

**MINUTES OF THE ISWGNA MEETING OF OCTOBER 14-15, 2002
(PARIS)**

The meeting was attended by Willem De Vries (UNSD, chair), Adriaan Bloem (IMF), Barbro Hexeberg (World Bank), François Lequiller (OECD), Brian Newson (Eurostat) and Viet Vu (UNSD).

1. Adoption of the Agenda

The draft agenda (see Appendix 3) was adopted.

2. Review of actions agreed upon at the 8-9 April, 2002 meeting

Action	Responsible	By when	Comments
1. Nominations for Advisory expert group	ISWGNA	<i>May 15, 2002</i>	Done
2. Letter to Australian Bureau of Statistics concerning the Canberra Group	UNSD	<i>Asap</i>	Director of UNSD decided to discuss directly with the head of ABS.
3. UNSD will establish a database with institutional contacts and experts in national accounts	UNSD	<i>Next meeting</i>	Still in process
4. Preparation of summary table of issues and EDG's/task forces with timeframe and institutional arrangement	UNSD	<i>Next meeting</i>	Done
5. Further discussion of treatment of repurchase agreements	OECD/ Eurostat	<i>Next meeting</i>	Broad agreement on treating it as collateral loans. More research is needed on how to treat fees.
6. Report of EDG on treatment of interest on bonds	EDG moderator at IMF	<i>Next meeting</i>	Done.
7.a IMF will send around the TOR for an EDG on Un-funded pension funds for government employees	IMF	<i>Asap</i>	Still in process. IMF will set up the EDG and suggest the moderator.
7.b Members are requested to suggest a co-moderator	ISWGNA	<i>Asap</i>	
8. Note on employee stock option plans in SNA News and Notes	Eurostat	<i>April 2002</i>	Done.
9.a Note about start of EDG on non-performing loans in SNA News and Notes	IMF	<i>April 2002</i>	Done.
9.b Nomination of participants	ISWGNA	<i>April 30, 2002</i>	

10.a Preliminary report of the EDG/Task force on insurance / re-insurance	OECD	<i>Next meeting</i>	Done.
10.b Paper on developing countries	UNSD	<i>Next meeting</i>	In process.
10.c Note about the start of the task force will be included in SNA News and Notes	OECD	<i>April 2002</i>	Done.
11.a Preliminary report of the EDG/Task force on financial services	OECD	<i>Next meeting</i>	Done.
11.b Note about the start of the task force will be included in SNA News and Notes	OECD	<i>April 2002</i>	Done.
12. IMF examines possibility of printing the SNA News and Notes Russian language version at the IMF	IMF	<i>Next meeting</i>	Done.
13. Clarification which version of SEEA2000 is basis for the incorporation of the changes requested by the friends of the chair	UNSD	<i>Asap</i>	Done.

3. Assessment of the implementation of the 1993 SNA

(a) Conceptual compliance questionnaire

The conceptual compliance questionnaire was sent to all countries including member states of the OECD by the end of September 2002. From earlier experiences, all responses are expected to come in by April/May 2003. The assessment report will be submitted to the SC meeting in 2004.

(b) Data-quality assessment

The IMF has carried out a quality assessment for around 30 countries. The IMF will write a short report to be used in the report to the SC meeting in 2003.

4. Update / possible revision of the 1993 SNA

The ISWGNA reviewed the current incremental updating process and the list of issues for updating raised by experts in different countries. Also discussed were the role of the Advisory Group to the ISWGNA, EDGs, city groups and taskforces, the scope of updating, the role of consultation and coordination during the updating process and the issuing of the final output.

(a) Review of the current procedures for updating the SNA

At the 29th session of the SC on 11-14 February 1997, the ISWGNA was asked by the SC “to make concrete proposals for a process of updating the 1993 SNA, taking into account the need for a streamlined process and the need for adequate consultation.” The updating mechanism recommended by the ISWGNA was approved at the SC’s 30th session on 1-5 March 1999.

The following notes were provided by UNSD as chair of the ISWGNA to the October 2002 OECD meeting on national accounts during a special session called "Information on ISWGNA proceedings."

- The current updating mechanism for the SNA93 includes four types: editorial amendments, clarification beyond dispute, interpretation and change. The first two types need only a review by the ISWGNA but the third type requires a drafting of proposals assisted by a panel of experts, discussions by working parties or regional panels of experts and the final drafting to be reviewed and approved by the member countries of the SC. A change would require an additional step of discussions by national statistical offices in all regions. A change ought to tread with prudence as such because many countries are still facing a challenge in implementing the present version of the SNA.
- To review the issues which are candidates for updating, the ISWGNA until now relies on electronic discussion groups (EDGs), international and regional meetings on national accounts, city groups and, still in the planning stage, the Advisory Expert Group on national accounts to the ISWGNA. The list of existing and emerging issues is provided in Appendix 1.
- Some national accountants and countries, however, feel dissatisfied with the current incremental updating mechanism because for them the perceived and recognized deficiencies in the SNA93 should be more adequately and comprehensively dealt with to ensure the integrity and consistency of the System as a whole. In response to this criticism, the ISWGNA has been requested to explore the various options for reviewing and updating of the System.

(b) Future options for updating the SNA / SNA revision

The ISWGNA reviewed the various options for updating the System and made the following recommendations for the future updating of the SNA which will be presented in the next SC meeting:

Recommendation 1: Scope of the updating process.

In the 10 year since its adoption, the 1993SNA has shown a remarkable resilience in its usefulness in a changing environment. It has shown to be a robust framework that has gained broad appreciation. Therefore, at this time there is no need for fundamental or comprehensive changes to the System. Such changes would also impede the process of its implementation, which in many countries has not yet been achieved. Therefore, the ISWGNA recommends that the updating process should focus on a number of specific issues. One important element should be its internal consistency, and consistency with related handbooks, such as the Balance of Payments Manual.

Recommendation 2: Criteria for identifying issues for updating

The ISWGNA asks the SC to confirm the following criteria for identifying issues to be candidates for updating:

- Issues that are emerging in the new economic environment.
- Old issues that have been discussed and rejected before in the 1993 revision process but may need a further look in the new economic environment due either to their economic significance and/or to the advancement in methodological research that may justify a different treatment of the issues.

- Old issues that have been discussed and rejected before in the 1993 revision process should not be candidates for updating if no changes in the economic environment or progress in methodology research warrant their consideration for updating.

Recommendation 3: Managing of the updating process

The current updating mechanism managed by the ISWGNA will continue with the assistance from the Advisory Group on National Accounts to the ISWGNA. The operation of EDGs, city groups and taskforces allow that emerging issues will be identified and the possible solutions provided. The emerging issues and possible solutions will be forwarded to the ISWGNA. The ISWGNA with the help of the Advisory Group on National Accounts will review the issues and possible solutions. Issues and possible solutions that require an interpretation or a change in the SNA will be circulated as widely as possible to international and regional meetings for discussions before being submitted to the SC for approval. A change would require also the circulation of the recommendations to all national statistical offices.

Recommendation 4: Timetable for updating and implementation

By 2005, proposals to the list of issues mentioned in Appendix 1 should be ready for consideration and forwarded to the SC. All updated issues will be implemented as soon as they are approved by the SC. All approved updates will be integrated into the SNA93, Rev. 1 targeted for publication in 2008.

(c) Members and assignments of the Advisory Group to the ISWGNA

The list of experts was approved. They will be contacted by the UNSD. The final list will be given to the SC for information. Members of the Advisory Group will have a serving term of one year unless renewed.

The Advisory Group will start with the first meeting in 2003 to suggest and/or review the list of candidates for updating. The ISWGNA will provide the Advisory Group with a list of possible issues which are candidates for updating and a summary of the issues involved.

The Advisory Group will meet at least once every two years.

An invitation letter will be drafted by UNSD and circulated to the ISWGNA members for comments. The Director of UNSD will send out the letter.

(d) Relation between the ISWGNA and the Canberra II Group / Scope of the Canberra II Group

The Canberra II Group will have the title “Canberra Group on non-financial assets”.

The ISWGNA recommends that the terms of reference (TOR) of the Canberra II Group should not include human capital. Consumer durables should be treated in satellite accounts. The OECD will work with Australia to revise the TOR of the Canberra II Group before the end of November to be incorporated in a room document attached to the SC report.

It is recommended that reports of the Canberra II Group concerning the updating of national accounts be submitted for review to the ISWGNA, to ensure coordination with other SNA review issues.

5. Current EDGs and summary table

(a) Current EDGs

– **Treatment of repurchase agreement (repos)**

Experts in the OECD meeting in October 2002 noted that both the BOP Committee and the OECD FSWP had reached an overwhelming agreement that a repos is treated as a collateral for a loan. The remaining issue for further research is the identification/calculation of fees involved in the repos transactions. The IMF will consider how this issue can be furthered.

– **Accrual accounting for interest**

The ISWGNA supports the interpretation of the moderator of the EDG on this subject that the SNA accrues interest on the basis of the debtor approach. The IMF will write a statement with a summary of the issue and the recommendation of the ISWGNA and will forward it as soon as possible to the BoP Committee and the OECD FSWP (via Lequiller) for information. This statement will be then signed by the Director of UNSD and sent to the members of the Statistical Commission before 3 January 2003, 60 days before the SC meeting in 3-7 March 2003. The EDG will be closed.

– **Treatment of interest under conditions of high inflation**

The EDG on this topic did not arrive at a distinct conclusion. This issue will be put forward to the advisory expert group.

– **Un-funded pension schemes for government employees / pension funds**

At the request of the ISWGNA the IMF will expand the scope of its EDG on un-funded government pension schemes to cover *all* pension funds, as well as relevant social security and social assistance schemes. The OECD proposes a joint workshop in 2003.

– **Employee stock option plans**

Experts at the OECD meeting on national accounts in October 2002 arrived at the consensus to include employee stock options in compensation of employees. Further consultations on harmonization with international business accounting standards are required. OECD and Eurostat will conduct an informal consultation. The deadline for this EDG is May 2003. The proposal on this issue will be considered as an interpretation of the SNA. EUROSTAT will prepare a report in due time to be submitted to the SC for approval in 2004.

– **Treatment of non-performing loans**

The EDG on this issue is managed by the IMF. The deadline for this EDG is October 2003.

– **Insurance/ reinsurance**

The first report on this issue was discussed at the OECD meeting on national accounts in October 2002. The final report will be presented in the OECD meeting in October 2003.

– **Financial services**

The first report on this issue was discussed at the OECD meeting on national accounts in October 2002. The final report will be presented at the next OECD meeting on national accounts in October 2003.

EUROSTAT announced that member countries of the European Union will adopt the allocation of FISIM to users.

– **Software**

The final report of the EDG on the treatment of software was discussed and approved by experts at the OECD meeting on national accounts in October 2002. However, the so-called “double-counting” issue is expected to be pursued in the Canberra II group. The ISWGNA supports the recommendations of the final report. These recommendations on the measurement of software output are considered as practical implementation and do not need to be approved by the SC. EDG on software is closed.

– **Treatment of taxes on capital gains**

The seeming inconsistency in the SNA on the treatment of taxes on capital gains was raised by some member states in the OECD meeting and by the OECD in the ISWGNA meeting. It was pointed out that capital gains/losses are not treated as income but taxes on capital gains/losses are treated as part of the income accounts. The OECD has asked the ISWGNA to look into this issue. The OECD will circulate an issue paper.

(b) Summary table of issues

See Appendix 1.

6. SNA News and Notes

The ISWGNA proposed the following topics to be included in forthcoming issues of the SNA News and Notes (agencies responsible for the draft are shown in brackets).

No. 15 (April 2003) issue:

- Statistical Commission decision on updating issues (UNSD)
- Official position of the ISWGNA on the treatment of accrual accounting of interest (IMF)
- Allocation of FISIM by EUROSTAT (EUROSTAT)
- Treatment of insurance (OECD)
- Output of insurance in Malaysia (UNSD)
- Un-funded pension schemes (IMF)

Deadline: 1 April 2003

The IMF has agreed to print the Russian version of SNA News and Notes (as of No. 14).

7. Data issues

(a) Collection of quarterly national accounts data

The SC recommended that UNSD examine the possibility of collecting, in addition to annual data, also data on quarterly national accounts. The ISWGNA was informed that the IMF has regularly collected and published worldwide data on quarterly accounts. The OECD also published regularly quarterly national accounts data of its member countries. The ISWGNA recommends that the UNSD should not replicate the collection of these data.

(b) OECD experiment of cooperating with countries on putting data on national websites

The ISWGNA welcomes the experiment (NAWWE) of the OECD to work with countries to put national accounts data on the websites in the same format as used by international organizations. International organizations can then retrieve these data. Data do not need to be sent. This initiative is part of the SDMX project.

8. Task Force Report to the 2003 UN Statistical Commission

A draft of the outline of the Report of the Task Force on National Accounts was discussed. It was decided that the table with the summary of SNA related activities of ISWGNA member organizations (table 4 of the draft outline) will be presented as a room document instead of being a part of the SC report. This table should emphasize more on future activities.

9. Handbooks and manuals

Handbook on Environmental Accounting (SEEA 2000)

A summary of changes made to SEEA 2000 has been provided by Willem De Vries to the ISWGNA for review. The group has one month to respond. The deadline is 14 November 2002.

Manuals on industrial statistics

It is announced that during the 2004-2005 work plan, the UNSD and UN Industrial Development Organization (UNIDO) will cooperate in reviewing the following manuals and international recommendations to make them in line with the SNA93. In the process of review, experts group meeting are also planned:

- Manual of industrial statistics
- Manual on manufacturing indexes
- Manual on industrial surveys.

EUROSTAT expressed an interest in this joint effort.

Other handbooks and manuals

The following handbooks are in planning or planned for release:

- Handbook on ICP (World Bank).
- Compendium on poverty Statistics (UNSD with Rio group)
- Manual on PPP (OECD jointly with EUROSTAT)
- Manual on foreign trade price indexes (IMF)

10. Meetings, training and seminars

The members of the ISWGNA are requested to provide information on meetings, training and seminars etc. and also research activities to be included in the summary table of SNA related activities of ISWGNA member bodies, which will be provided to the SC as room document.

11. Other business

Meetings of the ISWGNA

It is decided that the ISWGNA meeting will from now on take place before the OECD meeting of national accounts experts.

The next meeting of the ISWGNA will take place in Washington DC on 10-11 April 2003.

The OECD meeting of national accounts experts will take place in Paris on 7-10 October 2003.

The ISWGNA meeting will be Friday, 3 October 2003 and Monday, 6 October 2003 in Paris.

Relation between ISWGNA and OECD

The OECD informs the ISWGNA that it will reserve a session at its annual meeting of national accounts experts to the ISWGNA for informing the OECD membership on its activities.

Queries by WTO

Brian will draft the response to WTO queries in one week.

12. Actions agreed upon at the 14-15 October 2002 meeting

Action	Responsible	By when	Comments
1. Preparation of the letter to invite experts to the Advisory Group on National Accounts	UNSD	<i>Asap</i>	To be sent out by Director of UNSD
2. Short report to SC on quality assessment of national accounts data	IMF	<i>Asap</i>	To be incorporated in report to SC submitted by 15 November 2002.
3. Table of issues for updating	UNSD	<i>Asap</i>	To be incorporated in report to SC submitted by 15 November 2002.
4. Setting the date for the first meeting of the Advisory Group on National Accounts	All	<i>Asap</i>	
5. Revise TOR for the Canberra II group	OECD	<i>Asap</i>	Deadline: end November 2002. To be incorporated in a room document to the SC.
6. Statement on the ISWGNA recommendation on accrual accounting of interest	IMF	<i>Asap</i>	Statement to be sent out for information to BOP Committee and OECD FSWP, and to SC members.
7. Establishment of an EDG and TOR for un-funded pension funds	IMF	<i>Asap</i>	
8. TOR for treatment of taxes on capital gains	OECD	<i>Asap</i>	
9. Letter to WTO	Eurostat	<i>Asap</i>	
10. SNA News and Notes			
10.a .SC decision on updating	UNSD	<i>Before 1 April 2003</i>	
10.b. Official position of ISWGNA on accrual accounting of interest	IMF	<i>Before 1 April 2003</i>	
10.c. Allocation of FISIM	Eurostat	<i>Before 1 April 2003</i>	
10.d. Treatment of insurance in Malaysia	UNSD	<i>Before 1 April 2003</i>	
10.c. Treatment of insurance	OECD	<i>October 2003</i>	
10.d. Un-funded pension schemes	IMF	<i>October 2003</i>	

Appendix 1
Summary table of issues presently under review

Topics	Responsible organization	Deadline	(C) Results of consultations And (D) ISWGNA decision	Issues
(1)	(2)	(3)	(4)	(5)
Treatment of repurchase agreement	IMF	Oct 03		The SNA93 treats Repos with cash as collateral loans (a newly created financial asset) unless they involve bank liabilities that are included in measures of broad money, in which case they should be classified as deposits. These treatments were adopted when the acquirer may not have the right to on-sell it. Given that legal change of ownership occurs virtually in all cases, what should be the appropriate treatment? (Problem exists as well for securities lending).
Accrual accounting of interest	IMF	Oct 02	(D) October 14, 2002, the ISWGNA decides to back the so-called “debtor approach” and to send its recommendation to the members of the SC as a point of interpretation of the SNA.	Whether the accrual accounting of interest is based on the initial contractual agreement (debtor approach) or on a current market rate basis (creditor approach)
Treatment of interest under conditions of high inflation	WB	Pending		The issue relates to the different treatment of interest payment under high inflation. One approach is included in the appendix B of chapter XX of the SNA. Another approach is described in Handbook of Inflation Accounting (OECD).
Pension schemes (employer, social security and social assistance schemes)	IMF			The problem relating to whether or not obligations for promised pension benefits, and the income thereof, should be recorded in the balance sheets and income accounts.
Employee stock option plan	Eurostat	May 03		Should stock option be included as compensation of employees? How should stock options be classified on the financial accounts and balance sheets? What are appropriate valuation and time of recording rules?
Treatment of non-performing loans	IMF	Oct 03		Should unpaid interest on NPL be stopped accruing? How are the financial accounts affected? Should NPLs be separately identified or revalued in the balance sheets?
Insurance/reinsurance	OECD	Oct 03		How to deal with catastrophic losses which create fluctuation in output of insurance to the point of making it negative.
Financial services	OECD	Oct 03		Measuring output of portfolio management. FISIM is not covered.
FISIM	Eurostat	Closed		Differences between Eurostat and other countries’ practices
Patented entities	Canberra II / OECD	2005		Should it be revisited in relation to the treatment of R&D
R&D expenditure	Canberra II / OECD	2005		Review of SNA treatment, asset boundary
Trade marks, brand-names and franchises	Canberra II / OECD	2005		Should they be treated as patented entities?
Leases and other transferable contracts, licenses to use intangible fixed assets	Canberra II / OECD	2005		Treatment of licenses (legal constructs) in general and mobile phones as rent or sale revisited. Are licenses to use produced and non-produced assets treated differently?
Asset boundary for non-produced intangible assets	Canberra II / OECD	2005		Legal constructs
Purchased goodwill	Canberra II / OECD	2005		Valuation
Other intangible fixed assets	Canberra II / OECD	2005		Clarify these items in the Annex to chapter XIII of SNA93

(1)	(2)	(3)	(4)	(5)
Calculation of consumption of fixed capital for intangible non-produced assets	Canberra II / OECD	2005		Methodology
Valuation of consumption of fixed capital for intangible produced assets	Canberra II	2005		Mineral exploration, entertainment, literary or artistic originals
Borderline between rent and sale	Canberra II / OECD	2005		
Cost of ownership transfer	Canberra II / OECD	2005		Calculation of consumption of fixed capital
Treatment of BOOT	Canberra II / OECD	2005		Issue of dual ownership
Capital input in production account for productivity analysis	Canberra II / OECD	2005		Should it be introduced to the core of the SNA or satellite account?
Other issues relating to measuring of capital stocks and consumption of fixed capital	Canberra II / OECD	2005		Asset price indices, age-efficiency profiles, age-price profiles, decommissioning and demolition costs
Consumer durables	Canberra II / OECD	2005		Capitalization of consumer durables. To be dealt with in satellite accounts
Capital gain taxes	OECD	Oct 03		Possible inconsistency: Capital gains/losses are treated not as income but as holding gains while taxes on capital gains are treated as income.

Appendix 2

ISWGNA MEETING, PARIS, 14 AND 15 OCTOBER 2002

List of participants

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Appendix 3

DRAFT AGENDA

ISWGNA MEETING, PARIS, 14 AND 15 October 2002

1. Adoption of Agenda
2. Review actions agreed upon at the last meeting
3. Assessment of the implementation of the 1993 SNA
 - (a) Conceptual compliance questionnaire
 - (b) Data-quality assessment
4. Update / Possible revision of the 1993 SNA
 - (a) Review of the current procedures for updating the SNA
 - (b) Future options for updating the SNA / SNA revision
 - (c) Members and assignments of the Consultative/Advisory Group for the ISWGNA
 - (d) Relation between ISWGNA and Canberra Group / Scope of Canberra Group
5. Current EDG's and summary table
 - (a) Current EDG's
 - Treatment of repurchase agreements
 - Accrual accounting for interest
 - Treatment of interest under conditions of high inflation
 - Un-funded pension funds for government employees (TOR by IMF)
 - Employee stock options plans
 - Treatment of non-performing loans
 - Insurance/ reinsurance (Task force)
 - Financial services
 - (b) Summary table of issues
6. SNA News and Notes
7. Data issues
 - (a) Collection of quarterly national accounts data
 - (b) Common standard of codes for national accounts data
8. Task Force Report to the 2003 UN Statistical Commission (Draft)
9. Handbooks and manuals
10. Meetings, training and seminars
11. Other business