

## **Report on the African Regional Seminar on National Accounts Statistics**

**Addis Ababa, 14-18 November 2005**

### **Introduction**

This seminar, opened by Mr Dimitri Sanga on behalf of Mr Augustin Fosu from the United Nations Economic Commission for Africa (UNECA) and Mr Ivo Havinga from the United Nations Statistics Division (UNSD). It was organized by UNECA with the collaboration of the UNSD. Both speakers indicated that the objective of the meeting was to discuss current issues in national accounts pertaining to the update of the 1993 SNA and relevant compilation practices of African countries. This initiative is based on the recommendations of the Committee on Development Information (CODI) IV (April 2005) providing the UNECA the mandate to promote and encourage African countries to make the transition from the 1968 SNA to the 1993 SNA. In addition, it seeks to assist countries in extending the scope of compilation of accounts beyond the production and generation of income accounts.

It was attended by senior staff of national accounts departments from 16 countries (Botswana, Cameroon, Comoros, Egypt, Ethiopia, Ghana, Kenya, Liberia, Madagascar, Mauritius, Nigeria, Seychelles, Tanzania, Uganda, Zambia, and Zimbabwe) as well as representatives from the UNSD, the UNECA, the International Monetary Fund (IMF) and the Johns Hopkins University.

The participants welcomed the outreach made by the international and regional organizations. It provided the opportunity to be informed about the international consultation process and the recommendations made on the update of the 1993 SNA and the opportunity to express comments on the recommendations.

By way of introduction, the participating countries informed the workshop that 75 percent of the countries had reached conceptual compliance with the 1993 SNA while all remaining countries had developed explicit work programs to reach the conceptual compliance with the 1993 SNA. In terms of scope of accounts that are compiled and published on a regular basis, 38 percent of the participating countries had reached milestone 2 while 25 percent published national accounts on a quarterly basis, in addition to the annual compilations.

### **Proceedings**

It was recognized that many of the proposed changes in the SNA resulted from **globalization, financial innovation and trends in economic analysis** that focused on balance sheets as sources of growth or instability. Globalization had raised new issues, which were discussed at this meeting, such as internationally mobile individuals, complex corporate structures (such as holding companies and special purpose entities) and multi-territory enterprises. Among the issues associated with financial assets were pension schemes, guarantees, repurchase agreements, arrears, nonperforming loans and index-linked instruments. Issues for nonfinancial assets included the treatment of land, water, mineral exploration, capital services, military assets, research and development, originals and copies, goodwill, data bases, mineral exploration and evaluation and costs of ownership transfer.

While these matters are primarily associated with balance sheets, some implications for GDP and income were identified.

The meeting was advised of proposed changes and clarifications for **public sector** data, including public enterprises dividends, taxes on an accrual basis, privatisation, sector delineation, public-private partnerships, and restructuring agencies. Country papers on government accounts were given by Kenya and Cameroon.

The participants took note of the improved methods that had been proposed for the update of the SNA for **financial services** and **insurance** at both current and constant prices. It was noted that in some countries, non-life insurance was small and not subject to fluctuations due to catastrophes, so the optional methods to take into account volatility would not be necessary. There were also some concerns about the need for transparency to avoid concerns about excessive adjustment of the data. The participants would appreciate worked examples of the more complex treatments, such as the alternative methods of deriving adjusted claims for insurance or the reference rate approach for FISIM. Representatives of Ghana and Zimbabwe elaborated on methods that they use.

In the case of the proposal for the changed classification of **military capital items**, the participants agreed with the proposal. Sensitivity by the military about such data was identified as a problem, but it was concluded that the sensitivity was likely to be less than for the 1993 SNA classification. The meeting discussed options to handle the concerns, such as fixed ratios, special confidentiality, and aggregation.

The proposal to include data on **capital services** in the calculation of non-market output was discussed and it was shown that failing to take these into account caused biases in data. It was shown that it is possible to derive capital services in an integrated manner with data on capital stock and consumption of fixed capital already generated to produce general government output.

All countries in the region were encouraged to **participate in the update process**. Now that the participants were more familiar with the issues, they would be more able to respond to questionnaires, electronic discussion groups, etc. The availability of a wide range of materials on the UN website was demonstrated. The UNSD encouraged participants to respond to the invitations for comments on the most recent AEG decisions.

Reports were given on the national accounts system and **1993 SNA implementation** in Egypt, Tanzania and Uganda. Seven of the countries are already compliant with the 1993 SNA while some others have partially implemented it.

It was noted that the SNA provided a **sequence of accounts**, which was a comprehensive framework for macroeconomic analysis, but only a few of the countries present are able to compile beyond the production and primary income accounts at this stage. In terms of the

ISWGNA milestones for national accounts data, seven of the countries represented had reached milestone 1, six met milestone 2, and three milestone 4<sup>1</sup>. While production and generation of income data are essential for economic analysis, they provide an incomplete picture of the economy. For example, the redistributive effects of insurance; unfunded pension liabilities; financial flows debt and nonperforming loans as possible sources of financial instability; and how balance sheet items contributed to growth were all issues that would be of importance for policymakers. While participants recognized that the SNA offers a comprehensive framework, their capacity to extend data coverage was constrained by resources and the need for technical support and training from international agencies and bilateral donors. The achievements made by some countries indicated that progress was feasible when given adequate backing.

The participants identified increasing interest in **quarterly national accounts** (QNA). Reports were given on the systems in Botswana, Mauritius and Nigeria, where they had been recently developed. In addition, Egypt had also recently introduced QNA and some other countries were already working on QNA or had a plan to do so. Participants encouraged the international agencies to provide regional QNA seminars for training and exchange of experience.

All the countries represented emphasized the importance of the **informal sector** to the economy. The UNSD advised on how the SNA update proposed to elaborate on the informal sector and best practice compilation methods. Country papers were given by Seychelles and Zambia.

Representatives of Johns Hopkins University provided information on the nonprofit sector and volunteering. They gave a presentation of the Handbook on Nonprofit Institutions in the System of National Accounts, explained its purpose and structure and explained work they were doing on this topic. The nonprofit sector was identified as a distinct and important component of the economy in participants' countries that is currently not reported separately in the SNA. Statistical visibility of the NPIs in the economies requires the explicit sub-sectoral classification in the existing sectoral accounts of the 1993 SNA. Additional information on the NPIs is to be collected as outlined in the Handbook like the volunteer input, paid employment, and value of government receipts.

A number of sessions covered reports on country experiences and concrete guidance on suitable national accounting methods. Participants found these very useful and commended seminars as an effective way of spreading best practice to a wide group of countries and developing regional networks.

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<sup>1</sup> For more information on the milestones see: SNA News and Notes, Issue4, July 1996 (<http://unstats.un.org/unsd/nationalaccount/sna/sna4-en.htm#txt1>)

The ECA expressed its gratitude to the participants and partners for this successful event, held in Addis-Ababa. The valuable presentations and reports presented by UNSD, IMF, Johns Hopkins University and countries have contributed to the overall success of the meeting. The meeting also expressed its gratitude to UNECA for arranging the seminar and look forward to working with UNECA in this important plan of action.

### **Conclusions and recommendations**

The participants reacted positively to the request by the international agencies to prepare country responses on the recommendations made by the Advisory Expert Group (AEG) in the global consultation. The UNECA will follow-up with the countries to participate in the update process and encourage their responses.

In general, participants agreed with the proposed changes, although it was recognized that some of the issues would have relatively low priority because it is most of the time beyond the scope of countries' current national accounts computation framework. Moreover, resources to expand the scope of the work are unavailable.

For the informal sector, the participants supported the idea of an international standard definition (while maintaining the International Conference of Labor Statisticians (ICLS) recommendation for national adaptation). This would require a clarification (i.e. all formal household enterprises should be treated as quasi-corporations) and a change in the definition of market producers of informal household enterprises (i.e. "most or all" to be replaced by "some or all").

UNECA was requested to organize another workshop on the 1993 SNA and its update to extend the coverage of African countries. Moreover, the format of this regional training workshop should be maintained in order to integrate the progress and feedback on the update of the 1993 SNA with discussions of country practices in the implementation of the 1993 SNA. The participants agreed that central banks and other relevant agencies should be encouraged to participate in these workshops.

The participants recognized the importance of making progress in extending the scope of accounts and reaching conceptual compliance with the 1993 SNA. The achievements made by some countries indicated that progress was feasible when given adequate backing and technical assistance. International agencies were requested to increase their efforts in technical assistance.

Furthering the CODI IV recommendation on the implementation of the 1993 SNA, participating countries accepted the commitment to reach at least milestone 2 and conceptual compliance by the end of 2008. UNECA in collaboration with UNSD was requested to monitor the progress of implementation.

International agencies are encouraged to organize regional training workshops for African countries on specialized topics like quarterly national accounts, price and volume indexes,

regional accounts, satellite applications and integrated survey design for economic statistics (i.e. survey programs supplementing administrative data by integrating data collections across size classes and economic activities of enterprises linked to the exhaustive measure of GDP and accounts of the 1993 SNA, including the informal sector).

Given the increasing social and political importance of non-profit institutions in the economies of many countries, national statistical offices were encouraged to implement the NPI satellite account as outlined in the Handbook to enhance the statistical visibility of these institutions.

The need for additional handbooks on practical compilation guidance on specific aspects of the SNA was identified to supplement existing handbooks such as the IMF Handbook on Quarterly National Accounts and the OECD Handbook on Measuring Capital. This request supports the preparation of UNSD Handbooks on Financial Services covering the measurement of Financial Intermediation Services Indirectly Measured (FISIM), insurance and pension schemes at current and constant prices, Handbook on Production Indexes, and Handbook on Integrated Economic Statistics.

### **Workshop evaluation**

Concerning the pre-workshop arrangements including transportation and hospitality, the majority of participants fully agreed that the logistics provided were of very good quality.

Concerning the time allotment between presentations and discussions, the allotted time and the pace of presentations were very organized allowing also sufficient time for discussions.

All the themes discussed were relevant and fully appreciated by the participants, the various experts from UNSD, IMF, JHU, ECA and countries contributed to the high quality of the workshop.

Some participants pointed out their preferences between the presentations conducted by the countries, UNSD, ECA, IMF and JHU. However, the presentations were complementary and the ratings of all presentations were very high and remarkable. This contributed to the overall success of the meeting.

The participants also highly appreciated the distribution of essential documents, including hard copies of presentations and the blue book of 1993 SNA.

At the end, the overall rating of the meeting was very satisfactory.

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