11th Meeting of the Advisory Expert Group on National Accounts,  
5-7 December 2017, New York, USA  

Agenda item: 1.2  

A Proposal for a Future SNA Update Strategy  

Introduction  
The work on the SNA research agenda is currently focused on practical implementation, clarification and interpretation of the 2008 SNA. However, in the recent past several discussion forums explored aspects that could be considered for the future updating of the 2008 SNA. As developing guidance to address issues that go beyond the 2008 SNA may take a long time to resolve, a strategy to address these issues need to be identified. This strategy needs to involve collaboration with users, such as policy makers and academia; and other statistical groupings, such as the IMF’s Balance of Payments Committee (BOPCOM) and the Government Finance Statistics Advisory Committee (GFSAC), on key methodological issues. It will also involve establishing a proposed timeline for the update process.  

Documentation  

A paper on: A Proposal for a Future Update Strategy  

Main issues to be discussed  

The AEG is requested to:  
- Provide their opinion on the way forward in updating the 2008 SNA;  
- Provide their opinion on the main topics to be handled, including the setting of priorities;  
- Provide ideas on involving the user communities in providing additional guidance;  
- Provide feedback on possible future changes to the structures and processes in place for updating the SNA.
A Proposal for a Future SNA Update Strategy
By: Peter van de Ven (OECD)

1. Introduction

1. This short paper intends to address three topics. First of all, it discusses the need for a future update of the 2008 SNA. In a time that many countries are still facing the challenge of implementing the 2008 SNA, it feels slightly inappropriate to discuss such an update now, albeit some years in the future. Yet, there are a number of issues on the table, which require further elaboration and clarification, and eventually – in due course – an update of the international standards. In section 2, the most important issues are shortly addressed, to make it more concrete and to start the discussion, although arriving at an exact list of themes or issues is not the purpose of this paper. Section 3 subsequently deals with the second topic of this paper, which concerns a proposal for a pragmatic way forward in dealing with these issues, without necessarily fixing a precise date for a possible update or revision of the 2008 SNA. The final topic, in section 4, discusses a process of further developing the international standards, by also trying to engage user communities, researchers as well as policy analysts. This part mainly uses some ideas put forward by Anne Harrison in her keynote address to the IARIW-OECD Conference on the Future of National Accounts (Paris, 16 – 17 April 2017).

2. Topics for future clarification and/or update of the 2008 SNA

2. The national accounts community faces two interlinked challenges – how to deal with shorter term demands for clarification of the SNA arising from issues raised during implementation or from recent economic developments, and how to ensure that there is sufficient lead time in planning for the next complete update of the 2008 SNA, including how to address remaining issues from the research agenda. Some topics are rather practical, with little impact on the overall system, whilst others have more of a research nature, with potentially wider consequences for the system. It will be important to distinguish between them for the purposes of planning and prioritisation – a list of topics of both types is presented below, though not for detailed discussion.

3. Since the issuance of the 2008 SNA, economic developments and developments in the society at large have continued to progress, even at an accelerated pace. Key words in this respect are globalisation and digitalisation. Various researchers and policy analysts have expressed their concerns about the way in which these issues are being tackled in the system of national accounts, both from a theoretical/conceptual perspective and from a practical measurement point of view. Although the current conceptual framework of national accounts has shown to be quite robust and resilient, it is also clear that globalisation and digitalisation provide a number of challenges, especially in the case where both issues become intertwined.
4. In these two areas, a lot of work has been done and continues to be done. Further guidance has been provided on how to deal with globalisation. In addition to many working papers, and the work on developing worldwide input-output tables for the analysis of Trade in Value Added, two publications, which deal more specifically with conceptual and measurement issues related to globalisation, have been released:

- UNECE, Eurostat and OECD (2011): The Impact of Globalization on National Accounts; and

5. In relation to digitalisation, work is also progressing in providing further guidance on recording and measuring digitally related activities, including some pleas for further extending the production boundary, and in setting up a satellite account type of framework for describing (the impact of) the digital economy.

6. Looking at the 2008 SNA, without being exhaustive, more detailed guidance could, for example, be provided on the following globalisation issues: (i) the treatment of global production arrangements, including the delineation between goods for processing, merchanting, factoryless goods producers, etc.; (ii) the treatment of Special Purpose Entities (SPEs); and, last but certainly not least, (iii) the issue of economic ownership of movable assets and the related allocation of value added to national economies. Although somewhat broader, one could perhaps also include here (iv) the work on the delineation of head offices, holding companies and SPEs. From a more practical point of view, one could give more prominence to (v) the breakdown of the corporations’ sectors into foreign-controlled corporations, corporations which are part of multinational enterprises (MNEs) with headquarters in the national economy, public corporations, and national private corporations; (vi) additional analytical tools such as Trade in Value Added; and (vii) the importance of communicating national accounts indicators other than (the growth of) GDP.

7. In relation to digitalisation, items for further guidance could include, amongst others, the following: (i) the treatment of free services, paid by advertising revenues and/or data; (ii) the recording of the production of free products, like open source software and Wikipedia; (iii) the treatment of data as an asset category; (iv) the dual use, for consumption and production purposes, of consumer durables; and (v) the recording and measurement of internationally operating platforms. Here, one could also consider (vi) the need for further delineating “digital” products and activities, either or not in a satellite account for the digital economy. Issues related to volume and price measurement, an important concern when it comes to the impact of digitalisation, will be covered under a more generic item on this split.

8. A third topic that may warrant further elaboration in the context of the 2008 SNA concerns the ongoing debate on GDP and beyond, how to better reflect issues related to sustainability and well-being. An important milestone in this respect was the publication, in 2009, of the Report by the Commission on Measurement of Economic Performance and Social Progress, usually referred

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3 See, for example, Nadim Ahmad and Paul Schreyer, Measuring GDP in a Digitalised Economy (http://www.oecd-ilibrary.org/docserver/download/5ljwqd81d09r-en.pdf?expires=1510666743&id=id&accname=guest&checksum=79DA8E6337F96DEBC4C320D1E50763B4).
to as the Stiglitz-Sen-Fitoussi Report⁴. But also the endorsement by the UN Statistical Commission of the System of Environmental-Economic Accounting 2012 Central Framework, including its further guidance on experimental ecosystem accounting⁵, should be mentioned here. Additional work has also been done in providing guidance on the estimation of land⁶; in the area of measuring stocks of mineral and energy resources, both in physical and monetary terms, including accounting for depletion of such resources; the release of new guidance on measuring human capital⁷; capturing household distributional information in the system of national accounts⁸; and the development of guidance on recording and measuring unpaid household activities and volunteer work⁹.

9. Although quite a number of the above mentioned issues would go beyond the central framework of the 2008 SNA, or would require a substantial revisiting of the current international standards for compiling national accounts, some issues warrant a further discussion within the context of the 2008 SNA. Examples concern the development of distributional information, the monetary valuation of natural resources, and the increased focus on household income, consumption, saving and wealth.

10. Given the above, it is considered useful to arrive at an agreed guidance note on how to address issues related to sustainability and well-being in the broader system of national accounts, either in the central framework or in the form of additional satellite accounts. In the case of the latter, one may also want to consider options to elevate the status of these satellite accounts to a status which is much closer to that of the central framework, for example by arriving at an international agreement on the regular compilation of such accounts.

11. The single most important indicator that can be derived from the system of national accounts concerns economic growth, the volume growth of GDP. The 2008 SNA, however, mainly focuses on compiling level estimates, and remains relatively silent about splitting value changes into volumes and prices. Chapter 15 of the 2008 SNA contains some more generic recommendations in this respect, but does not address volumes and prices in great detail. Moreover, continuous efforts have been made to improve the price and volume measurement within the system of national accounts, for example related to education and health. The digitalisation of the economy and other ICT-related advances have also raised a number of, not necessarily new, questions around appropriately capturing quality changes. One can observe quite diverging, not easy to explain, practices across countries, when analysing deflators for ICT-products, software and telecommunication services. Also changes in outlets, from high street purchases to e-commerce, may be treated quite differently. In respect of the telecommunication

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services, advances have been made in the accounting for bundled services. Similarly, new studies, e.g. by the US Bureau of Economic Analysis, have been published on the volume measurement of software.

12. Another topic concerns the accounting for (financial) risks and vulnerabilities. Especially after the 2007-09 economic and financial crisis, this topic has gained massive momentum. User demands go in the direction of having more detailed data on the interconnectedness of sectors and countries for (changes in) financial assets and liabilities, data on maturity and currency risks in the balance sheets, debt-to-income and debt-to-assets data, more details on the extent of shadow banking, etc. They often do not entail a change of the central framework of the 2008 SNA, but one may want to consider reflecting some of the extended knowledge on these issues.

13. Apart from the above more generic topics, further work is progressing on the actual practices of statistical units, certainly in a statistical environment that depends much more on the use of administrative data, instead of targeted surveys. The results of a survey among the members of the ISWGNA Task Force on Statistical Units in National Accounts are part of the agenda of the December 2017 meeting of the Advisory Expert Group (AEG) on National Accounts. Another specific issue may concern the measurement of Financial Intermediation Services Indirectly Measured (FISIM). The latter not only give rise to questions around the accounting for FISIM with interest rates in negative territory (including the related question on the appropriateness of the reference rate method, e.g., using the approximation of a vintage model), but also concerns the unresolved question of including/excluding credit default risk (for which the United States has developed a new methodology). Last but not least, one may also want to provide further guidance on the measurement of the informal economy11.

3. A possible way forward in updating the 2008 SNA

14. The issues mentioned in the previous section raise the question of whether it would be useful to consolidate all this progress in the framework of the 2008 SNA, and, if yes, how to move forward. Here it is proposed to draft additional guidance notes, which provide further clarifications and interpretations of the 2008 SNA. Although these guidance notes would first and foremost stay within the boundaries of the current standards, one could also envisage having clearly delineated proposals which would be included in a future update of the 2008 SNA (and not immediately applied). For the actual introduction of the latter, a formal consultation and approval of the UN Statistical Commission would be needed when the 2008 SNA will be formally updated. Here, it should also be mentioned that the proposal for such guidance notes would not entail providing complete details on the rephrasing of the current SNA, as was done in the case of the supplement to the SNA 1993 on the recording of derivatives, which ended up with a description of the issue in three pages, and complete overview of the exact changes to the text of the SNA 1993 in sixteen pages.

15. The above mentioned, more generic, topics would be clear candidates for developing such guidance notes, i.e. globalisation, digitalisation, sustainability and well-being, volumes and prices, and (financial) risks and vulnerabilities. It is clear, however, that all these issues cannot be

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advanced at the same time. Therefore, if one agrees on producing such guidance notes, a clear prioritisation is needed. Here, the proposal is made to first work on globalisation, mainly because clear advances in the form of additional guidance have been made in this area. Subsequently, one may want to address the issue of sustainability and well-being, although others may prefer to focus on issues that are relevant for the central framework of the SNA. On the other hand however, one could perhaps start the compilation of such guidance notes at the same time, if the topic relates to very different topics, requiring the input of quite different groups of specialists. Accounting for (financial) risks and vulnerabilities would be a clear candidate.

16. To advance the compilation of guidance notes for clarification and interpretation, it is proposed to set up dedicated task forces or expert groups to elaborate the guidance notes. The guidance notes would subsequently be discussed at a meeting of the AEG, before being put forward for global consultation, and endorsement by the UN Statistical Commission, as being an integral part of the 2008 SNA.

17. When it comes to the timing of finalising these guidance notes, it is proposed to have the first one ready for global consultation in the course of 2019 (depending on the timing of the AEG-meeting), each year followed by another guidance note. The notes could later be fully integrated in an update of the 2008 SNA, alongside issues developed in the more traditional process of an SNA update.

4. How to increase the involvement of the user community

18. In the keynote address delivered to the IARIW-OECD Conference on the Future of National Accounts (Paris, 16-17 April 2015), Anne Harrison made a strong plea for increasing the involvement of researchers and policy analysts in the process of clarifying and updating the system of national accounts, to bring the communities of producers and users of national accounts closer together. As she states in her keynote address:

“The administrative use of national accounting aggregates is now so firmly established that it is safe to say this will not disappear in the near future. This proposition may seem to reinforce the case for doing little to change the existing system or the processes for changing it. While such an attitude may satisfy those users who are focussed on the administrative uses of the accounts, it risks further alienating those users who are interested in economic analysis. If there are no deliberate and constructive steps taken to reconcile this position with the growing disquiet from outside the world of official statistics, a bifurcation may result with the SNA becoming a “heritage” statistical system while other more relevant systems are developed that may not preserve what is good in the present system.”

19. For this reason, she proposes that, in further advancing the system of national accounts,

“… a process following the pattern of that used by the International Financial Reporting Standards (IFRS) be adopted. Their practice for making a change to one of their standards is to follow a six stage process. The first step is to set the agenda, the second to plan the project. The third step involves developing and publishing a discussion paper, a process
that gives a comprehensive overview of the issue, looks at possible approaches and gives a preliminary assessment of the authors. The development of the discussion paper involves public consideration. Step four is the development of an “exposure draft”. This reviews the issues and comments received on the discussion paper. It sets out a proposed standard or suggested amendment to an existing standard. The exposure draft is then open for comment again. The fifth stage is when the International Accounting Standards Board (IASB) considers the exposure draft plus comments and drafts the revised standard. The last step is after the new standard is promulgated when there is further discussion concerning any unanticipated issues concerning practical implementation. (Greater details of the whole process can be found on the IFRS web site www.ifrs.org).”

20. Anne Harrison also proposes to set up a SNA Revision Panel (SNARP), with membership from compilers as well as users of national accounts data.

21. It goes without saying that implementing such a process would change the current structures and processes to a considerable degree. It would probably require much more in-depth discussion on how such a new process could be implemented in practice, and also a consultation of the UN Statistical Commission. However, one could envisage including some elements, which do not require a true procedural change. In the past, we did invite specialists from the research and policy domains to participate in the discussions of the various task forces and expert groups set up to look at the issues for updating the SNA 1993. Consultation of user groups was also part of the process in proposing the 2008 SNA. We thus may want to start with discussing in more detail how we can involve user communities in the groups that would take forward the issues (including those where guidance notes are prepared). We may also want to think about a process for an enhanced consultation of user groups. Here, we could think of using various conferences (e.g. IARIW, CRIW, etc.) as a platform.