



SNA Update: Treatment of Illegal Activities

Carol S. Carson
UN ECE NOE Workshop
April 25-27, 2007



Plan of the presentation

- Back ground
- Motivation—why was the issue considered?
- Recommendation adopted at the recent UN Statistical Commission
- *Rev. 1* draft text



Background

- Before the 1993 SNA:
 - 1968 SNA did not give clear guidance on the coverage of illegal activities
 - Discussed widely in lead up to 1993 SNA

3



Background (cont'd)

- The 1993 SNA introduced a change: the illegality of a production activity or a transaction is not reason for excluding it.
 - ¶ 6.30: two kinds of illegal production
 - ...sale, distribution or possession forbidden by law
 - ...usually legal but becomes illegal when carried out by unauthorized person
 - ¶6.31: illegal activities included for exhaustiveness but also to prevent errors elsewhere
 - ¶6.34-36: differentiates concealed and illegal
 - ¶3.54-56: distinguishes actions that are and are not illegal: if there is mutual agreement, the actions are treated in the same way as legal actions

4



Motivation

- *Non-observed Economy (NOE) Handbook...*
 - Was written to supplement the 1993 SNA
 - Suggested recording of ...
 - bribery,
 - extortion,
 - fencing
 - money laundering, and
 - theft
- that needed to be considered for consistency with the 1993 SNA

5



Recommendations

- Agreement with *NOE Handbook* on...
 - Extortion payments should be recorded in the other change in the volume of assets accounts
 - Fencing (sale of stolen goods) should be recorded similar to sales of second-hand goods
 - Money laundering (difference between value of illegal cash and legalized cash) should be treated as provision of a service

6



Recommendations (cont'd)

- Discussions about theft
 - *NOE Handbook* raised issues about particular situations:
 - If theft is regular occurrence—a substitute for compensation of employees?
 - If theft has tacit support of government agencies (e.g., electricity in shanty towns)—in effect, a transfer?
 - Recommendation: theft is not a transaction in the updated SNA

7



Recommendations

- Discussions about bribery
 - Examples discussed:
 - doctors paid by drug companies to prescribe particular drugs
 - teachers paid by parents to pass students
 - Are these part of output and so part of compensation of employees?
 - Recommendation: these are not transactions
 - Contrary to *NOE Handbook*
 - No need to mention bribes in the updated SNA

8



Draft text

- Chapter 6, ¶s 6.39-6.47 on website:
<http://unstats.un.org/unsd/sna1993/draftingPhase/pubChapterDetail.asp?ch=6>
- Key points:
 - Umbrella section: non-observed economy
 - New introduction
 - Some reordering of old text
 - A few changes in wording to clarify
 - New ¶ at end: Regular thefts of products from inventories are not included in the value of output. If stolen products are resold, the “margin” on them is equal to the whole of the selling price when they are obtained without cost to the seller.

9

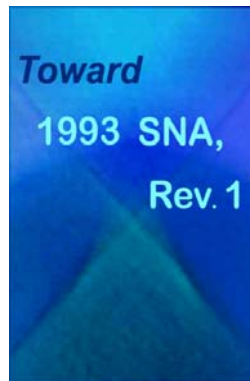


In summary

- The discussion and drafting led to a useful refinement based on further experience.

10

Thank you



Contact: ccarson@imf.org

11