



REPUBLIC OF BELARUS

June 2020

TECHNICAL ASSISTANCE REPORT—REPORT ON SECTORAL ACCOUNTS MISSION (NOVEMBER 11-22, 2019)

This Technical Assistance Report paper on the Republic of Belarus was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed on February 2020.

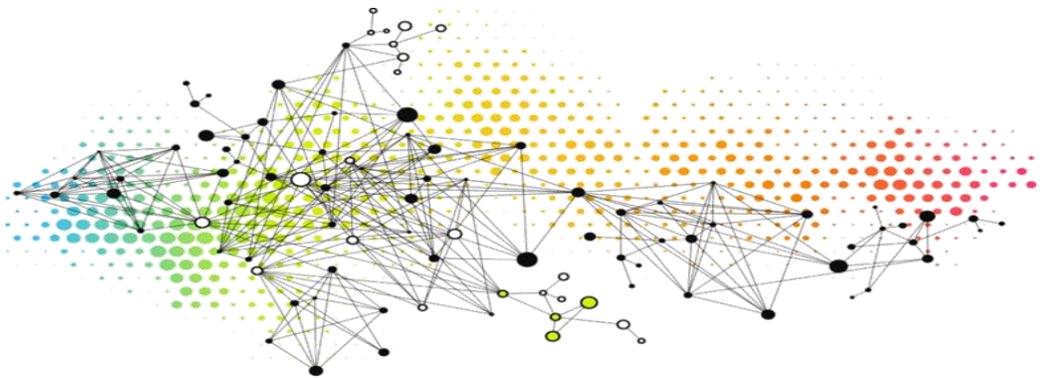
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This document was prepared before COVID-19 became a global pandemic and resulted in unprecedented economic strains. It, therefore, does not reflect the implications of these developments and related policy priorities. We direct you to the [IMF Covid-19 page](#) that includes staff recommendations with regard to the COVID-19 global outbreak.

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REPUBLIC OF BELARUS

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REPORT ON SECTORAL ACCOUNTS MISSION (NOVEMBER 11–22, 2019)

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Glossary

<i>2008 SNA</i>	<i>System of National Accounts, 2008</i>
1SR	Standard Report Form 1 (for the central bank)
2SR	Standard Report Form 2 (for deposit-taking corporations)
4SR	Standard Report Form 4 (for other financial corporations)
BSA	Balance Sheet Approach
Belstat	National Statistics Committee of Republic of Belarus
DTC	Deposit-Taking Corporation
ESS	External Sector Statistics
FABS	Sectoral Financial Accounts and Balance Sheet Statistics
GFS	Government Finance Statistics
GG	General Government
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual, 2014</i>
HH	Households
IIP	International Investment Position
MOF	Ministry of Finance
NBRB	National Bank of Republic of Belarus
NFC	Nonfinancial Corporations
NPISH	Non-Profit Institutions Serving Households
SDR	Special Drawing Right

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

- 1. At the request of the Belarusian authorities, a technical assistance (TA) mission on sectoral financial accounts and financial balance sheets (FABS) was conducted during November 11–22, 2019.** The principal purposes of the mission were to review with the National Statistical Committee of the Republic of Belarus (Belstat) current data sources; identify data sources that needed to be improved; demonstrate how to construct the tables; and prepare a work plan. The mission found that many of the data required are currently available, while pointing out areas where improvements could be made. Accordingly, there is a strong basis for Belstat to begin an initial, exploratory compilation of the FABS for 2017.
- 2. Belstat, as the agency with responsibility for the national accounts, currently prepares sector current and capital accounts but is seeking to take up the construction of these tables to complete the sequence of accounts, and, by extension, to compile financial balance sheets.** The National Bank of Belarus (NBRB) had prepared the FABS for several years but discontinued compiling these data in 2017. These tables were incomplete and had been only for use internally.
- 3. The compilation of the FABS for Belarus will serve a number of purposes.** The first purpose is that the sector financial accounts will provide insights into financial markets by identifying the means through which activity in the real economy is being financed, through which instruments, and with which counterparties. The second purpose of the FABS is that the financial balance sheets will help to identify whether the sectors' financial positions are sustainable. The third purpose of the FABS is that they highlight the integrating function of the *System of National Accounts, 2008 (2008 SNA)*. The balancing item in the sector financial account (net lending or borrowing) is conceptually identical to the balancing item in the sector capital accounts. As the data are drawn from different sources, for the most part, any differences between these balancing items indicates that the source data or compilation techniques may need to be reviewed. Furthermore, that the integrating function is also found in the links between the financial accounts and the financial balance sheets, thereby ensuring the datasets remain consistent. Lastly, as external sector statistics (ESS)—the balance of payments and the international investment position (IIP)—government finance statistics (GFS), and monetary and financial statistics, are all part of the sector accounts framework, the FABS's integration function will help ensure consistency across all the macroeconomic statistics. In this manner, the quality of the data in the sector current, capital, and financial accounts, together with the financial positions, will be enhanced.
- 4. The compilation of the ESS and the monetary and financial statistics is undertaken by the National Bank of the Republic of Belarus (NBRB) and that of GFS is undertaken by the Ministry of Finance (MOF).** The mission found that working relations between these agencies and Belstat are good. There are currently informal interagency groups that address

matters of common concern. However, to ensure the success of the exercise in meeting its goals and ensuring that all parties are informed of progress and/or problems, the mission noted the project might be better served if these interagency groups were formalized. Accordingly, the mission recommended the two following groups: a steering committee, and a technical working group. The role of the latter group, which would comprise staff involved in the preparation of the various datasets, would be to address any compilation and classification/definitional issues that may arise so that all parties treat the data consistently, ensure the data are compiled on time, address areas where data quality or detail need to be improved, ensure all parties are informed about progress, as well as addressing any other technical matters that may arise. The role of the steering committee, comprising a senior manager from each of the agencies, would be to ensure the project remains on track and to resolve any issues that the technical group is unable to do.

5. The mission reviewed with Belstat the data sources currently available for the compilation of the FABS. Among the primary data sources are the balance sheets of the central bank, other deposit-taking corporations (DTCs), and other financial corporations. These data are all compiled by the NBRB. These data provide extensive asset and liability detail, providing the counterparties for most of the instruments. In addition, as noted, the NBRB prepares the ESS, which provide many of the data required for the rest of the world sector. The mission noted a few instances where the data could be improved through the provision of more detail or verification that the classification had been done correctly. The NBRB agreed to explore ways to meet the additional data required.

6. The mission also explored the GFS data, which, as noted, are compiled by the MOF. The mission found that some instrument detail could be improved, especially for counterparties, but, for the most part, the data are sufficient for the initial construction of the FABS. The mission recommended areas where Belstat could request further detail from the MOF and the Ministry of Taxes and Fees.

7. The mission also reviewed other data sources. Many of these are collected by Belstat, and the mission recommended areas where additional information should be collected or how current data could be used in the compilation of the FABS.

8. The mission worked with Belstat staff to show how the currently available data sources should be used to compile sector balance sheets and how to use these data to construct the sector financial accounts. The mission recommended that Belstat prepare the FABS for 2017 using the data presently available. Such an exercise would allow Belstat staff to understand what is involved in compiling the FABS. It would also provide Belstat staff with an understanding of how many of the data cells in the FABS matrices can be estimated from current sources, while, at the same time, indicating where data can be improved.

9. The mission recommended that Belstat staff be encouraged to apply for courses on the FABS, such as those offered by the IMF. The mission noted that the sooner expertise in FABS and financial markets can be built up, the more the data quality is likely to improve. To that

end, staff should make sure to apply for the JVI BSAA course (prior to the deadline of May 2020).¹

10. The mission set out an action plan, which was agreed to by the authorities. Of those, the most important are set in Table 1.

Table 1. Belarus Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
March 2020	<i>Formalize a technical working group responsible for addressing technical, classification, definitional, and compilation issues.</i>	Belstat, in coordination with NBRB and MOF
March 2020	<i>Formalize a monitoring steering committee of senior managers from each of the agencies.</i>	Belstat, in coordination with NBRB and MOF
June 2020	<i>Compile draft FABS for 2017 using data sources discussed on the mission.</i>	Belstat, in conjunction with NBRB and MOF

Further details on the priority recommendations and the related actions/milestones can be found in the action plan under *Detailed Technical Assessment and Recommendations*.

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

Priority	Action/Milestone	Target Completion Date	Responsible Institutions
Outcome: Data are compiled and disseminated using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs.			
PR	Formalize a steering committee, comprising senior managers of each the agencies involved in the compilation of the FABS, to ensure the project remains on target and resolves any issues that the technical group cannot resolve.	March 2020	Belstat, the NBRB, and the MOF
PR	Formalize a technical working group responsible for addressing any compilation and classification/definitional issues that may arise so that all parties treat the data consistently, ensuring the data are compiled on time, improving data quality or detail as needed, ensuring all parties are informed about progress, as well as addressing any other technical matters that may arise.	March 2020	Belstat, the NBRB, and the MOF
PR	Compile, at the outset, for 2017 a limited matrix instrument by sector with accompanying methodological notes.	June 2020	Belstat

¹ Applications should be made online at: <https://www.jvi.org/training/course-schedules/course-schedule-2020/course/20IM32.html>

Priority	Action/Milestone	Target Completion Date	Responsible Institutions
H	Revise 4-f (funds) survey form for equity liability (line 022) to obtain a breakdown of shareholders' funds as reported to the Ministry of Taxes and Fees on the tax form ¹ on balance sheet lines 410–480.	June 2020	Belstat
H	Coordinate with MOF on the estimates for general government sector, in particular, to obtain data missing from GFS, currency composition of government loan and debt securities liabilities, and a sector breakdown of GG's equity assets.	March 2020	Belstat and MOF
H	Reconcile data sources used to compile current and capital accounts and the financial account transactions.	Ongoing	Belstat and NBRB
H	Obtain a breakdown of miscellaneous assets and liabilities on 1SR and 2SR to obtain instrument and counterparty.	March 2020	Belstat and NBRB
H	Obtain a breakdown of sector counterpart of insurance companies' insurance technical reserves liabilities.	June 2020	Belstat and MOF
H	Verify the central bank's loan assets to nonresidents in Belarusian rubles.	March 2020	NBRB
H	Obtain a sector breakdown of direct investment in the balance of payments and IIP.	March 2020	NBRB and Belstat
H	Obtain an instrument breakdown of debt in direct investment in the balance of payments and IIP.	March 2020	NBRB and Belstat
H	Obtain a breakdown of "other claims" in reserve assets of ESS.	March 2020	NBRB and Belstat
H	Examine the cause of negative retained earnings on 1SR.	March 2020	NBRB and Belstat
H	Obtain the value of loans written off by DTCs during any given period.	March 2020	NBRB and Belstat
H	Obtain estimates of the proportions of the foreign currencies in the foreign currency items on the balance sheets of the 1SR and 2SR.	March 2020	NBRB and Belstat
H	Undertake training on FABS as offered by the IMF and other international organizations.	Ongoing	Belstat
H	Obtain estimates of the proportions of the foreign currencies in the foreign currency items on the balance sheet of the 1SR, the 2SR, and the 4SR.	March 2020	NBRB and Belstat
H	For the central government's equity assets, use the value for shareholders' funds for government-owned enterprises that is collected form 4f (Funds), rather than the value reported in the GFS.	March 2020	Belstat and MOF
H	Belstat to obtain from the MOF data on general government on an unconsolidated basis.	March 2020	Belstat and MOF
H	Confirm that all the loans in other investment such as: nonfinancial corporations, households, and nonprofit institutions serving households in the ESS are by NFCs for both assets and liabilities.	March 2020	Belstat and NBRB

¹Annex 1 to the National Standard of Accounting and Reporting "Individual Accounting Statements," approved by Resolution of the Ministry of Finance of the Republic of Belarus #104, dated December 12, 2016.

Priority	Action/Milestone	Target Completion Date	Responsible Institutions
H	Ascertain that the total equity liability value on the 4-f (funds) survey form is equal to the total equity value on the tax return form for nonfinancial corporations. If there is a difference, Belstat should explore possible causes. Whichever data source is seen as the better quality should be used, but, in the meantime, Belstat should use the tax data as they are likely to be more comprehensive, unless there is a compelling reason to use the data from the 4 (f) funds survey.	June 2020	Belstat
H	The total value of equity asset holdings of NFCs be treated as NFC's equity investments in other NFCs.	March 2020	Belstat
H	Belstat explore with a sample of respondents to the 4-f (funds) survey how their holdings of equity are valued. Pending confirmation or otherwise, Belstat assume all changes in equity asset holdings represent transactions.	June 2020	Belstat
H	Belstat take the difference between the total NFC equity on issue (taken from the 4-f (funds) survey or the balance sheet data reported on the tax return, as appropriate: see above) and the total of equity assets in NFCs of the financial sector, general government, nonresidents, and NFCs' investment in other NFCs, and allocate to the household sector.	June 2020	Belstat
H	Belstat request the breakdown of shareholders on the tax form be requested from the Ministry of Taxes and Fees.	November 2019	Belstat and Ministry of Taxes and Fees
H	Explore with a sample of respondents to the 4-f (funds) survey how their holdings of equity are valued. Pending confirmation or otherwise, Belstat assume all changes in equity asset holdings represent transactions.	June 2020	Belstat
H	Combine households with NPISHs in the FABS and compare the net lending/borrowing of the combined sector with the net lending/borrowing of the combined households' and NPISH capital accounts.	June 2020	Belstat
H	Compile a BSA for 2017, in addition to the FABS.	June 2020	Belstat

A. General Considerations

11. The mission found that many of the data required to compile the FABS are available. There are, however, some areas where data are missing or where improvements are needed. The mission discussed the data sources with staff at Belstat, the NBRB, and the MOF. The mission found that there is a willingness to cooperate in the project and to assist in developing new datasets.

12. The presently informal technical working group should be formalized. There is an informal group of the three agencies that addresses issues of common interest. This group appears to work well. However, in light of the complexity and duration of the project, the mission

recommended that this technical working group be formalized. When projects involve more than one agency, it is often found that such a group helps ensure that the project remains on target given that new demands may take second place to more immediate concerns.

13. The role of such a technical working group would be to ensure the data are treated consistently for classification, definition, and valuation, as well as addressing new issues.

The technical group would also determine which agency had primary responsibility for compiling the data for each sector. The mission recommended that the NBRB have responsibility for the financial sector and the rest of the world, the MOF take responsibility for the general government sector, and Belstat the other sectors—nonfinancial corporations, households, and nonprofit institutions serving households (NPISHs). However, this group will also need to address any differences between data sources for data cells that purport to provide the same information in different sectors (such as the central government's holdings of equity in state-owned enterprises and the counterpart equity liability in the nonfinancial or financial sectors). This will require the three agencies to decide which data source offers better quality data on valuation or classification. The mission recommended that such a technical group should meet regularly, at least quarterly, especially in the development stages.

14. As there may be issues that the technical working group is unable to resolve, there is a need for a more senior body to which these unresolved issues could be referred.

At present, there is a committee comprising senior staff of the three agencies. The mission recommended that this committee also assume the responsibility of resolving issues that the technical group is unable to resolve, while also serving as a steering committee to monitor the project's progress.

15. The mission recommended that Belstat, as an exploratory exercise, compile the FABS for 2016. The mission found that the data available for that year are of sufficient extent, quality, and detail to provide a good basis for compiling the FABS on an ongoing basis. The compiling of the data for 2016 will serve to highlight both the strengths and weaknesses of the currently available data, while giving Belstat staff an opportunity to learn what is involved in compiling these data.

16. The mission also recommended that Belstat staff undertake training on FABS. For many of Belstat staff, the FABS represent new concepts and compilation difficulties. Given the complexity of the datasets and the need to understand financial instruments and financial markets, Belstat staff would benefit from courses offered by the IMF and similar bodies.

Recommendations:

- Belstat to set up a steering committee, comprising senior managers of each the agencies involved in the compilation of the FABS, to ensure the project remains on target and resolves any issues that the technical group cannot resolve (June 2020);
- Belstat to set up a technical working group responsible for addressing any compilation and

classification/definitional issues that may arise so that all parties treat the data consistently, ensure the data are compiled on time, improve data quality or detail as needed, ensure all parties are informed about progress, as well as address any other technical matters that may arise (June 2020);

- Belstat to compile draft FABS for 2017 using data sources discussed on the mission (June 2020);
- Belstat staff to undertake training on FABS as offered by the IMF and other international organizations (as soon as possible);

B. Data Sources

Financial Corporations Sector

17. The mission showed Belstat staff how data for the financial corporations sector in the FABS can be compiled. There are three primary reports for the financial sector—1SR, 2SR, and 4SR (where “SR” stands for Standard Report form)—that are collected by the NBRB. The 1SR is the balance sheet of the central bank, the 2SR is the aggregated balance sheet of the DTCs, and the 4SR is the aggregated balance sheet data of other financial corporations. These report forms provide considerable detail by instrument, and, for the most part, by counterparty sector. As a result, they serve as inputs for other sectors for which there may not be any information or where the information may be a lower quality.

18. The mission discussed with Belstat staff each of these report forms to show how to map the instruments to the FABS framework. For many of the data the place in the FABS framework is straightforward, given the instruments are largely consistent with those in the FABS. However, there are some items where there is insufficient detail.

19. One area where the data could be improved is the breakdown of foreign currency. The 1SR, 2SR, and 4SR all have a breakdown for foreign currency items for most instruments. However, while this information is sufficient for balance sheet purposes, it needs adjustments to derive transactions from changes in positions (see Appendix I: Example B). The reason is that any changes in the rate of exchange between the domestic and foreign currency may lead to a change in the outstanding value at the end of the period without a concomitant transaction. If the foreign currency items are denominated in a variety of currencies (for example, in U.S. dollars, euros, Russian rubles), it is likely that the exchange rates of those currencies against the Belarusian ruble will have changed by different amounts. Accordingly, it would improve the estimation of transactions from balance sheet positions for items denominated in foreign currency if there were an indication of the composition of the foreign currencies. The mission recommended that Belstat explore with the NBRB how to obtain estimates of the proportions of the foreign currencies in the foreign currency items on the balance sheet. The mission noted that it is not necessary to have a full breakdown for each item, but rather an indication from the chief accountant at each of the DTCs of an approximate breakdown of the foreign currency

components on their balance sheets.

20. A further problem is that, for some instruments, there is insufficient detail to classify by instrument or counterparty on the 1SR. This is a particular problem for “other accounts receivable/payable” on the 1SR (for the central bank) where approximately one third of total assets and liabilities are classified as “miscellaneous”. In discussions with the NBRB, it was agreed that the latter would try to break down these large residuals—probably “float” items that have not been allocated to account or instrument on the day the balance sheet is drawn up (it is done daily)—because, as the data stand, they would distort the FABS if left as “other accounts receivable/payable,” especially as the information is without counterparties.

21. The mission noted that the 1SR shows large negative retained earnings, an unusual situation for a central bank, unless it has been paying out in dividends more than it has earned. The mission asked the NBRB the cause(s). The NBRB indicated that retained earnings on the central bank’s balance sheet is calculated as a residual—to ensure the balance sheet balances. The NBRB agreed to examine the problem and to determine whether a change in its accounting rules might be required.

22. The mission asked the NBRB whether there was any information on available DTCs’ loan write-offs. Write-offs are not considered a transaction in the *2008 SNA*; rather they are considered to be a volume change in the Other Changes in Assets Account (see Appendix II, Example C for the correct treatment of write-offs.) Because write-offs are not considered to be a transaction, when deriving transactions from changes in balance sheet positions, the value of the write-off needs to be added back to the closing balance. Without such information, loans advanced during a given period would be understated. At present, such information is not reported on the 2SR. The NBRB agreed to explore how to obtain the information required.

23. A particular problem for FABS, when allocating to counterparty, is insurance technical reserves. Belarus is no exception. Insurance technical reserves represent the amounts insurance companies owe their policyholders. These reserves comprise unearned premia, claims made that have not yet settled, and an actuarial assessment of claims yet to be made during the period. Included in insurance technical reserves for life insurance companies are accumulated amounts built up by policyholders over the years. Insurance companies do not usually maintain their accounts so that they can determine these outstanding values by institutional sector; rather, insurance companies usually maintain their records according to line of business. Information from the asset side—that is, the entities that have a claim on insurance technical reserves—is usually completely absent from an insured’s balance sheet. Thus, in order to allocate these reserves to the counterparty alternative approaches are required. The mission recommended that Belstat, as a first point of departure, discuss with the regulator (the MOF) what, if any, information might be available that would assist Belstat in estimating the values that of insurance technical reserves by sector. For example, if the insurance companies have estimates of vehicle insurance between individuals and business, such a breakdown could be used. Similarly, if the value for technical reserves for house insurance is available, it could be taken to be all owing to households. On the other hand, if the line of business is for “fire and theft”, any breakdown, even

estimates, from the regulator would help Belstat. Should the regulator have no such information available, the mission recommended that Belstat contact the insurance companies directly (while ensuring the regulator is involved in any such discussion). For life insurance technical reserves, it can be assumed that all is owing to households unless the NBRB has been able to identify any owing to nonresidents (which would be included in the Rest of the World).

24. One issue has now been resolved—the treatment of Special Drawing Rights (SDRs).

There are two aspects to SDRs—the holdings (if any), and the liability for their allocation. Following the financial crisis of 2008 and 2009, to address concerns about international liquidity, the IMF raised the amount of SDRs on issue by a substantial amount. Each member received an allocation, based on its quota. Because the 2008 SNA recognizes the allocation of SDRs as a liability for the first time, the allocation of SDRs has, initially, no net effect on a member's net international investment position (IIP). While any transactions in SDRs change the amount of assets held, the liability (for the allocation) remains unchanged (except for valuation changes).

25. In Belarus, it was unclear whether the MOF or the NBRB had the SDR liability and it was, for a long time, unrecognized in the external sector statistics (ESS).

However, as of May 2019 it has been agreed by the authorities that the NBRB will accept the liability and place it on its balance sheet. The NBRB reports its SDR holding as part of Belarus' reserve assets in the ESS and on the 1SR. As Belarus has had no transactions in SDRs since the allocation in 2009 the asset and liability values in the IIP and 1SR should be the same. There are minor differences that the mission suggested the NBRB eliminate.

26. The mission explored with Belstat staff how to allocate holdings of cash to sectors.

While it is clear where the liabilities lie—NBRB and nonresident central banks (for foreign currencies) are the sole issuers of cash—for holdings of cash, the data sources are much weaker. Apart from holdings of cash reported on the 1SR, the 2SR, and the 4SR, there is no adequate source of information on holdings of cash. The Belstat 4-f (funds) survey and the balance sheet data reported by all nonfinancial corporations (NFCs) as part of their tax returns to the Ministry of Taxes and Fees provide no information on holdings of cash. Accordingly, there may be a significant residual that will be allocated to the household sector, pending further work to decide how to apportion the balance between households and NFCs.

27. The mission noted that all interbank positions in the form of loans or deposits are, by convention, treated as deposits.

The reason for this is that it is often difficult to differentiate between these instruments when held between DTCs. Accordingly, to ensure consistency of treatment, they should all be treated as deposits. This convention extends, in principle, to the rest of the world, but it is often difficult for compilers of the ESS to know who the DTCs' nonresident counterparties are.

Recommendations:

- Belstat to explore with the NBRB how to obtain estimates of the proportions of the foreign currencies in the foreign currency items on the 1SR and 2SR (March 2020);

- Belstat to request the NBRB to try to break down the large residuals (in other accounts receivable/payable) on the 1SR (March 2020);
- Belstat to request the NBRB to examine the cause of the negative retained earnings of the central bank on the 1SR (March 2020);
- Belstat to request the NBRB to obtain information on DTCs' write-offs for any given period on an ongoing basis (March 2020);
- Belstat, as a first point of departure, discuss with the insurance regulator (the MOF) what, if any, information might be available that would assist Belstat in estimating the values that of insurance technical reserves by counterpart sector (March 2020);
- Should the insurance regulator have no such information available, Belstat contact the insurance companies directly (while ensuring the regulator is involved in any such discussion) (March 2020);

General Government

28. The mission discussed the use of Government Finance Statistics (GFS) with Belstat and the MOF. The MOF compiles GFS. The data are reasonably complete, especially for transactions, but some are missing (such as "currency and deposits" asset positions and "other accounts receivable" positions).² Moreover, many of the data points do not provide counterparties. However, using the data from different tables it was possible to infer many of the counterparties. However, this was not possible for equity investments or for "other accounts payable." Accordingly, the mission recommended that Belstat request that the MOF provide the breakdown wherever possible.

29. The mission explored with Belstat staff how the GFS data can be used to construct the FABS. The mission noted that some items, such as currency and deposits assets position, are available from counterpart information (such as the 1SR and 2SR) and recommended that Belstat obtain from the MOF the breakdown of equity investments between financial and nonfinancial sectors. The mission also recommended that the MOF provide Belstat with the valuation principles for the balance sheet positions, especially for equity investments.

30. Equity assets are often valued on a different basis from those from the liabilities side. The reason for this difference is usually because the asset holder often does not re-value the investment subsequent to its acquisition (that is, it is recorded at purchase price). The companies themselves will make changes to the value of shareholders' funds over time, reflecting, among other things, accumulated retained earnings (or accumulated losses), revaluations of asset values (such as fixed assets) or liabilities that might be denominated in foreign currency. While the *2008 SNA* recommends the use of market value for equity, in Belarus, there is no institution for trading in shares. (Despite its name, the Belarusian Currency and Stock

² *Other accounts payable* positions are reported on a *modified cash* basis.

Exchange only handles transactions in currencies.) Accordingly, given the choice between the values recorded on the books of the equity asset holder and those recorded by the companies themselves, the latter is a better proxy for market value. The mission recommended, therefore, that Belstat use in the central government's equity assets the value for shareholders' funds for government-owned enterprises that is collected on Belstat's own form (4f (Funds)) that is reported by all nonfinancial corporations (and which will be included in the nonfinancial corporations sector equity liability; see below), rather than the value reported in the GFS. This will ensure that this instrument is valued the same way by the two sides. The resulting difference with GFS should be indicated in the methodological notes accompanying the FABS.

31. The mission noted that the government of the Republic of Belarus borrows in the form of loans only from nonresidents. Accordingly, the data on the loan liabilities (for both transactions and positions) should be the same as the counterpart data in the rest of the world. These borrowings are all in foreign currencies, so it is important that any adjustments for exchange rate changes be done in the same manner by the MOF and the NBRB (which compiles the ROW data). The government of the Republic of Belarus issues debt securities in both Belarusian rubles and foreign currency. A breakdown, by currency, is available from the MOF. The mission recommended that Belstat request this breakdown, as its availability to Belstat would help in verifying any changes in this instrument are calculated consistently between the NBRB and the MOF.

32. The mission noted that, for the FABS, working within the 2008 SNA framework, data for general government should be reported on an unconsolidated basis. GFS, on the other hand, are reported on a consolidated basis. Accordingly, the mission recommended that Belstat obtain from the MOF data on general government on an unconsolidated basis.

Recommendations:

- Belstat request that the MOF provide the breakdown on counterparties of the instruments on the balance sheet the government of the Republic of Belarus, wherever possible (March 2020);
- Belstat obtain from the MOF the breakdown of the government of Belarus' equity investments in the financial and nonfinancial sectors (March 2020);
- Belstat use for the central government's equity assets the value for shareholders' funds for government-owned enterprises that is collected form 4f (funds) survey, rather than the value reported in the GFS (March 2020);
- Belstat request from the MOF the foreign currency breakdown of the foreign currency borrowings of the government of the Republic of Belarus (March 2020);
- Belstat obtain from the MOF data on general government on an unconsolidated basis (March 2020).

Nonfinancial Corporations

33. The mission explored with Belstat staff the sources of information available for nonfinancial corporations (See Table 2). For many cells' information will be available from counterpart information from the 2SR or the ESS. However, for some data the information is not as straightforward. The mission explored, with Belstat staff, the following three items: loans, equity, and other accounts receivable/payable.

34. There are six possible sources of information on loans for NFCs: the 1SR, the 2SR, the 4SR, the ESS, the Belstat 4-f (funds) survey, and the balance sheet reported as part of tax filing. Currently, the central banks (1SR) reports no loans to NFCs. The 2SR and 4SR each have data showing the amounts outstanding with the NFCs. However, NFCs also raise funds from other sources, notably, the rest of the world, other NFCs, and from households.

35. For borrowing from the rest of the world, some information on NFCs' borrowing is available in the ESS. The sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* has a breakdown of four sectors: the central bank, other DTCs, general government, and "other sectors." *BPM6* recommends that "other sectors" be broken down between "other financial corporations" and "nonfinancial corporations, households and nonprofit institutions serving households." The NBRB provides this additional information for the functional category "other investment."³ The mission recommended that Belstat confirm with the NBRB that all these loans in the latter group are by NFCs (whether assets or liabilities), given the low likelihood of their borrowing from nonresident households or NPISHs.

36. However, loans, by or to nonresidents, may also be included in "direct investment". In "direct investment," the only instrument breakdown is between "equity" and "other debt". This latter category may include other accounts receivable/payable as well as loans. Accordingly, the mission recommended that the NBRB provide Belstat with a breakdown of debt instruments in direct investment. Moreover, as there is no sector breakdown in "direct investment", the mission also recommended that the NBRB provide a breakdown of the instruments (including equity) by sector. It noted that, for other deposit-taking corporations, any deposits or loans between direct investment entities should be treated as deposits by convention (as noted above).

37. Data on NFCs' equity are available from four primary data sources: the ESS, counterpart information in the financial sector, Belstat's 4-f (funds) survey, and the balance sheet data reported by all nonfinancial corporations (NFCs) as part of their tax returns⁴ to the Ministry of Taxes and Fees. These latter two data sources, which cover all NFCs in Belarus, provide an instrument breakdown of the balance sheets, including equity liability,

³ *BPM6* has five functional categories. In addition to "other investment", the other four are: direct investment, portfolio investment, financial derivatives, and reserve assets.

⁴ Annex 1 (to the National Standard of Accounting Reporting "Individual Accounting Statement", approved by Resolution of the Ministry of Finance of the Republic of Belarus, #104, dated December 12, 2016.

which should provide a universe estimate for NFCs' outstanding equity liabilities. However, while the total equity liabilities from these two data sources should be the same, the mission recommended that this be verified. If there is a difference the mission recommended Belstat explore possible causes. Whichever data source is seen as the better quality should be used, but, in the meantime, the mission recommended that Belstat use the tax data as they are likely to be more comprehensive, unless there is a compelling reason to use the data from the 4-f funds survey.

38. With a universe estimate for equity liabilities, the mission discussed with Belstat staff how to estimate the counterparties' asset holdings. For the financial sector the data are provided on the 1SR, the 2SR, and the 4SR. For the rest of the world's holdings the data are available from the ESS (taking into account the need to obtain a sector breakdown of the equity instrument in "direct investment.") The estimate of general government's holdings of equity is discussed above. In addition, the 4-f (funds) survey and the tax report have an item, "long-term financial investments," but no further detail is provided. The mission noted that this item could include long-term debt securities, long-term accounts receivable, as well as equity. However, as no breakdown is available from any other source, and as NFCs are more likely to invest in the form of equity in other NFCs (largely in related entities) than place long-term funds in other instruments or in other sectors, the mission recommended that the total value of this item be treated as NFCs' equity investments in other NFCs. The mission recommended, therefore, that the balance remaining—that is, taking the equity assets in NFCs for the financial sector, general government, nonresidents, and NFCs' investment in other NFCs, from the total equity from the 4-f (funds) survey or the balance sheet data reported on the tax return—be allocated to the household sector for the compilation of the initial estimates of the FABS.

39. The mission advised Belstat staff of the difference between transactions and positions of equity. For the former, only transactions in the shares (or other equity) should be included in the FABS' financial accounts, while for the financial balance sheets all shareholders' funds should be included. The reason for the difference is that total shareholders' funds also includes accumulated retained earnings, current period retained earnings, revaluations, and other reserves that have been built up over the years. These latter elements are either captured elsewhere in the system (such as current period retained earnings, included in the sector saving) or are not transactions (such as revaluation), or were accumulated in prior periods. As the 4-f (funds) survey does not have such a breakdown of shareholders' funds—only total equity liability is reported—but the tax form does include the breakdown; the mission recommended that this detail of shareholders' funds be requested from the Ministry of Taxes and Fees.⁵ (The mission noted that this distinction between the measurement of transactions and positions of equity liability applies to the financial sector as well: the 1SR, the 2SR, and the 4SR all provide the necessary breakdown of shareholders' funds).

40. For the asset holdings of equity, the situation is different. For the most part, financial

⁵ Belstat made this request during the mission. The information should be provided by the Ministry of Taxes and Fees under the current memorandum of understanding between the two agencies.

account transactions in the FABS are derived from changes in balance sheet positions (with the adjustments for valuation or volume changes, as noted above). However, as noted, for equity assets further data are required to estimate transactions and positions. The breakdown of the components of shareholders' funds that allows for the distinction between transactions and position to be drawn is not available in the source data. Equity is usually reported as a single item (whether on the 1SR, the 2SR, the 4SR, the 4-f (funds) survey form, or the tax return. However, these holdings, as with general government and as noted above, are often recorded at acquisition cost and have not been adjusted to reflect any change in the value of the equity over time. If that is the case, changes in the balance sheet positions are a reasonable proxy for transactions but will not necessarily be a good indication of the current value of all the holdings, the principle that should be applied to positions. Therefore, the mission recommended that Belstat explore with a sample of respondents to the 4-f (funds) survey how their holdings of equity are valued. It also recommended that, pending confirmation or otherwise, Belstat assume that all changes in equity asset holdings represent transactions. To derive a better estimate of the value of the equity asset positions the mission recommended that this should be postponed until more work has been done on the development of the FABS.

41. For NFC accounts receivable/payable, the mission reviewed the data sources with

Belstat staff. The 4-f (funds) survey does not identify this instrument; the tax return includes items for "short-term accounts receivable", "long-term accounts receivable", and "long-term accounts payable", with no counterpart information. The mission noted that a breakdown for other accounts receivable is often unavailable and thus, for the time being, recommended that no attempt be made to allocate to counterparty at this stage. For liabilities, on the other hand, the tax return provides a breakdown of "short-term accounts payable". From this information, it is possible to assign counterparties as follows:

- "suppliers, contractors, performers" counterparties can be taken to be either other NFCs or the rest of the world. The ESS should provide the latter value, which would mean the balance is attributable to other NFCs;
- "advances received" represents funds received for subsequent delivery of a good or service. This item can be included in the calculation of the item above;
- "taxes and fees" and "social insurance and security" represent funds owing to general government;
- "remuneration of employees" represents amounts owing to households. (While there may be amounts owing to nonresident households, the mission recommended that these be regarded as insignificant);
- "leasing payments" are likely to be for operating leases, not finance leases.⁶ Accordingly, this amount owing is likely to be to other NFCs or nonresidents and should be included in the

⁶ Finance leases are treated as loans. They should not be included in accounts payable.

first item of this list;

- There is no clear indication of what “property owners (founders, participants)” represents; however, given that it is to “founders, participants” it may be taken to be owing to households.

Recommendations:

- Belstat confirm with the NBRB that all the loans in other investment: nonfinancial corporations, households, and nonprofit institutions serving households in the ESS are by NFCs for both assets or liabilities (March 2020);
- The NBRB provide Belstat with a breakdown of debt instruments in direct investment, and provide a sector breakdown for all direct investment debt and equity instruments (March 2020);
- Belstat ascertain that the total equity liability value on the 4-f (funds) survey is equal to the total equity value on the tax return form for NFCs. If there is a difference, Belstat should explore possible causes. Whichever data source is seen as the better quality should be used, but, in the meantime, Belstat should use the tax data as they are likely to be more comprehensive, unless there is a compelling reason to use the data from the 4 (f) funds survey (June 2020);
- Belstat take the difference between the total NFC equity on issue (taken from the 4-f (funds) survey or the balance sheet data reported on the tax return, as appropriate: see above) and the total of equity assets in NFCs of the financial sector, general government, nonresidents, and NFCs’ investment in other NFCs, and allocate to the household sector (March 2020);
- Belstat request that the Ministry of Taxes and Fees provide the components of NFCs’ shareholders’ funds on the tax form for 2017 (November 2019);
- Belstat explore with a sample of respondents to the 4-f (funds) survey how their holdings of equity are valued; and, pending confirmation or otherwise, Belstat assume all changes in equity asset holdings represent transactions (June 2020);

Rest of the World

42. Most of the issues for the rest of the world have been discussed above. However, there is one further issue, the item “other claims” in “reserve assets.” As there is no such instrument in the FABS, the mission recommended that Belstat request the NBRB to break down this item to identify to which instruments it is allocated on the 1SR. In this manner, there will be consistency in its treatment between the ESS and the FABS.

Recommendation:

- Belstat request the NBRB to break down other claims in reserve assets to identify to which instruments it is allocated on the 1SR (March 2020).

Household and NPISH

43. Most of the issues for households have been discussed above. However, it should be noted that there is no separate information on NPISHs in the data sources (in the 1SR, 2SR, and 4SR, for example, they are combined into “other resident sectors”). Accordingly, the mission recommended that Belstat include NPISHs in the household sector, even though Belstat compiles separate current and capital accounts for NPISHs. Thus, it will be necessary to combine the net lending/borrowing in the capital accounts of the two sectors in order to confront the net lending/borrowing in the financial account of the combined sectors.

Recommendation:

- Belstat combine households with NPISHs in the FABS and compare the net lending/borrowing of the combined sector with the net lending/borrowing of the combined households’ and NPISH capital accounts (June 2020).

C. Compilation of the FABS and the Balance Sheet Approach

44. From these abovementioned data sources, the mission showed Belstat staff how to construct the FABS. As noted, most of the data are available by instrument and by counterparty or can be so constructed. However, this level of detail may be too much for users new to the datasets to absorb. Accordingly, the mission recommended that, at least at the outset, for 2017 a limited instrument by sector matrix be compiled with accompanying methodological notes. Showing the sector capital accounts and their balancing items will enhance the usefulness of the datasets. The differences between the two-net lending/borrowing balances will also help to identify where there may be problems with data quality—in both the real accounts as well as in the financial accounts. Furthermore, if the financial accounts are prepared in conjunction with the financial balance sheets (and the Other Changes in Assets Account), so that there is an integrated set of data, the value of the FABS will be more clearly demonstrated. Even with limited and smaller datasets, users should be able to gain an understanding of the value and usefulness of the exercise and they may prompt users to request more detail. Such detail is available from the underlying data.

45. At the same time, via the manner in which the mission recommended that Belstat enter the underlying data its compilation system, it is possible that the Balance Sheet Approach (BSA) can be constructed. The BSA is a matrix that shows the inter-sectoral claims between institutional sectors; it does not show instruments. Because the data in the compilation system are (mostly) by counterpart sector, they can be reconfigured to provide a sector-by-sector matrix. As the BSA is based on consolidated data within any given sector, any intrasectoral claims should be consolidated out. The mission recommended, therefore, that Belstat compile a BSA for 2017, in addition to the FABS.

Recommendations:

- Belstat compile, at least initially, for 2017, a limited matrix, instrument by sector, with accompanying methodological notes (June 2020);
- Belstat compile a BSA for 2017 in addition to the FABS (June 2020);

Table 2. Proposed Data Sources for Belarus Sectors and Instruments

	NFC	Financial corporations			General government			HHs & NPISHs	ROW
		Central bank	Other deposit-taking corporations	Other financial corporations	Total General Government	Central Government	Local Government		
F1 Monetary gold and SDRs	n. a	1SR/ESS	n.a	n. a	n. a	n. a	n. a	n. a	1SR/ESS
F2 Currency and deposits	2SR/4SR/ESS	1SR/ESS	2SR	4SR	GFS/1SR	GFS/1SR	GFS/1SR	Counterpart	ESS
F3 Debt securities	ESS	1SR/ESS	2SR	4SR	GFS	GFS	GFS	Counterpart/Residual (assets only)	ESS
F4 Loans	1SR/2SR/4SR/GFS/ESS/4-f (funds) Survey/Tax return	1SR/ESS	2SR	4SR	ESS/MOF	GFS/ESS/MOF	GFS/ESS/MOF	Counterpart/Residual (liability only)	ESS
F5 Equity & investment fund shares	ESS/4-f (funds) Survey/Tax data	1SR/ESS	2SR	4SR	GFS/4 f (funds) Survey	GFS/MOF	GFS/MOF	Counterpart/Residual (asset only)	ESS
F6 Insurance, pension and standardized guarantee schemes	4SR/ESS	1SR/ESS	2SR	4SR	n.a	n.a	n.a	Counterpart/Residual	ESS
F7 Financial derivatives	4SR/ESS	1SR/ESS	2SR	4SR	GFS	GFS	GFS	n.a	ESS
F8 Other Accounts receivable/payable	4SR/ESS	1SR/ESS	2SR	4SR	GFS (accounts payable for central government only)	GFS (accounts payable only)	n.a	Counterpart/Residual	ESS

D. Officials Met During the Mission

Name	Institution
Inna Medvedeva	Belstat
Irina Sergeichenko	Belstat
Elena Strochuk	Belstat
Irina Morozova	Belstat
Olga Patseeva	Belstat
Ludmila Popkova	Belstat
Svetlana Bachilo	Belstat
Valentina Matsukova	Belstat
Ekaterina Akhramenok	Belstat
Marina Tikhonovich	MOF
Karolina Voitko	MOF
Elena Galenchik	MOF
Andrey Garbuz	NBRB
Tatiana Gafurova	NBRB
Boris Vlasenko	NBRB
Svetlana Degterenko	State Property Committee of the Republic of Belarus

Appendix I. Methodological Issues

A. Example of How the Adjustment for Reinvested Earnings Affects Saving of Domestic Sectors

1. **The value of reinvested earnings is equal to the total of retained earnings multiplied by the proportion of the entity's shares on issue that are owned by direct investors^{1,2}.** For example, assume a nonfinancial corporation (NFC) is 100 percent owned by direct investor(s). Further assume that at the end of a period, the entity has retained earnings of 100. As the entity is wholly owned by direct investor(s), the full amount of the retained earnings is deemed to be distributed to the direct investor(s), in the primary income account, and then reinvested, as equity, in the financial account. This has the effect of reducing the amount of domestic saving and increasing the amount of foreign saving. Thus:

Primary income account		NFC	ROW
		Uses	Resources
<i>Property income</i>			
<i>Reinvested earnings on foreign direct investment</i>		100	100
Financial account			
	Net incurrence of liabilities		Net acquisition of assets
Equity: Liability	100		
Asset			100

2. **If the NFC is 50 percent owned by direct investors, the amount of deemed distributed would be 50 percent of retained earnings, with the same value deemed reinvested in the form of equity.**

3. **If a resident entity has equity investment in an entity abroad, and that investment meets the criteria of direct investment, the above treatment is reversed; with the effect that domestic saving is increased. Thus:**

Primary income account		NFC	ROW
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¹ A direct investor is a nonresident entity that owns 10 percent or more of the voting power in a resident entity. If the amount of voting power is unknown, the proportion of shares held by the nonresident is a typical proxy.

² Foreign ownership of shares in any given entity should not necessarily be taken to be the same as the total equity investment of direct investors because some foreign investors may own less than 10 percent of the entity's shares/voting power. In that case, this investment is considered to be "portfolio investment" to which the treatment of retained/reinvested earnings does not apply.

	Resources	Uses
<i>Property income</i>		
<i>Reinvested earnings on foreign direct investment</i>	100	100
Financial account		
	Net acquisition of assets	Net incurrence of liabilities
Equity: Liability		100
Asset	100	

4. It is possible for reinvested earnings to be negative. This can arise if the entity is operating at a loss or if it pays out more in dividends than it has earned during the period. If reinvested earnings are negative, the treatment is as follows:

Assume a nonfinancial corporation (NFC) is 100 percent owned by direct investor(s). Further assume that at the end of a period, the entity had an operating loss of 100. As the entity is 100 percent owned by direct investor(s), all that loss is attributable to the rest of the world. It should, however, be recorded in the primary income account as a negative use of reinvested earnings of foreign direct investment, not as a positive resource, by the nonfinancial sector, and as a negative resource for the rest of the world in reinvested earnings of foreign direct investment. As the funds are deemed to be reinvested by the nonresident, they should be recorded as a negative incurrence of liabilities (equity) for the nonfinancial corporations sector, and as a negative acquisition of financial assets (equity) for the rest of the world. Negative reinvested earnings have the effect of increasing domestic saving and reducing the amount of foreign saving. Thus:

Primary income account	NFC Uses	ROW Resources
<i>Property income</i>		
<i>Reinvested earnings on foreign direct investment</i>	-100	-100
Financial account		
	Net incurrence of liabilities	Net acquisition of assets
Equity: Liability	-100	
Asset		-100

5. Where a resident entity is a direct investor in an entity abroad, and that entity abroad has negative reinvested earnings, the example above is reversed.

Primary income account	NFC	ROW

	Resources	Uses
<i>Property income</i>		
<i>Reinvested earnings on foreign direct investment</i>	-100	-100
Financial account		
	Net acquisition of assets	Net incurrence of liabilities
Equity: Liability		-100
Asset	-100	

6. In this case, negative reinvested earnings of a foreign direct investment entity would lead to a reduction in domestic saving. N.B. Reinvested earnings are a component of shareholders' funds. Thus, for positions data, where equity is the sum of all items in shareholders' funds, reinvested earnings are not recorded as a separate item and this issue is not relevant.

B. Example of Adjustment to Balance Sheet Items, Denominated in Foreign Currency, to Derive Financial Transactions

7. To derive transactions from balance sheet data for items denominated in foreign currency, it is necessary to remove any revaluation change between the opening and closing dates. Otherwise, a change between balance sheet dates will be taken to be a transaction when no such transaction may have occurred.

8. Assume, for example, a 100 euro denominated deposit at an DTC by a household. At an exchange rate of 2 Belarusian rubles to 1 euro at the beginning of the period, the 2SR will record a value outstanding of 200 rubles. Now, assume that there are no transactions in the deposit during the period, and also assume that the exchange at the end of the period is 2.5 Belarusian rubles to 1 euro at the end of the period. In that case, the 2SR will record a value of the deposit outstanding of 250 rubles. If the practice of deriving transactions from the first difference between the closing and opening balance were to be used—as is done for items denominated in Belarusian rubles—a transaction of 50 would be indicated, even though there has been no change in the account.

9. To overcome this problem, the following approach should be used:

- a) Convert the opening and closing balances of the deposit back to the currency in which the item is denominated, using the exchange rate at the beginning of the period.
- b) Take the first difference in the currency of denomination
- c) Reconvert the value in b) back to Belarusian rubles, using the average exchange rate for the period.

d) Take c) from the first difference between the values of the balance sheet items in the Belarusian values and include in the Other Changes in Assets Account as a revaluation

- Thus,
1. Opening balance = 200 Belarusian rubles = 100 euros (at 2:1)
 2. Closing balance = 250 Belarusian rubles = 100 euros (at 2.5:1)
 3. Difference in euros between opening and closing balances = 0
 4. Transactions recorded in financial account = 0
 5. Entry in Other Changes in Assets Account as a revaluation = $250 - 200 = 50$

Accordingly, the accounts balance as follows:

$$\begin{array}{rcccccc} \text{Opening balance} & \textit{plus} & \text{Transactions} & \textit{plus} & \text{Revaluation} & \textit{equals} & \text{Closing balance} \\ 200 & + & 0 & + & 50 & = & 250 \end{array}$$

If the closing balance (in Belarusian rubles) had been 300, the calculation would follow the same approach:

- Thus,
1. Opening balance = 200 Belarusian rubles = 100 euros (at 2:1)
 2. Closing balance = 300 Belarusian rubles = 120 euros (at 2.5:1)
 3. Difference between opening and closing balances, in euros = 20
 4. Difference between opening and closing balances, in rubles, using the average exchange rate for the period = $20 \times (2 + 2.5) / 2 = 45$
(which is recorded as transactions in financial account)
 5. Entry in Deposits (for both DTCs and HHs) in Other Changes in Assets Account, as a revaluation = $300 - 200 - 45 = 55$

Accordingly, the accounts balance as follows:

$$\begin{array}{rcccccc} \text{Opening balance} & \textit{plus} & \text{Transactions} & \textit{plus} & \text{Revaluation} & \textit{equals} & \text{Closing balance} \\ 200 & + & 45 & + & 55 & = & 300 \end{array}$$

C. Example of Treatment of Provision for Loan Losses and Write-Offs

10. In the 2008 SNA, provisions for losses are not regarded as an instrument. They represent an internal accounting device to take account a future charge against shareholders' funds, that is, a write-off or a write-down, but until the asset is actually written off or written down, the provision should be added back to shareholders' funds, and included with other reserves.

11. However, when the reduction in the value of the asset is recognized, it should not be recorded as a transaction unless there is an agreement with the creditor that both

parties recognize the loss. In that case, a transaction is recorded in the capital account—as debt forgiveness—and a counterpart transaction is recorded in the financial account, showing a reduction in the holding of the instrument.

12. Thus, if a loan liability of general government of 100 is forgiven by a foreign creditor, the following transactions should be recorded:

Capital account	GG	ROW
Capital transfers payable	-100	
Capital transfers receivable		-100
Financial account	Net incurrence of liabilities	Net acquisition of assets
Loans	-100	-100

13. If, however, a resident DTC writes down a loan asset of 100 with a resident nonfinancial corporation, it is unlikely that there is an agreement between the two parties.

Rather the DTC acts unilaterally and recognizes that the loan will not be repaid, and the asset's value is written off (in some cases, it may just be written down if the DTC considers it may recover some value). The entries in the system should be as follows:

Other Changes in Volume Account	NFCs	DTCs
Loans: Assets		-100
Loans: Liabilities	-100	

The integration of this change in volume between opening and closing balances is as follows:

DTCs

Loan assets

Opening balance.	Transactions		Other Changes in Volume a/c	Closing balance
100	+ 0	+/-	-100	= 0

NFCs

Loan liabilities

Opening balance.	Transactions		Other Changes in Volume a/c	Closing balance
100	+ 0	+/-	-100	= 0