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DIFFERENCES BETWEEN THE FRENCH AND THE UN NATIONAL ACCOUNTING SYSTEMS

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I. Introduction

A number of developing countries/1 prepare their national accounts estimates following the French system of national accounting. This system differs from the UN system./2 This note describes the differences and how they can be reconciled.

II. Differences between the two systems

These differences lie in the definition of production, in the classification of transactions, and in their valuation.

1. Definition of production

In both systems, production is defined as that part of human activity which leads to the creation of goods and services. In the French system, services are only those which can be exchanged on the market. In the UN system, the definition of productive services is less restrictive. The services included in this system and not in the French system are

(a) services provided by government agencies

(b) services provided by private non-profit institutions

These institutions are defined in the French system as the private institutions which receive payments not related to the services they provide. They include private schools, professional institutions, religious communities, and other institutions such as club, cultural centers, welfare foundations. But they do not include private institutions such as hospitals, because their receipts are linked to the services they provide. These institutions are included in the sector "enterprises" of the French system.

(c) services provided by financial institutions

These institutions are the Banking System, the specialized public financial institutions, and the insurance companies. They do not include holding

I am grateful to Mr. E. Levy for his most useful comments and suggestions.

/1 See the list of Annex 1.

/2 The comparisons included in this note relate to the UN system of national accounts described in Annex 2, document 3.
companies, included in the sector "enterprises" of the French system.

(d) services provided by households salaried employees
(e) services provided by the National Lottery
(f) net royalties from patents and copyrights from abroad.

2. Classification of the transactions

Both systems classify economic transactions following the sectors of the economy or the type of activity. But there are differences inside these classifications.

A. Sectors of the economy

<table>
<thead>
<tr>
<th>UN system</th>
<th>French system</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. enterprises</td>
<td>1. non-financial enterprises</td>
</tr>
<tr>
<td>2. households and private</td>
<td>2. households</td>
</tr>
<tr>
<td>non-profit institutions</td>
<td>3. government and private</td>
</tr>
<tr>
<td>3. government</td>
<td>non-profit institutions</td>
</tr>
<tr>
<td></td>
<td>(in French &quot;administrations&quot;)</td>
</tr>
<tr>
<td></td>
<td>4. financial institutions</td>
</tr>
</tbody>
</table>

In the French system, the sector "enterprises" is broken down into non-financial enterprises and financial institutions. Private non-profit institutions are included with government in the French sector "administrations." A "rest-of-the world" sector is described as a whole in both systems.

B. Type of activity

In both systems the different types of activity of each sector are described in specific accounts, which are:

<table>
<thead>
<tr>
<th>UN system</th>
<th>French system</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Production account</td>
<td>1. Production account</td>
</tr>
<tr>
<td>2. Appropriation account</td>
<td>2. Operating account</td>
</tr>
<tr>
<td>3. Capital reconciliation account</td>
<td>3. Appropriation account</td>
</tr>
<tr>
<td></td>
<td>4. Capital account</td>
</tr>
<tr>
<td></td>
<td>5. Financial account</td>
</tr>
</tbody>
</table>

The activities described in the UN system through the two production and appropriation accounts are the same as those described through the three production, operating and appropriation accounts in the French system. The French "production account" describes only the formation of value added. Total output is the resource of this account. Intermediate consumption and value added are its uses.

/1 See documents of Annex 2.
The French "operating account" is included in the UN "production account." The two "appropriation accounts" are similar.

There is nothing in the UN system which corresponds to the French "financial account" that describes the changes in financial assets and liabilities of each sector.\(^1\)

The French national accounting system describes the production process and the financial operations in more detail. Two basic tables are included on these subjects: \(^2\)

(a) An input-output table

It describes the intermediate consumption of the output of each commodity by each part of the productive sector, called in French "branche." \(^3\)

(b) A financial operation table

It describes the equilibrium between the physical and the financial aspects of economic transactions. It summarizes the financial accounts of the different sectors.

3. Valuation of the transactions

Production in the UN system is generally valued at prices received by the producers. Therefore, prices of non-marketed goods or services \(^4\), \(^5\) are those at which producers of similar products sell in the same neighbouring localities.

The French system, similarly, values production at producer prices, except for non-marketed goods and services, which are valued at consumer retail prices in the neighbouring localities. These prices differ by the amount of trade margins from the producer selling prices used in the UN system.

\(^1\) The capital finance account of the new UN system includes the French "financial account." See Annex 2, document (4).

\(^2\) These tables are included in the new UN system; see Annex 2, document (4).

\(^3\) A "branche" is the aggregation of economic units or parts of economic units which produce the same type of commodity. There is a one-to-one correspondence between commodities and "branches."

\(^4\) e.g. non-marketed consumer goods and services not included in the French definition of production.

\(^5\) e.g. farmers' home consumption.
III. Reconciliation between the two systems

4. A. From the French gross domestic production to GDP at market prices

Value added by the services described in paragraph 1 has to be added to gross domestic production to arrive at GDP at market prices.

(a) Value added by the financial institutions

i) Banking system, specialized financial institutions and life insurance companies

Charges actually paid to these institutions account for a small part of their income. If their value added was computed as that of the other enterprises, it would therefore be negative.

The UN system avoids this anomaly by imputing a service charge in addition to the charges actually paid. Therefore, value added by these institutions is equal to interests received less interests paid (e.g. service charge) less current nonfactor inputs. 

ii) Other insurance companies

Value added by insurance companies is equal to premiums received less claims paid (e.g. service charge) less current nonfactor inputs.

(b) Value added by government services is the sum of salaries and supplementary payments, including social security contributions paid in behalf of government employees, and of the rents imputed to the government for its buildings.

(c) Value added by households and private non-profit institutions is the sum of salaries, social security contributions and social benefits paid to or for their employees.

(d) Value added by the National Lottery is the difference between its net receipts and current non-factor inputs.

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1 See document (4).
2 This treatment abusively inflates value added by enterprises. The service charge imputed to enterprises should be considered as intermediate consumption and deducted from value added. Annex 3 is an example of what should be done. However, most of the countries following the UN national accounts system do not make this minor correction.
Net royalties from patents and copyrights are added to gross domestic production.

Last, the amount of trade margins on non-marketed consumption are deducted from gross domestic production.\footnote{1}

An example of a reconciliation is attached in Annex 3 based on the national accounts of France in 1965.\footnote{2}

5. B. Changes in the standard tables

B1. Industrial origin of GDP

To prepare the UN standard table from the French one it is necessary to:

1. deduct from the agricultural sector the amount of trade margins on non-marketed consumption
2. add to the sector "government services" the value added by these services
3. add to the sector "financial services" the value added by these services
4. add to the sector "other services" (1) the value added by the salaried employees of household and private non-profit institutions, by the Lottery, and (2) net royalties from patents and copyrights.

B2. Expenditure on GNP

To transform the French table into the UN table, it is necessary to:

1. Add to public consumption the value added by government services and by the National Lottery and the part of value added by public financial institutions not yet included.
2. Add to private consumption (a) the value added by employees of households and private non-profit institutions, (b) net royalties from patents and copyrights, (c) the part of value added by private financial institutions not yet included, and (d) deduct the amount of trade margins on non-marketed consumption.

\footnote{1}{See paragraph 4.}
\footnote{2}{There is a discrepancy between this example and the theoretical frame. It is that government and private non-profit institutions accounts are mixed in the sector "administrations." Value added of non-profit institutions had to be deducted from that sector and included with households.}
3. Add the net factor income from abroad.

An example of a reconciliation is given in Annex 4, based on the national accounts of France in 1965.

6. C. Adaptations

In some countries, the French system is modified, and the lack of information does not allow for the reconciliation of both systems in such detail.

One of the most frequent modifications is to value non-marketed consumption at total cost.

In that case, a simple way to reconcile both systems is to add the salaries and net supplementary payments paid by government and by households to gross domestic production. This value added is consumed by the public sector. Value added by financial institutions can be omitted, since most of their activity is consumed by enterprises.

An example of a reconciliation is given in Annex 5, based on the national accounts of Upper Volta, 1964.
Annex 1

List of the developing countries which have adopted the French national accounting system

Algeria
Cambodia
Cameroon
C.A.R.
Chad
Congo (People's republic)
Dahomey
Gabon
Guinea
Ivory Coast
Laos
Lebanon
Malagasy Republic
Mali
Mauritania
Morocco
Niger
Senegal
Togo
Tunisia
Upper Volta
Annex 2

Documents:


Annex 3

From Gross domestic production to GDP at market prices\textsuperscript{a}  

France, 1965, (Million current FF)

<table>
<thead>
<tr>
<th>Gross domestic production</th>
<th>(1)</th>
<th>110 814</th>
</tr>
</thead>
</table>

1) Banking system and specialized financial institutions

| Financial charges imputed to households | 3963 |
| less intermediate consumption | 221 |

subtotal 3742

ii) Insurance companies

| Premiums paid by household, government and private non-profit institutions | 2558 |
| Net premiums paid by the rest of the world | 205 |
| less expenditures abroad | 415 |
| intermediate consumption and payment of claims | 2180 |

subtotal 338

Value added by financial institutions in their transactions with non-enterprise sectors (2) 4080

Salaries paid by government and private non-profit institutions to their employees, and social security contributions paid for them 35407

Supplementary payments by government and private non-profit institutions to their employees 67752

Less

| Payments made by the Social Security institution to the employees | 58380 |
| Social security contributions paid to government | 1613 |
| Value added by private non-profit institutions salaried employees | 2775 |

Value added by government salaried employees (3) 40391

\textsuperscript{a} Etudes et conjonctures, Les Comptes de la Nation de l'année 1965, INSEE, France, No 6, June 1966.
### Annex 3 (cont.)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross salaries paid by households to their salaried employees</td>
<td>4310</td>
</tr>
<tr>
<td>Social security contributions paid by households</td>
<td>830</td>
</tr>
<tr>
<td>Gross salaries</td>
<td>2378</td>
</tr>
<tr>
<td>Social security contributions paid by private non-profit institutions</td>
<td>375</td>
</tr>
<tr>
<td>and Supplementary payments to their salaried employees</td>
<td>22</td>
</tr>
<tr>
<td><strong>Value added by the salaried employees of households and private non-profit institutions</strong></td>
<td>7915 (4)</td>
</tr>
<tr>
<td>Rents imputed to government for its buildings</td>
<td>670</td>
</tr>
<tr>
<td>Net receipts of National Lottery</td>
<td>219</td>
</tr>
<tr>
<td>Net royalties from patents and copyrights from abroad</td>
<td>-300</td>
</tr>
<tr>
<td><strong>Less</strong></td>
<td></td>
</tr>
<tr>
<td>Trade margins on self-consumption</td>
<td>2880</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2991</td>
</tr>
<tr>
<td><strong>Gross domestic product at market prices</strong> = (1)+(2)+(3)+(4)+(5)</td>
<td>460 909</td>
</tr>
</tbody>
</table>
Annex 1
Standard Tables
France, 1965 (Billion current FF)

### Industrial origin of Gross domestic production

<table>
<thead>
<tr>
<th></th>
<th>GDP, market prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture(^1)</td>
<td>35.8</td>
</tr>
<tr>
<td>Industry</td>
<td>297.4</td>
</tr>
<tr>
<td>Government services</td>
<td>-</td>
</tr>
<tr>
<td>Financial services</td>
<td>-</td>
</tr>
<tr>
<td>Other services</td>
<td>77.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>410.6</strong></td>
</tr>
</tbody>
</table>

### Expenditure on Gross domestic production

<table>
<thead>
<tr>
<th></th>
<th>GDP, market prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private consumption</td>
<td>289.1</td>
</tr>
<tr>
<td>of which</td>
<td></td>
</tr>
<tr>
<td>v.a. by households and private non-profit institutions</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Net royalties from patents and copyrights</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Trade margins on the marketed goods</td>
<td>(2.9)</td>
</tr>
<tr>
<td>Public consumption</td>
<td>16.7(^2)</td>
</tr>
<tr>
<td>of which</td>
<td></td>
</tr>
<tr>
<td>v.a. by government employees</td>
<td>(0.0)</td>
</tr>
<tr>
<td>v.a. by financial institutions</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Nents imputed to government buildings</td>
<td>(0.0)</td>
</tr>
<tr>
<td>v.a. by the National Lottery</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Gross domestic investment</td>
<td>101.1</td>
</tr>
<tr>
<td>Exports</td>
<td>67.0</td>
</tr>
<tr>
<td>Imports</td>
<td>63.1</td>
</tr>
<tr>
<td><strong>Net factor income from abroad</strong></td>
<td>0.5</td>
</tr>
</tbody>
</table>

\(^1\) The difference consists of trade margins on nonmarketed goods which have to be excluded from the French aggregate.

\(^2\) Goods and nonfactor services only.
Annex 5  
Simplified Reconciliation  
Upper Volta, 1964, Million CFA/

A. GDP, market prices

- gross domestic production: 50,385
- + salaries paid by government: 6,121
- + net supplementary payments made by governments on behalf of its employees: 48
- + salaries paid by households: 100

GDP, market prices: 56,654

B. Expenditure on GNP

- Consumption: 58,421
  - public: 9,143
    - of which government salaries and supplementary payments on behalf of its employees: (6,169)
  - private: 48,985
    - of which salaries paid by households: (100)

Investment: 5,813

- Imports of goods and nonfactor services: 11,112
- Exports of goods and nonfactor services: 3,532
- GDP, market prices: 56,654
- Net factor income from abroad: 830
- GNP, market prices: 57,484

Source: Comptes economiques de la Haute Volta 1964, Secretariat d'Etat aux Affaires etrangeres, Republique francaise, (September 1966).