

Illegal activities

Summary conclusion

Questions

1. The AEG members were asked whether the following nine clarifications should be incorporated into the updated SNA.
 - (a) The explanation of illegal activities in the 1993 SNA should be further clarified by providing examples based on those in the NOE Handbook. These include activities such as production and distribution of illegal goods and counterfeit products, production of illegal services, production activities which are usually legal but which become illegal when carried out by unauthorized producers, theft and resale of stolen goods, bribery, extortion, money laundering, and forgery.
 - (b) Recurrent theft of significant value by employees should be recorded as compensation in kind of employees.
 - (c) Recurrent theft of water and electricity of significant value by households should be recorded as final household consumption expenditure. This treatment requires an imputation of a current transfer-in-kind from the producer (non-financial corporation sector) to the consumer (household sector).
 - (d) Sale of stolen goods (fencing) should be recorded similar to the recording of sales of second-hand goods – that is, recording the value added and trade margins of distribution activities.
 - (e) In the provision of market goods and services, bribes taken by employees as an additional margin on the “official” price should be recorded as an increase in the value of output of market production matched by an identical increase in the compensation of employees.
 - (f) If the bribery is accepted as standard practice in provision of non-market services, then the bribe should be recorded as additional compensation of employees and an increase in output of government.
 - (g) Bribes linked to the provision of non-market services that are not allowed or not publicly accepted should be recorded as current transfers. The same holds for payments to persons in privileged positions to obtain a contract.
 - (h) Extortion payment should be recorded as an other change in the volume of assets account.
 - (i) The difference between the value of the illegal cash and the value of the legalised (laundered) cash should be looked upon as a provision of services.
2. AEG members participating in the e-discussion overwhelmingly supported clarifications (a), (d), (g) and (h). The other clarifications required further discussion during the meeting.

Outcomes

3. The AEG agreed that theft should not be treated as a transaction. The AEG also agreed that bribery should not be treated as compensation of employees, contrary to the possibilities mentioned in the *Handbook on the Non-Observed Economy*. The consensus of the AEG was that bribery should not be discussed in the updated SNA.