

**SADC Training Workshop on Trade in
Services Statistics**

Construction

Gaborone, Botswana, 28-31 January 2014

Construction



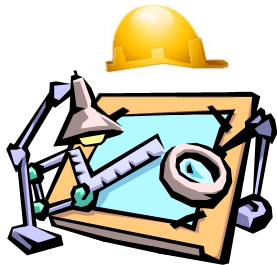
**Site preparation
creation, extension,
renovation, and
repair of buildings**



**Painting Plumbing Demolition
and other specialized
services...**



**Management of
construction
projects**



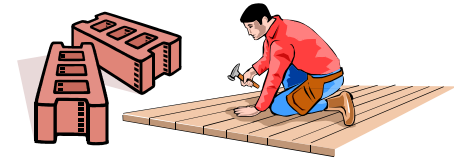
**Land
improvements
of an engineering
nature**



**Engineering
constructions**

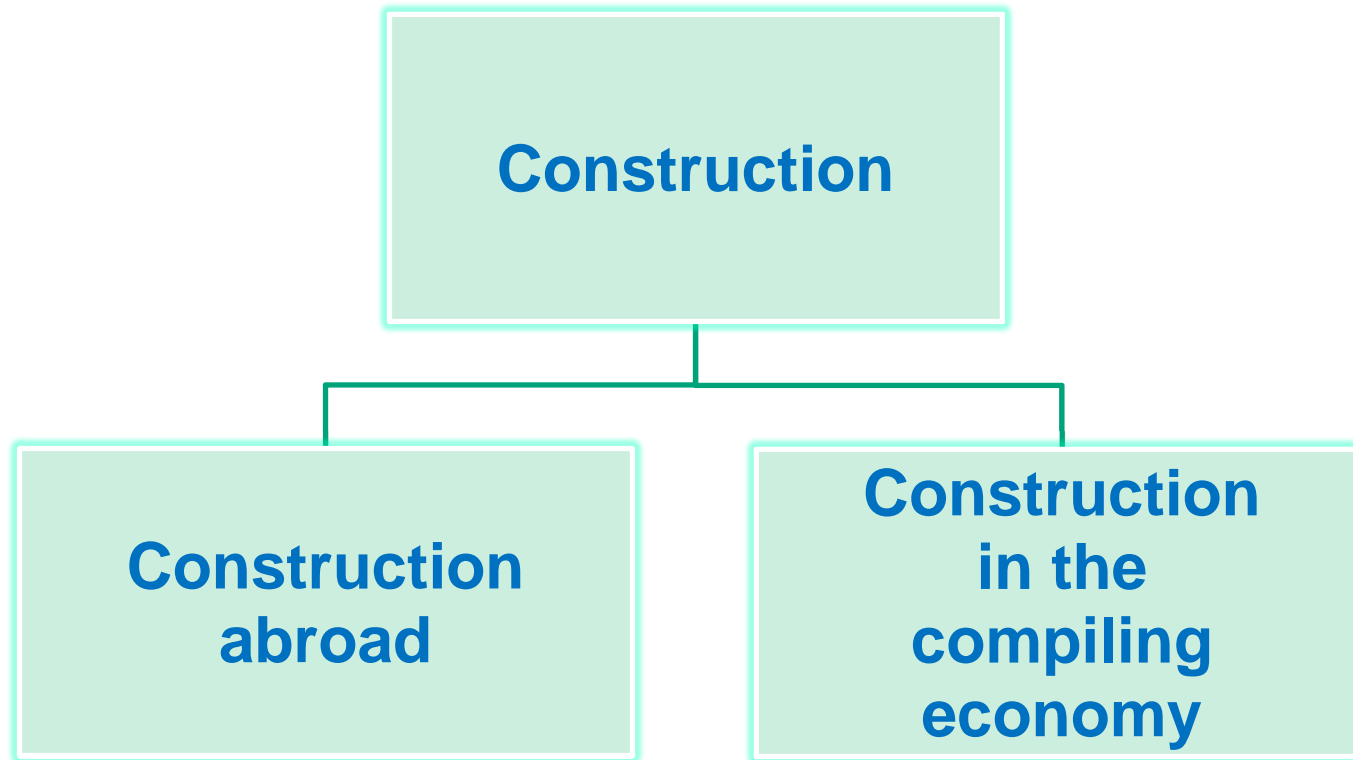


**Installation
and assembly**



**Goods and
services bought
in construction
economy**

Disaggregation of construction BOP item



GROSS RECORDING!

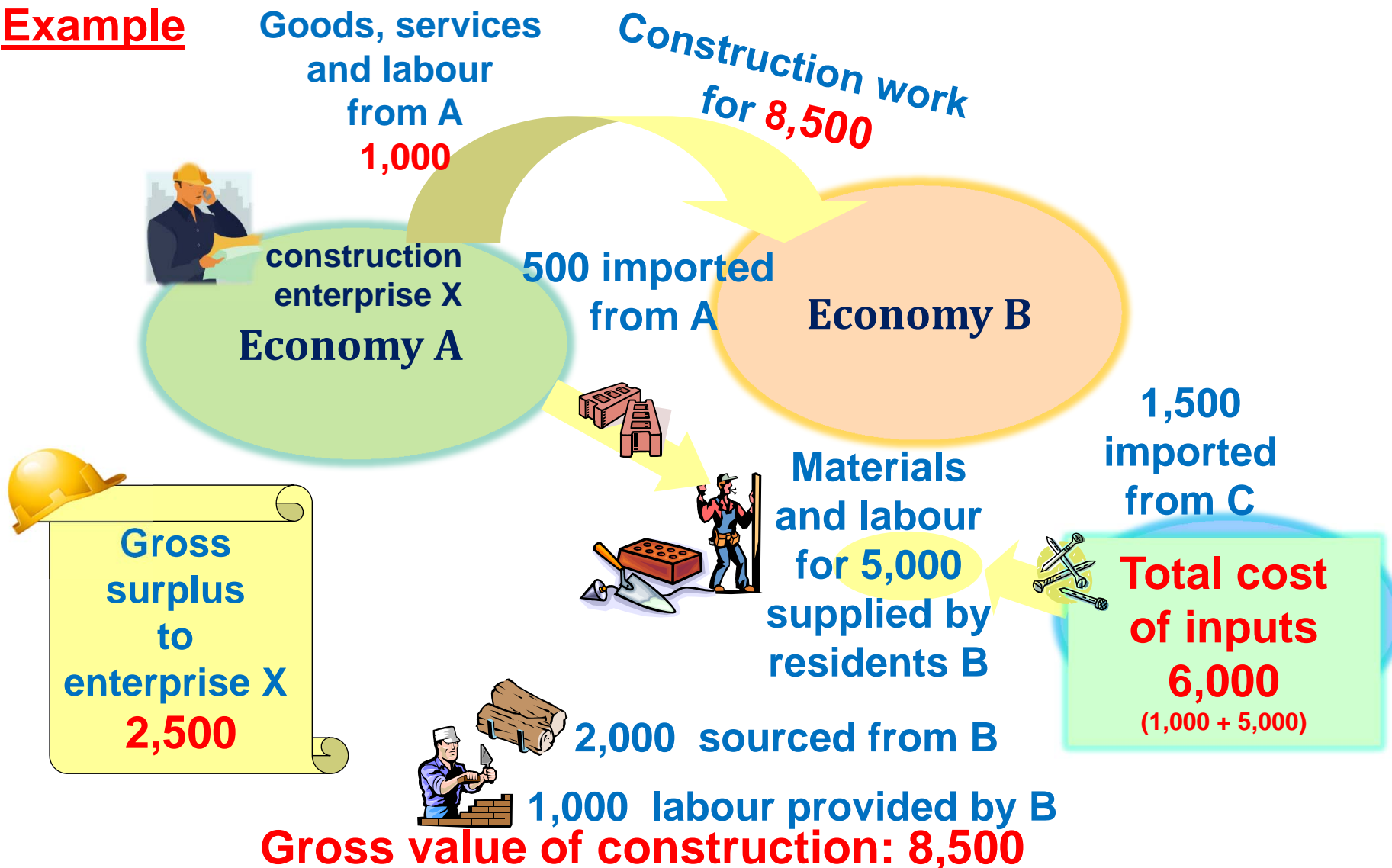
(inclusive goods and services, other costs, operating surplus)

**Total construction credits = construction abroad credits +
construction in the compiling economy credits**

And the same for debits.

How to record construction transactions ?

Example



Inputs into the production process + **gross operating surplus** to the producing enterprise

How to record these transactions in BOP according to BPM6?

Economy A

Construction abroad

Credit: 8,500

Debit: 4,000

Economy B

Construction in the compiling economy

Credit: 4,000

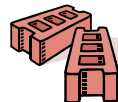
Debit: 8,500

Goods and services acquired by enterprise X from residents of economy B
4,000 =
(1,500 + 500 + 2,000)

Imported from C



Imported from A



Sourced from B



1,000 cost of labour in B
compensation of employees
(debit in A, credit in B)



Recapitulation: recording of construction

Goods, Services and Labour from A	1000	Incl.			Incl.
Materials and Labour from B	5000	Incl.			Incl.
imported from A	500		Incl.	Incl.	
imported from C	1500		Incl.	Incl.	
sourced from B	2000		Incl.	Incl.	
labour	1000		NO	NO	
Gross surplus	2500	Incl.			Incl.
TOTAL		8500	4000	4000	8500

BOP Services	Value	A:Credit	A:Debit	B:Credit	B:Debit
Construction Total		8500	4000	4000	8500
Construction abroad		8500	4000		
Constr. in compiling economy				4000	8500
BOP compensation of employees			1000	1000	



Construction recorded in BOP or FDI/FATS?

Are external operations of a construction firm **substantial** to identify a branch in host country?

*Do they undertake projects on a significant scale abroad?
For more than 1 year?*

LOCAL SITE OFFICE?



- Complete set of accounts, incl. a balance sheet?

- Subject to income tax where entity located (*even if exempted*) ?

- Business premises purchased or rented?

- Recruitment of local staff?

- Acquiring capital equipment?

YES!

RESIDENT BRANCH

Record activities

FATS



Distribution of International Works of Contractors by Nature of Work

Type



BOP or FATS?

Fields of Activity	Total Project Value (million USD)	(%)
Road/Bridge/Tunnel	2 656	13.8
Housing	2 528	13.1
Tourism Facilities	1 601	8.3
Transport (other)	1 233	6.4
Power Plants	1 099	5.7
Commercial Centers	923	4.8
Petrochemical Plants	840	4.4
Airports	753	3.9
Soc./ Cult. Facilities	715	3.7
Administrative Building	711	3.7
Other	6 205	32.2
Total	19 262	100.0

Duration of projects?

Which base of operations (i.e. list of criteria)?

Accrual accounting?

Data Sources

- **ITRS**
 - Limitation of level of detail (separation of goods from services)
 - Some payment may go under the threshold (especially for payment in stages)
 - Partner country allocation (country of settlement may not be country of construction enterprise)
- **Survey (Direct reporting)**
 - More costly than ITRS but can provide details
 - Easier on exports side, as it is easier to identify construction enterprises
- **Other sources?**

If international contracting important: consider survey (or direct reporting) for all projects/activities, and then separate BOP and FDI/FATS

BOP construction: other

- May be difficult to distinguish between
 - Local and foreign inputs
 - Services and compensation of employees
- Construction where clients provides inputs
- Gross recording: including all inputs to the value of the project: labour, goods, services e.g. [Engineering](#), [Subcontracting of construction](#)
- Note: IMTS records goods imported by non-resident for use on construction site (whereas BOP records in services)
- **GATS need: estimation of services component separately if possible**

Thank you