Day 1 Recap and Wealth Overview

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Recap of Day 1

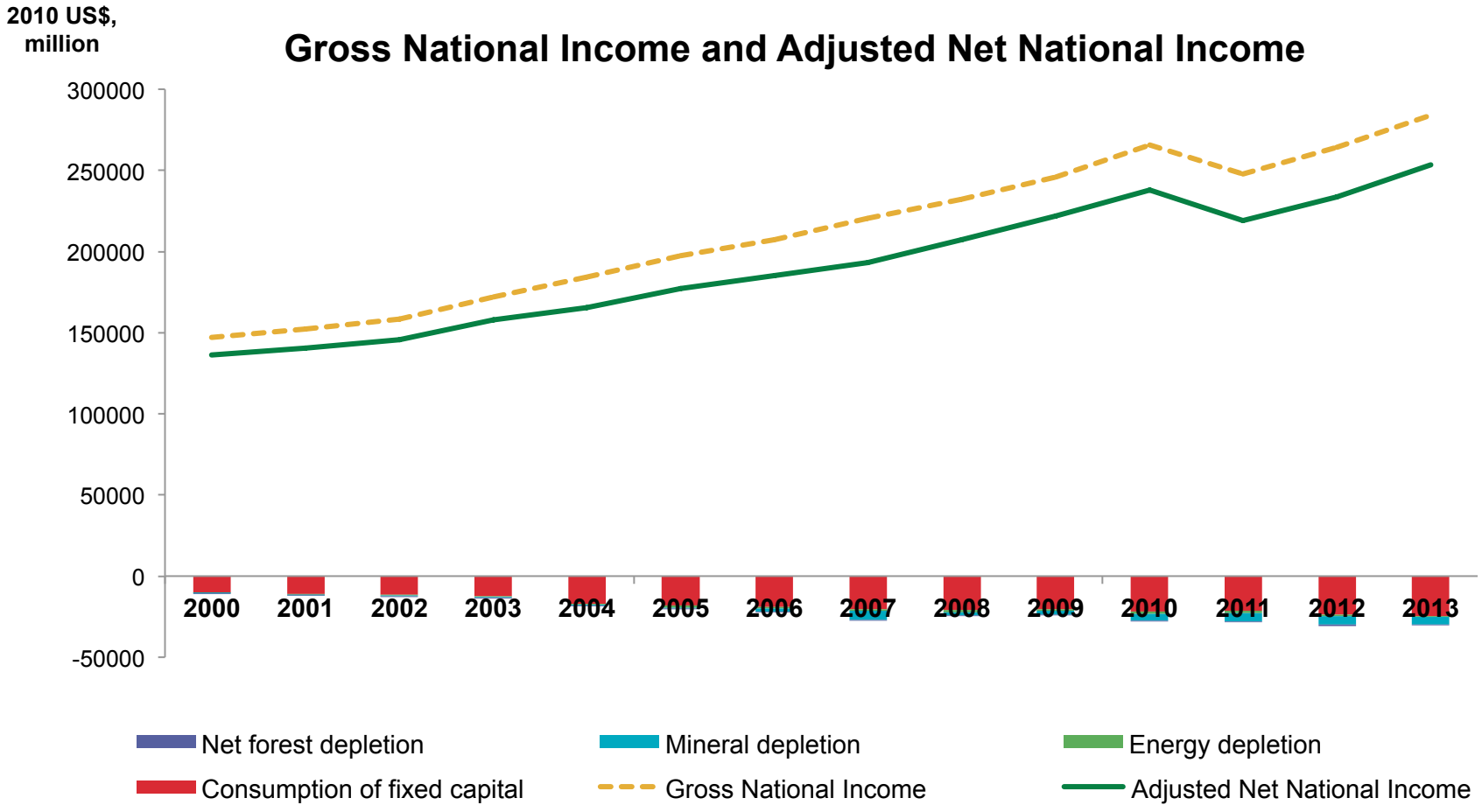
Construct Adjusted Net National Income

Start with indicator within SNA boundaries

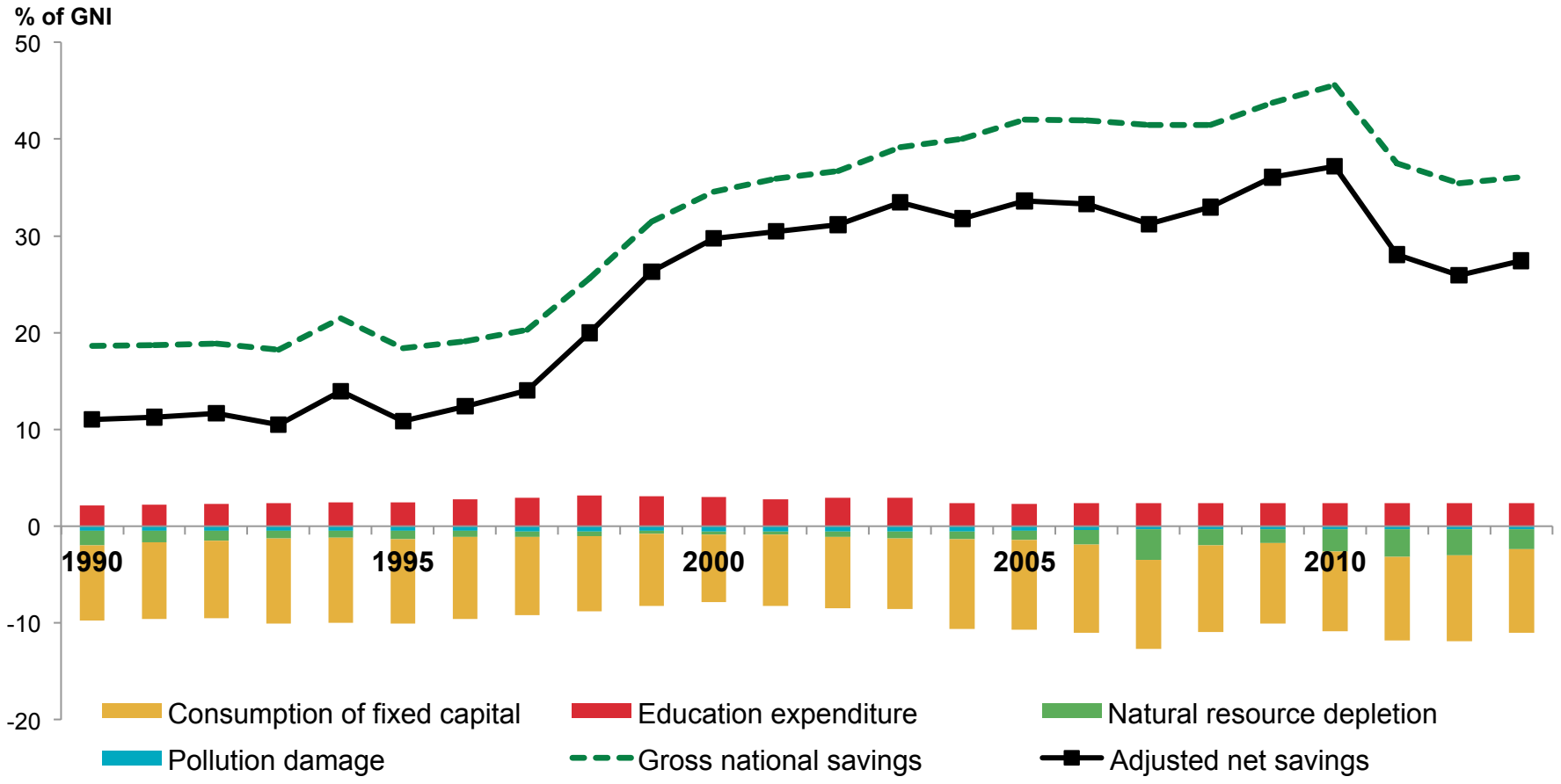
Construct Adjusted Net Saving

Where some components are not within SNA boundaries

WB Estimates for Philippines (prelim)



WB Estimates for Philippines ANS (prelim)



Recap of Day 1

Phil-WAVES

- Mineral accounts

What issues and challenges arose?

- Limitations of WB approach in capping exhaustion time (mineral, energy resources) at 25 years – overestimating value of depletion for countries with substantial reserves
- Unable to capture informal activity or illegal activity (e.g., logging)

Recap of Day 1

Negative resource rents

If, after adjusting for specific taxes and subsidies the derived **expected resource rent is negative**, then the **estimated NPV of the asset should be assumed to be zero**. This conclusion should not be based on single observations of negative resource rents but should take into account likely future patterns of operating surplus and specific taxes and subsidies. In some cases the extraction may continue because the level of specific subsidies is sufficient to ensure a suitable income for the extractor. However, in these situations the income should not be attributed as a return to the underlying environmental asset but instead be considered a redistribution of incomes within the economy. (*p. 146, SEEA*)

Recap of Day 1

Question on treatment of Research and Development

R & D is within SNA asset boundary as part of fixed capital formation. It is accounted for in the National Balance sheet under fixed assets:

Produced non-financial assets (AN1)

Fixed assets by type of asset (AN11)
- Dwellings (AN111)
- Other buildings and structures (AN112)
  - *Buildings other than dwellings (AN1121)*
  - *Other structures (AN1122)*
  - *Land improvements (AN1123)*
- Machinery and equipment (AN113)
  - *Transport equipment (AN1131)*
  - *ICT equipment (AN1132)*
  - *Other machinery and equipment(AN1133)*
- Weapons systems (AN114)
- Cultivated biological resources (AN115)
  - *Animal resources yielding repeat products (AN1151)*
  - *Tree, crop and plant resources yielding repeat products (AN*
- (Costs of ownership transfer on non-produced assets (AN116)
- Intellectual property products (AN117)
  - *Research and development (AN1171)*
  - *Mineral exploration and evaluation (AN1172)*
  - *Computer software and databases (AN1173)*
    - *Computer software (AN11731)*
    - *Databases(AN11732)*
  - *Entertainment, literary or artistic originals (AN1174)*
  - *Other intellectual property products (AN1179)*

Inventories by type of inventory (AN12)
- Materials and supplies (AN121)

Overview of Day 2

Construct Comprehensive Wealth Accounts

Start with SNA and SEEA concepts

Consider other components beyond SNA/SEAA (e.g., human capital, ecosystem services)

Overview of Day 2

Review basic concepts and calculations for each component – so take note of:

Data sources/availability

Assumptions in methodology/alternative approaches

What is relevant/important for the Philippines?

Remaining questions and challenges

Note: World Bank methodology as *illustration*

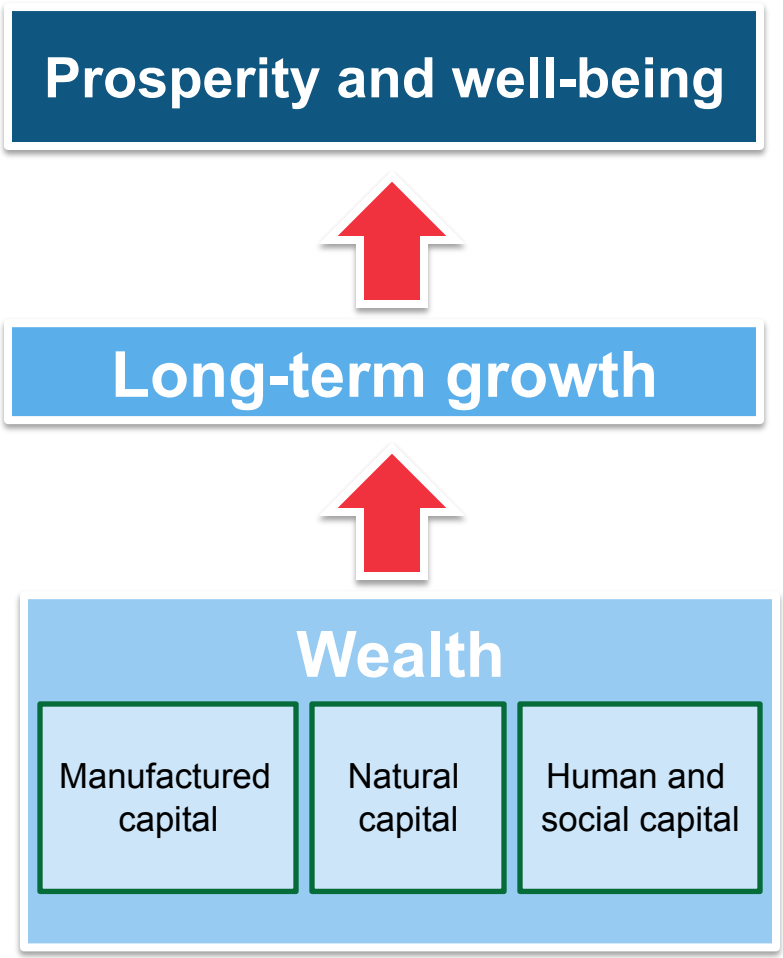
Day 3 will provide specific country examples,
as well as policy applications

Why Measure Wealth?

Change in GDP tells us if growth is occurring, **changes in wealth tell us if growth is sustainable**—that is, whether this is long-term growth.

Economic development is a process of **building wealth** and managing this portfolio of assets

Only a small number of countries compile **wealth accounts**, and even **fewer include natural capital**



Total Wealth: Approaches

Approaches to calculating Total Wealth:

Bottom-Up: sum the value of all components, if and only if all components of wealth can be independently and accurately measured

Australia: National Balance Sheet (2010-11 $b)

Total assets				10,242.1
	Non-financial assets			9,064
		Produced assets		4,350.5
			Fixed assets	4,189.5
			Inventories	161
		Non-produced assets		4,713.5
			Natural resources	4,711.5
			Permission to use natural resources	2
	Financial assets with the rest of the world			1,178.1
	Liabilities to the rest of the world			1,912.5
Net worth				**8,329.6**

Source: Australian Bureau of Statistics, Year Book Australia 2012

Total Wealth: Approaches

Approaches to calculating Total Wealth:

Bottom-Up: sum the value of all components, if and only if all components of wealth can be independently and accurately measured

Top-Down: estimate Total Wealth directly, under the assumption that sustainable consumption is a return on total assets

Both approaches should be the same, if accurately measured

World Bank takes the Top-Down approach, since all components of wealth cannot be independently measured

Comprehensive Wealth

WB: Estimate wealth components, including Total Wealth, then estimate Intangible Capital as the residual