

# **Conclusions**

## **23<sup>rd</sup> Meeting of the Advisory Expert Group on National Accounts Remote meeting 10 – 12 July 2023**

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by the task teams, joint task teams, committees, working groups and expert groups and authors of the issues notes and draft guidance notes, which allowed for a better understanding of the topics for discussion.

### **Project Manager and Lead Editor Report**

2. Welcomed the update by the project manager on the progress with various issues of the SNA update project, which included: (a) status of the guidance notes and the action items arising from the October 2022 AEG meeting; (b) status of the annotated outlines related to new and significantly revised chapters, including joint SNA/BPM chapters; (c) the development of a Common Glossary of Macroeconomic Statistics; (d) key engagement activities since the last AEG meeting; (e) note being prepared on the early implementation planning, both for external communication and to be used to seek resources to assist developing countries; (f) the establishment of workstreams to develop implementation guidance on data, marketing assets, crypto assets and natural resources; (g) drafting the chapters of the 2025 SNA; and (h) the preparation of the consolidated list of recommendations for the 2025 SNA.

3. Recognized the outstanding achievement of the update project and noted that the technical research phase of the update has almost been completed.

4. Noted that those action items which have been designated as “major action items” arising from the October 2022 AEG meeting would typically result in changes to the SNA and are subject to the same consultation procedure as regular guidance notes, while those which have been designated as “minor action items” would typically involve only clarifications of the SNA and will not be subject to separate global consultations.

5. Agreed that with most of the guidance notes endorsed, the next stage of the 2008 update programme should focus more on the early implementation of some of the recommendations and on outreach, especially to educate compilers and users on the impact of those recommendations which would result in changes to key aggregates in the SNA.

6. Agreed that the ISWGNA should monitor how the recommendations in phase 3 of the Data Gaps Initiative may impact the 2008 SNA update programme and update the AEG accordingly.

### **WS.1 A Broader SNA framework for Wellbeing and Sustainability**

7. Welcomed the positive outcome and conclusions of the global consultation of the guidance note.

8. Endorsed the guidance note subject to minor updates to: (a) align the recommendations with the final decisions on a few remaining related guidance notes; (b) include a reference to the concept of real income; and (c) add a paragraph, cover note and/or an annex reflecting on the main issues raised during the global consultation.

9. Agreed that it may be preferable to retain the term “human capital” to describe the skills and knowledge which are acquired through formal education and vocational training but requested that the 2025 SNA should elaborate on its definition and scope.

## **WS.6 Accounting for the Economic Ownership and Depletion of Natural Resources**

10. Noted the outcome of the GFS and SEEA consultation on the split asset approach and concluded that no new conceptual issues were raised, and emphasised that the split asset approach will, in fact, facilitate the recording of the of natural resource rent in the accounts of the extractor and not affect government accounts.

11. Endorsed the recommendations of the guidance note to: (a) use the split asset approach to partition natural resource assets, using the distribution of resource rents, on the corresponding balance sheets of governments and non-financial corporations (or any other sector) to give a more accurate reflection of the sectors’ net worth; (b) record the depletion of natural resources as a cost of production, in a similar way to the current treatment of consumption of fixed capital; and (c) reflect the appearance and disappearance, including ownership changes, of natural resources as other changes in the volume of assets.

12. Endorsed the establishment of an OECD Expert Group on Recording and Valuation of Natural Capital in the 2025 SNA (EG NC) to: (a) address the practical implementation challenges of the 2025 SNA in relation to the reporting of natural capital and its inclusion in net measures of production and income; and (b) produce a manual to provide guidance to compilers on the measurement and depletion of natural resources.

13. Stressed the importance of articulating and clearly illustrating the advantages of the split asset approach during outreach activities to allay lingering concerns, especially among the members of the government finance statistics community.

## **Consolidated list of changes**

14. Agreed with the procedure to finalize the document for global consultation before it is submitted to United Nations Statistical Commission for consideration and endorsement in March 2024.

15. Recommended to include a table summarizing the impact on major macroeconomic aggregates such as gross or net domestic product and net lending/net borrowing of relevant recommendations.

16. Agreed to provide more generic advice on the content of the document and more detailed suggestions on the list of changes in writing by the end of July 2023.

## **C.2 Treatment of (services derived from) the atmosphere – Discussion of the issues note**

17. Noted that the radio spectra are not components of the atmosphere (although the atmosphere is a medium through which radio waves can traverse) and could not reach consensus on the recommendations of the issues note.

18. Agreed to add the treatment of the atmosphere to the post-2025 SNA research agenda and observed that this decision will not affect the already agreed recommendations on how to record emission permits in macroeconomic statistics.

## **WS.7 Emission trading schemes**

19. Agreed with the recommendations to: (a) treat emission permits as a financial asset with taxes on production recorded at surrender at the issuance price; and (b) classify payments for emission permits as accounts receivable (pre-paid taxes)/accounts payable, with an option for compilers to publish these estimates separately; but observed that these recommendations would still need to be discussed at the upcoming joint AEG/BOPCOM meeting.

20. Agreed with the proposal to: (a) organize a workshop to provide practical guidance on the measurement of cross-border emission permit transactions and the treatment of emission permits provided for free; (b) to look at various alternatives for implementing Option 4); and (c) report its outcome to the AEG and BOPCOM.

## **A.9 Consistency in measuring the output of central banks**

21. Supported the main conclusions and endorsed the outcomes of the global consultation.

22. Agreed with the recommendation of the Issues Note to simplify the guidance for measuring the output of central banks in the updated SNA to: (a) remove, for conceptual reasons, the references to FISIM from the estimation of central bank output; (b) update the guidance regarding the typical services provided by central banks to also recognize other services, for instance those related to promoting financial stability and managing the payments system, while acknowledging the possible existence of other services provided by central banks and the need to keep the formulation flexible to allow for the inclusion of other services and recognition of differences across countries; and (c) treat all services provided by central banks as collective services, to be valued at the sum of costs but also recognized the possible existence of market services.

23. Endorsed Option B3 (*Recording of the actual payments as current transfers to the central bank, while collective services (equal to total output) are allocated to the central bank*) to record the non-market output of the central bank and related income transfers and stressed that the further extension of consumption for own final use for non-government units should be restricted.

**Issues note on: Action item A.13 Addressing the current ambiguities and inconsistencies regarding the recording of social security and employment-related schemes, and the current guidance for constructive liabilities**

*Distinction between social security and employment-related schemes*

24. Agreed with the recommendations to (a) treat unfunded pension schemes provided by public employers in the same way as schemes provided by private employers, if the former schemes are similar to the latter schemes and clearly separated from social security; (b) relate the term “similarity” first and foremost to the terms and conditions of compensation, both current compensation and future compensation after retirement; and (c) apply a more consistent wording in describing these schemes in the 2025 SNA.

*Constructive liabilities*

25. Agreed with the recommendation to provide clearer and more consistent qualifications regarding the non-recognition of constructive liabilities in the 2025 SNA.

*Delineation of social insurance and employer-independent schemes*

26. Agreed with the recommendations to (a) include more consistent wording on participants in social insurance schemes, and (b) add further guidance on the treatment of collective schemes for self-employed persons, in line with Guidance Note F.12 (Covering Hybrid Insurance and Pension Products), for both pension and non-pension schemes in the 2025 SNA.

27. Suggested that some ‘fine tuning’ of the words may be required and requested the author(s) to continue to consult with key stakeholders to get agreement, more specifically, on paragraph 8.65 of the 2008 SNA, where a possible alternative text would be elaborated in consultation with relevant members of the AEG and ISWGNA.

*Provident funds*

28. Agreed that provident funds should be classified as other social insurance schemes and not social security schemes and requested the author(s) of the issues note to consult the government finance statistics community before finalizing the recommendations on how to treat and classify these funds in the national accounts.

**A.8 Consistency in the Application of the Sum of Costs Approach**

29. Supported the main conclusions of the global consultation and the recommendations to: (a) include a return to capital in the sum of costs approach for non-market producers; (b) exclude a return to capital for city parks and historical monuments on pragmatic grounds, unless they are significant; (c) expand the scope of assets for which a return to capital should be recognized to include work-in-progress, other inventories (where significant) and non-produced non-financial assets that are used in production; (d) add depletion of natural resources as a cost (where relevant) to the sum of costs approach; and (e) add rent to the sum of costs approach (recognizing that this is also relevant to GN AI.2 – Treatment of Rent).

30. Recommended assessing the potential impact of these changes on the main macroeconomic indicators and developing practical guidance on the appropriate rate of return to use in the calculation of non-market output to facilitate the implementation of the recommendations and ensure internationally comparable results.

31. Emphasised the need to articulate clearly in the 2005 SNA the differences between non-market producers and not-for-profit producers and the implications for the calculation of the output of these producers.

## **AI.2 Treatment of Rent**

32. Took note of the main conclusions of the global consultation.

### *Definition of rent*

33. Supported the proposed change of the definition of rent following option A2 (*Broaden the definition of rent to cover all payments/receipts related to the use of non-produced non-financial assets (whatever their life span)*).

34. Noted that the recording of natural capital as a separate asset class under non-financial assets, as endorsed in guidance note WS.12 (Environmental Classifications), will not affect the definition of rent.

35. Noted the practical difficulties of splitting payments to rent real estate into rental payments for the structure and rent for the underlying land and agreed, as a practical solution, to treat these payments entirely as rental payments.

36. Noted that the definition of rent would not include non-migrating biological assets as they are classified as cultivated and, thus, produced assets, as endorsed in guidance note WS.8 (Accounting for Biological Resources).

37. Noted that possible returns from renting crypto assets without a corresponding liability designed to act as a general medium of exchange (CAWLM) and payment tokens without a corresponding liability (CAWLP), which are classified as non-produced non-financial assets, as endorsed in guidance note F.18 (The Recording of Crypto Assets in Macroeconomic Statistics), require more discussion since these returns appear to have features similar to interest or fees.

### *Location of rent in the accounts*

38. Noted the conceptually sound arguments in favour of option B1 (*Keep the current treatment (allocation of primary income)*) and option B2 (*Include rent in the generation of income account*).

39. Recommended to keep the status quo and record rent in the allocation of primary income account following option B1 (*Keep the current treatment*), given the lack of clear consensus on either option.

### *Include rent in sum of costs*

40. Supported the proposal to consider rent payments as a production cost in the 'sum of costs' valuation following option C2 (*Broaden the sum-of-cost approach to also include costs related to the use of non-produced non-financial assets*).

41. Noted that in instances where the user and the owner of a non-produced non-financial asset are the same unit, the return from using that asset is already included in the return to capital element of the sum of costs, so that it is not necessary to additionally calculate an imputed rent for that asset.

*Follow up work*

42. Agreed to provide further written comments by 21 July 2023 on (a) how decisions on the treatment of CAWLM/CAWLP as non-produced non-financial assets (F.18) and the recording of natural capital as a separate asset class under non-financial assets (WS.12) would affect the definition of rent; (b) whether payments to rent real estate should be split into rental payments for the building and rent for the land; (c) payments for the use of non-migrating biological assets; and (d) the need to calculate an additional imputed rent on a non-produced non-financial asset if the user and the owner of that asset are the same unit.
43. Requested the author(s) of the issues note to revise the note to incorporate the discussions and decisions at the meeting and any post-meeting comments and submit it, through written procedure, to the AEG for endorsement.
44. Agreed to add the topic of rent to the post-2025 SNA research agenda.