

F-16: Forestry values and National Income Accounts of Sri Lanka

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As the key indicators of the economy, national accounts play a vital role. These accounts are sometimes misleadingly referred to as the "barometer" of the social well-being. The inadequacy of the present national accounts to reflect true income

of a country is now realized as they neglect the depletion of natural resources and environmental degradation in the process of generating added value. Forestry resource values, which are the base for numerous economic activities, should be represented correctly in the economic indicators, if not, it is inevitable that wrong signals are conveyed to the policy makers which will ultimately result in irrecoverable resource depletion in the forestry sector.

The objective of this paper is to formulate a framework to internalise the forestry values into the conventional accounting system. Some forestry value entries such as value added from logging, come under the conventional accounting system. But these entries, on the one hand, over estimate the actual revenue that has been obtained from the activity and on the other hand, underestimate the value of important non-timber commodities such as rattan, oil, resins, pharmaceutical products.

The approach discussed, is an extension of the production approach in national accounting system. The cost of resources depletion and degradation in a production process, should be treated as an intermediate expenditure and hence, should be excluded from the value added, rather than ignoring them completely or partially. The valuation method proposed in this framework is Total Economic Value (TEV) method.

This paper introduced the resources balance sheets concepts for the forestry resources in order to fulfil the score-keeping role of the accounting systems.