

# The new version of the NPI satellite account

This note looks at recent methodological developments concerning the satellite account of non-profit institutions (NPI). Readers should refer to the basic information published in 2004, entitled “Satellite account of non-profit institutions 2000-2001” (document only available in [French](#) and [Dutch](#)) for more detailed explanations on the following themes:

- the treatment given to associations in the national accounts;
- the objective pursued with the establishment of an NPI satellite account;
- the population targeted by the NPI satellite account.

## 1. Introduction

In this latest edition, the NPI satellite account has undergone some adjustments in both form and procedure for estimating certain aggregates, which nevertheless do not alter the basic philosophy or methodological principles.

These amendments have become necessary to maintain consistency with the central framework of the national accounts, which has been adapted in order to get a better understanding of the area of the economy made up by non-profit institutions, notably through the use of annual accounts filed with the National Bank’s Central Balance Sheet Office by non-profit associations and foundations. These accounts, filing of which began in 2006, were included for the first time in the central framework of the national accounts published in September 2011, going back to the year 2009.

Furthermore, the revision of the structural business survey of non-profit organisations (NPOs), which is run by the Directorate General Statistics and Economic Information (DGSEI) and on which the compilation of the NPI satellite account has been based since it was established, has also warranted some methodological changes in the estimation procedures.

While there has certainly been no change to the foundations of the satellite account, which serve to provide a detailed representation of the non-profit institution sector that is consistent with the central framework of the national accounts, use of new, richer and more accurate data sources, notably as a result of non-profit associations and foundations filing annual accounts, has enabled improvements in its substance. One direct consequence of this progress has been the inevitable emergence of breaks in series for certain economic aggregates between the old and new methodology. Consequently, it was decided to publish a *reworked and enriched version of the NPI satellite account* starting in 2009.

It should also be noted that some of the NPI satellite account tables have been amended, without however losing any pertinent information. A new section has also been inserted at the end of the publication to publish some basic statistics relating to the regional dimension of the population of non-profit institutions.

## 2. Dispersion of NPI among the institutional sectors

The point of having a NPI satellite account is to bring together all NPIs within a single institutional sector, which does not as such exist under the central framework of the national accounts ESA1995<sup>1</sup>, so as to emphasise its specific features and its economic weight. NPIs are actually scattered across the various institutional sectors of the national accounts on the basis of their own specific characteristics: nature of their output (market or non-market), type of goods and services supplied (financial or non-financial), origin of their main resources and whether under public or private control<sup>2</sup>.

This Belgian satellite account defines the associative sector by grouping together the following two NPI categories:

- (a) non-profit institutions, classified in the non-financial corporations sector (S.11), which are market producers and whose principal activity is the production of non-financial goods and services;
- (b) non-profit institutions which provide services to households and which are private non-market producers. These NPIs, classified in the non-profit institutions serving households sector (NPISH, S.15), produce goods and services intended for private consumption.

Insofar as the NPISH sector includes solely non-profit-making institutions, its accounts are fully incorporated in the NPI satellite account. On the other hand, the economic flows concerning NPI classified among non-financial corporations (S.11) must be isolated from the central framework in order to be included in the satellite account.

Since there are only very few of them, non-profit institutions whose principal activity consists of producing financial goods and services, and which are consequently classified in the financial corporations sector (S.12), are not included in the satellite account.

Lastly, the United Nations' Handbook on Non-profit Institutions in the System of National Accounts (United Nations, New York, 2003) stipulates that the NPI sector population is restricted to units that are institutionally separate from general government, in other words which are not under the control of and funded mainly by the public authorities. Grant-aided private schools with legal status of non-profit organisation, which fall under the general government sector, are therefore excluded from the population under review.

## 3. Newly available or adapted information sources

Compiling national accounts requires the use of as much of the available information as possible. Moreover, the emergence of a new source of data is seen as an enrichment of the information base which implies a review of the methods used. This was the case with the annual accounts that large NPOs started filing in 2006. These accounts are used in the central framework of the national accounts and in the satellite account from the year 2009 onwards.

### 3.1 Annual accounts filed by some NPOs with the Central Balance Sheet

Since 2006, NPOs and foundations over a certain size have been required to file accounts with the National Bank of Belgium's Central Balance Sheet Office<sup>3</sup>. The smallest non-profit associations and foundations are allowed to just file simplified annual accounts with the Clerk's Office of the Commercial Court.

Very large NPOs have to file their accounts with the NBB under the full format, while large NPOs can just use the abbreviated format.

<sup>1</sup> European system of national and regional accounts (ESA).

<sup>2</sup> The abbreviation NPI refers to the notion of Non-profit Institutions as defined in the European System of national and regional Accounts. This concept is broader in its acceptance than that of Non-profit Organisation (NPO) which refers to a particular legal form of incorporation of a company.

<sup>3</sup> The legal texts setting out the detailed requirements for associations and foundations when drawing up their financial report as well as the criteria for determining size classes are the Law of 2 May 2002, the Royal Decree of 26 June 2003 and the Royal Decree of 19 December 2003.

A non-profit organisation or a foundation is regarded as *very large* if:

- it employs more than 100 workers, as an annual average, expressed in full-time equivalents, or
- if more than one of the criteria below are exceeded:
  - an annual average of 50 workers employed, expressed in full-time equivalents;
  - 7 300 000 euro (excluding VAT) for total annual income, other than exceptional income;
  - 3 650 000 euro for the balance sheet total.

A non-profit organisation or a foundation which does not meet the above criteria is deemed to be large if it meets or exceeds more than one of the following criteria:

- an annual average of 5 workers employed, expressed in full-time equivalents;
- 312 500 euro (excluding VAT) for total annual income, other than exceptional income;
- 1 249 500 euro for the balance sheet total.

On this basis, when compiling the national accounts that were released in July 2012, the National Accounts Institute (NAI) had at its disposal 5 695 standardised sets of annual accounts of NPOs for the year 2010 that could be used for sectors S.11 and S.15. This gives a coverage rate of 30% of the total NPI population taken into consideration in the national accounts and in this satellite account. However, since it is the biggest NPOs that are obliged to file their accounts, coverage rises to almost 70% if a reference aggregate is selected, such as wages and salaries paid to workers employed in NPIs.

TABLE 1 ANNUAL ACCOUNTS FILES BY NON-PROFIT ORGANISATIONS (YEAR 2010)

	Number of units		Compensation of employees (millions of euros)	
	Central Balance Sheet Office <sup>1</sup>	p.m. population of NPI satellite account	Central Balance Sheet Office <sup>1</sup>	p.m. NPI satellite account (ESA95 concept)
Full format	1 011	-	8 632,6	-
Abbreviated format	4 684	-	3 208,0	-
Total	5 695	18 731	11 840,7	17 511,0
Cover rate		30,4%		67,6%

Source: NAI

1 Limited to non-profit associations and foundations classified in S.11 or in S.15.

### 3.2 New version of the structural business survey carried out by DGSEI among NPOs

A second source of information is the business structural survey among NPOs. While in the old version of the national accounts, and the satellite account, this was the main source of information for deriving a number of aggregates for NPIs, in the new version, the survey findings supplement the information gleaned from NPOs' annual accounts that is used in the estimation procedures.

Under the federal programme for administrative simplification, DGSEI has revised the questionnaire sent out to NPOs. Parts of it have been lightened and it has also been amended to bring it more closely into line with the structure the NPO annual accounts format and thus enable to complete all items whose content is known beforehand.

The new-look survey (the first results of which relate to the year 2010) is used in the national accounts and in the new version of the NPI satellite account. The survey provides information enabling corrections to be made to estimates based directly on the annual accounts of NPOs so as to meet the methodological requirements in force under the European System of national and regional Accounts (ESA) or to infer certain data breakdowns useful for

compiling the national accounts or the satellite account.

## 4. Adjustments to methods

There is a close link between statistics that make up the central framework of the national accounts and those included in the NPI satellite account, so that they can be compared with each other for macroeconomic analysis purposes. This close consistency was further reinforced when the new version of the satellite account was being drawn up.

### 4.1 Databases used

As already mentioned, the databases available are further expanded by the annual accounts filed by NPOs (see 3.1). This element has had a direct impact on the production of statistics of the central framework of the national accounts and, hence, the NPI satellite account. Apart from using this new source of information, in its work, the NAI generally also refers to other databases such as those comprising annual accounts of enterprises, NSSO declarations, VAT information files and survey results including those from the survey targeted specifically at NPOs (see 3.2). The same databases are used for compiling all the various statistics produced by the NAI, which ensures their consistency.

### 4.2 Calculating aggregates

Before annual accounts were available for non-profit organisations and foundations, the estimation method was mainly based on the wage bill (NSSO information) and from this, via the results of the structural business survey, a good many aggregates were inferred for NPIs.

The new estimation procedures use the annual accounts filed with the Central Balance Sheet Office as the primary source of information. These procedures are largely drawn from the methodology that has been used for a long time for non-financial corporations in the central framework of the national accounts<sup>1</sup>. Certain specific features of NPIs are nevertheless taken into account, notably the fact that, in the NPISH sector, output has to be valued at the total costs of production while in the non-financial corporations sector (including the NPIs that are classified in it), output is estimated on the basis of sales revenue.

In broad outline, the procedure for estimating macroeconomic aggregates for NPIs is from now on structured around two phases (similar to that for non-financial corporations):

1. Administrative aggregates directly based on information taken from the annual accounts and the NSSO are calculated;
2. These administrative aggregates are then converted into macroeconomic aggregates so as to conform to the ESA concepts by applying a series of corrections. In particular, the useful information for applying these corrections originates from the structural business survey of NPOs.

It should be noted that, in the first phase, the procedures for estimating administrative aggregates for NPIs that do not file any accounts with the Central Balance Sheet Office use as primary source wage information declared to the NSSO, to which extrapolation coefficients from the annual accounts and the structural business surveys are applied.

<sup>1</sup> For a detailed description of the method of estimating gross domestic product and gross national revenue, as well as quantified examples, readers should refer to the methodological document on national accounts [Method of calculation for gross domestic product and gross national income according to ESA1995 at current price](#) which is available on the NBB's website (Dutch and French only).

## 5. New classification of industries

As from the 2006 publication, the “International Classification of Non-profit Organizations – ICNPO” nomenclature set out in the “Handbook on Non-profit Institutions in the System of National Accounts» (United Nations, New York, 2003) has been dropped from the Belgian NPI satellite account in favour of the NACE-BEL 2003 nomenclature, so as to ensure more consistency in the various macroeconomic statistics released in Belgium.

Since 2011, the national accounts had to be published using the NACE-BEL 2008 classification of activities. The satellite account has also been revised to meet this requirement. In this connection, and in order to ensure the account's clarity, a new structure of industry breakdown has been introduced, and this is used for all the tables presented. This structure has been conceived in such a way as to better meet users' needs and to highlight the most representative NPI fields of activity.

TABLE 2 NEW INDUSTRY BREAKDOWN IN THE NPI SATELLITE ACCOUNT

	NACE-BEL 2008	
	Section	Division
<b>Agriculture and industry</b>	A to F	01-43
<b>Services</b>	G to N	45-82
Wholesale and retail trade	G	45-47
Accommodation and food service activities	I	55-56
Scientific research and development	M	72
Employment activities	N	78
Travel agency, tour operator and other reservation service and related activities	N	79
Office administrative, office support and other business support activities	N	82
Other services	H, J to N	49-81 excl 55, 56, 72, 78 & 79
<b>Education</b>	P	85
<b>Human health and social work activities</b>	Q	86-88
Human health activities	Q	86
Social work activities	Q	87-88
Residential care activities	Q	87
Social work activities without accommodation	Q	88
<b>Arts, entertainment and recreation</b>	R	90-93
Creative, arts and entertainment activities	R	90-91
Sports activities, amusement and recreation activities	R	92-93
<b>Other service activities</b>	S	94-96
Activities of membership organisations	S	94
Personal service activities	S	95-96

Source: NAI

## 6. Addition of a regional dimension

Several studies have already tried to find some answers to the issue of the regional dimension of the NPI «sector». To further enrich the statistics published by the NAI, it has been decided to release recurrent series of some basic statistics from level 1 of the NUTS Nomenclature of Territorial Units for Statistics, in other words by distinguishing between the country's three Regions: the Brussels-Capital Region, the Flemish Region and the Walloon Region. This regional dimension covers the number of NPIs, the salaried employment they create and the compensation of employees that they generate. In addition, for the last year covered by the satellite account, the number of jobs in NPIs is also broken down by region and by industry.

These statistics have the merit of being consistent with all the tables included in the NPI satellite account, as well as with the central framework of the national accounts.

## 7. Tables featuring in the NPI satellite account

### Table 1 – NPI's full sequence of accounts

This table contains the standardised structure of a sectoral account for all non-profit institutions, that is, for the total NPI population regardless of which institutional sector (S.11 or S.15) they are classified under. For the associative sector, it thus gives the conventional account balancing items: value added, operating surplus, balance of primary incomes, disposable income, adjusted disposable income, saving and net lending/net borrowing.

### Table 2 – NPI's market output and production costs by industry

This table details market output broken down between beneficiary groups, as well as production costs by industry.

Market output (P.11), estimated on the basis of NPI's sales revenue, is broken down according to whether it is intended for general government, the households, private sector's companies and NPIs, or for the rest of the world. It nevertheless constitutes only a part of their output since a significant proportion of the associative sector's output is of the non-market type, that is, output that is provided for free, or at prices that are not economically significant (P.13)<sup>1</sup>. It is worth recalling that associations finance part of their output by using donations from the private sector or aid from general government. Consequently, the market output (and thus market resources) of NPIs as a whole is less than their production costs. These costs are also set out in detail in table 2, separated by intermediate consumption (P.2), compensation of employees (D.1), consumption of fixed capital (K.1) and other taxes less subsidies on production (D.29-D.39).

Tables 2 and 3 of the old version of the NPI satellite account have thus been merged to form the new version of this table 2.

### Table 3 – NPI's transfer payments by industry (old table 4)

This table describes transfers received or made by NPIs, by breaking down the data presented in table 1 by industry. The transfers are detailed according to their origin and their destination (companies and NPIs, general government, households, rest of the world).

Among the transfers received by NPIs are most notably gifts and legacies received from households, and subsidies paid by general government to NPISHs. The transfers made by associations cover payments to households and the rest of the world, among others.

### Table 4 – Number of salaried employees, number of hours worked and compensation of employees in NPIs by industry (old table 5)

This table gives information about salaried employment in NPIs by industry. It shows the number of employees, the number of hours worked and employee compensation paid. It should be noted that there are no statistics on hours worked per person employed specifically in NPIs and it is therefore assumed that this average number of hours per worker is the same in NPIs as in other companies (non-associative) belonging to the same NACE-BEL activity group.

<sup>1</sup> In accordance with the ESA requirements, only NPISHs have non-market output (P.13). This is obtained from the balance after deducting market output resources (P.11) and output for own final use (P.12) from total output (P.1).

Table 5 – Place of NPIs in the institutional sectors, full sequence of accounts

(old table 6)

This table contains the standardised structure of the total economy account as provided for in the central framework of the national accounts. It presents the sequence of accounts by institutional sector by distinguishing within each sector data on the associative component. The relative share of NPIs in each institutional sector and in the total economy can be inferred from this.

Table 6 –NPI's production by industry and institutional sector

(old table 7)

This table presents output (P.1) of the national economy, by industry and by institutional sector and also distinguishes within each sector data on the associative component. This enables the share of NPIs in the output within each industry to be estimated.

Table 7 – NPI's gross value added by industry and institutional sector

(old table 8)

This table gives the gross value added (B.1g) of the national economy by industry and by institutional sector and also distinguishes within each sector data on the associative component. This enables the share of NPIs in the value added of each industry to be estimated.

Table 8 – Number of salaried employees in NPIs by industry and institutional sector

(old table 9)

This table shows salaried employment (given in number of workers) in the national economy, according to the new nomenclature by industry and institutional sector and also distinguishes within each sector data on the associative component. This enables the share of associative salaried employment in each industry to be estimated.

Table 9 – Regional dimension of the NPI account

This table presents basic statistics broken down according to level 1 of the NUTS Nomenclature of Territorial Units for Statistics, that is, distinguishing between the country's three Regions: Brussels-Capital Region, the Flemish Region and the Walloon Region. The statistics given are the number of NPIs, salaried employment and compensation of employees (table 9.1.).

It should be noted that, in compiling national aggregates, the population under study is strictly limited to NPIs employing salaried staff. In addition, an NPI that has establishments in several regions is recorded in each of the regions concerned. For these reasons, the total number of NPIs reported in table 9.1. differs from that shown in the summary table of the introductory commentary in the publication.

For the last year covered by the account, salaried employment in each region is broken down by industry (table 9.2.).