MINUTES
ISWGNA TELECONFERENCE 1 JULY, 2008

Participants

Eurostat: G. Gueye (Chair), C. Ravets, L. Frankford
IMF: K. Zieschang, L. Rivas
OECD: P. Schreyer (first part), C. Aspden
World Bank: B. Hexeberg
UNSD: I. Havinga, H. Smith, G. Singh, A. Becker (Minutes)
1993 SNA Update project: P. McCarthy (Project Manager), A. Harrison (Editor)

1. Volume 1

1.1. Comments on chapters 1 – 16

The Editor reported that all chapters, except chapter 17, have been circulated for comments to the ISWGNA. Comments received on chapters 1, 2, 3 and 5-14 have been consolidated by UNSD and returned to the Editor. Comments on chapters 15 and 16 were due on 27 June and comments on chapter 4 are due on 2 July.

1.2 Chapter 17

The Editor indicated that the following three issues for chapter 17 require further discussion, namely:

(i) Where should social security be reported when it is funded, in the core or the supplementary tables?
Eurostat will circulate a note to the ISWGNA indicating the Eurostat/ECB position on the issue.

(ii) Treatment of commissions and profit sharing on reinsurance policies
The Editor suggested that both, commissions and profit sharing should be offset against premiums. The ISWGNA agreed to the proposal.

(iii) Property income paid on life insurance
After discussion the ISWGNA decided to keep the treatment of the 1993 SNA and add the issue to the research agenda.

The Editor indicated to circulate chapter 17 to the ISWGNA by cob today. The ISWGNA agreed to provide comments by cob Thursday 3 July 2008 on that chapter.

1.3 Finalization of Volume 1

The ISWGNA agreed that there was no need to include the 'Foreword' into the white-cover version.
The Editor will provide the final version of Volume 1 to the ISWGNA:NA by 3July 2008 for the final review. The ISWGNA will sign off on Volume 1 no later than 10 July 2008 and submit

Volume 1 to the ISWGNA:MG on July 11 for approval. The Project Manager will schedule a meeting for the ISWGNA:MG as soon as possible after 11 July 2008 for this purpose. Subsequently, the ISWGNA:MG will seek the final approval of the UNSC Bureau after which Volume 1 will be submitted for UN-editing.

2. Chapter status of Volume 2

Chapter 19:	The Project Manager stated that an initial draft was sent to the ILO for comments some time ago, the Project Manager will follow up
Chapter 20:	The draft chapter was posted on the website for world-wide review, the commenting period has closed already, 27 countries responded
Chapter 21:	Eurostat stated that an initial draft in French has been sent to the Editor and Project Manager, this draft will be amended based on their comments, translated to English and circulated to the ISWGNA for comments before posting it for world-wide review on the website
Chapter 22:	The Editor stated that an amended version incorporating all ISWGNA comments will be circulated to the ISWGNA before posting it on the website for world-wide review
Chapter 25:	UNSD stated that they will provide points for a separate discussion on this chapter by cob 7 July 2008
Chapter 26:	The IMF stated that the draft chapter will be ready to be circulated to the ISWGNA for comments by 25 July
Chapter 27:	The draft chapter was posted on the website for world-wide review, the commenting period closed already, 13 countries responded
Chapter 29:	Eurostat has provided the draft of the proposed ESA chapter to the Project manger and Editor. They will consider whether it should be posted as is for the SNA review or some changes proposed.
Annex 3:	UNSD stated that a draft will be circulated to the ISWGNA by cob 20 July 2008 for comments
Annex 4:	OECD stated that a draft will be circulated to the ISWGNA by cob 20 July 2008 for comments

3. Codes

At the last meeting of the ISWGNA:MG Eurostat presented proposals to change the code of consumption of fixed capital from a “P” code to a “K” code and an alternative approach to coding transfers. The MG agreed that the Eurostat proposals should be considered on merit again by the ISWGNA-NA.
ISWGNA:NA with the exception of Eurostat, confirmed their position not to change the codes of Volume 1 (see the annex to the minutes for an exposition of proposal by Eurostat and the view of the other ISWGNA members on the logic behind the 2008 SNA codes). The ISWGNA unanimously agreed that “in cash” should be deleted from the description for D5, therefore reading now “D5 Current transfers”.

4. Next teleconference

The next teleconference is tentatively scheduled for 10 July.

5. To-do-List

Action	By when	Responsible	Status
Actions for Volume 1			
Submission of the revised chapters of Volume 1 to the ISWGNA for review, including cross-references, external references, glossary, list of abbreviations	3 July	Editor	
Approval of Volume 1 and submission to ISWGNA:MG for approval and subsequently to the UNSC Bureau	10 July	ISWGNA, Editor, Project Manager	
White-cover version to be submitted for UN-editing. Electronic version posted on the web site; hard copy to be prepared for dissemination;	End July	UNSD	
Actions for Volume 2			
Posting of chapters 22 and 25	28 March	UNSD	Delayed, subject to incorporate comments
Close of comment period on chapters 22 and 25	30 April		Delayed, subject to posting
Summary of comments from world-wide review on chapters 20, 22, 25 and 27 submitted to the Editor	31 May	ISWGNA	Pending
Finalized detailed outlines	31 May	ISWGNA, Editor, Project Manager	Pending
Drafting of the remaining chapters/annexes of Volume 2 and submission to ISWGNA	30 June – 15 July	ISWGNA, Editor, Project Manager	
Revision and posting of the remaining chapters/annexes of Volume 2	15 July – 31 July	ISWGNA	

Action	By when	Responsible	Status
Conclusion of the world-wide review on Volume 2	31 August		
Finalize chapters 20, 22, 25 and 27 and submit to the ISWGNA	30 September	Editor	
Summarise world wide comments on remaining 8 chapters and 2 annexes and submit to the Editor	30 September	ISWGNA	
Meeting to discuss final version of 4 chapters, comments on 8 chapters and 2 annexes	Mid-October		
Revised Volume 2 for submission to the UNSC in 2009	Mid-December	Editor	

Items marked as 'Done' in this to-do list will be omitted in the following to-do list

Annex to the minutes of the ISWGNA meeting of 1 July 2008

The logic behind the 2008 SNA codes

Background

It was recognized at the outset of the update that the codes would need to be changed. The existing codes were not suitable for data transmission and the need to change them was one of the clarification issues established at the beginning of the process. The structure of the classification hierarchy had to be changed in response to changes made to the structure of the accounts. The chapters use the classification hierarchy to determine the structure of the text, with different levels in the hierarchy appearing at different heading levels. The basic hierarchy of the 1993 SNA was preserved and the new codes follow the agreed classification hierarchy. Careful consideration was also given to issues, such as data transmission (leading to more detailed coding), and allowing various combinations of transactions codes and asset codes, which is particularly useful to identify items in the accumulation accounts and balance sheets.

The main changes between the old and the new codes are:

1. Existing 1993 SNA codes were identical for transactions in assets, revaluation and asset levels, making them unsuitable for data transmission. Because the codes for other volume changes were quite different, there was no way to establish the links between opening and closing balance sheets in terms of codes. The new coding system uses a two part code to resolve the problem, but with one part close to the existing asset codes.
2. The composition of the other changes in the volume of assets accounts was made more structured with a complete change in codes.
3. There were significant changes to the breakdown of non-financial assets and some for financial assets that could not be catered for within the 1993 SNA coding system.
4. The codes for sectors were changed to allow for the identification of NPIs in all sectors and for greater detail in financial corporations.
5. New transactions were included within property income.
6. Extensive changes were needed for current transfers to include the revisions for pensions, the revised treatment of insurance and the inclusion of household remittances.
7. Changes to the codes for capital transfers were necessary for data transmission needs.

There were three guiding principles for the new codes:

1. they should continue to reflect the inherent structure of the parts of the accounting system;
2. they should be suitable for use in a data transmission programs,
3. they should facilitate data retrieval.

Structure of the sector codes

The underlying principles of the sector codes are as follows: All sector codes have a maximum of seven positions. The first is always S and the second always 1 except for the ROW. The third would run from 1 to 5 for NFCs through to NPISHs, representing the institutional sector. But there are always two positions that are sector specific, followed by position 6 showing whether the sector is public, national private or foreign controlled and the seventh whether the units are NPIs or FPIs. If the NPI/FPI split is always in the seventh position, and if we allow wild cards, then S1****1 will find all NPIs throughout all sectors; S1***3* would find all foreign controlled units and so on. The delineation of the government sub-sectors can also be easily identified. The three sector option (where social security in included at every level) is S131, S132 and S133; the four level option is S1311, S1321, S1331 and S1302. For any countries that have the complete two-way split, this unique way of coding means they get included with either spilt. A zero in a position means the sum of all possible values eliminating the need to specify many of the individual items explicitly, e.g. total NPIS and FPIs for all the financial sectors.

Transaction and asset codes

Changes were necessary to accommodate new transactions within property income; changes needed for current transfers to include the revisions for pensions and insurance; and the new breakdown of non-financial assets and financial assets. The new two-part coding structure is more structured and identifies items in the accumulation accounts and balance sheets more clearly. Changes to the codes for capital transfers were made to facilitate data transmission needs and in the case of current transfers to have a counterpart for capital transfers and components consistently on a two digit level.

The code for consumption of fixed capital (CFC) and transactions in non-produced assets were changed as they were out of place under the “other flows” category (K-codes). The best place for the CFC code was considered to be amongst the P codes with other forms of consumption, and alongside GFCF and NFCF (which is now shown explicitly in the code list). It seems natural to have the difference between these latter aggregates with them and part of the same code category. Although the goods and services account shows the supply and use of products one could split GFCF into NFCF and CFC to show how much fixed assets have been used up in the period. In addition, there is provision for mixed income to be shown gross and net so the code for consumption of fixed capital needs to be subdivided into the part relating to unincorporated household enterprises and the other.

Extra distributive transaction codes (i.e. D-codes) were included to provide a full accounting of pension contributions.

In the 1993 SNA there is no aggregate “current transfers”, while there is one for “capital transfers”. The item for current transfers in cash corresponds to property income and capital transfers in terms of the role it plays in the accounts. The allocation of primary income account explains the role of primary income; the capital account includes the role of capital transfers; the secondary distribution of income account explains the role of current transfers in cash. The text uses the concept and draws this parallel. Since the codes follow the hierarchy used in the text, a code for current transfers in cash is desirable not just for expository reasons but also for ultimate data retrieval. Hence, “current transfers in cash” was created at the one-digit level, with all its constituents lower in the hierarchy. Social transfers in kind is shown separately at the one-digit level because it explains the redistribution of income in kind account.

Eurostat note on codes

1. Codes for distributive transactions

The introduction of a code (D5) for current transfers in chapter 8 has raised serious concerns in a number of countries in Europe. This position has in particular been emphasized by the Statistical Programme Committee at their last meeting on 22 May 2008.

Eurostat's opinion is also that this introduction reduces the rationality of the codification of distributive transactions; it creates imbalance between D5 and other codes; and it splits the "social" area into two separate categories.

In chapter 7 on the distribution of income accounts, each heading corresponds to a specific area clearly identified: compensation of employees (D1), taxes on production and imports (D2), subsidies (D3) and property income (D4).

Similarly, the chapter 8 on the secondary distribution of income account in present SNA presents D5 current taxes on income, wealth, D6 social contributions and benefits and D7 other current transfers. This classification is meaningful, and in particular all what relates to "social" belongs to D6.

In the revised chapter 8, called redistribution of income accounts, the rationale of having D5 current transfers and D6 social transfers in kind is mainly because D5 goes in the secondary distribution of income account and D6 goes into the redistribution of income in kind account. The criterion used in the revised chapter 8 is the position in the accounts and the characteristic cash/in kind, but our opinion is that the classification should at first level reflect in priority the nature (social/non social, tax/non tax) of the transaction.

The disadvantage of the new classification is that current taxes on income, wealth, social contributions and benefits (except social transfers in kind) and other current transfers now all belong to the new heading D5 current transfers, which therefore becomes a huge category grouping transactions of different natures.

On the contrary, social transfers in kind – which have a limited impact in terms of percentage of GDP – receive the code D6 and are isolated from other social transactions.

Our proposal is not to change the text of chapter 8 in revised SNA, only the codes should be amended.

A simple sentence is necessary at the start of paragraph 8.77: "net social contributions (D61) is the first category of social contributions and benefits (D6)".

2. Code for consumption of fixed capital

Further to the specific comments from countries, we consider that the consumption of fixed capital should continue to be shown as K1 rather than P6. This would keep the meaning of "P" as "product" with reference to goods and services accounts. One could also argue, as in the current SNA, that consumption of fixed capital is similar to the other accumulation entries K codes; the only difference with the other K flows is that consumption of fixed capital is more current in nature. If consumption of fixed capital is classified as K1, then P6 and P7 would continue to be used for exports and imports respectively.

3. Way forward

As you can see for chapter 8 (see table 1 below), our proposals concerning distributive transactions do not change the revised text in any significant way. It would be the same for consumption of fixed capital. If these changes are agreed, Eurostat is ready to revise quickly the relevant D, K and P codes in the relevant tables and chapters of the revised SNA.

Table 1 - Proposed changes to the codes in draft revised chapter 8

Transactions	Codes in revised SNA chapter 8	Eurostat's proposal for amending codes in revised SNA chapter 8
	D5	No code should be attributed
Current transfers		
Current taxes on income, wealth, etc	D51	D5
Taxes on income	D511	D51
Other current taxes	D519	D59
Social contributions and benefits	–	a code D6 should be introduced
Net social contributions	D52	D61
Employers' actual social contributions	D521	D611
Employers' imputed social contributions	D522	D612
Households' actual social contributions	D523	D613
Households' social contributions supplements	D524	D614
Social benefits other than social transfers in kind	D53	D62
Social security benefits in cash	D531	D621
Social security pension benefits	D5311	D6211
Social security non-pension benefits in cash	D5312	D6212
Other social insurance benefits	D532	D622
Other social insurance pension benefits	D5321	D6221
Other social insurance non-pension benefits	D5322	D6222
Social assistance benefits in cash	D532	D623
Other current transfers	D54	D7
Net non-life insurance pensions	D541	D71
Non-life insurance claims	D542	D72
Current transfers within general government	D543	D73
Current international cooperation	D544	D74
Miscellaneous current transfers	D545	D75
Social transfers in kind	D6	D63
Changes in pension entitlements	D7	D8
Capital transfers	D8	D9

Additional comments by the Editor of the 2008 SNA on Codes

This note tries to set out some specific issue that need to be answered in order to decide how to go forward on this thorny question. Some of these are "philosophical" in nature; some are more practical.

Do we need current transfers in cash as a concept in the SNA?

I have explained previously why I feel this is necessary. They sit in distinction to capital transfers, to property income and are the basic rationale for the secondary distribution of income account. They are a fundamental concept in the BPM6.

If they are a basic concept, do we need a code for them?

Arguably not necessarily but it does seem odd to have a basic concept without a code. Further, if we want common codes with BPM6, a code for current transfers in cash would be useful.

Should the first level in the hierarchy be determined on the basis of concepts or relative magnitude of the entries?

The Eurostat proposal opts for the latter and cites taxes on income, social contributions and other current transfers as being of roughly the same order as each other and of the same order as property income. While this may be true for many EU countries, it will not be universally true. For many if not most developing countries, social contributions will be small to negligible. For "tax-free" economies, taxes on income (but not taxes on products) will be negligible. Within other current transfers the different components will have different relative magnitudes in different economies but there is no proposal to determine the coding structure according to magnitude, still less to allow different hierarchical structures across countries.

Is it costly to change people's habits on codes?

Yes it clearly is, but it happens without complaint in classifications such as ISIC and CPC (and the EU equivalents). The question is whether this is a show-stopper. Looking forward, is the implication that no change in the SNA that would involve a change in codes can be considered?

Would it be problematical to use the same codes for different concepts?

So far this question has not been addressed, but as I will show later there are at least four instances where the implications of the Eurostat proposals would cause this.

Practical issues

How many codes would need to change?

The Eurostat document shows 25 codes to be changed but this list is not complete. It does not go all the way down the hierarchy. For D codes only, the total list of changes is 50, not 25. It is by carrying through the changes to lower levels that the re-use of existing codes for new concepts becomes apparent. Specifically:
D5211 and 5212 are employers' actual pension and non-pension contributions. Under the Eurostat proposals, they would become D6111 and 6112 which are presently employers compulsory and voluntary contributions.
D532 is other social insurance benefits (not social security). It would become D 622 which is presently private unfunded social benefits.
D533 is social assistance in cash. It would become D 623 which is presently unfunded employee social benefits

What about K codes?
The discussion on K codes has focused on the code for consumption of fixed capital, which was previously K1. There was also previously a code K2 for acquisitions less disposals of non-produced assets. This has been changed and no objection has been raised. If consumption of fixed capital were coded back to K1, what would happen to the other K codes? Would they all move up one digit? Should they have the same digits but a new letter (that would save mixing a transaction with other volume changes)? Any reversion of consumption of fixed capital to K1 will involve another 16 code changes for existing K codes, making 66 code changes in total.

How long would it take to get full and final agreement by the ISWGNA on a set of new codes?

Even if the ISWGNA agreed to change the codes, how long would it take to agree a complete, new set? It took four months to get agreement on the existing codes. IT is unlikely that a new set could be agreed in less than two weeks, say, and even this might be optimistic.

Can the ISWGNA determine new codes without further consultation?

We thought we could before and found we were mistaken. Do we run the same risk again? What about the people who did not object to the new codes. If we have to consult, how long would this take? Our usual period for consultations is a month.

What is the effect on the text?

Changing D and K codes would have consequences for 9 of the 17 chapters and both annexes. The changes in the text, excluding the tables, is not great (except for the annexes) but it is worth noting that the Eurostat note, which was presumably prepared and checked carefully contains at least one typo. (D532 is listed twice; the second should be D533.) The time taken to verify the text is correct after changes would be longer than the process of changing itself.

What is the effect of the tables?

Excluding the tables in annex 2, there are 96 tables in the text. Two thirds of these would need changing. Changing a table is time consuming and tedious. They come from an excel file and need to be copied and inserted as pictures and resized exactly to fit the right space. This is why the file I have just sent you excludes most of the tables. I want to do this tedious chore once and once only.

Can anyone help me?

Not really. Part of my job description was to prepare camera ready copy. In order to do this and do it efficiently, I have moved from Word to a DTP program which handles large complex files quickly and efficiently. You will see from the file I sent you that the text looks good; much better than in Word. It is straightforward to generate the various tables of contents, and the glossary and ultimately the index. The productivity savings from my use of it are enormous but it means no-one else has the skills to work on the files, even if it was agreed (against my very serious misgivings) to allow someone else access to the files.

What is the bottom line?

Agreeing and inserting a new set of codes in volume 1 would be a non-trivial exercise. It would involve all the ISWGNA to agree the codes and check the results as well as myself making the changes. If we do not make changes, we can get volume 1 to the UN editors on schedule for them to complete their edit before the general assembly work starts. All of us can turn our attention to volume 2 and try to make up time we have lost there. If we do agree to insert new codes, we will not meet the UN editors' schedule so volume 1 will not be complete this year and the impact on volume 2 will be significant also.