

Towards the
2025 SNA

Developing guidelines for estimating the return to capital for non-market production

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Meeting of the Advisory Expert Group (AEG) on National Accounts

9 – 10 July 2024

Virtual meeting

Background

- At its 10-12 July 2023 meeting, the AEG supported a range of recommendations to improve the consistency in measurement using the sum of cost approach, including to incorporate a return to capital in the sum of costs approach for non-market producers
 - This followed on from a discussion of this issue at the March 2023 AEG meeting and subsequent global consultation which supported including a rate of return for non-market production
- The meeting stressed the need to develop 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
- The recommendations regarding improving the consistency in measurement using the sum of costs approach were included in the list of recommendations for changes to the SNA that were endorsed by the UNSC at its meeting during 27 February to 1 March 2024

Proposed approach

- Review of existing material on the topic
- Development of a note with discussion of possible approaches
 - Pros and cons of each approach
- Consultation with key stakeholders
 - ISWGNA members
 - AEG members
 - GFS
 - Others?
- Update of note to include recommendations for the endorsement of the AEG
- Global consultation
- Finalisation of note for approval by the AEG and submission to the 2025 UNSC meeting as part of package of background documents

Proposed approach: Broad timetable

- Review of existing material on the topic **July 2024**
- Development of a note with discussion of possible approaches **August 2024**
 - Pros and cons of each approach
- Consultation with key stakeholders **September 2024**
 - ISWGNA members
 - AEG
 - GFS
 - Others?
- Update of note to include recommendations for the endorsement of the AEG **October 2024**
- Global consultation **November 2024/December 2024**
- Finalisation of note for approval by the AEG and submission to the 2025 UNSC meeting as part of package of background documents **December 2024/January 2025**

Overview of existing material

- There is a range of general literature regarding rates of return. Most of it relates to market producers although there are some articles that discuss the rate of return for government
- The most comprehensive guidance on measuring return to capital in a national accounting context is contained in Measuring Capital (OECD 2009). Chapter 16 is devoted to estimating rates of return and it includes a discussion on the rate of return for the government sector
 - The OECD Natural Capital EG has considered the issue of what the rate of return should be in estimating the value of natural capital assets
- While not the same as the rate of return, the discount rate that is used in NPV calculations can offer insights into estimating the rate of return
 - Eurostat has done work on discount rates related to pensions, which is presented in its Technical Compilation Guide for Pension Data in National Accounts (2020)
 - Many countries have established guidance for discount rates to be applied when undertaking cost-benefit analysis for government projects

Questions for the AEG

- Do you have any comments on the proposed approach for developing the guidelines for estimating a return to capital for non-market production? In particular:
 - Are there other key stakeholders that should be involved?
- Do you have any suggestions for existing material that could be used to inform the development of the guidelines?
- Are there any issues to which particular attention should be paid?
 - For example, there may be merit in specifying a particular rate of return that could be at least used by certain countries in certain circumstances to promote international comparability

THANK YOU!

