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REPORT OF THE WORKING GROUP ON INCOME DISTRIBUTION STATISTICS Addis Ababa, 9-13 December 1968

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I. INTRODUCTION

1. A Working Group on Income Distribution Statistics, convened jointly by the Economic Commission for Africa and the Statistical Office of the United Nations and under the auspices of the United Nations Technical Assistance Operation, met in Addis Ababa from 9 to 13 December 1968. The main subject of the meeting was to discuss the adaptation to the needs and conditions of African countries of a system of statistics of the distribution of income and wealth supplementary to the United Nations System of National Accounts.
2. The meeting also discussed briefly sources of data for this type of statistics available in the countries of the region, country practices of compilation and some methodological problems involved in collecting data of this type through household surveys.
3. Experts from twelve African countries and from France participated in the meeting. A list of participants is given in Annex II to this report. The agenda as adopted by the Working Group is shown in Annex I and a list of documents in Annex III.
4. An opening statement for the meeting by Mr. R.K.A. Gardiner, Executive Secretary of the Economic Commission for Africa, was read by Mr. W.L. Booker, Deputy Director of the Research and Statistics Division. The statement is reproduced in Annex IV.
5. Mr. T.D. Aiyegbusi (Nigeria) and Mr. Alfred Bouh-Mana (Cameroon) were elected respectively Chairman and Vice-Chairman of the meeting.

II. THE COMPLEMENTARY SYSTEM OF STATISTICS OF THE DISTRIBUTION OF INCOME AND WEALTH

6. The basic document the Working Group had before it was the paper prepared by the Statistical Office of the United Nations and entitled A Complementary System of Statistics of the Distribution of Income and Wealth (E/CN.14/NAC/29). It was explained that this document contained a skeleton framework for income distribution and related statistics which was related to the new United Nations System of National Accounts (the SNA) and was eventually meant to be developed into complete recommendations for statistics on income distribution, consumption and accumulation. For the present the paper contained few recommendations with regard to tabulations and also with regard to the various classifications of transactor units.

7. When fully developed the system should provide a very valuable guide and it was of great importance that the participants in the meeting gave their views from an African point of view with regard to the relevance and feasibility of the categories and classifications proposed. The present meeting would be followed by similar meetings in other regions before the system would finally be adopted as an international standard. A very detailed study on country practices was also being undertaken at present in order to ascertain the feasibility of the system and to locate the most pressing practical problems in connexion with this type of statistics.

Objectives and character of income distribution and related statistics

8. The Group agreed on the various objectives and uses of income distribution and related statistics listed in the paper. However, the Working Group questioned the feasibility in African conditions of conducting quarterly or monthly surveys with a view to obtaining quick and frequent indicators of the main aspects of the distribution of household incomes and expenditures for the assessment of the short-term effects of economic and social policies. Also, members of the Group requested the ECA secretariat to spell out in some detail the main indicators which would be desired.

9. The Working Group felt that due to the prohibitive costs involved, frequent household surveys covering income, consumption and accumulation were not possible in African countries for the time being and probably for some time to come. The Group was informed about a recent ECA project studying the feasibility of updating the results of rural household surveys by means of relatively inexpensive follow-up enquiries, with the object of measuring changes which had taken place since the original survey. The result of this study, however, was not encouraging. (The study was described in the ECA Statistical Newsletter No.27, September 1968).

Scope, organization and development of the complementary system

10. The Group then proceeded to discuss the scope and coverage of the proposed system of income distribution and related statistics and noted that document E/CN.14/NAC/29 put the main emphasis on income distribution statistics. Statistics on consumption and accumulation were also dealt with, although less completely. It noted that the very wide subject of income distribution and related statistics could only be dealt with in a rather summary fashion in the paper and that the treatment of tabulations and classifications was particularly limited.

Definitions of statistical units and of items in the table in the Annex

11. The Working Group particularly stressed that it would be desirable to show, as far as possible, separate data for monetary and non-monetary portions of income, consumption and accumulation in all parts of the system, in view of the very substantial volume of subsistence activities carried on in most countries of the region. It was agreed that subsistence items should, in principle, be valued at producer prices, or if this was not possible, by the price in the nearest market. However, special problems arose where a large proportion of total production was consumed by the producers.

12. The ECA was asked to continue its work on the methodology of household surveys, giving particular attention to problems raised by the collection of statistics on income distribution and related statistics.

13. The Group discussed the various definitions of consumption expenditure mentioned in the document, and found that the concept of total consumption of the population, which had been suggested but was not yet defined in detail, would be useful in the region.

14. The Group noted that although the complementary system was closely related to the revised SNA, certain items such as employers' contributions to pension funds, etc., on behalf of their employees could not be obtained from surveys of households and therefore either had to be omitted or imputed from other information (such as establishment surveys, social security and taxation data).

15. In discussing the various possible classifications of households, the Group noted the particular importance of the urban-rural classification in the region, and also of a classification by sociologically and economically homogeneous regions within a country. The Group felt that the classification by socio-economic category of head of household might be of less importance in most countries of the region and that this classification, when finally worked out on an international level, might have to be modified for the needs of this region.

16. In discussing compensation of employees, the Group raised the question of the definition of benefits in kind. Producer price or cost to employer was agreed to be the preferred valuation, but in one view the welfare point of view should take precedence and retail prices should therefore be used.

17. The item "entrepreneurial income" could be of considerable importance in the region, but several members of the Group raised doubt as to whether it would be possible to estimate this item in the manner suggested in the document. Aside from the difficulties of estimating gross output, with all the familiar problems of estimating the value of production in kind, etc., the problems of estimating the value of inputs and net property income paid were considered particularly difficult. The lack of an estimate of intermediate consumption would lead to an overestimate of the total entrepreneurial income.

18. In view of the difficulty of estimating entrepreneurial income and other items in the way the document suggests, the Group noted the importance of recording household receipts and payments in a manner which made explicit the transactions involved. This question is discussed in a secretariat note in Part V.

19. A suggestion was made that ECA prepare a methodological paper on estimating imputed rent of residential buildings and of buildings which were used partly as residential and partly as business premises.

20. There was considerable discussion about the concepts of transfer to be included in the transition from the concept of distributed factor income to the concept of disposable income. The experts found that the categories of transfer shown in the document were on the whole applicable also in this region. There were questions raised, however, about the treatment of transactions in connexion with marriages. It was agreed that these transactions were of a very mixed nature and contained elements of current as well as capital transfers, saving, lending and even payments for services. It was proposed that a separate category of transfers could be raised for items of this or a similar nature. It was suggested that the name of the category should be "social obligations" (e.g., gifts).

21. The meeting also discussed the distinction between current and capital transfers and found that the definitions given in the document were satisfactory.

22. In connexion with the discussion of current transfers a question was raised regarding the treatment of payments made to witch doctors or medicine men. It was the consensus of the meeting that such payments should be treated as payments for services rendered and not as transfer payments. The distinction between requited and unrequited transfers was explained and some borderline cases were discussed.

23. With regard to the classification of private consumption expenditure by purpose, a suggestion was made that under African conditions traditional goods (craft goods) ought to be shown in one or more separate categories. This suggestion was endorsed by the meeting.

24. There was some discussion about the treatment of cattle kept for prestige purposes. It was decided that since these were usually breeding cattle, and could under certain circumstances also be sold or bartered, expenditures under this heading might most appropriately be treated as capital formation.

25. In discussing the table on financial claims and the item "net lending" the Group found that financial items of this type might be common in urban areas of the region, but were not likely to exist in rural areas where capital formation was mainly on own account. For this reason the item and the table ought to be divided between urban and rural areas.

26. The importance of the non-monetary element in household incomes in rural Africa was stressed. The attempt to value this component in monetary terms inevitably involved wide margins of uncertainty. It was agreed that in areas where non-monetary income constituted a substantial proportion of the total it was desirable to divide each column of the model table into two, showing the monetary and non-monetary components separately. Such a table should be accompanied by a description of the method used for valuing non-monetary transactions. It was also useful to indicate, for the more important products, the percentage by weight of total consumption which is exchanged through the monetary system.

27. It was not considered generally desirable to classify households themselves as within or outside the monetary sector. Thus, the modified table would appear (in part) as follows:

Type of transaction	All households		Agricultural			
			Employers		Own account workers	
			Mon.	Non-mon.	Mon.	Non-mon.
Number of households						
Number of persons						
1. Compensation of employees						
2. Entrepreneurial income						
3. Etc.						
4.						

28. The Group examined the question of the presentation of a table showing the distribution of households by level of income. In an economy in which the non-monetary component could be ignored a table of the following kind would be required:

Household income class (\$ per year)	Number of households	Number of persons	Average income per house- hold in the income class
0 - 50			
51 - 100			
etc.			

The column on the right is required in order to characterize more exactly the income distribution within each class. Thus in the first line of the table the entry for average income must lie somewhere between 0 and 50.

29. It was suggested that the income classes should normally be defined on the basis of the per capita income of the household. Thus the heading of the left hand column might indicate "\$ per year per household-member".

30. In an area where non-monetary income was important it was considered desirable to present such a table for monetary income alone, for non-monetary income alone (valued in monetary terms by a procedure which should be specified) and for total income. This would imply three distinct tables, in which the same population is divided into income classes in three different ways. The full table is shown on p. 9. (It was suggested that a column might be added showing column 16 as a percentage of column 18). It may be noted that each household appears in each of the three sections of the table (the totals are seen to be the same at the foot of the three sections). The income classes could be chosen differently for the three sections if desired. In any case the class of zero non-monetary income is important and should be included as the first class in column 7. The table is somewhat complex and may be regarded as a maximum. It could be simplified by eliminating columns 4, 5, 10, 11, 16 and 17, or alternatively the first four of these.

31. It is important to note that the third section of the table cannot be derived from the other two. Thus, if it is desired to use some other system of valuation of the non-monetary component this cannot be done by the reader: it is necessary to return to the original data and re-compute the tables. Similar tables can be prepared, if necessary, for sub-divisions of a population according to their degree of monetization.

DISTRIBUTION OF HOUSEHOLDS BY INCOME LEVEL

HOUSEHOLDS CLASSIFIED BY MONETARY INCOME						HOUSEHOLDS CLASSIFIED BY NON-MONETARY INCOME 1/						HOUSEHOLDS CLASSIFIED BY TOTAL INCOME 1/					
Household income class	No. of house- holds	No. of per- sons	Average income per household		Household income class Non- monetary	No. of house- holds	No. of per- sons	Average income per household		Household income class Total	No. of house- holds	No. of per- sons	Average income per household				
			Mon. mon.	Non- Tot.				Mon. mon.	Non- Tot.				Mon. mon.	Non- Tot.			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Monetary																	
	H	P	R _M	R _N	R _T		H	P	R _M	R _N	R _T		H	P	R _M	R _N	R _T

1/ Specify methods of valuation of non-monetary income.

The symbols used above have the following meanings:

H - Total number of households; P - Total number of persons; R_M - Average monetary income per household; R_N - Average non-monetary income per household; R_T - Average monetary plus non-monetary income per household.

III. DATA SOURCES AND COUNTRY PRACTICES

32. The Group discussed the secretariat paper Data Sources and Country Practices in the Compilation of Income Distribution and Related Statistics in Africa (E/CN.14/NAC/30). It was noted that household budget surveys had been and were expected to continue to be the main source of data for such statistics in countries of the region, followed in order of importance by establishment-type surveys, such as surveys of employment and earnings and of industrial production and distribution, and data obtained from income tax records. Social security statistics and agricultural censuses and surveys were likely to be important potential sources of income distribution statistics in the future, but population censuses, in current African conditions, would not be an effective means of obtaining these statistics.

33. The Group went on to discuss the definitions of certain concepts and classifications in the light of current national practices, with a view to formulating some statistical standards for the region. These included the definitions of income, household and head of household, and the classification of households by socio-economic (or socio-occupational) group.

34. The Group discussed the concepts of income to be used for analysing data obtained from household budget surveys, and was of the opinion that the following concepts were the most useful ones for analytical and tabulation purposes:

- i) Disposable income as defined in document E/CN.14/NAC/29
- ii) Distributed factor income, which equals disposable income less net current transfers received
- iii) The components of distributed factor income, namely
 - a) Compensation of employees
 - b) Entrepreneurial income, defined as proceeds (in cash and in kind) from the activities of unincorporated enterprises included in the household sector

(e.g. farming, petty trading, crafts, professions, etc.), after deduction of corresponding operating costs and interest and other property income paid in connexion with the business, and including withdrawals from quasi-corporate enterprises belonging to the household. It was recognized that information on the two latter items would be very difficult to obtain in the region.

c) Net property income received. Although interest payments may be important, it was extremely difficult to obtain data relating to them and practically impossible to separate them from interest payments related to unincorporated business.

iv) Earned income, defined as the sum of compensation of employees and entrepreneurial income.

35. In addition to the income concept listed above, the Group noted that the concept of gross output of household enterprises is needed in tabulating data on the operating costs of these enterprises. It was further noted that aggregates approximating in varying degrees to "total receipts" had been used in the tabulations of a number of African surveys; the economic limitations of this arrangement were appreciated and it was felt that the matter should be further examined.

36. The Group found that data on outlays on gross capital formation including land and proceeds from the sale of property, as well as information on certain financial items, such as loans received or repayed were gathered in some household surveys of the region. If these data were found reliable enough, a concept of "gross capital formation" approximating that of the complementary system

described in document E/CN.14/NAC/29 could be derived, as well as a concept of "net financial transactions" which would approximate the "net lending" of the complementary system.

37. The definition of the household was considered at length by the Group. The following general observations were made :

- (a) As far as possible it was desirable to use the same unit as that employed in demographic enquiries (censuses or surveys);
- (b) Both sampling considerations and ease of data collection made it desirable to include in the household only persons living in the same or contiguous housing units ;
- (c) The adoption of any particular definition by a survey planner does not ensure its application in the field: in general, survey enumerators can be expected to apply rules only in so far as they find them practical;
- (d) Because of inevitable uncertainties in applying definitions, and because of the high mobility of persons between households in Africa, it is desirable to adopt methods of analysis which will be relatively independent of the way in which the population is divided into households. Two such methods were suggested for use in household survey:
 - (i) Averages should be presented on a per capita basis, rather than per household. Households should be classified by their per capita income rather than their total household income;
 - (ii) A daily count should be maintained, throughout the survey period, of the number of persons actually covered by the household budget record in each household. The average number of persons covered by the record is then used for inflation of the survey results, as well as giving the "household size", rather than the number of "household members" as given by the definition of "household". This method has been used in several African surveys. These

procedures are designed to reduce the errors caused by uncertain application of definitions; they do not eliminate the need for a definition as precise as possible.

38. The definition recommended in the document E/CN.14/NAC/29 (paragraph 55) was accepted as the most appropriate that could be formulated in general terms, though some modifications might be required in certain countries or parts of countries. The definition is as follows:

"A household may be (i) a one-person household, i.e., a person who makes provision for his own food or other essentials for living without combining with any other person to form part of a multi-person household; or (ii) a multi-person household, i.e., a group of two or more persons who occupy the whole or part of one housing unit and make common provision for food or other essentials of living. The degree to which the persons in the group pool their income and outlay may vary. They may be related or unrelated persons. In some socio-economic situations relating mainly to developed countries the family household may be used instead, i.e., a group of individuals related by blood, marriage or adoption who satisfy the other conditions of the housekeeping concept."

39 The main borderline cases are listed below with suggestions regarding their treatment:

- (a) Boarders. These should generally be included in the household;
- (b) Lodgers. These should generally be excluded unless they take at least one meal per day with the household;
- (c) Wives living separately from their polygamous husband. These could perhaps be considered to constitute a separate household if they live outside the husband's compound;
- (d) Visitors. These could be included if they spend more than a specified period in the household. Regular and frequent visitors (such as wage-earners who return home at weekends) can be included in areas where this practice is common.

40. It should be noted that transactions between persons who are included in the household are not to be recorded. This is a basic rule for avoiding double counting in the overall household account.

41. The Group considered that a practical and precise definition of the head of the household was essential if tabulations of income distribution and related statistics were to be made according to the various characteristics of the household head, such as occupation, industry, socio-economic group, age, sex, level of education attained, etc.

42. It was recognized that a situation might frequently obtain in Africa in which the head of the household, though acknowledged as such by the other members of the household, might not be the major bread-winner, due mainly to the prevalence of members of extended families living together and having common provisions for food and other essentials of living. In such cases, it is more meaningful and useful in economic analysis to treat the chief income-earner (or bread-winner) of the household as its head.

43. The Group consequently accepted both definitions of the head of household for use by African countries, namely, that the head is the person generally accepted as such by the other members of the household, and the alternative definition that he is the main bread-winner or the person who earns most for the support of the household. Countries might use either of the two definitions according to particular requirements.

44. The Group noted that international guidelines on the classification of households by socio-economic or socio-occupational groups had not yet been established, and that it had been up to the individual countries to adopt the classifications most suitable for their own immediate and particular needs.

45. It was further noted that in general a classification by socio-economic groups could logically be made through a suitable combination of an employment status classification (i.e., employers, self-employed, employees, economically inactive, etc.,) with an occupational classification such as the International Standard Occupational Classification of the International Labour Organization.

46. The Group examined the current national practices in Africa concerning such classifications and discussed proposals for such a classification (including one in which a 7-category classification was advanced, viz., farmers, artisans, traders, civil service, other wage earners, professionals, and services). However, it was felt that any such proposed classification would suffer from the great disadvantage that within each of the broad groups specified, large variations in income levels exist. For instance, large plantation owners and petty subsistence farmers would all be included in the category "farmers". Averages on income levels and consumption patterns for such broad socio-economic groups would be too general to be of much value.

47. The Group, after considerable deliberation, came to the conclusion that it was premature to formulate usable statistical standards on the classification of households according to socio-economic groups of the household heads, and asked that a working group be set up specifically for this task at an appropriate time. The ECA secretariat was requested to obtain the necessary information in this regard from the countries by whatever means was most appropriate.

48. The Group was further informed of the progress made in the work of ECA secretariat on income distribution and related statistics for selected African countries. First results of this work were contained in document E/CN.14/NAC/31, Existing Data on Income Distribution : Selected African Countries, in which both international tables and country tables extracted from income tax records and household budget surveys were included.

49. In introducing the document E/CN.14/NAC/31 reference was made to a study which attempts to examine the importance of government expenditure on free services in relation to total consumption expenditure in the various African countries. Relevant data was available in respect of only 26 of these countries and for central governments only. It was pointed out that although information was lacking as regards the part played by local governments in this respect, the results of the exercise were nevertheless interesting. Wide variations were shown ranging from less than 1 per cent of the estimated total consumption expenditure for Portuguese Guinea to over

16 per cent for Algeria, although for most countries the tendency was for central government to account for about 4 to 6 per cent of all consumption expenditure. It was pointed out that the data used in respect of government expenditure were total relevant central government current expenditure net of corresponding current receipts of the appropriate government departments.

IV. PROBLEMS OF DATA COLLECTION

50. The Working Group examined the document Methodological Problems in the Collection of Statistics of Distribution of Income, Consumption and Savings through Household Surveys in Africa (E/CN.14/NAC/32). This paper deals with a number of practical problems arising from African household surveys.

51. Problems of coverage were considered under two heads: coverage in space and coverage in time. As regards coverage in space, many surveys had been limited to the urban sector, and often to households of urban wage earners only. Others had covered only the rural sector. So far no African country had carried out and fully analysed any survey of simultaneous national coverage which was satisfactory as regards the quality of the field work. Further, few countries had repeated any household survey on the same population within an interval of 5 years. It followed that available data on household budgets fell far short of the requirements of planners. The main reasons for this situation were shortage of finance and of trained personnel, although this did not apply to all countries.

52. In view of the difficulty of carrying out surveys of broad coverage, the question was raised whether any method could be found by which the results of an initial full-scale survey might be updated by a relatively light-weight operation. Various suggestions were examined in this connexion. One method had been described in the ECA Statistical Newsletter, No.27. However, further research was necessary before one could be confident that this method would make possible an up-dating procedure which would be less expensive than the initial survey. Another proposal was then put forward for discussion. It was suggested that a card index of villages, or other small areas, be first prepared which would make possible a highly efficient stratification of primary sampling units. The data in the card index would be kept up-to-date by information received from local authorities. This would enable changes in the pattern of household budgets to be detected on the basis of a relatively small sample of households. Like other methods, this suggestion had not yet been put to the test of practice.

53. The Group noted that the up-dating problem applied to any type of household survey and was not specially relevant to surveys designed to determine income distribution. This was a problem of the greatest importance in the context of the situation of most African statistical services today.
54. Participants emphasized the value of developing a frame of small area units covering the whole country. These would serve both as census enumeration areas and as a sampling frame for all types of surveys. The units would be defined by natural boundaries, or in some cases administrative boundaries, and would generally contain a population of about 500 to 1,000. (It was agreed however, that such a frame would not normally serve a useful purpose in nomadic areas.) The secretariat drew the attention of participants to an article on this topic in the ECA Statistical Newsletter, No.28.
55. One of the main objectives of a survey of income distribution would be to estimate the number of households at a given level of annual income. However, households would not in general accept daily visits by enumerators for a period longer than one month. The problem arose, therefore, of determining the annual income distribution from observations limited to one month per household.
56. Several solutions were examined. For the rural sector the method preferred by the Group was to make up the complete year for each household by means of relatively light-weight procedures - monthly or fortnightly interviews using retrospective questions. The overall error in the retrospective data could be estimated by comparing the data from the retrospective and daily questions, at the level of the whole sample. This would lead to a correction factor which could be applied to each household's retrospective data; the daily data would then be added in, giving an annual total for each household.
57. In the urban sector, households were extremely unstable and it was difficult to see any satisfactory solution, except perhaps for wage-earners. For non-wage-earners it seemed that any attempt to analyse annual incomes would have to be abandoned and studies would have to be limited to monthly incomes.

58. In this connexion the question was raised of how to estimate the household budgets of petty traders. Any solution would vary from one country to another and would depend on the size of the trading business. It was generally easier to obtain purchases than sales. In cases where there was no possibility of determining sales, one would have to estimate total receipts from sales as being equal to the sum of enterprise and household purchases.
59. The Group then considered the problem of the prices to be used in evaluating home consumption and non-monetary transactions. The principle of using the price to the producer was agreed. In practice, sales prices in the local market would often give an adequate approximation. In general one should use the price at the time of consumption, whenever such a price exists.
60. A number of exceptions were noted to the above rules. Transport costs were sometimes too high to be ignored. In some cases prices in markets were clearly inappropriate. In general, no method of valuation should be applied blindly: each case should be examined individually to check both that it satisfies the principle of using the producer price and that it in fact gives plausible results.
61. Products which are picked or gathered free were no exception to the above rules. They should be valued at the price prevailing in the nearest market.
62. The Working Group noted the need for multi-country comparative studies, as well as for the standardization of classifications used in different surveys. The Group recommended that the ECA should undertake work of this kind in co-operation both with countries and with international organizations and other bodies working in this field in order that the maximum of useful information might be drawn from the surveys which had been carried out.

V. COMPOSITION OF AFRICAN HOUSEHOLD BUDGETS AND THEIR
CLASSIFICATION ACCORDING TO INCOME AND RELATED CONCEPTS

Note by the ECA secretariat

63. In paragraph 18 of its Report, the Working Group drew attention to the importance of arranging household survey questionnaires in such a manner as to cover all household transactions explicitly. This is essential both to ensure the satisfactory recording of data and to enable the re-grouping of items to meet the requirements of the proposed system of income distribution statistics.

64. The Group further pointed out in paragraph 34 that no single income concept is likely to meet the needs of economic analysis in the region. In addition to the basic proposal concerning disposable income, it was noted that at least five other definitions might be useful for various purposes. In putting forward this suggestion, it was envisaged that household classifications according to various definitions would be obtainable from alternative groupings of the data in any given household survey or programme of surveys. Comments in this connexion therefore relate to the processing rather than the collection of information.

65. Time available to the Group was not sufficient for a detailed examination of the two questions noted above; it was therefore agreed that the ECA secretariat should add this Annex to the Report in order to clarify the essential ideas.

66. Perhaps the main points to be borne in mind are that the majority of African households are relatively poor, most are dependent on rural activities, direct taxation is normally not significant at the household level, and it is often not easy to distinguish between current and capital transactions.

67. However, in the following it is shown which detailed data it was deemed practicable to collect in a survey of farming households now being conducted throughout Lesotho:

RECEIPTS

1. Farming income

- 1.1. Sales:
 - 1.1.1. Crops
 - 1.1.2. Livestock
 - 1.1.3. Livestock products
- 1.2. Domestic consumption of own produce:
 - 1.2.1. Crops
 - 1.2.2. Livestock
 - 1.2.3. Livestock products
- 1.3. Seed replanted
- 1.4. Produce used for labour payments in kind and share cropping.

2. Non-farming income

- 2.1. Trading resales (excluding own produce)
- 2.2. Work on own account (sales of crafts, etc.)
- 2.3. Rent from property owned
- 2.4. Wage income
- 2.5. Income from non-resident family members (cash and kind separately).

3. Other receipts

- 3.1. Sales of property
- 3.2. New loans received
- 3.3. Repayment of loans given
- 3.4. Other remittances received

PAYMENTS

4. Enterprise operating costs

- 4.1. Farming:
 - 4.1.1. Cash payments for labour
 - 4.1.2. Seed, own produce
 - 4.1.3. Seed, purchased
 - 4.1.4. Labour payments in kind
and share cropping
 - 4.1.5. Other
- 4.2. Trading purchases for resale
- 4.3. Cost of materials for crafts, etc.

5. Domestic expenditure (personal consumption)

- 5.1. Food and drink
- 5.2. Housing
- 5.3. Clothing
- 5.4. Miscellaneous

6. Domestic consumption of own produce

7. Payments on property (capital payments)

- 7.1. Buildings: labour
- 7.2. Buildings: materials
- 7.3. Buildings: other
- 7.4. Farms (land)
- 7.5. Animals
- 7.6. Vehicles
- 7.7. Other items

8. Other payments

- 8.1. Loan repayments
- 8.2. Loans given
- 8.3. Other payments.

68. It should be explained that this survey is based on the continuous recording over a period of one year of household sales of agricultural produce, the home consumption of household produce (valued at local market prices at roughly the time when it is consumed), with other receipts and payments transactions being recorded at the times when they actually occur. A separate production record is maintained of items "taken off the farm", but this does not form part of the basic household account. It is not practicable to keep accounts of changes in household stocks of produce, and it has to be assumed that these will be the same at the beginning and end of the one-year recording period. The only imputed values in the records relate to items 1.2, 1.3 and 1.4 (and the corresponding payments items).

69. The summary shown above indicates only the types of transaction recorded and does not include the detailed breakdowns of agricultural products and domestic purchases which form part of the survey questionnaire. Nevertheless, it should be sufficient to illustrate that the requirement stated in paragraph 18 of the Report has been met in that explicit provision exists for recording all types of household transactions likely to be found in the population investigated.

70. Given these details, it is possible to derive, at least approximately, the concepts listed in paragraphs 34 and 35 of the Report. The central concept of disposable income can be obtained as items 1, 2, 3.4, less items 4 and probably item 8.3. Since transfer payments are likely to be unimportant, this concept will not differ much from distributed factor income (disposable income less item 3.4 plus item 8.3). Of the components of the latter items, compensation of employees (item 2.4) can be obtained directly from the records. An approximation to entrepreneurial income can be derived by adding items 1, 2.1, 2.2 and 2.3 and deducting item 4.

No data on net property income received could be derived from the records. Earned income would be available since it is the sum of compensation of employees and entrepreneurial income. "The concept gross capital formation of the complementary system, which includes transactions in land and is net of sales of other assets is equal to item 7 less item 3.1. Net financial transactions would be the sum of items 3.2 and 3.3 less the sum of items 8.1 and 8.2.

71. In a similar manner, gross output of household enterprise activities, mentioned in paragraph 35, can be obtained from the sum of 1, 2.1, 2.2 and 2.3, less 4.2 Total receipts is, of course, the sum of 1, 2 and 3.

ANNEX I

AGENDA

1. Election of chairman and vice-chairman
2. Adoption of agenda
3. Statistics on distribution of income, consumption and saving:
 - (a) Object and scope
 - (b) Relationship with the Revised System of National Accounts
 - (c) A complementary system of income distribution statistics:
 - Scope and characteristics
 - Concepts, definitions and classifications
 - Tabulations
4. Sources, practices and existing data relating to statistics of the distribution of income, consumption and savings in Africa
5. Methodological problems in the collection of statistics of income distribution, consumption and savings in Africa
6. Adoption of report

ANNEX II - ANNEXE II

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ANNEX III

LIST OF DOCUMENTS

1. E/CN.3/356 Proposals for the Revision of the SNA, 1952, August, 1967
2. E/CN.14/NAC/29 A complementary system of statistics of the distribution of income and wealth
3. E/CN.14/NAC/30 Data sources and country practices in the compilation of income distribution and related statistics in Africa
4. E/CN.14/NAC/31 Existing data on income distribution: Selected African countries
5. E/CN.14/NAC/32 Methodological problems in the collection of statistics of distribution of income, consumption and savings through household surveys in Africa.

ANNEX IV

EXECUTIVE SECRETARY'S OPENING SPEECH

I have much pleasure in welcoming you to this Working Group on Income Distribution Statistics.

For several years past, African countries have been co-operating with the United Nations in the development of a system of national accounts appropriate to their needs. Much progress has been made in applying such a system to African economies. However, the basic system deals essentially in aggregates: we know the total incomes received by the population from various sources, but the system does not tell us which sections of the population receive how much, nor how the total is distributed among different households. In recent years countries both in Africa and elsewhere have felt an increasing need for information of this kind relating to the distribution of income and wealth.

Such information is valuable for many purposes: firstly, any consideration of the welfare of the population must obviously take account not merely of averages but of the way in which the total income and wealth is distributed among different people. Besides this basic purpose, statistics of this kind serve many special uses. As examples I would quote: extrapolation of economic trends, decisions on taxation policy, minimum wage legislation.

With these needs in mind, a number of international meetings have been organized under United Nations auspices during the last 2 years. I would mention particularly:

- the Meeting of the Group of Experts on Social Policy and the Distribution of Income in the Nation, convened in January 1967;
- the Meeting of the Working Group on Statistics of Income Distribution of the Conference of European Statisticians, held in May 1967;
- the Meeting of Experts on the Scope, Methods and Uses of Family Expenditure Surveys, convened by the ILO in December 1967.

At these meetings a system of statistics of distribution of income and wealth has been developed which is intended to be complementary to the standardized systems of national accounts already developed.

The present meeting, which follows on a recommendation of the Fifth Conference of African Statisticians, has been organized in order to study the adaptation of this complementary system to the special needs and conditions of Africa. In this connexion, you will no doubt be giving consideration to the special problems raised by the high level of subsistence consumption in Africa, the relatively low proportion of wages among total personal incomes, the importance of cottage and small-scale enterprises in both the manufacturing and distributive sectors, and several other special features of the African economic scene. At the same time you will wish to bear in mind the relative scarcity of statistical information in our region and the problem of the accuracy of such data as are available.

The main background document for this meeting is a paper prepared by the United Nations Statistical Office entitled "A Complementary System of Statistics of the Distribution of Income and Wealth". This paper outlines the types of data on incomes, consumption and accumulation of households which are needed for the purposes of the proposed system. It also discusses the definitions, classifications and tabulation of these data. The paper takes into account the recommendations of the earlier meetings which I have already mentioned, besides those of the Fifteenth Session of the Conference of European Statisticians and the Fifteenth Session of the Statistical Commission.

Three papers have been prepared by the Secretariat of the ECA. Two of these will serve as background material for your discussions. They are entitled: "Data Sources and Country Practices in the Compilation of Income Distribution and Related Statistics in Africa" and "Existing Data on Income Distribution: Selected African Countries". These papers give a brief outline of the data sources and current national practices of the region, together with a selection of the existing data. The third paper is entitled "Methodological Problems in the Collection of Statistics of Distribution of Income, Consumption and Savings through Household Surveys in Africa". This paper examines, among other questions, some of the practical problems resulting from the

instability of households, the wide variation in individual households' income over a period of time and the evaluation in monetary terms of subsistence consumption and non-monetary transactions. The paper is limited to problems of household surveys: in Africa, at least, such surveys are the main source of income distribution statistics.

Gentlemen, the task before you is considerable and the time at your disposal relatively short. I am confident that, like other such groups, you will accomplish your task with efficiency, and I wish you success in your deliberations.