



STATISTICS

GN on Provisions – Outcome Global Consultation

**AEG MEETING, WASHINGTON DC,
OCTOBER 17-19, 2022**

Real Sector Division

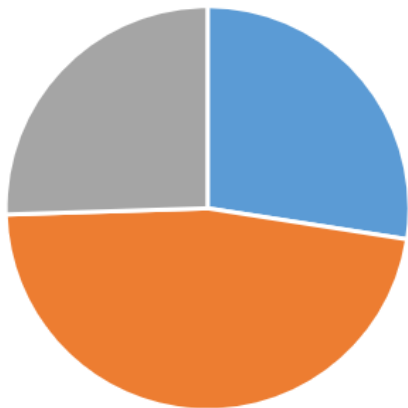
Responses received...

A total of **53** respondents contributed to this consultation, most of them were **national accountants**, a small number of GFS colleagues and just a few environmental accountants and balance of payments compilers.

Good news: provisions are not the biggest of our problems

Is this topic relevant for your country?

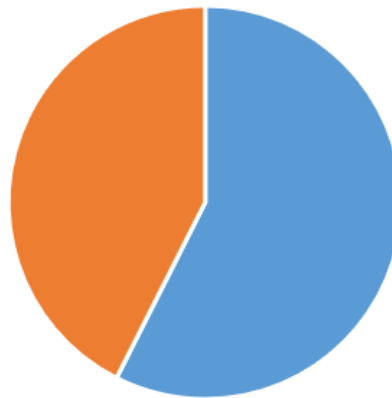
■ Low = 14 ■ Medium = 24 ■ High = 13



n = 51

Do you find substantial amounts of provisions in your data sources?

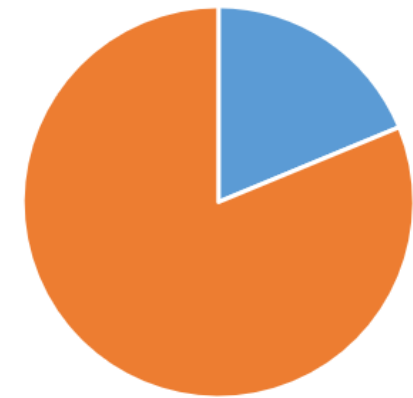
■ No = 27 ■ Yes = 20



n = 47


Do you succeed in removing provisions from source data?

■ No = 3 ■ Yes = 13



n = 16

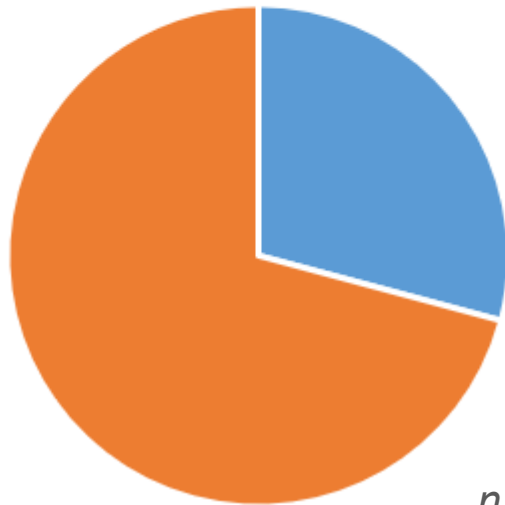
What kind of provisions do we face?

- 
- Nonperforming loans
(students, mortgages, consumer, small businesses, other accounts receivable)
 - Nuclear power plants
 - Mining
 - Health care (compensation payments)

The proposal of a supplementary table in the next version of the SNA

Add in the upcoming SNA update a supplementary table/account

■ No = 14 ■ Yes = 34



arguments in favor

- better reflection of net worth
- proposed table is clear and feasible
- particularly important for the government sector

...and against

- impact will be limited
- Infeasible due to data limitations
- provisions are not a flow between units
- scope of provisions as defined in the GN is too broad

Provisions as a liability without a corresponding asset...

Agree with provisions can be recorded as a liability without a corresponding financial asset

■ No = 17 ■ Yes = 27



$n = 44$

Provisions and terminal costs...

Recording of terminal costs should be aligned with the IAS 37/IPSAS 19 recording of provisions

■ No = 10 ■ Yes = 36



$n = 46$

arguments in favor

- proper accounting, avoiding negative asset values
- Already following an IAS 37/IPSAS 19 type of recording

...and against

- uncertainty about the size of the provision and possible reassessments over time.
- claim may ultimately revert to government (in case mining companies go bankrupt)
- agree with the proposal but not with the financial liability option
- creates a possible imbalance in GDP(P versus E)

An amendment to table 3b...

Table 3b about the recording of GFCF requires refinement. As currently presented, it remains unclear how GFCF including the provision, in $t = 0$, could be reconciled with output.

$t = 0$		$t = 10$	
GFCF	1500		
Cash	-1000	Cash	-500
Provision		Provision	-500
	500		-500
	500		-500

At least two options comes to mind:

- The provision is added a 'mark-up' to output (GFCF on own account) however this complicates the recording of decommissioning costs in year 10
- The provision element of investment comes in to being as 'an other change in volume' and GFCF remains unchanged

An amendment to table 3b (continued)

The 'other change in volume' option could take the following shape:

2008 SNA method

1 GFCF	1000											500
2 Cash flow	-1000											-500
3 Oil Rig Investment Value	1000	850	700	550	400	250	100	-50	-200	-350	-500	
4 CFC		150	150	150	150	150	150	150	150	150	150	150

IAS/IPSAS method

1 GFCF	1500											
2 Cash flow	-1000											-500
3 Oil Rig Investment Value	1500	1350	1200	1050	900	750	600	450	300	150	0	
4 CFC		150	150	150	150	150	150	150	150	150	150	150
5 Provision (= liability)	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500

2025 SNA method (Proposed)

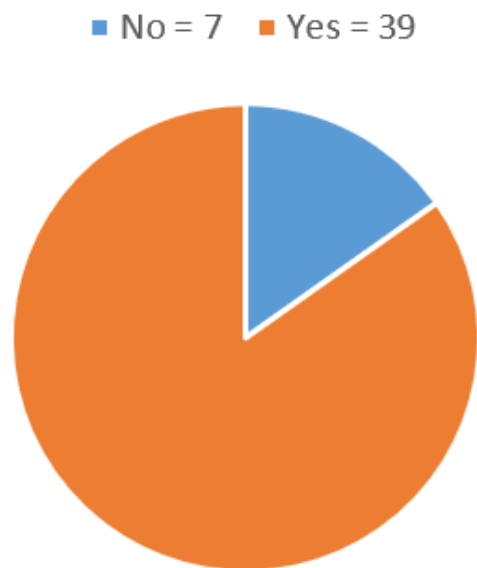
1 GFCF	1000											500
2 Cash flow	-1000											-500
3 Oil Rig Investment Value	1500											
3b Provision charge to GFCF (= other change in volume)	500											-500
4 CFC		150	150	150	150	150	150	150	150	150	150	150
5 Provision (= liability)	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500

The timing of mining related GFCF – a minor sidestep

- Timing of recording GFCF is explained in 2008 SNA par's 10.53 – 10.55.
- Standard rule is the moment of transfer of ownership
- exceptions are biological resources and construction projects for which the recording as work-in-progress is envisioned. Alternatively, the GFCF is the moment of use.
- Mining is not mentioned as an exception while the evidence shows that many capital outlays (exploration, mine site construction) will precede mining production, sometimes several years in advance.
- So, one may consider adding mining as another exception to the rule.

Mining related compensation costs...

The recording of future compensation costs should be aligned with the IAS 37/IPSAS 19



$n = 45$

arguments in favor

- conceptually there are no differences between terminal costs and future compensations

...and against

- due to uncertainties about timing and amounts, such a recording will often be infeasible
- the GN should be further reviewed

The recording of stranded assets

Could the problem of stranded assets become significant in your country?

■ No = 21 ■ Yes = 23



n = 44

Do you agree the next SNA should explicitly address how the value loss of stranded assets must be recorded?

■ Yes = 40 ■ No = 5



n = 45

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

■ Yes = 38 ■ No = 7



n = 45

The AEG is invited to advice on the next steps...

- Adoption of the recommendations
- Considering a solution of reconciling the provision and output (table 3b)
- Testing requirements (if any)

Thank you!