

# PROPOSED NEW GUIDANCE ON VALUATION PRINCIPLES AND SEEA COLLABORATION



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# Outline

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- **New Guidance on SNA Valuation Principles**
- **Working arrangements under the Wellbeing and Sustainability Task Team**
- **Collaboration with the SEEA community**

# Proposed Guidance on SNA Valuation Principles

SNA principles value transactions at **market or exchange** value

- In general this represents an actual price agreed between transactors

In the absence of market transactions, two alternatives are provided to approximate this exchange value:

- **Cost-based method**
  - With or without mark-up for net operating surplus or mixed income attributable to the producer
- **Market prices for analogous goods and services**

Positions (assets and liabilities) should also be recorded at current market value. When information is not available, two alternatives are provided to approximate it:

- **Accumulating and revaluing transactions over time** (e.g. Perpetual inventory (PIM) method for non-financial assets)
- **Estimating the discounted present value of future returns**

# Proposed Guidance on Valuation Principles

The Wellbeing and Sustainability Task Team considers a range of new areas where market/exchange values must be approximated to be brought in scope for the SNA:

- Households' unpaid service work
- Human capital
- Public health and education
- Environmental assets and service flows

Recent discussions for new international standards on Environmental Ecosystem accounting (SEEA-EA) also focused on this issue

- Complexities in interpretation of SNA principles, and their application not straightforward
- Important differences of opinion among national accounts experts on appropriate methods

Highlighted need for a broad reexamination to:

- Provide more detailed guidance on the main SNA valuation principles
- Assess the appropriateness and main pros and cons of valuation techniques considered and/or applied.

# Proposed working arrangements

## **Incorporate new guidance on valuation principles and methodologies under existing workstream for Wellbeing and Sustainability (Broader framework)**

- This group to include task team leads from other domains under Wellbeing and Sustainability
- Complement with experts on valuation techniques from SEEA community
- Target dates:
  - Guidance developed for presentation to AEG early 2022
  - Final draft incorporating AEG feedback for global consultation later in the year

# Coordination with SEEA standards

- SEEA-EA standards recently endorsed by UNSC, *qualified* support for chapters on valuation.
- No imminent revision to SEEA Central Framework (SEEA-CF) planned; research agenda to be advanced via technical notes.
- Recent discussions at UN Committee on Environmental Economic Accounts (UNCEEA) on the need for parallel review and endorsement of guidance, to ensure any implications for SEEA standards are considered.
  - Pertains to new guidance valuation principles, but also other specific topics in scope for guidance in the environmental-economic accounting domain
  - SEEA community is well-represented on Environmental-Economic Accounting workstream and can facilitate parallel review and endorsement
  - Specific arrangements and governance being discussed

# SNA guidance for environmental-economic accounts

## **Endorsed by AEG for global consultation:**

- Ownership and depletion of natural resources

## **In progress:**

- Emissions permits
- Accounting for biological resources
- Provisions
- Valuation methods (net present value)
- Renewable energy resources
- SEEA classifications

## **Under consideration:**

- Recording of losses
- Distinction between tax and service transaction

# Questions for the AEG

- **Do you support the development of more detailed guidance on SNA valuation principles and their appropriate interpretation, along with the proposed working arrangements?**
- **What are your recommendations on the best approach to coordination with SEEA standards?**