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Eurostat and UNSD

Luxembourg Recommendations

On

Global Implementation and Outreach for the System of National Accounts

(LRs@SNA)

These Luxembourg Recommendations have been prepared for consideration by the Intersecretariat Working Group on National Accounts (ISWGNA) as an input into the process of drafting the strategy for implementation of the SNA following the consensus reached by the participants in the Eurostat/UNSD Conference on International Outreach and Coordination in National Accounts for Sustainable Development and Growth held in Luxembourg from 6 to 8 May 2008.

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Luxembourg Recommendations
on
Global Implementation and Outreach for the System of National Accounts

I. Introduction, objectives and background

A. Introduction

1. The Luxembourg Recommendations (LRs) on the Global Implementation and Outreach for the System of National Accounts reflect the consensus reached by participants at the Eurostat/UNSD Conference¹ held in Luxembourg from 6 to 8 May 2008. The LRs outline the principles and recommendations that will guide the global implementation and outreach programme for the SNA in the coming years. This multi-year global programme brings together (i) developing countries from Africa, Asia, Oceania, Latin America and the Caribbean, and (ii) development partners, with the aim to advance the national, regional and international statistical systems in compiling and reporting national accounts and related basic statistics on a sustainable basis. The preparation of the global implementation programme was mandated by the United Nations Statistics Commission in 2008².

2. A solid foundation of national accounts and related basic statistics supports sound macroeconomic management, evidence-based policy making and monitoring. Given the interrelatedness of production, consumption and accumulation between the national, regional and global economies, the programmes based on these LRs will address the statistical system in a wider context by considering existing links between national accounts and other statistical frameworks (such as balance of payments, government finance statistics and environmental accounting and statistics).

3. The global programme stemming from the LRs will also be aligned with related international programmes, especially the International Comparison Programme (ICP). The alignment with the ICP is important because enhancing the quality of national accounts data is viewed as a key component for improving the quality of ICP data. This is due to the important role the national accounts play in providing the values underlying the calculation of per capita volumes in the ICP and in providing weights for the ICP aggregation process. Evidently, the outcome of the ongoing review of the ICP should feed into the design of this global implementation programme.

4. The overall direction guiding the LRs can be characterized as global coordination with regional implementation and outreach to strengthen the national statistical capacity for the compilation and reporting of national accounts and related basic statistics.

¹ Eurostat/UNSD Conference on International Outreach and Coordination in National Accounts for Sustainable Development and Growth, 6-8 May 2008, Luxembourg

² See UN Statistical Commission paper E/CN.3/2008/34, page 9, parts (g) and (h).

B. Objectives

5. The overall objectives of the LRs are to :
 - facilitate the implementation and outreach of the international standards on national accounts and economic statistics in developing countries, while ensuring that national, regional and international actions are sustainable and efficient; and
 - improve the quality, production and dissemination of national accounts and related basic statistics at the country level in a sustainable manner.

6. Specific objectives of the LRs at the international, regional and national levels include:
 - promoting international coordination among development partners;
 - implementing regional programmes, guidelines and procedures for coordination, monitoring and reporting on performance;
 - strengthening national statistical capacity for national accounts and related basic statistics; and
 - advocating the use of national accounts and statistics in general for policy purposes.

C. Background

7. National accounts and related basic statistics are the key statistics that describe the national economy and its interactions with the international economy. They are used by national, regional and international agencies to, among other purposes, design and assess policies, and for international comparisons of growth and development.

8. For many years, the international community of donors has supported statistical capacity building in developing countries in order to produce national accounts data and improve the availability and quality of basic data. However, the least developed countries are still unable to produce reliable data in a timely fashion while the scope of data compiled by other developing countries requires expansion. In addition, only 53 per cent of developing countries compile their national accounts in terms of the *1993 System of National Accounts* (1993 SNA), the remainder use the 1968 SNA. This conceptual compliance in developing countries ranges from 60 per cent in Africa and Asia, to 50 per cent in Latin America and to 11 per cent in Oceania³.

9. Therefore the availability of national accounts and related basic statistics is still less than optimal in many countries and regions. At the country level, there is a lack of technical, financial and human resources to sustain statistical capacity. Moreover, basic source data is often of poor quality, political commitment to invest in statistical capacity building is often lacking and consequently the general use of these data for policy purposes is less than optimal. At the donors' level, there is a need to improve coordination of actions, and to support national statistical systems as a whole in order to improve the quality of statistical information compiled according to international standards.

³ The data presented here is based on the reporting of national accounts statistics by countries to the UNSD through its National Accounts Questionnaire (NAQ).

10. The need for action to address these issues is reinforced by recent developments in international recommendations and standards for economic statistics. These include:

- The adoption, in principle, of the 2008 *System of National Accounts* (SNA) by the United Nations Statistical Commission in February 2008. This development has provided the national and international statistical community with an impetus to strengthen basic economic statistics and macroeconomic statistics at national and international level in terms of compliance, scope, and quality. The SNA update provides international recommendations on the measurement of the new aspects of production, consumption and accumulation in a global economy and the valuation of financial and non-financial assets;
- International standards, in addition to the SNA, have also been updated. These updated standards include the *Balance of Payments and International Investment Position Manual* (BPM6), the *International Standard Industrial Classifications of all economic activities* (ISIC Rev.4) and the *Central Product Classification* (CPC Ver.2).
- The international statistical community has decided to mainstream the *System of Environmental-Economic Accounting* (SEEA) to allow for an extended measurement of gross domestic product (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.

11. Therefore, the overall case for the development of an efficient and sustainable global programme based on agreed principles and recommendations to facilitate the outreach and coordination of the SNA and related basic statistics is a compelling one. The following section outlines how the objectives are to be achieved.

II. Principles and Recommendations

12. The agreed LRs below form the basis of the programme on the *Global Implementation and Outreach for the System of National Accounts* for developing countries in Africa, Asia, Oceania, Latin America and the Caribbean. The actions flowing from these recommendations are directed at the national governments, national statistical offices and other providers of official statistics, national and regional central banks, United Nations Regional Commissions, regional development banks, other regional agencies and institutions, national and regional statistical training institutions, international agencies, the international community of donors and users of national accounts data for policy purposes.

13. The recommendations are grouped by three distinct principles (i) strategic planning, (ii) coordination, monitoring and reporting; and (iii) improving statistical systems. These three principles are also the foundation of the “Managing for Development Results” approach⁴. The

⁴ See the “Managing for Development Results” website www.mfdr.org. This website provides background information on the origins of the concept *managing for development results* that was introduced in 2002 at Monterrey, International Conference on Financing for Development. There are also links to: Key Documents, the

use of this approach has been internationally accepted by the development community. Specifically, the three rounds of Roundtables on Managing for Development Results (Washington D.C. (2002), Marrakech (2004) and Hanoi (2007)) have led to extensive discussions and exchanges of views in the development community on the adoption of a coherent management approach with practical tools for strategic planning, risk management, programming, progress monitoring, and outcome evaluation. This “Managing for Results” approach defines results as “sustainable improvements in country outcomes,” and managing for results as “a management strategy focusing on performance and the achievement of outputs, outcomes, and impact.” It was the second of these forums that gave rise to the Marrakech Action Plan for Statistics (MAPS), which is the globally acknowledged action plan for improving development statistics through, among other things, the preparation of comprehensive national strategies for statistics, the National Statistical Development Strategies (NSDSs).

14. It should be noted that the recommendations are presented in a generic manner. They do not address the specific needs and priorities of individual countries or regions.

(a) Strategic planning principle – Mainstreaming strategic planning for the development of national accounts and related basic statistics at the national, regional and international levels

15. The first principle of the “Managing for results” approach is *Strategic planning*. Strategic planning has proven to be a powerful tool for guiding the development of national statistical programmes, increasing political and financial support for investment in statistics, and ensuring countries will be able to produce the data needed for monitoring their own development plans.

16. Best practices are readily available on how to develop strategic planning frameworks for the development of statistics. One example is PARIS 21’s guidelines on National Strategies for the Development of Statistics (NSDSs). The United Nations Development Assistance Frameworks (UNDAFs), the General Data Dissemination System (GDDS) as well as the World Bank’s Country Assistance Strategies and World Bank/IMF Poverty Reduction Strategy Papers (PRSPs) provide other examples of strategic planning frameworks. These LRs should, therefore, not be seen as a parallel system, but an intrinsic part of existing strategies, most notably NSDSs.

17. These strategic planning frameworks provide a common information set with national objectives and a programme of actions to address weaknesses in the existing statistics, in the human and financial resource bases, in the basic source data, and in the effectiveness of advocacy for statistics within the government and with users.

18. Such frameworks should be aligned with other international standards frameworks and international classifications such as BPM, SEEA, ISIC, CPC.

Recommendations – *Strategic planning principle*

Recommendation 1 – Strategic planning frameworks

1.1 Strategic planning framework to be formulated for national statistical capacity in national accounts and other economic statistics, and to be integrated with balance of payments, government finance statistics and environmental accounting and statistics, etc.

1.2 The above framework to be a component of the National Strategy for the Development of Statistics (NSDS) to be regularly updated and to be consistent with the General Data Dissemination System (GDDS) and other reference frameworks of the country.

1.3 National, regional and international strategies on economic statistics to be synchronized.

1.4 International, regional and country actions to be determined by information obtained from strategic planning frameworks and other mechanisms put in place.

1.5 Further alignments have to be pursued according to various frameworks (such as the RRSF in Africa and ECLAC's strategic plan 2005-2015).

19. The NSDS and other strategic planning frameworks provide a country with a strategy for strengthening statistical capacity across the entire national statistical system (NSS) and is a mechanism to obtain standardized information from countries to determine their current strengths and weaknesses of statistical capacity in economic statistics, as well as other statistical domains.

20. The consolidation of this standard information at national, regional and international levels allows for the identification of priorities for action as well as the coordination and monitoring of these actions. Programmes for improving national accounts should be seen as a component of National Strategies for the Development of Statistics, which have been developed by many developing countries with support from the World Bank Multi-Donor Trust Fund for Statistical Capacity Building, Regional Development Banks, international organizations, regional partners and bilateral donors with counterpart funds from the countries themselves. The GDDS framework is also helpful in this regard, in helping countries formulate specific plans for improvement.

21. Additionally, efforts should be made to ensure that national, regional and international strategies on economic statistics are coordinated and their related actions informed by information obtained from strategic planning frameworks and other mechanisms which have been put in place.

22. Further alignments will also need to be pursued, according to various frameworks applicable to specific regions/countries, e.g. the Reference Regional Strategic Framework for Statistical Capacity Building in Africa (RRSF) and ECLAC's strategic plan for 2005-2015.

(b) Coordination, monitoring and reporting principle – Coordinating the programming, monitoring of and reporting on the strengthening of the statistical infrastructure for economic statistics

23. The second principle of the “Managing for Results” approach is *Coordination, monitoring and reporting*.

24. The implementation of the 1993 SNA has seen chequered progress across countries worldwide since its inception. Insufficient institutional capacity and lack of international cooperation were identified as key impediments to the implementation of the 1993 SNA. Therefore, the likelihood of success of future development work is heightened when the roles of national and regional implementing agencies, international organizations, donors, policy planners and other stakeholders are clear and their action is coordinated, monitored and reported against agreed benchmarks.

25. While it is necessary for the timing and sequencing of events to reflect local needs, the global and regional context within which these activities are developed should also be taken into account. In addition, responding to the needs of donors, to report on the outcomes of projects, justify outlays, collaborate in the management of risk and generally assessing the efficiency of technical assistance programmes, is essential to ensure the sustainability of the process.

26. Actions at the international level that are needed in this context include:

- Ensuring the evolution of compilation guidance and quality standards that are most useful and appropriate to the widest cross-section of national statistical settings, central banks or other institutions that calculate national accounts; and
- Organizing procedures for coordination, monitoring and reporting on the implementation process from which benchmark assessments can be made and from which lessons can be learned.
- Ensure the alignment with other international standards frameworks and international classifications such as BPM, SEEA, ISIC, CPC

27. Actions at the regional level are needed and are crucial to the success of the coordination, monitoring and reporting process. These actions include:

- Developing and maintaining a close relationship with the global governance structure of the programme, including regular and extensive sharing of information. South-South cooperation would be a particular aspect of this collaboration;
- Analyzing current regional implementation mechanisms and then designing and implementing enhanced regional programmes, guidelines and procedures;
- Providing coordinated, timely and appropriate technical assistance; and
- Monitoring the implementation of the programme in order to signal, if necessary, possible delays, budgetary overshoots or major technical flaws, so that preventive or remedial action can be taken as required.

28. Actions are also required at the national level. These include:

- Collaborating with international, bilateral, regional and other development partners;
- Establishing governance structures to facilitate the implementation plan (including assignment of a national coordinator for each national statistical system);
- Establishment of donor coordination groups for statistics where applicable (the case of Mali, for example)
- Exercising due care and prudence in the effective use of resources;
- Harmonizing the planning of the implementation process in national statistical offices with that of government budgeting to derive maximum support for the process;
- Ensuring active and transparent partnership with donors to recognize accountability; and
- Promoting active dialogue between users and producers of these statistics.

29. Any global implementation programme must be mindful of the fact that different regions and national statistical agencies are at different levels of statistical development in terms of complexity, resource endowment and level of implementation and therefore a staggered approach may be inevitable. However, it is possible to agree benchmarks that are universally attainable within a specific period.

30. Sufficiently flexible procedures for coordination, monitoring and reporting on the implementation programme need to be developed, reflecting these nuances, but which can nevertheless be implemented in such a manner as to allow harmonization at regional and global levels. This will help to identify risks to the implementation process in a timely fashion, so that appropriate interventions can be made to keep plans on track and ensure their success. By allowing for customized implementation strategies, this programme serves to enhance national capability and ensure national self-sufficiency.

Recommendations – *Coordination, monitoring and reporting principle*

Recommendation 2 - Coordination, monitoring and reporting

2.1 Regional Commissions, in collaboration with other regional partners, to play a pivotal role in the coordination, monitoring, reporting and maintenance of existing coordination mechanisms, avoiding parallel systems.

2.2 The above with the aim of enhancing efficiency of technical cooperation programmes and alignment with national commitments for development of official statistics.

2.3 Current regional mechanisms for SNA implementation should be analyzed, aligned and mobilized.

2.4 National donor groups on statistics (to be created, if necessary) to play a role in improving coordination, monitoring and reporting in statistical capacity building.

2.5 National statistical institutes or other agreed coordinator to play a coordinating role for national statistical system to enhance effectiveness.

2.6 South-South cooperation to be further developed.

31. The Regional Commissions, in collaboration with regional statistical institutions, regional central banks and other regional partners are required to play a pivotal role in the global coordination of the programme, because the implementation plans will vary by region. The Regional Commissions, as drivers of the implementation programme in their regions, are uniquely positioned to coordinate, monitor and report on the programme and as such should act as critical links between international organizations, donor countries, regional partners and the countries of their respective regions. Well-planned actions from donors are the key for the sustainability of the implementation programmes. This should result in enhanced efficiency of technical cooperation programmes and better alignment with national commitments for development of official statistics.

32. More specifically, current regional mechanisms for SNA implementation should be analyzed, aligned with the elements of this plan and mobilized.

33. A number of actions can be undertaken at national level to further the goals of coordination, monitoring and reporting. In particular, national donor groups on statistics may be convened where necessary to undertake these functions that are important for statistical capacity building. National statistical institutes or other agreed coordinating bodies should also perform coordinating functions to enhance effectiveness of the plan.

34. South-South cooperation should be further developed in pursuance of this objective.

Recommendation 3 - Global governance

3.1 Global governance structure to be created to develop coordination, monitoring and reporting procedures, avoiding duplication, to assess performance of the implementation programme itself as well as progress of countries/regions against set benchmarks.

3.2 Global governance structure to be established taking the structure of the latest ICP round as a possible model (coordination by a global office, regional implementation offices, technical advisory groups, etc).

3.3 Establish agreed modular structures and make use of classifications for international, regional and national statistical capacity programmes including quality assessments.

35. In order to reach the given objectives of this programme, a global governance structure needs to be put in place. The global governance structure needs to establish coordination, monitoring and reporting procedures, including milestones, cross calculation, quality control etc, organized according to two distinct dimensions (i) coordination and monitoring of and reporting on the implementation of the national accounts and related basic statistics programme itself; and

(ii) the coordination, monitoring and reporting of country and regional progress against agreed benchmarks.

(i) *Coordination, monitoring and reporting of the implementation of national accounts and economic statistics programme itself* – the objective is to ensure that the implementation programme is carried out efficiently and effectively. Moreover, it will enable regions to define the activities required to execute the implementation process, recommend the duration for each of the activities, prioritize activities and establish dependencies between activities to guarantee effective management. A module will be included to track the inputs of development partners, associating them with the relevant activities. Further, other critical resources such as staffing and financing needed to operationalize each of the activities, will also be covered.

The actual execution of the coordination, monitoring and reporting would be in the hands of the regional implementation offices for keeping track of each activity relevant for the specific national agency and quickly being able to recognize where any delays in activity will affect: the planned completion date, how outlays have been disbursed and used, along with the status of deliverables and outcomes. This would not only avoid duplication, but afford both short- and intermediate term views of the process. Reports on progress would be submitted to the global governance structure following consultation and direct input from the regional implementation offices.

The global governance structure should be established, taking the structure of the latest ICP round as a possible model. Among the structures that the ICP model includes are a global coordinating office, regional implementation offices and technical advisory groups.

Value will also be added to the plan through the establishment of agreed modular structures and the use of classifications for international, regional and national statistical capacity programmes including quality assessments.

(ii) *Coordination, monitoring and reporting of country/regional progress against periodic benchmarks* – the objective is the coordination, monitoring and reporting of country/regional progress on implementation, which will be assessed for compliance, quality and scope in the predetermined benchmark years of, for example, 2010, 2015 and 2020. It would be necessary to agree on key deliverables and outcomes of the implementation programme a priori. Their details should be spelled out and the range of delivery dates indicated. The ‘milestones’ and ‘Minimum Required Data Sets (MRDS)’ already adopted by the UN Statistical Commission to assess the implementation of the 1993 SNA could be a starting point for the review. Moreover, the reporting should carefully identify delays, failures and other shortcomings associated with specific activities and accompany them with appropriate explanation. The lessons learned can be used iteratively to develop best practice. The reporting of progress against the agreed benchmarks will be undertaken following consultation and direct input from the regional implementation offices.

(c) Statistical system improvement principle - Improving the national, regional and international statistical system

36. The third principle of the “Managing for Results” approach is the realization of better results through the strengthening of the national, regional and international statistical systems to produce better official statistics.

Recommendations – *Statistical system improvement principle*

Recommendation 4 - National statistical capacity building

4.1 National statistical capacity building in national accounts and related economic statistics to be achieved through a unified international, regional and national implementation programme including development of statistical infrastructure, sustainable donor activities, technical assistance, training capacity and application of common software tools e.g. SDMX, ERETES, etc.

4.2 Common training modules in national accounts and related basic statistics to be developed for training and retraining of statisticians in collaboration with regional training and academic institutions applying advanced media such as those for distance learning.

4.3 Promotion and adaptation of national accounts data for policy purposes should underpin strategic planning frameworks and be integrated into statistical capacity building and training programmes.

37. The international and regional statistical system, through the Intersecretariat Working Group on National Accounts (ISWGNA) and the United Nations Statistical Commission, should adopt a unified international, regional and national programme for the implementation of the 2008 SNA and related economic statistics of which the strengthening of the national statistical infrastructure; sustainable donor activities; training and application of common software tools e.g. SDMX, ERETES, etc; as well as the collection and reporting of basic statistics, would be key components. This strategy will include the following elements (i) the organization of meetings, training seminars and workshops; (ii) the provision of technical cooperation through advisory missions and working directly with the staff of national offices; (iii) the preparation of a series of manuals and handbooks comprising methodological guidance and best practices as well as common software tools; (iv) the provision of academic and statistical training (including distance learning) in national accounts; (v) the sponsoring of statistical research in support of the implementation of newly introduced concepts in the updated SNA; and (vi) advocacy for the use of national accounts in evidence based policy making. The question of translation of the revised SNA into the other five official languages of the United Nations should also be addressed.

38. Common training modules in national accounts and related basic statistics should therefore be developed for training and retraining of statisticians, in collaboration with regional training and academic institutions, applying advanced media, such as those suitable to distance learning.

39. Further, it should be noted that a vital aspect of national statistical capacity building is the promotion and adaptation of national accounts data for policy purposes. This motive should underpin strategic planning frameworks and be integrated into statistical capacity building and training programmes.

**Recommendation 5 – SNA Knowledge Platform:
statistics, information technology and management**

5.1 An SNA Knowledge Platform to be established on statistical standards, training programmes and best practices, information technology tools and management for national statistical systems based on an agreed framework

5.2 International network for economic statistics to be established through recognized "Centres of Competence" that provide and maintain the quality content of the building blocks of the framework and their specialized modules.

5.3 An inventory of potential "Centres of Competence" should be drawn up.

40. The framework provides a structure for the SNA implementation programme to address and reinforce both statistical institutional infrastructure and the collection and reporting of statistics. The framework might be arranged according to a set of building blocks. The first and "foundation" block of the statistical production process would comprise the institutional setting, containing the management and internal policy regarding the administrative, human resources and financial regulations; policies on confidentiality and quality adherence; information, communication and technology (ICT) policy on data collection, compilation and dissemination; and institutional arrangements regarding users' consultations and advisory committees. The second block would comprise the registers and frames of statistical units from which administrative and survey source data are collected. The third block would comprise collections through administrative sources and statistical surveys. The fourth block would comprise the SNA as an integration framework. The fifth block would be the dissemination of the statistics and metadata to users.

41. It is anticipated that the structure of the SNA implementation framework will also take advantage of existing international metadata systems, specifically the UN Economic Commission for Europe classification of statistical activities, the GDDS, and the Data Quality Assessment Framework (DQAF), as well as the abovementioned statistical process building blocks. The NSDS cited in Section (a) above, "strategic planning principle", references the GDDS and DQAF as important organizing frameworks for national statistical strategies.

42. This framework would assist in organizing the SNA Knowledge Platform as well as the identification of "Centres of Competence", which will be custodians of the content in the building blocks and their specialized sub-modules. It is envisaged that these "Centres of Competence" will be located in advanced national statistical offices, regional development partners and international organizations (like the regional and international statistical offices of the UN, Eurostat, IMF, World Bank and OECD) as well as established regional statistical

training and academic institutions. An inventory of potential “Centres of Competence” should be drawn up as a starting point for their integration into the framework.

43. It is recommended that the "Centres of Competence" be organized within an international network for economic statistics to ensure common approaches on the dissemination of international standards, best practices in statistics and management, training programmes and tools with appropriate adaptation to national circumstances. The development of the SNA Knowledge Platform will be undertaken with the regional implementation offices having a key role in the process of tailoring the content to their regional circumstances.

44. It is also suggested that simplified or tailored handbooks might be created. For example, a country with very limited resources might benefit from a simplified guide explaining how to establish the minimum data set. Alternatively a country whose economy is geared towards a particular industry (e.g. tourism) would need a tailored guide giving an emphasis to that industry.

III. Expected Outcomes

45. The implementation of this framework is expected to result in improved national statistical capacity, recognized through improved capability for all developing countries; enhanced quality of statistics; better conceptual compliance; harmonization and improved comparability of statistics produced; strengthened coordination, monitoring and reporting between donor and recipient countries, within regions and among international agencies, regional bodies and national statistical offices; and more intensive and appropriate use of National Accounts in policy making and related research.

IV. Way forward

46. The following actions will ensue from the adoption of the Luxembourg Recommendations:

- The Regional Commissions in collaboration with regional and national partners will formulate regional implementation and outreach programs for SNA (by October 2008);
- ISWGNA in collaboration with regional and national partners will draft Global Implementation and Outreach Programme for SNA (by November 2008);
- ISWGNA will submit Global Implementation and Outreach Programme for SNA to Statistical Commission (February 2009).