Working Party on National Accounts

WORKSHOP ON THE IMPLEMENTATION OF THE 2008 SNA

Summary record of the joint WPNA-WPFS meeting

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For further information about this document, please contact Peter van de Ven
E-mail: Peter.VANDEVEN@oecd.org

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Opening address by the Head of the OECD National Accounts Division (NAD) of the Statistics Directorate (STD)

Peter Van de Ven, the new Head of the National Accounts Division, welcomed the participants and said a few words about the Workshop on the Implementation of the 2008 SNA, jointly organised by the WPFS and WPNA Secretaries and dealing with both financial and non-financial aspects of the revised SNA standards. He also informed the Delegates about the dates of the next meetings: 1 to 5 October 2012.

1. Effects of the revision of the SNA on sectors and instruments

1.a. Delineation of financial subsectors, head offices and holding companies

Michael Andreasch (Nationalbank, Austria), in his paper ‘New financial sector delineation in ESA 2010 - first assessment for the financial accounts in Austria’ [COM/STD/DAF(2011)5], discussed the new sector delineation for the Austrian financial sector according to the revised criteria of the 2008 SNA and the 2010 ESA. He indicated that the changes in the sector allocation of holding companies lead to a decrease in both total financial assets and total liabilities of non-financial corporations.

Robert Dunn (ONS, UK), jointly with Jacqui Jones, identified the Challenges of the financial subsectors within the SNA & ESA, outlined the need for further improvements on the business register. In this respect, they also highlighted the issue of the coverage of SPEs and the issue of defining holding companies and head offices.

Béla Simon (Bank of Hungary) presented a paper ‘Enlargement of the financial corporation sector: classification of holding corporations and other special financial institutions’ [COM/STD/DAF(2011)6], prepared by B. Simon and M. Nemzeti. He provided information on the delineation of the new financial corporations’ sector in Hungary, in particular related to the classification of SPEs, and outlined the practical criteria regarding their classification that would be implemented in 2014. As an example, the foreign-controlled SPEs connected exclusively to non-residents, would be reallocated to the financial corporations’ sector.

Noemi Frisch Tsekhman (CBS, Israel) presented the “Difficulties in classifying holding companies & head offices” [COM/STD/DAF(2011)7]. She discussed the problems experienced at the Central Bureau of Statistics regarding the implementation of defining and classifying holding companies and head offices according to the criteria of the 2008 SNA. Doing so, she raised practical questions and gave examples of problems encountered when classifying the relevant companies. She also described Israel’s treatment and suggested additional guidelines for the implementation of the classification, and a possible extension of the classification.
In the discussions that followed these presentations, many precise questions were asked to the contributors and it became apparent that a further clarification on the classification of holding companies, head offices and SPEs is very much needed. In response to a question raised by the Japanese Delegate regarding the kind of data (enterprise based or establishment based) that are used in the compilation of Austrian financial accounts, Austria stated that the classification units are pre-dominantly activity based, rather than enterprise based. Several Delegates made comments on the classification of investment funds in general, and more specifically on the classification of non-resident SPEs owned by resident enterprises, and on resident SPEs owned by non-resident enterprises. Some Delegates expressed concerns that the 2008 SNA and the 2010 ESA are not clear enough on the classification of SPEs, and that further guidance from international organisations and sharing of experience between countries would be very helpful in clarifying the treatment. In response to a remark made by the Netherlands, it was noted that in some cases the publication of two datasets, one including SPEs and another one excluding them, would facilitate the analysis of data. ECB emphasized the importance of getting data on SPEs from member countries, for the compilation of EU aggregates.

1.b. Delimitation of the general government sector

Mick Lucey (CSO, Ireland) presented a paper co-authored with the Central Bank on the ‘Treatment of special bank interventions in the Irish Government statistics’ [STD/CSTAT/WPNA(2011)1]. He raised some methodological issues on capital injections into publicly owned banks and the classification of bad banks.

Germany drew attention to a paper entitled “Challenges in improving the measurement of the government financial position and in the classification of units as public or private”, presented at the ISI Congress (Dublin, August 2011) that compare the treatment of bad banks in France, Germany and Ireland.

The Chairperson, Beatriz Sanz (Bank of Spain), stressed the importance of transparency within and outside the EU and the need for the same treatment of these units in all countries to avoid comparability issues.

Luis Gordo (Bank of Spain) made a demo of a statistical tool on the ‘Sectorisation database of the Spanish Economy’ [COM/STD/DAF(2011)8] which is available online and provides users with a register of the institutional units of the Spanish Economy, classified by institutional sector according to National Accounts’ criteria.

Answering to Estonia, the Spanish Delegate gave more information on the maintenance of such a system to ensure accuracy and mentioned some improvements planned to introduce timely information about new units. In addition, following a question from Austria, Spain informed the Delegates on the obligation for Credit Institutions to use this system when they complete the accounting statements. Netherlands suggested classifying units not only to the relevant sector, but also to the NACE industries.

1.c. Treatment of pensions/implementation of the new pension satellite account

Alfredo Cristobal (National Institute of Statistics, Spain) informed the Group on the Implementation of the new pension satellite accounts in Spain and defined the accrued-to-date liabilities - ADL. He described the two pension schemes managed by general government (Clases Pasivas for civil servants, and social security schemes for the rest of the employees) and explained the model used for estimating household future pension entitlements based on a number of assumptions.

In her presentation Pension statistics for the new ESA 2010: compilation issues and some results for Portugal, Ana Margarida de Almeida (Bank of Portugal) outlined the SNA methodological framework, including the new supplementary table on pension schemes (Table 29 of the ESA Transmission
Programme). She described the two pension schemes in Portugal sponsored by government (social security
general schemes – SS, and civil servants” pension scheme – CGA) and presented the institutional
arrangements for compilation, the data sources, the model used and the main results for pension
entitlements.

The document Comment on the treatment of defined benefit pensions in SNA 2008, prepared by
Marshall Reinsdrof (BEA, USA) [STD/CSTAT/WPNA(2011)12], discussed the limits of this new
treatment, suggested an alternative method, and presented a revised SNA table 17.8.

In his presentation ESA2010: Recording of pension schemes in national accounts,
Ismael Ahamdanec-Zarco (Eurostat) reminded of the latest developments in Eurostat, explained the
reasons for the supplementary table on pension schemes (Table 29) and provided some more details on the
compilation methods for measuring pensions entitlements (calculation, assumptions, data requirements).

The presentations raised a number of issues, in particular on the sensitivity of the model to different
assumptions and on the appropriate discount rate. The choice between the PBO (Projected Benefit
Obligation) and the ABO (Accumulated Benefit Obligation) was also addressed. The implementation of
the new Table 29 was considered a major improvement for the possibility of making international
comparisons of the relevant data.

1.d. Treatment of SDRs

Susan Hume McIntosh and Elizabeth Holmquist (Federal Reserve Board, USA) presented the SNA
2008 Treatment of Monetary Gold and SDRs in the U.S. Financial Accounts, and explained the changes
between the 1993 SNA and the new standards for recording monetary gold and SDRs in the financial
accounts. The first major change in the US accounts concerns the allocation and cancellation of SDRs,
which used to be recorded as ‘other changes in volume’ and which, according to the 2008 SNA, are to be
recorded as ‘transactions’. The second major change is related to the holdings of SDRs, which are to be
recorded both as an asset of the US federal government and as a liability of the rest of the world.

In addition to the above presentation, the IMF Delegate further clarified the recording of SDR
allocations and holdings (ref. 2008 SNA, § 11.47-11.49).

2. Balance Sheets - non-financial assets

2.a. Non-financial assets

Marcel Pommée (Statistics Netherlands) presented the paper Impact Assessment Revised ESA: The
Netherlands [STD/CSTAT/WPNA(2011)2], providing more detailed results of an investigation into the
impact of the changeover to the 2008 SNA and the 2010 ESA for the Netherlands. In the follow up
questions, Chile asked how military weapons, R&D and software data were collected. Marcel Pommée
responded that for the latter two, information was collected via a dedicated survey, for military weapons,
data was collected directly from government. Eurostat took the opportunity to announce that they would be
developing a training program for ESA 2010 implementation.

2.b. Land

Nadim Ahmad (OECD, STD/NAD) made a presentation, Land valuation in the National Accounts
[STD/CSTAT/WPNA(2011)7], on the results of an OECD survey into the national practices to measure
land, including the main conceptual and measurement issues confronted. There was widespread support for
the creation of a Task Force and on the development of a Handbook.
2.c. Military expenditures

Brent Moulton (BEA, USA) provided details on the measurement of investments in and depreciation of military weapon systems in the USA, as included in the paper *Capitalization of military weapon systems in the U.S. National Accounts*. In the discussion that followed it became apparent that information on national practices for service lives for all tangible and intangible assets should be shared, and there was strong support for the OECD to provide a mechanism to bring this information together.

2.d. Research and development

Ann Lisbet Brathaug (Statistics Norway) presented the results of the capitalization of R&D in Norway: *Implementation of Research and Development as capital formation*, jointly prepared with Knut Sørensen [STD/CSTAT/WPNA(2011)3]. Again, there was widespread agreement that shared information of national practices on service lives and price data would be beneficial, as well as national practices relating to underlying data sources.

2.e. Natural Resources

A presentation on the *Integration of natural resource wealth in the Canadian National Balance Sheet Accounts – Implementation challenges* was made by Joe Wilkinson (Statistics Canada). The follow-up discussion concentrated on the issue of recording natural resources of which the benefits were split between different actors, e.g. government and the company exploiting the natural resource. There was a general recognition that more explicit guidance may be needed to differentiate between the economic owner, user and legal owner of natural resources.

3. Other transactions

In his presentation *Measurement of the output of non-life insurance*, Brent Moulton (BEA, USA) provided more specific information on the impact of the changed recording of exceptional claims due to major catastrophes. In the follow-up discussion, it became apparent that the most pressing issue was a need for more explicit guidance on the distinction between an exceptional catastrophe and a normal (“expected”) catastrophe. The USA agreed to provide information on the criteria used to identify catastrophes. Discussions also focused on the calculation of expected claims, and whether these should build in some expectations of catastrophes.

Kosuke Suzuki (Economic and Research Institute, Japan) presented an *Application of SNA08 in Japanese National Accounts: a case of catastrophe*. Several practical issues were discussed by Delegates regarding the rules, criteria and alternative methods that are to be applied for considering catastrophes in national accounts, in particular when information is not yet known at the time of the catastrophe.

Amanda Seneviratne (ABS, Australia) presented the recording of *Reinvested earnings of investment funds in the Australian National Accounts* [COM/STD/DAF(2011)9] following the revised international standards (2008SNA and BPM6). Doing so, she showed the results for Australia, and illustrated some of the difficulties encountered in the measurement and classification of the reinvested earnings.

4. Organisational issues arising from SNA Implementation

4.a. Systems and sources

Under this agenda item, three presentations were made on country practices regarding the implementation of the 2008 SNA and the 2010 ESA:
• Revision 2014: Danish Major Revision and implementation of ESA 2010, by Annette Thomsen and Søren Brodersen, Statistics Denmark;
• Mexican System of National Accounts: achievements and prospects, by Francisco Guillen, INEGI, Mexico;

After his presentation on the organization of the Danish revision, Søren Brodersen confirmed that revisions due to changes in the Balance of Payments Manual (BPM6) were coordinated with revisions due to changes in the SNA. He also mentioned that internal discussions were still being held to determine what mechanism would or should be used to inform users on the nature of the changes.

In his presentation, Francisco Guillen noted that the changeover to the 2008 SNA standards will be gradual (with some elements already implemented, i.e. non-life insurance, treatment of Central Bank output, etc.). In addition, several satellite accounts would be developed: Environmental-Economic Accounts according to SEEA, Tourism, Health and Unpaid work in households. Spain asked what the motivation was for the development of an “unpaid work in households” satellite account. In response Francisco explained the strong gender dimension in this type of activity (70% of unpaid household work is done by women) and the significance of the activity (22% of GDP).

In his presentation, Michael Davies explained that, unlike Mexico’s gradual approach to the implementation of the 2008 SNA, the ABS had opted for a big-bang approach, with a few remaining areas where the Australian national accounts diverge from the standards. Korea asked how historical data was compiled. In response, Michael explained that backcasting was done at a very detailed level, with specific methods depending on the data area. The main lesson was that backcasting should not be done automatically (mobile phones do not go back to 1959) and quality checks are very important – for example the location of key recessions should not change as a result of the changing standards. Italy asked how the ABS dealt with the fact that it has not adopted the debtor approach. Michael responded that this was a long standing position of the ABS, based on what they regard as the “change of ownership” principle.

4.b. Role of international organizations

Peter van de Ven (OECD, STD/NAD) presented the Roadmap for the Inter Secretariat Working Group on National Accounts (ISWGNA), up to 2014, which is chaired by the OECD since September 2011. The main priorities of the ISWGNA and the Advisory Expert Group (AEG) on National Accounts would consist of issues in relation to the implementation of the 2008 SNA, and arriving at solutions for the unresolved research issues (FISIM, emission permits).

Peter van de Ven also introduced the draft OECD Questionnaire on the implementation of SNA 2008/ESA 2010 [COM/STD/DAF(2011)11/REV1] aiming at assessing the state of play across countries regarding the implementation of the 2008 SNA, and asked for comments before its finalisation and its transmission to all WPFS and WPNA Delegates.

In the follow-up discussion, the need for (enhancing) coordination between International Organisations and communication to countries was highlighted. Furthermore, the importance of international meetings in giving countries the opportunity to share best practices was emphasised. As an example, the Mexican Delegate suggested exchanges of experience on the compilation of satellite accounts or the estimation of adjustments for non-observed activities.
The Australian Delegates seized this opportunity to present a survey on the experiences of members of the Friends of the Chair Group on the barriers to the implementation of the System of National Accounts 1993 (constituted by fourteen selected experts from United Nations Member States), conducted by the Australian Bureau of Statistics, aiming at identifying the causes of the slow and limited adoption of the System of National Accounts 1993 in these countries as well as the main areas for improvement in the process of the 2008 SNA implementation. Once compiled, the results will be transmitted to UNSD.

Herman Smith (UNSD/DESA) described the principles and objectives of the UNSD global statistical initiative in his presentation *Developing a programme for the implementation of the 2008 SNA and supporting statistics*. The programme includes data requirements and quality frameworks as well as regional seminars. In the programme, the implementation of the 2008 SNA is broken down into various stages, taking into account the implementation level of the countries.

Manik Shrestha (IMF, Statistics Department) introduced the *Sectoral Accounts, Balance Sheets, and Flow of Funds: Progress and Future Plans* which is related to Recommendation 15 of the G-20 Data Gap Initiative (DGI). He presented the work to date carried out by the International Agency Group on Economic and Financial Statistics (IAGEFS), in particular the outcomes of the joint *IMF-OECD Conference on Strengthening Sectoral Position and Flow data in the Macroeconomic Accounts* (IMF, 28 February - 2 March 2011). Templates have been evolved for ensuring minimum and encouraged sets of internationally comparable sector account data (both financial and non-financial) and arrangements for the collection and dissemination of national data have been worked out, the focus being initially on G-20 economies and the other five FSB members. It is planned to publish data on the IAG’s Principal Global Indicators website. Only after countries have completed the implementation of the 2008 SNA, it will be envisaged to collect financial positions and flows on a from-whom-to-whom basis. Several Delegates discussed the distinction between minimum and encouraged datasets, as most information is considered important, and some encouraged categories are worth being collected, even if a heavy burden.

5. **Information session**

Herman Smith provided a short presentation on the state of affairs in relation to the *Draft Handbook on National Accounting: Financial Production, Flows and Stocks in the System of National Accounts*. There was general support, no comments and questions were raised.

Peter van de Ven provided a presentation on the *SDMX-initiative for exchanging national accounts data*. Doing so, he informed the Delegates in the progress made by the Steering Group and the Technical Group for the development of Data Structure Definitions (DSDs) for national accounts. Both groups consist of the ECB, Eurostat and the OECD. The planning includes a finalization of the DSDs by the end of 2012, after which pilot projects with countries will be set up. The ultimate goal is to have SDMX-transmissions operational in the course of 2014. Australia, Spain and the United States expressed their interest for participating in the pilot project. The OECD will send an invitation to all countries in due time. The pilot group will most probably start its work in the beginning of 2013.