



**STATISTICS DIRECTORATE  
COMMITTEE ON STATISTICS**

**STD/CSTAT/WPNA(2007)11  
For Official Use**

**Working Party on National Accounts**

**THE REVISION OF ESA 95  
Implementation plans**

*This document has been prepared by G. Gueye, Eurostat and will be presented under item 2 of the draft agenda*

*The complete document is only available in PDF format*

**JT03232228**

Document complet disponible sur OLIS dans son format d'origine  
Complete document available on OLIS in its original format



**OECD**

**WORKING PARTY ON NATIONAL ACCOUNTS**

**3-5 OCTOBER 2007**

**Item 2 of the Agenda**

*The revision of ESA 95*

*Presented by Eurostat*



EUROPEAN COMMISSION  
EUROSTAT

Directorate C: National and European Accounts  
Unit C1: National Accounts – methodology and analysis



## **REVISION OF ESA 95 PLANNING AND PROCESS**

### **I. INTRODUCTION**

1. At their meeting on 27 February – 2<sup>nd</sup> March 2007, the UN Statistical Commission adopted the Inter-secretariat Working Group on National Accounts (ISWGNA) report on the update of the System of National Accounts (SNA 1993).

Further to this decision, Eurostat has started the revision process of the European System of Accounts (ESA 95). The overall aim of the project is to revise ESA 95 in order to bring national accounts in the European Union, in line with new economic environment, advances in methodological research and needs of users. The new ESA should continue to be the appropriate methodological reference for the production of the high quality national accounts data required to support the implementation of major EU policies. The revision will also be the occasion to further improve the standards of ESA 95 and make them more targeted to the various uses in the EU. A more integrated system will be developed, to the largest possible extent.

2. The start of the ESA 95 revision is foreseen in the 2008-2012 five-year statistical programme. Eurostat submitted a document on "Revision of ESA 95 – planning and process" for a first discussion at the meeting of the Directors of National Accounts (DirNA) on 27 June. The same document, together with the main results of the discussion of the DirNA, was presented at the CMFB meeting of the Committee of Monetary, Financial and Balance of Payments statistics (CMFB) on 28-29 June 2007.
3. Subsequently, the SPC Partnership Group of the Statistical Programme Committee of EU Member States (SPC) and the SPC plenary discussed the proposals in Eurostat's document and the conclusions from the DirNA and CMFB meetings as well as issues related to the future of the SNA.
4. This paper incorporates results from these discussions. Section II of this paper presents the specificities of ESA 95 and the needs for change. The main objectives and deliverables of the ESA 95 revision are described in section III. Section IV outlines the main aspects of the approach adopted.

### **II. SPECIFICITIES OF ESA 95 AND NEEDS FOR CHANGE**

5. The purpose of ESA 95 as defined in Article 1 of Council Regulation (EC) n° 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community is to provide:

- a methodology on common standards, definitions, classifications and accounting rules intended to be used for compiling accounts and tables on a comparable basis for the purposes of the Community;

- a programme for transmitting, for Community purposes and on precise dates, the accounts and tables according to ESA 95.

ESA 95 is an essential tool at European level, used for major administrative purposes (e.g. own resources, excessive deficit procedure, structural funds) and for the analysis of the coordination and convergence of Member States' economic policies.

To achieve the objectives set by the Treaty on the European Union, and more specifically Economic and Monetary Union, ESA provides EU institutions, governments and economic and social operators with a set of harmonised and reliable statistics on which to base their decisions.

6. ESA 95 is broadly consistent with the international System of National Accounts (SNA 93) as regards the definitions, accounting rules and classifications. It nevertheless incorporates certain differences, particularly in its presentation, which is more in line with its use with the European Union. This specific use requires in fact greater accuracy in the definitions, classifications and accounting rules.

Contrary to the SNA, the ESA is based on a Regulation comprising binding rules to ensure comparability at EU level, and a compulsory data transmission programme. When SNA is flexible and includes several options, ESA generally chooses a particular option for more consistency at EU level.

ESA 95 constitutes a version of the SNA adapted to the structures of the Member States' economies and must follow the layout of the SNA to the greatest possible extent so that the European Union's data are comparable with those compiled by its main international partners.

7. SNA 93 is being revised on the basis of a consolidated set of 44 recommendations for changes that was approved by the United Nations Statistical Commission (UNSC) in March 2007.

Eurostat has participated actively in the discussions leading to these recommendations and their approval by UNSC. These recommendations are relevant for SNA 93 and for ESA 95 as well. The revisions of SNA 93 and ESA 95 will indeed represent a very significant further step in the improvement of national accounts.

The SNA 1993 revision is organised and coordinated by the ISWGNA comprising Eurostat, IMF, OECD, UN and World Bank. The draft revised SNA will be presented in two volumes. Volume one, to be submitted in March 2008 to UNSC, will comprise the full set of chapters that represent the SNA framework in terms of accounting conventions, and will incorporate the adopted recommendations. Volume two will comprise interpretations of the accounts and extensions such as satellite accounts, and will be submitted to UNSC in March 2009.

In parallel to the SNA revision, Eurostat has to monitor ESA revision, including the introduction of the recommendations in the present ESA text. The project has to start now, in order to keep ESA consistent with SNA and in line with EU users needs.

### III. MAIN OBJECTIVES AND DELIVERABLES

#### 3.1 Scope

8. The revision of ESA 95 will set up, for many years, the national accounts standards and the ways in which key economic aggregates are calculated in the EU.

The starting point of the revision of ESA will be the consolidated text, which is the text of (EC) Council Regulation n° 2223/96 of 25 June 1996, later amended by several regulations concerning:

- allocation of FISIM
  - definition of general government expenditure and revenue
  - taxes and social contributions unlikely to be collected
  - reclassification of settlements under swaps and forward rate arrangements
  - revised classification of expenditure according to purpose
  - use of ESA95 in the determination of Member States' payments to the VAT based own resources
  - transmission of data
9. The revision of ESA 95 will also cover all the recommendations and clarifications agreed at international level.

Some of the recommendations are particularly important. Their impact may exceed 2% of the levels of GDP. This is in particular the case of the capitalization of research and development and military weapons expenditure.

Concerning research and development, the important and immediate challenge is to develop satellite accounts. This will allow Member States to initiate calculations that will be incorporated in the core accounts only when an appropriate level of quality and reliability of data will be reached.

10. As stated above, a more integrated system should be developed, and the project will impact many statistical areas linked to national accounts, both at Eurostat and in each National Statistical Institute: research and development, environmental, agricultural and tourism accounts, population, labour and social protection statistics, balance of payments, etc.

In particular, the following improvements should be taken into account in the revision of ESA 95:

- a further elaborated chapter on the general principles and features of national accounts, in particular in the EU
- a specific chapter on government accounts, integrating the key principles defined in the public deficit and debt manual
- a specific chapter on the main principles of the links between business accounts and national accounts

- a specific chapter on European accounts
- a specific chapter on the rest of the world account, including the issue of consistency with Balance of Payment Manual
- more emphasis put on infra-annual and regional accounts
- a more elaborated chapter on prices and volumes measures
- a specific chapter presenting a common framework and general principles for different types of satellite accounts. This will, for example, address the issue of consistency with SEEA 2003 manual on environmental accounts, Economic Accounts for Agriculture, social protection statistics, etc.

### **3.2 Presentation**

11. The current presentation and clarifications of ESA will be kept:
- a) In the ESA, there are separate chapters on transactions in products, distributive transactions and financial transactions. In contrast, in the SNA these transactions are explained in several chapters arranged by account.
  - b) The ESA describes a concept by providing a definition and a listing of what is included and what is excluded. The SNA describes concepts in more general terms and endeavours also to explain the rationale behind the conventions.
  - c) The ESA adds specific clarifications (e.g. 50% rule for the market/non market split; method to allocate FISIM; thresholds for the GFCF/intermediate consumption split, etc.).

### **3.3 Two important issues**

#### Research and Development

12. There is a consensus among EU countries that work should be continued in the context of a Task Force and in close cooperation with the OECD. The objective of introducing compulsory supplementary tables on R&D in the new ESA Regulation is strongly supported; this will make it possible to address the difficulties and to create the necessary basis to achieve the long-term objective of including research and development in the core national accounts.

#### Pension schemes

13. The recommendations of the ECB/Eurostat Task Force should be implemented in such a way that comparability of Member States' national accounts is ensured.

Guidelines have to be provided by the ECB/Eurostat Task Force for the distinction between the unfunded pension schemes that should be recorded in the core accounts and those that should not be.

### **3.4 Taking into account user needs**

14. Users have to be properly informed about the project. Launching a dialogue of users is deemed useful. It is also important that imputations in the core accounts should be limited as much as possible.

An impact assessment of the revision of ESA will help the NSIs to evaluate the resources they need for this priority project. It is also very important to give an idea of the potential impact on main aggregates to political users as early as possible.

### 3.5 Key milestones

| When                                      | What                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| June 2007                                 | Detailed project planning including resources analysis. Setting up a Steering Group of Directors.                                                                                                                                                                                                               |
| November 2007                             | National Accounts Working Group (NAWG) discussion; planning of the project; Titles and structure of chapters; Timetable for the drafting of chapters.                                                                                                                                                           |
| January 2008 to February 2009             | Drafting of revised ESA chapters; Review of Member States' comments; Presentation of revised draft chapters; Discussions in NAWG; FAWG (Financial Accounts Working Group); ESA 95 Review Group in the form of joint meetings of NAWG and FAWG; CMFB; ESCB system.                                               |
| End of each quarter as from December 2007 | Progress report for Steering Group and for Directors of National Accounts.                                                                                                                                                                                                                                      |
| January to June 2008                      | Report on the evaluation of implementation of ESA in EU; Impact assessment of the introduction of new ESA in EU.                                                                                                                                                                                                |
| January to December 2008                  | Three meetings of Task Force on satellite accounts of R&D in order to define supplementary tables on R&D to be implemented as from 2009.                                                                                                                                                                        |
| September 2008 to February 2009           | Discussion on the draft amended transmission programme in the NAWG; FAWG; CMFB.                                                                                                                                                                                                                                 |
| February 2009                             | Conference on macroeconomic statistics including national accounts. A part of the conference will be dedicated to ESA.                                                                                                                                                                                          |
| February to June 2009                     | Drafting of the new ESA Regulation and discussion in the various groups concerned (NAWG, FAWG, etc)<br><br>Finalisation of the draft. Discussions with the Directors of National Accounts and in the relevant committees and launching of the inter-services consultation, adoption of the Commission proposal. |
| First quarter 2011                        | Adoption of the Regulation by the European Parliament and the Council                                                                                                                                                                                                                                           |
| June 2011                                 | Publication of the new ESA Regulation in the Official Journal                                                                                                                                                                                                                                                   |
| 2011 to 2013                              | Training on the new ESA organised for Eurostat and the Member States civil servants working in/with national accounts.                                                                                                                                                                                          |
| 2014                                      | Implementation of the new ESA methodology and transmission programme                                                                                                                                                                                                                                            |



## **IV. APPROACH TO THE PROJECT**

### **4.1 Organisation**

15. To ensure the success of such a project, it is necessary to report on the evaluation of the implementation of ESA 95 in the EU. The evaluation report would identify the weaknesses and the required improvements concerning the implementation of ESA95. This is a way to analyse what has to be done to ensure an optimal implementation of new ESA.

Furthermore, an impact assessment of the introduction of the new ESA will be carried out with respect to resources as well as impact on main aggregates, notably GDP and GNI and other key indicators like government deficit and debt. The results from this impact assessment will help, at EU level as well as national level, to identify the human and financial resources needed for a successful completion of the project.

16. The Directors of National Accounts must be involved in the different phases of the project. The Directors of National Accounts will follow the different steps of the project and take strategic decisions. They will analyse the evaluation report and the impact assessment and make suggestions regarding the time table. They will discuss how some important issues (pension schemes, research and development) have to be dealt in the project.
17. A Steering Group of Directors of National Accounts chaired by Eurostat will be set up, with whom to liaise regularly and between the meetings of the Directors of National Accounts. The Steering Group will comprise a limited number of Directors of National Accounts and will report to the Directors of National Accounts. The Steering Group will advise Eurostat and the Directors of National Accounts on all important decisions necessary to ensure the success of the project. The Steering Group will be chaired by the Eurostat Director of National and European accounts, with Mr Peter Van de Ven (Head of National Accounts at Statistics Netherlands and Vice-chairman of the CMFB) as Vice-chairman.

A full use of electronic facilities as well as a number of physical meetings will be required in order to have useful discussions among experts.

A regular reporting to the SPC will be necessary. The EFC Sub-committee on Statistics and the CMFB will also be closely associated.

18. The expertise of the members of the NAWG (and of the FAWG for the financial part of the revised ESA) is an essential element of the project. Intensive discussions inside the NAWG and the FAWG will be necessary in order to ensure the technical quality of the project. In addition, an ESA 95 Review Group taking the form of joint meetings of the NAWG and the FAWG will be set up to address common issues. The delegates will be invited to provide their detailed comments as soon as a draft chapter will be made available on Eurtostat circa site.

The specific expertise of the European Central Bank and the European System of Central Banks, in particular in the domain of financial accounts, will be fully mobilised.

### **4.2 Project team**

19. The project team will include in particular a project sponsor and a project manager. A project manager responsible for the revision of the transmission programme has also been nominated.

### **4.3 Project documentation**

20. The project documentation will be organized by the project manager and will consist of:
- A report on the evaluation of the implementation of ESA in the EU (to be available in 2008)
  - An impact assessment of the introduction of the revised ESA in EU (to be available in 2008)
  - Quarterly progress reports to the Steering Group of Directors of National Accounts
  - Draft chapters will be made available on circa for comments
  - Minutes of the discussions on the revision of the ESA in NAWG and FAWG will be available on circa.

## Annex 1

### PROVISIONAL LIST OF CHAPTERS AND RESPONSIBLE WORKING GROUPS

| <b>Chapters to be revised</b> |                                                          |
|-------------------------------|----------------------------------------------------------|
| NAWG                          | General features                                         |
| NAWG                          | Units and grouping of units                              |
| NAWG                          | Transactions in products                                 |
| NAWG                          | Distributive transactions                                |
| ESA 95 Revision Group         | Financial transactions                                   |
| ESA 95 Revision Group         | Other flows                                              |
| ESA 95 Revision Group         | Balance sheets                                           |
| NAWG                          | Sequence of accounts                                     |
| NAWG                          | Input-output framework                                   |
| NAWG                          | Price and volume measures                                |
| NAWG                          | Population and labour inputs                             |
| NAWG                          | Quarterly economic accounts                              |
| NAWG                          | Regional accounts                                        |
| NAWG                          | Annex FISIM                                              |
| ESA 95 Revision Group         | Annex leases, licences and contracts                     |
| ESA 95 Revision Group         | Annex insurance and social insurance other than pensions |
| ESA 95 Revision Group         | Annex pensions                                           |
| NAWG                          | Classifications                                          |
| <b>New chapters</b>           |                                                          |
| NAWG                          | Links between business accounts and national accounts    |
| NAWG                          | European accounts                                        |
| NAWG                          | Rest of the world accounts                               |
| ESA 95 Revision Group         | Government accounts                                      |
| NAWG                          | Satellite accounts                                       |