

## **Minutes**

### **ISWGNA:NA meeting October 14, 2005 OECD, Paris**

**Participants:** C. Aspden, F. Lequiller (OECD); A. Bloem (IMF); D. Glatzel, P. de Rougement (Eurostat); I. Havinga (UNSD); L. Bratanova (UN-ECE); C. Carson (Project Manager); A. Harrison (Editor); B. Hexeberg (World Bank)

**The final agenda is attached as Annex 1.**

#### **1 Towards 1993 SNA Rev. 1: Drafting and review phase**

##### *Structure of the text in the revised SNA*

The ISWGNA:NA had a long discussion about how to structure the text, and how to incorporate revised and new text in the revised SNA. It was agreed that for new issues of major magnitude, new text could go into a new, separate chapter or annex. However, new/revised text should also be incorporated into existing chapters to make that text (e.g., description of all transaction within specific accounts) complete. For those issues where the impact is concentrated in one account or the revisions are of less magnitude, and for clarifications, revised text should be incorporated in the existing chapter discussing the phenomena, or in the case of new phenomena, where appropriate.

The meeting did not reach any firm agreement on the structure of each chapter or where to place any new chapter(s) or annexes in the revised SNA. The prevailing view was not to change the structure within chapters more than necessary. The ISWGNA:NA was in favor of having the revised SNA in one volume. It was realized, however, that this might not be technically possible due to the length of the revised text. Consequently it was agreed that the editor would circulate a note seeking the views of the ISWGNA on where they see scope for reduction in existing text and their views on which areas of expansion should be confirmed. It was confirmed that there will be an annex showing all the changes made to the revised SNA.

##### *Editing*

It was agreed to allow for some editorial touch-ups on the text in places where no pre-discussed changes or clarifications have been made. These touch-ups will not on a general basis need to be brought to the ISWGNA:NA for discussion. They will be flagged, however, for ease of identification. In the case of doubt about whether the revised text could create real changes to the SNA, the Editor shall up front bring the issue to the attention of the ISWGNA:NA.

With regards to text being provided by others (e.g., text for a chapter or annex provided by a task force), the Editor will work with the author to agree on the final version. The Editor will call for assistance from the Manager as needed.

##### *Versions and review*

The ISWGNA agreed on three draft versions of the revised SNA – and three rounds of reviews, before the fourth and final draft version is submitted to the UNSC for approval.

- (i) Version 1 (first draft of revised SNA) will be for review by ISWGNA (eagle eye).
- (ii) Version 2 will be publicly accessible on the web and widely distributed for comments. A letter inviting country comments will be sent to NSO and CB. All comments shall be made publicly available on the web, and it was noted that comments should be acknowledged, so as to let everyone know that their comments have been considered. The AEG will also be involved in the review of version 2. With regards to organizing the AEG-review, it was suggested that AEG members group themselves and review a particular part of the revised SNA. To ensure feedback, one person (the rapporteur) shall be made responsible for collecting and submitting the comments of the sub-groups to the ISWGNA:NA. The mandate of the review will be limited to looking for inconsistencies based on agreed recommendation and clarifications, as there will be no possibility to re-open issues.
- (iii) Version 3 will incorporate the changes emerging from the review of version 2 and will be for review by ISWGNA (eagle eye and substantive).
- (iv) Version 4 will be the one that is submitted to the UNSC for approval.

All members of the ISWGNA will be responsible for signing off on all revisions made to the draft based on comments received.

#### *Tranches for drafting and review*

The ISWGNA:NA had at its previous meeting in July considered the possibility of working with two equal-sized tranches scheduled out of sync to be a workable solution. Tranche 1 would be the “heart” of the accounts - chapter 6 – 16, plus those new parts of text relating to the accounts, and including the relevant glossary entries and tables and tranche 2 the remaining text, annexes, relevant tables and glossary. This would allow more time to review tranche 1, “the heart,” than would otherwise be possible.

The ISWGNA:NA agreed to hold two additional AEG meetings (after the February 2006 meeting) if the budget allows. One meeting would take place in early 2007 where the AEG would present their comments on version 2 of tranche 1, adopt the way ahead to finalize the “heart” of the SNA, and agree on how to deal with possible inconsistencies. A second meeting could be held in late 2007 (funding permitting) for the AEG to adopt the revised text for the “heart” of the SNA and look ahead towards implementation of the revised SNA.

#### *Consolidated recommendations*

The ISWGNA:NA agreed that the consolidated set of recommendations of all four AEG meetings would be made available at the web as soon as possible after the February 2006 AEG meeting. Rather than sending a separate letter to all NSOs and CBs asking for comments on the consistency of the consolidated recommendations, a sentence informing

them that the consolidated recommendations are available on the web and that comments were welcome would be added to the letter asking for comments on the set of recommendations from the February 2006 AEG meeting.

It was also agreed to refine some of the issue descriptions currently posted on the web in time for the review of the consolidated recommendations and as many as possible prior to the February 2006 meeting of the AEG. Each organization was asked to review the issues they had initially sponsored.

The meeting noted that several meetings such as the ECE/OECD/Eurostat National Accounts meeting in Geneva, April 2006, and the IARIW meeting in August 2006 will be used to discuss the consolidated recommendations and consistency.

### *Monitoring of progress*

To make the process as transparent as possible, the UNSD will maintain a progress database, with input from the Editor. The database will exist on three levels: (i) an aggregated version of progress towards version 1 of each tranche— chapter by issue – with color coding showing progress for the public eye; (ii) a more detailed version of the same for the ISWGNA with text explaining the status more precisely; and (iii) a separate project management database to track tasks and assignments for the development of versions 2 to 4.

## **2 Consultancies**

According to the budget included in the original Work Program for the Update of the 1993 SNA, some funds should be allocated for consultancies, among other for preparing a web-version of the revised SNA. The UNSD will look into the possible need for such a contingency, so that either a more specific estimate can be included in the budget, or the contingency can be taken out.

## **3 Specific updating issues**

### *a) Taking stock after the September – October task force meetings*

Task force on pensions: The IMF reported that the TF has made good progress, but that a few loose ends still need to be tied up: (i) While the task force has agreed on the main framework for a proposal on how to estimate production, some specifics still needs to be developed; and (ii) there are still some uncertainty with regards to the distinction between pension funds and social security. In this regard, the IMF took on responsibility to draft a solution to be circulated for review.

Canberra II: The OECD reported that the work of the Canberra II Group was finalized with the exception of a few smaller issues that are in the works and will be finalized within the next few weeks: (i) the issue of poor reporting on export and import of research and development, which will be brought to the attention of the BOPCOM and

NESTI; and (ii) the treatment of leases and licenses of non-produced assets, which is to be subject to an electronic consultation within the Canberra II Group. Based on the result of the consultation, the issue paper should be finalized by mid November.

Units meeting: The UNSD reported that a paper on issue #25a Ancillary Units will be ready for the AEG by mid November, and that a process is in place to deal with the treatment of issue #25e Special Purpose Vehicles and Restructuring Agencies. It was mentioned that even though the treatment of Restructuring Agencies has been discussed in several fora, there should be one paper only for the AEG. Thus, the UNSD was asked to collaborate with Eurostat on the development of one comprehensive paper.

Task force on harmonization of public sector accounting: With regards to issue #36 Delineation of Private/Public sector, it was informed that a revised version of the paper presented at the last AEG meeting is being prepared for consideration at the forthcoming AEG meeting. It was also noted that much of the delineation issue could be treated as a clarification. On issue #35 Tax credits, it was noted that as only minor clarifications remains to be settled. These will be incorporated into the draft chapter on the public sector and reviewed in this context. On issue #37 Activation of Guarantees, it was informed that a revised paper will be ready for the forthcoming AEG meeting. Furthermore, the paper on issue #34 Super dividends and capital injections, will present to the AEG two options for consideration. With regards to progress on the chapter on the government sector, the ISWGNA:NA was informed that a draft is under development and will be made available for review in March.

Task Force on Measurement of Equity: The ISWGNA:NA was informed that a paper on valuation of unquoted shares (issue # C8/C9) will be available by mid November.

*b) Mobile Phone Licenses*

Based on a request from the ISWGNA to the Canberra II Group in 2001 to look into the specific treatment of mobile phone licenses, it was agreed that the Canberra II Group would include this issue in their e-consultation on leases and licenses of non-produced assets (mentioned above) which is currently being developed.

*c) Issue #8 Interest Under High Inflation*

Following up on the decision of the first AEG meeting to take a broader look at how to deal with high inflation in general, it was agreed that the Editor would distribute a note to the ISWGNA with some suggestions on how to address the issue in the revised SNA. The ISWGNA is leaning towards including some paragraphs on how to deal with conditions of high inflation in the SNA in the general chapter on price and volume measures. This would be in place of the existing annex on the treatment of interest under high inflation which would be dropped.

*d) Issue #16 Government Owned assets: Assets Used in Non-Market Production*

Following up on the outcome of the discussion at the last AEG meeting, the Project Manager has discussed with country representatives the issue of including an estimate of capital services instead of consumption of fixed capital in the output measurement of non-market services, to try to understand better why some NSOs are opposed to the idea.

There seems to be several reasons for the opposition - some being opposed on theoretical grounds, while the majority of those opposed feel uncertain about which rate of return should be utilized and for which assets capital services should be estimated. There is a fear among some that inclusion of such an estimate would reduce the international comparability of GDP. For that reason, the ISWGNA:NA asked the OECD to develop a new paper that would address these concerns for presentation at the next AEG meeting.

#### **4 Preparing for the next AEG meeting**

##### *a) Issue Papers*

With regards to issue #42 Retained earnings of mutual funds and other collective investment schemes, the ISWGNA was informed that Eurostat in cooperation with the ECB – no further involvement of the BOPCOM – will prepare the paper for the next AEG meeting. The treatment has been agreed to in principle. However, a few clarifications are still outstanding.

On issue 43b Interest at concessional rates and debt rescheduling, it was noted that some more work is needed, but that a process is in place and that a paper will be prepared by the IMF and pre-circulated to BOPCOM for comment before the forthcoming AEG meeting. It was noted that there should also be a link to TFHPSA on this subject.

The meeting was informed that the team working on the BPM has identified two additional issues – treatment of currency unions and liabilities to repay SDR allocations – for consideration. It was agreed to await more information from the IMF before making any decisions on whether and possibly how to go forward with these issues.

##### *b) E-discussions*

In moving towards developing the agenda for the next AEG meeting, it was agreed to propose issues for e-discussion by October 31. It was noted that the number of e-discussions should not exceed 10 – 12.

##### *c) Agenda*

The ISWGNA:NA at its previous meeting agreed to allow time for some preliminary discussions of consistency issues at the forthcoming AEG meeting. In addition, it was agreed to include a session to inform the AEG about the “Updating Process.” Based on this and input regarding which issues to be dealt with via e-discussions, the UNSD agreed to prepare a preliminary agenda for discussion at the next ISWGNA meeting.

##### *d) AEG attendance and membership*

Because of the importance of having a representative AEG present at the February 2006 meeting, the ISWGN:NA decided to contact those AEG members who were not present at the previous meeting to learn whether they would be able to participate in the forthcoming meeting. UNSD took responsibility to follow up with the experts, and report

back to the ISWGNA:NA in this regard. If needed, replacement members of the AEG would be considered.

*e) Minutes*

Based on the positive experience of having one person solely devoted to writing the report(s) of the previous AEG meeting, the ISWGNA welcomed the offer by the Australian Bureau of Statistics and the IMF to pay for the rapportuer's time and travel. It was noted that all members of the ISWGNA should still take a proactive role in the drafting and reviewing of the reports.

*f) Chair of session*

Based on experience in following up from the last AEG meeting, it was agreed to expand the responsibility of the chair of session where the author of an issue paper was not present to inform the author on the outcome of the discussion. A sentence to this effect would be included in the note on the roles of presenters and chairs.

## **5 SNA session at the IARIW conference in 2006**

The manager, as one of the organizers for the SNA sessions at the IARIW conference, shared the draft program for the session with the ISWGNA:NA. Most of the proposed papers would be focusing on the revision of the SNA. The ISWGNA:NA made some suggestions, and it was asked that further suggestions be sent to the Manager by October 16.

## **6 Review actions from Previous Meeting**

There were no outstanding actions from the last meeting.

## **7 Upcoming ISWGNA conference calls**

Conference calls are scheduled for November 9 and tentatively for December 8.

## **8 Other business**

*a) Outreach*

The ISWGNA was informed about the upcoming UN-ECE/Eurostat/OECD National Accounts meeting taking place in Geneva, April 2006, where the first two first days will be dedicated to discuss the Review of the 1993 SNA. The ISWGNA:NA welcomed the opportunity to do some outreach, and noted that the agenda should allow for enough time to bring out the consolidated recommendations and to discuss consistency issues.

b) *Re-typing of the 1993 SNA*

The ISWGNA appreciated the UN-ECE's repeated offer to assist in re-typing material from the 1993 SNA that is not available in electronic format. The Editor will communicate with the UN-ECE regarding what needs to be done.

c) *Unofficial estimates of underground economy*

Based on some studies that have been undertaken by economists and researchers, estimates of the size of the underground economy exist for many countries. The ISWGNA:NA felt it was necessary to suggest that careful consideration should be given by international organizations before publishing such data, and if published, it is advisable that users should be cautioned and referred to the OECD-ILO-IMF-CIS manual on measuring the non-observed economy and to the UN-ECE survey of national practices, and as a bare minimum that a clear distinction should be made between what is to be seen as official data (from NSO, Central Banks and Statistical offices of international organizations) and other estimates made by researchers and economists.

OECD will circulate a version of the above paragraph that could be posted on each of our web sites, and/or disseminated to other departments of our organizations.

d) *Other*

- (i) The Editor will attend a meeting on updating the OECD Benchmark Definition of Foreign Direct Investment taking place in Paris in November.
- (ii) A meeting on Financial Soundness Indicators will take place at the IMF in December. It was noted that this might provide a good opportunity to seek input from experts in financial accounts for the forthcoming AEG meeting.

## **Annex 1**

### **Intersecretariat Working Group on National Accounts Meeting 14 October 2005 @ 9:30 am OECD, Tour Europe (la Défense), room E210**

#### **Draft Agenda**

- 1 Drafting and Review phase
- 2 Consultancies
- 3 Specific updating issues
  - a) Taking stock after the run of the September – October TF meetings
  - b) Mobile phone licenses
  - c) Interest under high inflation
  - d) Issue # 16
  - e) Other
- 4 Preparing for the next AEG meeting (February 2006)
  - a) Issue papers
  - b) E-discussions
  - c) Agenda
  - d) AEG attendance and membership
  - e) Minutes
  - f) Responsibilities of the Chair
- 5 SNA session at the IARIW conference in 2006
- 6 Review actions from previous meeting
- 7 Next ISWGNA meetings
- 8 Other business
  - a) Estimates of underground economy
  - b) Other



**Annex 2****Actions agreed upon**

	<b>Action</b>	<b>By when</b>	<b>By whom</b>
1	Resend proposal on structure of the revised SNA seeking comments on extensions and reductions	ASAP	Editor
2	Provide comments on checklist from Editor (Action 1)	Nov. 4	All
3	Refine issue descriptions (for issues in which organization is lead)	Mid Jan. '06	All
4	Look into the need for consultancies for preparing the web version of the revised SNA. (Are contingencies for this needed in the budget?)	End Nov.	UNSD
5	Provide guidance for the distinction between employer pension schemes and social security schemes	ASAP	IMF
6	Include in CII questionnaire on leases and licenses of non-produced assets questions re. the ISWGNA recommended treatment of mobile phone licenses	ASAP	OECD
7	Make proposal for change in coverage of text on compilation of NA under conditions of high inflation	End Nov??	Editor
8	Develop a new paper on issue #16, including specifics re. rate of return and assets for which a rate of return should be estimated	Mid Nov.	Editor
9	Follow up with BOPCOM re. new issues (treatment of SDR and currency unions)	ASAP	IMF
10	Propose issues for e-discussion	Oct 31	All
11	Prepare draft agenda for AEG meeting	Nov 7	UNSD
12	Follow up with experts who did not attend last AEG meeting	Nov 2	UNSD
13	Revise note for authors and chairs re. revised role of chairs	ASAP	Manager
14	Provide comments on draft agenda for IARIW session on SNA to Manager	Oct 16.	All