

Conclusions

15th Meeting of the Advisory Expert Group on National Accounts

Remote meetings

Tuesday 6 April to Thursday 8 April 2021

The Advisory Expert Group on National Accounts:

1. Expressed its appreciation for the work done by the task teams, joint task teams, committees, working groups and expert groups and authors of the issues papers and draft guidance notes, which allows for a better understanding of the various topics for discussion.
2. Welcomed the update by Ivo Havinga on behalf of Stefan Schweinfest, as Chair of the ISWGNA, of the wider picture, including: United Nations Statistical Commission feedback, other updates (e.g. ISIC, CPC, etc.); role of consistency, testing, editorial process, etc.; financial support and the recommendations from the Friends of the Chair Report to UNSC – which accepted all the recommendations related to the working methods for the broader domain of economic statistics.

SNA update programme

Assessments and experimental estimates

3. Agreed on the regional approach to conducting assessments and experimental estimates of proposed new guidance; expressed some concerns with regards to the mechanisms to include all countries and to account for regional heterogeneity; and stressed that regional representation as well as targeting countries with different statistical development should be targeted/considered, whilst allowing for volunteer countries.
4. Agreed with the need to have a clear classification of the recommendations in relation to their impact on the “core accounts”; recognized that more work is needed to define and agree on the terminology and classification; and noted that well defined terminology will help to clearly identify and communicate the scope of the new recommendations in the guidance notes.
5. Recommended that in addition to the procedure to select the recommendations to be tested, the relevance of such recommendations for countries would also facilitate the selection of countries to test the recommendation.
6. Agreed with conducting the baseline assessment, where relevant, together with the global consultations, using a clear self-assessment table to guide countries on the minimum requirements to implement the recommendations in the guidance notes.
7. Agreed, in general, with the overall structure and distribution of responsibilities to conduct the assessments and experimental estimates; and requested that more detail should be provided on the role of the task teams; and noted the importance of coordination and information sharing, including the UNSD’s responsibility for maintaining a central repository of information.
8. Welcomed the proposed timeframe for the assessments and experimental estimates; noted that the proposed time line is short and that the whole process may require more time than what is foreseen; requested that the experimental estimates should start as soon as

possible after the endorsement of the guidance notes; and noted that a close monitoring of the guidance notes and a detailed agenda/calendar would help keep the work on track.

9. Stressed that some additional considerations need to be taken into account when conducting assessments and experimental estimates, such as funding, country resources to perform experimentation, countries that have not implemented the 2008 SNA yet and coordination with regional organizations on their regular capacity development programmes.

Editorial process and Funding

10. Agreed to provide comments on the editorial process and funding of the update programme through written procedure.

Consistency issues

11. Welcomed the note on clarifications and interpretations of the 2008 SNA, outcomes of global statistical initiatives, recording of COVID-19 responses and new developments for consideration for inclusion in the updated SNA by the editorial task team.

12. Agreed with the proposal to (a) record topics other than those on the International Conferences of Labour Statisticians (ICLS) resolutions in matrices on a shared platform; (b) request ISWGNA and AEG members to enter other consistency issues they have encountered in the text of the 2008 SNA and the proposed corrections into the matrices; and (c) develop criteria that the editorial task team could use to decide which proposals to incorporate into the updated SNA.

13. Agreed that the work to incorporate the outcomes into the updated SNA should leverage on the existing mechanisms to update the SNA, rather than by creating new task teams.

14. Recommended that the scope of the work should also include identifying inconsistencies with other statistical manuals such as the BPM6.

15. Agreed with the need to be selective in deciding which outcomes to include in the updated SNA, given that the SNA mainly aims to provide conceptual guidance, but nevertheless, agreed that those clarifications and interpretations and guidance on COVID-19 responses which could nuance the SNA better can be included in the updated SNA as well.

16. Recommended that the editorial task team can, for a start, assess how to incorporate the guidance on COVID-19 responses to nuance the SNA better; and should also take responsibility for updates of identified errors and typos in the existing text of the 2008 SNA.

17. Recommended that the co-chairs of the digitalization task team assess which digitalization sub-task team should develop future-proof recommendations on how to treat digital collectibles and non-fungible tokens and record their transactions and other flows in the national and external accounts, and, where appropriate, other macroeconomic domains and statistical classifications standards.

18. Recommended that the sub-task team on labour accounts assess how to incorporate the resolutions on labour statistics of the 19th and 20th ICLS into its guidance note; and noted that the forthcoming CES Task Force on New Forms of Employment will provide inputs to this process.

19. Recommended that UNSD coordinate with the well-being and sustainability task team to assess if any inconsistency issues related to environmental-economic accounting should be included.

20. Noted that some of the outcomes of the clarifications and interpretations of the SNA and guidance on COVID-19 responses can be considered for inclusion in the compiler's hub.

IPSAS

Financial reporting supporting statistics data quality'

21. Welcomed the presentation by the chair of the International Public Sector Accounting Standards Board (IPSASB) Chair, and recognized that close collaboration with IPSASB on the update of the SNA is warranted; recognized that there is a considerable opportunity to further align the global financial reporting standard for the public sector with the SNA and other macroeconomic manuals using the ongoing update processes; and noted that a further alignment will benefit the overall quality of statistics of the macroeconomic standards with the IPSAS based accounting data being a major data source for the compilation of macroeconomic statistics.

22. Noted that although considerable overlap already exists between the economic substance of the SNA, other macroeconomic manuals, and the IPSAS, the update process of the statistical standards will allow for addressing remaining minor and major differences already identified IPSASB; recognized that these differences could be taken up in the already identified research issues for the update of the SNA; and agreed that a limited number of additional issues for further alignment proposed by the IPSASB to be considered by the AEG/ISWGNA during this update round.

23. Noted that members of IPSASB have already joined some task teams as members; and agreed with the request for further engagement to intensify the collaboration, including IPSASB participation in the AEG as observer.

24. Noted that this institutional collaboration could advance the adoption of charts of public accounts for accrual accounting which would efficiently provide source data for statistics; and recognized that the collaboration could also support the preparation of bridge tables for those conceptual differences that will remain to explain conversion from the accounting standards to the statistical standards as well as guidance and recommendations developing back data series.

25. Recommended that UNSD and IPSASB prepare a proposal on the way forward for further conceptual alignment of IPSAS and the statistical standards through regular institutional collaboration between IPSASB and AEG/ISWGNA.

Communication

26. Welcomed the progress of the communications task team and the multi-institutional representation in the sub-task teams; and noted that this component of the SNA update programme is of high relevance and requires to be addressed early in the process using a multi-topical perspective.

27. Welcomed the forthcoming guidance notes on Terminology, Taxonomy and Alignment Framework by the end of April 2021 and the initiative to have some recommendations tested and assessed by various users; and noted that this will form a considerable step in the direction of helping users better understand national accounting terms and aggregates as well as improved comparability.

28. Expressed concerns about the applicability of some of the proposed recommendations within traditional county practices and how flexibly these recommendations could be applied;

and recognized the need for balance and flexibility when implementing the recommendations to ensure that country practices in the use of terminologies such as vintages are taken into consideration

29. Recommended the development of a broad-based strategy at the national and international level to promote the work of the task team.

30. Recommended to explore the parallel use/presentation of user-friendly and existing technical terminologies as many users are already familiar with the technical terms and noted the alternative to develop concordances linking the technical terminologies to the user-friendly terms.

31. Noted that Compliance with international guidance varies; and cautioned to avoid using a scoring and rating system to evaluate the quality of the statistics that compiling agencies produce.

32. Noted the potential transformative and revolutionary effects of the outputs of the communication task team on the way users use, interpret and analyze macroeconomic statistics.

Globalization

Task team on Globalization – short overview of progress of work (including SPEs)

1. Agreed to include the treatment of government special purpose entities (SPEs) in the direct investment task team's (DITT) guidance note D.5 on "Eliminate the imputations for an entity owned or controlled by general government that is used for fiscal purposes".

2. Agreed that the guidance note on the "Treatment of special purpose entities and residency" can be circulated to the balance of payments and national accounts communities for global consultation.

3. Recommended that the guidance note on SPEs should, on balance, include a baseline assessment of the statistical infrastructure required for compiling data on SPEs if the ongoing survey of the IMF on special purpose entities does not generate the required information.

4. Agreed that the assessment and experimental estimates component of the guidance note on the valuation of imports and exports should adopt a whole-of-system approach by involving stakeholders including the national accounts, balance of payments, merchandise trade and price statisticians in the target countries to assess the impact on the measurement of merchandise trade in nominal and volume terms and the price indices that are used to construct volume measures of merchandise trade.

5. Requested that international and regional organizations to streamline the global consultation procedure for all the guidance notes to avoid sending multiple requests for review to the same respondents and to facilitate the coordination of feedback from countries across institutions in the country; and reiterated that the UNSD and IMF are responsible for sending out the invitations to participate in global consultations, while other organizations can support the process with their constituencies.

Treatment of MNE and intra-MNE flows

6. Agreed with the proposal to fully align the concept of ‘control’ in the SNA and BPM, but noted that the proposed definition of control based on criterion of ownership of over 50 per cent of the voting capital could be difficult to operationalize due to factors such as the presence of golden shares.
7. Agreed with the proposal to include the updated decision tree for the allocation of MNEs to institutional sectors in the updated SNA.
8. Agreed that more guidance is necessary for a detailed accounting of the MNEs in the economy, while no consensus was reached regarding the inclusion of an additional chapter covering the topic in the updated SNA.
9. Noted that the principles of control in financial accounting and statistical accounting frameworks are aligned and that the statistical community can refer to the practical guidance in financial accounting frameworks on how to determine control in instances where the use of the 50 per cent voting capital threshold is not possible or where control is not easy to determine as in the case of golden shares, family trusts and no single entity owning more than 50 per cent of the voting capital.
10. Agreed that the guidance note on “Treatment of MNE and intra-MNE flows” can be circulated to the balance of payments and national accounts communities for global consultation and that conceptual and practical issues regarding the concept of control should be further reviewed during the consultation process.
11. Agreed that a separate guidance note should be prepared to address topics such as the role and structure of MNE in global value chains, including the use of functional classification for direct investment in the institutional sector accounts and the classification of business functions for the sourcing of goods and services between the firms in the value chain in the supply and use tables.

Digitalization

The development of Digital Supply and Use Tables

12. Agreed that the guidance note on the “The development of Digital Supply and Use Tables” can be circulated to the national accounts' community for global consultation.
13. Welcomed the work on indicators of digital activity as well as the need to encourage more countries to produce Supply and Use Tables and regular production of these tables.
14. Noted that the classification of digital industries and products will need to be updated to reflect changes introduced in the revision of the ISIC and CPC classifications, this includes the treatment of transactions associated with digital intermediary platforms.
15. Recommended that the baseline assessment should be used to collect additional information on the impact of the digitalization in the countries’ economies and the practices on the update of time series of high priority indicators if digital economy satellite accounts are not regularly compiled.
16. Encouraged a further elaboration of guidance on the application of the Digital Supply and Use tables for productivity analysis using the KLEMS methodology.

Artificial Intelligence

17. Agreed that it would be useful to prepare a guidance note recommending how artificial intelligence (AI) is captured in the SNA and, where appropriate, other macroeconomic statistical domains, as well as how to address any gaps that may exist.
18. Recommended that it would be useful to first prepare an issues paper covering topics such as a fit-for-purpose definition of AI, a typology of the different types of AI, classification issues related to economic activities and products, the practical difficulties in separating expenditure on AI from the expenditure on the accompanying hardware and the business accounting practices in reporting expenditures on AI related activities.
19. Noted that AI related assets have perceived unique characteristics, such as potentially increasing returns to scale/capital services and the likelihood that its asset value may increase over time, which may warrant classifying AI related assets as a separate asset class as a unique factor of production.
20. Noted that AI could be further elaborated in the Digital Supply and Use tables.

The recording of data

21. Noted that the paper explores the options of recording data, with specific consideration for the measurement of costs associated with the access to observable phenomena (OPs), without making a recommendation on a preferred treatment.
22. Noted that the paper explores the option within the constraints of the following preferences: “prudent” estimation methodology for any produced data asset, no significant or open-ended changes to gross fixed capital formation and GDP; not introducing any extension of the production boundary, when it comes to the emergence of OPs, especially within the household sector; and a practically feasible methodology, when it comes to implementation.
23. Agreed that the sum of costs method is the most suitable method to value data assets produced on own account, including costs of recording, organizing and storing data; and noted that a mark-up for market producers would need to be considered.
24. Cautioned that further discussion on the possibility of expanding the scope of the sum of costs method to include the procurement costs related to accessing OPs (such as explicit payments to households or the provision of free services) may require assumptions and imputations; and observed that if procurement costs are included in the sum of costs for the data asset, any explicit payments to households classified as a rent payment would require a broadening of the definition of rent in the present SNA and could not be included in the sum of costs valuation approach under the present SNA.
25. Noted the option to consider the explicit payments related to the access of OPs from the household sector as a purchase of services produced by households rather than a purchase of a non-produced asset or a rent payment and the difference in opinion whether this purchase of services is an expansion of the current SNA production boundary.
26. Considered the production stemming from the information content of OPs in data as an integrated value chain of accessing, observing, digital recording and storing of this content in databases, as well as analyzing evidence or observation of the phenomena in the data; and cautioned that the disentanglement of this integrated value chain to distinguish between data, databases and software is subjected to practical tests.
27. Requested further reflection on the recording of data for government/non-market producers and the avoidance of any double-counting in the core accounts.

28. Recommended that the paper should be circulated to the AEG members for more in-depth review through written consultation.

Well-being and Sustainability

Task team on Well-being and Sustainability – short overview of progress of work

29. Agreed with the principles governing the work on the guidance notes related to well-being and sustainability in providing more granularity in the accounts and tables without compromising the central framework and supported the outreach efforts to the national accounting and policy community.

30. Noted that the guidance notes are prepared on the basis of extensive national and international practices in national accounts and well-established satellite account frameworks; and agreed that further assessment of the feasibility and policy interest of implementation in less advanced statistical systems is needed.

31. Recommended to broaden the inquiry to the national and international practices of the socio-demographic statistics and policy community on the topics of unpaid household services, health and social conditions, distribution accounts, and labour, education, and human capital; and noted that UNSD has initiated a stock take in its exploration of a possible new manual on population and well-being following the mandate from the 52nd session of the United Nations Statistical Commission in March 2021.

32. Welcomed the ongoing work on describing the links between the SNA and the relationship between the economy and society and measurement of human capital along similar lines as the evolving description of the links between the economy and the environment and the measurement of natural capital.

33. Considered that managing and balancing the message of what will be included in the updated SNA in terms of the main accounts and tables with users is very important, as well as explaining why some issues will not be included; and noted that users have growing expectations that the SNA needs to change and better reflect in the main accounts the areas covered in this workstream.

34. Noted that more work is needed on agreed-upon terminology, for example, on the main accounts and tables, supplementary tables, extended tables and thematic tables; and noted that there would be reduced focus on the term ‘satellite accounts’ to describe the elements proposed for integration in a broadened SNA framework.

35. Noted that the online inventory of satellite accounts, hosted by UNECE, provides a useful tool in assessing countries’ readiness to compile the recommended extensions to the core accounts.

36. Agreed that four revised guidance notes discussed at the October 2020 meeting can be sent to the SNA and BOP communities for global consultation, namely:

- Distributions of household income, consumption, saving and wealth
- Unpaid household service work
- Health and social conditions
- Economic ownership and depletion of natural resources

and requested the preparation of cover notes including summaries of the recommendations and questions targeting the specific input sought from the national accounts and balance of payments communities.

Emissions and the national accounts

37. Noted the three options provided in the guidance note for the treatment of emissions permits in the national accounts: the split asset approach, the right to use natural assets approach, and the resource lease - rent approach; and reflected on different interpretations of the role and purpose of emission permits and what was the 'asset' in question.

38. Recognized the practical difficulty in implementing the present recommendation on the split asset approach when emission permits are internationally traded, acquired by households, non-profit organizations and financial corporations for investment or social purposes, and the potential recording of a negative non-produced asset valuation when the value of the traded permit is lower than the issuance price of the permit.

39. Recognized that the right to use natural assets approach might overcome the measurement difficulties of the split asset approach; expressed concerns that the notion of the recording of emission permits on the basis of a right to use will lead to an asymmetry when the damage to the natural asset occurs and the purchase of the permit is recorded and the use of natural asset with the purpose of absorbing a negative externality like a damage to the atmosphere through emissions is not commensurate with definition of a natural asset in the SNA.

40. Recommended to better articulate and provide a more balanced presentation of the option of treating emission permits as a resource lease – rent in which the atmosphere is treated as a natural asset; and noted that under this option, the payment for emissions is not considered a payment of other taxes on production but a payment for a lease to use the services of the atmosphere for instance as a carbon deposit with the understanding that the atmosphere has a limited capacity in providing services like its use as a carbon sink.

41. Requested that the treatment of (negative) externalities of production of goods and services in the SNA be explored in general.

42. Requested that the guidance note should be updated to reflect a more balanced view of the various options for the proposed treatment of emission permits in the SNA; and recommended that targeted outreach be undertaken during the consultations on the proposed options, particularly with the environmental-economic accounting and the related climate change policy and statistics communities.

Labour accounts, education and human capital

43. Recognized the need to elaborate the role and importance of labour in the macroeconomic accounts by linking labour with production and income in the SNA.

44. Agreed with the inclusion of labour accounts in the updated SNA consisting of the four quadrants of persons, jobs, payments and volumes, building on country practices; and noted this integrated presentation should resolve the present fragmented treatment of labour in the SNA.

45. Noted the options to describe labour in the institutional sector accounts or as a separate chapter replacing or elaborating on chapter 19 on Population and labour inputs as well as links to the social accounting matrices framework.

46. Noted that there is a need to further discuss and define the concept of human capital in the context of the SNA; agreed with the view that countries would need additional detailed

information that may not be currently available; and expressed reservations about the strong assumptions underlying the estimates of human capital being produced as official statistics. when it comes to, for example, the lifetime earnings approach.

47. Agreed that the supplementary detail and alternative concepts proposed for education, training and human capital should not impact the core SNA production and asset boundaries, but be presented in extended accounts and may be integrated with human capital estimates.

48. Agreed that the guidance note is ready for global consultation of the national accounts and balance of payments communities.

Financial and payments systems

Task team on Financial and payments systems – short overview of progress of work

49. Noted the progress of the work and timeline for completing the proposed guidance notes

Reverse transactions

50. Agreed to maintain the present treatment of reverse transactions in the update of the BPM6 and 2008SNA; introduce further clarifications for recording short positions in the IIP and the related entries (including income streams) in the income and financial accounts; record income for security lenders, borrowers, and on-sellers, including the recording of negative credit for the security borrower for manufactured interests or dividends; identify the partner economy and sector for “manufactured dividends and interest”; and include commodities (and potentially other nonfinancial assets) in the items used in reverse transactions.

51. Agreed to present the usefulness of separate identification of repo-related transactions and positions in the updated BPM and SNA and encourage countries engaged in reverse transactions to prepare supplementary information on these transactions.

Treatment of cash collateral

52. Expressed opposing views on the classification of cash-collateral related liabilities, including for units whose liabilities are usually not included in the monetary aggregates with a slight preference not to change the current guidance of the SNA; and suggest that more research be conducted, for example, by seeking the views of industry practitioners on how these funds are recorded in their accounts before a final decision is made.