

Comments on draft SNA chapter:
Chapter 17: Cross-cutting and other special issues
Deadline for comments: 1 September 2007
Send comments to: sna@un.org

Formatted: French (France)

Your name:	Raymundo J.Talento Director IV Economic Statistics Office
Your country/organization:	Philippines; National Statistical Coordination Board (NSCB)
Contact (e.g. email address):	rj.talento@nscb.gov.ph
Submission date:	October 11, 2007

This three-part template allows you to record your comments on draft chapter 17 easily and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any one, any two, or all of the three parts of the template.

There is no file comparing existing text with draft text for this chapter because the draft is all new text.

Save this template and send it as an attachment to the following e-mail address:
sna@un.org

Part I: General comments

In the space below, please provide any general comments, such as about the clarity with which the new recommendations were incorporated (30 words or less).

Comment:

<p>In general, we are in agreement with the new recommendations of the chapter. It presents very detailed and explicit explanations of the recommendations which will be helpful to us, compilers of the National Accounts.</p>

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 17, you may wish to devote particular attention to the passages listed below. For ease of reference, we have identified the relevant paragraphs. For each passage, a Word table is provided for you to use in making your comments.

There is a row for general comments at the top of the table. Thereafter please use a separate row for each paragraph on which you wish to make detailed comments.

Chapter 17, Part 1: The treatment of insurance and social insurance other than pensions

Part 1 is based loosely on annex IV of the 1993 SNA, but includes several passages that introduce changes. Some of these are identified below.

1. A refined treatment of non-life insurance is introduced in paragraphs 17.37-17.39 to prevent the variation in claims made each year from affecting output. A different treatment is permissible when the claims are exceptionally large and beyond expectation (17.50). Are these paragraphs clear?

General comment	The paragraphs presents the nuances of estimating non-life insurance very clearly
17.37	The refined treatment of non-life insurance prevents the misinterpretation or distortion of output if exceptional events occur; allows the National Accounts compiler to treat outputs correctly.
17.40 – 17.48	Presenting different approaches in estimating output of insurance provides alternative solutions and flexibility in the operationalization given the data limitations in the Philippines
17.50	We are in agreement with the recommendations

- Insert rows in this Word table for each paragraph on which you wish to comment.

2. The simplification in the SNA whereby direct insurance and reinsurance transactions were consolidated was seen to be causing errors especially in countries where all reinsurance was carried out with non-resident corporations (as is often the case). Is the description of how and why to treat direct insurance and reinsurance separately sufficiently clear (paragraphs 17.54-17.60)?

General comment	The separate treatment of reinsurance and reinsurance is very clear.
17.54	Given the explanations regarding the treatment of reinsurance in the SNA, the methodology showing its output is very helpful
*	Click here and start typing.

- Insert rows in this Word table for each paragraph on which you wish to comment.

3. A treatment for annuities as a form of life insurance is introduced in Rev. 1. This is desirable in itself and because it is how regular payments in retirement under defined

contribution pensions are recorded. Paragraphs 17.90-17.97 describe this treatment. Are the paragraphs clear?

General comment	We are in agreement with the presentation and explanation of annuities. They are very clear.
17.90	Click here and start typing. The explanations which are very detailed, showing which variables go to which specific sequence of accounts are very helpful.
*	Click here and start typing.

* Insert rows in this Word table for each paragraph on which you wish to comment.

Chapter 17, Part 2: The treatment of loan guarantees in the System

Rev. 1 distinguishes three classes of loan guarantees. The first is composed of those guarantees provided by means of a financial derivative (described in chapter 11). The second is composed of the sorts of guarantees where large numbers of very similar guarantees are issued. Another is described as one-off guarantees, where each guarantee is tailored to specific circumstances.

- The second class is called standardized loan guarantees. A treatment of such guarantees is introduced in paragraphs 17.106-17.111. It resembles the treatment of insurance in several respects. Is the description clear and comprehensive?

General comment	We are in agreement with the treatment of the different classes of guarantees. The explanations are very clear.
17.106	Click here and start typing.
*	Click here and start typing.

* Insert rows in this Word table for each paragraph on which you wish to comment.

Chapter 17, Part 3: The treatment of pensions in the System

Part 3 describes the treatment of pensions. It does so in some detail, in part because the means by which pensions are provided to persons in retirement varies considerably from country to country.

- Rev. 1 incorporates a number of changes in the treatment of defined benefit pension schemes. After distinguishing between defined benefit and defined contribution schemes in paragraphs 17.141-17.146, the text describes the transactions recorded for a defined benefit scheme and provides a numerical example. This text begins in paragraph 17.147 and continues through paragraph 17.166. Is the text clear and comprehensive?

General comment	<p>As per the AEG posted comments, we are in agreement with the summary conclusion raised under SNA/M1.06/03.1 and SNA/M1.06/03.2.</p> <p>a. In addition, we would need to be clarified on the following:</p> <p>b.1. In practice, retirement pensions may come in the form of a pure pension given by government to beneficiaries or will come in combination with social security scheme. Considering these attributes, there might be a need to further provide recommendations how such treatment can be done – as to whether there is really a need to separately record them or the same approach to both can be done in the SNA;</p> <p>b.2. Pension schemes may vary in terms of the arrangements whether this is sponsored by the government or private entities. It may also differ on the type of beneficiaries of the pensions - whether they are government employees or private employees. In such case if there are significant differences on how these two schemes are operated, it might be appropriate if definitions and delineations between the two be clarified and explained in the updated SNA.</p>
17.147	Click here and start typing.
*	Click here and start typing.

* Insert rows in this Word table for each paragraph on which you wish to comment.

6. Paragraphs 17.183-17.193 describe the proposed supplementary table that gives flexibility to countries not to include all liabilities for pensions in the main accounts while still providing the information for analysts. Is the table clear?

General comment	We are in agreement with the proposed supplementary tables. The explanations are detailed and explicit.
17.183	Click here and start typing.
*	Click here and start typing.
Table 17.10	Click here and start typing.

- Insert rows in this Word table for each paragraph on which you wish to comment.
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Chapter 17, Part 4: The recording of flows associated with financial assets and liabilities
 Part 4 describes the flows associated with financial assets and liabilities more extensively than in annex III of the 1993 SNA text, including the services associated with them.

7. The introduction, paragraphs 17.194-17.204, provides an overview of financial services that is wider than the traditional view of financial intermediation as applied to only deposits and loans. Is this wider perspective on financial services comprehensive and is the material presented in a helpful manner?

General comment	The expansion in the definition in financial services is very helpful given the wider range of financial services that financial corporations as well as non-financial services are currently providing.
17.194	The paragraph is very clear.
17.196	Are there methods or treatments in the allocation of FISIM To consuming sectors?
17.216	On the lending of own funds: Can the AEG provide possible methodology for this? In the Philippines, this practice is quite common especially in the informal sector. It is important to capture this financial service as the informal sector make up about 40% in the economy

- Insert rows in this Word table for each paragraph on which you wish to comment.
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8. A new table summarizing the types of flows that relate to each instrument is given in table 17.11, which is introduced in paragraph 17.205. Is this table helpful?

17.205	This portion of the chapter provides a detailed and explicit description of the interests and service charges associated with each instrument
Table 17.11	Yes, the table is helpful to determine the flows that should be recorded for each instrument.

* Insert rows in this Word table for each paragraph on which you wish to comment.

Chapter 17, Part 5: Contracts, leases and licences

The 1993 SNA did not have a comprehensive, coherent discussion of contracts, leases and licences. Part 5 brings together the material on the subject discussed under several of the 44 agreed Update issues.

9. Paragraphs 17.261-17.269 describes the three kinds of leases, including a description of resource leases, which are introduced in Rev. 1 in paragraph 2.269. Is the

description of resource leases clear? Is the greater clarification of the distinction between operating and financial lease clear?

General comment	The concepts of contracts, leases and licenses present a wide range of areas which need to be dealt with individually in terms of the arrangements specific for each concern. Thus, we agree with the general comments there is no specific recommendations that there is no specific treatments on the number of arrangements that maybe built-in within
17.261	Click here and start typing. There is a need for further clarifications in terms of the concepts between the operational lease and financial lease. In addition, the specific treatments and recording for each type of lease need to be clarified.
*	Click here and start typing.

- Insert rows in this Word table for each paragraph on which you wish to comment.

10. Paragraphs 17.301-17.305 describe how to record in balance sheets the benefits for each party corresponding to a shared asset. Are these paragraphs clear?

General comment	Click here and start typing. There is a need for further clarifications on how the recording will be done in balance sheets.
17.301	Click here and start typing. Further discussions on the valuations for each type of assets in the balance according to those seem feasible among countries can be discussed for more elaborations.
*	Click here and start typing.

- * Insert rows in this Word table for each paragraph on which you wish to comment.

Part III. Other specific comments

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comment directly on the PDF of the draft chapter.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make detailed comments, please send a message to sna@un.org requesting a version of the draft chapter that permits you to comment. To optimize your commenting tools, please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>

