Joint Thirty-Ninth Meeting of the IMF Committee on Balance of Payments Statistics and Twenty-First Meeting of the Advisory Expert Group on National Accounts

Inter-secretariat Working Group on National Accounts

Washington, D.C.
October 18–20, 2022

BOPCOM – 22/14
SNA/M4.22/24
For discussion

WS.9 Recording Provisions

Outcome of the Global Consultation

Global consultation for the WS GN.9- the Recording of Provisions occurred between June 29th, 2022 and August 24th, 2022. A total of **53** individuals/organizations responded to the global consultation questionnaire. Most of the respondents were national accountants, with a small number from the GFS, SEEA and BPM community. This note details the feedback that was received.

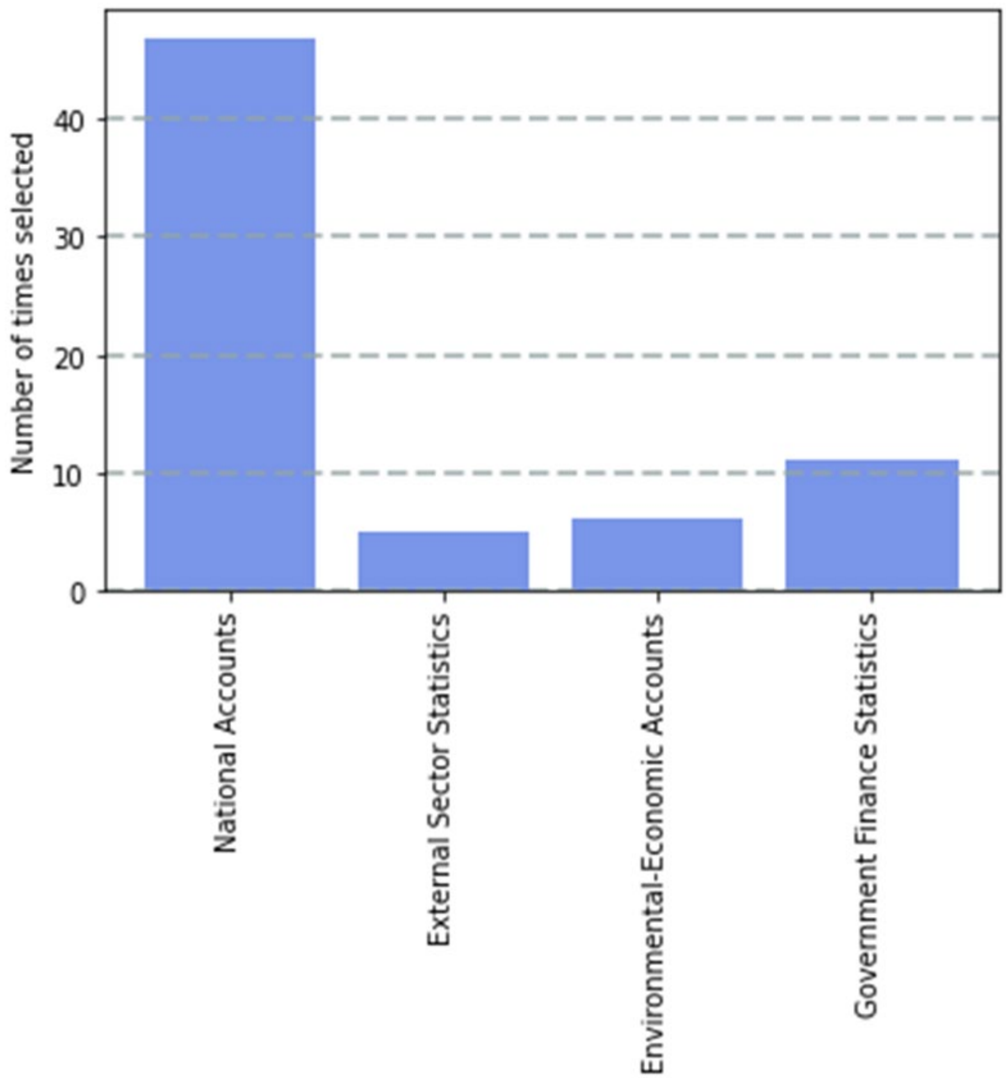
Prepared by the Well-being and Sustainability Task Team (WSTT)

Consenters WS.9 Recording of Provisions

A total of 36 respondents contributed to this consultation. Completely anonymous contributions are excluded.

1. YOUR RESPONSE CONCERNS WHICH AREA OF STATISTICS?

1. National Accounts 2. External Sector Statistics 3. Environmental-Economic Accounts 4. Government Finance Statistics



Angola (National Statistic Insitute): National Accounts

Aruba (CBS): National Accounts

Australia (Australian Bureau of Statistics): National Accounts; External Sector Statistics; Environmental-Economic Accounts; Government Finance Statistics

Brasil (IBGE - Instituto Brasileiro de Geografia e Estatística): National Accounts

BURUNDI (ISTEEBU): National Accounts

Canada (Statistics Canada): Government Finance Statistics

Canada (Statistics Canada): National Accounts

Chile (Central Bank of Chile): National Accounts

Cyprus (Statistical Service of Cyprus): National Accounts

Finland (Statistics Filand): National Accounts; Environmental-Economic Accounts; Government Finance Statistics

France (Insee): National Accounts; Government Finance Statistics

Georgia (National Statistics Office of Georgia - GEOSTAT): National Accounts

Germany (Deutsche Bundesbank): National Accounts

Germany (Statistisches Bundesamt (Destatis)): National Accounts; Government Finance Statistics

India (National Statistical Office): National Accounts

Israel (Israel's Central Bureau of Statistics): National Accounts

Latvia (Central Statistical Bureau of Latvia): National Accounts

Lithuania (Statistics Lithuania): National Accounts; Government Finance Statistics

Malaysia (Department Of Statistics Malaysia): National Accounts

Malaysia (Department Of Statistics Malaysia): National Accounts

Mauritius (Statistics Mauritius): National Accounts

México (INEGI): National Accounts

Moldova (National Bank of Moldova): External Sector Statistics

Nederland (Statistics Netherlands (also on behalf of the Dutch Central Bank)): National Accounts; External Sector Statistics; Environmental-Economic Accounts; Government Finance Statistics

Peru (National Institute of Statistics and Information (INEI).): National Accounts

Qatar (Planning and Statistics Authority): National Accounts

Romania (National Bank of Romania): National Accounts

Singapore (Singapore Department of Statistics): National Accounts

South Africa (South African Reserve Bank): National Accounts; External Sector Statistics

South Korea (Bank of Korea): National Accounts

South Sudan (NBS): National Accounts; Government Finance Statistics

Sweden (Statistics Sweden, NSI): National Accounts

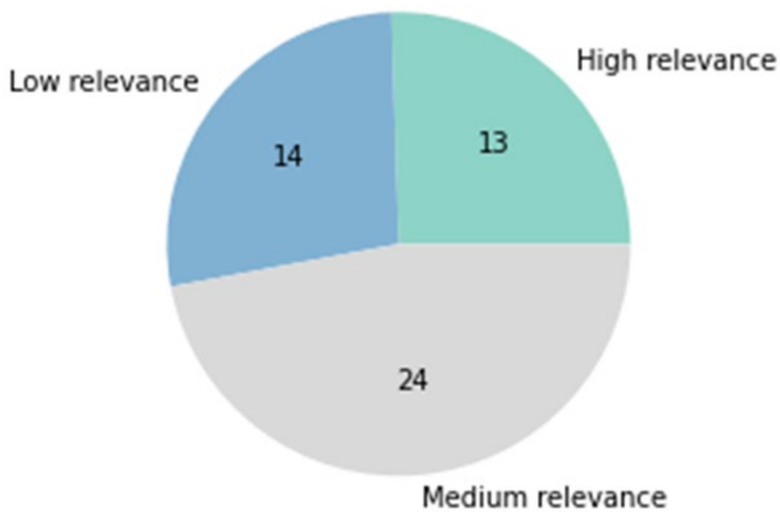
United Kingdom (Better Statistics CIC): National Accounts

United Kingdom (Office for National Statistics): National Accounts; Government Finance Statistics

United States (Federal Reserve Board of Governors): National Accounts

Philippe de Rougemont / Floris Jansen / Laura Wahrig: National Accounts; Government Finance Statistics

2A. IS THIS TOPIC OF RELEVANCE FOR YOUR COUNTRY?



Angola (National Statistic Insitute): Medium relevance

Aruba (CBS): Low relevance

Australia (Australian Bureau of Statistics): High relevance

Brasil (IBGE - Instituto Brasileiro de Geografia e Estatística): High relevance

BURUNDI (ISTEEBU): Low relevance

Canada (Statistics Canada): High relevance

Canada (Statistics Canada): High relevance

Chile (Central Bank of Chile): Low relevance

Cyprus (Statistical Service of Cyprus): Low relevance

Finland (Statistics Filand): Low relevance

France (Insee): Medium relevance

Georgia (National Statistics Office of Georgia - GEOSTAT): Low relevance

Germany (Deutsche Bundesbank): Low relevance

Germany (Statistisches Bundesamt (Destatis)): Low relevance

India (National Statistical Office): Medium relevance

Israel (Israel's Central Bureau of Statistics): Medium relevance

Latvia (Central Statistical Bureau of Latvia): Low relevance

Lithuania (Statistics Lithuania): Medium relevance

Malaysia (Department Of Statistics Malaysia): High relevance

Malaysia (Department Of Statistics Malaysia): High relevance

Mauritius (Statistics Mauritius): Medium relevance

México (INEGI): Medium relevance

Moldova (National Bank of Moldova): Medium relevance

Nederland (Statistics Netherlands (also on behalf of the Dutch Central Bank)): Medium relevance

Peru (National Institute of Statistics and Information (INEI).): Medium relevance

Qatar (Planning and Statistics Authority): Medium relevance

Romania (National Bank of Romania): Medium relevance

Singapore (Singapore Department of Statistics): Medium relevance

South Africa (South African Reserve Bank): Medium relevance

South Korea (Bank of Korea): Medium relevance

South Sudan (NBS): Medium relevance

Sweden (Statistics Sweden, NSI): Medium relevance

United Kingdom (Better Statistics CIC): High relevance

United Kingdom (Office for National Statistics): High relevance

United States (Federal Reserve Board of Governors): Low relevance

2B. PLEASE ELABORATE.

Brasil (IBGE - Instituto Brasileiro de Geografia e Estatística): In addition to being one of the biggest players in the extractive industry in the world, Brazil has significant provisions constituted by its financial

and non-financial companies in general.
Therefore changes in the present recording can have major impact on the value of the national accounts aggregates.

BURUNDI (ISTEEBU): Nous n'avons pas encore commencé à travailler sur les provisions

Canada (Statistics Canada): Accounting provisions (loans, other accounts receivable) are typically material for the general government sector in Canada and are usually recorded in accordance with IPSAS. Provisions for the financial sector (financial corporations) are also important in measuring the financial soundness of financial institutions, in particular banks, which represent a significant weight in the Canadian economy. The mining, oil and gas industries also represent a strategic economic sector in the country and are subject to potentially high termination and compensation costs with the implementation of more stringent environmental regulations. Finally, the fossil fuel extraction sector (oil, gas, coal) will ultimately be affected by the expected declining energy resource asset values (stranded assets) in a context of climate change and the transition to the production and consumption of clean energy sources.

Canada (Statistics Canada): In Canada's National Accounts we encounter loan provisions in our data, and assume there are many provisions for non-financial assets (terminal costs) and other non-loan financial assets.

France (Insee): As many economies, the French economy has been impacted by the occurrence of non-performing loans, following the 2008 crisis.
Otherwise, the existence of a large set of nuclear plants on the French territory makes the treatment of terminal costs particularly relevant.

India (National Statistical Office): Mostly Provision for bad to doubtful debt to provision for loss in value of investments. A few cases of Mine closure liability, provision for employee benefits, provision for foreign exchange transaction etc. long term(non-current) and short term(current) provisions.

Israel (Israel's Central Bureau of Statistics): The topic is mainly relevant for provision for doubtful debts.

Malaysia (Department Of Statistics Malaysia): significance

Mauritius (Statistics Mauritius): Provisions are minor in General Government Sector and more to sectors related to insurance activities

México (INEGI): The stranding of assets may be relevant in Mexico, since we are an oil producing country.

Peru (National Institute of Statistics and Information (INEI).): To learn more about the treatment of provisions in the preparation of national accounts

Romania (National Bank of Romania): For national financial accounts purposes, the own funds method is used as a proxy for evaluating the unlisted and other equities at market value.
Thus, including some of provisions elements in total own funds has a direct impact on the outstanding amounts of unlisted and other equities.

South Africa (South African Reserve Bank): This topic is of high to medium relevance, particularly for the compilation of monetary statistics where the recording of provisions is treated differently in both the SNA and MFSMCG manuals.

South Sudan (NBS): These are areas NBS is working on

Sweden (Statistics Sweden, NSI): It is an issue of principal interest. Legal obligations that leads to future costs caused by current production activities needs to be recognised in the production account as costs at the time the activity is undertaken. This would give a better picture of the relation between output and costs.

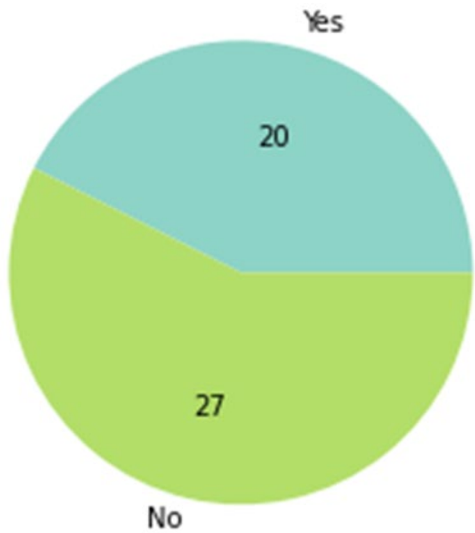
United Kingdom (Better Statistics CIC): Is there any need to elaborate? These accounts provide a degree of fiscal control on government expenditure.

United Kingdom (Office for National Statistics): Provisions are highly relevant in the context of UK's government finance statistics, being part of an increased attention to the public sector balance sheet beyond the narrower debt measures. Efforts are being made across the UK Government to capture information on provision – and contingent liabilities – exhaustively.

The way in which provisions affect the valuation of the underlying non-financial assets is also highly relevant. In the estimation of capital stocks and consumption of fixed capital we can see potential significant impact of decommissioning offshore oil and gas installations and pipelines, as these reach the end of their productive life and domestic policies disincentivise the use of fossil fuels, replacing them with renewable energy sources and therefore can have high relevance in the imminent future.

United States (Federal Reserve Board of Governors): Low relevance selected for Financial Accounts provisions for loan losses only.

3A. DO YOU FIND SUBSTANTIAL AMOUNTS OF PROVISIONS (BOTH IN NUMBER AND IN SIZE) IN YOUR DATA SOURCES?



3B. IF YES, COULD YOU PLEASE BRIEFLY DESCRIBE THE MOST SIGNIFICANT KINDS OF PROVISIONS YOU ENCOUNTER (FINANCIAL ASSETS RELATED, NON-FINANCIAL ASSETS RELATED, UNRELATED TO ASSETS)?

Australia (Australian Bureau of Statistics): A variety of schemes (government and non) related to financial and non-financial assets. We often need to engage with providers and users to understand the details to make the required adjustments. Often these are around timing of recognition in the accounts and understanding aspects of uncertainty, especially given outcomes of legal cases.

Brasil (IBGE - Instituto Brasileiro de Geografia e Estatística): Provisions for unperforming loans related to the financial assets and provisions for losses on accounts receivable on the non financial ones.

Canada (Statistics Canada): General government: provisions related to financial assets such as loans (student loans, loans to small businesses, etc.), other accounts receivable (taxes), employee future benefits (other than pension), environmental liabilities.

Financial corporations: nonperforming loans (consumer loans, business loans, mortgages, etc.)

Nonfinancial corporations: restoration and decommissioning costs, asset impairment (e.g. based on future estimated commodity prices), employee future benefits, etc.

Canada (Statistics Canada): Provision for loan losses / expected credit losses are the most significant and comprehensively collected provision. Other financial provisions are common and collected in a structured manner, but are frequently grouped with other items on the balance sheet. Provision expenses are not necessarily readily identifiable on the income statement.

Non-financial provisions are likely more common than we think, but are not clearly discernible in current data sources.

Finland (Statistics Filand): Provisions concerning nuclear power plants and mining companies, these are related in non-financial assets.

France (Insee): Having access to full accounting data sources, we have a rather accurate knowledge of all kinds of provisions.

India (National Statistical Office): Financial Assets related

Moldova (National Bank of Moldova): mainly financial assets related provisions

Nederland (Statistics Netherlands (also on behalf of the Dutch Central Bank)): Our data sources do not provide information on the kind of provisions, although from metadata sometimes some information can be retrieved. However, no analysis on provisions has been made.

Peru (National Institute of Statistics and Information (INEI).): In Peru, there are different accounting plans: business, financial, insurance and government, in which there are provision items related to assets, which in IAS 37 should not be considered as such: depreciation, amortization and loss of value of assets. doubtful debtors, the latter we treat as an adjustment other changes in volume of assets, in assets.
On the liability side, there are provisions for contingent loans, other various provisions (for claims, lawsuits and others, for foreclosed and recovered assets, for country risk, por dismantling, removal or rehabilitation of the Fixed Assets, for restructuring, for protection and remediation of the Environment, for social responsibility expenses among others)

Qatar (Planning and Statistics Authority): Financial assets related

South Africa (South African Reserve Bank): They mostly relate to financial assets and liabilities of the monetary and non-monetary financial institutions.

South Korea (Bank of Korea): Financial assets related

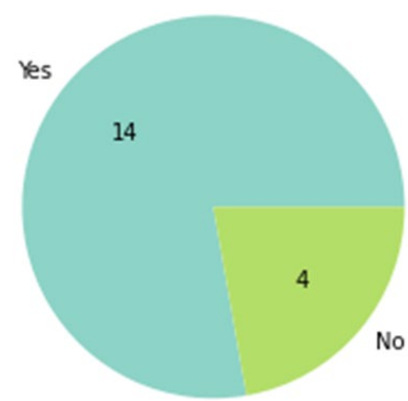
United Kingdom (Office for National Statistics): The largest single category of known provisions relates to terminal costs (of fixed assets) – nuclear sector is most prominent. We also note there are reports from the regulatory authorities and government departments about decommissioning registers and their associated costs for off-shore oil and gas installations and pipelines (National Audit Office, North Sea Transition Authority and the Offshore Petroleum Regulator for Environment and Decommissioning). We would need to analyse these reports with our current data requirements. Finally, compensation provisions, e.g. relating to healthcare sector, are also known to exist.

The pandemic gave rise to a dramatic increase in provisions associated with loans, however owing to state guarantees on most of such loans, these are already covered by the existing “provisions for calls under standardised guarantees” and thus excluded from this response.

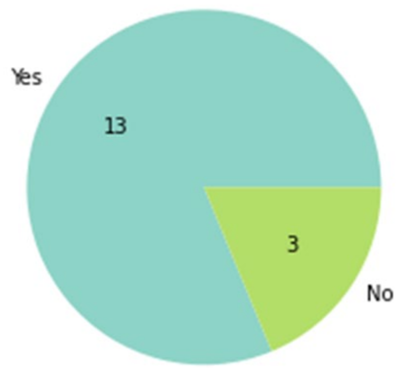
United States (Federal Reserve Board of Governors): Regulatory bank data used in the Financial Accounts show relatively small amounts for provisions for credit losses (even when banks provisions for

loan losses were at a peak during COVID H1 2020)
https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/us-banks-continue-positive-aggregate-provision-for-loan-losses-in-q1-70267212
Also note, banks' reported allowance for credit and lease losses on off-balance-sheet credit exposures, which are recorded as balance sheet liabilities, were roughly 1.4% of total loans and leases outstanding as of Jun 2022 (see H.8 release table 3, line 28).

4. IF YES, FOLLOWING THE 2008 SNA METHODOLOGY, DO YOU SUFFICIENTLY SUCCEED IN REMOVING THE FIGURES ON NET CHANGES IN PROVISIONS FROM ENTITY INCOME STATEMENTS WHEN TRANSLATING THESE DATA TO NATIONAL INCOME? EQUALLY, DO YOU SUCCEED IN REMOVING PROVISIONS FROM BALANCE SHEET DATA?]



4. If yes, following the 2008 SNA methodology, do you sufficiently succeed in removing the figures on net changes in provisions from entity income statements when translating these data to national income? Equally, do you succeed in removing provisions from balance sheet data?]



4. PLEASE ELABORATE. IF NOT, WHAT ARE THE MAIN OBSTACLES YOU EXPERIENCE?; QUESTION:IF YES, FOLLOWING THE 2008 SNA METHODOLOGY, DO YOU SUFFICIENTLY SUCCEED IN REMOVING THE FIGURES ON NET CHANGES IN PROVISIONS FROM ENTITY INCOME STATEMENTS WHEN TRANSLATING THESE DATA TO NATIONAL INCOME? EQUALLY, DO YOU SUCCEED IN REMOVING PROVISIONS FROM BALANCE SHEET DATA?]

Australia (Australian Bureau of Statistics): Visibility, understanding the detail, getting the timing of adjustments right. We do this as far as practicable.

Brasil (IBGE - Instituto Brasileiro de Geografia e Estatística): Regarding the economic surveys data, addiotional effort will be required to specify the provisions

Canada (Statistics Canada): For the general government sector and the corporations sectors, the source data is compiled on the basis of a standardized chart of accounts which makes it possible to identify and measure the different categories of provisions reported by the entities. However, some provisions are more difficult to identify, and this is the case for terminal costs or compensation costs.

Canada (Statistics Canada): We have great data on loan provisions, but our current data sources don't identify other provisions and we assume our "other expense" data is contaminated with provision expenses. However, given this contaminates Gross Operating Surplus which becomes a balancing item in our accounts, we still think we remove the items.

Moldova (National Bank of Moldova): In calculations of the Reinvested Earnings of DTC other than CB we remove the provisions from the income, as well as from the positions of unlisted equity (using OFBV method of valuation)

Nederland (Statistics Netherlands (also on behalf of the Dutch Central Bank)): For the largest provisions we succeed sufficiently. Achieving this may require quite some effort. Respondents do not always initially record provisions correctly. Analysis based on annual reports or direct contact with respondents may be necessary to get correct data. For smaller provisions this is a lot more difficult as provisions will often not be recognized as such.

Peru (National Institute of Statistics and Information (INEI).): The information sources of all the sectors do not record the explicit concepts about the provisions described in this guidance note.

The adjustments of the provisions consider the expenses less the provision of the liability, to make the corresponding adjustment to the related transaction, it is still necessary to investigate more about the adjustments proposed in this note

United Kingdom (Office for National Statistics): In the majority of cases, we collect data at granular enough level (i.e. follow the bottom-up approach in compilation of national accounts) to identify change in provisions alongside other costs not recognised by SNA and exclude them.

United States (Federal Reserve Board of Governors): Defer to BEA staff

4. PLEASE ELABORATE. IF NOT, WHAT ARE THE MAIN OBSTACLES YOU EXPERIENCE?; QUESTION:IF YES, FOLLOWING THE 2008 SNA METHODOLOGY, DO YOU SUFFICIENTLY SUCCEED IN REMOVING THE FIGURES ON NET CHANGES IN PROVISIONS FROM ENTITY INCOME STATEMENTS WHEN TRANSLATING THESE DATA TO NATIONAL INCOME? EQUALLY, DO YOU SUCCEED IN REMOVING PROVISIONS FROM BALANCE SHEET DATA?]

Canada (Statistics Canada): For the general government sector and the corporations sectors, the source data is compiled on the basis of a standardized chart of accounts which makes it possible to identify and measure the different categories of provisions reported by the entities. However, some provisions are more difficult to identify, and this is the case for terminal costs or compensation costs.

Canada (Statistics Canada): We have great data on loan provisions, but our current data sources don't identify other provisions and we assume some "other liability" data is contaminated with provisions. We also have some contamination with CAPEX data for non-oil and gas mining activities for terminal costs, which are expected to be small. The quadruple accounting system helps us implicitly remove provisions for which we can't identify. However, in order to fill out the Table, we will need to develop our non-loans provision data sources.

Nederland (Statistics Netherlands (also on behalf of the Dutch Central Bank)): For the largest provisions we succeed. For MFI's, where provisions are more common, we succeed also for smaller provisions.

Peru (National Institute of Statistics and Information (INEI).): The information sources of all the sectors do not record the explicit concepts about the provisions described in this guidance note.

The adjustments of the provisions consider the expenses less the provision of the liability, to make the corresponding adjustment to the related transaction, it is still necessary to investigate more about the adjustments proposed in this note

Qatar (Planning and Statistics Authority): Balance sheet data are yet not produced.

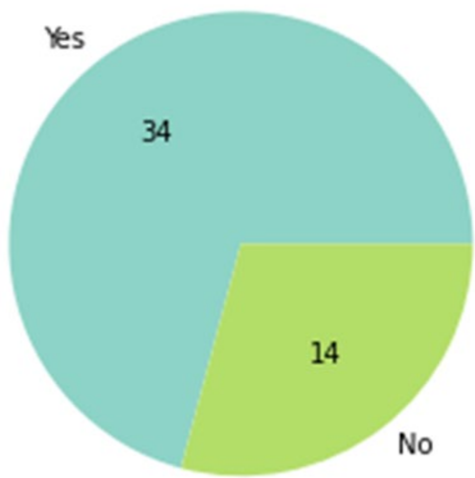
South Africa (South African Reserve Bank): On the current monetary survey we are deducting impairments from loans and advances, therefore not reporting on a gross but net basis. This is something that will change in the new monetary survey as we will be reporting on a gross basis, but even with the proposed change it will not be 100% in line with what is prescribed by the MFSMCG (but close enough) and there will be a difference between the two manuals until such time that they bring it closer in line. Regarding the non-monetary financial institutions, provisions are reported separately in the balance sheet.

United Kingdom (Office for National Statistics): Both, in practice: as far as financial liabilities (provisions) are concerned, we endeavour to collect data on an instrument basis, with provisions being identifiable among other liabilities.

Yet with respect to valuation of the non-financial assets, our quarterly acquisitions and disposals of capital assets survey asks firms to report decommissioning costs as part of major improvements and repairs, making it difficult to isolate them in the gross fixed capital formation (and hence, ultimately, in our estimates of non-financial asset stocks).

United States (Federal Reserve Board of Governors): FRB does not adjust balance sheet data for loans provisions, and thus does not separately record them. However, to the extent that source data (such as banks) report provisions on the balance sheet as a liability, these are recorded in the Financial Accounts as other accounts payable liability (residually calculated). A statistical discrepancy is recorded for the mismatch between other accounts receivable assets and payable liabilities thus avoiding the issue of a missing counterparty asset. Mortgage loans that are written off are recorded as other changes in volume at the time of the write off. Data on non-mortgage loan write-offs is less available on a sector by sector basis and therefore not recorded.

5A. DO YOU AGREE WITH THE RECOMMENDATION TO ADD IN THE UPCOMING SNA UPDATE A SUPPLEMENTARY TABLE/ACCOUNT FOR PROVISIONS ACCORDING TO THE PROPOSED TABLE 2 IN THE GUIDANCE NOTE?



5B. PLEASE ELABORATE YOUR CHOICE. IF NO, DO YOU HAVE ALTERNATIVE SUGGESTIONS TO DEAL WITH PROVISIONS IN THE NEXT VERSION OF THE SNA?

Australia (Australian Bureau of Statistics): We agree that it is a good idea to include a supplementary table but should not be in the core accounts. Would be good if complier had more guidance around the definitions and cases.

Brasil (IBGE - Instituto Brasileiro de Geografia e Estatística): In our view no changes should be implemented in the core accounts. However a supplementary table clarifying just the itemization of the provisions, with no adjustments applied, might be helpful to understand the phenomena

BURUNDI (ISTEEBU): La méthodologie n'est pas encore claire

Canada (Statistics Canada): We agree that SNA and GFS should provide to users the real situation of entities/sectors regarding their balance sheet and balance items and therefore a measure of their financial soundness and net worth which better reflects the economic reality. With considerable efforts, of course, it would be possible in Canadian macroeconomic statistics to produce such a supplementary table or account for the most important elements. In particular, we have at our disposal sources and a fairly solid data infrastructure for the general government and financial corporations sectors.

Canada (Statistics Canada): For now, in order to maintain the quadruple entry system we prefer provisions to be included outside the core accounts. It may take some time to develop the collection of provision related data to ensure good coverage and quality.

Chile (Central Bank of Chile): We agree with the recommendation, since it may help to measure a net worth in consistency with business accounting standars.

Cyprus (Statistical Service of Cyprus): No substantial amount of provision in our data sources.

Finland (Statistics Filand): In our economy the impact is very limited, we prefer other areas to put our resources.

Georgia (National Statistics Office of Georgia - GEOSTAT): As proposed in Table 2, incorporating provisions in SNA can give us more space for further analysis of net worth. However, such kind of update should only be recommended to countries which have substantial amount of provisions.

Germany (Deutsche Bundesbank): We propose to keep the status quo (i.e. the rules of SNA 2008) in place for the next edition of the SNA.

Germany (Statistisches Bundesamt (Destatis)): The focus of business accounting and national accounts is different. Business accounting is providing in particular information for shareholders; and provisions are important for them. In addition, provisions for the public sector can be provided only based on a regular data collection. Hence, in the first place, appropriate accounting standards have to be developed and applied. In a second step, a possible integration in national accounts (as a supplementary table, but not in the core accounts) may be envisaged.

Israel (Israel's Central Bureau of Statistics): A supplementary table will allow for better representation of the economy.

Lithuania (Statistics Lithuania): Currently we do not have alternative proposal

Malaysia (Department Of Statistics Malaysia): Provided the treatment of provisions is explicated.

Malaysia (Department Of Statistics Malaysia): Provided the treatment of provisions is explicated.

Mauritius (Statistics Mauritius): Provisions are made for events that have great probability to occur but the timing and amount is uncertain. Provisions can therefore increase the accuracy liabilities or accuracy of future costs as well as transparency of reporting. Examples are pension provisions, provisions for tax nonpayments etc.

México (INEGI): We consider that the proposal shown in table 2 is very clear and feasible.

Nederland (Statistics Netherlands (also on behalf of the Dutch Central Bank)): A supplementary table is a useful tool to show differences between financial accounting and national accounts.

Qatar (Planning and Statistics Authority): Adding this supplementary table will allow a better calculation of net worth and better coherence with business accounting

Romania (National Bank of Romania): Due to the lack of data sources and human resources constraints, estimating data series for provisions could be very challenging and is implying a lot of experience in modelling this kind of data.

South Africa (South African Reserve Bank): By adding the supplementary table/account provisions will be taken clearly into consideration when converting the source data to the national accounts. It will provide a better depiction of the net worth of sectors which have substantial amounts of provisions on their balance sheet.

South Korea (Bank of Korea): Containing provisions in supplementary tables would be helpful understanding economic conditions of entity

South Sudan (NBS): it is not yet included

Sweden (Statistics Sweden, NSI): The table includes too much we would prefer to include only provisions of payments that are legal obligations or agreed between two or more the units involved.

United Kingdom (Better Statistics CIC): I think it is sensible to encourage consideration of provisions and always important to record them.

United Kingdom (Office for National Statistics): We would fully support a more prominent role for provisions in government finance statistics. We feel that a supplementary table may be appropriate as we feel that – in the light of there being no solution offered to Q6, i.e. asset/liability symmetry – provisions should only be recognised by (core) SNA accounts if liabilities without a corresponding asset become a norm for the framework more generally.

We also think there are significant benefits to present information relating to provisions associated with non-financial assets in a separate table and we would consider extending the integration with the SEEA and the environmental asset boundaries – possibly even changes to other non-produced assets and to environmental assets, subject to further analysis.

However, we recognise that provisions tend to be more important for some institutional sectors than others, and that data availability will also vary across those sectors, and equally across activities.

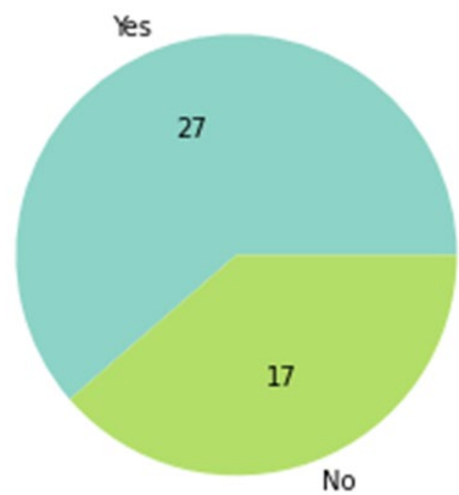
In relation to Q6, we would see provisions as (mostly) lacking an identifiable asset holder, particularly when these relate to issues like terminal costs, land decontamination or compensation: at the point when a provision is first recognised, the beneficiaries may not be clear, or may be the society at large. However, whether a liability can exist without an asset in SNA is a matter that shouldn't be limited to provisions per se, instead the recording of provisions should follow that general principle.

United States (Federal Reserve Board of Governors): Given that BPM7 updaters rejected a similar table making cross border provisions unavailable, and that some counterparty assets cannot be accounted for in the table, it seems less desirable from our perspective to have a table that will ultimately be incomplete due to missing/omitted items. Another solution may be to add guidance recommending memorandum items. This would allow users (with some work) to calculate alternative net worth measures on a case-by-case basis.

Philippe de Rougemont / Floris Jansen / Laura Wahrig: It should be clear that the table presented for the balance sheet would not be included in the core accounts – we answer "no" due to a certain ambiguity in the GN on this matter. Furthermore, we consider that such a supplementary table should remain voluntary.
The table is not clear as to whether net provisions or provisions are included. In case of the latter, net worth is misrepresented at the level of each sector and at the level of the economy. Such a supplementary table should still follow the basic principles of national accounts: while an asset without a

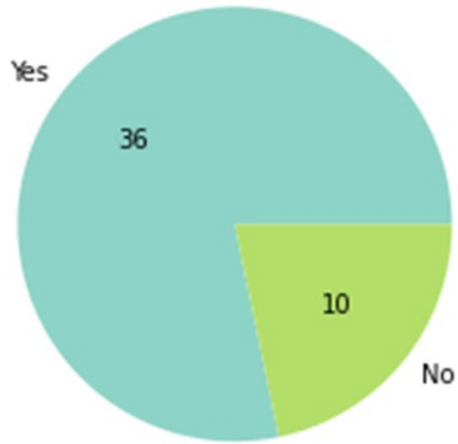
liability is possible, a liability without this being the asset of another party is not possible. Furthermore, such a supplementary table should not include terminal costs, given that these are to be reflected in the core accounts.

6. DO YOU AGREE THAT PROVISIONS CAN BE RECORDED AS A LIABILITY WITHOUT A CORRESPONDING FINANCIAL ASSET?



7A.

Do you agree that the recording of terminal costs should be aligned with the IAS 37/IPSAS 19 recording of provisions as outlined in this guidance note?



7B. PLEASE ELABORATE.

Australia (Australian Bureau of Statistics): Difficulty of estimating expected terminal costs at start of mine life, risk of revisions if we get it wrong. Activity should be recorded when it actually occurs and not amortised over the life of the mine, possibility that the company can't actually afford the terminal costs at the end which means the obligation reverts to the government.

Brasil (IBGE - Instituto Brasileiro de Geografia e Estatística): Whenever future obligations, arising from the development of an activity, are known, it is acceptable to appropriate these values to the system of national accounts.

Canada (Statistics Canada): We agree with the introduction of provisions in the next version of the SNA/GFS to improve the accounting for terminal costs. This involves taking into account these costs at the time the investment is made, thus including the expected terminal costs in the value of gross fixed capital formation (at beginning) and the effects that this entails to the calculation of the consumption of fixed capital. By the same token, this could avoid recording negative values for the related assets and allow production accounts more suitable for calculating resource rents. For Canadian macroeconomic statistics, this could require more reliable data sources (this could imply changes to existing surveys) and changes to our estimation models for GFCF, CFC and the value of the stock of nonfinancial assets.

Canada (Statistics Canada): I believe this causes a problem for the income-based GDP as the terminal costs are not spent in the current period therefore generating no income for this event. I would appreciate a discussion with another expert on this. We produce quarterly balanced income and expenditure GDP and I can link all GFCF in a period with spending that would generate income (wages / surplus), except for terminal costs.

Chile (Central Bank of Chile): If both are aligned, it might be easier for the national account's compiler to register the correct value of an asset.

France (Insee): As a general rule, we do not find it would be wise, in the main accounts, to record a, financial, liability without a corresponding financial asset. This would create of too large departure from a well established rule of national accounting in regards of financial assets: may we recall that this symmetry has been introduced for shares which, according to legal rules, are assets without being liabilities. In addition, this would be a too important exception for a too specific, and secondary, case. However, we agree to the recording of terminal costs according to the guidance note to the extent that it includes the terminal costs in the value of of the capital formation, thus contributing to CFC. Nevertheless we would prefer that this adjustment be made through the recording of a non-financial transaction, to be preferably made in the capital account. Unfortunately, we have however no proposal to make.
Would it be possible to think about a transaction involving the land assets, since, as underlined in the GN, it is the land underlying the involved fixed asset which is likely to be affected by the restoration expenditures. May be the increase in the value of the fixed asset be balanced by a decrease in the value of the land asset, due to the expected reduction in its terminal value. Remember that this distinction is absent from the IFRS rules, that deals with the whole set of property, plant and equipment.

Georgia (National Statistics Office of Georgia - GEOSTAT): Including terminal costs in gross fixed capital formation is most convenient way to get rid of possible negative asset values, which will make it easier for compilers to handle such kind of anomalies.

Germany (Statistisches Bundesamt (Destatis)): Terminal cost are often unknown and estimates have to be revised frequently. The current (practical) recommendations consider this and go for a recording in parallel to the decommissioning process. We are supporting this approach.

Israel (Israel's Central Bureau of Statistics): Aligning recording terminal costs with IAS 37 will not only allow for better representation of the financial status of the entity and the economy as a whole, as well as prevent assets shown in negative value, but will also be simpler to compile.

Lithuania (Statistics Lithuania): Alignment of recording of terminal costs with accounting standards would allow improve international comparability.

Malaysia (Department Of Statistics Malaysia): IAS 37/IPSAS 19 has already provided a clear guidance in recording of terminal costs.

Malaysia (Department Of Statistics Malaysia): IAS 37/ IPSAS 19 has already provides clear guidance in recording of the terminal costs.

Mauritius (Statistics Mauritius): Terminal costs in SNA 2008 are costs associated with future obligations. Aligning terminal costs with IAS37/IPSAS19 will make it more consistent with its purpose of recording it and will also bind the terminal cost with the obligation to compensate.

México (INEGI): The alignment with the IAS 37/IPSAS 19 seems feasible and solves the problem of possible negative amounts in assets.

Nederland (Statistics Netherlands (also on behalf of the Dutch Central Bank)): Recording of the provision would be fine, but recording of this provision as GFCF not. This would mean that expected cost that would occur 30 or 50 years into the future should already be capitalized. It is almost impossible to

estimate in advance what the actual cost will be or even what the moment of decommissioning would be. In practice, this would lead to a yearly update of the value of the decommissioning cost. If this initial estimate is treated as capital formation, any update of the value should also be treated as capital formation, as otherwise actual cost and GFCF would not align. This would result in a yearly additional recording of GFCF (positive or negative) until the actual decommissioning takes place. It is therefore better to record GFCF the moment the decommissioning takes place.
Recording and yearly updating the provisions (in the supplementary table) seems like a reasonable alternative.

Qatar (Planning and Statistics Authority): Terminal costs, when known and agreed, should be included in gross capital formation as it is a part of the decision to invest. It will better reflect the business behavior.

Singapore (Singapore Department of Statistics): The recording of consumption of fixed capital should anticipate future terminal costs. If the obligation of decommissioning is known and accepted at the moment of investment, the associated terminal costs should be considered as part of acquisition costs and included in gross fixed capital formation. Doing so will prevent negative asset values.

South Africa (South African Reserve Bank): When following an IAS 37/IPSAS 19 kind of recording there is one single investment moment in which all the capital related costs are recorded upfront in GFCF and the depreciation runs nicely down to a zero asset value at the end of its service life.

South Korea (Bank of Korea): It could be introduced only when timing and amount is certain

South Sudan (NBS): NO

Sweden (Statistics Sweden, NSI): Terminal costs make the land (space) useful for other activities when the business contaminating the area hss been closed down. Terminal costs have the property of current costs like clean up or late maintenance. In this sense they will impact gross value added and redistribute GDP between periods.

United Kingdom (Better Statistics CIC): It seems sensible to take this as a standard.

United Kingdom (Office for National Statistics): We are enthusiastic about finding a reasonable compromise between the present SNA approach of recording terminal costs during the life of the asset – which offers little comfort when the initial estimates are known to be unreliable - and the European approach of recording terminal costs when they materialise.

In our experience, the terminal costs could increase tenfold and the duration of the decommissioning process could also be extended by decades, necessitating transparent recording of the expenditure not covered by the original (e.g. at the point of construction) estimates.

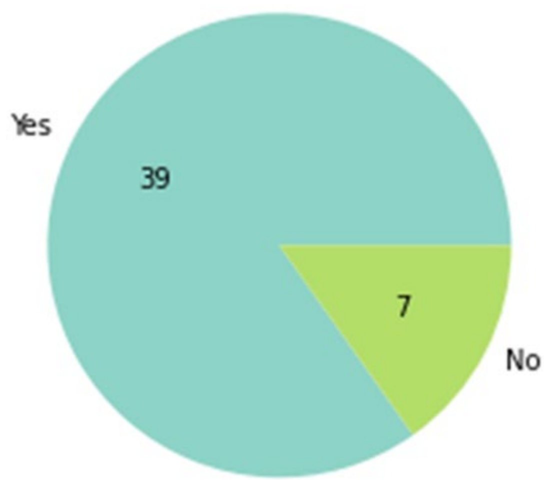
Thus, we feel that the new framework should consider the time of recording of the unforeseen terminal costs (which we agree would ideally be not on a cash basis) and reconciliation with the observed spending as it happens.

United States (Federal Reserve Board of Governors): Defer to BEA staff

Philippe de Rougemont / Floris Jansen / Laura Wahrig: The proposed revision of 2008 SNA is not possible as it would create an imbalance in the GDP breakdown (“expenditure approach”).

In table 3A of the GN: 500 out of the 1500 of CFCF at inception in table 3a is not matched by any other cost incurred at that time – thus GDP should be affected for 1000 at inception rather than 1500. 500 should not have a GDP counterpart in year 0, but rather 500 is GDP of year 10, when related decommissioning costs (P.2/D.1), then capitalized (P.12/P.51g) occur.
(The first section of table 3A also shows an erroneous value for the oil rig and provision for year 10 – it should be zero following decommissioning rather than -500/+500. Also, the provision of 500 should disappear (go to zero) in t+10 in the case of provision (second part). Now it still shows as 500.)
Table 3b shows the whole ambiguity of the note: it shows T-accounts with provisions, i.e. provisions would seemingly enter the core accounts as a transaction but without a tangible counterpart.
The proposed modification of 2008 SNA is motivated by reference to the 2008 SNA research agenda, which however does not suggest the further review of termination/decommissioning costs.

8A. DO YOU AGREE THAT THE RECORDING OF COMPENSATION COSTS SHOULD BE ALIGNED WITH THE IAS 37/IPSAS 19 RECORDING OF PROVISIONS AS OUTLINED IN THIS GUIDANCE NOTE?



8B. PLEASE ELABORATE.

Australia (Australian Bureau of Statistics): It depends. More guidance is required. We operate on an ad-hoc, case by case basis, depending on the specifics of each scheme, and they aren't confined just to mining. Would be more likely to recognise a provision when a decision is likely, counterparties are identifiable and the cash is put aside. We backcast where possible, so no provision is needed.

Brasil (IBGE - Instituto Brasileiro de Geografia e Estatística): Due to the difficulty in assessing the timing and amount of compensations, implementation will not be feasible

Canada (Statistics Canada): We agree with the principle set out in the guidance note and the fact that these costs should be treated in a consistent way with termination costs, but it must be admitted that these costs are rarely known (and reported) precisely in advance and may be subject to significant revisions. Given the difficulties with the information available and the quality of the data, we are in the opinion that at first sight the revision of the manuals should first and foremost provide precise guidelines on the recording of these costs but allow for some flexibility in the implementation of IAS 37/IPSAS 19 principles.

Canada (Statistics Canada): Capital transfer makes sense… I would like to also associate the provisional asset with the counterpart sector.

Chile (Central Bank of Chile): Same reason as in 7B.

Georgia (National Statistics Office of Georgia - GEOSTAT): Whenever it is possible to properly evaluate future obligations that can be aroused from damages imposed on other, then it is better to be included in the next update of the SNA.

Germany (Statistisches Bundesamt (Destatis)): Please, see above.

Israel (Israel's Central Bureau of Statistics): The same rational as aligning terminal costs with IAS 37 applies.

Lithuania (Statistics Lithuania): Alignment of recording of terminal costs with accounting standards would allow improve international comparability.

Malaysia (Department Of Statistics Malaysia): IAS 37/IPSAS 19 has already provided a clear guidance in recording of compensation costs.

Malaysia (Department Of Statistics Malaysia): IAS 37/ IPSAS 19 has already provides clear guidance in recording of the compensation costs.

Mauritius (Statistics Mauritius): Terminal costs should be directly related to a legal obligation to compensate third parties for damages and this why compensation should be aligned with accounting recording of provisions.

México (INEGI): Undoubtedly, the recording of compensation costs depends on to having sufficient information on the time and amounts.

Nederland (Statistics Netherlands (also on behalf of the Dutch Central Bank)): See response at question 7B.

Singapore (Singapore Department of Statistics): A provision for emerging future obligations to compensate for damages imposed on others should be recorded when the timings and amounts can be reasonably determined.

South Africa (South African Reserve Bank): The recording of compensation costs should be brought in line with IAS 37/IPSAS 19. The provision for emerging future obligations will then be recorded to compensate for damages imposed on others, when an acceptable assessment can be made on timing and amounts.

South Korea (Bank of Korea): Compensation costs possess a fair amount of uncertainty about the timing or amounts so we agree with recording of compensation costs as a provision should not be recommended

Sweden (Statistics Sweden, NSI): We think it is important to keep the asset-liability pair as for other financial instrument (except monetary gold which acts as a collateral)

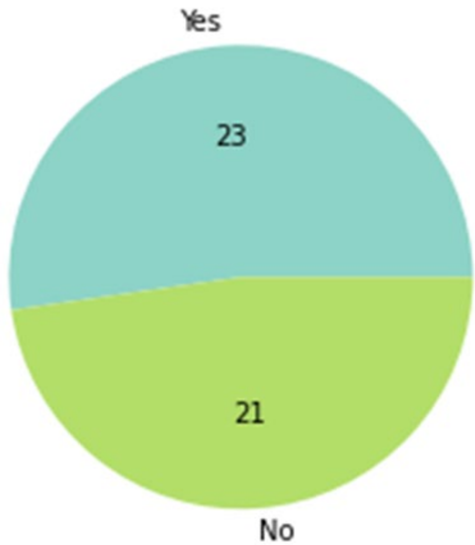
United Kingdom (Better Statistics CIC): It seems sensible to take this as a standard.

United Kingdom (Office for National Statistics): We are broadly supportive. However, we also have practical concerns, mostly around the robustness of the estimates. We feel there are overwhelming arguments for treating this consistently with Q7. And as in Q7, while we agree in principle, we are keen for the new SNA to give sufficient attention not only to the conceptual arguments but to the practical implications of material updates to original provision estimates, as well as reconciliation with the observed spending – the latter is crucial for government finance statistics, for example.

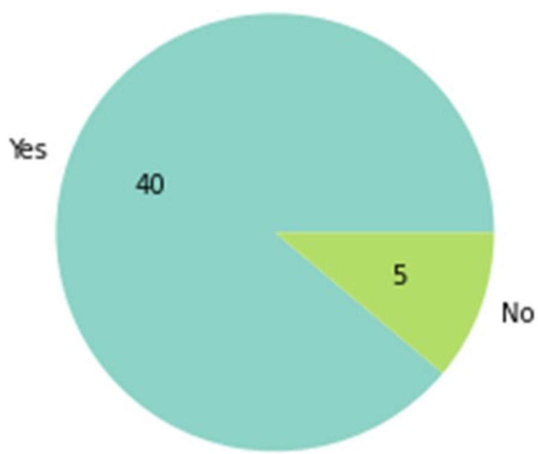
United States (Federal Reserve Board of Governors): Defer to BEA staff

Philippe de Rougemont / Floris Jansen / Laura Wahrig: The note seems to suggest very surprisingly that expected damage claims would not be provisioned in IFRS/IPSAS (paragraph 63). But IFRS should certainly be prudent and expense compensation costs sufficiently early.
We are not sure that table 4 could not be applied in the SNA either.
Applying table 4 to the SNA seems possible and a kind of accrual adjustment of D.9/D.7 with counterpart in a new instrument (such as AF.67), as may be suggested by paragraph 73 of the note.
Thus the GN is perhaps missing something.
We answer “no” as the GN should be further reviewed and clarified in this respect. The recording of compensation costs once they appear in the own accounts of the liable party, accepted as D.9 with a new financial instrument, should be further explored in a revised version of the GN.

9. COULD THE PROBLEM OF STRANDED ASSETS, AS EXPLAINED IN THE GUIDANCE NOTE, BECOME SIGNIFICANT IN YOUR COUNTRY?

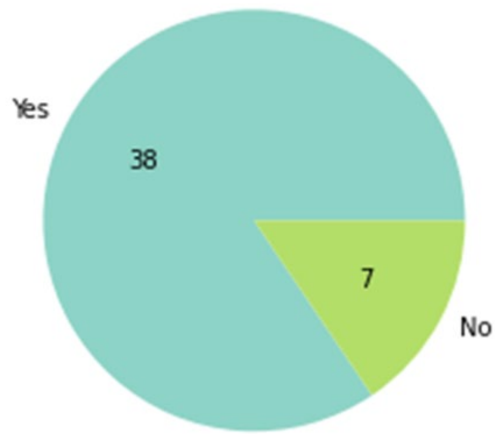


10. DO YOU AGREE THE NEXT SNA SHOULD EXPLICITLY ADDRESS HOW THE VALUE LOSS OF STRANDED ASSETS MUST BE RECORDED?



11A.

11A. Do you agree the 2008 SNA/SEEA-CF guidance (i.e., as a revaluation) is correctly interpreted and reflected in the guidance note?



11B. IF NO, PLEASE EXPLAIN YOUR PREFERRED RECORDING OF STRANDED ASSETS:

Aruba (CBS): unsure

Australia (Australian Bureau of Statistics): It depends. More guidance is needed, and not just confined to mining. Also applies to forestry, fishing, asbestos etc. If stranding occurs over time, revaluation seems appropriate, but if stranded immediately, then the OVC (as in GFS). Also consider treatment of non-produces assets (e.g. coal) vs produced assets (e.g. coal-fired power stations retired early).

Brasil (IBGE - Instituto Brasileiro de Geografia e Estatística): Our present position is to maintain the SNA 2008 methodology about stranded assets, since much more discussion on the theme is needed

BURUNDI (ISTEEBU): le domaine n'est très bien fouillé.

Google translation: The area is not very well explored.

Sweden (Statistics Sweden, NSI): Assets are revalued due to price changes until the asset value is zero. If the projected path of the extracted volume means that the total volume extracted will decline this is a change in the economically useful volume.
This part of the stranded assets should be excluded from the accounts by recording other changes in volume. Natural resource that become economic useful are introduced in the accounts by other changes

in volume (new findings) and when they cease to economically useful they should exit the same way. For produced assest that are stranded this will be a matter of unforseen obsolecence.

12. DO YOU HAVE ANY OTHER COMMENTS IN RELATION TO THE PROPOSALS IN THIS GUIDANCE NOTE?

Australia (Australian Bureau of Statistics): This topic is much broader than just mining. Over our discussions we considered events such as discontinuation of forestry and fishery licences, assets impaired due to the discovery of asbestos, issues related to unrecoverable debts e.g. student loans, 'redress' schemes that result from legal proceedings - all of which are relevant to recording (or not recording) provisions.

Brasil (IBGE - Instituto Brasileiro de Geografia e Estatística): no

BURUNDI (ISTEEBU): no

Canada (Statistics Canada): Not at this point thank you. Thank you for this very useful and well written GN.

Canada (Statistics Canada): We like the initiative. Including a separate table on provisions will properly show net worth for a given sector and can also show where there is an expected decline in financial conditions for certain sectors. We are worried about any movement away from asset/liability and income/expense pairing as these help anchor our system to the strongest data sources and create coherence in the SNA.

France (Insee): The GN provides provisions for calls under standardized garantees as a unique kind of asset/liability type of provision in the SNA. May we remind you the exitence of non-life insurance provisions (F.61 code) !

Germany (Deutsche Bundesbank): We would like to propose that the effects of the (different) treatment of provisions on the measurement of GDP should be tested.

Germany (Statistisches Bundesamt (Destatis)): -

Lithuania (Statistics Lithuania): -

Malaysia (Department Of Statistics Malaysia): No

Malaysia (Department Of Statistics Malaysia): No

Mauritius (Statistics Mauritius): No

México (INEGI): We have no additional comments.

Moldova (National Bank of Moldova): i consider that the conclusion about the recommendations on the provisions in the BPM7 (from para 42) needs to be reconsidered and discussed more comprehensively, taking into consideration at least the statements from para 49

Nederland (Statistics Netherlands (also on behalf of the Dutch Central Bank)): For question 6, we have no problem of recording provision without a corresponding asset as a liability in a supplementary table, but not in the core accounts. It is not clear to us whether question 6 refers to the supplementary table in question 5 or is meant as a more general statement.

Peru (National Institute of Statistics and Information (INEI).): No comment at the moment

Romania (National Bank of Romania): Due to the different accounting standards applied by various kind of institutional units, it is very difficult to identify significant and meaningful methods to evaluate provisions.

Singapore (Singapore Department of Statistics): Recording of compensation cost as a provision liability asset pair could be considered since the counterpart is also likely to be identifiable if it is possible to make an assessment on the timing and the amount of compensation.

South Africa (South African Reserve Bank): No

South Sudan (NBS): Technically it is required that NBS need technical assistance

Sweden (Statistics Sweden, NSI): No.

United Kingdom (Better Statistics CIC): Not at this time87

United Kingdom (Office for National Statistics): Stranded assets can potentially become a more prominent issue with evolving policies on fossil-fuel dependencies. We support the recommendation of including these changes in the revaluation account and would like to see more work on this issue. The assets may have some “lower” value in the market and policy decisions may not make it economically feasible to extract. We would like to see more work in this area covering different policy scenarios, to reflect the diverse country practices. Furthermore, the UK do not include estimates of sub-soil assets in the national balance sheet and estimates of net worth.

As a general point, we feel that the guidance should take a more strategic view on two issues: firstly, the question around the inclusion of provisions as liabilities without corresponding assets should be dependent on how SNA approaches symmetry in the first place; and secondly, the closest feasible alignment between SNA and SEEA would be appreciated – including on the topics covered by this paper.

United States (Federal Reserve Board of Governors): Regarding question 6., there was no comment box. Financial Accounts staff are hesitant to endorse a mismatch in liabilities and assets leading to a structural imbalance in the SNA framework. However, in practice, The U.S. Financial Accounts are already managing discrepancies arising from differences in source data on assets and liabilities. As mentioned in 4., In the U.S. Financial Accounts, any mismatch in liabilities and assets for a particular instrument category (such as other accounts payable/receivable) can be recorded as a statistical discrepancy which allows us to maintain assets = liabilities + discrepancy for the system.

Philippe de Rougemont / Floris Jansen / Laura Wahrig: a/ In general, the GN seems to draw too much from IFRS/IPSAS guidelines. While SNA/IFRS convergence is a good objective in itself, it must be balanced by the need for system consistency, such that following literally IFRS is often not possible. On the contrary adapting SNA to partially follow IFRS is often a fruitful solution. As an example, the termination costs approach of the SNA 2008 permits having the same amortization of

the structure in the SNA as in IFRS (150 a year in the example, table 3a), an improvement from SNA 1993. While it is a more marginal issue that the SNA 2008 de facto nets the IFRS asset/provision recording (and leads to negative asset at the end of the life). Fully following IFRS leads to an inconsistency in GDP that does not appear possible to implement.
Similarly, recording a provision observed in IFRS on the liability side within SNA liabilities can be satisfactory, even if this implies recording an asset in the counterpart accounts while the IFRS does not.

b/ In this context, the GN could have usefully addressed the current distortion of sectoral balance sheets that is implied by not taking into account the impairment of non-performing loans (as currently in the SNA 2008) and try achieving consistent recording with standardized guarantees (i.e. a neutral outcome for assets guaranteed by a separate entity and for assets “self-guaranteed” where the lender absorbs the loss for itself).
This would have been in line with the 2008 SNA research agenda, while the present recommendations do not seem to appear to strictly follow from the 2008 SNA research agenda (e.g. stranded assets, terminal costs).

c/ Table 3A of the note requires correction as outlined above, for the typo as well as for the measurement of GDP. The latter should change the conclusions/recommendations of the GN. Please see our response to question 7B.

d/ The conclusion on payments for compensation could be reviewed after further examination of table 4 of the note.

e/ The GN lists the Task Team on Wellbeing and Sustainability as co-authors. Given that a first version of the note was radically different, it should be clarified that the conclusions of the note posted for global consultation are not necessarily endorsed by all TT members or even by the majority.

f/ Paragraph 50 do not correctly represent resource rents accounting – resource rents are as observed by market transactions (lease payments) and can be estimated only in the absence of lease payments (or similar such as surtaxes).
It is however correct that terminal costs will influence the level of resource rents (paragraph 26 of the GN). We are wondering how this is reflected in other guidance notes, notably WS.6.

g/ Paragraph 23 states that terminal costs are “ideally” to be reflected in P.51c under 2008 SNA. This may be seen as a misrepresentation of 2008 SNA paragraph 10.161 – because such terminal costs are to be reflected with no qualification in the 2008 SNA.

h/ In both the Groningen and the Kiruna case, decisions were made to continue the activity despite the appearance of additional future payments to be made. As such, once the need for the additional future payments was seen, and the activity was nonetheless continued/expanded, this can be deemed to be an active investment decision at that time. The GN explains this very well.

i/ It seems implausible to the reader that the 10 billion compensation in the case of Groningen constitutes 0.5% of the total resource rent of that gas field (5% seems more plausible, see box page 8).

j/ Paragraph 6 seems debatable as in a number of cases an adjustment is made, in national accounts, to the accounts so to reflect “provisions”, in the SNA or in the ESA/MGDD. In the SNA 2008, aside from standardized guarantees, termination costs are a kind of provision accounting, as well as employer pensions. Similarly for taxes not expected to be collected (ESA 2010) or income contingent loans (MGDD).

h/ Paragraph 53 presumably talks about “two GFCF moments”, not “two CFCF moments”.

i/ Paragraph 67 states that business accounting cannot record future operating losses as provisions, but business accounting presumably would amortize/provision by anticipation or impair the associated assets in case of such expected large future operating losses.

j/ on question 6: Not at this stage. Further elaborations are needed.

k/ on question 10: There is no merit in adding a speculation concerning future prices of fossil fuels. In addition, the stranding of assets can be reflected in OCV (for the part corresponding to lower future output – SNA 12.25) or in revaluations (for the part reflecting lower selling prices), such that the GN proposal may not be s