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**STATISTICS DIRECTORATE**

**National Accounts and Economic Statistics**

**UPDATING SNA93: PROCESS AND ISSUES**

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## **UPDATING SNA93: PROCESS AND ISSUES**

### **Introduction**

Changes in the economic environment necessitate a continuous updating of the 1993 SNA to ensure and maintain its relevance. Therefore, initially an incremental updating mechanism was adopted. However, increasingly it was felt that prospective changes to the 1993 SNA should be more adequately and comprehensively dealt with to ensure the integrity and consistency of the System as a whole. As a consequence, the Intersecretariat Working Group on National Accounts (ISWGNA) was given a mandate to oversee the update of the 1993 SNA with the objective of publishing revision 1 in 2008. In this endeavour, the Advisory Expert Group on National Accounts (AEG) to the ISWGNA, the electronic discussion groups (EDGs), the (Canberra II) Group on the Measurement of Non-financial Assets and task forces will all play key roles.

2. This paper briefly describes the updating process and outlines the issues that have already been proposed for consideration. This list is very much a provisional one, and it is quite possible that other items will be added to it and others deleted from it.

### **Determination of issues for review**

3. The United Nations Statistical Commission has endorsed the list of issues to be updated that was submitted by the ISWGNA at the thirty-fourth session and recommended that it be open-ended to include items like consumer durables, the treatment of military equipment and return on capital assets of general government in order to ensure full accounting on general government.

4. The list of issues to be updated for the 1993 SNA Rev. 1 that was approved and amended by the Commission, may be expanded on the basis of recommendations by countries and after approval by the AEG. A description and Internet addresses of EDGs are provided in Appendix 1.

5. The criteria for approving the issues to be updated and the recommendations for updating include the following:

- (i) There should not be fundamental or comprehensive changes to the 1993 SNA that would impede the process of its implementation, which in many countries has not yet been achieved;
- (ii) Candidates for updating are issues that are emerging in the new economic environment;
- (iii) Candidates for updating are issues that are widely demanded by users;
- (iv) 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 an advancement in methodological research that may justify a different treatment;
- (v) Old issues that have been discussed and rejected before in the 1993 revision process should not be candidates for updating if no change in the economic environment or progress in methodology research warrant their consideration for updating;
- (vi) Any recommendation for change should have its internal consistency and consistency with related manuals such as the Balance of Payments Manual;
- (vii) Any recommendation for change should address the implementation aspects in countries.

## **Governance and decision-making process**

6. As approved by the Statistical Commission, the ISWGNA is responsible for managing and coordinating the updating process assisted by a project manager and an editor. Moreover, the United Nations Statistics Division, as the secretariat of the ISWGNA, provides secretarial support to the updating process. The senior management of the five ISWGNA agencies provides collective oversight and liaises with senior-level representatives of countries and international organizations. Ensuring smooth progress of this process will be an important task for the project manager.

7. For the efficient execution of the governance and decision-making process, it is proposed that the AEG takes decisions on the scope of the updating and on technical and conceptual issues in conjunction with the ISWGNA. The list of issues to be considered for updating will be approved in the first meeting of the AEG (scheduled for February 2004).

8. Issues are first deliberated by various existing expert groups, such as the Canberra II group on non-financial assets, city groups, regional commission meetings, EDGs, and possible new expert groups. The terms of reference for every expert group have been formulated with a deadline and a moderator to monitor the discussions and to write the conclusions to be submitted to the ISWGNA. The recommendations of these groups of experts will then be forwarded to the AEG for discussion and final decision. The moderator or chairman of the expert groups is responsible for the preparation of the recommendations of the groups, with, if possible, indications of the paragraphs of the current 1993 SNA that are impacted. The AEG will deliberate on the recommendations of the expert groups (see Appendix 2 for the expert list) and propose for each one a final recommendation of clarification or change of the SNA. The AEG will strive for consensus to the highest extent possible. There will be voting if necessary, through written consultations or during its meetings. Those entitled to vote include the AEG and the ISWGNA (25 voting members). Its recommendations will be circulated by the ISWGNA to countries and/or regional commission meetings for discussion and the final results will be consolidated by the ISWGNA.

9. Throughout the updating process of the 1993 SNA, the ISWGNA will assess and evaluate the consistency with revision of the Balance of Payments Manual (BPM) and, to the extent possible, with the Manual on Government Finance Statistics (GFS). For this end, the ISWGNA will liaise with the IMF's Balance of Payments Committee and the International Task Force on Harmonization of Public Sector Accounting. A deliberate coordination mechanism has been put in place consisting of (a) coordination within the international organisations and countries, (b) bringing BPM and GFS issues to national accounts meetings and (c) inclusion of these consistency coordination issues in the agenda of the meetings of the AEG. Coordination with the IMF's Balance of Payments Committee should also ensure parallel progress of the review of the 1993 SNA and the revision of the BPM.

10. To ensure country involvement and general transparency, all documents for discussion in the meetings of the ISWGNA with the AEG will be publicly accessible through the ISWGNA's web site. These documents include preparatory papers, minutes of its meetings, and conclusions. It is proposed that after each meeting, conclusions on proposed changes will be circulated to all UN member countries for their review, with a 60-day response period. It is also proposed that to ensure smooth progress, issues on which general agreement has emerged will not be further discussed, unless inconsistency with decisions on other issues requires further deliberation.

11. A project manager will be appointed to assist the ISWGNA in managing the updating process including drawing up of schedules, monitoring resource use and needs, coordinating the contributions of the various expert groups, liaising with the working groups on the revision of the Balance of Payments and

Government Finance Statistics Manuals, etc. He/she should prepare reports to the ISWGNA on a regular basis. In the execution of the tasks, the project manager will be working closely with the UNSD as the secretariat of the ISWGNA. The project manager should play a key role in ensuring proper outreach and reaching closure. The drafting of recommendations for changes to be submitted to the Statistical Commission and the rewriting of the 1993 SNA will be the main responsibility of an editor. In the earlier part of the updating period, the editor will oversee the conceptual consistency of the various emerging proposals. Both the project manager and the editor will work under the supervision of the ISWGNA.

12. The recommendations for changes, which may include clarification beyond disputes, interpretation and real conceptual changes, should be formulated by a clear agreement of a majority of experts and applicability should be considered feasible in a number of countries. Only the recommendations for changes approved by the majority of experts in the expert groups should be submitted to the AEG for approval. Nevertheless, reports for all issues considered for updating (as determined by the AEG at its first meeting) should be presented to the AEG no later than its meeting in November 2005. For those issues where the expert group has decided that no change is warranted or where no agreement has been possible the report should briefly summarize the proposals considered and the views expressed that led to the particular outcome.

13. The recommendations by the expert groups or the AEG should provide a single solution to an issue, including the reasons for changes and indicate the paragraphs of the current 1993 SNA that need to be revised in order to facilitate the deliberation and rewriting process.

#### **Deliberations on issues**

14. Deliberations on issues in the updating process include the following steps:

- (i) Deliberations on specific issues are carried out through expert groups that include the EDGs, city groups, regional commission meetings and the Canberra II group on non-financial assets during the 2003-2005 period. Depending on the final list of issues to be discussed in the first meeting of the AEG, other expert groups may be created. Tentative conclusions will be circulated for comments to other regional and international expert group meetings on national accounts. Recommendations of the expert groups are forwarded to the ISWGNA to be presented for discussion and approval at the meetings of the AEG.
- (ii) The AEG meets three times in 2004 and 2005 to deliberate the recommendations of the expert groups. A voting procedure is a possibility open to reach more rapid decisions. An additional meeting of the AEG is planned in May 2006 for a review of the mutual consistency of the recommendations on the updated issues and the overall integrity of the system. A final meeting will be held in 2007 to adopt the proposed changes, taking account of countries' comments (see subparagraph iii below). Thus, tentatively, five meetings of the AEG are planned.
- (iii) The recommendations of the AEG will be sent to countries for comments after each meeting in the years 2004-2005.
- (iv) Consolidated recommendations for changes will be circulated to countries for comments in 2006 and submitted to the ISWGNA in tandem with the AEG for approval by March 2007.

**Possible list of issues to be reviewed for SNA Rev 1 and when they might be considered by the AEG (Canberra II issues are indicated by an \*)**

**February 2004**

1. Unfunded pension schemes for government employees
2. Employee stock options
3. Costs of ownership transfer\*
4. Insurance/reinsurance
5. Output of financial institutions
6. Military expenditures\*
7. Taxes on holding gains

**November 2004**

1. Repurchase agreements
2. Originals and copies\*
3. Databases – clarify\*
4. Definition of economic assets – should we add a criterion of ‘reliability of measurement’?\*
5. Mineral exploration – clarify\*
6. Government owned assets – cost of capital services\*
7. Capital input into production account\*
8. Land\*
9. Macroeconomic aggregates in the system\*
10. Cultivated assets\*
11. Treatment of non-performing loans
12. Treatment of interest under conditions of high inflation

**November 2005**

1. Leases and licences\*
2. Borderline between rent/rental and sale\*
3. Classification of assets and terminology\*
4. Other classifications
5. BOOT schemes\*
6. Purchased goodwill and other non-produced assets (i.e. trademarks, brand names and franchises)\*
7. Asset boundary for non-produced intangible assets\*
8. Amortization of intangible non-produced assets\*
9. R&D (plus impact on patented entities)\*
10. Obsolescence/depreciation\*
11. Water\*
12. Consumer subsidies

**Brief description of issues**

*Unfunded pension schemes for government employees*

Many government employee superannuation schemes are unfunded or partially unfunded, but the SNA currently does not recognize a government liability in such cases. Several countries (e.g. Australia and Canada) have already departed from the SNA and recognize government liabilities as they accrue as well

as the corresponding assets of households. The liabilities of government comprise the notional superannuation contributions and the property income they could be expected to have earned. A change to the SNA would be reflected in the balance sheets and income accounts. In concept, GDP would be unaffected by such a change because compensation of employees is currently defined to include imputed social contributions by employers providing unfunded social benefits. However, in practice, changes could occur if countries change the way they impute the values of unfunded social contributions. This issue could also be extended to non-government unfunded superannuation schemes.

#### *Employee stock options*

Should stock options be included in compensation of employees? If so, how should they be classified in the financial accounts and balance sheets, and what are the appropriate valuation and time of recording rules?

#### *Costs of ownership transfer*

This issue has been the subject of an EDG (moderator: Peter van der Ven) and discussion at two Canberra II meetings. Debate has revolved around the consistency of treatment of COT for different types of asset, whether COT on fixed assets should be completely expensed, and if not it how it should be recorded in respect of second hand sales and what its service life should be. A recommendation to the AEG will propose minor amendments, including setting the service life of COT to the expected period of ownership, rather than the expected service life of the underlying asset.

#### *Insurance/reinsurance*

The major issue concerns the volatility of the output of the insurance industry as currently measured. Should we redefine output in such a way that it reflects the actual activity of the industry, and is much smoother as a result? Two ways of achieving this are being considered: one is to replace claims by expected claims, and possibly replace premium supplements with expected premium supplements; and the second is to use accounting treatments in which reserves are used to cushion the variation in claims.

#### *Output of financial institutions*

Is FISIM, as described in the SNA, too narrow a concept of the output of financial institutions which leads to its understatement. The focus of the task force engaged on this issue is portfolio management and whether all securities should be considered in the indirect measures of output of financial institutions. In particular, should holding gains/losses be included in the estimation of output, and, if so, whether they should be expected holding gains/losses.

#### *Military expenditures*

The current recommendation that expenditures on weapons and weapon platforms should be expensed, irrespective of their expected service lives, has been reviewed by Canberra II. It is to be recommended that all military assets which are expected to provide an on-going capability to achieve their military objective (including deterrence) for more than a year be capitalized.

#### *Taxes on holding gains*

Currently in the SNA capital gains and losses are not treated as income but as holding gains/losses, while taxes on holding gains are included in the secondary distribution of income account, along with income taxes. One outcome is that asset inflation tends to reduce the SNA's measure of household saving. For both conceptual and practical reasons, the majority of Canberra II members favour maintaining the status quo.

#### *Repurchase agreements*

The SNA currently treats repurchase agreements 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?

#### *Originals and copies*

The focus is on two questions, “How should expenditures on originals and copies be recorded, should both be recorded as expenditure (on new goods) on the basis that originals are distinct from copies, or should originals be considered as being analogous to a ‘stock’ of copies, and so expenditure on a copy partly (or mostly) reflects a sale of an existing good?” and “How should the transactions in copies be recorded?”

#### *Databases*

The SNA currently recommends that expenditure on large databases that are expected to produce a flow of services for a year or more should be capitalized. Should this be all databases? And if not, which should be capitalized? Canberra II has come to the view that all databases that meet the criterion of an asset should be capitalized.

#### *Definition of economic assets – should we add a criterion of ‘reliability of measurement’?*

The SNA currently gives two criteria for an asset - an entity functioning as a store of value: over which ownership rights are enforce by institutional units; and from which economic benefits may be derived. Should there be a third criterion – reliability of measurement – to bring it more into line with business accounting standards?

#### *Mineral exploration*

Canberra II has come to the view that there should be no change to the intent of the SNA, but thinks there is a need to clarify the division between mineral exploration knowledge assets and sub-soil assets.

#### *Government owned assets – cost of capital services*

The SNA currently recommends that the cost of services provided by government owned assets is equal to their depreciation (i.e. consumption of fixed capital) over a period. Should this be changed to include a return to capital as well, and, if so, should this apply to all government owned assets or just some of them, such as office equipment?

#### *Capital input into production account*

Canberra II has come to the view that the presentation of the production account should be changed to allow the contribution of capital services, which is currently included in GOS and GMI.

#### *Land*

The SNA currently records improvements to land as gross fixed capital formation, but in the balance sheet such improvements are included with land itself – a non-produced asset. Should land be split into two, with one part recorded as a fixed asset and the other part recorded as a non-produced asset? If so, how should this separation be made? One option is distinguish between land that is in, or nearly in, its natural state as a non-produced asset and the remainder as a fixed asset. Another option is to separate land from the improvements made to it, and record the former as a non-produced asset and the latter as a fixed asset.

#### *Macro economic aggregates in the system*

The SNA encompasses measures of domestic production, income and expenditure and explains how the value of each of these can be brought into equality. For different analytical purposes, though, not all adjustments necessary to bring this equality about may be equally useful. One instance is the inclusion (or exclusion) of the consumption of fixed capital in order to have a measure of income which aligns better with economic concepts. Another is the way in which market price expenditure includes both the value of taxes and the expenditure these taxes finance. More extensive discussion of the alternative macro-

aggregates available within the system is required together with an elaboration on the preferred aggregate for different sorts of applications.

#### *Cultivated assets*

During the System of Economic and Environmental Accounts discussions, it was agreed that the present definition of cultivated assets is ambiguous. There was agreement that a satisfactorily tighter definition for cultivated assets was “cultivated assets cover livestock for breeding, dairy, draught, etc. and vineyards, orchards and other trees yielding repeat products ***whose natural growth and regeneration*** is under the direct control, responsibility and management of institutional units”. The words in bold italics replace the words “that are” in the SNA.

#### *Treatment of non-performing loans*

The treatment of non-performing loans is a topic on which the Thai authorities had asked the ISWGNA for clarification as to what extent unpaid interest should be accrued (considering that the financial intermediation services indirectly measured on such interest may affect the GDP). The purpose of the review is to determine what criteria should be applied to the writing-off of non-performing loans and to make sure that they are consistent with the other major macroeconomic statistical systems (balance of payments, government finance, and money and banking statistics). The SNA currently has a black and white treatment of non-performing loans. Either the liabilities (and assets) exist or they are written off, should there be intermediate stages? Should unpaid interest on non-performing loans stop accruing?

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

Peter Hill and Andre Vanoli have written to the ISWGNA with regard to the treatment of nominal holding gains and interest on financial assets under conditions of high inflation, as described in the 1993 SNA Chapter XIX, Annex B and subsequently in the OECD publication "A Manual on Inflation Accounting" written by Peter Hill. The latter takes a position different from that taken in Annex B in the 1993 SNA. Andre Vanoli has written a paper for discussion at the 1998 IARIW conference which raised issues regarding the inflation accounting treatment. Peter Hill has responded with a paper also submitted to the 1998 IARIW conference, essentially giving counter-arguments and in turn raising issues regarding Annex B. The EDG on this issue did not arrive at a distinct conclusion. This issue will be put forward to the AEG.

#### *Leases and licences*

This issue has been discussed at two meetings of Canberra II, and concerns the treatment of leases and licences relating to different types of asset. The questions are should they be treated as assets and, if so, how and under what conditions?

#### *Borderline between rent/rental and sale*

Following the discussion on mobile phones, the ISWGNA established a set of criteria to determine whether a transaction relating to mobile phone licences should be considered a sale of an asset or rent on a non-produced asset. The ISWGNA explicitly requested that Canberra II fully investigate the consequence of the introduction of this set of criteria in the case of other assets. In addition, work should be conducted to elaborate a broader set of criteria to aid decision making between the treatment of payments for leases or licences as rent or as the sale of an asset. The same issues arise in the case of leases of fixed assets.

#### *Classification and terminology*

Some members of Canberra II feel that the current classification of assets and terminology needs revising. This issue will be affected by the outcome of considerations of other issues, such as leases and licences, and so it will be one of the last ones to be dealt with by the AEG.

#### *Other classifications*

It is likely that there will be some classification issues raised, such as the industry classification.



### *BOOT schemes*

Buy-own-operate-transfer schemes typically take the form of a private sector enterprise and government reaching an agreement whereby the enterprise undertakes the building of a piece of infrastructure, such as a road, bridge, tunnel, airport, etc., then operates it, getting at least part of the revenue, and after a pre-determined period hands over ownership to the government. How should such arrangements be recorded in the national accounts?

### *Purchased goodwill and other non-produced assets*

The SNA currently only recognizes purchased goodwill. Should there be a wider view of goodwill (internally generated goodwill). Should it be derived residually using the values of assets and liabilities, including stock market valuation of businesses? At present there is also an inconsistent treatment of purchased goodwill for incorporated and unincorporated business that needs to be addressed. Should the balance sheet recognize assets such as brand names, trademarks, franchises, etc.?

### *Asset boundary for non-produced intangible assets*

Should instruments involving the securitisation of future receipts of government be regarded as intangible non-produced assets?

### *Amortization of intangible non-produced assets*

Paragraphs 14 to 16 of the final report of the ISWGNA on mobile phone licences includes a brief discussion on the issue of the amortization of such intangible non-produced assets. Canberra II was asked if it would care to look at this matter further.

### *Research and development*

The SNA currently does not recognize the output of R&D as capital formation. There is a widespread view that if the practical difficulties can be satisfactorily overcome then the SNA should be amended to treat R&D expenditure in a similar way to mineral exploration.

### *Obsolescence/depreciation*

This is one of the issues left over from Canberra I. It concerns the appropriate way of defining and measuring depreciation. Consumption of fixed capital (i.e. depreciation) is defined in the 1993 SNA in general terms as the decline, during the course of the accounting period, in the current value of the stock of fixed assets owned and used by a producer as a result of physical deterioration, normal obsolescence or normal accidental damage. It is referred to as time series depreciation because it is defined in terms of the change in value of an asset over time. An alternative definition, called cross section depreciation, is defined to be the difference in value of two assets that are identical, except one is older than the other by the same length of time as the accounting period. Cross section depreciation is used in the derivation of estimates of multifactor productivity, and it seems that in practice, most, if not all, countries estimating depreciation are in fact applying this definition, whether they realise it or not. Should time series depreciation continue to be the one defined in the SNA and, if so, how should it be applied? The issue seems to boil down to whether depreciation should include the price effect of foreseen obsolescence and, if so, how should it be measured?

### *Water*

The issue is that water has in the past usually been regarded as a free resource, but the matter of charging for it is much discussed now. Should it therefore be treated in a similar way to land or mineral resources as giving rise to (resource) rent? It is complicated by the fact that there is a large distribution element in many cases and there is a decision to be made about whether the production is only getting water from A to B or whether one is only paying for this and the water itself.

### *Consumer subsidies*

This topic was extensively addressed during the 1993 revision of the SNA but consensus was not quite achieved. It remained as a subject on the research agenda. Since the revision, ESA has "solved" the problem by specifying a list of government payments which, by convention, are to be treated as individual household consumption as a means of effecting the desired treatment of these payments. This treatment is not standard across even all OECD countries. Alternative resolutions have been put forward which would also bring the treatment of certain taxes and subsidies applying to consumer products into line with other tax classifications used in economic analyses, for example the concept of consumer taxes as regularly used in OECD reports. The desirability of restoring cross-country comparability suggests a review of the subject with the intent of either adopting the ESA convention into the SNA or deriving a more theoretically satisfactory solution which would also meet the EU needs. Both Anne Harrison and Jacques Bournay have written extensively on this subject.

### *General Government specific issues*

Following the increasing role of national accounts data in the monitoring of the situation of the general government sector, in particular through the Maastricht criteria in Europe, it is essential that the revised SNA contains sufficiently detailed and up-to-date recommendations regarding (1) the delineation of general government sector and, (2) a harmonized treatment of specific transactions of the general government sector, such as capital injections, securitization, etc. A special appendix or chapter on general government will be included in the SNA. At the same time, the maximum will be done to coordinate these recommendations with the accounting principles of other international standards on public accounting such as the IMF GFS and the IPSAS of the IFAC-PSC.

## Appendix 2

### Electronic Discussion Groups on National Accounts (EDGs)

The listed EDGs were created by the Inter-secretarial Working Group on National Accounts to generate discussion [or: to solicit views] on the topics that are important to National Accounts and may require updates in the 1993 System of National Accounts.

- Each topic of discussion is administered by one expert associated with an international organization or a national office.
- EDGs are all linked to the web site of the United Nations Statistics Division: <http://unstats.un.org/unsd/nationalaccount/edg.htm>.
- EDGs maintained by OECD are protected. However, they are open to interested official statisticians. Because these sites can only be accessed with a password, for registration and password, contact: [marie.viriat@oecd.org](mailto:marie.viriat@oecd.org).
- Readers can, however, go directly to the individual EDG sites shown below.

**Treatment of share (stock) options:** <http://www1.oecd.org/std/shares.htm>.

Employee stock options are an increasingly common tool used by companies to motivate their employees. Given that the 1993 SNA does not provide guideline to this issue, the question raised is whether stock options should be considered as compensation of employees and therefore as a cost to employers. 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 harmonization with international business accounting standards is required.

**Treatment of non-performing loans:** <http://www.imf.org/external/np/sta/npl/eng/discuss/index.htm>

The treatment of non-performing loans is a topic on which the Thai authorities had asked the ISWGNA for clarification as to what extent unpaid interest should be accrued (considering that the financial intermediation services indirectly measured on such interest may affect the GDP). . The purpose of the EDG is to determine what criteria should be applied to the writing-off of non-performing loans and to make sure that they are consistent with the other major macroeconomic statistical systems (balance of payments, government finance, and money and banking statistics). The conclusion of the group will be documented in a report that will be circulated for consideration by bodies such as the ISWGNA and the [IMF Balance of Payments Statistics Committee](#).

**Treatment of nominal holding gains and interest on financial assets (under high inflation):** [http://www.worldbank.org/data/working/iswgna\\_background.html](http://www.worldbank.org/data/working/iswgna_background.html).

Peter Hill and Andre Vanoli have written to the ISWGNA, with regard to the treatment of nominal holding gains and interest on financial assets under conditions of high inflation, as described in the 1993 SNA Chapter XIX, Annex B and subsequently in the OECD publication "A Manual on Inflation Accounting" written by Peter Hill along a different line from that taken in Annex B in the 1993 SNA. Andre Vanoli has written a paper for discussion at the 1998 IARIW conference which raised issues regarding the inflation accounting treatment. Peter Hill has responded with a paper also submitted to the 1998 IARIW conference, essentially giving counter-arguments and in turn raising issues regarding Annex B. The EDG on this issue did not arrive at a distinct conclusion. This issue will be put forward to the Advisory Expert Group on National Accounts.

**Cost of transferring ownership of assets:** <http://www1.oecd.org/std/transfsna.htm>

This EDG is now closed. The conclusion of the moderator (Peter van de Ven, Statistics Netherlands) is that there is no case for changing the 1993 SNA treatment of the costs incurred in transferring ownership of assets. The relevant part of his report of 10 March 2000 to the ISWGNA reads "... it is recommended to leave the 1993 SNA unchanged, as there are convincing arguments for as well as against the recommendations of the present international guidelines". The ISWGNA discussed this issue at its meeting in April 2001 and agrees with this conclusion and so has decided to close the EDG.

**Accrual accounting of interest:** <http://www.imf.org/external/np/sta/na/interest/>

This discussion group on the concept and measurement of interest has been instituted pursuant to a decision of the ISWGNA, which met at a technical level in April 1999 in Washington, D.C. The main question raised is whether interest is measured from the point of view of the debtors or the creditors. The ISWGNA supported the conclusion of the moderator of this EDG on this subject that the SNA accrues interest on the basis of the debtor approach. The ISWGNA's conclusion was approved by the Statistical Commission in March 2003.

**EDG of Canberra II group on non-financial assets**

<http://webdomino1.oecd.org/COMNET/STD/Canberra.nsf/Welcome?openframeset>

This EDG has 3 subgroups: (1) conceptual issues mainly linked to intangible assets; (2) measurement issues related to research and development in the framework of the national accounts and (3) obsolescence, capital input and measurement issues associated with constructing data series of the stocks, depreciation, and capital services of tangible and intangible fixed assets. Chair: Peter Harper from Australia. Contact [marie.viriat@oecd.org](mailto:marie.viriat@oecd.org) for registration and password.

**EDG on financial services in the national accounts:** <http://webdomino1.oecd.org/std/finservice.nsf>

This EDG is devoted to discussions on financial services in the national accounts. The business of financial corporations has undergone a structural transformation towards a rising importance of the portfolio management of financial assets. This generates holding gains and losses, that, typically, national accounts exclude from the production boundary and therefore income. The task force will consider whether and how the production boundary can be adapted to this rising activity, and how this could influence income. The first meeting of the task force is in June 2002. A first draft of the study was discussed during the OECD National Accounts Expert Meeting of 8-11 October 2002, in Paris. The final report is expected in late 2003.

Chair: Switzerland, Moderator: [paul.schreyer@oecd.org](mailto:paul.schreyer@oecd.org)

**EDG on software:** <http://webdomino1.oecd.org/std/software.nsf>

This EDG is devoted to discussions on the implementation of the 1993 SNA recommendation to capitalize software. Studies have shown that statistical offices have varied considerably in the practical measurement of GFCF in software, with a significant impact on GDP. The objective of this joint OECD/Eurostat task force is to produce a set of recommendations that will lead to better international comparability. The final report of the OECD task force was submitted and approved at the OECD National Accounts Expert meeting of 8-11 October 2002. The ISWGNA supported the recommendations of the task force. The EDG on software is closed. Chair: USA, Moderator: [francois.lequiller@oecd.org](mailto:francois.lequiller@oecd.org).

**EDG on measurement of non-life insurance services:** <http://webdomino1.oecd.org/std/inservice.nsf>

This EDG is devoted to discussions on the measurement of non-life insurance services, with a special focus on the treatment of catastrophic losses. The output of insurance services as calculated using the 1993 SNA algorithm depends on the balance of premiums to claims (on an accrual basis) and can therefore be extremely volatile (even negative) following major catastrophes. The massive claims generated by the 11 September terrorist attack, is a recent example. It had impacts on GDP and balance of payments (reinsurance). The objective of the task force is to propose measures that would be more consistent with

the perception of production in this activity. In particular, medium to long-term aspects of non-life insurance are to be taken into consideration. The first meeting of the task force was in June 2002. A first draft of the study was discussed during the OECD National Accounts Expert Meeting of 8-11 October 2002, in Paris. The final report is expected in late 2003.

Chair: France. Moderator: [francois.lequiller@oecd.org](mailto:francois.lequiller@oecd.org)

**EDG on the treatment of pension schemes:**

<http://www.imf.org/external/np/sta/ueps/index.htm>

In the 1993 SNA, promises to pay future pension benefits are not recognized as liabilities of social security schemes and unfounded employer schemes. The EDG will investigate the analytical relevance of recording these liabilities in the national accounts and, if appropriate, will formulate recommendations regarding their valuation and measurement. The EDG will also formulate proposals to reconcile the recommendations of the 1993 SNA and the IMF Government Finance Manual regarding the treatment of (government) unfounded employer pension schemes.

Moderator: IMF.

**EDG of the Task Force on Harmonisation of Public Sector Accounts (TFHPSA)**

<http://webdomino1.oecd.org/comnet/std/harmonise.nsf?opendatabase>

An international task force (TFHPSA) has been created in October 2003 to promote the convergence between GAAP, public accounts standards and GFS and the convergence between GFSM2001, SNA93 and ESA95 (the statistical systems). To meet this end, two working groups have been set up, with WG1 focusing on public accounts (sources) and WG2 focusing on the statistical systems. The TFHPSA will be a major provider of recommendations on the government and public sector accounts to the ISWGNA in the context of SNA reviewing (planned for 2008).

## Appendix 2

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