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ECONOMIC COMMISSION FOR AFRICA

Intergovernmental Seminar on the Review
of the United Nations System of
National Accounts

Addis Ababa, 16-25 July 1990

**FINAL REPORT OF THE INTERGOVERNMENTAL SEMINAR ON THE
REVIEW OF THE SNA**



PART ONE
REPORT OF ATTENDANCE, ORGANIZATION OF WORK AND PROCEEDINGS

I. ATTENDANCE

1. The Intergovernmental Seminar on the Review of the United Nations System of National Accounts was held at ECA headquarters, Addis Ababa, Ethiopia, from 16 to 25 July 1990. The opening statement by Prof. Adebayo Adedeji, Executive Secretary of the Economic Commission for Africa was read by Mr. Tchouta-Moussa, Deputy Executive Secretary.

2. The seminar was attended by participants from the following member States of the Commission: Cameroon, Cote d'Ivoire, Egypt, Equatorial Guinea, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Libya, Madagascar, Malawi, Nigeria, Niger, Rwanda, Senegal, Swaziland, United Republic of Tanzania, Togo, Zaire, Zambia and Zimbabwe.

3. There were representatives from the United Nations Statistical Office and the Food and Agriculture Organization of the United Nations (FAO).

4. The following intergovernmental body **was** represented: Economic Community of West African States (ECOWAS).

5. The African Development Bank (ADB) was represented at the Seminar.

6. Citoyen Muhindo Gyenano (Zaire) was elected Chairperson of the intergovernmental seminar with Mr. P. Kallaa (Kenya) as Vice-chairperson and Mr. J. Oladoye (Nigeria) as Rapporteur.

II. ACCOUNT OF PROCEEDINGS

1. Agenda

7. The Seminar adopted the following agenda:

1. Opening Address
2. Election of Officers
3. Adoption of the Agenda
4. The SNA review: purpose, progress and planned programme of work
5. The SNA Review from the African region's viewpoint
6. Main concepts and classifications of the Revised SNA:

Integrated analysis of production, income generation and income distribution

- b) *Integration* of stock analysis with the traditional flow analysis of the national accounts
- c) *Financial* instruments, financial sector and financial accounts
- d) Transfer of resources between countries
- e) Analysis of *inflation*
- f) Role of the household sector
- g) Role of the public sector

7. The Accounting Framework:

- a) Central framework of classifications, accounts and tables
- b) Alternative matrix presentations
- c) Supplementary analysis
- d) SNA links with other systems of statistics
- e) Definitions of transactions and accounting rules

8. Main conclusions and recommendations of the seminar

9. Evaluation of the seminar

10. Adoption of the report of the seminar.

2. organization of the meeting

8. The meeting was conducted in two parts: the first part included training sessions, which were intended to inform participants about the past and future developments in the SNA Review, and about the recommendations that were made by expert SNA group meetings and how the technical details of these recommendations were reflected in the draft SNA chapters. The participants then proceeded to discuss in the second part of the-meeting the various issues on which their comments were requested by the Statistical Commission. These included technical SNA issues which either constituted important elements or important changes in the system as compared with the **1968** SNA, special aspects of the SNA related to the African region and aspects related to the implementation of the SNA.

III. OPENING ADDRESS

9. In his *opening* address, the Executive Secretary welcomed the participants and expressed appreciation to the United Nations Development Programme and also the UN/DTCDC for *financing* the Intergovernmental Seminar and the United Nations Statistical Office as well as other bilateral and multi-lateral agencies and institutions for their valuable contributions to the development of statistics in the African region.

10. He pointed out-that although the 1968 version of the SNA had served well as 'a general purpose system which had provided guidelines for the systematic and integrated recording of the flows and stocks of an economy, criticisms that the present SNA does not sufficiently address the special concerns and circumstances of developing countries had frequently been voiced. It was noted that the current efforts in the SNA revision were in line with the call contained in the Lagos Plan of Action in that the latter emphasized the urgent need- for strengthening the statistical infrastructures of the member States of ECA as bases for effective policy-making and Planning.

11. He further pointed out that in 1986 ECA organized a similar regional meeting on this topic, in Addis Ababa as one of a world-wide series of regional seminars to discuss the proposed revision and possible extension of the SNA with the view of making it more adaptable to the requirements and special circumstances and needs of the African countries. The meeting had made a number of important proposals which were submitted to the Inter-Secretariat Working Group on the Review of the SNA. Some of these proposals have been or are in the process of being implemented, while several others which have a bearing on the special circumstances and needs of the developing economies, and statistically less developed systems, remain to be adopted or implemented.

12. It was stressed that the Seminar needed to focus its discussions on, and emphasize the relevance of the SNA to the requirements of socio-economic planning and projection, economic management and economic analysis, including issues of adjustment, poverty and the environment. The need for detailed, accurate and timely national accounts data and related current economic statistics particularly in countries *which* had to undergo painful short-to-medium-term structural adjustment programmes, was emphasized.

13. To meet this need and within the framework of the SDPA Fifth Session of (Statistical Development Programme for Africa) project, the Joint Conference of African Planners, Statisticians and Demographers drew up the Addis Ababa Plan of Action for Statistical Development in the **1990's, which was adopted** by the ECA Conference of Ministers which met in Tripoli, Libya, in May 1990. The review of the SNA was considered as opportune in considering the

implementation of this Plan of Action during the 1990's and in fulfilling the data requirements for *monitoring* the implementation of the African Alternative Framework to Structural Adjustment Programmes for Socio-economic Recovery and Transformation (AAF-SAP). He expressed the wish that the new revised SNA, when completed, would provide a comprehensive and adequate framework for data collection and analysis for all countries in varying stages of statistical development.

14. In conclusion, the Executive Secretary urged the participants of the Seminar to focus their discussions on the structure of the SNA rather than on issues of data availability and to ensure that the next version of the SNA would address the analytical and policy *concerns* of their countries, and wished them success in their endeavors.

IV. TRAINING SEMINAR

15. Through detailed presentations and explanations by a representative and a consultant of the UN Statistical Office, of the main features of the accounting structure and tables of the SNA, it was possible to familiarize participants with many of the details that they would have to know in order to be able discuss the various issues in an effective manner. The training seminar was extended by one day from three to four days in order to provide participants with all necessary details needed for an effective discussion during the second part of the meeting.

16. The background document for the training was a series of statistical tables contained in Annex A of the System of National Accounts (SNA) Review Issues, discussion paper for the 1990 Regional Commissions Meetings on SNA, prepared by the Inter-Secretariat Working Group on National Accounts

17. During the training sessions much attention was paid to the central accounting framework of the revised SNA, and in particular to the sequence of accounts, the integrated accounts for the national economy, the supply and use framework, the simplified accounts for the nation, and to a limited extent to the simple matrix format that is linked to the integrated accounts for the nation.

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18. In the course of the presentation and in response to questions, several other aspects of the revised SNA were highlighted. These included the classification of taxes linked to

¹ UN Statistical Office, OECD, EUROSTAT, IMF, World Bank and the Regional Commissions of the United Nations.

production and imports, the valuation of products and value added, the concept of mixed income as distinct from operating surplus, the entrepreneurial income accounts and the corresponding entrepreneurial income concept, the concepts of disposable income and adjusted disposable income, the treatment of natural growth products, the asset classification, the treatment of multiple exchange rates and exchange rate differentials, the calculation of consumption of fixed capital, imputed rent on government owned buildings and consumption of fixed capital on roads, dams and other structures generally owned by government, the incorporation of some military durable.m-tapital formation, etc.

19. Participants in particular had much interest in four topics. These included valuation of product flows and value added, and the inclusion in the accounts of an alternative consumption concept called actual household consumption and an alternative disposable income concept called adjusted disposable income. Many questions were also raised with regard to, the entrepreneurial income accounts and the concept. of entrepreneurial income, and finally there was much discussion about how to apply the residency principle in the case of dams for the generations of electricity which were jointly owned and/or operated by different countries.

PART TWO
DISCUSSION OF SNA REVIEW ISSUES

I. FEATURES OF AND CHANGES IN THE DRAFT OF THE REVISED SNA

20. During the discussions in the second part of the meeting of SNA Review topics on which expert groups had made recommendations, only a selection of issues could be dealt with due to time constraints. Only included in the discussion were those issues that were thought most important for the African region. Most attention therefore was paid to topics related to production accounts analysis and their integration with institutional sectors accounts, valuation of product flows and value added, household and external sector accounts, and issues of inflation and related exchange rate questions. In particular were omitted from explicit consideration in the meeting topics related to financial corporations and financial instruments, as these parts of the system were thought to be less relevant for the region and on which very few participants would have any particular expertise.

A. INTEGRATED ANALYSIS OF PRODUCTION, INCOME GENERATION AND INCOME DISTRIBUTION (paras. 27-71, document SNA discussion)

1. Statistical units, establishments, enterprises (paras. 33-35, document SNA discussion

21. In introducing the topic, it was pointed out that as in the 1968 SNA, there are two main statistical units in the revised SNA, i.e. establishments and institutional units. Establishments are defined in principle as units with a homogeneous output and operating in one location, but in order to provide flexibility and link the concept with the more practical definition of establishments in the recently revised ISIC rev. 3, the SNA allows for less homogeneous units of production, which may have produced secondary products.

22. The meeting almost entirely focused on the implication of the establishment definition for what would be gross output of agriculture as dealt with in the FAO Handbook on Agricultural Accounts. Most participants felt that the general recommendation by the expert groups not to identify output produced in an establishment and used in the same establishment for intermediate consumption, would have to be amended in the case of agriculture. Two reasons were mentioned. From the data point of view it would be difficult to identify within output, products such as seeds, fodder, milk and so on, which are used in the same agricultural holding. Also it was felt that information would be lost if such intra-establishment deliveries in the case of agriculture would be consolidated out.

23. The meeting therefore concluded that output in agriculture should be recorded gross, i.e. including production of seeds, fodder, milk and other product used as intermediate consumption in agriculture.

2. Alternative income concepts: primary, entrepreneurial and mixed income (paras. 36-40, document SNA discussion.....)

24. In the presentation of the sequence of accounts during the training session, it was explained that the revised SNA was proposed to include--'two new income concepts, i.e primary income and entrepreneurial income. Primary income would be obtained for each sector by adding to or deducting from operating surplus compensation received or paid and by further adding property income received net. Primary income thus would be the sectoral equivalent of national income for the national economy. Entrepreneurial income would an intermediate concept between operating surplus and primary income. For corporations it would be obtained by deducting property income paid and adding property income received, and for households it would be' derived by adding only property income paid in the context `running-an unincorporated private enterprise. In both cases, entrepreneurial income would be 'close to profits before taxes. In the household sector no property income was added in the derivation of entrepreneurial income, because it was assumed at that all receipts of property income by households would be received by them in their capacity of households and not as owners of unincorporated enterprises.

25. Much interest was expressed with regard to the concept of entrepreneurial income, which for corporations and households operating unincorporated enterprises, would be close to profits before taxes. Participants questioned the assumption that all property income received by households was assumed to be received in their capacity as households and not as owners of unincorporated enterprises. One participant noted that in his country households may receive large amounts of property income from owning and renting out large areas of land on which cattle is raised. Such revenues could not be considered as revenues received by the households in their capacity as households.

26. One participant commented on the terminology change from GNP to GNI. He thought that the term "product" in this case should be retained. It was explained, however, that the term "product" would be only used in the revised SNA for gross and net output and that once proceeds generated by production are assigned and redistributed to and between sectors, the system would use the term income.

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27. In view of the lengthy discussion during the training seminar of the sequence of accounts, the participants agreed during this part of the meeting with the introduction of the three new income concepts in the sequence of accounts, i.e. primary income, entrepreneurial income and mixed income in the case of households. These income concepts were thought to be useful in spite of the data problems to compile or develop the estimates.

3. Production—boundary (paras. 41-47, document SNA discussion.....«..)

28. In introducing the topic, it was pointed out that the production boundary of the revised SNA was not substantially changed as compared with the 1968 system. Only further clarifications and specifications were introduced into the revised SNA. It was particularly agreed by the expert groups that all goods production would be included in the production boundary and that services production would be included only if those services were rendered' by one economic unit to another. In this definition, household services produced and used in the same household would be excluded from the production boundary.

29. The participants in their discussion almost exclusively focused on the distinction between goods and services as an essential element in defining the production boundary. Several participants thought that carrying of water was a service and not a good as was recommended by the expert groups and that even fruit gathering and hunting could be seen as services, as production was carried out not by man, but by nature. According to these participants, the only activity of man was to gather the freely available fruits and hunt the animals that grew up in the wild. Other participants pointed out that such arguments could also be used in the case of oil extraction or catching of fish and that in those instances there is a general consensus that goods production is involved and not the production of services.

30. In conclusion, the meeting noted with appreciation that the expert group had paid much attention to the incorporation in the production boundary of various activities that were of particular concern to the African region, such as the carrying of water, the production and trading of illegal goods, etc. In view of this, participants agreed with the general principles concluded by the expert groups that all production of goods be included in the production boundary and production of services if they involved a transaction between two separate economic units. They confirmed that output of goods production includes the products of hunting, fruit gathering and carrying of water.

4. Quasi-corporations versus unincorporated enterprises (paras.48-51 document SNA discussion.....)

314 In introducing the topic, it was pointed out that quasi-corporations would be retained in the revised SNA. They would be added to the legally defined corporations in the case of market producers to form the two sectors of non-financial and financial corporations in the system. The main criterion for distinguishing between quasi-corporations and unincorporated enterprises was that they keep separate accounts and withdrawals from entrepreneurial income could be separately identified. These criteria would apply in principle to private as well as public unincorporated enterprises.

32. The discussion of this topic was mainly restricted to how small scale production units that carried out financial operations (money lending) as well as other types of production would be classified. In response, it was pointed out that such units would be included in the household sector and that they would be distinguished as separate establishments in the classification by kind of economic activities.

33. The meeting agreed with the main condition defined by the expert groups that a quasi-corporate enterprise be distinguished from an unincorporated enterprise on the basis of the availability of a complete set of accounts, including information on withdrawals from entrepreneurial income. It noted that money lenders operating in the informal sector would be considered as unincorporated financial enterprises to be included in the household sector.

5. Market and non-market production (paras. 52-60 document SNA discussion ...)

34. It has been proposed by the expert groups to distinguish between market and non-market producers and market and non-market products. Typically market producers would cover 50% or more of their cost through sales and non-market producers less than 50%. The price of market products should be determined on the basis of a market price, while non-market products should be valued on the basis of cost. There are still open questions about whether or not to classify all corporations as market producers or also to apply in this case the 50% criterion. The other outstanding issue is whether to allocate quasi-corporations which do not meet the 50% criterion in the government sector or in the corporate sector and when the latter option is taken, whether to value their output at prices actually paid with subsidy to cover the shortfall, or whether to value their output at cost, and treat the cost not covered by sales as government consumption.

35. The participants presented many examples of producing units in their country with features that should be taken into account

determining the criteria for distinguishing between market and non-market producers and products. The main examples of enterprises that were presented, and on which further guidance was needed as to their classification, were the following:

(i) A public enterprise with large deficits; its wage bill and also parts of its other cost were directly paid by the government:

(ii) A public enterprise providing irrigation services to farmers. Are, the payments by farmers treated as tax or as sales?

(iii) A cooperative enterprise with individuals participating in its capital, whose profits are entirely paid out to its share holders

(iv) A bank, following the Islamic law, does not charge any interest. The main capital of the bank is foreign. The bank repays loans and deposits' on the expiration date without interest 'payments. It uses the funds given to the bank to involve itself in commercial operations from which it obtains its revenues. Is it a bank or is it a trading corporation?

(v) The statistical 'Office in one country is a public corporation by law. However, its only sales are publications and these sales do not cover by far the cost

(vi) A government agency purchases production of small farmers (e.g. coffee) and sells (in most cases exports) this production on a wholesale basis. Is this agency a quasi-corporation?

36. In discussing the above examples, some further clarifications were obtained. In the case of payments which are clearly for the purpose of a service rendered as in the case of (ii) the payment should be considered as a sales and not as a tax. Community services including foreign sponsored non-profit organizations should be treated as non-profit institutions to be included in a subsector of the household sector. One of the participants expressed the view that the distinction between market and non-market producers should be based on the objective of the producing unit in question. If it is profit oriented it should be classified as a market producer.

37. In concluding the very interesting and extensive discussion, the meeting agreed that the distinction between market and non-market to describe producers and products is desirable, and that the revised SNA should contain specially clear criteria for making this distinction. No definite conclusions with regard to these

criteria were reached during the meeting. However, the many examples presented by participants of institutional units and arrangements in which production was organized, reflected the variety of situations in different countries which have to be taken into account in drawing up the final criteria for the market vs. non market distinction in the SNA.

6. Financial intermediaries: bank and insurance services (paras. 61-68 *document* SNA discussion.....)

38. A number of changes **have been suggested** with regard to the output and **distribution** of output of financial intermediaries, i.e. banks and insurance companies. In the case of banks it has been proposed that bank output is a real output, which is only approximated by adding to actual bank service charges, imputed charges based on the difference between property income received and paid. In other words, not the imputation itself, but the character of the imputation has' been changed. It has been furthermore recommended that the imputed charges be allocated to users together with the actual bank service charges. The imputed **service, charge** to' be allocated to **each sector** would be the difference between interest received or paid on the one hand, and a reference **interest** rate on the **other**. **The imputed service paid by each user would. be deducted. from the interest paid by bank borrowers and added to the interest received by depositors** in order to arrive at a **pure** interest rate. The latter would be recorded as property income received and paid in the Appropriation of Primary Income Account.

39. In the case of insurance service charges, the expert groups recommended that property income on technical reserves be added in calculating the service charge. This recommendation was based on the recognition that premiums of insurance companies have been reduced in recent years, as those companies draw part of their revenues from investments of their technical reserves. As this is the case for life insurance as well as casualty insurance, it is recommended that this amendment be applied to both types of insurance service charges.

40. **After a brief discussion, participants agreed with the distribution of imputed bank service charges between sectors, which would imply that a treatment similar to that of the 1953 SNA would be re-instated in the revised system. Participants, however, expressed the wish that more specific and practical guidelines be developed for selecting the appropriate reference interest rate that would be used as a key for the distribution of the bank service charges between sectors. They also agreed that the 1968 SNA imputed insurance service charges be amended to take into account property income on technical reserves.**

7. Imputation of rent on Government buildings (paras. 69-71 document SNA discussion.....)

41. The proposal of the expert groups has been to introduce into the revised SNA, imputations for rent on **government** owned buildings. This **recommendations would effectively** increase **the** contribution of ' the **government** sector to GDP, as it would introduce cost of capital into the calculation of output of **government, which would** be reflected in net **operating** surplus of that sector. This **imputation would** be in addition **to another imputation recommended by the expert groups to introduce** consumption of -fixed capital on all **government** fixed assets including government buildings and also roads, dams and similar structures. In recording the imputations, two options have been advanced by the 'expert groups .. One would be only to add consumption of fixed capital and cost of: capital on owner-occupied buildings to cost in the \calculation of output of **government** services. **The** other option is. to create a separate **establishment** which would bring together all' cost of government owned buildings and would have as output, building services which would be recorded separately from the output of government **services.**

42. It became clear from the' discussion that in most countries, the operation of government buildings was managed by a specific department or ministry. This would mean that it would not be too difficult to **identify** the cost related to **the operation** of government buildings in case imputations for government buildings were made. In **some** instances this same ministry **also** was in **charge** of renting from or to others private buildings that were used by government agencies or government owned buildings that were rented to others. Many participants had questions on the valuation and classification of the imputed output of government owned buildings. Some thought that it would be difficult to obtain realistic prices for valuing the imputed rents. Others thought that it would be difficult to have a complete record of all government owned buildings, particularly in the case of local governments.

43. The participants had many questions on the implications of **imputing rental services on government owned buildings.** These imputations have implications for the valuation of imputed building services output, . the incorporation of cost of capital in the calculation of output of government services, the classification of government services, etc. In view of this, participants felt that further thought needed to be given to the conceptual and data implications of such imputations, before a final decision could be made to change the 1968 SNA on this ,point. Most participants agreed, however, that if imputations were made for the rental services of government owned buildings, a separate establishment would have to be created. --

B. VALUATION (paras. 78-84, document SNA discussion.....)

1. Valuation of final demand and value added (paras. 78-84, document SNA discussion.....)

44. During the training session participants discussed extensively the three valuation alternatives for output --i.e. (a) basic prices, (b) producers prices in the absence of VAT and (c) producers prices **in** the presence of VAT --, **the corresponding** valuation of value added and the treatment of product taxes and also considered the proposed valuation of intermediate and final uses in purchasers' values.

45. During the training sessions, many clarifications were requested from the lecturers in the context of the sequence of accounts and also when the supply and use framework was explained. Participants requested particularly clarifications on the relation between the proposed alternative valuations of gross output, the treatment of taxes 'linked to production and imports and the corresponding valuation of value added' by kind of economic activity. Many questions of participants concerned the relation between their present experiences which were often referred to as using valuations in market prices and factor cost, to the **valuations that were** proposed for use in **the revised** SNA.

46. Most participants agreed with the flexibility in valuation of output thus incorporated in the system, given that many countries may have different fiscal systems which may not necessarily allow for observing the ideal valuation of gross output in basic values. Other participants wondered whether the flexibility would not lead to reduced incomparability of data. In response it was pointed out that total GDP would not be affected; whatever valuation would be used for output and value added, it would only affect the activity breakdown of GDP. On the other hand, international comparability of GDP by activities would be only optimal if basic values (alternative a) are used, as such valuation would eliminate from the valuation of output and value added any incomparabilities that may be caused by different fiscal systems in different countries. Valuation in producers' values whether in the absence or presence of VAT (alternatives b and c), even if used by all countries would not result in data that are strictly internationally comparable.

47. After considering the advantages and disadvantages of the valuation flexibility, participants finally agreed with the incorporation in the revised SNA of the three valuation alternatives for gross output and value added, i.e. (a) basic prices, (b) producers' prices in the absence of VAT, and (c) producers' prices in the presence of VAT, as presented in the annex to the discussion paper. It was however, emphasized that for purposes of international comparability, alternative (a) would be

preferable. Participants also agreed with the valuation in purchasers' prices of intermediate and final uses in the institutional sector accounts and supply and use table.

C. INTEGRATION OF STOCK ANALYSIS WITH THE TRADITIONAL FLOW ANALYSIS OF THE NATIONAL ACCOUNTS (85-153, document SNA discussion

48. In introducing the various topics concerning the valuation, classification and coverage of assets, it was pointed out that the asset question as a whole was still an unresolved issue. All statements made by those introducing the topics reflected tentative views which may be altered after the discussion in the December Expert Group Meeting on SNA Coordination. In view of this, participants in the present meeting were urged to present their views so that they could be taken into account in recommendations by the Expert Group.

1. Changes in assets (93-107, document SNA discussion.....)

49. The revised SNA will distinguish at the first level of detail between non-financial and financial assets. Within the non-financial assets, a second level distinction would be made between produced and non-produced assets, and within each at the third level of detail between tangible and intangible assets. An innovation that has been discussed in expert groups is to introduce into the system, fixed assets that would be intangible but produced, including research and development, capitalized mineral exploration cost, computer software and literary artistic work. In the changes of assets, a distinction is made between gross capital formation, net purchases of land and other non-produced assets, other volume changes in assets and liabilities, nominal holding gains or losses, and changes in classification and structure (of assets and liabilities). The distinction between produced and non-produced assets is not necessarily the same between the classification of stocks of assets and the changes therein. One could have gross capital formation, i.e. the use of a produced asset as improvement in land, which would not appear as an asset in the stock of assets, as it would be incorporated in the value of the land. Similarly capital repairs are a category in gross fixed capital formation, but do not show up as a separate asset in the stock of assets, as its value is incorporated in the value of the buildings or structures to which the capital repairs have been applied.

50. Discussion focused on the treatment of historical monuments, pre-investment or feasibility studies and on the coverage buildings in fixed assets. It was explained that historical monuments may be incorporated in the system only when actual transactions take place. Pre-investment studies may be treated as part of capital

formation, if they form an integral part of an investment project in the SNA sense. And buildings are to be included as fixed assets only if they have been sold; if not they are treated as part of stocks (inventories).

51. The meeting did not arrive at a particular conclusion regarding the classification, valuation and moment of recording of assets. However,' experts in the SNA Review were urged to take into account in the final recommendations on how to deal with the asset question in the SNA, the examples of assets and changes therein that were presented, by participants in the meeting and that are presented in the.-remaining pars. of this section C.

2. Mineral exploration (114-117, document SNA discussion

52. There has been a recommendation by the expert groups to treat all expenditures on mineral exploration as part of gross fixed capital formation, whether such exploration is successful or not. This would change the treatment in the present SNA which includes all such expenses as 'intermediate consumption.

53. The meeting dealt with exploration expenditures as well as with the treatment of mineral deposits as assets.

54. After a brief discussion, the meeting agreed with the expert groups that expenditures on mineral exploration are treated as capital formation, no matter whether the exploration is successful or not. However, no final conclusions were reached with regard to the incorporation of mineral deposits in the asset boundary of the SNA as there were still too many questions to resolve on valuation of these assets.

3. Environmental assets, incl. natural growth (132-141, document SNA discussion.....)

55. Environmental assets consist of three main groups, i.e. natural cultivated assets which are included under produced fixed assets, and furthermore land and subsoil assets which are both included under tangible non-produced assets. The natural cultivated assets include all products including animals, for breeding, dairy, draught, etc.; timber tracts and cultivated forests; plantations (orchards, vineyards, etc.); fisheries. It is proposed that all such products of controlled' or cultivated natural growth be recorded as output at the moment of growth. Output of such controlled natural growth processes is considered as work-in-progress which adds to changes in stocks and in some instances to gross fixed capital formation such as in the case of the growth of animals for breeding, dairy and draught. The output value may be based on market values.

56. The meeting dealt with the treatment of agricultural output and the **incorporation** of wild **reserves**, beaches and soon as part of the national wealth.

57. With regard to agricultural output one participant argued that proposed treatment could be replaced by an alternative treatment, in which information on the agricultural year would be included in the national accounts in a manner similar to the **incorporation** of financial information which is incorporated in the national accounts on the basis of fiscal year data. In response it **was pointed that such treatment would not** eliminate distortions in value added under high inflation circumstances.

58. Other participants asked about the treatment of severe losses due to draught between the growth and harvest. In response it was pointed out that such losses would be dealt with as other volume changes in assets (stocks of agricultural goods); if **changes** between growth and harvest would be value changes they would be dealt with in the.. revaluation accounts. **Both** changes would be reflected also in changes in stocks. A question, however, remained, to **what** extent such changes were severe enough to be treated as other volume changes and when they would constitute part of the normal variation in output over the years and thus should be reflected in a negative adjustment to output.

59. Many participants felt that wild parks, beaches and similar natural assets should be considered for incorporation in the asset boundary of the SNA. Those assets are an important basis for the tourist industry of the countries concerned and any deterioration in those assets, for instance as a result of draught, immediately has an effect on the tourist revenues of the countries in question. Also wild parks are to be maintained; there is clear cost to the country. Most participants felt that these assets, as they generate revenues should be considered as part of the national wealth of the countries in question.

60. In conclusion, there was much sympathy with basing agricultural output on the growth of agricultural products rather than on their harvest. However, it was felt that more study was needed on how to value such output before a final decision could be taken.

61. Furthermore, the meeting felt that the issues of coverage, classification and valuation of environmental assets are yet unresolved. Participants therefore strongly urged experts in the SNA review to explore further. the inclusion in the asset boundary of the SNA, of wild parks, beaches and natural monuments which are environmental assets that are important in the development of recreation and tourism. This further study was needed as most participants thought that these assets were clearly of a type that was in between on the one hand, natural cultivated assets which are to be treated as fixed assets, and on the other hand virgin forests

and wild animals living in the jungle which are clearly assets outside the asset boundary of the SNA. Many felt that these assets could be considered as a part of the national wealth of the countries concerned.

4. Military durables (141-144, document SNA discussion.....)

62. Military durable to be included in gross fixed capital formation are to be extended as compared with the 1968 SNA. **Proposed** to be included is all military **equipment** which could be acquired by **civilian** users for purposes of production and that the military actually use in the same way. All **destructive** military weapons continue to be treated as part of intermediate consumption of the production of government services and thus included in government final consumption expenditure.

63. Most of the participants who intervened in the discussion seemed to prefer a wider definition of capital formation as regards military goods'. A.. number of examples justifying such extension of capital formation, were mentioned,.. such as roads and bridges that were built by military but were actually used mainly for civilian purposes, and military aircraft that, were used for civilian purposes. Others suggested that military expenditures, instead of being treated as final expenditures adding to GDP would have to be treated as cost or negative income resulting in a reduction of GDP. Several **participants** mentioned the difficulty of obtaining reliable data with sufficient detail with regard to military expenditures, which would **make** it difficult to distinguish between such expenditures that are to be treated as intermediate consumption for the production of government defense services and those that are to be included in gross fixed capital formation.

64. The **meeting, however, agreed** in the **end** that all military **equipment and other assets such as schools and hospitals which are of a kind that could be acquired by civilian users for purposes of production and that the military, would normally use in the same way, should be classified as capital formation.**

D. **TRANSFER OF RESOURCES BETWEEN COUNTRIES** (175-229, document SNA discussion.....)

65. In introducing the various topics related to the external account of the SNA,. it was pointed out that many of the changes proposed were made in 'order to align SNA and BOP. In some instances, these changes constituted a change in the SNA, in other cases BOP treatment was proposed to be changed, and in third cases both systems were recommended to adapted.

1. Residence:— individuals. — enterprises. — international organizations. foreign control of enterprises (182-195, document SNA discussion.....)

66. The basic principle of residence would be to assign residence to units on the basis of their center of interest. This basic principle was worked out by the expert groups in operational terms for individuals, enterprises and international organizations. In the case of **individuals** it was recommended that a one year residence in a country would be sufficient for an individuals to be considered resident of a country, except for students who were proposed to be treated as residents of their country of origin. For enterprises it was recommended to treat them as residents if the purpose of the production unit was to carry out production in a country on a- significant level over a longer period of time (broadly one year or more). The one year rule should be applied, however, in a flexible manner ', particularly in the case of construction activity undertaken abroad. Generally not included as residents are operators of mobile equipment, ships flags of. convenience of the'country in question, or enterprises engaged in installing equipment abroad. International and regional organizations remain treated as extrarterritorial units as in the present SNA.

67. During the *training* sessions a very interesting example of jointly owned and/operated facilities was presented by one of the participants during the Seminar and further analyzed by participants as regards its treatment in the national accounts. It concerned a jointly owned dam for the generation of electricity which was also operated jointly between three countries. The dam was constructed by an enterprise which was not a legal residence of either one of the three countries, the dam was located in the territory of one of the countries, but its construction had involved workers and materials from all three countries as well as from third countries. Participants first discussed the residence of the company which had built the dam and the residence of the company subsequently operating the dam; and then analyzed the effect of such residence on the allocation of capital formation between the three countries and on the exports and imports of each country.

68. In a further discussion of the question of residence, one participant, wondered why students were considered as residents of their country of origin..He noted that they receive most of their income from foreign grants and also spent those grants in a foreign country.

69. The meeting agreed in general with the principal resident criterion based on the concept of center of economic interest, to be applied to individuals, enterprises and international organizations, as proposed by the experts in the SNA review. However, it requested the experts to provide further guidelines with respect to the residence of students in the case of individuals, and also with regard to enterprises jointly operated between countries.

2. Exports and imports of goods and services (196-209, document SNA discussion.....)

70. A number of modifications was proposed with regard to the treatment of exports and imports of goods and services. Goods sent for processing abroad would be treated gross --i.e. included in exports and imports -- if there are significant changes in the characteristics of the goods in question as a result of the processing. Goods shipped between a parent company and its foreign subsidiary would be treated as if they changed ownership and therefore are included in exports or imports. repairs if applied to capital goods would be treated as foreign trade in goods. Direct purchases abroad by residents and direct purchases by non-residents in the domestic market would be treated as imports and exports respectively. The aggregate of imports would be valued fob, but when dealing with the details of imports in a supply and use table or input-output table, cif valuations would continue to be used and an adjustment item would be included to link the two valuations of imports.

71. There was some discussion in the meeting on whether it would be appropriate to include direct purchases abroad by residents and direct purchases in domestic market by non-residents in imports and exports respectively. Some thought that this change of the SNA could not easily be implemented as product detail was lacking in these direct purchases.

72. There was also some discussion of the difficulties countries faced in the combined use of customs data based on physical movement and BOP data which are based on recording transactions in monetary terms. Implicit in these comments was that more attention should be paid by the expert groups to links between the SNA and foreign trade statistics in addition to the links between SNA and BOP.

73. In view of the above, the meeting suggested to the expert group to reconsider the proposed inclusion of direct purchases abroad by residents and in the country by non-residents, in imports and exports respectively. It generally agreed with the expert groups that the change of ownership should be the primary guide for recording merchandise transactions and noted the proposed changes in SNA and BOP with regard to the gross treatment of goods for

-processing abroad and the treatment of repairs on investment goods, as goods. No conclusions, however, were reached on the change in the valuation of imports from a cif valuation in the 1968 of SNA to a fob value in line with the BOP treatment.

3.—Reinvested earnings (paras. 210-214, document SNA discussion

74. The proposed introduction of reinvested earnings in the SNA harmonizes the SNA with the present treatment of the BOP. The reinvested earnings--Would be introduced as part of property income paid/received in. the external sector and at the same time would be reflected as an increase in foreign assets/liabilities.

75. In response to a question it was noted that such imputed flows could be easily identified in the accounts, as re-invested earnings would be presented as a separate :item in the external account.

76. After **thisclarification**, the **meeting endorsed** the **proposed introduction of re-invented earnings in principle**.

4. Valuation of external transaction (paras. 223-229, document SNA discussion.....)

77. It is generally agreed that transactions carried out in foreign currency be converted to local currency on the basis of the actual exchange rate used in the conversion.

78. Proposed is to treat revenues obtained as a result of exchange rated differentials as a bank service charge if it concerns a normal difference between the purchase and sales price of foreign currency, as a capital gain or loss if revenues are obtained as a result of increases over time in the foreign exchange rate, and as a product tax in the presence of a multiple exchange rate system whereby the government or Central Bank obtains the exchange rate differentials. There has been no agreement yet on how to treat the-exchange rate differential if it is received by black or parallel market dealers **in** foreign exchange.

79. It is furthermore proposed by the expert groups that the average between buying and selling rates of exchange be used to convert transaction sin foreign currency domestic currency, and that thus the implicit bank service charge obtained in trading foreign currencies, be incorporated in the value of the external transactions and their domestic counterparts.

80. Exchange rate differentials that are to be treated as product taxes/subsidies are not to be incorporated in the external and counterpart domestic transactions on which they are assumed to be levied. Instead, they are presented as global adjustment items in the external account. An unitary rate of exchange is used as a basis for the allocation of exchange rate between different taxes.

The unitary rate is used in computing the difference between the actual exchange rate of each transaction and the unitary rate, and thus allocate the taxes/subsidies between product, income and wealth taxes that are presented as global adjustments in the external trade account, the external transactions accounts and the capital account of the external sector.

81. Most of the discussion focused on the revenues obtained as a result of considerable differences **between the black market** exchange rate and official rates of exchange. **Several** participants pointed out the distortions that occurred in the calculation of GDP when nearly all imports are obtained on the basis of the very high parallel market exchange rate and most exports are traded on the basis of a much lower official rate of exchange in terms of local currency. In the discussion it was pointed out that the difference between the two would have to be reflected in revenues by parallel market exchange rate dealers whose **revenues** were probably underestimated in the calculation of GDP.

82. Another participant pointed out that countries GDP was not only affected by; the large differences between official and parallel market exchange rates, but also by changes in the terms of trade, when import prices in terms of foreign currency were increasing faster than export prices in foreign currency. It was pointed out that those terms of trade effects would have to be reflected in GDP at constant prices in order to arrive at real Gross Domestic Income.

83. Several participants saw difficulties in the application of a unitary rate. Others felt that instead of global adjustments in the external account, implicit taxes and subsidies affecting sectors of the economy differently would have to be made explicit.

84. The meeting therefore did not arrive at a particular conclusion regarding the valuation of external transactions. In view of the importance of the difference between the official and parallel exchange rates in most countries of the region, the meeting urged the experts to consider further the treatment of the parallel market rate in the valuation of transactions and in the generation of income.

E. **ANALYSIS OF INFLATION** (paras. 230-285, document SNA discussion)

85. The discussion of constant price accounting was, due to time constraints, restricted to only two main issues of chain indices and revaluation of changes in stocks. Many other issues related to constant price accounting remained without discussion.

1. Chain indices (paras. 236-239, document SNA discussion

86. The **question raised was whether fixed base Laspeyere volume indices would need to be replaced or supplemented** by chain indices with moving weights which would change from year to year. The expert groups suggested that the annually chained indices be presented as supplements to the fixed base volume indicators.

87. Some participants thought that chain indices were preferable to fixed base indices in times of inflation. Others thought that chain indices would have all the disadvantages of fixed base indices, when the latter are using abnormal base years.

88. Some participants thought that updating of the weights of indices would be an impossible task as statistical offices would not carry out annual surveys in various sectors of the economy which would be needed to permit such annual re-weighting of the indices. Furthermore, survey results become available with many delays, which would forfeit the purpose of the chain indices which on the contrary should be as recent as possible.

89. One participant pointed out that the annual weights of price indices in general, would have to be well stratified by region and population groups in order to make the chain indices useful for analysis.

90. The meeting concluded that there are advantages and disadvantages to any type of volume index, and that the revised SNA therefore should be flexible and include alternative index measures. Countries could then choose which one would best suit their particular analysis and circumstances.

2. Changes in stocks (paras. 261-269, document SNA discussion.....)

91. Changes in stocks can be approximated under non-inflationary conditions by two methods which yield approximately the **same** result. The first method is to calculate the difference between the opening and closing stocks in volume terms and apply an average price to arrive at the changes in stocks in current prices. The other method is to calculate changes in stocks as the difference between ingoing flows and outgoing flows valued at the prices at the time they occur. In situations of high inflation, the two methods, however, give different results and this is because there are considerable differences in the second method between the value of ingoing flows and outgoing flows. In other words under situations of high inflation changes in stocks should not only reflect volume changes but also price changes that occur between the moment that goods are entering stocks and are leaving stocks. As matter of fact, changes in stocks under such circumstances

could be very negative only because the goods withdrawn have a much higher price than the goods entering the stocks, and not because there are negative volume changes in the stocks.

92: In a similar manner changes in stocks would reflect price changes over time in the case of work-in-progress on large equipment and construction that would take a long period to complete. Output representing part of the work completed would have to be entered into stocks at the price at the moment the output was generated and thereafter periodic price changes would have to be included in the revaluation accounts. Once the equipment or building is completed and entered as gross fixed capital formation it should be taken out of the stocks at the value prevailing at time of completion. This treatment implies that changes in stocks in that case also would reflect differences between the price at which work-in-progress was valued at the moment it was entered into stocks and the final value of the equipment or building when it was completed and recorded as part of capital formation.

93. A question was raised with regard to price changes in agricultural products that are entering and leaving stocks. There may be seasonal price changes that fluctuate over time. It was suggested that they may not have to be reflected in the changes in stocks. There could also be different movements of prices between inputs and outputs and of agriculture. Care should be taken, not to eliminate those price changes from the calculation of value added in agriculture.

94. The meeting agreed with the methods developed by the expert groups which would eliminate price changes of goods between the moment that those goods enter and leave stocks from value added. Participants supported the proposals that those price be reflected in changes in stocks in addition to the volume changes in those stocks.

F. ROLE OF THE HOUSEHOLD SECTOR (paras. 286-310, document SNA discussion.....)

95. As the household sector is a very important sector in the economies of many African countries, the meeting was pleased to see that many of the aspects of this sector were extensively considered by the expert groups.

1. Breakdown of households by socio-economic groups, (paras. 291-294, document SNA discussion.....)

96. It was proposed that the revised SNA would include in the household sector two main subsectors, that is households excluding non-profit institutions serving households and non-profit institutions serving households. A main breakdown of the households

was proposed to be based mainly on source of income criteria (employees, employers, own account workers, and recipients of transfers and property income). Alternative breakdowns would also be included in the system, such as the distinction between rural and urban; however, these breakdowns would only be used for special analysis of the household sector.

97. Many participants thought that classifications other than those based on source of income would have to be used as the basis for a further **breakdown** of the households within the household sector. They argued that the reference person and several members of the household might have different sources of income. A civil servant (employee) may be at the same time an employer running his own business, while a recipient of property income may be at the same time a wage earner. An example of an alternative classification that was used in one of the countries was to distinguish between civil servants, traders and crafts men, and in another example, international, experts and embassy personnel was included in a separate category.

98. Participants therefore concluded that countries may adopt extra breakdowns of households that would suit their national analytical and policy needs, but that at the same time these breakdowns would have to be consistent with classification principles applied elsewhere in the system.

2. Formal and informal (para. 295. document SNA discussion)

99. The distinction between formal and informal sectors is one that is made between units within the household sector and applied to all their accounts. It is a distinction which will be included in the SNA, but as yet no agreement has been reached on the criteria for making the distinction.

100. There were suggestions as to how to define the informal sector. Some participants thought that this sector could be defined in a negative manner, by excluding from the total of all production units, those that were clearly belonging to the formal sector, i.e. non-financial and financial corporations and possibly some others. Others suggested to equate the informal sector with the total of all private unincorporated enterprises that are included in the household sector. In response it was pointed out that even within the private unincorporated sector there might be units that are small but clearly not belonging to the informal sector. Other participants pointed out that a much more difficult problem was to obtain data on the informal sector and implicit in these suggestions was the assumption that the informal sector would be confined to those units for which it would be difficult to obtain data. A last group suggested that the informal sector be defined on the basis of technology used, staffing, etc.

101. In response to the above, it was suggested that the **distinction between** formal and **informal** may not be **applied** to all accounts and transactions -- that would be very difficult from the data point of view -- but only to a selected set of data such as mixed income.

102. In concluding* participants urged that experts develop an internationally acceptable definition of the informal sector, because the distinction is a very important one for the African region and in general for all developing countries.

3. Non-profit institutions and community activities (paras. 296-299, document SNA discussion.....)

103. There were three issues regarding non-profit institutions on which the present meeting should give its views. The first one is the recommendation that there should not be anymore a separate sector for non-profit institutions serving households as in the 1968 SNA. The second issue concerns the criteria on the basis of which non-profit institutions are allocated to the household, government:and corporations sector. The expert groups recommended to include with the government all such,-institutions that are financed and controlled by the government and to allocate remaining ones to the household and enterprise sector on the basis of which;,. sector they serve. The third..question concerned the treatment of communal production activities leading to the construction of buildings, schools, roads, etc. The expert groups had recommended that this output be considered as output of non-profit institutions and that if output was capital goods that they should be included with capital formation of the sector that is responsible for upkeep of these capital goods.

104. A number of participants commented on the proposed incorporation of non-profit institutions serving households as a subsector of the household sector. Particularly, participants from francophone countries found this solution difficult to accept, as non-profit organizations in their countries ("administrations privees") often carried out functions that were close to those of government and were not directly serving households.

105. From the discussion it became clear that churches and religious organizations would be considered as non-profit institutions, even though the government provided most of the finance. The same would apply to political parties as long as they did not constitute the main element of the government.

106. Several participants commented on the valuation of free labor that was used in the construction of roads, buildings and so on. In one country such activity was even organized officially and local law required from citizens that they contribute voluntary labor at least one day a week, or make otherwise monetary contributions to such communal construction activities. Most

participants suggested that a cost would be imputed for the use of the voluntary labor.

107. Some questions were also raised on the allocation of the capital goods to the sector which would be responsible for its upkeep. In **general** it was felt that such capital goods would be included with capital formation of the sector that was also responsible for the construction of the schools, roads and other buildings.

108. The meeting therefore urged the expert groups to come up with clear guidelines for the valuation of voluntary labor used in construction of public assets. It furthermore asked the expert group to reconsider carefully the criteria of finance and control that were used to allocate the non-profit institutions to the government sector.

4. Consumption expenditure, actual consumption and disposable income, (paras. 300-310, document.SNA discussion.....)

109. In presenting the sequence of accounts, it was explained that the revised SNA was proposed to include two consumption concepts for **households** and government. One concept called final consumption expenditure would refer to payments made by households and **government** for items of consumption. The second **concept called** actual final consumption, would include with households those expenditures made by government that could be individualized, such as education, health and so on, while other final consumption expenditures by government of a collective nature such as for defence and police, would remain in actual final consumption of the government sector. The distinction between individualized consumption and collective consumption paid for by government would be made on the basis of **COFOG** categories. To the two consumption concepts for the two sectors, correspond two alternative income concepts, called disposable income and adjusted disposable income; the difference between the two would be transfers in kind from government to households that would constitute the difference between actual final consumption and final consumption expenditure of households. The total of final consumption expenditure and actual final consumption of households and government together would be the same. Also, disposable income minus consumption expenditure and adjusted disposable income minus actual final consumption for household, and government would give the same savings for each sector.-

110. During the training sessions many questions were raised on the difference between household and government final consumption expenditure and actual final consumption by households and government. Several participants asked questions in order to understand how transfers **in kind would be added** both to consumption and income in order to arrive respectively at actual

final consumption and adjusted disposable income, without having an effect on the concept of saving in the two sectors. The point raised was that if income was increased by reimbursements for expenditures incurred during previous periods, such reimbursements could add to saving of this period if the reimbursement was not actually spent. A numerical example was given in order to illustrate the fact that saving was the same in both cases.

111. Further interventions **made** in the meeting by participants focused on how to treat government transfers that were aimed at lowering the price of goods used for **private consumption purposes**. The participants who presented their arguments felt that those transfers should be treated as transfers to households rather than as subsidies paid to producers. If treated as subsidies they thought that this would understate actual household consumption.

112. Participants generally agreed with the incorporation in the system of the two consumption concepts. In view of the above discussion, the meeting concluded that in dealing with expenditures by government that reduce the price of goods included in household consumption, it would be preferable to identify those expenditures as transfers to households rather than as subsidies to producers.

G. ROLE OF THE PUBLIC SECTOR (paras. 311-329, document SNA discussion.....)

113. Due to time constraints only one issue regarding the public sector was dealt with directly. This issue concerned the distinction between public corporations on the one hand and on the other hand "**departmental**" enterprises and private enterprises.

1. Public enterprises versus unincorporated government enterprises and private enterprises (paras. 311-316, document SNA discussion)

114. Public corporations include public quasi-corporations. The feature that distinguishes public quasi-corporations from unincorporated government enterprises (called until now **departmental** enterprises) is that **they keep** full accounts **and** withdrawals from entrepreneurial income can be identified in those accounts. In public corporations as distinct from private corporations the government owns more than 50% of the equity or exercises control over their economic behavior even if it owns 50% or less of the equity.

115. One participant asked the question whether the availability of complete accounts was a necessary condition. In his country there were many examples of public corporations that had not been publishing their accounts for several years. In spite of this, he felt that these entities which are corporations by law should be

considered as public corporations, even though they do not present complete accounts.

116. Other participants gave examples of so-called "public" enterprises in which the government held more than 50% of the capital together with foreign investors, but where the foreign investors controlled the day-to-day operations of the enterprise. Another example **was of an enterprise taken over from foreign investors and legally transferred into the hands of the workers; however, the government provided all the capital that was needed** to withdraw the foreign interests. In a third example a political party was operating an enterprise, while the political party itself was financed for more than 50% of its funds by the government.

117. In all these cases, common sense would say that the enterprise in question were private, even though the mechanical criterion of majority finance would classify the entity as a public corporation. In the case of the political party running an enterprise,, there was also the question.. of whether that **political party, mainly** financed by the, government, was part of the government sector or whether it was a private non-profit institution serving households. The question was- raised in the latter case, whether another exception -- i.e. political parties and churches --should be **made** to majority finance and control as decisive criteria for the allocation of non-profit institutions between the household sector and the **government** sector (see also paras. 103-108). One participant noted that the 50% rule should be used as a rule of the thumb and should not applied in a rigorous manner.

118. Based on the various examples presented in the meeting of institutions, which were financed for more than 50% by government controlled funds, but could not be considered as being either public corporations or part of general government (churches, political parties, some "public" enterprises controlled by foreign or private interests), participants urged the expert groups to reconsider the control and finance criteria used to separate public corporations-and non-profit institutions from general government (see also para. ...)

II. THE SNA REVIEW FROM THE AFRICAN REGIONS POINT OF VIEW

119. The **Background document** for this agenda item was "summary of main recommendations and conclusions emanating from regional working groups and seminars in national accounts held in Africa in the period **1985-1988**" (STAT/SM.NA/2.1(ii)/90). The Secretariat recalled that during the period 1985 to 1988 the following meetings were held under the sponsorship of the ECA and the member States concerned:

Training Workshop in National Accounts (Addis Ababa, 30 September to 11 October, 1985)

Seminar on the review of the United Nations System of National Accounts (Addis Ababa, 29 November to 3 October, 1986)

Working group on capital formation and national accounts at constant prices (Addis Ababa, 28 September to 2 October 1987)

Working group on improving the basic economic statistics required for planning purposes (Addis Ababa, 19-23 September, 1988)

120. It was noted that the major portion of the recommendations on the SNA review were made at the regional seminar held in 1986, while the other meetings dealt mostly with matters on basic economic statistics. The Secretariat further noted that a number of the proposals made by the African region have been or are in the process of, being implemented in the review exercise, while several others which have a bearing on the special circumstances and needs of the developing countries and statistically less developed systems remain to be adopted or implemented.

121. It was noted that the following were among the recommendations which appear to have been implemented:

- (a) Structure of the revised SNA: the SNA should apply equally to all countries. There should not be a separate chapter on developing countries in the Blue Book.
- (b) The structure of the SNA should remain broadly unchanged. Inclusion of production accounts for institutional sectors; guidelines should be given in handbooks, arrangement of the operations of the institutional sectors in a sequence of accounts explicitly linked by balancing items, harmonization of the SNA with various other statistical systems (standards); retention of the T-Accounts.
- (c) Transactors of the SNA: Retention of dual sectoring; the distinction between public and private enterprises should be based on ownership (more than 50 per cent of shares) and control.
- (c) Transactions of the SNA: Estimation of consumption of fixed capital in respect of roads, bridges etc; retention of the basic concept of the production boundary as defined in the 1968 SNA with minor amendments/inclusions e.g. inclusion of illegal and other activities if it is felt that their contribution to GDP is significant.

122. In the discussion that followed several participants recommended that the Seminar expresses its appreciation to the Inter-Secretariat Working Group on National Accounts and all concerned for the attention given so far to the recommendations from the African region.

123. It was noted that the aim of the Blue Book is to present a System that is conceptually sound and one which could be universally applicable. Nonetheless, further attention should be given to **some** of the special concerns of the **developing countries** and statistically, less **developed** statistical systems. It was further noted that it would be rather difficult for priorities to be treated in the Blue Book (these are perhaps better addressed in the handbooks e.g. Handbook on Enterprise Accounting which is planned) as priorities could differ from one region to another and indeed from country to country. This however is not to say that some concerns of developing countries would not be taken into account in the Blue Book. One such concern which is being discussed and which is of particular interest to developing economies is that of multiple rate of exchange.

III: IMPLEMENTATION OF THE **REVISED** SNA

124. There was much discussion on the implementation of the SNA and many interesting ideas were presented. The issues raised concerned education of national and international experts in the application of the revised SNA, the preparation of Handbooks that would guide national experts in the use of the system, the development of a compilation methodology using micro computers, the further improvement of basic statistics and survey methodology, bilateral and international technical assistance, and finally the funding of all those efforts that would support the implementation of the **revised SNA**.

125. Several participants stressed the importance that Handbooks be made available to national accounts experts as soon as possible. Two **Handbooks** were mentioned in particular in this discussion, i.e. the Handbook on 'National Accounts Compilation and the Handbook on Enterprise Accounts. The latter Handbook was thought to be important as a means of developing an intermediate system of enterprise accounts which would be a channel through which the information obtained from the very diverse systems used in business accounting could be processed for use in national accounts.

126. Interest was also expressed in the national accounts compilation methodology developed at UNSO and the UNSO representative was asked to forward documents on this methodology to participants. The UNSO representative pointed out that the content of these documents would be incorporated in a Handbook on National Accounts Compilation, the first draft of which is expected to be available at the beginning of 1991.

127. The UNSO representative pointed out that the development of Handbooks very much needed the expertise of national accountants in individual countries and that therefore Handbooks would not become as ready made prescriptions of national accounts compilation, but would be sent in the course of time as drafts to experts in different countries in order to obtain their comments, so that in the end they would reflect a rich variety of different country situations.

128. Several participants also stressed the need to hold workshops that would permit explanation of the revised system in a more detailed manner than was possible during the four days of training sessions prior to the present meeting. Concretely, it was suggested that two workshops be held in the African region prior to the completion of the revised SNA in 1993 and that subsequent to the finalization of the SNA -- possibly in 1995 -- a seminar should be held which would review the experiences of countries with the revised SNA. One participant mentioned that it was essential that in such workshops IMF experts and country experts working in statistical areas related to IMF systems (e.g. Central Bank staff) would participate in order to establish the link between the SNA and those systems at the national working level.

129. The representative of the ECA Secretariat pointed out that funds for workshops might be available through the Statistical Training Program which is carried out with help of 15 statistical training centers in Africa.

130. Some participants stressed the need for UNSO to be responsive to correspondence from developing countries' national accountants who would ask written advice in specific areas related to the implementation of the system. UNSO may coordinate responses to such requests by sending them to different experts for response and coordinate the return of those responses to the countries in question. Also it was suggested that UNSO would send conceptual questionnaires to countries in order to evaluate the experiences obtained in each country with the revised system. Participants were urged to respond to such questionnaires in as comprehensive a manner as possible. The UNSO representative pointed out that this intensive contact with national experts in national accounts would be very desirable, but could only be handled by UNSO if this were done in close cooperation with ECA.

