MINUTES
ISWGNA MEETING, OCTOBER 9, 2006

Participants
Eurostat: C. Ravets
IMF: A. Bloem (Chair and Minutes)
OECD: C. Aspden
UNSD: I. Havinga
UNECE: T. Dimova
World Bank: B. Hexeberg

1993 SNA Update Project: C. Carson (Project Manager), A. Harrison (Editor).

1 Wrap-up issues

The meeting of the Inter-secretariat Working Group on National Accounts (ISWGNA) concluded on the last wrap-issues flowing from the 2006 Frankfurt AEG meeting and from later considerations on consistency. The conclusions are detailed below. Although this meeting did not directly discuss this, following the procedures agreed for this update of the System of National Accounts 1993 (1993 SNA), these conclusions will appear on the website of the UN Statistics Division (UNSD).

1.1 Financial assets classifications and sub-sectoring

The meeting agreed to confirm the financial asset classification as decided during the ISWGNA’s September meeting. On financial sub-sectoring, the meeting decided to also keep to what it agreed to at its September meeting (distinguishing nine sub-sectors). It decided the distinction between “financial intermediaries” and “other financial institutions” needed further clarifications. It asked participants in this meeting to discuss a proposal from UNSD and the European Central Bank (ECB) with ECB staff at the meeting of the OECD National Accounts Working Group starting the next day.

1.2 Nonperforming loans

The responses from the Advisory Expert Group (AEG) confirmed the ISWGNA proposal for clarification on nonperforming loans. Thus, no further discussion was needed on this issue.

1.3 Market-nonmarket distinction

The responses from AEG members largely confirmed the ISWGNA’s proposals. Thus, the meeting decided to keep these. However, it also considered that some reactions suggested a need for further clarification.

1.4 Decision tree

The proposed decision tree was also accepted by the AEG, although some asked for further detail showing the positions of nonprofit institutions (NPIs). The meeting decided to include a more detailed decision tree showing the NPIs in the chapter on these institutions.

1.5 Freely available research and development
As the AEG’s responses on the ISWGNA’s latest proposals on freely available research and development were largely positive, the meeting decided to confirm these.

1.6 Nonprofit institutions

The meeting decided the AEG’s responses confirmed the latest proposals and decided to confirm these.

1.7 Head offices

On head offices, the meeting also agreed that the AEG responses confirmed its proposals and decided to confirm them.

1.8 Property income

On property income, the meeting also decided that the AEG responses largely confirmed its September proposals and decided to confirm these. It considered a proposal for a shortcut in the rerouting of holding gains from insurance corporations to beneficiaries. The meeting decided to keep the more complex rerouting it had proposed because it is conceptually correct.

1.9 Annuities

On annuities, the meeting also decided that AEG responses supported its proposals and decided to confirm them.

1.10 Terminology

The meeting accepted a proposal to accept terminology from the balance of payments statistics manuals to use the label “branches” for foreign-owned establishments.

2 March 2007 AEG meeting

The meeting asked the UNSD representatives to come up with an early proposal on the site for the next AEG meeting that would enable the AEG to meet on the agreed dates (March 19-23, 2007). It agreed that this AEG meeting, when discussing the draft chapters for the update of the 1993 SNA, should focus on substance and avoid word-smithing. The meeting also agreed that rehashing of past discussions should be avoided. Focus should be on substantial issues where comments suggest a difference of opinion on the way the drafts reflect the recommendations. The ISWGNA will develop a list of such issues.

Other issues for the March 2007 AEG meeting include handbooks supporting implementation of the 1993 SNA, Rev.1, and the research agenda. On handbooks, participants undertook to provide information on their intent in drafting such documents over the next five years to UNSD by November 8. On the research agenda, the meeting agreed to provide proposals for topics to UNSD by October 20. The ISWGNA will discuss this at its next teleconference.

3 Governance

The meeting discussed how the drafting should advance in the face of doubt on the adoption by the UN Statistical Commission of all AEG recommendations. It agreed that the drafting should continue all 44 issues, with redrafting as needed after the February-March 2007 Meeting of the UN Statistical Commission. On the contentious issues for discussion under
agenda item 4, drafting should wait for the outcome of the meeting of the ISWGNA Management Level meeting on October 17, 2006.

The meeting also discussed how to work with country comments on the other (noncontentious) issues. The Project Manager offered to prepare a proposal on that topic.

The meeting confirmed that the eagle-eye review of draft chapters will focus on removing possible errors. Comments of substance—in particular, on the reflection of recommendations—will be made in the next phase of the review. For new chapters, ISWGNA members will provide full comments on the outline, and provide an eagle-eye review of the first draft.

4 Contentious issues

The meeting agreed that country comments point to consensus on the recommendations for most of the 44 issues agreed for the update. Issues for which there is no overwhelming majority are: pension schemes, research and development (R&D), capital services in nonmarket production, military expenditure, and goods sent abroad for processing. The meeting decided not to discuss pension schemes, as both the AEG and the U.S. Bureau of Economic Analysis-International Monetary Fund (BEA-IMF) Task Force on Pension Schemes have now new proposals for their consideration as developed by the Eurostat-ECB Task Force.

After discussing the tallies of country comments and the nature of these comments, the meeting decided that clear majorities for accepting the AEG recommendations were obvious for R&D and goods sent abroad for processing. However, the meeting also agreed that further work is needed in response to country comments. The meeting could not reach agreement on the interpretation of the outcomes on capital services in nonmarket production and military expenditure.

5 Central Product Classification

Owing to time constraints, the meeting decided to deal with this issue by e-mail. Eurostat would prepare and circulate a response to the proposal prepared by UNSD.
6 To-do list

<table>
<thead>
<tr>
<th>Action</th>
<th>By when</th>
<th>Responsible</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantive comments on all issues in the full set of provisional AEG recommendations document</td>
<td>End of September</td>
<td>All</td>
<td>Done</td>
</tr>
<tr>
<td>Comments on chapter on Government and the Public Sector</td>
<td>End of October</td>
<td>All</td>
<td>In progress</td>
</tr>
<tr>
<td>Revise note on own funds and reinvested earnings</td>
<td>In due course</td>
<td>Editor</td>
<td>In progress</td>
</tr>
<tr>
<td>Post texts on nonperforming loans, market/non-market, decision tree, freely available R&amp;D, NPIs, head offices, property income, annuities, financial assets classifications, financial sub-sectoring on UN website</td>
<td>September 29</td>
<td>UNSD</td>
<td>Done</td>
</tr>
<tr>
<td>Second installment of newsletter</td>
<td>In due course</td>
<td>Project Manager</td>
<td>Done</td>
</tr>
<tr>
<td>Draft response to letters from Germany and Denmark</td>
<td>In due course</td>
<td>UNSD and Mr. Aspden</td>
<td>In progress</td>
</tr>
<tr>
<td>Discuss issue on Central Product Classification</td>
<td>October 6</td>
<td>Mr. Havinga and Editor</td>
<td>In progress</td>
</tr>
<tr>
<td>Provide information on handbooks intended over the next five years to UNSD</td>
<td>November 8</td>
<td>All</td>
<td></td>
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<tr>
<td>Suggest topics for research agenda to UNSD</td>
<td>October 20</td>
<td>All</td>
<td></td>
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<tr>
<td>Prepare proposal on working with country comments</td>
<td></td>
<td>Project Manager</td>
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7 Other business

The meeting decided to have the next teleconference on October 31.

The meeting agreed that the next issue of *SNA News and Notes* would contain information on the progress on the update of the *1993 SNA*, information on the development of other standards, and a review of country comments.