

CARIBBEAN

COMMUNITY

SECRETARIAT

**TWENTY-EIGHTH MEETING OF THE
STANDING COMMITTEE OF
CARIBBEAN STATISTICIANS**

RESTRICTED

SCCS/2003/28/35

**Providenciales, Turks and Caicos Islands
3 - 5 November 2003**

5 November 2003

IMPLEMENTATION OF 1993 SNA IN THE ECCB TERRITORIES

Attached for the attention of the Meeting is Paper entitled Implementation of 1993 SNA in the ECCB Territories.



Implementation of 1993 SNA in the ECCB Territories

RESEARCH DEPARTMENT
EASTERN CARIBBEAN CENTRAL BANK
Statistics Division

Presented at the

Twenty-Eight Meeting of The Standing Committee of Caribbean Statisticians
Providenciales, Turks and Caicos Islands
November 3-5, 2003

Introduction

A proposed programme for the implementation of the 1993 SNA in the region was presented by the UN Inter-regional Macroeconomic Accounting Adviser and discussed at various CARICOM SNA meetings, which were held in St. Vincent in May 1997, in Curacao in August 1999 in Trinidad in September 2001 and in St. Kitts in November 2002. It was agreed that the ECCB member territories would implement the components of the proposed system, but over a longer period of time in order to alleviate the resource constraint presently experienced by most of the statistical offices.

The 1993 SNA requires a vast body of information, more extensive and complex than that required by the previous 1968 SNA in order to prepare the industry production and the institutional sector accounts that make up the system. The comprehensiveness of a data system based on the 1993 SNA is a clear advantage as it opens many possibilities for analysis. The national accounts compilation of the future will have to respond to users of economic and related statistics who have a preference for more, rather than less detail, in order to deal adequately with newly emerging economic and related issues. For the ECCB member territories, this means changing the current methods of producing basic statistics, and developing a more extensive and detailed body of data.

The Role of the ECCB

The main role of the ECCB in national accounts is to ensure harmonization and comparability of national accounts estimates of the member countries. The Bank also seeks to provide assistance and to effect a transfer of working knowledge and experience to the staff of the National Statistical Offices, through the direct participation in country missions. In its other role, the ECCB assists in the organization of training workshops and seminars at the sub-regional level, so as to strengthen the technical capacity of staff in the NSO.

The Present National Accounts Practices

The present system is based on the System of National Accounts introduced by the UN in 1968, which was modified to take account of the regional situation.

Types of Aggregates Estimated

1. GDP by Economic Activity in current and constant prices;

2. GDP by Expenditure in current prices;
3. Economic and Functional Classification of Government Accounts;
4. External Accounts data, based on the BOP, and derived aggregates such as gross national income, national disposable income, and national saving

Estimation of Value Added

The production approach is used to derive estimates for the goods producing industries of the economy. The income approach is generally used for the service industries, while the commodity-flow approach is used to derive estimates of value added for construction. Constant prices are derived either by extrapolating the base year value added with a volume index or deflating the current price estimates by appropriate price indices. Although estimates of GDP by expenditure are compiled, private final consumption is found as a residual and is not independently estimated.

Accounting Framework

In terms of the accounting-framework, only the production account is compiled. There are no integrated accounts, and no cross-classification of industries and sectors.

Sources of Data

The main sources of data are as follows:

- Annual national income survey of establishments
- Income Tax Returns
- Social Security Data
- Government Estimates
- Administrative Data from Government Departments (Agriculture, PWD, Licensing)
- CPI, Production Statistics, External Trade, BOP, Labour Force Surveys, Household Expenditure Surveys etc

The 1993 System of National Accounts

The 1993 SNA represents an extremely challenging agenda. It recommends more sectors and sub-sectors than what are used in the member territories. In addition, concepts have been revised. The statistics produced by the member territories should conform to prevailing international statistical standards, with a view towards meeting new needs for statistics in order to provide for more effective economic analysis and policy-making.

The 1993 SNA consists of the following sequence of accounts:

- The production account
- The distribution and use of income account
- The accumulation accounts (the capital account, the financial account, and the other change in asset account)
- The balance sheets
- The rest of the world account

Like the 1968 SNA, the 1993 SNA recommends five sectors: Non-Financial Corporations, Financial Corporations, Government, Non-profit Institutions and Household Sector.

SWOT Analysis

A description of the findings of a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the OECS National Statistical Offices is given below. Some of the findings are based on a recent review of NSO's undertaken by CARTAC and ECCB in May 2002.

Summary SWOT Analysis of National Statistical Offices

STRENGTHS	WEAKNESSES
<ol style="list-style-type: none">1. All Statistical Offices have a legal mandate on statistics2. A team of young professionals who are eager to implement changes to improve the statistical system3. The countries are functionally linked through the OECS, ECCB, CARICOM and other regional institutions which themselves have vested interests in the range and quantity of statistical series produced. This environment is used to achieve greater economies of scale and to make some programs feasible which would be difficult to maintain if each country operated independently	<ol style="list-style-type: none">1. Outdated Statistical Acts which require updating2. Low response rates to surveys3. Lack of coordination of statistical data from other government departments4. Insufficient data user-producer interaction5. Lack of public awareness of NSO'S and its activities6. Lack of reliable transport and travel allowance for field data collection and monitoring7. Lack of Strategic Plan8. Lack of efficient Information Management System (IMS)9. Low priority accorded to statistics within the government hierarchy10. The ratio of professional, technical staff is extremely low11. Lack of training and development
OPPORTUNITIES	THREATS
<ol style="list-style-type: none">1. Access to regional resources and facilities2. Greater demand for data and information3. International Frameworks (e.g., 1993 SNA, GDDS)	<ol style="list-style-type: none">1. Political interference or influence2. Client despondency3. Inability to attract and retain qualified staff4. Inadequate working conditions5. Lack of commitment to coordination6. Failure to implement the Statistics Act

Long-term Objective

The long-term objective is for the ECCB countries to implement by the year 2008 a version of the 1993 SNA, which would respond, as closely as possible to current and future analytical and policy needs of individual countries. The framework adopted should take into account the minimum data requirements for organizations such as the IMF (e.g. GDDS, BOP, and GFS), UN (minimum and recommended data set for SNA questionnaire) and other international

organizations to which countries have reporting obligations, the limited size of the countries and the limited resources that are available.

Short-term Objective

The immediate objective is to expand the national accounts compilation from mainly GDP analysis to other accounts of the System with particular emphasis on the SNA segments, namely the Supply and Use Table, The Cross Classification by Industry and Sectors of production data, and the Integrated Economic Accounts. Therefore, the traditional emphasis on production accounts needs to be supplemented with a more comprehensive system of national accounts. The short-term objective is the compilation of a core set of national accounts data that is regionally comparable. The accounts and tables provided would be expanded and improved as the accounting framework is fully established in the countries.

Proposed Phases for 1993 SNA Implementation in the ECCB Territories

The proposed programme over the next five years would be aimed at developing the following accounts

Phase 1

- Supply and Use Tables (SUT) will be developed
- Tourism Accounts
- Cross Classification by Industries and Sectors of the production and generation of income accounts (CCIS)

Phase 2

- Rebasing of National Accounts Estimates
- Quarterly Indicators
- Integrated Economic Accounts (IEA), starting with
 - Government Sector
 - Financial Sector

Phase 3

- Integrated Economic Accounts for
 - Household Sector
 - Non-Financial Sector
 - Non-Profit Institutions serving Households

Implementation Strategy

There are two approaches that can be used to develop these series of accounts: (1) Collecting and improving the basic data before compiling the tables. The advantage of this approach is that the data would need minor adjustments in future years and also it would make the balancing process easier. The disadvantage is the extremely long delays before results can be disseminated. (2) The other approach would be to use existing data. The advantage of this approach is a faster dissemination of national accounts data and the basic data, which are really weak, can be identified and departments and institutions can be urged to make serious efforts to improve their data.

In order to promote and sustain the development of a comprehensive system of National Accounts within the member states, the following is required:

1. Strong official support from the Member Governments since implementation will have budgetary and other implications;
2. A cadre of trained statistical personnel to continuously improve and maintain the national accounts programme;
3. The development and maintenance of an improved database utilizing modern technologies, and the development of a computerized enhanced programme for the preparation of the core accounts;
4. Additional surveys such as household expenditure, labour force and tourism expenditure to provide data to fill the gaps that exist in the present system;
5. Closer collaboration with various government agencies and ministries that produce administrative data as a by product; also, the need for increased networking and information sharing;
6. Expansion of the current classification system on the basis of the ISIC to the five digit level;
7. Improvement of survey instruments to capture all data required for additional SNA accounts. Also, the introduction of a short form questionnaire to capture data from household and unincorporated sectors;
8. Constant update of the Business Register to improve the coverage of the business establishment survey;
9. Countries may need to respond to the growing non-response to survey questionnaires in a more active manner, either through communication programs, direct interviews, strengthening and enforcing the statistical laws. In addition, providing incentives to corporations such as the possibility of entering the best corporate citizen program, or linking fiscal incentives given to companies to a legal obligation to respond to data requests.
10. Training in the form of seminars, workshops, attachments as well as manuals, handbooks, and guidelines are required;

Resources Required

Implementing the 1993 SNA calls for additional resources at the national level. At the national level the minimum requirement should be two statisticians and field staff working mainly on national accounts.

External technical support would be required in the initial stages of the programme to further develop the local and regional capabilities. External support will be required to introduce the integrated but simplified framework and ensure the effective transfer of established practices among countries. Regional expertise could be utilized in areas where this expertise already exists, such as government accounts, quarterly accounts etc.

Present Status of 1993 SNA Implementation in ECCB Territories

Supply and Use Table

In cooperation with the ECCB, CARTAC has undertaken a program to compile the SUT in the member countries. The aim of the SUT is to provide a suitable framework to check the reliability of the data emanating from quite different sources, such as the national income questionnaires, household expenditure surveys, labour force surveys or external trade statistics. The SUT provides an empirical database for economic models and economic planning.

The exercise requires the introduction of new reporting forms as well as the adoption of the detailed model of activity and product codes established for St. Kitts and Nevis.

Work on SUT is in progress in St. Kitts-Nevis and St. Lucia and plans are underway to begin compilation of SUT in Grenada by the middle of November 2003.

SNA Feasibility Studies

Plans are underway to develop a feasibility study for a simple SNA (including SUT, IEA and HH sector accounts) and analytical indicators for use in policy analysis for St. Vincent and the Grenadines. Work will be undertaken by a national accounts consultant, Mr. Jan vanTongerren, the ECCB and the national statistical office and will begin on November 10, 2003. The SUT included in this project would have around 55 products and 40 industries. The idea is to begin with a modest number of products and activities that could be expanded as staff becomes more proficient in preparing and balancing the data.

Government Accounts

The government is one of the five institutional sectors of the SNA. A few of the member states have prepared tables on the classification of the functions of government (COFOG). Data for Antigua and Barbuda is being used to develop a full set of the integrated economic accounts for general government sector. The accounts will be prepared up to the capital account, which shows net lending as the balancing item. The methodology and sources of data will be documented so that this exercise could be replicated in the other member states.

Price Indices

Through the assistance of CARTAC work began in St. Lucia in developing price indices for imports and exports. These indices will be useful for deflating components of GDP to derive the expenditure of GDP in constant prices. This came about because of weaknesses in the unit price indices since in most cases the data on quantities were unreliable and not available.

Quarterly Indicators

The ECCB would like to place a greater emphasis on generating more timely and short-term macroeconomic statistics at a more frequent and shorter intervals. The Bank has started to compile a quarterly GDP index using *Indicator Series Methodology* for member states. Accordingly, the Bank has a tremendous need for this type of data for short-term economic analysis, forecasting and modeling. Some of the data required for this exercise such as the monetary and financial aggregates, government recurrent revenues and expenditures, imports and

exports of goods and services, consumer prices are being collected, compiled and published by the Bank.

Other Future Initiatives

Changing of the Base Year for Constant Price Estimates

At present all OECS member states have a time series of GDP estimates with 1990 as the base year. Significant structural changes no doubt have occurred in consumption, production and price developments since then. In the interest of comparability it is of utmost importance that all member states have a common base year. The member states have agreed to change the base year to 2000. This will also involve the revision and improvements to the various indicators used to derive the constant price estimates and updating the coverage, sources and methods used to prepare the series. The rebasing exercise will be greatly aided by completion of the SUT.

Conclusion

National Accounts is viewed as the nucleus of statistical activities. To compile national accounts, a myriad of information is required. Incorporation of the new standards for national accounts statistics will be a major challenge and will drive the economic statistics agenda over the next five years. Expanding the national accounts will improve the overall quality and coherence of these important statistics. Special attention should be paid to implementation strategies that will help to develop and strengthen the statistical system of the member states. The Plan outlined above can only be effective if the necessary commitment is made at the national level to the development of statistics.
