
Agenda item: VI

EXPERIENCES OF OECD COUNTRIES IN IMPLEMENTING THE 2008 SNA (ESA 2010)
EXPERIENCES OF OECD COUNTRIES IN IMPLEMENTING THE 2008 SNA (ESA 2010)

BACKGROUND

1. Towards the end of 2011, the OECD developed and launched a questionnaire to assess the current state of implementation for the revised System of National Accounts (2008 SNA) and the related European System of National Accounts (ESA 2010). Topics covered included non-financial and financial accounts. Thirty-one OECD countries responded to the questionnaire. This note summarises key issues that have been raised.

SUMMARY OF ISSUES

2. Cooperation within country organisations: A majority of the respondents confirmed that the National Statistical Office (NSO) and the National Central Bank (NCB) cooperate positively in the development and implementation of the 2008 SNA (ESA 2010). Other countries noted that the NSO and the NCB only cooperate partially and that some improvements can be made.

3. Conceptual development: There are three distinct groups within countries: a) those who have already either implemented the 2008 SNA methodology or taken measures to collect the required information in line with the new standards (8 countries); b) those that have started to identify the required compilation changes and the impact of these changes (14 countries); c) those that have not yet started or finalised the review of the new methodology (6 countries). A large majority of countries have not needed to use any new surveys although a few countries have captured the new requirements by revising existing surveys.

4. Compilation of non-financial and financial accounts: Almost all OECD countries will compile a set of non-financial and financial accounts. The following countries have indicated that they will only partially compile financial accounts according to the new requirements: Canada, Iceland, Israel, New Zealand, Norway, Sweden, Turkey, and United States of America.

5. Publication timeframe: This will vary depending on country circumstance. Currently only one country (Australia) already publishes a full dataset based on the 2008 SNA basis. Others plan to do this at various stages, including towards the end of 2012 (Canada), and end of 2013 (Israel and Mexico). There is
a European requirement that EU countries publish data on the new basis by autumn 2014. Turkey has indicated that it will publish in 2015.

6. **Historic time series and revisions to benchmarks**: A majority of countries plan to compile historic time-series consistent with the new standards. For a small number of countries, the compilation of historic time-series is not a priority. The compilation of back data is a challenge for OECD countries as they do not know yet what will be the impact of the introduction of this new methodology. The majority of respondents indicated that there will be benchmark revisions due to new data sources, updated source data or use of new methodology.

7. **Guidance from international organisations, best practice and training**: A majority of the respondents expect expert guidance from international organisations in the following areas: a) treatment of holding companies/head offices/special purpose entities (SPE); b) treatment of standardized guarantees; c) treatment of new satellite account on pensions; d) new sectoral breakdown of the financial corporations sector; e) new classification of financial transactions and definitions issues; f) how to obtain and use appropriate data sources. All countries expressed interest in the exchange of best practices between national compilers. A majority of respondents are interested in training on pensions, standardized guarantees, sector classification of holding companies and head offices, estimation of employee’s stock option and valuation of shares and other equity. Countries would appreciate seminars on specific issues organised jointly by international organisations. Suggested approaches included: a dedicated electronic discussion group on specific issues; websites centrally created either by Eurostat or the OECD to centralise all relevant information; specific workshops and task forces.

8. **Responsibility for sector classification**: For the majority of countries, the institutions involved in the sector classification are either just the National Statistical Office (13 countries); or the National Central Bank and the National Statistical Office together (12 countries). For five countries, the National Central Bank is the only institution responsible for the sector classification.

9. **Changes for non-financial corporation sector**: European countries generally expect major changes of assets/liabilities of non-financial corporations due to the sector reclassification of SPEs and holdings to respectively S.125 and S.127. The expected consequence of this reclassification will be a decline of the total assets and liabilities of the non-financial sector S11 and an increase of the total assets and liabilities of the financial corporations sector S12. Non-European countries, generally did not expect any major changes on the assets and liabilities of the sector S11 due to the reclassification of SPEs and holdings to respectively S125 and S127. There are a range of implementation issues in practice. Some countries raised the issue on the variety of definitions of SPEs. As there is no universal definition, countries can use their own experiences which may lead to a problem of comparability across countries. On holding corporations, most respondents would welcome discussions among OECD countries on the criteria used to identify them. After a consultation with their major users, one country disagreed with this reclassification and decided not to implement it.

10. **Changes for the financial corporation sector and new financial subsectors**: There are a wide range of implementation issues for this requirement. For example: a) reliable and timely data sources for the classification of holdings, head offices and other entities in the subsector S127; b) Reliable and timely data for the other new subsectors; c) split of investments funds between S123 and S124; c) split of ICPF between S128 and S129; d) split between money market and non-money-market funds for historical data; e) confidentiality issue for money market funds; f) merits of an extended reporting for the financial auxiliaries, and captive financial institutions and money lenders. Mainly EU countries thought that the inclusion of new financial subsectors will sensibly affect the composition and the total amount of assets and/or liabilities of the total financial sector. Mainly non-EU countries do not expect that the inclusion of new financial subsectors will have an impact on the financial corporations sector or cannot estimate the
impact of the changes at this stage of implementation. The majority of the respondents will incorporate the new breakdown of the financial corporations sector. For some countries, it is too early to indicate if the new sector delineation will have to be postponed.

11. **Breakdown between sectors S.14 and S.15**: The majority of OECD countries are able to split Households (S14) and Non-profit Institutions Serving Households (S15). For a minority of countries (Australia, Iceland, Poland, Turkey and USA), the lack of both reliable data sources and human resources may postpone the derivation of this breakdown.

12. **New requirements for pension entitlements**: Not all OECD countries think the new financial instruments will have an important impact whereas a large number of countries are uncertain whether these changes will have an impact or not. A majority of OECD countries expect difficulties for the new financial instruments AF.63, AF.64, AF.65, AF.66. These may include: a) lack of data sources for new requirements (almost all OECD countries); b) absence of compilation routines and lack of precise rules; c) unclear definitions and inconsistent classifications among existing sources; and d) lack of resources. In general, OECD countries are going to work closely with the pension fund regulator and the financial markets authority to obtain data required on pension funds.

13. **Compilation of financial derivatives**: For a majority of OECD countries, the compilation of financial derivatives, excluding employee stock options, is going to be difficult. One third of the respondents do not expect any difficulties to compile the financial instrument. Some of the difficulties mentioned by the respondents are: a) differences between the two accounting systems SNA and IFRS which make it difficult to obtain required data from standard business reporting; b) quality of data sources (incomplete sector and instrument coverage); c) consistency between major data sources and missing data; d) identification of derivatives in business accounting system; and e) lack of resources.

14. **Compilation of employee stock options**: Most of OECD members do not know how important the financial instrument AF.72 will be. There is the possibility that with changes to tax laws, the importance of this will decrease in the future. A large majority of OECD countries expect difficulties for the compilation of employee stock options AF.72. This may include: a) differences between the two accounting systems SNA and IFRS which make it difficult to obtain required data from standard business reporting; b) no relevant data sources; c) poor quality of existing data sources; d) no compilation routines; e) modification to existing surveys; and f) lack of resources.

15. **Requirements for capitalisation of R&D**: Nearly all countries will implement R&D into the accounts. However, there was some uncertainty on the magnitude of the impact with approximately half of the countries stating there would be an impact. Where estimates of the impact could be made, these ranged from 0.3% to 3.5% of GDP with an average of around 1.5% of GDP. Other countries either thought there would be no impact or were currently unsure. This may be dependent on the magnitude of R&D activity within each country. There are a wide range of implementation issues, including: a) Canada noted that there were differences between treatment of trade in patents and R&D between 2008 SNA and BPM 6; b) treatment of R&D in case of multinational enterprises, including imports and exports; c) obtaining reliable price deflators; d) estimating depreciation rates and service lives; e) obtaining source data from existing and new surveys and censuses; f) derivation of back series; and g) sectorisation.

16. **Requirements for capitalisation of military expenditures**: The difficulties and impact of this asset will obviously depend on the size of the individual countries military. This was reflected in the country responses, where approximately half indicated that they would have no difficulties, whereas the other half indicated that it would be difficult to estimate. However, while some countries were unsure of the magnitude of the impact, the majority of countries indicated that the impact would be relatively small with
an average impact estimate of 0.5%. The main issues identified were: a) the availability of source data; b) service lifes and depreciation rates; c) supply-use balancing; and d) deflation.

17. **Requirements for recording of goods for processing**: The majority of countries noted that there would be difficulties in meeting this requirement. There were a wide range of issues raised, including: a) difficulty in obtaining source data, e.g. lack of information from sources such as customs data, and respondents having difficulty in understanding the concept; b) conceptual and source aspects such as distinguishing goods for processing from other goods in external trade; c) treatment within supply-use tables, particularly if only presented as a balance or including detail such as processing fees; d) how to adjust observed foreign trade in goods (e.g. cross border trade); and e) specific issues such as treatment of gold refining. There was some uncertainty as whether this requirement would result in major changes with a lot of countries unsure of the impact. For example, it should not affect major aggregates, but for imports and exports it will be relevant.

18. **Requirements for recording of merchanting**: Country expectations showed no clear outcome of whether this requirement would be difficult or not. The main issues were: a) lack of appropriate source data; b) difficulty with the conceptual notion of negative exports; c) coordination with Balance of Payments areas; and d) consistency between NA and BoP data. The majority of countries expected that this would not result in a major change.

**CONCLUSION**

19. OECD countries are not all at the same level of implementation of the 2008 SNA (ESA 2010) methodology. At least two countries (Australia and The Netherlands) have produced comprehensive papers on the implementation of the 2008 SNA (see references for details).

20. OECD countries will appreciate further guidance and assistance from international organisations, as well as training sessions and forums to exchange best practises between national compilers.

**SPECIFIC POINTS FOR DISCUSSION**

21. AEG's views and opinions are sought on the following:

a) How to formalise the sharing of experts, discussion forums, training for highlighted common issues?

b) How can we encourage closer cooperation and discussion around related the 2008 SNA and BPM6 issues?
c) During the transition between the 1993 SNA 1993 and the 2008 SNA, how should we manage the comparability between countries?

d) Are there any other implementation issues that should be considered?

REFERENCES


QUESTIONNAIRE SENT TO COUNTRIES
Country

Practical Issues

Part 1: Stage of the implementation of 2008SNA/ESA2010

1. Are your NSO and your Central Bank cooperating in the development and implementation of the 2008SNA/ESA2010?

☐ Y = Yes; P = Partially; N = No

If partially:
Please indicate the area of cooperation:

2. Implementation of the 2008SNA/ESA2010

A/ Conceptual development phase
Your country has already started to analyse the impact of the implementation of 2008SNA/ESA2010 and has started to prepare implementation. These steps include an assessment of required compilation changes, and the elaboration of surveys and other sources of information that can be used to collect the required information in line with the new standards.

Please indicate the level of the implementation of 2008SNA/ESA2010 in your country and the required changes to be made:

Identification of changes in your compilation to be made:

Elaboration of new surveys:

Other steps:

B/ Implementation of the 2008SNA/ESA2010 for core parts of national accounts:

1/ Production of Supply-Use Tables (SUT)
Will your country be compiling supply-use tables according to the 2008SNA/ESA2010?

☐ Y = Yes; P = Partially; N = No

If yes:
Please indicate the year of implementation: (YYYY)

2/ Production of Non-Financial Accounts
Will your country be compiling national non-financial accounts according to the 2008SNA/ESA2010?

☐ Y = Yes; P = Partially; N = No

If yes:
Please indicate the year of implementation: (YYYY)

3/ Production of Financial Accounts
Will your country be compiling financial accounts according to the 2008SNA/ESA2010?

☐ Y = Yes; P = Partially; N = No

If yes:
Please indicate the year of implementation: (YYYY)
Country

Conceptual issues on the sector delineation

Question 1: Responsibility
Please specify the institutions involved in the sector classification in your country:

If relevant, is the sector classification in your country coordinated between the different institutions compiling parts of national accounts?  
☐ Y = Yes; N = No

If No:
Please specify the major issues:

Question 2a: Major changes for the non-financial corporation sector - S.11
Do you expect major changes of the assets/liabilities of non-financial corporations due to change of holdings and SPEs to S.125/S.127?

☐ Y = Yes; N = No; ? = unknown

If Yes:
Do you have any qualitative / quantitative assessments?

Question 2b: Major changes for the financial corporation sector - S.12
Please describe the difficulties envisaged, if any, for providing information relating to the new financial subsectors:

Do you expect that the inclusion of new financial subsectors (e.g. the split of investment funds between S.123 and S.124, the new S.127 sub-sector, the split of IOFP between S.128 and S.129) will sensibly affect the composition and the total amount of assets/liabilities of the total financial sector?  
☐ Y = Yes; N = No; ? = unknown

If Yes:
Do you have any qualitative / quantitative assessments?

Question 2c: Breakdown between sector S.14 and sector S.15
Do you plan to split Households (S.14) and Non-profit Institutions Serving Households (S.15)?  
☐ Y = Yes; N = No

If Yes:
Please describe the difficulties envisaged, if any, for providing a split of S.14 and S.15:
Country

Conceptual issues on financial instrument breakdown

1. Sub-instruments of instrument AF.6

Question 1a: New requirements for pension entitlements as part of AF.6

A/ Do you expect any difficulties for the compilation of the new financial instruments AF.63, AF.64 and AF.65?

☐ Y = Yes; N = No; ? = unknown

If Yes:
Could you specify the difficulties (e.g. no existing data sources, no compilation routine)?

B/ Do you expect any importance of the new financial instruments AF.63, AF.64 and AF.65?

☐ Y = Yes; N = No; ? = unknown

If Yes:
What are the major data sources for these new instruments?

Question 1b: New requirements for standardised guarantees as part of AF.6

A/ Do you expect any difficulties for the compilation of the new financial instrument AF.66?

☐ Y = Yes; N = No; ? = unknown

If Yes:
Could you specify the difficulties (e.g. no existing data sources, no compilation routine)?

B/ Do you expect any importance of the new financial instrument AF.66?

☐ Y = Yes; N = No; ? = unknown

If Yes:
Which domestic sector(s) is/are issuing this financial instrument?
Country

Major conceptual issues on non-financial assets and GFCF

**Question 1:** New requirements for capitalisation of R&D (AN.1171)
A / Do you intend to implement the new recommendations for capitalising R&D?  
☐ Y - Yes; N - No; ? - unknown

Could you specify the major issues in relation to implementation of the new recommendations?

B / Do you expect the capitalisation of R&D to have a significant impact on GDP?  
☐ Y - Yes; N - No; ? - unknown

If Yes:
Could you give a rough estimate of the expected impact on GDP?

**Question 2:** New requirements for the capitalisation of military expenditures (AN.114, weapons systems)
A / Do you expect any difficulties for the compilation of the capitalisation of military expenditures?  
☐ Y - Yes; N - No; ? - unknown

If Yes:
Could you specify the major issues in relation to implementation of the new recommendations?

B / Do you expect the capitalisation of military expenditures, as weapons systems, to have a significant impact on GDP?  
☐ Y - Yes; N - No; ? - unknown

If Yes:
Could you give a rough estimate of the expected impact on GDP, highlighting both the value of weapons systems in total, including those items of dual use assets that were already capitalised under the 1993 SNA, and the figures for weapons systems excluding items that were previously capitalised?