

**MINUTES
of the Intersecretariat Working Group on National Accounts
(ISWGNA)**

Washington, World Bank, 15-16 March 2004

Participants: A. Bloem, C. Gorter (IMF), I. Havinga (UNSD), B. Hexeberg (World Bank) and C. Aspden (OECD)

1. Adoption of the Agenda.

The agenda was adopted without amendment.

2. Review action items agreed at the meeting in October 2003

All but two of the thirteen action items had been completed. One of the outstanding items was 'ensure consistency of time schedule for review of overlapping issues in *System of National Accounts* (SNA) and *Balance of Payments Manual* (BPM) reviews'. The ISWGNA agreed that this action item should be broadened to encompass overlapping issues from all task forces, and that each task force should (i) examine the issues of all the other task forces to determine overlaps, and (ii) identify any of its own issues that may overlap. Each task force should then communicate with every other task force to determine agreed overlapping issues and decide how each should be dealt with.

The other outstanding item concerned the preparation of articles for the April issue of SNA News and Notes – see agenda item 9, below.

3. Review of the work programme for updating the 1993 SNA

(a) Issues arising from consideration by the United Nations Statistical Commission (UNSC) of the ISWGNA's report at its meeting in February 2004

The ISWGNA welcomed the UNSC's support for the current work programme and governance arrangements, and confirmation of its current strategy of integrating the update of the SNA with the updates of the *Balance of Payments* (BoP) and *Government Finance Statistics* (GFS) manuals. In response to the UNSC's emphasis on transparency and broad involvement, the ISWGNA noted that it was committed to:

- i. placing issue papers on the ISWGNA website as soon as possible;
- ii. presenting issue papers at regional meetings prior to the meetings of the Advisory Expert Group (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; and
- iii. 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.

The ISWGNA agreed that every opportunity should be taken to advise interested parties of the availability of issue papers on its website. In conducting regional meetings, the ISWGNA agreed that the United Nations Statistical Division (UNSD) should draw on the International Monetary Fund (IMF) and the Paris 21 Group for assistance where possible.

In response to the UNSC's request that research be undertaken into the underlying factors that impede SNA implementation, the UNSD will lead this analysis in cooperation with the regional commissions and Paris 21. This analysis should provide input in preparing an action plan along with funding requirements for its implementation.

(b) Coordination of AEG meetings with the BoP Committee, the Task Force on the Harmonisation of Public Sector Accounts (TFHPSA) and Expert Group on Classifications (meeting dates, venues, programme of work) – 2004-07

The UNSD had already drawn up a global work programme for the update of the SNA, BPM and GFS manual, and the ISWGNA agreed that this should now be extended to those classification revisions being undertaken that impact on these manuals.

(c) Any lessons learnt so far in the updating process?

The experience of the first meeting of the AEG showed that very long issue papers were not very effective. It was therefore agreed by the ISWGNA that issue papers should be no more than 15 pages in length. For those issues that were so complex that they could not be covered adequately in 15 pages then the issue should be split into more manageable parts.

The ISWGNA asks expert groups and task forces to schedule the steps in the development of issue papers and diligently enforce them so as to ensure that issue papers are completed no later than two months prior to the meeting of the AEG. Furthermore, issue papers should be forwarded to the ISWGNA as soon as possible in order to maximise the amount of time members of the AEG, national statistical offices (NSOs) and central banks (CBs) have to consider them.

In order to speed up the preparation of issue papers and make better use of the AEG's time, the ISWGNA agreed that papers:

- i. should contain broad recommendations (max 15 pages) and thus not go into great detail;
- ii. should have recommendations that are clear and concise;
- iii. should provide numerical examples to adequately explain proposed changes;
- iv. do not need to identify which parts of the SNA would need to be changed if the proposals were accepted.

If the proposals were accepted by the AEG then the details of the required changes would be worked out by the author and the editor afterwards.

It was agreed by the ISWGNA that the UNSD should draft a document providing guidelines for the preparation of issue papers and distribute it to all task forces and expert groups following ISWGNA approval.

4. Outcome of the February 2003 AEG meeting

(a) Summary descriptions of the decisions made

The ISWGNA agreed that several of the descriptions required minor amendment (UNSD).

(b) Consolidated list of accepted issues – determine sponsor, task force/expert group and target AEG meeting for each issue

The ISWGNA reviewed a list prepared by the UNSD. Some amendments were made and there was some re-arrangement to group closely related issues together. The UNSD was asked to try to fill the remaining gaps (some issues had not yet been targeted for a particular AEG meeting and a few had not been assigned to a task force/expert group) as quickly as possible and to extend the list once decisions had been made regarding proposed additional issues (item 4(d), below). In those cases where there was no obvious existing task force or expert group to which to assign an unassigned issue then the UNSD should submit a proposal to the ISWGNA for consideration. The UNSD was also asked to append to the list, points identified for clarification and amendment by the editor.

(c) Review list of action items

The list of action items was confirmed without amendment by the ISWGNA – see Appendix III

(d) Consideration of new proposals raised at the AEG meeting

By the deadline set by the AEG (10 March 2004), the ISWGNA had received from four agencies submissions for additional issues to be considered for inclusion in the update of the SNA. The four agencies were Statistics Canada (SC), the Netherlands Central Bureau of Statistics (CBS), the European Central Bank (ECB) and the Australian Bureau of Statistics (ABS). Another, minor, proposal was made by the OECD at the meeting.

The summaries of the evaluations by the ISWGNA mentioned below will be put forward by the UNSD to the AEG members along with the four submissions for their considerations (with a deadline of 1st June 2004). Following this consultation, the decisions of the AEG on the additional issues will be posted on the AEG website.

(i) Additional chapter for regional accounts (SC and CBS)

The ISWGNA agreed that there was insufficient benefit to undertake this development in the current SNA update. The ISWGNA noted that there was already a chapter devoted to regional accounts in ESA95. Furthermore, since 1995 Eurostat has published handbooks on practical, agreed ways to allocate national data for difficult activities. If further guidance is required it would be better dealt with them in another handbook.

(ii) Additional chapter for multi-country accounts (ECB)

The ISWGNA agreed that this issue would be best addressed in the BPM, and if any further guidance is needed it would be best dealt with in a handbook.

(iii) Additional chapter for quarterly accounts (CBS)

The ISWGNA took the view that there were no conceptual issues peculiar to the quarterly frequency, and, conversely, all issues peculiar to quarterly accounts were of a practical, implementation nature. In the last ten years both Eurostat and the IMF had published implementation manuals for quarterly national accounts. If there were any gaps in the coverage of these manuals then it would be best to either revise them or produce a new manual.

(iv) A chapter devoted to financial accounts (ECB)

The ISWGNA agreed that, if implemented, this proposal would disrupt the SNA chapter structure too much. It was also noted that this subject was dealt with in the IMF's Monetary and Financial Statistics Manual (MFSM) and in an accompanying compilation guide. However, it would be useful to show an articulation by type of asset for all types of asset - showing opening stocks, transactions, other changes in volume, revaluations and then closing stocks.

(v) Clarification of how to deal with new financial products (ECB)

The 1993 SNA notes (paragraph 11.34) that it is not possible for it to give an exhaustive treatment of financial derivatives, and market innovations would render such a treatment obsolete within a short period. All the SNA can be reasonably expected to do is to give general guidelines. The ISWGNA re-affirmed this statement, but agreed that the general guidelines should be reviewed. It also noted that some particular products are being dealt with in the MFSM and BPM.

(vi) Improve the SNA as a basis for comprehensive productivity analysis (ECB)

The ISWGNA acknowledged that the measurement of productivity growth was an important use of national account statistics. It noted that one of the Canberra II Group issues was concerned with identifying the contributions of capital and labour to production in both current and constant prices. In addition, the ISWGNA agreed that the editor should review Chapter XVII to ensure that it adequately dealt with the measurement of labour input.

(vii) Integrate policy-oriented variables (ECB)

The demands of users for policy-oriented variables vary from country to country and they also vary over time. Therefore, the ISWGNA agreed that the choice and presentation of policy-orientated variables was best left to the discretion of individual statistical offices and central banks.

(viii) Review SNA terminology for user-friendliness (ECB)

The ISWGNA agreed that to the extent practical, the editor should review and improve the terminology.

(ix) Definition of basic prices (ABS)

The ISWGNA acknowledged that there was an inconsistency between the SNA and BPM in respect of the inclusion of transport costs (when not separately invoiced) in the value at basic prices of produced goods and their exclusion from exports f.o.b. However, this problem was recognized when the two manuals were last updated and circumstances had not changed since then. Therefore, the ISWGNA decided that there should be no change made in this update to the definition of production at basic prices.

(x) Volumes and prices in relation to taxes on products (ABS)

The ISWGNA agreed that the editor should review the relevant paragraphs of the SNA and clarify as necessary.

(xi) Clarification of components of compensation of employees (ABS)

The ISWGNA agreed that the editor should review the relevant paragraphs of the SNA and clarify as necessary.

(xii) Review of classifications (ABS)

The ISWGNA noted that revisions to the International Standard Industrial Classification of All Economic Activities (ISIC) and Central Product Classification (CPC) were already underway, and recognized the importance of coordinating these revisions with the update of the SNA (see item 3(b), above). It was not proposed to review any other classifications pertaining to the SNA at this time, as they were developed quite recently.

(xiii) Review of the purpose and uses of the SNA (ABS)

The ISWGNA felt that there was no call for such a review and that the specific issue mentioned – purchasing power parities – was already adequately dealt with.

(xiv) Review SNA codes (OECD)

The OECD noted that some of the codes used to identify transactions and balances in the 1993 SNA were unsuitable for electronic data interchange and storage. For example, some use an ‘*’. The ISWGNA agreed that the editor should be asked to review the codes, seeking advice as needed, to ensure that this problem was overcome.

(e) Any further actions required to keep NSOs and other interested parties informed of issues in a timely manner

The ISWGNA felt that with the actions already identified there was no need for further action.

(f) Need to replace any AEG members who did not attend the inaugural meeting?

Four people who accepted an invitation to join the AEG failed to attend the inaugural meeting. The ISWGNA examined the reasons for their non-attendance, and in at least one case a replacement will have to be found. The ISWGNA agreed that the goal of having 20 experts with as wide a representation as practicable should be maintained. It will therefore take whatever steps are necessary to achieve this.

(g) Any lessons learnt from the first meeting?

(i) Going round the table to allow everyone to express their views on an issue had proven to be successful, and members should be informed that this would be common practice.

(ii) In situations where it was evident that there is a lack of consensus on an issue, the chair should call for a break when they think that there has been sufficient discussion in order to confer with other members of the ISWGNA as to how to proceed (i.e. call for a vote, let discussion proceed, or some other action).

(iii) The first AEG meeting lasted five days, but that does not mean that subsequent ones should be of the same length. Rather the length of each meeting should be tailored to the agenda.

(iv) Authors of issue papers should provide numerical examples where it would help understanding of the issue.

5. Next AEG meeting

The ISWGNA agreed that the next meeting of the AEG would be hosted by the UNSD in New York, starting on 29 November. The expected end date would be determined when the agenda was firmed up.

6. Coordination with business accounting standards

The ISWGNA agreed that it was the responsibility of expert groups/task forces to take account of business accounting standards and proposed developments to them when developing their proposals. This should be reflected in issue papers, where applicable.

7. Review of funding for the updating work

There is still a substantial shortfall of the money required to fund the SNA update. The ISWGNA agreed that central banks and regional banks should be contacted as soon as possible to seek funding (IMF, UNSD).

8. Recruitment of project manager and editor

The ISWGNA noted that applications for the posts of project manager and editor were to close on 30 March, and it was hoped that the appointments would be able to be made swiftly (responsibility for the appointments rests with the heads of the five international organisations represented by the ISWGNA). Therefore, to aid the senior group to achieve a speedy and efficacious outcome, the ISWGNA should forward recommendations to fill the vacancies in early April.

The ISWGNA agreed that the UNSD would be responsible for negotiating the terms of employment with the successful applicants.

The ISWGNA agreed that it would be necessary for the project manager to attend all meetings of the ISWGNA, AEG and UNSC and for the editor to attend meetings of the AEG. Their attendance at other meetings (task forces, etc.) will be determined as required. The associated expenditures should be reflected in the budget (UNSD).

The editor should be asked to present drafts of text for the SNA at the November 2004 meeting of the AEG relating to those changes recommended by the meeting in February.

The UNSD agreed to prepare a preliminary list of tasks for the project manager and editor.

9. SNA News and Notes

The ISWGNA discussed the progress of articles that it had been agreed should be included in the April 2004 issue (a report of the February AEG meeting and articles on the new CPI and PPI manuals and an Australian Bureau of Statistics paper on the size of the cash economy in Australia). It noted that the preparation of some of them appeared to be behind schedule and required immediate attention.

For the October 2004 issue, it was agreed that the OECD should prepare an article describing some of the Canberra II Group issues under consideration, and the UNSD should prepare an article describing the extent of implementation of the 1993 SNA, and, as a case study, a description of the hurdles South American countries faced in its implementation and if they were able to overcome them how this was achieved.

10. Next meeting

The ISWGNA agreed that to successfully manage the update of the SNA it needed to increase the frequency of its meetings from two to four times a year. It was agreed that it should continue to have its face-to-face meetings in March and September/October, but these should be supplemented by meetings coinciding with the AEG meetings in November/December and a teleconference in June-July. The next face-to-face meeting will be held at the OECD, Paris from 7-8 October. The organisation of the teleconference in June-July will be led by the UNSD.

APPENDIX I

AGENDA

Meeting of the Intersecretariat Working Group on National Accounts (ISWGNA)

Washington, World Bank, 15-16 March 2004

- 1. Adoption of agenda**
- 2. Review actions agreed at the October 2003 meeting**
- 3. Review the work programme for updating the 1993 SNA**
 - a) Issues arising from consideration by the UNSC of the ISWGNA's report at its meeting in February 2004 (UNSD)**
 - b) Coordination of AEG meetings with BOP Committee, TFHPSA and Expert group on Classifications (meeting dates, venues, program of work) - 2004-2007 (UNSD)**
 - c) Any lessons learnt so far in the updating process?**
- 4. Outcome of the February 2003 AEG meeting**
 - a) Summary descriptions of the decisions made (all)**
 - b) Consolidated list of accepted issues - determine the sponsor, taskforce/expert and target AEG meeting for each issue (UNSD)**
 - c) Review list of action**
 - d) Consideration of new proposals raised at the AEG meeting**
 - e) Any further actions required to keep NSOs and other interested parties informed of issues in a timely manner**
 - f) Need to replace any members who did not attend the inaugural meeting?**
 - g) Any lessons learnt from the first meeting?**
- 5. Next AEG meeting**
- 6. Coordination with business accounting standards**
- 7. Review of funding for the updating work**
- 8. Recruitment of project manager and editor**
- 9. SNA News and Notes**
- 10. Next meeting**

APPENDIX II

Actions agreed upon at the meeting on 15-16 March 2004 and confirmation of actions previously agreed upon

Agenda Item	Action	Responsible	When
2	Ensure consistency of time schedule and coordination for review of overlapping issues between all task forces.	UNSD	30 June
3(a)	Place issue papers on the ISWGNA website as soon as possible	UNSD	On-going
3(a)	Present issue papers to regional meetings and ask for comments prior to discussion at the AEG.	UNSD	November 2004 and 2005
3(a)	Present issues papers to OECD meeting of national accounts experts and ask for comments prior to discussion at the AEG.	OECD	October 2004 and 2005
3(a)	Send reports of the AEG meetings to all national statistical offices and central banks for comment	UNSD	Within five months of the AEG meeting
3(b)	Extend summary document of global work programme to include the Expert Group on Classifications	UNSD	30 April
3(c), 4(g), 6	Draft a document providing guidelines for the preparation of issue papers and distribute it to all task forces and expert groups following ISWGNA approval.	UNSD	30 April
4(a)	Make minor amendments to the summary description of the decisions made by the AEG	UNSD	16 April
4(b)	Complete consolidated list of accepted issues. In those cases where there was no obvious existing task force or expert group to which to assign an unassigned issue then the UNSD should submit a proposal to the ISWGNA for consideration. Append to the list of issues points identified for clarification and amendment by the editor.	UNSD	31 May
4(d)	Submit the ISWGNA evaluations on additional issues to AEG members	UNSD	1 June
4(h)	Follow up action for non-attendance at AEG meeting	UNSD, OECD	30 April
5	Finalise dates for next AEG meeting	UNSD	30 September
7	Request funding from central and regional banks	IMF, UNSD	30 April
8	Forward recommendations for the project manager and editor vacancies to the heads of the statistical departments of the five international organizations	All members	21 April

	represented by the ISWGNA for their decision.		
8	Prepare a preliminary list of tasks for the project manager and editor.	UNSD	1 June
9	Prepare an article describing some of the Canberra II issues under consideration for the SNA News and Notes	OECD	31 August
9	Prepare an article describing the extent of the implementation of the 1993 SNA, and describing the South American experience: the hurdles countries faced and if they had been overcome – how?	UNSD	31 August
10	Organise next meeting of ISWGNA by teleconference in June or July	All members led by UNSD	31 May

APPENDIX III

LIST OF ACTIONS

The First Meeting of the Advisory Expert Group on National Accounts—ISWGNA (February 20, 2004)

1. Summary conclusions of the February meeting of the AEG will be posted on the UN webpage. A page will be created for contributed comments (such as the Vanoli's paper).
2. Moderators of the following issues: taxes on holding gains, military equipment, employee stock option, cost of ownership transfer, non-life insurance prepare a short (few pages) text titled DECISION OF THE AEG ON ---- before March 10 and transmitted to the UNSD.

The UNSD will transmit these documents and attach them with (possibly) revised AEG issue papers to all statistical agencies and central banks in the world for comments before July 2004.

The ISWGNA will consolidate the comments and present them in the next meeting of the AEG.

3. The moderator of the pension scheme prepares a questionnaire to the AEG members for response before June 2004. Prepares a paper based on responses.
4. The moderator of non-life insurance will circulate an example concerning premium supplements.
5. AEG members who have proposed new issues included in the summary conclusions of February 16 have to send a short background paper before March 10 to the UNSD. The ISWGNA will meet on March 15-16 and will merge the issues into a list submitted to the next AEG meeting for decision.
6. As soon as possible, the ISWGNA will announce to the AEG members the name of the project manager and the editor.
7. The ISWGNA will discuss the procedure to enhance the participation of regional commissions and experts in the process of the SNA updating. A presentation will be made of the updating at the IARIW conference in Cork, Ireland, August 2004. Other activities are scheduled, for example, at UNECD in April 2004.
8. Next meeting of the Canberra II Group on Non-financial assets: 17-19 March, Washington, DC.
9. Next meeting of the TFHPSA: September 2004.