

**Agenda : III**  
**: Review of the SNA research agenda**

Introduction

Annex 4 of the 2008 SNA lists research issues that have emerged during the update of the 1993 SNA, but where more extensive consideration is needed than was possible in the course of the update process. These issues are grouped under four topics, namely basic accounting rules; the concept of income; issues involving financial instruments; and issues involving non-financial assets. The ISWGNA website, hosted by the UNSD, contains a webpage dedicated to the SNA research agenda. This page lists the research issues and will be updated with new items that emerge and recommendations on existing items as agreed. The ISWGNA proposes not to pursue the research agenda issues before 2015, unless there is a strong and pressing demand for immediate action and solutions.

Guidance on documentation provided

A document with a “Review of the SNA research agenda” has been attached.

Main issues to be discussed

The AEG is requested to:

- Comment on the ISWGNA's proposal not to pursue research agenda issues before 2015, unless a pressing need arises.
- Provide guidance on the procedure for resolving the research issues;
- Express views on the priorities for resolving issues;
- Express views on the updating of the issues list on the research agenda website; and
- Express views on assigning focal points for particular issues.



## **Review of the SNA research agenda**

### **I. Introduction**

1. Annex 4 of the 2008 SNA lists research issues that have emerged during the update of the 1993 SNA, but where more extensive consideration is needed than what was possible in the course of the update process. The ISWGNA website, hosted by the UNSD, contains a webpage dedicated to the SNA research agenda. This page lists the research issues and is updated with new items that emerge and recommendations on existing items as agreed. In assessing the priority to be given to an item, three questions need to be addressed:

- a. How urgent and important is the topic to ensure that the SNA continues to be relevant to the users?
- b. How widespread are the consequences of change and how complicated will implementation be?
- c. Is the topic completely new or has much of the preparation for considering the item been completed?

2. This issues paper comprises four sections. Following the introduction in the first section the mechanisms for resolving research issues are described. The research agenda website is described in section III. Issues for discussion are provided in the last section.

### **II. Mechanisms for resolving research issues**

3. The process of selecting items for investigation need to involve widespread consultation and involvement of both compilers and users in the review process. Work on the research agenda of the 2008 SNA needs to be coordinated under the auspices of the ISWGNA and support from the AEG to ensure worldwide representation in the deliberation of research agenda issues and the proper implementation of the results in international standards or handbooks.

4. Proposals for task forces or expert groups to do research on specific topics should be submitted to the ISWGNA. The ISWGNA may also convene technical expert groups to advance research on particular normative and methodological matters. The groups will consist of relevant experts in national accounts, with a balanced regional representation. The groups will have limited life spans and focus on particular issues. The terms of reference for the tasks related to the subject will be formulated with every group. They will include specifications on deliverables, timelines and work arrangements for monitoring the technical discussions and for reporting recommendations to the ISWGNA.

5. The work programmes of existing city groups and other technical expert groups may fall within the scope of the national accounts and supporting statistics, but they have their own mandates and governance structures. Examples of such groups are: Delhi group, IMF Committee on Balance of Payments, Intersecretariat Working Group on Price Statistics and the Inter Agency Group on Economic and Financial Statistics. The ISWGNA will coordinate, within its mandate, with these city groups and other expert groups to take account of their work in the work programme of the ISWGNA. Specific tasks and responsibilities of these groups will be agreed upon in a terms of reference between these groups and the ISWGNA. Here too, the terms of reference will include specifications on deliverables, timelines and work arrangements for monitoring the technical discussions and for reporting recommendations to the ISWGNA.

6. For large projects, such as the revision of the SNA or the implementation of the SNA, it may be necessary to develop separate project management frameworks. They will include specifications on deliverables, timelines, budget, staffing and work arrangements for monitoring the technical discussions and for reporting recommendations to the ISWGNA.

7. The ISWGNA in consultation with the AEG will assess the results of research in accordance with the update procedures for the SNA established by the Statistical Commission at its thirtieth session in 1999 and reaffirmed at its forty-second session. When the outcome would necessitate a change to the SNA, the ISWGNA will present it to the Commission for adoption. The update procedure is described in the table below.

### Updating procedure for the System of National Accounts

Stage	Type of amendment			
	Editorial	Clarification beyond dispute	Interpretation	Change
Proposal	ISWGNA reviews proposed amendment and classifies it			
Preliminary drafting	ISWGNA	ISWGNA	ISWGNA assisted by the AEG	ISWGNA assisted by the AEG
First discussion	↓	↓	Working parties or regional panels of experts	Working parties or regional panels of experts
Second discussion			↓	National statistical offices in all regions and where relevant Central Banks
Final drafting			ISWGNA assisted by the AEG	ISWGNA assisted by the AEG
Approval	ISWGNA	ISWGNA	Member Countries of the Statistical Commission during a 30-day period	Member Countries of the Statistical Commission during a 30-day period
Publication	Errata	SNA news and Notes, SNA website	SNA news and Notes, SNA website	SNA news and Notes, SNA website

### **III. The research agenda website**

8. The research agenda website facilitates the sharing of information about the issues under discussion, progress with such discussions and the long term research agenda. The website comprises five parts: research issues under discussion, such as FISIM that is still ongoing and emission permits that has been concluded; consultations; AEG and task force meetings; a list of research issues; and the SNA update procedure. The website is available at: <http://unstats.un.org/unsd/nationalaccount/research.asp>

9. The issues list originated from a paper, presented at the 5<sup>th</sup> meeting of the AEG, which reported on 20 research issues (SNA/M1.07/14, available at <http://unstats.un.org/unsd/nationalaccount/aeg/papers/m5research.PDF>). Each topic was described by an author under three headings: The issue – explaining the issue; reasons for inclusion in the research agenda; a proposed time horizon for resolving the issue; and references. These issues were all incorporated in Annex 4 of the 2008 SNA. The issues list and an example of the description of a topic are provided in the annex to this paper, which is also available at: <http://unstats.un.org/unsd/nationalaccount/rIssueList.asp>.

10. The issue list needs to be updated to conform to the topics listed in Annex 4 of the 2008 SNA. For this purpose the items on the list need to be reviewed to determine if this format of presentation is still applicable to facilitate the process for resolving the research issues and the procedures to address these issues.

### **IV. Issues for consideration**

11. The AEG is requested to:

- a. Comment on the ISWGNA's proposal not to pursue research agenda issues before 2015, unless a pressing need arises
- b. Provide guidance on the procedure for resolving the research issues;
- c. Express views on the priorities for resolving issues;
- d. Express views on the updating of the issues list on the research agenda website; and
- e. Express views on assigning focal points for particular issues.

## Annex – The issues list on the research website and an example of a research issue

### List of Research Issues

Annex 4 of the 2008 SNA is a more general description of the research issues. More specific issues can be identified for each of these themes. This page provides more detail on these specific issues.

Issues on the long-term research agenda	
1. Reverse transactions	Issue details
2. Debt concessionality	Issue details
3. Clarification of income concept in the SNA - should holding gains be included?	Issue details
4. Final consumption of corporations	
5. The relationship of SNA and IASB	Issue details
6. High inflation	Issue details
7. Accrual interest in the SNA - the debtor or creditor approach?	Issue details
8. Equity valuation and its implications	Issue details
9. Provisions	Issue details
10. Distinction between current maintenance and capital repairs	
11. Broadening the fixed asset boundary to include other intellectual property assets	Issue details
12. Treatment of Private-Public Partnerships	Issue details
13. Consolidation, both for government and private enterprise groups	
14. Wider use of fair value for loans	
15. Recognition of social security entitlements as liabilities	
16. Leases to exploit natural resources such as mineral deposits	Issue details
17. Reinvested earnings	Issue details
18. Output of central banks: taxes and subsidies on interest rates applied by central banks	Issue details
19. Inclusion of international organizations in the SNA	Issue details
20. Government social services	Issue details

## **Leases to exploit natural resources such as mineral deposits**

### **I Author**

OECD

### **II The issue**

One of the items for review in the update of the 1993 SNA was the treatment of leases and licences to use and exploit natural resources. Three different types of natural resources were considered:

- a) Natural resources that have infinite lives and where use in production does not affect the nature or value of the asset. Examples include land and the radio spectrum.
- b) Natural resources that are subject to replenishment and which can be used indefinitely providing their use is restricted. Examples include non-cultivated forests and fish.
- c) Natural resources that are not subject to replenishment (at least on a human time scale) and whose use in production eventually exhausts them. Examples include mineral and petroleum deposits.

In respect of the first two types, the ISWGNA and AEG were able to reach what they considered a satisfactory conclusion, but in the case of the third type they were unable to do so. Finally, however, the ISWGNA concluded that the revised SNA should recommend that:

- d) economic ownership of the natural resource resides with the lessor;
- e) the lessee pays royalties (i.e. rent) to the lessor to use the natural resource; and
- f) only the lessee, and not the lessor, is undertaking production.

### **III Reasons for inclusion in the Research Agenda**

Several members of the ISWGNA felt that this was not an entirely satisfactory treatment and it should be put on the long-term research agenda.

#### **Alternative treatments**

For the most part, inanimate natural resources other than land are mainly used for extractive purposes. The lessor retains ownership of the resource, though this diminishes as extraction takes place. The lessee takes control of the resource, in the sense of having power to make decisions on the rate of extraction (possibly within some limits laid down by the lessor), but does not acquire ownership of the whole resource.

The Canberra II Group took the view that this implies ownership of the resource is divided between the lessor and the lessee, and recommended a treatment that was subsequently rejected by the AEG. This was to treat leases on sub-soil assets as financial leases. The argument being that when the lease allows the lessee to exploit a mineral or energy deposit over many years the lessee effectively becomes the economic owner of the deposit and the royalty payments can be viewed as payments of principal and interest on a financial lease. A refinement of the financial lease treatment is to have two loans: one corresponding to the value of the asset that is used up by the lessor (either by depreciation for a fixed asset or depletion for a sub-soil asset) and the other corresponding to the residual value of the asset when ownership reverts back to the lessee, but this received little support from the AEG.

This approach has the advantage of recording the value of the sub-soil asset on the balance sheet of the extractor (i.e. the lessee) that is consistent with commercial accounting and a financial asset on the balance sheet of the lessor equal to the present value of the expected future royalty payments and the remaining value of the resource at the end of the lease. A major practical problem with the financial lease approach for sub-soil assets is the need to make revisions to the flows as revisions are made to its estimated remaining value.

A second alternative is to have the extractor working as if "on contract" to the owner without taking ownership of the deposit. The lessee retains some of the resource rent, enough to cover costs and make some profit and hands the rest over to the lessor. However, this is not how commercial accounting is done where the deposits are recorded in the extractor's accounts. It also implies that the lessor is a producer, and so it would lead to government being recorded as engaged in mining activity. Furthermore, it does not provide an ideal interface to environmental accounting.

A third alternative is to treat the resource as inventories and to treat the lease as a contract for the sale of the resource. Hence, as the resource is extracted it would be recorded as a sale from the owner to the extractor. Appearances and disappearances of sub-soil assets would be made via the other changes in volume account as estimates of the volume of resource were revised. This would be a substantial change to the SNA, as there is currently no concept of inventories of non-produced assets and no concept of non-produced assets as intermediate inputs. Payments for the use of sub-soil assets would be treated as payments for a good, while payments for the use of resources not subject to depletion, such as land, would continue to be treated as rent.

#### **IV      Timeline**

The topic should be put in one Long-Term Research Agenda

#### **IV      References**

Apart from the first alternative, all the above options were considered at length during the preparation of the 1993 SNA. The first alternative is described in detail in Leases and Licences (Part 2), prepared by Anne Harrison, <http://unstats.un.org/unsd/nationalaccount/AEG/papers/m4LeasesPart2.pdf> and a worked example comparing it with the recommendation in 1993 SNA Rev. 1 can be found on the UNSD website.