australia, Canada and Japan were not planning to compile production accounts by institutional sector.

f) Priorities for the future - For the next five years, priorities would relate to the transition to SNA 1993, improving the quality of national accounts and developing new data sources in order to be able to implement the new features of SNA 1993. Much interest had been shown in satellite accounts and in environmental accounting, valuation of domestic work and research and development accounting.

g) International questionnaire - The OECD countries felt that their accounts could be compiled according to SNA 1993 with a few adjustments, which would be necessary in order to complete the international questionnaires. All had responded very favourably to the idea of distributing a standard questionnaire.

25. The representative of ECLAC said that the strategy that the countries of the Latin American and Caribbean region had adopted in November 1993 for implementing SNA 1993 was compatible from an operational standpoint with the strategy the Inter-Secretariat Working Group had developed on a global level and would complement it. He outlined the strategy and then commented upon the content and progress of the programme of international statistical work adopted by the chiefs of the statistical offices of the countries of the region at the Joint OAS/ECLAC Meeting on Statistical Matters. He went on to discuss the status of the work programmes directed towards implementation of SNA 1993 in each of the countries of Latin America and the Caribbean and described the main accomplishments and advances in the areas of national accounts, generation of basic statistics, institutional structure and international technical cooperation.

26. Discussion of the item on treatment of the main conceptual, methodological and statistical problems for the application of SNA 1993 touched upon a number of areas, beginning with the focus and scope of application of the classification of institutional sectors, ISIC Rev. 3, the system's accounting structure and the supplementary tables. On that topic, the papers in reference documents Nos. 5 and 11 were presented.

27. The participants reported that the cross-classification institutional sector/ISIC cross-classification was not easy, but that relating kinds of economic activity and institutional sectors was essential to the SNA 1993 concept and offered greater opportunities for analysis; it was therefore worth doing, despite the obvious statistical problems entailed at first in preparing it, particularly if available data collection mechanisms were not adequate to the purpose. In order to overcome that problem, information should be gathered at the level of the institutional unit with breakdown by establishment.

28. The possibility was also discussed of doing retrospective extrapolations of SNA 1993 estimates. Participants felt that the models that could be used to do such extrapolations would yield results only for some of the variables of the system, and not a significant portion at that. They concurred that the best approach would be to adhere to the strategy for implementing SNA 1993 that the countries of the region had agreed upon in November 1993. Another consideration was that the resources that would be required to elaborate retrospective series would better be applied to high-priority tasks involved in implementing SNA in the first place.

29. The participants then went on to consider the treatment and presentation of taxes and subsidies, such as VAT, in the valuation of output and consumption (valuation at basic, producers' and purchasers' prices). In that regard, the papers contained in reference documents Nos. 8, 12, 16 and 18 were presented. After debate, it was agreed that:

a) Treatment of VAT should be by net recording, as defined in chapter VI of SNA 1993;

b) Treatment of taxes was one of the more complex areas to standardize. Because the countries all applied very different regulations, it was hard to come up with a general recommendation applicable to all countries, and that situation tended to undermine international comparability.

c) In preparing estimates at constant prices, VAT and other taxes should be included only if those taxes were in effect in the year used as the basis for calculation;

d) Ideally, taxes should be recorded when incurred, but for practical reasons they could be recorded when collected;

e) If a tax had taken effect subsequent to the base year used for the system of national accounts, estimates should not be made at constant prices, for there would be no quantities (Q_0) or prices (P_0) available for the base year; instead, the procedure should be simply to change the tax rate (T_0) from a value of zero (0) to a value other than zero, and hence should involve only a price effect;

f) To estimate a tax at constant prices, it was advisable to use volume indicators or indicators derived by deflation from price indices. Countries that currently had input-output systems could use coefficients for non-deductible taxes for the components of expenditure; for that purpose it would be useful to develop VAT matrices and the like. Countries that did not already have an input/output system, however, should instead disaggregate the base year tax into non-deductible VAT for the components of expenditure in supply and use tables, to be extrapolated using volume indices elaborated from constant-price estimates of the consumption components of those tables. In cases where deflation indices were applied, the indices should reflect both the variation in the prices of the products taxed and the variation in the tax rates. Such indices should be applied to nominal values after correcting for revenues from new taxes not in existence during the base year.

g) VAT estimates should take into account that rates of evasion were not the same on all products. Therefore, it was better to do calculations separately for products on which there was known to be tax evasion and products on which

there was not, in order to obtain VAT estimates approximating actual collections.

h) Products subject to VAT should be clearly differentiated into:

- those on which evasion generally could not occur (government purchases, for example); and
- those on which evasion usually did not occur (purchases in large corporations and banks and invoiced sales, as for electricity, telephone services and the like). To that end, it was recommended that VAT matrices should be constructed to describe the flows and to help in identifying the various patterns relevant to value added tax.

i) When tax changes were planned that would affect cost structures and the composition of output, it was a good idea to make a slight change in base in introducing the changes.

j) With respect to the alternative methods of valuing output suggested by SNA 1993, namely, basic or producers' prices, there was no consensus on which should be followed. Concerns were expressed about the problem of achieving international comparability of the gross sectoral value added that would be generated. It was possible that some countries might use basic prices for valuation, depending on statistical feasibility.

k) Subsidies on payroll or to reduce pollution could be allocated to both market and non-market producers. Subsidies to non-market producers could be estimated on the basis of explicit costs. Subsidies on workforce would come under other subsidies on production.

30. On the topic of estimating changes in inventories of finished goods and work-in-progress (in agriculture, for example), valuation and holding gains, the proposals contained in reference documents Nos. 20 and 11 were presented. It was stressed that SNA 1993 called for periodic estimates of changes in agricultural work-in-progress inventories.

31. SNA 1993 suggested measuring agricultural production-in-progress in cases where the production process was not completed at the end of the accounting period. It recommended that output should be recorded in stages as changes in work-in-progress inventories; thus, value added, including operating surplus or mixed income, would be allocated over the entire course of the production process. One participant pointed out that to do so would require estimating the cost structures of agricultural products over the course of the entire production process or cycle. That would be feasible for explicit production costs, but allocating operating surplus over the entire production cycle would present problems with respect to the income flows of farms. One should therefore consider and arrive at a position on the possibility of allocating

operating surplus only when products were sold. In Argentina, operating surplus was distributed over the entire production cycle, but it remained to be determined whether it would be more appropriate to allocate it quarterly or to record it at the close of the production cycle.

32. In economies with high inflation, cumulative work-in-progress would have to be valued at the point in time that production occurred over the course of the period, thereby avoiding price lags that would affect value added and would not match the measurements of cost components.

33. In situations in which work-in-progress had been estimated in advance, as SNA 1993 recommended, and a total loss of output occurred at the end of the harvest, records of work-in-progress as previously posted would have to be adjusted retroactively.

34. With respect to agricultural production-in-progress, it was pointed out that the value added in a given period and (provisionally) recorded as a change in inventory, might subsequently be lost and never realized as a harvest. One participant expressed doubts about the procedure recommended by SNA and said that it would be better to go ahead and record the output as work-in-progress and treat the loss of the harvest as a capital loss.

35. With respect to the valuation of inventories in general, it was suggested that entries and withdrawals to inventories should be valued at the basic prices prevailing at the time they occurred. A participant reported that Venezuela was grappling with the problem of estimating changes in inventories of products for resale in commerce and would like to know what methods were being used in other countries for monitoring and estimating such inventories.

36. Participants also raised the issue of changes in inventories in relation to changes in prices. SNA recommended that inputs should be valued at the time they entered the production process, while output should be valued at the time it was generated. That method would result in a lag between supply and use, which, if prices changed, would affect changes in inventories. It was suggested that the manual on applying SNA 1993 in situations of high inflation should take that problem into account.

37. Under agenda item 2, the meeting then addressed the fourth sub-item concerning the measurement and presentation of the output of financial institutions, including insurance services, at current and constant prices. Based on reference documents Nos. 10 and 13 and a presentation on the Venezuela's experiences, the participants discussed the treatment of the financial sector under SNA 1993. The first point raised concerned financial transactions and in particular the classification of financial corporations, financial auxiliaries and transactions. Also discussed were some points concerning the definition of interest and the treatment of monetary gold.

38. The meeting then addressed the issue of calculating output of financial intermediation services indirectly measured (FISIM) as recommended by SNA 1993. It concluded that the concept was generally equivalent to that of imputed output of bank services used in SNA 1968, except that SNA 1993 stipulated that adjustments to principal on securities should be treated as interest and not as revaluation. SNA 1993 also recommended allocating FISIM either as intermediate or final consumption and left countries the option of allocating the whole of FISIM to a notional industry and to a notional institutional sector (as proposed by SNA 1968). The level of GDP might differ, depending on whether or not FISIM was allocated to final consumption expenditure, and hence the choice of method would affect international comparability. It was mentioned that EUROSTAT was responsible for studying the treatment that should ultimately be accorded to FISIM and coming up with a proposal by 1999.

39. There was broad agreement that there should be an intensive interchange of experience and proposals on the treatment of FISIM. ECLAC was asked to coordinate its work with that of EUROSTAT and to produce a study on FISIM allocation. The study should deal with methods of calculating FISIM (described in the manual), clarify the methodology for figuring a reference interest rate and decide how to treat central bank FISIM. The timetable proposed by EUROSTAT was found acceptable.

40. It was also suggested that in order to insure the international comparability of estimates, it would be better for the countries to wait until EUROSTAT presented its conclusions before starting to allocate FISIM; however, countries that wished to develop methods for allocating FISIM should feel free to do so, and their findings should be disseminated through ECLAC.

41. With respect to the treatment of financial services under SNA 1993 and in the fifth edition of the Balance of Payments Manual, participants made the following comments:

- SNA 1993 recommended that in principle FISIM should be allocated according to categories of users; hence, some of such services might be considered exports or imports; the fifth edition of the Balance of Payments Manual, however, did not follow that SNA criterion by classifying and recording such services on the current account; instead, it recorded them under "investment income, interest". The discrepancy would make it harder to harmonize the treatment of and classification of transactions under the two systems of macroeconomic accounts; if, in keeping with the foregoing paragraph, the decision was made to distribute FISIM (including exports and imports) among the SNA rest of the world accounts, the differences between those and the balance-of-payments statistics would have to be noted.

42. The subject of measuring the output of services of central banks and similar institutions, including agencies that regulate and supervise the financial sector, was

approached on the basis of Venezuela's experience and the presentation of reference document No. 17. The meeting reached the following conclusions:

a) The countries had been encountering difficulties in calculating central bank output. For some, the difference between interest received and paid was negative; for others, income levels were much higher than costs. The problem had to do with the way the central banks operated: they performed other functions besides offering financial intermediation services.

The representative of the United Nations Statistical Division explained that at meetings of the Inter-Secretariat Working Group on National Accounts some work had been done on treatment of central banks. According to SNA 1993, they should be treated in the same way as other financial intermediaries. Notwithstanding, it was felt that if the results thus obtained were not meaningful, it would be acceptable to resort to measurement by cost of production. From the seminar it was clear that the suggested alternatives (involving measurement by costs) would be appropriate for a number of the countries in the region.

b) All the alternatives for allocating output, however, entailed certain conceptual, accounting and analytical problems; the following were the options:

- i) as final consumption of the central bank itself;
- ii) as intermediate consumption of a notional industry;
- iii) as government intermediate consumption and later as government final consumption;

c) In view of the problems discussed, it was proposed that the final decision on treatment of central bank FISIM should be adopted only after hearing the conclusions arrived at by EUROSTAT. In the meantime, the criteria in SNA 1968 should continue to be applied, and international reserves should be treated as own funds.

43. On the treatment of special government financing funds, the paper contained in reference document No. 14 on the experience of Venezuela was presented. In the exchange that followed, it was concluded that such funds should be treated either as institutions in the financial sector or as part of general government, depending on their legal basis and on whether they had their own separate net worth and accounting.

44. On the subject of the accounting treatment of privatization, and the similar treatment of government intervention and nationalization, the meeting learned about the experiences of Chile and Venezuela and heard a report by the representative from the United Nations Statistical Division on what the national accounts manual recommended for transition economies undergoing rapid and varied privatization. The following conclusions were reached:

a) Changes in assets and liabilities between the opening and closing balances of the accounting period owing to changes in the institutional classification of privatized or nationalized companies did not constitute transactions, hence there were no entries to the capital and financial account of the agents involved in the operations. The changes should be treated as other volume changes in assets.

b) In the case of privatization and nationalization, the transactions inherent in the transfer of ownership should be recorded under the originating and receiving sectors at the time of occurrence. However, it should be borne in mind that when institutional units were shifted to the public sector, the change must be permanent in order for them to be reclassified; hence, in cases of State intervention, there should be no sector reclassification until it was determined that there would be a permanent change in ownership or control.

c) Transactions in stock or shares as a result of privatization or nationalization should be recorded at market value rather than book value.

45. The topic of valuation of external transactions and their harmonization with balance-of-payments records in the event of multiple exchange rates and movements of exchange rates over time owing to depreciation and inflation was discussed after the presentation of reference documents Nos. 4 and 29. Some participants felt that in order to reconcile external savings in foreign currency with external savings in local currency during periods of depreciation, the best approach was to make the corresponding adjustments across the board; the size of the adjustment would be calculated by assuming that external savings should be figured by converting from the balance of payments at a uniform exchange rate, while converting exports and imports to local currency at the rate of exchange in which the transactions were concluded.

46. Selection criteria and strategies for changing the base year for national accounts were analysed with reference to the experiences of Colombia, Venezuela and Peru as related in reference document No.1. In that regard:

a) It was stressed that it was highly advisable that those responsible for developing the related statistical systems, the agencies producing the basic statistics and the main users of the resulting estimates should all be involved in the rebasing process.

b) It was suggested that statistical and funding estimates for the work of rebasing should be figured on the assumption that the methodology entailed would have to be applied not only to the year selected as the base year, but also to the years around it.

c) It was stressed that realistic timetables and priorities for activities related to a change of base year must be based on the technical, computational and

financial resources available; the task might require restructuring national accounts departments.

d) It was recommended that for changes in base year, periods closer to the current year should be selected, even if the approach did not ensure a base of relative normality, in view of the rapidly changing economic picture in recent years.

47. Under other business, one participant commented that now that progress had been made in conceptual analysis and practical recommendations for implementing SNA 1993, it was important - indeed, indispensable - to involve producers of basic statistics directly, together with national accounts specialists, so that they might understand and interpret the outlines of the new manual and thus facilitate the search for solutions to specific problems. At upcoming meetings on national accounts, therefore, producers of basic statistics should be invited to participate and items on basic statistics related to national accounts should be included on the agenda. Otherwise, the gap between users and suppliers of raw data would widen.

48. In that connection, there was general agreement on the need for producers of basic statistics, administrative record-keepers and national accounts preparers to collaborate closely and steadily to ensure that basic statistics and administrative records were serviceable for purposes of national accounts.

49. The participants also concurred on the need for national accounts offices in the various countries to run programmes for disseminating knowledge of SNA 1993 to national accounts preparers, the academic community and users in general.

50. In a discussion based on reference document No. 2 on basic considerations in measuring the informal sector in accordance with SNA 1993, there was agreement on the need for innovations in conventional data-gathering instruments in order to procure information on activities that were unrecorded or hard to identify.

51. Based on the proposal presented in reference document No. 25, the meeting considered how to treat ancillary units in order to integrate regional and national estimates of value added and income generated. There was consensus on the need to assign ancillary units an output value equivalent to their total costs and to record - as a counter entry- an equivalent amount as intermediate consumption allocated among the various establishments of the enterprise in proportion to their respective output. Some participants thought that the enterprise's surplus should be divided among its establishments and ancillary units, while others were inclined not to allocate surplus to the ancillary units. With respect to how to report the activities of ancillary units in national aggregates, the recommendation was that their accounts should be allocated by industries as in the case of external transactions. In the region where they were located, there were two possible options: to distribute the amounts in the

same proportion as on the national level or to apply them to an ad hoc industry. In the latter case, a schedule should be provided on the breakdown of the ancillary units by industry for purposes of reconciliation with national aggregates.

52. On the agenda item concerning international technical cooperation on national accounts and basic statistics, representatives of the United Nations Statistical Division and ECLAC reiterated that the Inter-Secretariat Working Group would support the implementation of SNA 1993 by four means -brochures, handbooks and manuals; conceptual updates; training; and technical cooperation projects. The technical cooperation elements of the strategy for implementing SNA 1993 adopted by the countries of the region in November 1993 fit in well with the guidelines of the Inter-Secretariat Working Group, which felt that regional collaboration should take the form of specific cooperation activities and projects chiefly involving the training of national specialists through seminars, courses and workshops, horizontal cooperation (taking advantage of the more advanced state of development of statistics and national accounts in some of the countries of the region) and direct advisory assistance, to be provided by regional experts.

53. They also stressed that in order to facilitate implementation of SNA 1993, the United Nations Statistical Division, together with ECLAC, was promoting the formation or reactivation of subregional groups to coordinate implementation projects. While not ignoring the overall regional strategy, the groups could develop work programmes suitable to their particular characteristics and priorities.

54. In conclusion, they reported that, for the purposes explained in the foregoing paragraph, during the course of the seminar it had been proposed that four subregional groups of countries should be organized. Three had already decided on the ground rules for coordinating their work programmes and future meetings and had decided which parts of SNA 1993 they considered most important to work on first (see annexes 3, 4 and 5). The fourth group, that of the Southern Cone countries, was still in the process of formation and had entrusted the task of organization to Uruguay.

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Annex 2**List of documents**

- Reference document N° 1: Elección del año base en el marco del SCN 1993
Presented by: Sr. Aurelio Valdez Caro
- Reference document N° 2: Aspectos básicos para la medición del sector informal en el marco del SCN 1993
Presented by: Sr. Aurelio Valdez Caro
- Reference document N° 3: Plan of OECD member countries to implement the 1993 SNA
Presented by: Sra. Michèle Hainaut
- Reference document N° 4: El ahorro externo en moneda nacional. La conversión de la balanza de pagos en moneda nacional
Presented by: Sr. Romilio Carrasco
- Reference document N° 5: Statistical discrepancies caused by rebasing, review of country practices
Presented by: Sra. Michèle Hainaut
- Reference document N° 6: Tratamiento de los intermediarios financieros
Presented by: Sr. Alberto Olives
- Reference document N° 7: Intermediarios financieros
Presented by: Sr. Romilio Carrasco
- Reference document N° 8: El IVA en el SCN 1993
Presented by: Sr. Romilio Carrasco
- Reference document N° 9: Las operaciones de los seguros. Sistema de Cuentas Nacionales (SCN 1993)
Presented by: Sra. Magdalena Cortés
- Reference document N° 10: Las cuentas financieras en Colombia
Presented by: Sra. Magdalena Cortés
- Reference document N° 11: Tratamiento metodológico y estadístico para la valoración de la variación de existencias
Presented by: Sra. María A. González

- Reference document N° 12: El Nuevo régimen tributario en Venezuela y su tratamiento en las cuentas nacionales
Presented by: Sr. Gilberto Párraga
- Reference document N° 13: Indices de precios, volumen y valor de la intermediación financiera (excepto seguros y fondos de pensiones). Examen de algunos tópicos vinculados a su estimación
Presented by: Sr. Roberto Barriola
- Reference document N° 14: Tratamiento metodológico de los fondos especiales de financiamiento del gobierno
Presented by: Sra. María Boett
- Reference document N° 15: Implicaciones de la crisis del sector financiero venezolano en las cuentas nacionales
Presented by: Sr. Pedro Emilio Colls L.
- Reference document N° 16: Tratamiento estadístico metodológico y presentación de los impuestos y subsidios sobre los productos y la producción diferentes del IVA y análogos
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- Reference document N° 17: Tratamiento metodológico de la producción de los bancos centrales y los organismos de control y supervisión del sector financiero
Presented by: Sr. Pedro Emilio Colls
- Reference document N° 18: Tratamiento del impuesto al valor agregado IVA en el SCN 1993
Presented by: Sra. Magdalena Cortés
- Reference document N° 19: Cuenta satélite del turismo en la República Dominicana
Presented by: Sra. Olga Díaz Mora
- Reference document N° 20: Tratamiento de los trabajos en curso en la agricultura
Presented by: Sr. Alberto Olives
- Reference document N° 21: El tratamiento de las zonas francas en el marco del SCN 1993
Presented by: Sra. Mercedes Carrasco
- Reference document N° 22: El sistema internacional de cuentas nacionales de 1993: su aplicación en Canadá
Presented by: Sr. Kishoni Lal

- Reference document N° 23: Real Gross Domestic Product: Sensitivity to the Choice of Base Year
Presented by: Sra. Marie Sanenier
- Reference document N° 24: Modelamiento para un proyecto de implementación del SCN 1993
Presented by: Sr. José Venegas Morales
- Reference document N° 25: Tratamiento de las unidades auxiliares en los censos económicos y en las estimaciones regionales de valor agregado, ocupación e ingreso
Presented by: Sr. Heber Camelo
- Reference document N° 26: Metodología para medir el ahorro en México
Presented by: Sres. Martín Puchet, Francisco Escamilla y Carlos Guevara
- Reference document N° 27: La aplicación del SCN 1993 en la medición de la producción de las instituciones financieras y de las compañías de seguros en Venezuela
Presented by: Sr. Pedro Emilio Colls L.
- Reference document N° 28: La clasificación institucional y por rama de actividad económica en el caso de las cuentas nacionales de Venezuela
Presented by: Sr. Agustín Velásquez A.
- Reference document N° 29: Valoración de las transacciones externas en régimen de tipo de cambio flotante
Presented by: Sra. Xiomara Grillo
- Reference document N° 30: A Proposed Treatment of Financial Intermediation Services Indirectly Measured (FISIM) in the Historical Revision of the Canadian System of National Accounts (CSNA)
Presented by: Sra. Michèle Hainaut
- Reference document N° 31: Environmental Accounting: An Operational Perspective
Presented by: Sr. Peter Bartelmus y Sr. Jan Van Tongeren.

Reference document N° 32: A System Approach to National Accounts Compilation: UNSD's Experiences in Implementing the SNA
Presented by: Sr. Jan Van Tongeren y Sr. S. Schweinfest

Reference document N° 33: Integrated Satellite Accounting, Socio-economic Concerns and Modelling
Presented by: Sr. Jan Van Tongeren y Sr. Bernd Becker

Reference document N° 34: Estrategia para implementar el sistema de SCN 93 en Colombia y cambio del año base. Principales tratamientos de problemas conceptuales
Presented by: Sr. Jairo Urdaneta Ballén

Special documents:

- El futuro ha comenzado. Grupo Andino. Logros y desafíos
- Diseño lógico y físico del sector hogares en las cuentas nacionales

Presented by: Sra. Lourdes Urdaneta de Ferrán

Annex 3

SNA implementation in the Caribbean subregion

During the regional seminar on implementing SNA 1993 covered by this report (Caracas, 13-17 November 1995), a Caribbean subregional group met to coordinate future programmes of SNA 1993 implementation in the subregion. The meeting included participants from Antigua and Barbuda, Aruba, Bahamas, Dominican Republic, Jamaica and Netherlands Antilles. Also present were representatives from ECLAC headquarters in Santiago and the United Nations Statistical Division (UNSD). It was agreed during the meeting to propose that ECLAC, the Caribbean Community (CARICOM) and the Association of Caribbean States (ASC) should initiate periodic meetings and other exchanges of experiences to advance implementation of SNA 1993 in the region.

Such meetings could deal in principle with three topics: SNA implementation in individual countries; training and exchanges of methodological and practical experiences through seminars; and horizontal technical cooperation between countries of the subregion. The proposed meetings might be developed as extensions of planned meetings of CARICOM in which all countries of the Caribbean subregion could participate, including non-members such as Aruba, Cuba, Dominican Republic, Haiti and Netherlands Antilles. Participation of non-members in CARICOM meetings would broaden the base of experience on which the countries of the subregion could draw. Moreover, it was felt to be an opportune moment to extend CARICOM meetings to a larger group, as CARICOM had largely completed its discussions on statistical topics and was planning to start discussions on SNA-related topics in the near future. It was suggested that meetings should take place twice a year, that countries should participate at their own expense and that ECLAC and UNSD should be represented, at least in the initial meetings.

The first meeting might deal with the organizational framework and future orientation of SNA meetings in the subregion and review the present status and future plans of participating countries in implementing SNA. It might also discuss the elements of SNA most appropriate for application in the countries of the subregion, taking into account both their analytical and policy needs and their statistical limitations, and consider the stages through which those elements would be implemented over a period of time. Future meetings could then deal with more specific technical subjects, relating not only to the System per se, but also to the statistical support necessary for SNA implementation.

It was suggested that the first meeting should take place in May 1996. The schedule took into account the fact that the Dominican Republic, at the conclusion of the present national accounts project, would be organizing a regional seminar in July 1996 at which the results of the project would be presented and discussed with

participants from that country and others in the region. In addition, the secretariat of the Organization of Eastern Caribbean States (OECS) was planning to hold meetings on SNA starting in December 1995. It was further agreed that ECLAC Santiago, in cooperation with UNSD, would coordinate with ECLAC subregional headquarters for the Caribbean in Trinidad and Tobago, the CARICOM office in Guyana and the Association of Caribbean States to agree on further steps to be taken. Individual countries would be kept up to date about developments by receiving copies of all correspondence on matters related to the organization of future SNA meetings for the subregion.

Annex 4

Ground rules of the Andean Group's National
Accounts Harmonization Programme for 1996Background and goals

During the regional seminar on implementation of the System of National Accounts 1993 (SNA 1993) in Caracas, Venezuela (13-17 November 1995), representatives of the delegations of the Andean Group countries met together with representatives of the Board of the Cartagena Agreement (JUNAC), ECLAC and the United Nations Statistical Division on 15 November in order to draw up guidelines and recommendations for adapting the Group's National Accounts Harmonization Programme (adopted pursuant to decision 115 of the Commission of the Cartagena Agreement) to reflect the SNA 1993 implementation process and incorporate the change of base year for national accounts being introduced in the Latin American and Caribbean countries.

Recommendations

There was general agreement that:

- a) There was a pressing need to adapt the Andean Group's National Accounts Harmonization Programme to SNA 1993.
- b) Based on the experience already acquired by the Andean countries, a three-stage programme would be instituted to implement SNA 1993 in the subregion:
 - i) an initial stage entailing the development of a minimum programme based on the progress already made by the Andean countries;
 - ii) a second stage that would expand on the minimum programme and would be based on the progress realized in the first stage; and
 - iii) a third stage in which any country so desiring could implement further elements of SNA 1993.
- c) Every effort would be made to:
 - i) ensure international comparability and uniformity in the presentation of national accounts variables by harmonizing methods, procedures and classifications; and

- ii) resume the holding of periodic meetings, at least once a year, to discuss specific topics requiring joint consideration because of their implications for international comparability of data series. Such meetings would be held in the different Andean countries on a rotating basis, in order to offer an opportunity for many of the national accounts specialists in the given host country to attend.
- d) It was important to work within the framework of the Andean Group's National Accounts Harmonization Programme, a legal instrument of mandatory force on the subregional level; that approach would make it possible to pursue concerted activities designed to promote coordinated progress on national accounts within the subregion.
- e) Representatives to the meetings convened by the Board would attend at the expense of their respective institutions.
- f) Representatives of ECLAC, the United Nations Statistical Division and the Statistical Office of the European Union (EUROSTAT) would be welcome to attend the meetings; depending on the subject under discussion, other international organizations, such as the International Monetary Fund and the Inter-American Development Bank, might also be invited to attend.
- g) Simultaneously, a programme of internship would be developed to promote horizontal technical cooperation on national accounts among interested countries. The Board would contribute by financing some internships under the Andean Programme for Training in Statistics, Informatics and Telecommunications (PACEIT) to be instituted in 1996.
- h) Electronic mail (via Internet) could be used to share documents, concepts, approaches and methodologies and to analyse problems a country might encounter for which it needed the support or ideas of the others.

Programme of activities

Based on the above recommendations, the following tentative programme of activities was approved, subject to ratification by the Board of the Cartagena Agreement:

1. A meeting would be held in April 1996, possibly at the Board's headquarters in Lima or in Quito, as proposed by the representative of Ecuador.
2. The tentative agenda for the 1996 meeting was as follows:

- a) Adoption of the National Accounts Harmonization Programme 1996
 - b) Harmonization on the subregional level of classifications of economic activities, products and institutional sectors, and the corresponding correlation matrices
3. The specific topics for the following meetings would be decided by the Board on the basis of coinciding proposals from at least three countries.
 4. Before the end of the year, the Board would ask the national accounts offices of the Andean Group member countries to provide their electronic mail addresses and fill out a brief questionnaire, the results of which would be incorporated in the Harmonization Programme.

Annex 5

Technical Cooperation for Central America

The countries of the Central American subregion expressed great interest in implementing SNA 1993 as a means to improve understanding of economic phenomena, in particular the relationship between the real and the financial sectors and the functioning of mechanisms of saving and financial intermediation.

SNA implementation would also assist in generating comparable data on the subregional level to serve as a basis for decision-making in the Central American integration process undertaken by the presidents of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

By acting in concert, it was felt, the subregion could obtain economies of scale and benefit from an exchange of experience among participating countries. The delegations present at the seminar therefore requested technical assistance from the United Nations and especially ECLAC in implementing SNA 1993 in Central America, taking into account the needs and basic statistics available in each country.

The organizational set-up of the Central American Integration System would facilitate coordination of the SNA 1993 implementation project, since the Central American Monetary Council had already formed a special commission on national accounts, which normally met twice a year to discuss matters relating to harmonization and coordination of systems of national accounts. Its next meeting was to be held in San José, Costa Rica, in February 1996, and it was hoped that a United Nations consultant could be present to help the countries prepare the programme they would follow in order to take advantage of the potential offered by the new System of National Accounts.