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and Demographers**

**Addis Ababa, Ethiopia, 21 - 28 March 1988**

**REPORT OF THE SEMINAR OF THE REVIEW OF THE  
UNITED NATIONS SYSTEM OF NATIONAL ACCOUNTS**

## INTRODUCTION

1. The seminar on the Review of the United Nations System of National Accounts (SNA) was organized by the United Nations Economic Commission for Africa (ECA), with support from the Commonwealth Fund for Technical Co-operation (CFTC), the European Economic Communities (EEC) and the United Nations Development Programme (UNDP). The Seminar was held at the Headquarters of ECA, Addis Ababa, from 29 September to 3 October 1986.
2. Countries represented at the seminar were as follows: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Congo, Cote D'Ivoire, Egypt, Equatorial Guinea, Ghana, Kenya, Lesotho, Liberia, Malawi, Mali, Mauritius, Mozambique, Nigeria, Niger, Rwanda, Sao Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Swaziland, Tanzania, Uganda, Zaire and Zimbabwe.
3. Also represented were the Statistical Office of the European Communities (EUROSTAT), the World Bank and the United Nations Statistical Office (UNSO).
4. The seminar was opened by Mr. M.W. Makramalla, Chief, Socio-Economic Research and Planning Division, on behalf of Professor Adebayo Adedeji, Executive Secretary of the Economic Commission for Africa.
5. After welcoming participants, Mr. Makramalla said that the seminar was one in a world-wide series of similar regional seminars that are being held to discuss the proposed revision and possible extension of the United Nations System of National Accounts so as to make it more adaptable to the requirements and special circumstances and needs of the developing countries. He expressed the hope that the seminar discussion would result in proposals for change and that agreement would be reached on the principles which the expert group would wish to see followed in the next version of the SNA which is scheduled to be completed by 1990. Finally, Mr. Makramalla expressed thanks to the Commonwealth Fund for Technical Co-operation, the Statistical Office of the European Communities and the United Nations Development Programme for sponsoring a number of participants who would not otherwise have been able to attend the seminar, and also expressed appreciation to those governments which have sponsored their own participants.
6. He expressed the hope that the deliberations will result in concrete and useful proposals on a system of national accounts which will serve economic-planners and policy-makers for a long time into the future.
7. The seminar elected Mr. G.A.O. Amodu (Nigeria) as Chairman, with Mr. Traore Souleymane (Mali) as Vice-Chairman and Mrs. D. Manraj (Mauritius) and Mr. L. Mbong Mbong (Cameroon) as Rapporteurs.

A. AGENDA AND ORGANIZATION OF WORK

8. The following agenda was adopted by the seminar:

1. Opening address
2. Election of Officers
3. Adoption of the Agenda
4. Item 1: The SNA review: purpose, organization and progress
5. Item 2: The Conceptual framework and form of the manuals
6. Item 3: Transactors: (a) dual sectoring  
(b) residency
7. Item 4: Transactions: (a) production boundary  
(b) valuation of non-market output  
(c) imputed bank service charge  
(d) household consumption  
(e) any other issues
8. Item 5: Harmonization of the SNA with other systems
9. Item 6: National accounts at constant prices
10. Item 7: Study groups  
Reports by the study groups
11. Adoption of the report of the seminar
12. Evaluation of the seminar.

9. It was agreed that the topics to be referred to the study groups should evolve from the discussions of the seminar.

B. THE SNA REVIEW: PURPOSE, ORGANIZATION AND PROGRESS (Agenda item 1)

10. The SNA Review programme was introduced by the representative of the United Nations Statistical Office. He said that the aim of the review as defined by the 1982 Expert Group on the SNA was to revise the SNA without major changes in the system. The revisions would include clarifications and adaptations of the system to enable it to respond to: developments that were not envisaged at the time the system was established, reconciliation of SNA concepts with those of related systems of statistics; and other improvements in order to facilitate the implementation of the SNA, particularly in developing countries. The United Nations Statistical Office (UNSO) will contract as consultant, Professor T.P. Hill, who is presently Head of the National Accounts and Economic Statistics Division of the Organization for Economic Co-operation and Development (OECD), to prepare a draft of the revised Blue Book. The programme is being co-ordinated by the Inter-Secretariat Working Group on National Accounts, comprising representatives of the UNSO, OECD, The European Economic Communities (EEC), the International Monetary Fund (IMF) and The World Bank. The aim is to revise the Blue Book by 1990 so that a final draft can be presented to the Statistical Commission at its session in 1991. The related United Nations Statistical Office manuals such as those on income distribution, input-output tables, balance sheets and reconciliation accounts, as well as manuals issued by other international organizations including IMF manuals on balance of payments,

government finance statistics and money and banking statistics, will also be revised along with the Blue Book.

11. During the preparation of the revised Blue Book preliminary editions of Handbooks on National Accounting will be issued by UNSO to assist national accountants in the actual measurement of SNA concepts. These preliminary editions will be issued, once the revised SNA standards are adopted by the Statistical Commission. A Handbook on Accounting for Production has already been issued and drafts of other volumes dealing with public sector accounts, external transactions, input-output tables, household sector accounts, income distribution, national accounting in constant prices, and comparisons between SNA and MPS are in preparation.

12. A large number of SNA Review topics have been identified. Discussion papers on these topics have been prepared by national accounts experts in national statistical offices, international organizations, universities and research institutions.

13. The topics and also the papers presented at this meeting are a representative selection from those that have been earlier discussed in about 20 meetings since the 1982 SNA expert group, including regional and specialized meetings organized by other Regional Commissions (ECE, ECLA and ESCAP), OECD and EUROSTAT, and by the International Association for Research in Income and Wealth. Two interregional meetings for developing countries were included in this programme, i.e., one SNA Workshop for Statistically Least Developed Countries which was held in Mexico in February 1986, and an Interregional Seminar on the SNA for Developing Countries which was held in Geneva in June 1986.

14. From 1986 up to 1990, a series of specialized expert group meetings is planned on various topics: National Accounting in Constant Prices (November 1986), External Transactions (March 1987), Input-Output Tables (April 1988), Financial Flows and Balance Sheets (1988) and SNA-MPS links (1988). The specialized meetings, which will be sponsored by different international organizations participating in the Inter-Secretariat Working Group, have been preceded in June 1986 by an expert group on the SNA Structure which met in Geneva. That meeting issued recommendations on the general features of the revised SNA, in order to guide the work of subsequent specialized meetings. This co-ordinating expert group will meet again at the end of the SNA Review process in 1989 and 1990 in order to integrate the work of the other expert groups and help in the preparation of the draft revised Blue Book. In order to secure continuity in the work, a core group of experts consisting of representatives of the five organizations participating in the Inter-Secretariat Working Group and six individual experts (three from developed and three from developing countries) will meet throughout all expert group meetings. The expert group meetings will include not only national accounts experts, but also experts in other fields such as balance of payments, government finance statistics, etc., in order to help implement the reconciliation of the SNA with other related statistics.

15. The Seminar took note of the history of the SNA Review. The hope was expressed that the expert groups will address the special circumstances and needs of the developing countries, and that these will be incorporated in the revised Blue Book. Reference was made to the recommendations of the ECA Workshop on National Accounts held in Addis Ababa in October 1985. The representative of UNSO informed the meeting that the recommendations of that Workshop with regard to the general features of the revised SNA were discussed in the SNA Structure Expert Group meeting and that detailed matters would be dealt with later on by specialized expert groups. He suggested that the present meeting could repeat those recommendations, so that they would be incorporated in the final report. One participant suggested the setting up of an African SNA Review Committee which would review the progress of the SNA Review. In response, the secretariat noted that the suggested committee would have financial implications for ECA and would therefore be difficult to set up at present.

16. With regard to the topics to be included in the SNA Review, there was consensus on the need to deal with the question of the limitations and quality of basic statistical data available in African countries. Other topics mentioned were: the exchange rates used to derive per capita income; how to cover smuggling; how to deal with informal activities, in particular with the many activities performed by housewives in African countries that are often marketed in developed countries. Furthermore, mention was made of the need to deal with the residence status of migrant workers and international technical assistance personnel, as well as the classification of private non-profit institutions serving households.

#### THE STRUCTURE OF THE SNA AND THE FORM OF THE HANDBOOKS (Agenda item 2)

17. Five documents were presented under this item. One prepared by the Inter-Secretariat Working Group on the SNA was entitled "The SNA Conceptual Framework" (STAT/WG.NAC/86/1). It proposed a set of integrated T-accounts, including flow accounts, reconciliation accounts and balance sheets together with a hierarchical structure of transactor and transaction breakdowns that might be used as a basic framework for presenting and explaining the SNA.

18. An alternative presentation was worked out in a paper entitled "The Form of the Blue Book and the Structure of the SNA" (STAT/WG.NAC/86/5), which distinguished between a central framework for production accounts and goods and services flows on the one hand, and income and outlay and capital accounts on the other. The paper argued that the Blue Book should be simple in its formulation and be explained as much as possible on the basis of tables that would be used for actual data presentation.

19. The third document was entitled "Proposal for Restructuring the SNA" (STAT/WG.NAC/86/4). It outlined a set of tables for developing countries, which would link production information with data on income and outlay and capital transactions, and distinguish between formal and informal activities, foreign owned and national owned public and private enterprises. The framework elaborated in the paper was meant to follow directly from the central SNA structure so that there would not be any need for a separate chapter for developing countries in the Blue Book.

20. Two further papers "Alternative Presentation of National Accounts" (STAT/WG.NAC/86/3) and "National Accounts for Policy-Makers" (STAT/WG.NAC/86/2) prepared by the World Bank, were used as background material in the meeting.

21. There was general agreement that the revised SNA should no longer contain a separate chapter on developing countries. Most participants agreed that the theory and concepts in the SNA are universal and that the problems encountered are in the actual application of the concepts: how to allocate specific African institutions to sectors (e.g., activities carried out by religious missions) and how to measure transactions. Also, the classifications required in African and other developing countries may be different from those useful for developed countries. Several participants furthermore emphasized that the differences between developing countries may be large due to different political systems and differences in economic development, and that it would be almost impossible to design a universal framework for developing countries. However, other than being a system that is universally applied, the Blue Book should be a reference framework, from which countries may select the parts that are most useful to them.

22. Specific features of developing countries' economies would have to be reflected in the concepts and classification contained in the Blue Book. For instance, in the institutional and other classifications, the specific needs of developing countries should be brought out. The incorporation of production accounts by institutional sectors into the system was thought to be worthwhile. There was consensus on the need to maintain the dual classification of the SNA and provide an explicit link between the classification of transactions in the production accounts and transactions in the income and outlay and capital accounts. In drawing up the concepts and classifications, data restrictions in developing countries should be taken into account.

#### TRANSACTORS (Agenda item 3)

23. Two papers were presented under this item. The first entitled "Transactors of the SNA" (STAT/WG.NAC/86/6) was introduced by the delegate of the EEC. He explained that it seemed inescapable that two types of classification of transactors should continue to be necessary in national accounting. These are (a) branches of production activity based on establishments and (b) the institutional sectors based on units responsible for distribution, investment and financial decision-making.

24. Certain matters required clarification:

- (a) Departmental enterprises: The paper proposed that it might be advantageous to highlight the coverage of the sector general government and the industry producers of government services by reclassifying commodity-producing units of government:

- either (i) as enterprises (quasi-corporate)
- or (ii) producers of government services
- or (iii) as either (i) or (ii) according to whether consumption is primarily external or within the government.

In the discussion which followed the question of the classification of the government printer was raised. It was noted that in some countries government printing is classified with manufacturing, while in others it is classified with producers of government services. Other examples included radio and TV services and public works department.

- (b) Public/private enterprises: The SNA criteria were not sufficiently defined for operational purposes, and proposals exist to clarify the distinction. In the discussion, participants underscored the need for accounts covering the whole of the public sector.
- (c) Quasi-corporate enterprises and household production: In the 1968 version of the SNA, quasi-corporate enterprises were created so as to enable large commodity producing units to be treated as corporate. In document STAT/WG.NAC/86/4, the enterprise sector had been equated with the 'modern' sector and household production with the 'traditional' or 'informal' sector.

25. The need to take account of traditional savings and credit institutions in the sector classification was expressed. A proposal to treat private non-profit institutions (PNPIs) as a sub-sector of the household sector was rejected by most participants. It was argued that these bodies (e.g., churches, charitable organizations, etc.) were totally different from households. Some so-called non-profit organizations were really profit-making and should be classified in the enterprise sector while really non-profit institutions should be included with government. Some participants considered this treatment inappropriate in cases where such institutions were not mainly funded by government.

26. The second paper "The Residents of the Economy" STAT/WG.NAC/86/7 was prepared by the IMF. The document emphasized the need for maintaining the present one-year criteria in the Balance of Payments and the SNA in determining the residence of a physical or legal unit, or of a person as other criteria would be less operational. The document also discussed a number of difficult cases in which questions had been raised with regard to the present guidelines on residents and those on the treatment of compensation of employees, current transfers and other financial transactions.

27. Questions were raised on the residence status of persons who move freely between countries and also transport their produce from one country to another, and the personnel of multinationals that have residences in different countries at the same time. With regard to seasonal workers it was suggested that their income should be considered as part of GNP of their country of origin and that technical assistance personnel that is fully or mainly paid by outside donors should be considered as non-residents of the countries in which they work even if their stay is longer than one year.

TRANSACTIONS (Agenda item 4)

(a) Production boundary issues:

28. The agenda item was introduced by a representative of the secretariat. The background document for the discussion was STAT/WG.NAC/86/8, entitled "Production Boundary Issues", and was an extract from a paper ESA/STAT/AC.27/3 prepared by the Inter-Secretariat Working Group.

29. It was noted that production boundary issues were very important as they determine the size of a country's gross domestic product, and that it was important from the point of international comparability that, as far as possible, a common group of activities be included in the national accounts.

30. Reference was made to the definition of production under the 1952 and 1968 versions of the UN System of National Accounts, and it was noted that in the 1968 version of the system the production boundary is enlarged to include (a) the processing of primary commodities by the producers of these items, and (b) certain own-account activities of households such as the ownership and own-account construction of dwellings. However, in spite of this enlargement, the definition of production includes, for example, the manufacture of certain products like shoes, clothing and small metalware only when they are produced by persons who sell some of their output.

31. This restriction coupled with the recommendation that certain subsistence activities, e.g., repairing and maintaining dwelling and farm buildings, storing crops, carrying water, be excluded from production, results in the omission of significant amounts of output from the national accounts of countries in which these activities are significant and which follow the SNA.

32. Part of the reason for the recommendations was data availability. However, since 1968 the household sample survey has occupied a much more important place in the statistical tool-kit of developing countries; such surveys have greatly expanded the realm of data collection.

33. The fact that a good number of the activities that are recommended to be excluded from the coverage of the principal types of subsistence production are important in developing countries and can now be covered by the sample surveys, implies that consideration should be given to what kinds of information should be collected. As a first step, precise guidance should be given on the kinds of activities to be included in production and how they should be valued.

34. Participants expressed the need for a wider concept of production which would include some of the items which the present SNA recommends should be excluded, e.g., imputation for water carriage or portage, handicrafts, crop storage, repairing and maintaining dwellings, dress-making and tailoring (whether or not the producer exchanges part of his output in the market), mid-wifery services, etc.



35. There was consensus on the inclusion of some illegal activities in the boundary of production. It was noted that although these activities might very well be illegal they are income generating for the persons engaged in them, and should be included in GDP. However, doubts were expressed as to the appropriate methodology to be used to collect data on illegal activities since most persons engaged in them are self-employed, e.g., drug dealers, money-changers, etc.

(b) The Measurement of Traditional Activities in the National Accounts:

36. For the discussion on this agenda item, the seminar had before it document STAT/WG.NAC/86/9. A representative of the World Bank introduced the document. He noted that there is no uniformity either in methodology or in measurement techniques in evaluating non-monetary traditional activities in Africa. The compilation of consistent estimates which reflect the underlying economic realities is of special significance to low-income developing countries where non-monetary activities, particularly in the rural economy, comprise a significant share of national output. In presenting the Bank's paper, entitled "The Measurement of Traditional Activities in the National Accounts", the Bank's representative proposed a simple tabulation system to help the participants identify and focus on the different estimation problems involved in this issue.

37. He noted that the problem was to decide what quantity (output) should be quantified in the national accounts in each category and at what price that "production" should be valued? In the past very general and all-embracing fixed parameter models have been used to evaluate most of these quite different activities, other than those where a proper transaction value is normally recorded, and these have failed to capture the impact of the real problems occurring in the traditional sector, e.g., the prolonged severe drought afflicting many parts of Africa.

38. Defining the problems in this way enables national accounts to answer more easily some of the basic questions that need to be resolved:

(i) How large should be the production boundary in defining the scope of the new SNA?

39. Those who believe in restricting measurement to a basic "core" would focus their attention only on the upper, mostly left hand section of the table\*; they would exclude all imputations, many of which fall under the "informal" sector and, even less justifiably, many attributions on the grounds that their measurement is too arbitrary. At the other extreme, production can include the value of all goods and services produced that

\*See Annex II.

have a counterpart activity transacted at a price in the market. In this way, it is possible to regard almost any activity, whether performed for oneself or for others, as being economic. This would include the activities of housewives. The schematic framework highlights the fact that different approaches have to be made to the question of evaluation and different techniques of measurement need to be applied. There is some merit in trying to define the production boundary more precisely and to restrict the scope of coverage to transactions with easily identifiable market counterpart, e.g., sales of agricultural produce. As the paper points out, a transaction becomes counted when it moves from being an intra-household activity to being an inter-household activity. The services involved in this transfer, marketing distribution and transport — however small — which are then added to the value of the product, do not form part of the value for own use.

- (ii) In measuring non-monetary output, and particularly production for own consumption, should a production or a consumption approach be adopted?

40. This is a methodological question which depends upon the nature of the activity and the availability of data. If a production approach is followed it is necessary to decide whether it will be based on identified inputs or some assessment of available output, excluding wastage. In the case of rural households, this often means using some measure of wages and utilized time when evaluating non-monetary construction activities and applying crop yield data to estimated acreages under various crops to derive output figures. If production is valued on an opportunity cost basis this may pose problems for assessing the appropriate 'alternative' or 'transfer' cost of labour to apply. Minimum temporary/casual labour rates in the rural economy are usually deemed the most appropriate, but it could be argued that even these are too high since even at these low levels of remuneration, labour supply exceeds demand and such wages would in fact be considerably lower if all subsistence farmers were to offer themselves for employment at this level.

41. If a consumption approach is adopted then it is necessary to have some meaningful estimates of per capita consumption of basic goods (mostly food items) and services. Such data can be derived from nutrition surveys, from other basic dietary information and from the knowledge of doctors, rural health workers, etc.; the analysis of spending patterns of the lowest income groups as revealed by a household income and expenditure surveys is also useful. Some researchers have suggested the composite pricing of basic national and regional "dishes" as another approach. All these measures should take account of seasonal variations and the age/sex composition of the (predominantly rural) population.

(iii) Benchmark and flow data

42. Different measurement techniques have to be applied in monitoring changes from one period to another to those used in making base year estimates. Conventionally, movements in such variables as the relevant population groups or land areas under cultivation are applied to the fixed parameters estimated for consumption per capita, crop yields, etc., and these may at times inadequately reflect reality. Other related information should be used to adjust the basic estimates to reflect regional or seasonal shortages, special disease or pest problems, etc.

(iv) Transactions and transactors

43. Transactions and the transactors involved in them are not completely overlapping: thus, for example, many subsistence farmers engage in cash sales. A distinction thus must be made between households and activities, and it is the transaction rather than the type of transactor that belongs to the non-monetary economy. This has implications for data collection since information on non-monetary activities is obtained mainly from transactors.

(c) The treatment of bank and insurance service charges

44. The discussion of bank service imputations was introduced on the basis of a document STAT/WG.NAC/86/10 prepared by OECD, entitled "Measuring the Output of Monetary Institutions in the National Accounts" and broadened to include insurance service.

45. In introducing the item, a representative of the secretariat noted the general dissatisfaction with the present SNA practice to allocate imputed bank service charges to a nominal sector without any effect on GDP and without any allowance for including financial services in the exports of countries that are financial centres. Three alternatives were presented. These have been extensively discussed in previous meetings where it was noted that they would have implications for the level of GDP.

46. One alternative treats banks in the same manner as producers of government services, and calculates their gross output on the basis of cost without operating surplus. The difference between gross output (= cost) and the actual charges is allocated to government consumption.

47. The second alternative treats interest payments and receipts as charges for financial services, so that interest flows would not appear any more in the income and outlay account, but as part of the commodity flows in gross output, intermediate consumption and final demand.

48. The third alternative distributes the present SNA imputed bank service charges to intermediate consumption and final demand and includes an imputation for imported bank service charges. The bank service charges are deducted from the interest receipts by banks from borrowers and added to interest paid by banks to depositors in order to arrive at the so-called "pure" interest flows which are recorded in the income and outlay accounts.

49. Similarities were noted with regard to the present treatment of insurance service charges in the SNA. Service charges of pension funds are imputed for instance on the basis of cost (excluding operating surplus). Casualty insurance service charges on the other hand are calculated on the difference between premiums received and claims paid and allotted to the using sectors on the basis of premiums paid. The premiums, net of the service charges, are included in the income and outlay account of the present SNA. A similar imputation and treatment is followed for service charges of life insurance schemes, except that the service charge is calculated not only by deducting from premiums the benefit payments but also deducting net additions to the actuarial reserves.

(d) Household consumption

50. This agenda item for which the background document was STAT/WG.NAC/86/11 was introduced by a representative of the EEC. He said that the concept of an enlarged consumption aggregate was not new. Such a concept has been recommended in the U.N. "Provisional Guidelines on Statistics of the Distribution of Income, Consumption and Accumulation of Households". It also arose in the work to link the MPS to the SNA, and the International Comparison Project (ICP) makes regular operational use of such a concept, in that it calculates its own "corrected" consumption to replace the normal SNA aggregate. Participants raised the following questions:

- 1) Does the calculation of an enlarged private consumption affect saving?
- 2) Would this new concept replace the present concept of private consumption?
- 3) Is this concept actually useful for the analysis of African economies?

51. In reply the representative said that the proposal for an enlarged private consumption will not modify the structure of the income and outlay account for households. The present concept would remain. The proposal is considered to be useful for African countries where so many activities in the fields of education, health, recreation and culture, usually carried out by government, are either partly or totally undertaken by households depending on the government budgetary situation.

#### RECONCILIATION OF THE SNA WITH OTHER SYSTEMS (Agenda item 5)

52. The background document for this agenda item was document STAT/WG.NAC/86/10 entitled "Reconciliation of the SNA with Specialized Statistics", which was a draft of a document in preparation for the Statistical Commission meeting in 1987.

53. In introducing the item a representative of the secretariat noted that the reconciliation of the SNA with specialized statistics is part of the SNA Review programme, and responds to the recommendation of the 1982 SNA expert group that the SNA concepts should be reconciled with those of other statistics. The initial efforts of the programme were aimed at identifying conceptual differences between the SNA items and IMF standards on Government Finance Statistics (GFS) and Balance of Payments (BOP) and finding ways to remove unnecessary or unintentional differences in order to simplify the links between the SNA concepts and those of other systems. As a result of this effort, differences were identified between the SNA and the BOP with regard to the application of the ownership principle in registering exports and imports, the treatment of reinvested earnings, and the cif valuation of imports. Also, differences were encountered between GFS and SNA regarding the coverage and classification of taxes, the classification of monetary authorities, etc.

54. Later, the programme was broadened in two directions. One was to link the SNA not only with the two IMF standards, but also with other international economic statistics standards issued by the IMF on Money and Banking Statistics, by ILO on Employment Statistics, by FAO on Agricultural Statistics, and supplementary guidelines issued by the United Nations on income distribution statistics, and industrial statistics. The other extension of the programme was to utilize the established links to design compilation procedures that would take the specialized statistics as points of departure in the compilation of the national accounts. This would enhance the co-ordination of national accounts in the field of economic statistics and might reduce somewhat the present duplication between statistical complications of national accounts and other statistics.

#### NATIONAL ACCOUNTS AT CONSTANT PRICES (Agenda item 6)

55. A representative of the Secretariat introduced the paper "Real Income Measurement" (STAT/WG.NAC/86/14). He suggested that it was very necessary for a distinction to be made between the volume of goods and services produced (real product) and what could be bought with the resulting income (real income).

56. In discussion, attention was drawn to work done in Cameroon on the measurement of exported and internal GDP which had a similar objective, indicating the dependence of the economy on external factors. The problem of obtaining reliable deflators for imports and exports was also raised. Few countries calculate GDP at constant prices from the expenditure components.

57. There were some doubts about the applicability of the concept in developing countries, however the idea was thought to be useful.

STUDY GROUPS (Agenda item 7)

58. The study groups were asked to examine the following topics:

- (a) Structure of the SNA and the form of the Blue Book and Handbooks.
- (b) Definition of the institutional sectors.
- (c) Production and valuation of production.
- (d) Residency and gross national income.
- (e) National accounts at constant prices.
- (f) Macro-Micro links and specialized systems.

The results of the examination by the study groups were subsequently merged into conclusions and recommendations which were adopted by the Seminar.

## CONCLUSIONS AND RECOMMENDATIONS

### The structure of the SNA and form of the Blue Book and Handbooks

1. The SNA should apply equally to all countries. There should not be a separate chapter on developing countries in the Blue Book. However, there could be a chapter on alternative presentations that might be appropriate in various circumstances.
2. The Blue Book and the handbooks should highlight the concepts, etc., that are more applicable to the social and economic organization of developing economies and less developed statistical systems as well as those that are more relevant to developed countries and statistical systems. Scarcity of data must be taken into account both in the Blue Book concepts and classifications and in the methodological guidance provided in the handbooks.
3. Some participants felt strongly that a system of national accounts for African countries should be developed within the framework of the SNA, but adapted to specific needs of African countries and designed by a group of experts from African countries. Others considered that this would not be necessary if the needs of African countries were properly accounted for in the revised SNA. It was important that the draft revised Blue Book should be made available in French and in English prior to being finalized for publication.
4. The Blue Book should give a comprehensive description of the SNA including concepts, definitions and classifications. However, supporting tables should appear in the handbooks. A hierarchy in the classification of transactions and transactors should be introduced (see STAT/WG.NAC/86/1, Tables 3 and 4). However, further details should be worked out for the individual categories.
5. The structure of the SNA should remain broadly unchanged. Equal emphasis should be given to the type II and III accounts. It was agreed to include production accounts for institutional sectors in addition to the present analysis of production by activity groupings, and add explicit links between the two classifications of production information. Not all countries may be able to implement this link and further guidelines should be given in the handbooks.
6. The operations of the institutional sectors should be arranged in a sequence of accounts explicitly linked by balancing items. These might be production account (with value added as the balance), generation of income account (with operating surplus as the balance), income and outlay accounts, capital account and financial account.
7. Two additional volumes were suggested in addition to the handbooks: one on enterprise accounts, dealing with the data links between establishments and enterprises; the other a simplified version of the Blue Book, particularly geared to users of national accounts data and others interested in national accounts.

8. Some tables in the Blue Book should be designed to explain the system without constituting a guide for tabulation purposes. However, in order to render the Blue Book of practical use, it should include simple descriptions and tabulations that are as close as possible to the data tabulations to be developed in the handbooks, particularly as regards accounts I, II and III.

#### The transactors of the SNA

9. Dual sectoring should be maintained, i.e., production accounts for industries and full accounts for institutional sectors. Production accounts for institutional sectors should be introduced and the link between industries and sectors for these accounts should be explained in a Handbook.

10. Private non-profit institutions serving households (PNPIs) are very important in Africa. They should not be merged with households but either retained as a sector in their own right or possibly made a sub-sector of a new "government and PNPI" sector. The treatment of foreign-financed non-profit institutions may require further study.

11. It was considered useful to retain the concept of both public and private quasi-corporate enterprises, within the financial as well as non-financial enterprise sectors.

12. It was considered useful to separate the activities of unincorporated enterprises. Some participants favoured transferring them from the household to the enterprise sector, particularly where their production was intended for sale.

13. Collective financial arrangements between groups of households (credit unions, etc.) should be explicitly treated. One solution would be to include them as financial institutions if they are formally registered; in other cases the data are difficult to collect and their activities may even be illegal.

14. The social security sub-sector is important in Africa: it has independent funds which often may be invested independently to generate extra income.

15. A clear distinction between the Central Bank and the General Government is difficult to make in some countries. The handbooks should give advice on this topic.

16. The proposed new sub-sector of state or provincial government, between central government and local government, is deemed useful as this exists in several African countries.

17. The distinction between public and private enterprises was welcomed. It should be based on ownership (more than 50% of shares) and control as recommended but there will be variations from country to country.

18. Sub-sectoring of the household sector (e.g., by socio-economic category, urban/rural, etc.) was felt to be very useful and should be developed.



### Production Boundary

19. Subsistence production included within the production boundary should be determined by activities that result in a clear product and for which statistical data on prices and quantities are available, so that constant price series can also be derived.

20. The definition of the boundary of primary and secondary production should remain as it is. The processing and preparing of food within the household should continue to be excluded.

21. Tertiary activity appears to be the vague area in the present system. Service items listed in column 4 of Table 1 in document STAT/WG.NAC/86/8 (page 7) should continue to be excluded with the following exceptions:

- (a) Repairing and maintaining of dwellings and farm buildings;
- (b) Mid-wifery services, traditional healers, traditional teachers.

Outlays on communal projects such as the construction of churches, mosques and roads should also be included. It was noted, in particular, that own-account services of a domestic nature, such as looking after children, laundry and carrying water should be excluded to ensure consistency of treatment of such services in all countries.

22. In the informal monetary sector, the following activities should be considered as falling within the production boundary:

- (a) Legal activities which are not captured in conventional surveys (e.g., small operators of taxis, buses, retail traders);
- (b) Illegal, but not criminal, activities which are all normally economic but which are unrecorded and unregistered, in contravention of trading or health laws (e.g., street food sellers, hawkers, etc.).
- (c) Smuggling, a special case of criminal activity involving international trade, should be included where there is a counterpart production measure.

Other criminal activities, apart from smuggling (e.g., theft, murder and so on) are not within the boundary.

23. The financial activities of households should be identified and compilation methods devised. Further clarification is needed of the present methodology of evaluating the services of financial institutions in general.

### Some valuation problems

24. The valuation of own-account construction of dwellings requires clarification. It should be based on the cost of materials and labour used. The labour should be valued on an opportunity cost basis, which would include any wage outlays actually incurred.

25. The imputation of rent for owner-occupied dwelling needs to be re-examined, particularly where the dwelling was constructed by the household itself and no equivalent market rent exists. In such cases the imputation should be based on the valuation of the construction and the life span of the dwelling.

26. In times of economic difficulty, governments may take on employees for social rather than for economic reasons, thereby increasing the contribution of government to GDP even if the real value of their production is negligible. The valuation of government services needs re-examining in this light, both at current and at constant prices.

27. It was recognized that there were problems in adopting equivalent market services as a criteria for evaluating the services included under item 21 above. This needs further investigation.

28. It was generally accepted that subsistence production should continue to be valued at producer prices, i.e., prices at the farm-gate or the closest point of sale in the rural areas. In practice, prices may be based on those in the nearest main market, which must include transportation costs, etc. It would be preferable, however, to measure prices in the principal localities where the particular crop is produced.

#### Residence, national income and economic growth

29. The concept of residence should be based on a period of at least one year on the economic territory. The future SNA should clarify the treatment in the following cases:

- (a) Technical assistance personnel (bilateral) and persons working for international organizations;
- (b) Frontier workers with double residence;
- (c) Directors of multinational enterprises;
- (d) Duty-free production areas.

30. Although GDP should remain a key aggregate in the system, it is universally recognized that the growth of GDP at constant prices does not reflect the real economic growth of African countries. The present way that GDP is determined masks certain realities which leads to the consideration of two components of GDP:

- (a) a "domestic" component, which is recycled within the economy, based on domestic factors of production;
- (b) an "exportable" component, which corresponds to external factors of production.

It is therefore desirable to measure economic growth according to an indicator of income which takes this into account. A new concept, 'recycled national income', was suggested for this purpose and should be examined in detail by the appropriate expert group.

31. The method of deflation must be agreed to by the appropriate expert group. This is necessary so that the same method is followed by all. A representative measure of inflation affecting the national economy must be used.

32. The handbooks should contain practical methods of making estimates at constant prices in the different sectors.

#### Macro-micro links and specialized systems

33. The connection between the micro-economic (business) data and the macro-economic aggregates can be greatly simplified if a standard codified system of micro-economic accounting is adopted for use by all modern sector enterprises in the country. This work of standardizing accounting practices is carried out in several African countries and by the African Accounting Council (AAC). It forms the basis for the development of micro-macro links through the establishment of SNA-type accounts ('intermediate accounts') at the micro level which can easily be aggregated for national accounts purposes.

34. The harmonization of the SNA with the Government Finance Statistics (GFS) and the Balance of Payments (BOP) of the IMF must safeguard the concepts and approach of the SNA. It is necessary to make the relationships between the SNA and the GFS and BOP more explicit so that it is easier to establish basic preliminary accounts quickly.

35. Appropriate methods for the collection and treatment of data on household activities and the informal sector must be developed further.

#### Training in national accounts

36. In order to increase the competence of African statisticians in the field of national accounts, appropriate finance is needed to set up schools for training in national accounts with specific programmes and to reinforce the national accounts courses in existing training institutes.

37. The exchange of experience between countries should be reinforced through regular meetings on national accounts.

#### Recommendations made at a previous meeting

38. During a training workshop on national accounts for French-speaking countries held in Addis Ababa from 30 September to 11 October 1985, certain criticisms were made of the present SNA which should be taken into account in current work on the revision of the SNA. Some have been covered within the recommendations above but others have not. For completeness, all the points are listed in the attached annex which is an extract from the report of the workshop.

...

Problems identified at a training workshop in National Accounts held in Addis Ababa from 30 September to 11 October 1985

1. Concept of residence. The criterion of a stay of one year creates difficulties in the following cases:

- (a) Seasonal workers moving regularly between countries without spending more than one year, who are considered residents of their country of origin.
- (b) The staff of international organizations, other than nationals, who are considered residents of the host country while the organization itself is extra-territorial.

Most staff of international organizations travel almost constantly and so do not stay for more than one year in the host country where the organization is based. This creates difficulties in estimating value added and consumers' expenditure in these two cases.

2. The absence of a chapter explaining the treatment of the traditional sector in developing countries.

3. The non-recording in SNA of consumption of fixed capital in respect of infrastructure items such as roads, bridges, airports, etc. This convention can be criticized in view of the significant cost incurred by developing countries for current maintenance and repairs of these infrastructure items.

4. The absence of allowance in SNA for construction work carried out by households apart from dwellings. It frequently happens in many African countries that households undertake the building of schools, roads, bridges, wells, etc., to improve the well-being of the community.

5. The absence of reference to the function of households as a sub-sector of credit institutions. In most African countries a significant proportion of saving is not channeled through the banking system, but through financial arrangements made by households (credit associations, selling and credit societies) which apply interest rates totally unrelated to those applied by banks and simplified borrowing and lending facilities.

6. Treatment of insurance not sufficiently explicit.

7. Absence of recommendations for treatment of enterprises operating in free zones.

8. Absence of a method for estimating consumption of fixed capital.

9. Revision of the order of priority for the compilation of accounts and tables taking account of the degree of statistical development of developing countries.

STRUCTURE OF PRODUCTION  
AND INSTITUTIONAL ORGANIZATION

Type of Transaction	MODERN		TRADITIONAL	
	Formal	Informal	Rural Small-holders	
	Monetary	Recorded/ Registered	Unrecorded and unregistered "Grey"/Underground Economy; Illegal Activities	Cash sales of crops, other services
Non-Monetary	Government rent/Barter/ Tax evasion/ Receipts in kind	Own building, Own consumption & use; "Quid pro Quo" arrangements	Subsistence, Own account construction, etc.	

Each of the above cells — which, in practice, can be even further subdivided — is represented by a value (price x quantity) estimate.