

## FOREWORD

The latest System of National Accounts (the 2008 SNA) explicitly recognises, for the first time, that expenditures on research and experimental development (R&D) should be recorded as capital formation. This is a natural extension to the 1993 SNA, which recommends recording many acquisitions of software and databases, mineral exploration, and entertainment, artistic and literary originals as capital formation, too. These products have a common characteristic, namely that their value reflects the underlying intellectual property they embody, which is why they are referred to collectively here as intellectual property products (IPPs). But they also share another important characteristic: their measurement is not straightforward, and, in the absence of clear guidance, it is highly likely that estimates will not be comparable between countries.

One of the most important lessons learned from the implementation of the 1993 SNA occurred when it became evident that countries were capitalising software in significantly different ways, thus impairing cross-country comparisons of economic activity. In response to this, the OECD-Eurostat Task Force on Software was formed to investigate the measurement of software across countries and to provide practical recommendations on how estimates of software stocks and flows should be derived in both current prices and in volume terms.

The recording of R&D expenditures as capital formation will almost certainly present similar challenges to statistical institutes, and there is a high risk that without clear, practical and widely-agreed guidance, international comparability may again suffer.

The Canberra II Group on the Measurement of Non-financial Assets was created to investigate issues pertaining to non-financial assets as part of the update of the 1993 SNA. Following a long and detailed investigation the Group concluded that it was both conceptually desirable to capitalize R&D and feasible to do so in a comparable way across countries. The subsequent decision by the United Nations Statistical Commission in 2007 to recognise expenditures on R&D as GFCF and to agree to other changes in the 2008 SNA affecting IPPs led to the creation of a formal OECD task force to develop practical guidance on the measurement of R&D and other IPPs. This handbook reflects the culmination of the work of that task force.

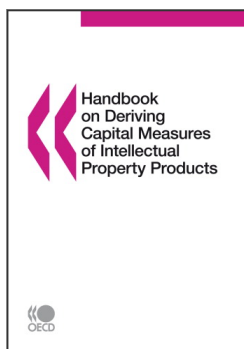
At the time of writing all EU countries and most OECD countries have begun, or will soon begin, to develop R&D satellite accounts. The intention of most of these countries is to develop and evaluate them over a number of years before deciding whether to introduce the data into their core accounts. This Handbook is designed to facilitate these aims and to minimise the costs of developing R&D satellite

accounts for those countries embarking on this work, whilst all the while maximizing cross-country comparability. Recognising the commonalities across IPPs (including the measurement difficulties), the Handbook goes further than merely providing guidance on R&D, however, and provides guidance on all IPPs identified in the SNA.

The Handbook is the work of the OECD Task Force on R&D and Other Intellectual Property Products. The Task Force's chairman was Brent Moulton (US BEA) and the OECD secretaries were Charles Aspiden (through 2008) and Nadim Ahmad (through 2009). Charles was the editor of various drafts and Nadim was the editor of the final version.

The chapter on mineral exploration is largely based on a paper prepared by the Australian Bureau of Statistics, the chapter on software and databases is largely based on the report of the 2001 OECD Software Task Force, and the chapter on entertainment, literary and artistic originals is largely based on the report of an EU task force presented to the EU GNI Committee in 2003.

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