

**Twentieth Meeting of the  
IMF Committee on Balance of Payments Statistics  
Washington, D.C., October 29–November 1, 2007**

**Summary of outcomes of discussions related to the update of the 1993 SNA**

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## Summary of outcomes of discussions related to the update of the 1993 SNA

### I Introduction

1. Since the Committee met last year, the UN Statistical Commission in February 2007 approved the package of recommendations for changes to be made to the 1993 SNA for the update, known as 1993 SNA Rev 1. Given that approval, the only changes now being considered are for greater clarification of those recommendations, reconciliation of any inconsistencies within the 1993 SNA Rev 1 or between SNA Rev1 and other key manuals of which the BPM6 is a prime example.
2. Also at the Statistical Commission meeting, it was decided to complete the update of the 1993 SNA in two stages. The first deliverable, to be ready for submission to the UN Statistical Commission in February 2008, will consist of 17 chapters. These correspond to the material in the first 16 chapters of the 1993 SNA excluding the chapter on the rest of the world account but including one on integrating and summarizing the accounts and another reviewing cross-cutting issues. The second deliverable, which will consist of approximately 12 chapters including that on the rest of the world, will be prepared for submission to the Statistical Commission in early 2009.
3. So far, 15 of the 17 chapters forming part of the first deliverable have been posted on the UN web site and have invited comments for a period of 60 days. Several meetings have taken place to review issues that emerged in preparing the chapters for posting or in response to comments received. Three such meetings have taken place in 2007 and another is planned for November 1 and 2, 2007. The issues arising from these meetings of relevance to the Committee are described below. As noted above, however, these are not new substantive items but the tidying up of loose ends.

### II AEG meeting in March 2007

4. The full report of the meeting as well as the discussion papers are available at the UN web site, <http://unstats.un.org/unsd/nationalaccount/aeg.asp>. The following points highlight issues relevant to the international accounts.

#### *Government permits for the use of natural resources*

5. There was further discussion on the permits issued by governments for the use of natural resources. The criteria developed in connection with the treatment of mobile phone licences should be applied to determine whether the payment should be classified as payment of a resource rent or the purchase of an asset.
6. It was presumed that in most cases, the units applying for permits to exploit natural resources would be resident units but this is not necessarily the case. In the case of a permit issued to a unit about to be established in an economy, for example permission to undertake drilling for oil, it is presumed that the issue of a permit indicates that a resident unit has been established.

#### *Clarification on monetary and non-monetary gold*

7. The AEG heard of the discussions that had led the BPM6 to make a recommendation on monetary gold different from that in the 1993 SNA. It was agreed that the two manuals

should be consistent and that the SNA would follow the advice given in BPM6. In practice, in this as in a number of other areas, the Editors of the SNA and BPM6 have remained in close contact to ensure that each is aware of developments in the area of the other manual and that text is consistent between the two manuals and, in some cases, is identical.

### ***Goods for processing***

8. The recommendation to adopt the principle that no imputed change of ownership should be recorded when goods are delivered to a second unit for processing and then return to the legal owner has implications for deliveries between units within the domestic economy as well as between units in different economies. The SNA will adopt the same principle for domestic deliveries as for international ones. This has significant implications for supply and use and input-output tables but it is agreed to be the appropriate treatment in an increasingly globalised world.

### ***Pensions***

9. Considerable time has been spent reviewing the appropriate way of recording pensions on the basis that when these are not payable by government, defined benefit pension schemes give rise to pension liabilities even if there are insufficient (even no) funds immediately available to meet these liabilities. This will have some implications for persons working abroad entitled to such pensions.

## **III ISWGNA meeting June 2007**

### ***Social transfers in kind***

10. Within the SNA, provision of such services as health and education by government free or nearly free is recorded as social transfers in kind. In practice, most of these transfers are made to resident households but some may be made to non-residents, for example emergency medical treatment to tourists. The SNA will mention this possibility but recommend that by convention it may be assumed that the social transfers in kind made to non-residents offset social transfers in kind made by foreign governments to residents abroad. If a case arises where there is a significantly important imbalance, further consideration would need to be given to the appropriate way of recording this.

### ***Mergers and acquisitions***

11. One chapter of the second SNA deliverable will deal with issues relating to the accounts for the financial and non-financial corporate sectors. In this connection, reference will be made to the treatment of corporate mergers and acquisitions consistent with BPM6 and the Benchmark Definition of Foreign Direct Investment.

## **IV Continuing discussion of the ISWGNA**

12. Two issues in particular have been fed back to the ISWGNA from comments received on BPM6. These concern the treatment of equalization provisions in the measurement of insurance activity and the time of recording of dividends.

### ***Insurance***

13. As reported in BOPCOM-07/13, the ISWGNA concluded that for the reasons given there, it is not appropriate to regard equalization provisions as forming part of insurance technical reserves as previously suggested.

14. Once the formula for calculating insurance output is amended to include expected claims rather than actual claims, output is invariant to the level of actual claims and there is no variation in net premiums attributable to this. The problem that under the 1993 SNA guidelines output declines as claims increase disappears. The remaining question is, if actual claims exceed expected claims, at what level and for what reason are some of these claims recorded as capital rather than current claims. The ISWGNA spent some time trying to identify the sorts of incidents that would give rise to exceptional claims but eventually concluded that it is difficult to find a rationalisation to explain why one occurrence of a particular claim gives rise to a current transfer but multiple occurrences involve some capital transfers.

15. The ISWGNA concluded that the case for paying claims as capital transfers depended on the way in which premium levels are set. The object in devising the formula for measuring insurance output indirectly is to mimic the premium-setting process of the insurance company. It must be presumed that normally premiums are intended to cover normal or expected claims. If the insurance company misjudges the level of claims, the difference between actual claims and expected claims leads to greater or less disposable income and saving for the insurance company and negative saving will lead to a reduction in net wealth. Treating some claims as capital in nature does not alter the eventual changes in net wealth between the insurance company and policy holders but does change the relative size of disposable income and saving for all parties.

16. The only rationale the ISWGNA found convincing for treating some claims as giving rise to capital transfers was the possible if uncommon situation where an insurance company deliberately set the premiums at such a low level that it expected to have to meet some claims from a run-down of wealth. Such a situation might occur in a year following an initial disaster where the company fears a repeated year of heavy claims but feels unable to raise premiums all at once to the new, higher level required to cover these claims entirely.

17. When any claims are treated as capital transfers, the ISWGNA recommends that all claims be partitioned between current and capital transfers in the proportion of the total being paid by each sort of transfer.

18. The ISWGNA considered that the instances when reinsurance companies would set premiums below expected claims were sufficiently unlikely that it was not necessary to make a formal exception and restrict the possible recording of claims as capital transfers to direct insurance only.

19. As far as BPM6 is concerned, international transactions in insurance relate almost exclusively to reinsurance and not direct insurance. Another change in the 1993 SNA is to treat direct insurance and reinsurance separately and not consolidate them. Thus the only case in which capital transfers would be recorded in the international accounts would be if a reinsurance company deliberately set its premiums below the level of expected claims. Given the concentration of reinsurance companies, not only is this most improbable, if it eventuated there would almost certainly be circumstantial knowledge of the causes for this that would assist in determining appropriate recording in both national and international accounts.

***Time of recording of dividends***

20. Also as reported, the ISWGNA agreed that it was more practical to record dividends as payable at the time the shares go ex-dividend rather than when the dividend is payable.

***Residence***

Comments received on the SNA chapter on units welcome the effort to bring the SNA Rev 1 and BPM6 into even greater harmony on the definition of residence but suggested that some words from the 1993 SNA might still be preserved. Discussion between the Editors shows that this is possible to the benefit of both manuals and will be proposed.

***21. Looking forward***

22. The Committee may like to note the successful collaboration between the Editors of the SNA and BPM and also note that with the relocation of the SNA editor to the IMF Statistics Department, this will continue.