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UPDATE OF THE 1993 SNA: PROGRESS REPORT – JULY 2004

prepared by the
Intersecretariat Working Group on National Accounts (ISWGNA)

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Introduction

1. Over the last twelve months considerable progress has been made in the update of the 1993 SNA: a work programme was approved by the United Nations Statistical Committee (UNSC) in March 2004, the issues to be considered in the update have been identified, agreement on some issues has been reached by the advisory expert group (AEG), and good progress has been made with many of the other issues.

2. From the very beginning of the updating process, the ISWGNA has sought to make the whole process as transparent as possible and to involve as many interested parties as possible in the update. Articles have been published in *SNA NEWS AND NOTES* and ISWGNA members have given numerous presentations at conferences and seminars to provide information on the update. But probably the most important single development to further transparency and to promote involvement has been the creation of a website, maintained by the United Nations Statistical Division (UNSD) <http://unstats.un.org/unsd/nationalaccount/snarw1.htm>. On this website can be found:

- The work programme approved by the UNSC in March 2004
- A list of the issues to be considered in the update, with short descriptions of each and an indication of when each one is expected to be considered by the AEG
- Issue papers already considered by the AEG, together with the decisions of the AEG and comments made by others
- Issue papers approved by the ISWGNA and awaiting discussion at a future AEG meeting
- Minutes of the first AEG meeting held in February 2004
- Minutes of the ISWGNA meetings, and much more

The International Monetary Fund (IMF) has also created a website that provides detailed information on the activities related to the update, notably those conducted through the IMF Committee on Balance of Payments Statistics (<http://www.imf.org/external/np/sta/bop/bopman5.htm>) and the Task Force on Harmonization of Public Sector (<http://www.imf.org/external/np/sta/tfhpsa/index.htm>) accounts. The UNSD and the IMF sites are mutually hyperlinked, as is the United Nations Economic Commission for Europe's (UN ECE's).

3. The appointment of a project manager and editor is expected soon. Fund-raising to support the update process continues to be a high priority.

Management of the update process

4. The ISWGNA was charged by the UNSC at its meeting in February 2003 with the responsibility of managing the update of the 1993 SNA, and at its following meeting in February 2004 it expressed support for the work programme presented to it by the ISWGNA.

5. At this point it is worthwhile clarifying what the ISWGNA is and how it operates. The ISWGNA exists at two levels. At one level there is a group of senior national accountants from each of the five international organisations making up the ISWGNA. It is this group that meets frequently, prepares reports, etc. and is undertaking the 'nitty gritty' tasks associated with managing the update of the 1993 SNA. Overseeing this group are the statistical high-level executives of the five organisations whose role it is to monitor the progress of the update and to take any actions they see fit to ensure a successful outcome.

6. In response to the UNSC's emphasis on transparency and broad involvement the following steps are being taken:

- a) placing issue papers on the ISWGNA website as soon as possible; and to advise interested parties of the availability of issue papers on its website.
- b) consulting member countries directly by sending to all national statistical offices and central banks summaries of the changes recommended by the AEG (with reference to the website containing the issue papers) and asking for their comments; and
- c) presenting issue papers at regional meetings, if funding is available, preferably prior to the meetings of the AEG, currently planned for late November of 2004 and 2005. UN regional meetings are generally held in November and the Organisation for Economic Co-operation and Development's (OECD's) National Accounts Expert Meeting is held in mid-October. In both cases the timing is perfect to consider upcoming issue papers. It has been agreed that there should be a joint meeting of OECD and UN ECE members from 12-15 October 2004 in Paris to discuss update issues.

8. At the March 2004 meeting, the ISWGNA decided that it should increase the frequency of its meetings from twice a year to four times a year, and to have meetings by teleconference when it was not possible to meet in person. Hence, the latest meeting on 30 June was conducted by telephone.

9. At each of the last three meetings of the ISWGNA (October 2003, March 2004 and June 2004) one of the topics for discussion has been coordinating the update of the 1993 SNA with the Balance of Payments Manual (BPM) and the Government Financial Statistics (GFS) Manual. This is a critical task and one that the ISWGNA takes most seriously. At its latest meeting the ISWGNA reviewed the processes it had already put in place to coordinate the updates and concluded that no further actions were needed for the time being, but this process of review will be conducted at future meetings. It noted that:

- a) national accountants from ISWGNA institutions take part in the meetings of the IMF's Committee on Balance of Payments (BoP) Statistics and the Task Force for the

Harmonisation of Public Sector Accounts (TFHPSA); this participation should ensure that the implications for the SNA of proposed changes to the BPM or GFS will be carefully considered;

- b) all the papers and reports produced by the IMF's Committee on BoP Statistics and the TFHPSA are publicly accessible;
- c) the various task forces are working in a cooperative spirit;
- d) once appointed, the project manager and editor will provide further assurance of good coordination;
- e) it has already been agreed that time should be set aside at AEG meetings for representatives from the IMF's Committee on BoP Statistics and the TFHPSA to give briefings on issues under consideration; and
- f) all the issue papers are considered by the AEG.

10. As noted in item (d), above, the appointments of a project manager and editor will be of assistance in coordinating the update of the manuals, but clearly both of them, in their different ways, will play key roles in ensuring the success of the whole update.

Progress with issues

11. At its first meeting in February 2004, the AEG did three important things. First, it reached agreement on an initial list of candidate issues to be considered for the update, including balance of payments and public finance issues, which, after some consolidation, number forty four. Second, it considered a number of issues:

- a) taxes on holding gains – approved the recommendation that there should be no change to the SNA;
- b) military weapon systems as fixed assets – accepted all the recommendations from the issues paper, the principal one being to recognize expenditure on military weapons systems as fixed capital formation;
- c) employer retirement pension schemes – further work needed;
- d) employee stock options (ESO) – approved the four recommendations made in the issue paper, the principal one being to recognize ESO as compensation of employees;
- e) costs of ownership transfer (COT) on non-financial assets – approved the two recommendations made, namely (i) to continue to record COT as fixed capital formation, and (ii) that they should be written off over the expected period of ownership (rather than over the life of the asset);
- f) measurement of the production of non-life insurance – accepted the major proposal to replace the current formula used to estimate the production of insurance services with one using adjusted claims and adjusted premium supplements, to reflect the expected rather than actual values, and it also accepted the simple cost plus operating surplus alternative;
- g) provisional recommendations on the measurement of the production of (non-insurance) financial services – further work needed; and

h) measurement of the output of central banks – further work needed.

12. At the February 2004 AEG meeting some members proposed that some additional issues should be considered in the update, and it was agreed that proposals should be sent to the ISWGNA prior to its March 2004 meeting. The fourteen proposals received were then considered by the ISWGNA and recommendations were made in respect of each one. The proposals and ISWGNA recommendations were then sent to members of the AEG and a vote was taken on each proposed issue. The upshot (which is reported on the UNSD website) was that only points for clarification and textual improvement were approved by the AEG. A tentative list of issues to be discussed at the AEG meeting in November 2004 is shown in the appendix.

Tentative list of issues to be discussed at the meeting of the AEG: November 2004

- Originals and copies
- Databases
- Mineral exploration
- Cost of capital services in production account
- Government owned assets - cost of capital services
- Treatment of land
- Cost of ownership - part II
- Repurchase agreements
- Allocation of the output of central banks
- Employer retirement pension schemes
- Non-performing loans
- Interest under high inflation
- Informal sector
- Super dividend, capital injections and reinvested earnings (government transactions with public corporations)
- Tax revenues, uncollectible taxes, and credits (recording of taxes) - preliminary paper
- Private/public/government sector delineation
- Alternative presentations of top structure of revised ISIC and CPC in the update of the 1993 SNA