

Minutes ISWGNA Meeting

4 December 2010
Paris, France

Participants:

Eurostat: Francis Malherbe
IMF: Manik Shrestha
OECD: Nadim Ahmad
UNSD: Herman Smith (chair and minutes)
World Bank: Barbro Hexeberg

1. Report of the ISWGNA to the 2011 UNSC

The ISWGNA discussed the draft report of the ISWGNA to the 2011 UNSC. Apart from the item on guidelines for monitoring the implementation of the SNA the ISWGNA agreed with the report. Regarding the guidelines for monitoring the implementation of the SNA the ISWGNA agreed that: i) the milestone and data set measures to assess the scope of implementation of the 1993 SNA could also be used, after appropriate adjustments, to assess the scope of implementation of the 2008 SNA; ii) the adjustments between the 1993 version and the 2008 version should be explained in the report; iii) the *minimum requirements* extended to only the quarterly nominal or volume measure of GDP by industry or expenditure components and the sequence of accounts until net lending of the total economy and the rest of the world; iv) the compilation of annual and quarterly integrated accounts until net lending of the other institutional sectors be *recommended*; v) the compilation of annual financial accounts and annual balance sheets for all institutional sectors be *recommended* and the compilation of quarterly sectoral financial accounts and balance sheets be *desirable*; and vi) that the conceptual compliance questionnaire may need further refinement; and (vii) the report will distinguish clearly between the stages identified for the process to change over to the 2008 SNA and the measures for assessing the scope and detail of the SNA implementation. ISWGNA members agreed to provide written comments on the report that were discussed at the meeting by 7 December.

2. Research issues

2.1 The Emission permits Task Force

The ISWGNA discussed the final report of the Task Force. The Task Force, established by the OECD and Eurostat under the auspices of the ISWGNA, considered the treatment of emission allowances and permits in the national accounts. .

The Task Force took as its starting point the 2008 SNA and the results of the discussion by the AEG. The 2008 SNA recommends that payments for permits relating to emission into the atmosphere should be recorded as taxes, at the time payments are made, and that the market value of the permits be recorded as non-produced non-financial assets. The Task Force made considerable progress in understanding the operation of cap and trade schemes, though it has also considered other types of permits, and articulating their recording in the accounts of the 2008 SNA under various alternatives, including the international dimension of emission permits.

The Task Force considered two alternatives in particular. Both these alternatives treat the payments for permits as taxes, but propose that the taxes should be recorded on an accrual basis at the time the emission occurs and paid by the emitters as taxes on production. However, they differ in two respects (a) the value of the taxes and (b) the type of assets involved. The first alternative proposes that the prepayment of tax (the timing difference between cash received by government for the permits and the time of the emission) gives rise to accounts receivable and payable and that the difference between the prepayment of tax and the market price of permits represents a marketable contract (a non-produced non-financial asset) for the holder. The second alternative proposes that the emission permits represent a financial asset (for the holder) and a liability (for the issuer) valued at market price and that taxes are recorded at the market price of permits at the time emissions take place. The Task Force could not reach consensus on which of these two alternatives, summarily be described as: the split asset approach and the non-financial asset approach, should be recommended.

All Task Force Members recognised the importance of resolving the issue. As such the issue has been deferred to the ISWGNA, which has been asked to recommend one of the alternatives described above.

The ISWGNA recognised that bridging the difference between the two constituency's positions would not be possible and, so, in its discussions, focused on the nature of the schemes currently in operation with a view to the possible evolution of these schemes over time. As such the ISWGNA took into consideration the following criteria for deriving a conclusion: data requirements; international comparability; economic interpretability; consistency with other parts of the SNA; and the creation of a new category financial or non-financial assets, taxes and transfers related to emission trading schemes.

The ISWGNA did not restrict its discussion only to the preferred approaches of the Task Force, but began by considering the supra-national scheme approach, which carried the support of Eurostat. The other members of the ISWGNA recognised the merit of the approach, in so far, as it removed the interpretative problems related to liabilities and taxes from the balance sheets of national governments to the balance sheet of a supra-national body. However ingenious the approach is, the other members of the ISWGNA also recognised that it carried the support of none of the Task Force members. In addition, this approach is also not consistent with the recommendations of the 2008 SNA related to the allocation of taxes by level of government. The other members of the ISWGNA took the view that none of the emission trading schemes currently in operation conceptually satisfies the requirements that an international body was the tax raising power. The view taken was that national governments collectively determined the allocation of allowances to each other in the scheme and independently determined the allocation of revenues generated from the scheme. However the ISWGNA recognised that if such a scheme was developed by a supra-national body that could satisfactorily demonstrate that it was independently responsible for the allocation of allowances and the redistribution of revenues received from the sale of the allowances, then under these circumstances a supra-national approach was the correct approach. At present none of the schemes in operation satisfy this requirement. Nonetheless, even if such a scheme were to be developed in the future, the fundamental question of whether the allowances should be treated as split-assets or financial assets remained.

In considering the two options the ISWGNA recognised that both approaches presented presentational difficulties for the accounts. However they also recognised that in their current manifestation, with the majority of allowances being allocated for free, that the split-asset approach had some advantages, particularly for government accounts, in so far as it minimises the imputations needed in the accounts (notwithstanding the concerns of all members that a negative non-produced asset could occur; albeit never in the case of allowances provided for free).

Whilst, arguably resolving the presentational impact on the government accounts, there was recognition that the split-asset approach could cause problems in the production accounts of companies surrendering allowances if one took the opportunity cost view of the company's perspective of the value of the allowance. However the ISWGNA (except Eurostat) took the view that in practice the argument was contentious, particularly in the case of a company that acquired its allowances for free and never traded them; which remains a significant case.

The ISWGNA also recognised in its deliberations that a key problem that caused two distinct views to appear within the Task Force related to the preponderance of allowances issued for free and that if all allowances were issued at market prices the two positions were likely to be bridgeable in practice at least - as the accounts with both options, assuming rational markets, would be similar in both approaches.

Taken these considerations into account, the ISWGNA, except Eurostat which is in favour of the financial asset approach in a supra-national framework, took the view that the split-asset approach should be recommended; with additional guidance that describes the resolution of indifference. The ISWGNA recognised that indifference (which affects both the financial and split-asset approaches) would in practice not be a significant problem in the accounts as national accountants would determine average prices for surrendered allowances. As the proposals of the Task Force are regarded as a clarification issue, the decision of the ISWGNA will be published in the first edition of the 2011 SNA News and Notes according to the update procedures adopted by the United Nations Statistical Commission. The ISWGNA agreed to submit this proposed recommendation to the ISWGNA Management Group for its consideration.

2.2 The FISIM Task Force

The ISWGNA discussed the outcome of the scoping meeting for a proposed ISWGNA Task Force on FISIM. The meeting was held on 3 December 2010 in Paris, France with 18 OECD member states attending the meeting. Following clarification by the ISWGNA for the need of global representation in the Task Force, compared to the regional Task Forces, such as that of the European Union and the Latin American region, most countries present supported the establishment of the Task Force and its terms of reference. However, many indicated that it may be difficult to attend physical meetings. It was therefore proposed to have electronic discussions and to arrange meetings back-to-back with other relevant international meetings. There was also a proposal to attempt to host joint meetings with the European Task Force, and support to do so for the final European meeting envisaged for June 2011. It was proposed to schedule the first meeting of the Task Force back-to-back with IMF/OECD Conference on Strengthening Position and Flow Data from the Macroeconomic Accounts on 3 and 4 March 2011 at IMF Headquarters in Washington D.C. Invitations to participate in the Task Force will be sent out in January 2011. The documents of the meetings of the Task Force will be available on the Research agenda page of the ISWGNA web site.

2.3 Other research

The ISWGNA discussed the call by the OECD working party on national accounts for further guidance on the recording of goods for processing, merchanting and international transactions in intellectual property products (IPP). The ISWGNA proposes to request the newly established AEG to review these issues together under the title “global manufacturing” and to provide guidance on the recording of goods for processing, merchanting and international transactions in IPP.

3. The ISWGNA website

Following the completion of the 2008 SNA it was necessary to update the website of the ISWGNA. UNSD demonstrated the draft version of the website to the ISWGNA. The updated website now include, in addition to information about the ISWGNA activities, a platform for monitoring the implementation of the SNA with links to the work programmes of the ISWGNA members and regional commissions; information about the research agenda of the SNA; and the activities of the AEG. The website is available at: <http://unstats.un.org/unsd/nationalaccount/default.asp>. The ISWGNA members welcomed the work on the new website and agreed to provide the relative links to the work programmes of the ISWGNA members. The aim is to finalise the website by the end of January 2011.

4. ISWGNA and AEG work programme

The ISWGNA discussed the composition of the AEG and stressed the importance of having AEG members working at statistical organisations or central banks of countries and to have global representation from all regions. ISWGNA members will propose possible members for the AEG and send invitation to participate in the AEG by the end of January 2011.

The work programme for 2011 for both the ISWGNA and the AEG will mainly encompass work on the implementation of the 2008 SNA, guidelines on position and flow data in the national accounts, the activities of the FISIM Task Force and research on global manufacturing issues.

5. Upcoming meetings in 2011

BIS/Irving Fisher Committee Workshop	18 to 19 January	Basel
Government Finance Statistics Advisory Committee meeting	9 to 11 February	Washington D.C.
ISWGNA and regional commission meeting on SNA implementation	16 February	New York
United Nations Statistical Commission	22 to 25 February	New York
IMF/OECD Conference on Strengthening Position and Flow Data from the Macroeconomic Accounts	28 February to 2 March	Washington D.C.
Inter Agency Group on Financial and Economic Statistics	3 March	Washington D.C
Task Force on FISIM	3-4 March	Washington D.C.
UNSD-ECA seminar on SNA implementation	March	TBD
UNSD-ESCAP seminar on SNA implementation	May	TBD

6. Next ISWGNA meetings

The next meetings of the ISWGNA are tentatively scheduled for 8 February and 5 March 2011.

7. To do list

Action	Due date	Responsible	Status
ISWGNA meetings	2010	UNSD	In progress
Update of the paper Information system for assessing the progress of 2008 SNA implementation		UNSD	Done
Prepare an inventory of dissemination of balance sheet and accumulation account data IMF, OECD and Eurostat		IMF, OECD and Eurostat	Done
Consider how high-frequency statistics could fit in with the 2008 SNA implementation and supporting statistics programme	Oct 2010	All	Done
Establish Task force on FISIM	June 2010	Eurostat	Eurostat established a European Task force on FISIM
Report of the task force on emission permits	May 2010	OECD	Done
Update the draft mandate for an AEG	Middle May	UNSD	Done
Note on ISWGNA activities, in a substantive or institutional context, that may be relevant for the research agenda of the SNA	15 October	All	Done
Inventory of activities and a calendar of events	15 October	All	Done
Comments on the proposed mandate and governance structure of the ISWGNA	1 October	All	Done
Comments on the TOR for an international task force on FISIM	15 October	All	Done
Provide topics and articles for the SNA News and Notes	15 October	All	Done
Report to the UNSC	15 November	All	Draft was discussed at 4 Dec meeting
Comments on the UNSC report	7 December	All	
Minutes of the FISIM scoping meeting on 4 December	31 December	OECD	
Draft note on the clarification on the recording of emission permits	31 December	OECD	
Invitations to the FISIM Task Force members	31 January	All	
Invitations to the AEG members	31 January	All	
Finalisation of the ISWGNA website	31 January	UNSD	