

Investment in the Future of National Accounts
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History and Role of SNA

The original United Nations System of National Accounts and Supporting Tables (or SNA for short) was first published in 1953. It provided a coherent framework for recording and presenting the main flows relating to production, consumption, investment and external trade. The framework took the form of a set of six accounts sufficiently simple to be contained on two pages of the report. That original report was entirely concerned with flows expressed in current money terms and did not even go into the problems of making estimates at constant prices.

The first major revision took place in the 1960s and was published in 1968. That version integrated those conventional national accounts with input-output and embryonic flow of funds accounts. A major review of the SNA68 was carried out in the late 1980s and published in 1993. The 1993 SNA further extended the system to include balance sheets of the stocks of assets (and liabilities) of each sector and of the economy, as well as updating the concepts to reflect new phenomena and changes in the economy. The SNA93 is some 700 pages long.

The SNA can probably be considered the primary international statistical standard:

- by its total coverage of all economic activity;
- it provides the most important macro-economic aggregates for government policy;
- it brings together most areas of basic statistics into a coherent accounting and analytical framework;
- the 1993 version was co-produced by the UN, IMF, World Bank, OECD and Eurostat and is thus a universal system;
- SNA is applied by virtually every country in the world.

Within Europe we have a slightly more specific version of SNA93, called the European System of Accounts (ESA95) which is compulsory for all EU countries' reporting of national accounts data to Eurostat under European Council Regulation 2223/96.

Revising the System of National Accounts

The 1993 SNA is now some twelve years old. Generally it has stood the test of time well, but inevitably new phenomena appear in the economy, which were not explicitly treated in the System. In the first ten years after 1993, the international statistical community agreed to an incremental approach to the updating of SNA; by which individual problems were treated separately, recommendations made, approved by the UNSC and then integrated into SNA. The electronic version available on the UN website was continuously amended.

After some 10 years it was apparent that process was too slow to keep pace with all the changes needed and instead a new revision should be initiated.

The United Nations Statistical Commission meeting in March 2003 accepted the proposal of the ISWGNA (Inter-Secretariat Working Group on National Accounts, made up of UN, IMF, World Bank, OECD and Eurostat that co-produced the SNA93) to undertake studies leading to a revised version (called SNA93 rev 1) to be approved by UNSC at its meeting in 2008.

The Statistical Commission

- a. Endorsed the scope of the updating process supporting the view that there is currently no need for fundamental or comprehensive changes to the system.
- b. Emphasised the need for maintaining consistency with related manuals, such as the Balance of Payments Manual, the Government Finance Statistics Manual and the Monetary and Financial Statistics Manual.
- c. Recommended that the updating process should focus on specific issues
 - that are new issues emerging in the new economic environment
 - or old issues that have acquired new economic significance.
 - address user needs
 - take into account the feasibility of the planned changes.

On the basis of these criteria a list of possible candidate issues for the revision of SNA93 was drawn up. In the first instance possible treatments for these issues were (and are being) discussed in various groups. These groups include the IMF Balance of Payments Committee, a “city group” called the Canberra II group on the measurement of non-financial assets; in addition several issues have been discussed through Electronic Discussion Groups on the internet. A newly-formed task force on the harmonisation of public sector accounts is considering issues common to SNA, GFS and the international accounting recommendations for units in the public sector.

An Advisory Expert Group has been created bringing together 20 top international experts drawn from all over the world.¹ This group will meet three or four times during the review process to take the technical decisions about exactly which changes should be adopted.

¹ Jan Heller of the Czech Statistical Office is one of the 20 members.

The first meeting of the AEG took place in March 2004 and as its first task reviewed the list of candidate issues. In fact there were initially three lists: one coming from the national accounts side, one from balance of payments and one from government statistics. The AEG recommended a combined and consolidated list of 44 issues that would be further studied during the review process. That list is attached as annex to this paper.

These issues will be studied by various sub-groups, and brought forward to the AEG for decision. All the recommendations will be formally sent to all the statistical offices in the world for comment. In addition all the papers are publicly available on a website maintained by the UN (<http://unstats.un.org/unsd/nationalaccount/snarev1.htm>). In addition it is planned to hold regional meetings of the UN (UNECE for Europe) as well as meetings at OECD and Eurostat to discuss the proposals.

The revision of SNA is therefore a major collective undertaking that really represents an investment in the future of national accounts.

The Issues for the Future

At the same time it is interesting to note that many of the most important issues being discussed relate to how in fact the economy and society invests in its future; and making sure that those investments are treated properly in national accounts.

So, some of the biggest issues concern:

Research and development which might become investment instead of current expenditure as now (including issues like what is the asset produced, what is its value and so on)

Intangible assets in general, and in particular patents. Mineral exploration to find new reserves, or decommissioning costs when closing existing nuclear power stations.

BOOT schemes (Build, Own, Operate, Transfer) whereby government agrees with a company or consortium to build some asset (such as a motorway or major bridge) which the company exploits for a certain number of years, charging tolls (fees) to recoup its original investment and some profit. At the end of the agreed number of years the asset becomes the property of the government.

Insurance. Proper measurement of insurance claims and output, provoked partly by the terrible losses of September 11 in New York, but also by the seemingly increased number of natural catastrophes.

Pension schemes. Unfunded pension schemes of employees (usually in government) have no assets, but they have clear contractual commitments towards their employees who expect to receive their pensions. Perhaps the SNA should start to recognise those liabilities. By extension, perhaps the SNA should recognise the liability for promised future social security pensions for the entire population, which in some countries potentially represents massive amounts in a period of a rapidly ageing population.

Financial innovation. Financial markets evolve rapidly, with new forms of investment opportunities and instruments. Increasingly financial liabilities are not honoured and how should we make provisions for that in the national accounts system.

Military hardware such as battleships and aircraft are currently treated as current expenditures as if they are immediately used up the day they are bought, whereas we know many continue in service for a large number of years.

Some commentators have objected that investing in weapons of mass destruction is not in fact investing in our future, but let us hope instead we are investing in peace for the world.

Annex : List of issues for updating SNA93

	Issue	Responsible	Expected date of completion
1	Repurchase agreement	IMF	November 2004
2	Employer retirement pension schemes	IMF	November 2004
3	Employee stock options	Eurostat	Completed February 2004
4	Valuation of non-performing loans, loans and deposits <ul style="list-style-type: none"> Non-performing loans Valuation of loans and deposits; Write-off and interest accrual on impaired loans 	IMF-EDG BOP Committee	November 2004 November 2004
5	Non-life insurance services	OECD Taskforce	November 2005
6	Financial intermediation services indirectly measured (FISIM) <ul style="list-style-type: none"> Financial services Allocation of the output of central banks 	Canberra II IMF	November 2004 November 2004/5
7	Taxes on holding gains	Canberra II	Completed February 2004
8	Interest under high inflation	UNSD	November 2004
9	Research and development	Canberra II	November 2005
10	Patented entities	Canberra II	November 2005
11	Originals and copies	Canberra II	November 2004
12	Databases	Canberra II	November 2004
13	Other intangible fixed assets	Canberra II	November 2005
14	Cost of ownership transfers	Canberra II	November 2004
15	Cost of capital services: production account	Canberra II	November 2004
16	Government owned assets	Canberra II	November 2004
17	Mineral exploration	Canberra II	November 2004
18	Right to use/exploit non-produced resources between residents and non-residents	Canberra II and BOP Committee	November 2005
19	Military weapons	Canberra II	Completed February 2004
20	Land	Canberra II	November 2004
21	Contracts and leases of assets	Canberra II	November 2005
22	Goodwill and other non-produced assets	Canberra II	November 2005
23	Obsolescence and depreciation	Canberra II	November 2005
24	Build-Own-Operate-Transfer (BOOT) schemes	Canberra II	November 2005
25	Units <ul style="list-style-type: none"> Ancillary units Institutional units <ul style="list-style-type: none"> Holding companies, special purpose entities, trusts Treatment of multi-territory enterprises Recognition of unincorporated branches Privatisation, restructuring agencies, securitisation and special purpose vehicles (SPVs) 	UNSD to set up EDG BOP Committee TFHPSA	November 2005 November 2005 November 2004
26	Cultivated assets	Canberra II	Completed February 2004; rewording accepted
27	Classification and terminology on assets	Canberra II	November 2005
28	Amortisation of tangible and intangible non-produced assets	Canberra II	November 2005
29	Assets boundary for non-produced intangible assets	Canberra II	November 2005
30	Definition of economic assets	Canberra II	November 2004
31	Valuation of water	Canberra II	November 2005
32	Informal sector	UNSD / Delhi Group	Preliminary paper: November 2004 Final: November 2005

33	Illegal and underground activities	UNSD	November 2005
34	Super dividend, capital injections and reinvested earnings (government transactions with public corporations (earnings and funding))	TFHPSA	November 2004
35	Tax revenue, uncollectible taxes, and tax credits (recording of taxes)	TFHPSA	Preliminary paper: November 2004 Final: November 2005
36	Private/public/government sectors delineation (sectorisation boundaries)	TFHPSA	November 2005
37	Activation of guarantees (contingent assets) and constructive obligations	TFHPSA BOP Committee	November 2005
38	Transaction concept <ul style="list-style-type: none"> Change of economic ownership (as term) Assets, liabilities and personal effects of individuals changing residence ("migrant transfers") Application of accrual principles to the debt in arrears 	BOP Committee	November 2005
39	Residence <ul style="list-style-type: none"> Meaning of national economy Predominant centre of economic interest (as term) Clarification of non-permanent workers and entities with little or no physical presence 	BOP Committee BOP Committee UNSD	November 2005
40	Goods sent abroad for processing	BOP Committee	November 2005
41	Merchanting	BOP Committee	November 2005
42	Retained earnings of mutual funds, insurance companies, and pension funds	BOP Committee	November 2005
43	Interest and related issues <ul style="list-style-type: none"> Treatment of index linked debt instruments Interest at concessional rates Fees payable on securities lending and gold loans 	BOP Committee	November 2005
44	Financial assets classification	BOP Committee	November 2005