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ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Committee on Statistics

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Bangkok

**TOWARDS AN ACTION PLAN FOR THE DEVELOPMENT OF ECONOMIC  
STATISTICS IN THE ASIAN AND PACIFIC REGION**

(Item 6 of the provisional agenda)

*Note by the secretariat*

*Corrigendum*

The dates of the session *should read* as above.

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15-17 December 2008  
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**SUMMARY**

At its thirty-ninth session, in February 2008, the Statistical Commission adopted, in principle, volume 1 of the 2008 System of National Accounts (SNA) as the new international standard for national accounts statistics and reaffirmed the role of the System of National Accounts as the integrating framework in economic statistics. Despite this, many developing countries in Asia and the Pacific are not yet in a position to comply with the minimum requirements of the previous standard, the 1993 SNA.

In the present document, the secretariat assesses the main reasons for the slow implementation of the 1993 SNA in the region and outlines a strategy for developing a major programme to assist the developing countries of the region in improving their national accounts and related economic statistics. Such an assistance programme, if adopted by the Committee on Statistics, will be submitted as the region's position to the Statistical Commission at its fortieth session, in February 2009, when the implementation strategy for the 2008 SNA will be discussed in the context of development cooperation.

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\* The late submission of the present document is related to the recent restructuring of the conference structure of the Commission, which was endorsed by the Economic and Social Council only in July 2008 and resulted in an additional item being added to the programme of work of the Statistics Division, i.e., organizing the first session of the Committee on Statistics.

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## Introduction

1. The availability of national accounts is a prerequisite for sound macroeconomic management and evidence-based policymaking. The release of annual and quarterly national accounts estimates, the most quoted of them being gross domestic product (GDP), are eagerly awaited by the media and other data users in every country. The estimates, especially when they deviate significantly from the expected trend, can have an immediate impact on the behaviour of various actors of the national economy. Moreover, the figures of large economies can influence the global economy by affecting capital flows, exchange rates and other key variables. Yet, many countries are unable to compile national accounts on a regular and internationally comparable basis.
2. In the decade following the release of the *System of National Accounts 1993* (1993 SNA)<sup>1</sup> by the Statistical Office of the European Communities (Eurostat), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the United Nations and the World Bank, it became clear that changes in the method of compiling economic statistics were necessary due to the increasing role of information and communication technologies in production processes, the growing role of intangible assets and service activities, the expansion of financial services, the globalization of national economic systems and reforms in social security systems. At its thirty-fourth session, in 2003, the Statistical Commission endorsed the scope of the updating process of the 1993 SNA.<sup>2</sup> The purpose of the update was to bring accounts in line with the new economic environment, advances in methodological research and user needs. The Intersecretariat Working Group on National Accounts (ISWGNA)—comprising the same entities that published the 1993 SNA—was asked to organize and coordinate the update project, supported by an Advisory Group on National Accounts, with experts from all regions of the world.
3. In its decision 39/104, the Statistical Commission adopted, in principle, volume 1 of the updated 1993 SNA as the international standard for national accounts statistics and encouraged member States to implement it.<sup>3</sup> At the same time, the Commission requested regional and international organizations to support all aspects of the implementation of the updated SNA, including the national and international reporting of national accounts statistics based on it. In the subsequent international consultations to finalize volume 1 for publication, it was agreed that the updated standard would be called the *System of National Accounts 2008* (2008 SNA). By the fortieth session of the Commission, the Working Group is expected to have completed the drafting of volume 2 of the System manual.
4. The 2008 SNA introduces changes and new content across almost all parts of the system, especially those dealing with non-financial assets, financial services and financial instruments, the rest

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<sup>1</sup> United Nations publication, Sales No. E.94.XVII.4.

<sup>2</sup> See *Official Records of the Economic and Social Council, 2003, Supplement No. 4* (E/2003/24), chap. III, para. 2.

<sup>3</sup> See *ibid.*, 2008, *Supplement No. 4* (E/2008/24), chap. I, sect. B.

of the world (balance of payments), and government and the public sector.<sup>4</sup> The majority of the recommendations relate to units and transactions that represent characteristics of an increasingly globalized economy, innovation in financial instruments and stronger interest in the sources of wealth and debt of the private and the public sectors. Some of the recommendations affect major aggregates of the System, such as GDP and savings, as would be expected of an update intended to capture the evolving aspects of production, consumption and accumulation. Many other recommendations do not affect the major aggregates but reflect a range of other elements, including elaborations and clarifications of definitions and classifications.

5. In May 2008, Eurostat and the United Nations Statistics Division held the Conference on International Outreach and Coordination in National Accounts for Sustainable Development and Growth, which adopted principles and recommendations for the global 2008 SNA implementation strategy, which became known as the Luxembourg Recommendations on Global Implementation and Outreach for the System of National Accounts.<sup>5</sup> According to these recommendations, the implementation programme should take into consideration specific regional needs and circumstances and, for this reason, should be developed by regional agencies.

6. Despite the development of new national accounts standards, many Asian and Pacific countries are not yet in a position to comply with the minimum requirements of the previous standard, the 1993 SNA. While it is necessary to promote the 2008 revision, it is urgent to take the current global initiative as an opportunity to redirect attention to strengthening the statistical infrastructure and the capacity for producing basic economic statistics at the national level. One of the main obstacles to the implementation of the 1993 SNA in the region is the lack of available source data.

7. Economic statistics, in particular an action plan for the implementation of the SNA, were discussed within the framework of ESCAP at the twelfth session of the Working Group of Statistical Experts, in 2001 (see STAT/WGSE.12/4), but the proposed action plan never materialized, in part because the focus of the secretariat shifted away from economic statistics and national accounts and because the plan did not receive the necessary funding support.

8. Section I describes the importance of integrated economic statistics and the central role of the SNA. Section II provides an overview of the status of implementation of the 1993 SNA in Asia and the Pacific. As many developing countries in the region are not yet in a position to comply with the minimum requirements, a strategy for developing a major assistance programme to support countries of the region in improving their national accounts and related economic statistics is proposed in section III. Section IV contains recommendations for the consideration of the Committee. In that connection, the Committee may wish to express its views on the proposed assistance programme, and its views could constitute the Asia-Pacific position to be conveyed to the Statistical Commission at its

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<sup>4</sup> For an overview of the changes introduced with the 2008 SNA, see Charles Aspden, "The revision of the 1993 System of National Accounts: What does it change?" *OECD Statistics Brief*, No. 13, August 2007, and "Introduction of the updated SNA by OECD countries and the quantitative impact of changes on GDP", in *SNA News*, No. 25/26, May 2008.

<sup>5</sup> See [http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=2313,68881303&\\_dad=portal&\\_schema=PORTAL](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2313,68881303&_dad=portal&_schema=PORTAL).

fortieth session, when the implementation strategy will be discussed in the context of development cooperation.

## I. NATIONAL ACCOUNTS AND ECONOMIC STATISTICS

9. Users expect the various domains of economic statistics to be coherent and consistent (see E/CN.3/2008/6, para. 6). They expect information on a particular segment of the economy to relate to the overall economy. They also expect economic data to be consistent over time. Integrated [economic] statistics, in this context, are defined as “statistics within one conceptual framework and free of statistical discrepancies” (see E/CN.3/2008/6, para. 5). Developing such a framework involves harmonizing economic statistical concepts, designing statistical production processes, and strengthening supportive institutional arrangements.

10. The integration of economic statistics should be done in three dimensions: horizontal, vertical and temporal. Horizontal integration involves reconciling the various source data on production, trade, labour and consumption across macroeconomic accounts (for example, national accounts, balance of payments and government finance). Vertical integration involves reconciling source data within macroeconomic accounts. Finally, temporal integration involves reconciling short-term and structural economic statistics produced at different points in time but referring to the same phase in the business cycle (see E/CN.3/2008/6, para. 10).

11. The common conceptual framework underlying the integration of economic statistics is the System of National Accounts. National accounts, in fact, are at the core of a modern system of economic statistics, as they provide the conceptual and practical tools for bringing together hundreds of different statistical sources in a coherent way. The System of National Accounts consists of an integrated set of macroeconomic accounts, balance sheets and tables based on internationally agreed concepts, definitions, classifications and accounting rules. It facilitates the compilation and presentation of data in a format that is designed for the purposes of economic analysis, decision-making and policymaking. Being the most comprehensive macroeconomic standard, the SNA also serves as the main reference point for standards of related statistics, such as the balance of payments, as well as financial and government finance statistics.

12. The main accounts of the System measure production, consumption, capital formation, the distribution of income to production factors and the use of income. The balance sheets reflect financial assets, fixed assets and liabilities. Many countries produce these accounts and balance sheets for the economy as a whole, as well as for major institutional sectors. As most of these flows and stocks have price and volume dimensions, they can be expressed in current and constant prices. GDP in constant prices and its major components expressed as growth rates and in per capita terms are some of the most widely used macroeconomic statistics.

13. The System of National Accounts, which is the international statistical standard for the measurement of market economies, has evolved with changes in economic structures and

improvements in the methodologies for measuring economic activities. The fourth generation of official guidelines on national accounting, the 2008 SNA, has necessitated and proceeded in parallel with the updating of various other sets of international recommendations and standards on economic statistics. To maintain consistency with the SNA on the treatment of, among other things, employees' stock options, goods sent abroad for processing, the classification of assets and the capitalization of expenditure on research and development, the International Recommendations for Industrial Statistics (IRIS) and the International Recommendations for Distributive Trade Statistics (IRDTS) were also revised and approved by the Statistical Commission at its thirty-ninth session.<sup>6</sup> A revision of the fifth edition of the *Balance of Payments Manual* (BPM5) is in its final stages and will be submitted to the Commission at its fortieth session.

14. The international statistical community has also worked simultaneously on the revision of related major classifications, including the International Standard Industrial Classification of All Economic Activities (ISIC Rev.4) and the Central Product Classification (CPC Ver.2). What may also be relevant for SNA statistics in some developing countries is the decision of the international statistical community to mainstream the System of Environmental-Economic Accounting (SEEA) to allow for an extended measurement of GDP and other environmentally adjusted aggregates by making explicit the cost, benefits and efficiencies of the services and resources of the environment in the economy.

## **II. STATUS OF IMPLEMENTATION OF THE 1993 SNA IN ASIA AND THE PACIFIC**

15. In order to design a strategy for improving economic statistics in Asia and the Pacific, it is crucial to first identify the challenges that the countries in the region are facing in this area. The status of economic statistics at the country level can be assessed on the basis of compliance with the following two frameworks:

(a) The national accounts monitoring framework proposed by ISWGNA, which encompasses minimum requirements, recommended and desirable data sets, and compliance with six milestones for the implementation of the 1993 SNA;

(b) The Data Quality Assessment Framework (DQAF), published in IMF reports on the observation of standards and codes (ROSC) on data dissemination. The reports are available for 17 regional members and associate members.

16. While neither framework provides a comprehensive picture of the breadth and quality of national accounts, together they provide sufficient evidence pointing to an urgent need to strengthen official statistics in this area.

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<sup>6</sup> See *Official Records of the Economic and Social Council, 2008, Supplement No. 4 (E/2008/24)*, chap. I, sect. B, decisions 39/107 and 39/108.



### **A. Scope of national accounts data reported to the United Nations Statistics Division**

17. The United Nations Statistics Division collects data for the above-mentioned monitoring framework through the annual National Accounts Questionnaires (NAQ)<sup>7</sup> completed by individual countries, Eurostat and OECD. The purpose of the NAQ is to assess the progress made towards the full implementation of the 1993 SNA at the regional and global levels. Changes observed over time in the NAQ results, however, may be due to either different reporting practices or actual modifications in the scope of national accounts. At the same time, enhancement in the compilation of national accounts may not be reported to the United Nations Statistics Division.

18. According to the United Nations Statistics Division, the response rate of Member States (192) has dramatically improved over the past three years, increasing from 58 per cent in 2005 to 77 per cent in 2007. The higher response rate can be attributed to increased reporting by developing countries, especially in Africa (from 14 to 28 countries) and in the Pacific (from two to seven countries). The response rates for least developed countries and small island developing States has also improved considerably.

19. An analysis of the national accounts data shows that 63 per cent of Member States implemented the 1993 SNA in 2007. Nearly all developed and Commonwealth of Independent States economies have reported national accounts data according to the 1993 SNA methodology. ESCAP members and associate members (including the Russian Federation but excluding France, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States of America) have the highest rate of 1993 SNA implementation, at 62 per cent, followed by Latin America and the Caribbean, at 58 per cent, and Africa, at 42 per cent.

20. In 2007, eight ESCAP member States reported for the first time to the United Nations Statistics Division according to the 1993 SNA framework.<sup>8</sup> In some cases, this development is due to a real advance in the country's national accounts system,<sup>9</sup> while in others it reflects an improvement in reporting. Nepal, for instance, submits data through the NAQ regularly and used 1993 SNA for the first time in the 2007 reporting period. Nepal began implementing the 1993 SNA in 2000/01 but the official national accounts followed the 1968 SNA methodology until 2007. In this case, the improvement is in the compilation and dissemination of national accounts rather than in reporting per se. Brunei Darussalam, on the other hand, had not submitted data for more than five years prior to 2006. Thus, this case reflects an improvement in reporting to the United Nations Statistics Division.

21. In order to assess the scope of the data reported to the United Nations Statistics Division, annex III provides information on compliance with the MRDS and the milestone phases 1 and 2 for

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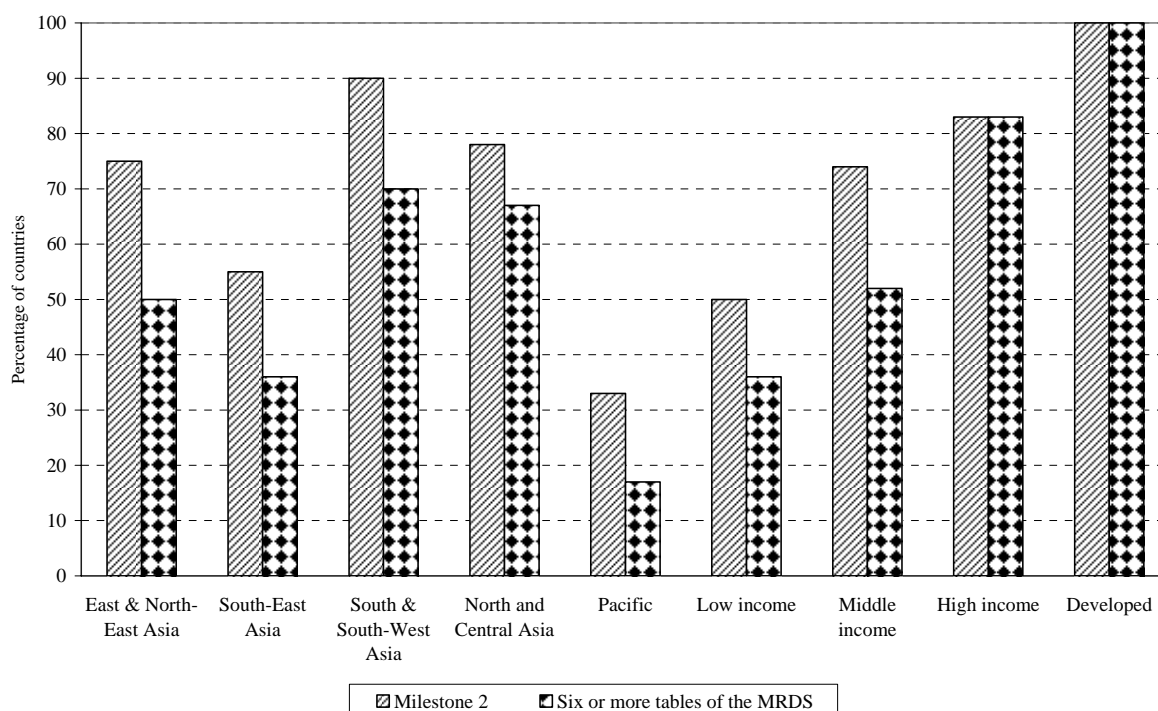
<sup>7</sup> The revised version of the NAQ, in use since 1999, does not allow a complete assessment for recommended and desirable data sets and milestone phases 5 and 6. For a more detailed discussion, see E/CN.3/2004/10.

<sup>8</sup> Afghanistan, Bhutan, Brunei Darussalam, India, Malaysia, Mongolia, Nepal and Singapore.

<sup>9</sup> The extent to which real advances are sustainable is open to question, especially in cases where compilation work is initiated through technical assistance and is discontinued after the technical cooperation project is completed (see, for example, STAT/WGSE.12/4, para. 16).

the implementation of 1993 SNA. The MRDS cover value-added components, GDP and employment (NAQ tables 1.1 to 2.3, except 1.3), the accounts for the total economy (NAQ tables 1.3 and 4.1) and the rest of the world accounts, until net lending (NAQ table 4.2). In reality, when a country satisfies milestone 1, it compiles GDP estimates at current or constant prices (broken down by kind of economic activity and final expenditure), while under milestone 2 a country extends the scope of its accounts to the rest of the world, being able to estimate gross national income (GNI), national disposable income, national saving and net lending/borrowing (see E/CN.3/2004/10, annexes II and III). MRDS “for annual compilation essentially groups together all the accounts recommended in milestones 1 and 2 plus Table 2.3 which contains the components of value added and employment by industry” (see E/CN.3/2001/8, para. 9). Although MRDS and milestones 1 and 2 have largely the same content, a country can satisfy the milestones more easily than MRDS. For instance, it is possible to reach milestone 1 if value-added and GDP by industry are available in current or constant prices, whereas for MRDS the country would have to produce this table in both current and constant prices. Mongolia, for example, has reached milestone 2 without producing MRDS 1.2, namely, expenditure on GDP in constant prices. Countries often have difficulty in compiling national accounts indicators in constant prices due to the unavailability or inadequacy of time series data on prices of goods and services.

**Figure. Degree of implementation of the 1993 SNA by subregion and income category, Asia and the Pacific (2007)**



22. According to the table contained in annex III, Latin America and the Caribbean is consistently the leading developing region in national accounts in terms of provision of MRDS and the

achievement of milestones, followed by the ESCAP region and Africa, respectively. The developed ESCAP countries demonstrate almost full compliance with all the MRDS and milestones covered in this table. At the subregional level, 70 and 67 per cent of the countries in South and South-West Asia and North and Central Asia, respectively, can provide six or more MRDS. The Pacific lags behind, with only 17 per cent of countries able to produce six or more MRDS. In each subregion, fewer countries are able to produce seven or more tables. In East and North-East Asia and South-East Asia, only one country provides seven or more MRDS tables.

23. As expected, milestone compliance rates are significantly higher in all the subregions but the ranking among them remains unchanged. In terms of milestone achievements, South and South-West Asia appears to be the leading subregion, followed by North and Central Asia and East and North-East Asia. Meanwhile, only 33 per cent of Pacific countries comply with milestones 1 and 2. South-East Asian countries, which except for Timor-Leste are all members of the Association of South East Asian Nations (ASEAN), have performed well for milestone 1 at 73 per cent compliance, while about half of the countries were able to achieve milestone 2. A recent evaluation of the SNA implementation in ASEAN countries recommends following different minimum standards based on the development level of the national statistical system. According to this study, milestones 1 and 2 should be followed by all members to strengthen the fundamentals of national accounts while for more advanced countries (such as Malaysia and Viet Nam) compliance with milestone 4 (institutional sector accounts, capital finance accounts) is encouraged.<sup>10</sup>

24. The figure shows a clear relationship between income levels and the achievement of milestones and provision of MRDS, as low-income countries consistently lag behind middle- and high-income countries. The only exception is observed in the case of countries producing seven or more tables, where middle-income countries are ahead of high-income ones. This does not mean, however, that high income guarantees better national accounts. Indeed, in the case of the only high-income country which has not reached milestone 2, the dominant factor is the small size of the country. Again, a significantly higher proportion of countries in each grouping is able to reach milestone 2, compared to those which can produce six or more MRDS tables. The figure compares compliance with milestone 2 and production of six or more tables by subregion and income grouping to illustrate this point. Only in the case of developed ESCAP countries and high-income countries are the rates of compliance with milestone 2 and provision of six or more tables equal.

### **B. Quality of national accounts data assessed through DQAF**

25. The above monitoring framework is useful for giving a snapshot of national accounts across regions, but, on the quality of national accounts compilation, little information can be derived from it.

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<sup>10</sup> United States Agency for International Development, "Implementation of the 1993 SNA in ASEAN", September 2008 (unpublished).

More detailed assessments are conducted at the country level using the IMF national accounts-specific DQAF, which is published in data dissemination ROSCs.<sup>11</sup> Although country-specific and qualitative in nature, the use of DQAF allows a certain level of comparability of these assessments across countries.

26. These reports exist for only 17 countries<sup>12</sup> in the region, with 13 of them in either North and Central Asia or South and South-West Asia, which are the best performing developing subregions according to the above analysis. All ESCAP countries with ROSCs satisfy milestone 2, with 15 of them producing six or more MRDS tables. Therefore, the countries that request these assessments are largely those which tend to perform well in national accounts based on the monitoring framework. Despite this general tendency, the DQAF evaluations reveal serious technical and resource shortcomings that undermine the quality of national accounts.

27. DQAF assesses countries in five dimensions of data quality: prerequisites for data quality, integrity, methodological soundness, accuracy and reliability, serviceability and accessibility. The benchmarks for assessment are based on best practices and internationally accepted standards and methodologies. The countries are rated according to their level of observance of the recommended practices with the following rankings: practice observed, largely observed, largely not observed (LNO), not observed (NO) or not applicable. The table gives a list of practices which are largely not observed by at least one ESCAP country based on the available ROSCs.

28. According to the table, a significant number of countries demonstrate deficiencies in terms of statistical techniques, source data, resources and scope of national accounts.<sup>13</sup> In nine countries, the standards for statistical techniques in data compilation, data adjustments and transformations, and statistical analysis are largely not observed. The section on statistical techniques is one of the most detailed in the ROSCs and covers diverse types of information across countries. Some recurring problems in this domain are inadequate estimation of the non-observed economy (if at all); use of outdated benchmark data to derive estimates; not adjusting inventories for holding gains and losses and not using the perpetual inventory method to estimate consumption of fixed capital; not converting transactions on a cash basis to an accrual basis; not considering work in progress in estimating agricultural outputs; and inconsistencies in the estimates of household consumption expenditure.

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<sup>11</sup> ROSCs are prepared upon invitation from countries and aim at surveying and reporting on compliance with internationally accepted standards and codes in 12 areas closely related to economic stability and private and financial sector development. The areas are grouped under policy transparency, financial sector regulation and supervision, and market integrity. Data dissemination is one of the topics under policy transparency.

<sup>12</sup> Armenia (2003), Azerbaijan (2008), Bangladesh (2005), Georgia (2003), India (2004), Indonesia (2005), Japan (2006), Kazakhstan (2008), Kyrgyzstan (2003), Mongolia (2008), Pakistan (2004), Philippines (2004), Republic of Korea (2003), Russian Federation (2004), Sri Lanka (2002), Tajikistan (2005), Thailand (2006) and Turkey (2002).

<sup>13</sup> Other important areas where countries face challenges are metadata dissemination, legal and institutional environment, classification/sectorization and revision studies.

**Table. Results of reports on the observance of standards and codes assessments for national accounts in Asia and the Pacific (2002-2008)\***

	<i>Practice observed or largely observed (number of countries)</i>	<i>Practice non observed or largely non observed (number of countries)</i>
<b>0. Prerequisites of quality</b>		
0.1 Legal and institutional environment	14	3
0.2 Resources	11	6
<b>1. Integrity</b>		
1.2 Transparency	16	1
<b>2. Methodological soundness</b>		
2.2 Scope	12	5
2.3 Classification, sectorization	14	3
2.4 Basis for recording	15	2
<b>3. Accuracy and reliability</b>		
3.1 Source data	11	6
3.2 Assessment of source data	14	1
3.3 Statistical techniques	8	9
3.4 Assessment and validation of intermediate data and statistical outputs	15	2
3.5 Revision studies	13	3
<b>4. Serviceability</b>		
4.2 Consistency	16	1
4.3 Revision policy and practice	16	1
<b>5. Accessibility</b>		
5.1 Data accessibility	14	3
5.2 Metadata accessibility	13	4

Sources: International Monetary Fund, Reports on the Observance of Standards and Codes for the period 2002-2008, available from [www.imf.org/external/np/rosc/rosc.asp](http://www.imf.org/external/np/rosc/rosc.asp).

\* The table is constructed on the basis of the DQAFs for National Accounts included in ROSCs between 2002 and 2008.

29. The deficiencies in the use of statistical techniques are often directly linked to the limitations of the source data. Source data is evaluated in terms of the existence of comprehensive data collection programmes that take into account country-specific conditions; reasonable approximation of the definitions, scope, classifications, valuation, and time of recording required, and timeliness. The most commonly cited problem in source data is the absence or inadequacy of a business register. A core cause of the absence of business registers is the inability to conduct economic censuses, which are essential to establish the registers in the first place. When there is a business register, the problem is

often inadequate updating, which is done using administrative records. Without a regularly updated and reliable business register, many countries cannot implement establishment/enterprise surveys to collect basic economic statistics or, if they do, the sample frames are not sound. For instance, Sri Lanka does not have a business register and the sample frame for the industrial survey of large and medium-sized factory establishments is based on administrative sources and yellow pages or on the population census, which is clearly not satisfactory. Other common problems in source data are the poor quality of and delays in releasing various data collected.

30. Resources are largely incommensurate with the needs of statistical programmes in six countries. Resources cover staff, facilities, computing resources and financing. In addition to their adequacy, the implementation of measures to ensure the efficient use of resources is evaluated. The main problem in the countries considered seems to be staff shortage coupled with insufficient budgetary allocations for basic economic statistics surveys. National accounts staff members are often overloaded, as they are expected to work on economic statistics also. Moreover, they are sometimes burdened with ad hoc requests, often donor-driven, for data collection activities. Only in Bangladesh is the number of national accounts staff members assessed to be adequate. The level of staff expertise is a concern in only two countries, as most seem to have been trained in international institutions. According to an assessment conducted for ASEAN countries, the minimum number of staff needed is dependent on population size, scope of SNA and staff expertise. This assessment found the minimum required number of staff members with at least a university degree to be 20 in a country of 5 to 10 million people. The number was 30 if milestone 4 was targeted and 50 or 60 for complete implementation of SNA.<sup>14</sup>

31. Finally, the scope of national accounts in five countries is largely not in accordance with internationally accepted standards, guidelines or good practices. The main elements of evaluation are compliance with the MRDS, production boundaries and asset boundaries. In four of the 17 countries, illegal activities are not included in the scope of output measurement, which is contrary to the 1993 SNA recommendations. All countries exclude various tangible assets, for example, defence-related assets, and/or intangible assets, such as mineral exploration, from their asset boundaries.

32. The above discussion illustrates that, although the ISWGNA national accounts monitoring framework is useful for global and regional assessments, it is not sufficient to evaluate the quality of national accounts compilation in individual countries. For a better understanding of the factors impeding satisfactory implementation of the SNA, in-depth assessments such as the ROSCs are necessary. Indeed, these assessments demonstrate that countries which perform well according to the ISWGNA framework may have significant technical and resource deficiencies. Similarly, in many ESCAP countries that are still not able to comply with the milestones and provide the MRDS, the issues undermining the implementation of the SNA are likely to be much more challenging.

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<sup>14</sup> See footnote 4.

### III. STRATEGY FOR PREPARING A REGIONAL ACTION PLAN FOR THE DEVELOPMENT OF ECONOMIC STATISTICS IN ASIA AND THE PACIFIC

33. The development of economic statistics in Asia and the Pacific requires a regional programme, for which an action plan must first be devised. Both should be consistent with the global implementation strategy.

34. The regional dimension is extremely important. A regional programme would take into account the diversity in the degree of implementation of international standards, enabling countries that are lagging behind to bridge implementation gaps. The outcome of an integrated regional approach would be enhanced international comparability of the estimates of the main economic aggregates and development outcomes of countries in the region. At the same time, Asian and Pacific countries could benefit from diverse experiences and lessons learned in the implementation of the 1993 SNA through, among other things, South-South and triangular cooperation.

#### A. The global context: the 2008 SNA and the Luxembourg Recommendations

35. In 2008, ISWGNA submitted a strategy for the implementation of the 2008 SNA to the Statistical Commission (see E/CN.3/2008/5, chap. III). In endorsing the implementation strategy, the Commission requested ISWGNA to prepare a global implementation programme for the 2008 SNA and submit it to the Commission at its fortieth session for consideration and approval.<sup>15</sup>

36. The Luxembourg Recommendations (see para. 5 above) were adopted by ISWGNA as the guiding principles for the programme to implement the 2008 SNA. The three distinct guiding principles are: (a) strategic planning; (b) coordination, monitoring and reporting; and (c) improving statistical systems.

37. The *strategic planning framework* of the Luxembourg Recommendations calls, among other things, for national strategies for the development of statistics (NSDS) to be regularly updated and to be consistent with the SNA and other reference frameworks. As an NSDS provides the overall framework for enhancing statistical capacity and coordination across the entire statistical system (see E/ESCAP/CST/2), it is crucial that any national action plan on national accounts and basic economic statistics emanate from an NSDS. It is therefore worrying that, as noted in E/ESCAP/CST/2, the proportion of developing ESCAP members with data that have an active NSDS is just over a third.<sup>16</sup> Furthermore, many NSDS are apparently drawn up without taking into consideration the need for the statistical system to comply with the SNA framework.

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<sup>15</sup> See *Official Records of the Economic and Social Council, 2008, Supplement No. 4 (E/2008/24)*, chap. I, sect. B, decision 39/104, paras. (g) and (h).

<sup>16</sup> This is, however, an underestimate of the number of countries with a master/strategic plan for statistical development. Several Pacific countries, for example, have completed, or are in the process of completing, such plans with the assistance of agencies such as the Australian Agency for International Development (AusAid), the Australian Bureau of Statistics (ABS), the Secretariat of the Pacific Community (SPC) and Statistics New Zealand.

38. The Luxembourg Recommendations foresee a pivotal role for regional partners, in particular the regional commissions, in the *coordination, monitoring and reporting* of technical cooperation programmes and their alignment with national commitments for the development of statistics.

39. As far as *coordination* is concerned, a regional action plan for the development of economic statistics should take into account and be complementary to ongoing and planned efforts at the global, regional and subregional levels, as well as those of bilateral partners. At the regional level, for example, the Asian Development Bank (ADB) is about to embark on the implementation of two projects: a regional assistance project aimed at the production of supply and use tables, and a project aimed at improving the measurement of the informal sector and informal employment. The latter project is complementary to an ongoing ESCAP project on the same subject. Furthermore, at the regional level, several courses offered by the Statistical Institute for Asia and the Pacific (SIAP) address economic statistics and national accounts.

40. At the subregional level and through the ASEAN Secretariat, ASEAN countries are in the process of formulating an immediate work programme and regional strategic plan on the implementation of the 2008 SNA. They are also establishing an ASEAN Advisory Group on the SNA and an ASEAN SNA Forum. In the Pacific, the IMF-sponsored Pacific Financial Technical Assistance Centre, the Pacific Island Forum Secretariat and the Secretariat of the Pacific Community (SPC) are supporting countries in conducting censuses and surveys and compiling national accounts.

41. To be able to *monitor* the progress of a regional programme for the development of economic statistics and to *report* on that progress at the global level, the plan needs to define clear deliverables and timelines for implementation. This will involve, among other things, the development of regional indicators of success and related benchmarks. In addition, factors that constitute a risk to the implementation process will need to be identified so that appropriate interventions can be made when required to keep plans on track.

42. The Luxembourg Recommendations emphasize the importance of *improving statistical systems*. The universal adoption of prevailing international standards, including the 2008 SNA, IRIS 2008, IRDTS 2008, BPM6, ISIC Rev.4 and CPC Ver.2, throughout national statistical systems will contribute considerably to the consistency and coherence of national official economic statistics, but this also involves the sharing of information among government ministries and agencies, the development of metadata repositories, and the establishment of a central comprehensive system-wide business register. For any action plan on the development of economic statistics to be sustainable, it must aim at improving basic statistical infrastructure.

#### **B. Possible activities under a regional programme for the development of economic statistics**

43. It has been illustrated in section III above that the development of basic economic statistics and national accounts in the developing countries of the Asian and Pacific region is constrained by



two main factors: a lack of qualified staff and a lack of available source data.<sup>17</sup> At a more fundamental level, these constraints reflect: (a) insufficient financial resources allocated to the collection and compilation of basic economic statistics; (b) defects in national legal and institutional frameworks that hamper coordination among data source agencies; and (c) the low priority accorded by decision makers to the availability of key economic indicators. Any regional programme for the development of economic statistics should therefore address these constraints first.

44. The lack of qualified economic statisticians and national accountants has multifaceted dimensions. It reflects, first, a lack of training—especially of junior statisticians—in basic economic statistics. This gap is being addressed by SIAP (see E/ESCAP/CST/INF/15) and other regional and national training centres. The capacity of SIAP, however, is limited. There is a need to invest heavily in new training tools (e-learning) to disseminate knowledge of standards and good practices throughout national statistical systems, including all the agencies that produce administrative data and economic statistics. There is a simultaneous need to strengthen the capacity of national training institutions to deliver training in economic statistics and national accounts on an ongoing basis.

45. Apart from the need to extend the reach of training programmes in economic statistics and national accounts, there is a requirement for a more hands-on approach to sharing knowledge. This can be partly achieved by making training courses more practical, for example, by focusing more on the actual compilation of the accounts than on their theoretical underpinnings. In addition, there is a need for practical, on-the-job training by consultants and other experts employed by some of the regional and subregional organizations, as well as by the soon-to-be-recruited ESCAP Regional Adviser on Statistics. National statistical offices that have reached a higher degree of implementation of the 1993 SNA could contribute the services of such experts as part of South-South cooperation.

46. An additional human resource issue is the sheer insufficiency of staff numbers and the high turnover rates, which often reflects a combination of limited government financial resources and low government salaries (compared with those paid by the private sector). In addition, national accounts units are sometimes not clearly identified in the organizational structure of the national statistical office and the staff are requested to carry out a number of tasks not related to the compilation of national accounts. These are clearly issues that need to be addressed by countries themselves. To some extent however, as shown in section III, human resources could be diverted from the “regular” work programme of national statistical offices to activities funded by donors. This underlines the need for improved donor alignment and coordination.

47. The lack of basic source data is not only a resource issue but also a matter of legal and institutional arrangement. As argued by the United States Agency for International Development (USAID), the public sector, including general government services and State-owned enterprises,

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<sup>17</sup> This confirms an observation made in a paper prepared by IMF and the United Nations Statistics Division presented at the Forum for Asia/Pacific Statisticians (APEX II) held in Daejeon, Republic of Korea, in September 2006 (see Edwards, R.W. and Ivo Havinga, “The System of National Accounts in the Asia-Pacific region: implementation status and future challenges”, September 2006).

constitutes a large part of the economy of many countries.<sup>18</sup> Data on public sector activities could easily be made available for national accounting purposes if mandated by law or regulations. Similarly, the financial sector consists of relatively few banks, insurance companies and pension funds, and usually they are closely regulated. Data on the financial sector could, again, be easily available to national accounts if regulatory authorities were obliged to provide data of appropriate content and format. Furthermore, in those countries that have a sales tax or value-added tax, data on sales and value-added elements could be made available for national accounting purposes if the tax authorities were mandated to share them.

48. Another important issue related to the lack of source data is the lack of a business register or insufficient quality thereof. A comprehensive central business register is an indispensable sampling frame for enterprise and establishment surveys to which available administrative data can be matched. Drawing samples for different surveys from the same frame—in which units are consistently structured and classified—contributes tremendously to the coherence of the range of economic statistics produced from them. An important reason, in many cases, for the absence or deficiency of a business register is that no (recent) economic census has been conducted. In countries where administrative (for example, tax) records are insufficient or unavailable to feed and frequently update the business register, an economic census is crucial to provide a benchmark of active enterprises and establishments.

49. A final important activity under the proposed regional programme centres on the need to advocate for the importance of economic statistics and national accounts in evidence-based policymaking.

### **C. Country participation**

50. A regional action plan for the development of economic statistics should be driven by country needs. The evidence presented above indicates that the countries of the region are at very different stages in the development of economic statistics in general and the implementation of the 1993 SNA in particular. In order to complete and update the picture, a crucial first element of a regional action plan is—building upon the results of the NAQ—to conduct a survey among Governments of ESCAP members to establish the extent of the problems identified above, as well as potential interest in participating in a regional programme for the development of economic statistics. For those countries that are interested in participating in the regional programme, the survey should be followed by an in-depth assessment of the status of national accounts using the DQAF.

51. The selection of priority countries for participation in the regional action plan will depend on the outcome of the survey and subsequent in-depth country assessments. Technical assistance activities will prioritize countries that have not yet made the minimum requirement data set with the objective of enabling them to achieve this target and to sustain their compilation practice after the

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<sup>18</sup> See footnote 10.

completion of the programme. As the scope of the programme would be to strengthen core economic statistics and the basic statistical infrastructure, the existence of a valid national strategy for statistics development or a similar strategic master plan could be set as a precondition for assistance.

#### **D. Governance structure and financing**

52. Responding to the challenge of improving economic statistics in the region requires a range of interventions by various stakeholders. Therefore, the Committee would need to provide advice on the establishment of a coordinating governance structure that would guide the development, implementation and monitoring of the action plan. The governance structure could include the following elements:

(a) Regional level:

- (i) The *Committee on Statistics*, as the intergovernmental forum with responsibility for statistical matters of region-wide importance, would have ultimate “ownership” of the proposed regional programme for the development of economic statistics. Its main role would be to provide a forum where the views of stakeholders could be expressed, to confirm or otherwise amend the mandate and accountability mechanisms of the programme, and to ensure that the programme has adequate resources;
- (ii) The *bureau* of the Committee on Statistics, which would be given a mandate to undertake intersessional work that would include making strategic decisions for the successful and timely implementation of the programme and within the budgetary resources to be raised for this purpose;
- (iii) A *regional coordinator*, who would be a staff member of the ESCAP secretariat and would manage the day-to-day work of the programme. The regional coordinator would consult with the chairperson of the bureau, report to the bureau and prepare the annual work programme and budget for the approval of the bureau;
- (iv) The Committee could also establish a *technical advisory group* to provide guidance to the Bureau and the secretariat on methodological issues related to the development and periodic revision of the programme;

(b) Country level: Within participating countries, the regional programme for the development of economic statistics would be carried out by the *national statistical office*, which would nominate a *national coordinator*. The national coordinator should preferably be the Chief Statistician or his/her representative, given the strategic nature of the global and regional programmes and their impact on the national statistical programme.

53. The success of the regional programme would depend on the collective commitment of all partners in mobilizing adequate financial and other resources. Fund-raising efforts would have to be made at the national, regional and global levels. The secretariat would prepare detailed cost estimates

based on the in-depth country assessments to be conducted during the formulation of the regional action plan in 2009 in coordination with regional and international partners.

#### IV. CONCLUSIONS

54. The Committee may wish to review the assessment of the implementation of the 1993 SNA in Asia and the Pacific and the proposed strategy for preparing a regional action plan for the development of economic statistics in the region. The Committee may also wish to provide guidance and advice on the involvement of the secretariat in technical cooperation activities related to economic statistics on a priority basis. In particular, the Committee may wish to:

(a) Provide its views on the need for the ESCAP secretariat to play a key role in the development and implementation of a regional programme for the development of economic statistics;

(b) Review the analysis of the factors that have hampered the implementation of the 1993 SNA in the Asian and Pacific region;

(c) Endorse the overall strategy for the preparation of the regional action plan for the development of economic statistics and propose a timetable for its preparation and duration;

(d) Establish a technical advisory group to guide the secretariat in the formulation of the regional action plan.

**Annex I**

**Degree of implementation of the 1993 SNA according to the scope of the accounts**

*Value added, GDP and employment*

<i>Table in NAQ</i>	<i>Name of SNA segment</i>	<i>Annual accounts</i>	<i>Quarterly accounts</i>
2.1	Value added and GDP in current prices by industry	Minimum requirement	Recommended
2.2	Value added and GDP in constant prices by industry	Minimum requirement	Recommended
1.1	Expenditures of the GDP in current prices	Minimum requirement	Recommended
1.2	Expenditures of the GDP in constant prices	Minimum requirement	Recommended
2.3	Value-added components by industry, current prices	Minimum requirement	Desirable
2.3	Employment by industry	Minimum requirement	Recommended

*Integrated accounts and tables, including integrated satellite accounts*

1.3/4.1	Accounts for the total economy	Minimum requirement	Recommended
	Supply and use table	Recommended	Desirable
5.1	Output/value added by industries and sectors	Recommended	
	Integrated economic accounts	Recommended	

*Purpose classification of expenditures*

3.1	General government final consumption (and other) expenditure by purpose in current prices	Recommended	
3.2	Individual consumption (and other) expenditures by purpose in current prices	Recommended	

*Sector accounts (until net lending)*

4.2	Rest of the world accounts (until net lending)	Minimum requirement	Recommended
4.4	Financial corporations accounts (until net lending)	Recommended	
4.5	General government sector accounts (until net lending)	Recommended	

*Note:* "Minimum requirement" means that the table is required before the 1993 SNA can be considered to be implemented. "Recommended" means that the table is highly recommended for compilation by all countries. "Desirable" denotes useful data that should be compiled if possible. "NAQ" refers to the annual United Nations questionnaire on national accounts.

## Annex II

### Degree of implementation of the 1993 SNA according to milestone

Phase 1	Basic indicators of GDP	<ul style="list-style-type: none"> <li>• GDP by industry at current or constant prices;<sup>a</sup></li> <li>• Final expenditures on GDP at current or constant prices.<sup>a</sup></li> </ul>
Phase 2	Gross national income and other primary indicators	<ul style="list-style-type: none"> <li>• External account of primary incomes and current transfers;</li> <li>• Capital and financial accounts for the rest of the world.</li> </ul>
Phase 3	Institutional sector accounts: first steps	<ul style="list-style-type: none"> <li>• Production accounts for all institutional sectors;</li> <li>• Generation of income, allocation of primary income, secondary distribution of income, use of income, capital and financial accounts for general government.</li> </ul>
Phase 4	Institutional sector accounts: intermediate steps	<ul style="list-style-type: none"> <li>• Generation of income, allocation of primary income, secondary distribution of income, use of income, capital accounts for all institutional sectors other than general government.</li> </ul>
Phase 5	Institutional sector accounts: last of the transaction accounts	<ul style="list-style-type: none"> <li>• Financial accounts for all institutional sectors other than general government.</li> </ul>
Phase 6	Other flow accounts and balance sheets	<ul style="list-style-type: none"> <li>• Other changes in assets accounts for all institutional sectors; balance sheets.</li> </ul>

<sup>a</sup> The assessment of 2000, presented to the Statistical Commission at its thirty-second session, in 2001, relaxed the definition to require only current *or* constant prices for each of the GDP compilation approaches, and not both.

## Annex III

## Scope of national accounts data reported to the United Nations Statistics Division

	Total number of countries	Tables of the "minimum requirement data set"							Six or more tables		Seven tables		Milestone level			
		1.1	1.2	2.1	2.2	2.3	1.3/4.1	4.2	N	%	N	%	1 or higher		2	
		N	N	N	N	N	N	N					%	N	%	N
<b>Africa</b>	53	32	26	33	31	17	22	13	14	26	13	25	31	58	21	40
<b>Latin America and the Caribbean</b>	33	31	23	31	31	23	26	15	20	61	14	42	31	94	26	79
<b>ESCAP region</b>	49	36	28	39	39	21	32	19	24	49	14	29	36	73	32	65
Developed countries	3	3	3	3	3	3	3	2	3	100	2	67	3	100	3	100
East and North-East Asia	4	3	1	3	2	2	3	2	2	50	1	25	3	75	3	75
South-East Asia	11	8	8	8	8	3	6	2	4	36	1	9	8	73	6	55
South Asia	10	10	8	9	10	6	9	4	7	70	3	30	10	100	9	90
North and Central Asia	9	8	6	9	9	5	7	6	6	67	5	56	8	89	7	78
Pacific	12	4	2	7	7	2	4	3	2	17	2	17	4	33	4	33
Low-income countries	14	9	7	10	10	4	7	3	5	36	2	14	2	14	7	50
Middle-income countries	27	21	15	23	23	21	20	13	14	52	9	64	1	4	20	74
High-income countries	6	6	6	6	6	5	5	3	5	83	3	50	1	17	5	83

Note: Figures are based on reporting periods 2003-2007 and for ESCAP excluding France, the Netherlands, the United Kingdom of Great Britain and Northern Ireland and the United States as well as the associate members. All percentages are based on the total number of countries.

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