

**Minutes
of the Intersecretariat Working Group on National Accounts (ISWGNA)
Teleconference, March 17, 2005**

Participants: C. Aspden, Francois Lequiller (OECD), A.Bloem, C. Gorter, L. Laliberte (IMF), B. Newson (Eurostat), I. Havinga, V. Vu (UNSD), C. Carson (Project Manager), A. Harrison (Editor), L. Bratanova, Tiina Luige (UNECE), B. Hexeberg (World Bank)

1 Adoption of agenda

The agenda is attached as appendix I.

2 Progress with action items agreed during the December 2004 ISWGNA meeting(s)

The only outstanding action item from previous meeting was with respect to item 17(a) - Develop a standardized consultation approach (of AEG members) for issues that can not be completed at meetings of the AEG. This will be done shortly, so as to be in place before the upcoming AEG meeting. (Original deadline: May 2005.)

On item 17(b) – Develop proposals for conducting wider written consultation when required, the manager informed that work was ongoing. The UNECE noted that the UN Regional Commissions should be involved further. Somewhat linked to this issue was action item 14 – Consult with a representative selection of appropriate persons to determine what additional steps, if any, were needed to ensure a satisfactory level of consultation of proposals. The manager informed that the issue had been discussed with ISWGNA:MG as well as donors, and the general view seemed to be that AEG countries are well informed and involved, but that other countries are not, and that more work is needed with regards to outreach.

With respect to action item 5(a) - Remind task force chairs and secretaries of the guidelines for the preparation of the issue papers, this has been done verbally, but will be followed up with a written note to this effect. It was asked that “model-papers” are made available, to be attached to the guidelines.

On item 12 – Distribute all ISWGNA proposals for changes to the SNA as quickly as possible after AEG meetings to all NSOs and central banks informing them they have sixty days to comment, it was noted that the ISWGNA organizations should coordinate so that the letters sent to the NSO (by UNSD) and central banks (by IMF) are sent at the same time.

3 Outcome of the UNSC meeting and the meeting with donors

The manager reported on the outcome of the meeting with the donors and the UNSC - with input from UNSD. Most of the concerns raised at these meetings were linked to the extent of the update, the time-constraint under which the update takes place and the quality of the revisions, as well as the factors impeding the implementation of the 1993

SNA. (Written notes from both meetings were distributed previous to the ISWGNA meeting.)

The ISWGNA was informed that the UNSD has been given the mandate by the Statistical Commission to devise a strategy to strengthen the statistical infrastructure for basic statistics in developing countries with a focus on Africa. A strategy paper will serve as an input for a later discussion of this issue within the ISWGNA. In order to get a grasp on what impact the update of the 1993 SNA will have on the developing countries ability to implement the guidelines, it was suggested to check which of the issues up for revision will make an impact on the accounts required to fulfill the “minimum required data set.”

4 Progress made by various committees, task forces, EDGs etc.

Issues overlapping with the Balance of Payments

The IMF reported good progress on the review of BOP issues. The elaboration of issues by expert groups is finalized, while one last final meeting in the BOP Committee (BOPCOM) is pending.

Development of issue papers by the BOPCOM identified for the upcoming AEG meeting in July are on schedule.

Issue no. 37, currently under the TFHPSA umbrella: It was noted that Recognition of guarantees is being dealt with by the TFHPSA whilst Activation of Guaranties is being dealt with by the BOPCOM. The ISWGNA stressed the need for coordination since these two aspects are closely linked. BOPCOM is aiming at having an issue paper ready for decision at the January 2006 AEG meeting.

With regards to issue 43a, the meeting was informed that a separate paper on Foreign Exchange loans would be ready for the July 2005 AEG meeting.

Employers' retirement schemes

IMF informed that a revised Terms of Reference for a task force has been circulated for comments, that authors have been invited to write papers, and potential participants for the task force are being identified. A discussion paper is planned for the July 2005 AEG meeting, while a task force meeting is planned for September with the aim of agreeing on a proposed solution so as to bring a paper for decision to the AEG at its January 2006 AEG meeting.

The importance of getting input from Europe was pointed out -- in particular with regards to the umbrella schemes comprising both the employers' pension schemes and social security schemes. Furthermore, Brian Newson (Eurostat) made the point that the two stage procedure proposed by the IMF could run into trouble if it is proven that the two stages (pensions for government employees and social security pensions for the population at large) were not meaningfully separable in a number of countries, and that the issue should be faced at an early phase in the work of the task force. The meeting agreed to push borderline issues – borderline between employers' pension schemes and social security schemes (step 2.1 in TOR) – forward, so as to run in parallel with the

work on principles of the treatment of defined benefit employers' pension schemes (step 1 in TOR).

It was also mentioned that the ISWGNA:MG had discussed the issue, and OECD had agreed to follow up to get input from policy users.

Non-performing loans

The issue was agreed in principle at the December 2004 AEG meeting, however, some details were left for further elaboration. With regards to working out the agreed solution in the accounts and the harmonization of terminology with the BOP, papers will be circulated electronically for comments shortly. Regarding the effects on FISIM, a paper will be presented for the July 2005 AEG meeting.

Output of Central Banks

The IMF confirmed its commitment to write a paper for the January 2006 AEG meeting.

Ancillary units

The UNSD reported that an EDG paper on ancillary units has been posted on the website, and will be discussed at an expert group meeting planned for 5-7 October 2005. Assuming the recommendation is approved by the expert group, a paper will be forwarded to the AEG for decision at its January 2006 meeting.

Due to the nature of the issue, the meeting noted the need for coordination and input from this expert group to the BOPCOM and the TFHPSA which are working on related issues (SPVs).

Informal sector

A paper on the informal sector is being prepared by UNSD with recommendations to change the current text in the Annex to Chapter IV of the 1993 SNA. UNSD will actively seek comments on this issue including from the members of the Delhi Group. This paper will be presented for comments at the Bangkok Workshop on 93 SNA Update in 19-22 April and the next Workshop at ECLAC planned for 26-28 October 2005. An AEG paper will be prepared for the AEG meeting in January 2006.

Illegal activities

UNSD will review the issue. It is likely that this will be an issue for clarification.

Canberra II issues

The OECD reported good progress with regards to all of the issues under the Canberra II umbrella:

Research & Development, Patented entities: A draft issues paper has been placed on the EDG for discussion at the April meeting of the Canberra II. Providing there are no major disagreements requiring a post-meeting consultation, a paper should be ready for decision at the AEG meeting in July 2005.

Originals and copies: The issue was dealt with by the AEG at its December 2004 meeting. Remaining issues brought back to the Canberra II for further elaboration will be discussed at the April meeting. The group expects to forward a response to the AEG at its July 2005 meeting.

Databases: A tentative agreement on the issue was made at the December 2004 meeting. Further elaboration of the issue to be made at the April meeting, and a response to be forwarded to the AEG for consideration at its July 2005 meeting.

Other intangible fixed assets and Asset boundary for non-produced intangible assets: It is likely that a conclusion will be reached on both issues during the April meeting, thus, both issues could be up for decision at the July 2005 AEG meeting.

Cost of capital services in the production account: The issue will be discussed at the April meeting, and a major paper will be on the EDG shortly. Not likely to be on the agenda for the July 2005 AEG meeting.

Government owned assets: The issue is progressing, but depends on the methods discussed under 'Cost of capital services in the production account' to be agreed to.

Right to use/exploit non-produced resources between residents and non-residents: The issue will be discussed at the April meeting. The views of the meeting will be passed on to the BOPCOM.

Leases and Licenses: To be discussed at the April meeting. Outstanding issues are likely to be addressed by written consultation prior to the final meeting in September, so that a paper for decision can be forwarded to the AEG before its January 2006 meeting.

Goodwill and other non-produced assets: Draft issue paper to be discussed at the April meeting. The issue is expected to be ready for decision at the July 2005 AEG meeting.

Obsolescence and depreciation: If agreement is reached on the paper to be presented at the April meeting, a short issues paper will be prepared for the July 2005 AEG meeting proposing no change to the SNA.

PPPs and BOOT schemes: The results of survey will be discussed at the April meeting, where a conclusion could be reached.

Classification and terminology: Results of survey and EDG discussion to be discussed at the April meeting, however, some issues will still be outstanding.

Amortization of tangible and intangible non-produced assets: The issue will be discussed at the April meeting, where a conclusion could be reached.

Definition of economic assets: The issue will be discussed at the April meeting. However, as it depends on the outcome of several other issues, it will not be finalized before the September meeting.

Water: A draft issues paper to will be discussed at the April meeting. A final paper is expected to go for decision at the July 2005 AEG meeting.

TFHPSA

The OECD reported on the progress of issues under the TFHPSA, which met on 2-4 March. It is expected that three papers will be presented for decision at the July 2005 AEG meeting: Tax revenues; Guarantees (see comments above with regards to the issue of Activation of Guarantees); and Delineation of government/public corporations and government/NPI. Some sub-issues such as the question of the source of finance as an indicator of control for NPI, and how to record one-off types of guarantees, might not be completely clarified before the AEG meeting however.

The remaining issues of the TFHPSA, Privatizations, SPVs and restructuring agencies; and Reinvested earnings of public corporations (capital injections, superdividends) are expected to be finalized during their September 28-30 meeting and ready for decision at the January 2006 AEG meeting.

TF on Financial Services

The OECD informed that a range of issues, including a general definition of the sector financial corporations, measurement of the production of financial corporations, and price and volume measure of financial and non-life insurance services, would be discussed at an upcoming TF meeting 9-11 May. It was noted that the first issue in principle has been agreed on, while the two remaining issues will have to be concluded by the Task Force at its May meeting. No issues are expected to be forwarded for decision at the July AEG meeting, but a progress report should be available.

Clarifications

Valuation and measurement of equity: The task force on valuation and measurement and equity (TFVME) first meeting 14-15 April is expected to consider the valuation of all types of equity, taking into account the related work currently being carried out elsewhere. In particular, this includes OECD-IMF DITEG efforts on the concept/valuation of direct investment equity for the revision of the Balance of Payments Manual and on the OECD Benchmark Definition of FDI, as well as the practical work on unquoted shares undertaken by WGUS. TFVME will review in depth the conceptual and methodological issues surrounding the valuation of equity, in the context of assets and liabilities, including portfolio and inter-company investment.

Persons/jobs: OECD informed that a paper will be ready for the July AEG

Non market output: A paper will be ready for the July AEG

SNA Industry Top Level Aggregation: The EDG was set up in December 2004. A first proposal by OECD for two standard ISIC revision 4 aggregations - for a 'top-top' 10/11 categories and an intermediate 40 categories - for the revised SNA data reporting was circulated to participants on 11 February 2005. Comments were requested by 18 March 2005, however, only Eurostat and two countries had replied so far.

A near final draft structure for ISIC revision 4 was agreed on 12 March 2005 by the UN TSG, for approval by the UN Expert Group on Economic and Social Classifications. This includes some small changes to facilitate the preparation of the top-top 10 in line with ISIC hierarchy and ordering.

A revised proposal on ISIC aggregations will be prepared by OECD for 23 March and re-circulated for comment by end April.

OECD will then prepare a firm proposal, in consultation with UNSD and Eurostat, for the SNA Advisory Expert Group in early May 2005."

5 Prioritization of Issues

Due to the extent of the updating and the time constraint, the meeting discussed the need for prioritization of issues. In order to be able to agree on individual issues by January 2006 and finalize the update by 2008, the ISWGNA agreed to prioritize issues to allocate time, attention and resources where most needed. Furthermore, this could carry through to the AEG meetings, where the agenda could allow for less time to "simple" issues and more time to more complex ones.

6 Adaptation of procedures and next steps

Linked to the agenda item above, the ISWGNA discussed possible solutions. In order to make the AEG capable of making decisions at the meeting, the deadline for submission of papers will need to be strict. This time around, it would imply that papers should be submitted to the ISWGNA by 15 May, so as to be distributed to the AEG members by June 1.

The ideas of pre-AEG electronic discussion, both to reach closure and to identify which issues need to be discussed face to face at the AEG meetings and which issues could be dealt with electronically were discussed.

It was agreed that the manager in cooperation with the ISWGNA would identify the issues to be discussed at the July AEG meeting and draft an AEG agenda. The ISWGNA will agree on the issue of allocating time for individual issue at its May meeting.

7 Global consultations – use of surveys

To meet concerns raised with regards to the use of surveys and the form these should take, it was agreed that the "survey questionnaires" should be circulated to the ISWGNA for review before posted/circulated.

8 Progress with action items agreed during the December 2004 AEG meeting

Only a few action items from the last AEG were outstanding:

(xvii) – examples of provisions to be sent to the editor by end February 2005. As only one reply has been received, UNSD will send out a second reminder to AEG members.

(xxi) – global consultations on indicators to split multi-territorial enterprises. UNSD will consult IMF to undertake the consultation.

(..) - consultation on capital services on government owned assets will proceed based on the outcome of upcoming Canberra II meeting at the end of March 2005. Progress should be ascertained on the pilot projects in Costa Rico and Trinidad and Tobago on the measurement of capital services for government-owned assets.

9 Attendance at AEG meetings

The meeting discussed what, if anything, could be done when experts are unable to attend AEG meetings. The ISWGNA reaffirmed that no substitutes would be allowed, as all experts are invited in their personal capacity. Rather, to get every experts input, the meeting agreed to push for written comments and to look into the possibility of using teleconferencing.

10 Date for AEG meeting

The meeting after the next was preliminary scheduled for January 23 – February 3, 2006. No decision was made with regards to venue, but the meeting noted the UNECE's repeated offer to host an AEG meeting. (The "reconciliation" meeting will likely be scheduled for May – June 2006.)

11 Compulsory memo items

The meeting asked the OECD to prepare a note, with examples, so that based on this input the issue could be discussed at a later meeting.

12 NPI –Letter from Mr. Lester Salamon to UNSD

The ISWGNA expressed its appreciation for the assistance offered by Mr. Lester Salamon in his letter to UNSD with regard to the delineation of NPIs. However, it was decided to wait for the outcome of the deliberations in the AEG of July 2005 with regard to the criterion of "controlled and mainly financed by government" used as the basis for allocation of NPIs to government

13 SNA News & Notes

The April issue of the SNA News & Notes (issue 20) has been drafted, and will be circulated for review shortly. Each organization was asked to send a revised list for the sections on Meetings and Manuals.

14 Dates for ISWGNA meetings

The next teleconferences are set to April 28 and May 26. Face-to face meetings will be held in conjunction with the July AEG meeting, on July 17 and 23.

Appendix I

Final Agenda
Teleconference of the Intersecretariat Working Group on National Accounts
(ISWGNA) March 17, 2004

- 1 Adoption of agenda
- 2 Progress with action items agreed during the December 2004 meeting(s) of the ISWGNA
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- 4 Progress made by various committees, task forces, EDGs etc.
- 5 Prioritization
- 6 Adaptation of procedures and next steps
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Appendix II

Actions agreed upon at the meeting

Agenda item	Action	Responsible	By when
2	Develop a standardized consultation approach for issues that cannot be completed at AEG meetings	Project manager	Before next AEG meeting
2	Send “model papers” (to be used as attachment to the guidelines for preparation of issue papers) to the manager	All	As soon as possible
8	Follow up on action items agreed during the December 2004 AEG meeting: <ul style="list-style-type: none"> (i) Contact organizers of CRIW re. presentation of the Update of the SNA for data users. (ii) Send out reminder to AEG members requesting examples of provisions (iii) Global consultations on indicators to split multi-territorial enterprises 	Project manager / UNSD UNSD UNSD/IMF	By May 25 As soon as possible As soon as possible
11	Prepare note on “Compulsory memorandum items”	OECD	By May 15