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**STATISTICAL COMMISSION and
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Fortieth plenary session
(Paris, 10-12 June 2002)

**REPORT OF THE OCTOBER 2001 ECE SESSION ON
NATIONAL ACCOUNTING ISSUES OF CONCERN
TO TRANSITION ECONOMIES**

Note prepared by the Secretariat

INTRODUCTION

1. The Special ECE Session on National Accounting Issues of Concern to Transition Economies was organised in the afternoon on the last day (12 October) of the Annual OECD National Accounts Meeting, 9-12 October 2001 at the OECD. The ECE session was attended by Bulgaria, Croatia, Czech Republic, Estonia, Germany, Hungary, Latvia, Lithuania, Republic of Moldova, Poland, Romania, Russian Federation, Slovakia and Slovenia. Representatives of the Organisation for Economic Co-operation and Development (OECD) also attended.
2. The provisional agenda was adopted.

ORGANISATION OF THE MEETING

3. The topic of the session was General Government Sector: Measurement problems. The following issues were discussed:
 - (a) Define the sector: coverage, border-line cases, classification of units;
 - (b) Consistency of data sources;

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(c) Estimation of consumption of fixed capital for general government sector.

4. The discussion was based on papers prepared by Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Russian Federation and the ECE secretariat. Mr. Wolfgang Eichmann (Germany) was the invited speaker.

SUMMARY OF DISCUSSION AND THE MAIN CONCLUSIONS REACHED AT THE SESSION

5. The purpose of the session was to discuss with transition economies the theoretical and practical aspects of measuring the general government sector. Another goal of the session was that countries exchange experience about their practices in dealing with the measurement of the general government.

6. The general government sector has a key role in the economic and social life of every country. The principal functions of government are to assume responsibility for the provision of goods and services to the community as a whole or to individual households and to finance their provision out of taxation or other incomes. It also redistributes the income and wealth by means of transfer and engages in non-market production.

7. The coverage of the general government sector has to be clearly defined and monitored. A register of central and local units has to be built up. Borderlines of general government sector with non-financial corporations, non-profit institutions and financial institutions have to be carefully delineated, often on a case-by-case basis.

8. In most countries, data sources for estimating the general government are not homogeneous and could be quite dispersed. In this context, it was noted that the 1993 SNA is not the only statistical standard recommended by the international organisations with regard to measuring the general government sector. The IMF Government Finance Statistics Manual is most often the principal standard for data use in international financial discussions. It was noted that both manuals are consistent with each other.

9. In the ensuing discussion, several questions were raised related to different aspects of the measurement of general government sector, such as: classification of private hospitals and schools; when are the hospitals treated as market producers?; how to define local government units; how often units should be reclassified from one sector to another; how to interpret supervisory bodies to various government institutions and others.

10. In answering the questions participants exchanged information from their national experience in resolving various problems of coverage and classification of the units. There was general agreement that in finding the solutions, each case should be carefully analysed before decisions are taken. Given the fact that the countries attending the session, except the Russian Federation, are candidates to the European Union, it was recommended that they should follow

the recommendations of Eurostat and the EU regulations on the treatment of general government sector, including some of the regulations of the European Central Bank.

RECOMMENDED FUTURE WORK

11. The meeting emphasised that it is important to have special sessions devoted to national accounts organised for transition economies and other interested countries at regular intervals. Participants also stressed that the ECE initiative of organising sessions especially for their benefit in order to enable them to speak out on issues of concern to them should be continued.

12. Several topics of specific concern to transition economies were proposed for the next ECE session, such as: (a) Revision of national accounts series; (b) Borderline issues: intermediate consumption and gross fixed capital formation; intermediate consumption and final consumption. (c) Privatisation and its recording in the accounts.

13. The participants endorsed the proposal that the next Special ECE Session on National Accounting Issues of Concern to Transition Economies be organised back-to-back with the OECD Meeting of National Accounts Experts on 11 October 2002 in Paris. It recommended, therefore, that the Special Session be included on the Conferences work programme for 2002/2003.
