



EL SALVADOR

TECHNICAL ASSISTANCE REPORT—CAPACITY DEVELOPMENT ON NATIONAL ACCOUNTS STATISTICS MISSION

May 2020

This Technical Assistance report on El Salvador was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed on June 2019.

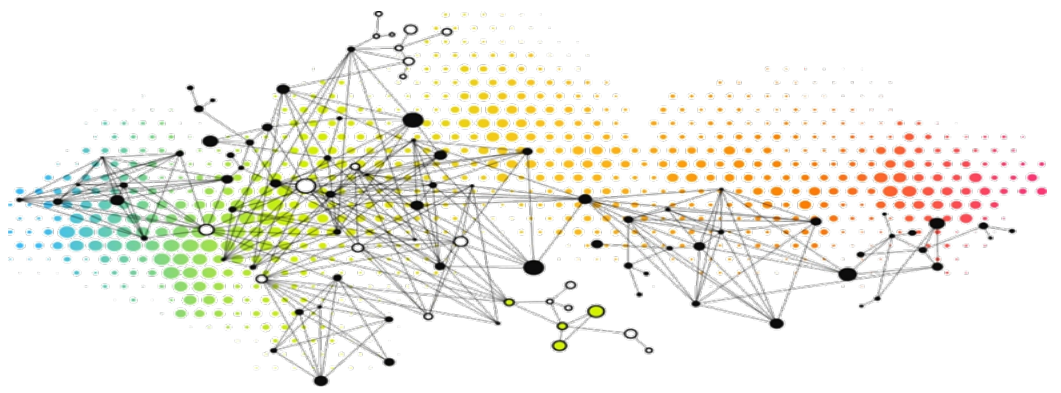
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EL SALVADOR

JUNE 2019

REPORT ON THE CAPACITY DEVELOPMENT ON NATIONAL ACCOUNTS STATISTICS MISSION (AUGUST 13–24, 2018)

Prepared by Martha Tovar Soria

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Glossary

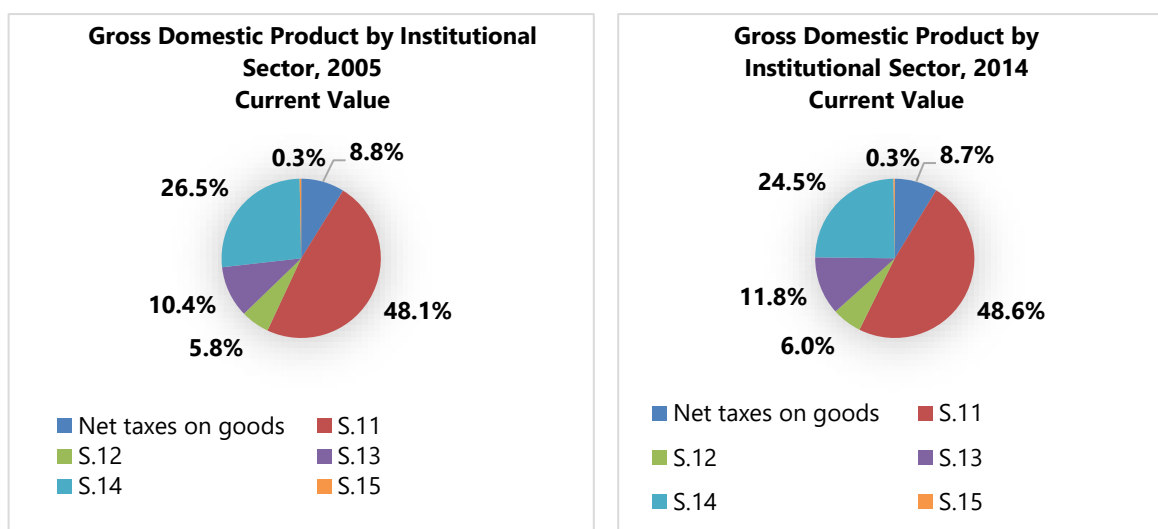
<i>1993 SNA</i>	<i>1993 National Accounts System</i>
<i>2008 SNA</i>	<i>2008 National Accounts System</i>
BCRES/CRBES	Central Reserve Bank of El Salvador
BP/BoP	Balance of Payments
CAPTAC-DR	Regional Technical Assistance Center for Central America, Panama, and the Dominican Republic
CASI/AAIS	Annual Accounts by Institutional Sectors
CEFAFA	Pharmaceutical Center of the Armed Forces
CEI	Integrated Economic Accounts
CEH	Comisión Ejecutiva Hidroeléctrica Rio Lempa
CSI	Office of Institutional Sectors
DCN	Department of National Accounts
DEFF	Department of Financial and Tax Statistics
DIGESTYC	General Office of Statistics and Census
DSE	Department of the External Sector
GDP	Gross Domestic Product
GEECO	Office of Economic Statistics
NA	National Accounts
NPES	Nomenclature of Products from El Salvador
NPISH	Non-Profit Institutions Serving Households
RoW	Rest of World
SAC	Central American Customs System
SUT	Supply and Use Table
TA	Technical Assistance

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

- 1. A Technical Assistance (TA) Mission from the Regional Technical Assistance Center for Central America, Panama, and the Dominican Republic, visited the city of San Salvador, El Salvador, on August 13–24, 2018, to provide TA to the Central Reserve Bank of El Salvador (BCRES) on compiling annual accounts by institutional sectors (AAIS) from 2014 onwards, as part of the data series from the base year of 2005. In March 2018, the BCRES published a dataset of quarterly and annual national accounts series by economic activity; a monthly volume indicator; backcasted series from 1990–2014; and Supply and Use Tables (SUT) from 2005 and 2014, with a base year of 2005. As part of the dataset to be prepared and disseminated in the new 2005 base year, the authorities requested TA to compile annual accounts focusing on institutional sectors starting in 2014.**
- 2. The 2008 System of National Accounts (2008 SNA) proposes two approaches to measuring the economy: one using economic activity based on the establishment as a statistical observation unit; and the other with an institutional focus based on the enterprise as the observation unit.** The national accounts statistical office usually starts developing accounts by economic activity starting from measurements of Gross Domestic Product (GDP) focusing on production, which are used to calculate production and income-generating accounts, supplemented by the GDP expenditure approach, and then included into the SUT. The institutional sector approach is developed from the economic framework provided by economic activity, and it breaks down the economy into five institutional sectors, for which economic accounts are sequenced describing the economic process from production to retained earnings, and a broader approach is used to determine net income or wealth.
- 3. The mission noted that some of the recommendations from previous TA mission had been completed.** Important progress was observed in incorporating the 2008 SNA classifications of current transactions and financial and non-financial assets in the institutional unit work files that have administrative data; banking, insurance, central government, and decentralized institutions. Likewise, recommendations were implemented for grouping institutional units that simplify the sequencing of accounts and enabled work to be done on time series starting in 2014.
- 4. In terms of compiling the Rest of World (RoW) account, classifications were compared for current transactions and financial flows from the Balance of Payments (BoP) statistics compiled by the BCRES.** The data incorporated in the RoW account are different from those in the BoP, because of adjustments made during the SUT balancing process to imports and exports. These differences are due to the treatment of assembly-plant data and allocations for smuggling.

5. **At the time of this mission, the final version of the 2014 SUT had not been finalized and as a result, the institutional accounts could not yet be integrated.** There is considerable room for improvement for the SUT team to develop a more efficient and timely process in preparing the annual SUTs. After the mission, the 2014 SUT was received and the following comparisons were made with the base year of 2005 (Table 1). The percent share of GDP by institutional sector for both years shows that the biggest changes occurred in the general government sector, which increased from 10.4 percent in 2005 to 11.8 percent in 2014. The household sector share declined over the same time period from 26.5 percent in 2005 to 24.5 percent in 2014. Given this declining share, household-sector measurements should be reviewed, to identify which economic activities are impacting household shares. The results should also be validated using the employment matrices. The other institutional sectors have not reported major changes in their contribution to GDP.

Table 1. Comparisons of Percent Share of GDP by Institutional Sector, from Base Years 2005 and 2014



6. **The compilation of the AAIS requires a great deal of work and research. The mission suggested that the Office of Economic Statistics (GEECO) define and provide the priorities of the project for the Department of National Accounts (DCN).** Although the current DCN organizational structure provides for a Coordination of Institutional Sectors, this project requires the collaboration of other areas and timely availability of economic activity calculations.

7. **In this context, the TA focused on three key areas of work that will enable the BCRES to compile the AAIS from 2014 and onward.** They are the following:

- **Develop a sequence of institutionally grouped annual accounts for the government, the financial sectors, and the RoW, for 2014 to 2016 and thereafter, based on the 2008**

SNA. Prepare economic classifications of current transactions and balance sheets, taking advantage of the solid information available for those institutional sectors.

- **Prepare both the Goods and Services and the RoW accounts from 2014 to 2016, base year 2005.** Prepare comparative tables that identify and explain the numerical and conceptual differences between RoW and BoP and establish an internal working group to solve the differences in the medium term.
- **Identify the benchmark variables for each transaction and institutional sector.** This will enable the specialists to validate their figures and provide the basis for the transaction matrices.

8. The following priority actions are recommended to complete the first version of the 2014 AAIS, which can then be reproduced for subsequent years that have SUTs.

Table 2. Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
October 2018	Provide the Office of Economic Statistics' the priorities for the DCN's work in terms of scope and time required for the compilation of the 2014 AAIS. The AAIS should be reviewed internally and approved for subsequent dissemination.	BCRES
December 2018	Complete the sequence of accounts for the following sectors; the financial sector, the general government sector, the Non-Profit Institutions Serving Households (NPISH), public enterprises and the RoW for 2014–16.	BCRES
December 2018	Strengthen the process and adjust the time assigned for compiling the 2014–16 SUTs	BCRES

Further details about the priority of recommendations and related actions/milestones can be found in the action plan under *Detailed Technical Assessment and Recommendations*.

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDED ACTIONS

Priority	Action/Milestone	Risk Assumptions / Verifiable Indicators	Target Completion Date	Actual Completion Date	Implementation Status
Outcome Sequence of Financial Corporation sector accounts					
High	Complete the 2014–2016 sequence of accounts for banking and insurance, aggregate public and private sectors, and for foreign accounts. As well as, aggregating intermediaries for validation.	Create a complete sequence of accounts file.	December 2018		
High	Review the number of enterprises that control non-financial and financial entities and obtain their financial statements to compile the estimates for 2014-2016 and onwards.	Documentation including research findings	December 2018		
High	For unregulated intermediaries, define the group the represents at least 80 percent of the credit or deposit portfolio. If an entity accepts deposits, prepare the sequence of	Obtain sample of intermediaries	December 2018		

Priority	Action/Milestone	Risk Assumptions / Verifiable Indicators	Target Completion Date	Actual Completion Date	Implementation Status
	accounts based on the classifications created for banks				
Outcome Sequence of General Government sector accounts					
High	Obtain from the government-accounting department a complete listing of public-entity accounts to prepare a unique classification of accounting items and intermediate accounts. This will facilitate a uniform and consistent reporting of government's account to the national accounts.	Develop a frame of entities that make up the public sector in El Salvador	October 2018		
	Request more detailed information on current and capital transfers from the four government subsectors, to be able to identify the beneficiaries of transfers and proper reconciliation of amounts in intra-governmental cases.	File containing details on current and capital transfers paid by the government			
	For social security funds, reconcile the figures from contributions and	File for reconciling social-security fund sources			

Priority	Action/Milestone	Risk Assumptions / Verifiable Indicators	Target Completion Date	Actual Completion Date	Implementation Status
	social benefits received and paid from the source of accounting information and the official published annual reports. These figures should be used to classify contributions and benefits for life and non-life. Assigning pensions as life and the rest as non-life.				
	Based on the work done during the mission for the central government for the years 2014 and 2016, complete the classifications of decentralized institutions, social security funds and municipalities,	2008 SNA transaction classification file			
	Revise the social-contribution amount that CEFafa receives when consolidating social contributions and distributing social benefits, to make sure they are recorded as a benefit received	Document analyzing CEFafa's operation and defining how its handled in the current change of base year and propose next steps for following rebase year.			

Priority	Action/Milestone	Risk Assumptions / Verifiable Indicators	Target Completion Date	Actual Completion Date	Implementation Status
	by social-security households.				
Outcome Goods and Services Account and Rest of World					
Medium	The GEECO should create a working group with the BoP and the DCN to agree on appropriate changes to the foreign-trade database so that the estimates will be consistent and coherent.	Establish working group to reconcile trade estimates	February 2019		
High	National account series should be reviewed in periods closer to the study year; likewise, the SUT's compilation should be timelier and with less frequent review checks.	Review GEECO priorities and work processes.	March 2019		
Medium	We recommend that the DCN ask the Department of Tax and Financial Statistics (DEFF) for annual statistics on the financial system's liquidity from December 2013 on.	Develop an Agreement/MOU to obtain the liquidity data	September 2018		
High	review the time required to complete a full production cycle including dissemination and	Review the tracking of work processes and timeliness for complying with the BCRES's	September 2018		

Priority	Action/Milestone	Risk Assumptions / Verifiable Indicators	Target Completion Date	Actual Completion Date	Implementation Status
	publication of data.	committed statistics.			
Outcome CASI consolidated file					
High	Review the consolidated institutional sector file which is based on transactions already defined by the 2008 SNA. Modify the CEI's process to allow for transactions to be balanced before being entered into the CEI.	Consolidation file completed and reviewed	December 2018		
Outcome Sequence of Non-Financial Corporations, Non-Profit Institutions Serving Households (NPISH), and Households as Producers sector accounts					
High	Complete the review of CEL liabilities and reproduce the same classifications for the other public enterprises. Follow bank procedures to reproduce the sequence of accounts.	Public enterprise work file completed and reviewed	August 2018	March 2019	
Low	For the 69 private non-financial corporations, consider obtaining information from the financial statements with information newsletter) for 2013–14 to validate the data	Assign a person to gather and analyze the information.	January 2019	March 2019	

Priority	Action/Milestone	Risk Assumptions / Verifiable Indicators	Target Completion Date	Actual Completion Date	Implementation Status
	and evaluate how inputs can be used for compiling the private non-financial sector.				
High	Complete the reclassification of NPISH transactions from the 1993 SNA to the 2008 SNA NPISH, using the available correspondence table. After Once completed prepare the sequence of accounts.	NPISH file with sequence of accounts duly classified with the 2008 SNA	December 2018	March 2019	
High	Before finalizing the balancing of the SUT, review the consistency of production accounts by economic activity for households as producers and non-financial corporations, to ensure that each sector's activity share is consistent.	Review contributions to GDP by institutional sector at the same time as completing the SUT.	August 2018 and thereafter		

SEQUENCE OF FINANCIAL CORPORATIONS AND GENERAL GOVERNMENT SECTOR ACCOUNTS

A. Financial Corporations Sector

9. **Prior to the mission, the DCN's Office of Institutional Sectors (CSI) prepared a concordance table of current transactions and assets based on the 1993 SNA with that of the 2008 SNA.** This concordance file will be used to properly reclassify institutional units with administrative records in the sequence of account files.

10. **The classification of financial intermediaries and auxiliaries was reviewed with the 2008 SNA's sub-sectoring.** The subsector classification should identify the activity that the intermediary undertakes, based on the composition of its assets and liabilities and its funding source.

Banking and Insurance

11. **For the economic units that have administrative data and annual survey data of income, expenditures, assets, and liabilities, the work files provide two types of estimates, a production and income-generating account by economic activity and the sequence of accounts.** For both the financial sector and government sector, annual compilations have been prepared continuously since 2005, with an emphasis on preparing these accounts by economic activity, while current and capital accounts were sequenced only for 2005, with an approximate version of the sequence of accounts as of 2006, based on the 1993 SNA. This was done, even though the AAIS had not been consolidated after 2005. That work was the basis for the recommendations made during the mission in February 2018.

12. **The classifications of banking and insurance institutions were reviewed at the individual micro level and by examining the organizational structure of the entity.** Once the reclassification is updated using the 1993 SNA-2008 SNA correspondence table, the results will be used for classifying all other financial entities. The groups agreed upon were public, private, and foreign-controlled.

13. **The 2008 SNA introduced a new treatment for insurance output, current transactions and assets, and should be reconciled with the RoW treatment of insurance.** During the mission, the CSI staff were told that when measuring the output of insurance institutions, they should identify imported and exported reinsurance transactions to and from overseas, based on the insurance sector's statistics. Those figures should be reconciled with those of the BoP, which normally uses the same source of information.

14. **As with the current measurement of non-life insurance output, a cost-of-service component should be estimated, including property income and a net premium of this**

cost for reinsurance transactions to and from overseas. The cost of importing or exporting reinsurance purchased or sold, respectively, is part of the foreign goods and services account. Property income is recorded in the primary income assignment account. The net premium is a current transfer recorded in the secondary distribution of income account as a net premium in respect of non-life reinsurance whenever reinsurance is purchased, and net compensation in respect of non-life reinsurance in cases where reinsurance is ceded. In all cases the counterparties are with the RoW.

15. The definition of foreign-controlled was resolved with the help of the external sector team, who explained that the control of an entity is based on the residency of the owners of the banks' and insurers' foreign capital. Thus, there will be a small share of foreign capital in the depositary companies and insurers subsectors, while information must be obtained from the controllers, and the pertinent sequence of accounts should be prepared for inclusion in the financial corporation's sector, as recommended in the *2008 SNA*.

Other Financial Intermediaries

16. Within the financial corporation's sector there's a set of unregulated financial intermediaries that do not have approved financial data to be grouped together into a sub sector, as was done in the case of banking and insurance. For this set of intermediaries, action should be taken to review the characteristics of the data as well as to define the group consisting of the largest entities. For example, entities that account for at least 80 percent of the credit portfolio or deposits should follow the same sequence of accounts as banks, if they accept deposits.

Recommendations:

- Complete the sequence of banking and insurance accounts from 2014 to 2016, and aggregate private, public, and foreign data.
- Research the number of corporations that control financial and non-financial corporations and request the accounting data necessary to prepare the sequence of economic accounts for the series from 2014–16 and thereafter.
- For unregulated intermediaries, define the institutional units that accounts for at least 80 percent of the credit portfolio or deposits, if they are deposit-takers, and prepare the sequence of accounts based on the classifications developed for the banks.

B. General Government Sector

17. The Office of Economic Statistics (GEECO) held a joint meeting with the Resident Expert on Public Finance Statistics from the CAPTAC-DR, representatives from the Ministry of Finance, Government Accounting, the BCRES, the Head of the National Accounts Department, and the Head of the Department of Financial and Tax Statistics (DEFF), who

also signed this report. The meeting was requested by BCRES authorities to provide guidance on the work done by the National Accounts (NA) mission on matters of institutional sectors with the work being done by the Public Finance Statistics mission. The group discussed the institutional classification of El Salvador's public-administration agencies.

18. The Public Finance Resident Expert explained the progress achieved in their mission on harmonizing the classification of entities among levels of interest in El Salvador. Even though those same guidelines are shared on institutional-sector matters among public finance and the NA, one of the mission's conclusions was that the institutional classification of public finances can be continuously revised. For national accounts, however, once an institutional unit has been defined in an economic activity or institutional subsector, a broad review process must be used to reclassify the economic units, which is based on the main source of income, type of output generated, and composition of capital.

19. The undersigned parties hereto asked whether it was possible to include an institutional-subsector proposal on the list of public-sector entities that would serve as a basis for reconciliation with NA. The answer was no, and the reason given was that the format had not been agreed upon. As such, a note was made of this meeting and the premises regarding the classifications of units and data sources used for the NA, which would differ from the BCRES's own public-finance statistics.

20. The department in charge of preparing government measurements made major progress in reviewing the classifications of transactions based on the 2008 SNA during the mission. As per the recommendations, the data from decentralized institutions were able to be grouped into four segments that allowed for measurements to be properly made for each economic activity and facilitating the sequence of accounts. The central government was aggregated with the various entities that comprise it. Municipalities and social-security funds are still pending.

21. Classifications of 2008 SNA transactions from the central government and decentralized institutions were reviewed and changes were suggested. It was noted that all levels of the public sector, government, and enterprises share the same accounting catalogue. This is a major advantage when preparing accounts and reproducing measurements by institutional subsector and series of years, as long as the catalogue does not get revised.

22. Transactions for social-security funds should be reclassified based on the work done for the central government. Particular attention should be paid to contributions and social benefits, which, in the government's records, are presented as transfers. The composition of national accounts should be analyzed (employer, employee, volunteers, supplemental, allocated), origin (social security and other unemployment insurance), and by use (life and non-life). Official data sources should be used for these purposes, such as annuals or management reports, and the records among the many available sources should be duly reconciled.

23. The DCN has four public entities registered as social security funds, including the Pharmaceutical Center of the Armed Forces (CEFAFA). The CEFAFA, in addition to providing benefits in-kind to those insured among its coverage (medications), has permission to sell to third parties. This economic unit's income was reviewed, and it was found to receive a social contribution, income from the sale of medications, and a cost for this same item. Since the 2005 base year, this economic unit has been measured as a non-market producer (sum of costs), and it is included in the SUT as an expenditure on final consumption. Its records indicate that it could be a public enterprise with market output and a non-market component owing to the individual social benefits granted. However, it cannot be reclassified in the current base year, because of the revision and distortion it may cause to the time series.

Recommendations:

- Obtain from the government accounting department a complete catalogue of public-entity accounts to create a single, uniform classification of accounting items and intermediate accounts to be uniformly transferred from government accounting to national accounts for the general government.
- Request more detailed information on current and capital transfers from the four government subsectors to obtain better data to be able to identify the transfers' beneficiaries and to properly reconcile amounts regarding intra-governmental transfers.
- For social-security funds, the contributions and benefits figures that are received and paid out among the source of accounting information and officially published annuals and reports should be reconciled. The reconciled figures should be used to classify the contributions and benefits to life and non-life, assigning pensions to life and everything else to non-life.
- Complete the classifications based on the 2008 SNA of decentralized institutions, social security funds, and municipalities, based on the work done during the mission for the central government for 2014 and thereafter.
- Revise the amount of social contributions that the CEFAFA receives when it consolidates social contributions and distributes social benefits from social security funds to ensure the transaction is recorded properly as a benefit received by households provided by social security.

C. Goods and Services Account and Rest of World (RoW) Account

24. Starting in 2014, the BCRES decided that it will prepare annual SUTs, and on the date of the mission, the one from 2014 was being closed out with the series adjusted for foreign trade and assembly-plant data. According to what the mission was told, the 2014 SUT was to be published in September 2018, and the SUTs from 2015 and 2016, in March 2019.

25. Before the mission the DCN was asked to provide the 2014 SUT to work with definitive economic data for the AAIS. That was not possible owing to the considerable

changes to the previous series, and the technicians had to verify the data provided. The DCN ought to properly assimilate the process of integrating and reconciling the SUTs and reviewing the consistency of changes that are made to both the economic activity accounts and to their distribution to households and non-financial corporations. Furthermore, it is important for department coordinators to review the changes and to set revision deadlines, especially for earlier year estimates.

26. The mission explained that a necessary condition to produce the AAIS is the availability of the SUTs, production and income accounts for the full economy, and the activities of the government and the financial corporations sector. The SUT is an aggregate of the Goods and Services Account that ties together the measurement approach by economic activity and institutional sector. The AAIS depends on the availability of the SUT; therefore, the compilation of the AAIS cannot begin until the process of the SUT has been completed. Not having the SUTs or having partial SUTs without the definitive accounts on production and income generation by economic activity may impede the work on the AAIS. As well as the reconciliation between non-financial corporations and households may introduce additional risk factors for consolidating the AAIS. This work should be done using an institutional-sector approach, given that the NA teams have already assimilated and controlled the accounts by economic activity. The mission drew up a list that must be followed to complete the institutional sectors (Annex I).

27. While the series of national accounts from the 2005 base year were published, in March of 2018, the External Sector department at the BCRES published a revised series of Balance of Payments (BoP) data from 2012 onwards, incorporating changes to foreign-trade data. This data was included in the national account series from the 2005 base year on a later date, as such, the NA figures published in March 2018 have already been revised from 2012 on.

28. The Office of Economic Statistics (GEECO) at the BCRES is the department responsible for statistics on the external sector, national accounts, public finances, and monetary/financial accounts. As part of the AAIS project, the GEECO was asked to set up a meeting with the heads of the various departments to identify any problems with reconciling the figures.

29. In the case of the BoP, the External Sector Department (DSE) does not have detailed knowledge of the NA's reconciliations or the revision policy. The BoP series are published quarterly, and are only revised one quarter before, and two years prior to the study year. Annual data available on the NA are gathered at the end of February and are revised over longer time periods, which results in a major lag in the revisions of both statistics.

30. In terms of public finances, the BCRES publishes figures in accordance with the 1986 Public Finance Statistics Manual, and there are differences in terms of coverage of institutional units from the NA. It should be noted that the information that the NA

department uses is not the same as the BCRES's. The source data is the Government Accounting department, and the data are on an accrual basis for the central government, decentralized institutions, social-security funds, and municipalities. This information meets the NA's requirements; however, AAIS measurements for the general government sector will not match, nor can they be explained with the current public finance statistics of the BCRES.

31. In the case of financial statistics, some of these statistical series have already been used in the calculations of the financial corporations sector, based on the mission's recommendations from February. There are some additional data that the NA should provide to be more coherent with the financial statistics. The mission explained to the compilers of these financial statistics that it is important for the NA to be able to identify the issuer of public offerings, bank, and private debt to be able to identify the individual pension fund accounts managed by the Pension Fund Managers (AFP). Those figures should be reconciled with the ones provided by the financial data on the financial corporations sector. The statistic that includes all this information is the financial system's liquidity. The DCN should provide this information at the close of 2014, 2015, and 2016.

32. The department in charge of preparing the SUT at the DCN prepared the RoW account. In the annual calculations of the interplay between supply and demand, corrections are made to the foreign-trade database. These modifications create differences between the BoP balances and those presented in the National Accounts.

33. Foreign trade data are classified based on the Central American Customs System (SAC), and the SUT is prepared using the Nomenclature of Products from El Salvador (NPES). The reclassification of the SAC to the NPES, plus balancing supply and demand, are the sources of the differences between the BoP figures and those in the National Accounts.

34. For the Goods and Services Accounts by economic activity, the NA will obtain and use the data from the Foreign Sector accounts, however the AAIS will be based on the RoW account. It is highly recommended that both statistics be fully aligned in terms of classifications and criteria adopted at the national level. Processes to change the base year are an ideal opportunity to ensure alignment, as well as adopting a new method manual like the Balance of Payments Manual, Version 6. In the case of the BCRES, both processes have been completed and no differences are expected between those datasets.

Recommendations:

- The GEECO should set up a working group between the DSE and the DCN to agree on appropriate changes to the foreign trade database that will be consistent in both statistics.
- The National Accounts series should be revised during periods closer to the study year; moreover, the SUT work should be completed on time and have more frequent revision controls.

- We recommend that the DCN ask the DEFF for financial-system liquidity statistics from December 2013 onwards, on an annual basis.
- We recommend that the DCN improve the timeliness for the annual calculations taking into account the timeliness for dissemination of annual, quarterly, and monthly data.

D. AAIS Consolidation File

35. The mission revised the file that was used for the AAIS from 2005. These revisions need to be incorporated for the transactions from the *2008 SNA*, so that the files including the sequence of accounts for banks, insurance, and the central government can be used as the basis.

36. We noted that the Excel file comes directly from the consolidation of the subsectors and sectors, with discrepancies ranging from transactions up to the total economy. This process can be improved upon with a horizontal reconciliation mechanism by transaction that enables differences to be controlled and resolved, based on the Goods and Services accounts or directly measured variables that are used as totals of the transactions.

37. The method proposed is to have a balance of uses and resources on an independent spreadsheet in a separate form from the integrated economic accounts (CEI). This balance of uses and resources (assets acquired/liabilities issued) is prepared for all the SNA transactions that have codes P, D, AN and F. It makes use of goods and services accounts for P codes, where the transactions already have a defined amount, and what is done in the institutional accounts is to present it by institutional sector, in accordance with the framework for sequencing accounts by institutional category. This type of framework has two advantages: it builds in a control that avoids making matrices for transactions that do not require one (since they involve data vectors); and it enables discrepancies to be resolved before they reach the CEI stage, placing more importance on reconciling the national economic aggregates in the CEI.

38. The mission provided the coordinator of the institutional accounts a reconciliation example. The example showed how the data should be recorded, how to balance the uses and resources, and in identifying, and resolving differences.

Recommendations:

- Revise the institutional subsector and sector consolidation file based on transactions already defined in the *2008 SNA*, including the Goods and Services account.
- Develop a step before the integration of the CEI that would allow transactions to be balanced prior to being entered the CEI.

SEQUENCE OF NON-FINANCIAL CORPORATIONS, NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS (NPISH), AND HOUSEHOLDS AS PRODUCERS ACCOUNTS

- 39. Data sources and methods for non-financial corporations and NPISH were revised.** The consolidation proposed during the last mission considered a non-financial private sector that first brings together the non-financial corporations sector, households, and NPISH from the income allocation account to the financial account.
- 40. The mission reviewed the data sources for public enterprises.** During the mission and based on the data sources available for public enterprises (an accrual record based on the catalogue of public-sector accounts, source: Governmental Accounting), a request was made to review the work available for this subsector, NPISH, and private non-financial corporations.
- 41. The mission found mixed results for public enterprises.** There are six public enterprises that are covered, however because they are assigned to different technicians who work independently, the results are not consistent. Measurements have been done by economic activity and gross formation of fixed capital (FBCF), not like the ones compiled for banking and insurance. The sequencing of economic accounts has not continued.
- 42. The largest company was selected: Comisión Ejecutiva Hidroeléctrica Rio Lempa (CEL), and the classification of available transactions was reviewed based on the 1993 SNA to align it with the 2008 SNA.** During the mission, assets were reviewed, and we recommended that the liabilities should be reviewed next, until completed. A similar exercise was done for the central government. The BCRES receives data from public enterprises one by one, and accounting items are broken out to eight digits, unlike for the government, which go to five digits.
- 43. This company, CEL, has four subsidiaries for which the origin of capital has to be researched to allocate them to the appropriate institutional subsector - public or private non-financial corporations.** This could not be clarified at the meeting with those in charge of public-finance statistics, and the BCRES does not have the accounting opinions for these companies (or those of any public entity) that would enable their sources of income and composition of capital to be more accurately identified.
- 44. For the major private non-financial corporations, the BCRES has gathered accounting information from a set of 160 private companies,** 69 of which have complete accounting information from 2014. There is a lack of information prior to that year.

45. The mission reviewed the data of one private company and determined that it has been included in a database and duly validated. It could be used as a reference for the AAIS. However, this information has not been processed and is archived. The allocation of work within the DCN does not include an area or analysts that perform this activity.

46. For the NPISH sector, the DCN has gathered information through a biannual survey for 39 economic units that were selected based on a directory of non-profit institutions authorized by the Ministry of Governance and Territorial Development. Economic-activity work was individually done for each institution. The mission proposed that the sequencing of accounts for this institutional sector should be aggregated since a distinction in economic activity is not necessary.

47. In the measurements from the base year of 2005, these economic units are measured as non-market producers (sum of costs), with income from sales and the cost of goods sold (in those cases where it existed) left aside. The 2008 SNA acknowledges that NPISH can have market production that in such a case is less than their non-market production. Moreover, it acknowledges that these economic units can have profits from performing their activities, without being able to distribute them like financial and non-financial corporations are able to do. It is not advisable, for now, to change the measurement of production to include the market share, which ought to be done during the next change to the base year.

48. As part of the SUT calculations, economic-activity accounts have a calculation of households as producers that is used as the basis of accounting for production and income generation by institutional sector. As part of the balancing exercises for the SUT, it is important that the composition of economic accounts be revised for households and non-financial corporations, before the final balancing and the SUT has been closed. The reason for this, is that inconsistencies may appear in each of the corresponding segments and they can no longer be resolved, affecting the composition by institutional sector that is explicit in the AAIS.

49. The work schedule prepared during the February 2018 mission was reviewed, the timing was adjusted and the activities related to public enterprises and NPISH were included. The sequence of accounts should be prepared for the same period 2014–2016, based on the recommendations made. (See Annex II).

Recommendations:

- Complete the review of CEL's liabilities and reproduce the same classifications in the records of the five other public enterprises, as well as the sequence of accounts.
- Consider the possibility of gathering available information from private non-financial enterprises (69 financial statements with a data sheet) to validate the data and assess which inputs can be used in compiling the non-financial private sector.

- Complete the reclassification of transactions from the 1993 SNA to the 2008 SNA for the NPISH, based on the concordance table, and prepare a sequence of accounts for the sector.
- Review the consistency of production accounts by economic activity in their composition of households as producers and non-financial corporations, before the final balancing of the SUT, to make sure that share of each of the sectors in each economic activity is consistent across the series under consideration.

A. Officials Who Participated in the Mission

Name	Institution
Yudis Yanette Bonilla	BCRES
Celso Ricardo Coto Romero	BCRES
Hazel Mireya González	BCRES
Edgardo Ovidio Luna Escobar	BCRES
Wilfredo Antonio Viera	BCRES
Linda Elizabeth Ramírez Palomo	BCRES
José Alfredo Calderón	BCRES
Julio Roberto Torres	BCRES
Joaquin Alberto Pinto Medrano	BCRES
Jaime Méndez Solorzano	BCRES
Aída Mercedes Álvarez Rodríguez	BCRES
Sandra Teresa Pérez Avelar	BCRES
Carolina Beatriz Molina Medina	BCRES

Annex I. Reporting Requirements for the AAIS

Annual Accounts

1. Income-generating and production account by economic activity.
2. SUT, including income-generating account by economic activity.

Sequence of Economic Accounts by Groups of Institutional Units, Aggregated for Institutional Subsectors

3. Financial corporations (12 groups).
4. Government sector (13 groups).
5. Account 0, Goods and Services account.

Balance of Payments: Sector 2 Rest of World Account

6. Balance of Trade (Trade BD), reconciling with national accounts.
7. Current account.
8. International investment position.

Department of Financial Statistics

9. Financial and Statistical Information System (SINEF).
10. Bank balance sheets, sector balance sheets for monetary and financial statistics, standard forms, and non-accounting reports.

Government

11. Report on budget execution of income and expenditures: income and expenditures from a budget perspective.
12. Economic income report.
13. Financial situation report (balance sheet).
14. Contributions and social benefits, ISSS, IPSFA, and INPEP.
15. Social contributions to pension funds.
16. Government debt securities and total public sector (state financial-management report).
17. Breakdown of current and capital transfers.

Non-financial Corporations

18. Sequence of economic accounts for public/private enterprises: 1 CEL (subsidiaries), 2 CEPA, 3 ANDA (National Administration of Aqueducts and Sewers), 4 National Lottery [*Lotería Nacional de Beneficencia*], 5 International Fair Executive Committee (now the International Convention and Fair Center), and 6 Salvadoran Investment Corporation.
19. 69 major private companies: prepare the sequence of accounts and review their representativeness by economic activity.

Households and NPISH

20. Annual calculation of households as producers
21. The NPISH, sample of 30 companies, information is being requested from Finance on grants as reported by NPISH, review it to check whether it might represent a total.

Reconciliation Matrices

22. Interest
23. Current transfers intra and outside of the government
24. NPISH transfers
25. Dividends
26. Withdrawal of quasi-governmental corporations, check it
27. Taxes
28. Contributions and social benefits
29. Indemnity and net premiums
30. Financial assets

Work Schedule of Accounts by Institutional Sectors from the El Salvador Mission August 2018
2014-2016 Series and thereafter

Activity	2018				2019				2020															
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
PERIOD FOR ACCOUNT PREPARATION BY INSTITUTIONAL SECTOR	2014								2015 & 2016															
1 Sequencing of accounts for S.1 Total Economy, annual basis (up to net lending)																								
1.1 Preparing framework for integrating 2014																								
1.2 Inclusion of 2015 and 2016																								
2 Sequencing of accounts for el S.12 Finance Sector, annual basis. Current accounts, cumulative, balance sheets. 2014-2016.....																								
2.1 Classification of assets/liabilities based on SCN 2008																								
2.2 Preparing intermediate system on financial statistical balance sheet/national accounts 2013-2016																								
2.3 Central Bank, Banking and Insurance																								
2.4 Financial intermediaries with non-homogenous information, 2014																								
3 Sequencing of accounts for el S.13 General Government, Current accounts, cumulative, balance sheets. 2014-2016																								
3.1 Classification of assets/liabilities based on SCN 2008																								
3.2 Preparing intermediate system on government accounting/national accounts																								
3.3 Central Government, Decentralized Institutions (group)																								
3.4 Social Security and Municipality																								
4 Sequencing of accounts for S.11001 Public Enterprises and S.15 NPISH, Current accounts, cumulative, balance sheets 2014-2016																								
4.1 Classification of assets/liabilities based on SCN 2008																								
4.2 Preparing intermediate system on government accounting/national accounts (public enterprises) and survey/national accounts (NPISH)																								
5 Sequencing of accounts for S.14 Households, annual basis. Production and income-generating account																								
6 Sequencing of accounts for S.2 Rest of World, Current accounts, cumulative, balance sheets. 2014-2016.....																								
6.1 Classification of current account transactions, SCN 2008																								
6.2 Classification of capital and financial account, SCN 2008																								
6.3 Classification of PII based on SCN 2008																								
6.4 Preparing an intermediate system on the balance of payments/national accounts																								
6.5 Obtaining the Rest of World account																								
7 Grouped estimate of non-financial private sectors. Financial Allocation Account to Financial Account																								
8 Matrices of current transactions by institutional sector. 2014 Series																								
8.1 Revision of classification and incorporation of the SCN 2008																								
8.2 Interest matrix																								
8.3 Dividends matrix																								
8.4 Removal of quasi-corporations matrix																								
8.5 Current transactions matrix																								
9 Financial transaction matrices. 2014-2016 Series																								
9.1 Revision of the classification and incorporation of the SCN 2008																								
9.2 Deposit matrix																								
9.3 Debt securities matrix																								
9.4 Loan matrix																								
9.5 Other accounts payable and receivable matrix																								
10 Fund flow matrices. 2014-2016 Series																								
10.1 Revision of classification and incorporation of the SCN 2008																								
10.2 Asset flows table																								
10.3 Liabilities flows table																								
11 Preparation of file to integrate accounts by institutional sector																								
11.1 Review of aggregated transactions																								
11.2 Review of grouping by institutional sectors																								
11.3 Review of accounting balances obtained																								
11.4 Incorporation of documented evidence and validations																								
11.5 Preparation of scheme - summary of accounts																								
12 Integration of accounts by institutional sector to obtain results for the 2014 series																								