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For information

Treatment of Transactions in Intellectual Property Products—Task Force Progress Note

Treatment of Transactions in Intellectual Property Products – Task Force Progress Note¹

In 2017, the responsibility of providing guidance for the measurement of intellectual property products (IPPs) was assigned to the Eurostat-OECD Task Force on Land and other non-financial assets, initially constituted in 2012 with the mandate to provide guidance on the compilation of various types of non-financial assets. The Task Force has since met four times to discuss (i) the results of a survey of methods used by countries for deriving capital measures for the distinguished types of IPPs and (ii) to explore in more detail some of the common compilation problems, identifying best practices and making recommendations for future improvements. This progress note summarizes the draft report recommendations and proposed way forward, including a list of issues to be addressed within the SNA research agenda. The final report and recommendations are expected to be published beginning of 2020.

I. INTRODUCTION

1. Intellectual property products are produced non-financial assets that are the result of research, development, investigation or innovation which lead to knowledge that can be marketed or be used in production. The importance of IPPs in economic activity has increased significantly over recent years, accompanying structural and qualitative changes in the operation of the economy, and thereby increasing the importance of obtaining comprehensive, consistent and comparable data on IPPs across countries.
2. The Task Force focused on three types of IPPs: research and development, computer software and databases, and other IPPs. As a lot of guidance is already available from manuals and other reports², the Task Force decided not to aim for a compilation guide

¹ Report jointly prepared by Lena Frej Ohlsson, Eurostat and Nadim Ahmed, OECD.

² The basic rules for the interpretation and compilation of intangible assets are included in the [2008 System of National Accounts](#) (United Nations et al, 2009) and the [European System of National and Regional Accounts 2010](#) (European Commission, 2013). Furthermore, extensive guidance on the preparation of estimates of these assets is available in the [OECD Handbook on Deriving Capital Measures for Intellectual Property Products](#) (OECD, 2010) and the [Eurostat Manual on Measuring Research and Development in ESA 2010](#) (Eurostat, 2014). Additionally, explanation of general methods for estimating net capital stocks, and of the perpetual inventory method (PIM) which is used by most countries in the compilation of estimates for net capital stocks of IPPs, can be found in the second edition of the [OECD Manual on Measuring Capital](#) (OECD, 2009). Specific guidance on the measurement of software is available from reports by the [Eurostat Task Force on Software Measurement](#) (2002) and by the [OECD Task Force on Software Measurement in the National Accounts](#) (2003). The [Frascati Manual](#) (OECD, 2015) provides guidance for the collection of data on the performance and funding of R&D activity.

but to draft a report that provides practical guidance and recommendations to countries to compile estimates for IPPs, building upon the already existing guidance.

3. In order to obtain a better understanding of the range of methods countries currently employ, and to assess the extent to which existing measures follow international recommendations, the Task Force conducted a survey of methods used by countries for deriving capital measures for the distinguished types of IPPs. The Task Force met four times to discuss the survey results and to explore in more detail some of the common compilation problems, identifying best practices and making recommendations for future improvements.
4. The recommendations in the report are grouped under the headlines research and development, computer software and databases, other intellectual property and economic ownership of IPPs, with a focus on the two first issues.
5. In relation to *research and development* the recommendations focus on the data collection (and the use of the related Manuals), including the choice of surveys and alternative sources for cross-checking, the measurement of output, the different estimation options of Consumption of Fixed Capital, the breakdown detail, price estimates, deflators, service lives of the assets and back-casting periods of gross fixed capital formation (GFCF).
6. For computer *software and databases*, the recommendations elaborate on the cost of creation of databases and the measurement of output for software and databases. The estimation methods for own-account production of software and databases, costs of production and consumption of fixed capital are covered. Similar to research and development, the recommendations include breakdown detail, price estimates, deflators, service lives of the assets and back-casting periods of GFCF.
7. For *Other intellectual property products*, countries should investigate if there are IPPs that constitute fixed assets but are not yet captured in one of the other IPP categories, nor in one of the other fixed assets categories. Finally, in relation to *Economic ownership of IPPs*, countries are recommended to bring their R&D surveys in line with the 2015 Frascati Manual guidance.
8. In addition to the recommendations, the draft report includes several issues that may merit further investigation. Some of these will be in the area of the SNA research agenda. An overview of issues for further research is as follows:
 - There is a need to further explore the issue of economic ownership of IPPs.
 - Given the recommendations in the report on the ‘sum of cost’ approach for measuring own-account production of R&D and software assets, and their

consequent impact on non-market producers, there is a need for government finance statisticians to discuss the recording impact in COFOG statistics.

- Whereas there is already quite a lot of guidance on R&D and on software and databases, clearer guidance with regard to 'Other intellectual property products' (AN1179) should be developed.
- It should be further explored how to deal with marketing assets.