

## **International conference on International Outreach and Coordination in National Accounts for Sustainable Growth and Development**

Session 5 - Donor activities in the field (what went well, what needs to be improved).  
Sustainability

Title: International Comparison Program

Institution: African Development Bank (AFDB)

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### **1 Context**

1. The core importance of the national accounts in linking together expenditures and prices in the context of cross-country comparison of real GDPs is well documented in the literature of the International Comparison Program (ICP). It has been further stressed throughout the implementation of the ICP for Africa. National Accounts experts who actively participated in the implementation of the Program agreed on how these various strands could be developed into improved data on expenditure distribution, poverty status, and weights for final consumption and consumer prices as well as more extensive information, on prices in a time series and spatial context that can be used to develop national accounts aggregates, constant price deflators and ICP parities. They underlined the renewed importance for domestic policy of effective demand management and the need to have detailed expenditure for cost of living and standard of living [well-being] analysis. They also acknowledged the usefulness of expenditure data for a better understanding of market behavior and for assessments of the impact of economic competition.

### **2 ICP Objectives relating to GDP expenditures**

2. In the context of the ICP-Africa round, the objectives relating to GDP estimates included:

- produce GDP estimates decomposed by broad expenditure categories over the past 10 years;
- have GDP expenditure broken down by 200 basic headings for the reference year 2005;
- strengthen capacity to allow for mainstreaming ICP activities into the regular activities of the National Statistical Offices (NSO) and the curricula of statistical training centers.

Relevant activities were carried out or initiated in compliance with the 1993 SNA rules.

### **3 Major Challenges of compiling GDP expenditures**

3. The contribution of SNA 93 in implementing a harmonized data system with standard classifications and also to establishing consistent concepts for GDP measurement is crucial to the operational application of theoretical economic assumptions. The new

institutional structuring and integration of balance sheets and full reconciliation accounts into the system ensures greater consistency with identified current economic flows and transactions and thus contributes to an enhanced understanding of macroeconomic interactions.

4. To effectively and soundly divide GDP into detailed categories of expenditure, due attention must be paid to the important distinction between who really consumes and who spends when identifying various elements of actual final consumption, since the SNA GDP outlays are made up of the individual consumption of households and actual collective consumption of government. To effectively address household living conditions, individual spending on classes and groups of goods and services must be broken down into homogeneous categories of products, viz. 'basic headings'. These and other required expenditure imputations are to be valued, as a general rule, at purchaser's prices in the system.

5. At various stages in the implementation of the program, its feasibility was stressed under the prevailing circumstances where no specific GDP-related methodology was designed at global level for implementation by the various regions and countries in the program. African countries stressed not only the lack of human resources and equipment, but also issues related to availability and access to data in National Statistics Offices (NSOs). The relevant questions were: (i) whether the national accounts in participating countries were constructed on a similar methodological basis; (ii) if the benchmark estimates required for 2005 could be consistent with existing national accounts measures compiled for previous years.

6. It appeared that there was less consistency on the first of these issues than on the second, although from a broad conceptual perspective, most countries recognized a similar production boundary in practice. Several countries indicated that reasonably robust estimates could only be produced for the year 2004 and, even then, these might still be subject to some revision in 2007 or beyond. It was agreed that countries would submit the latest official estimates available for the reference year 2005.

7. To have GDP numbers and their detailed sub-aggregates prepared on a standard and consistent basis, and be truly comparable across countries, participating countries were strongly recommended to move rapidly to the adoption of the 1993 SNA, not simply to produce a single year 2005 figures for GDP and its sub-aggregates for the ICP whilst leaving the official GDP series for the country on a whole as an existing basis. The key was to derive PPPs from expenditures and prices explicitly available or implicitly obtainable from the conventional national accounts in the public domain.

8. Moving to a comprehensive SNA 1993 basis by 2005 posed considerable problems. And obtaining relevant data on detailed national expenditures presented difficulties in the absence of current benchmark surveys, particularly in the area of household expenditures. National benchmarks do not necessarily correspond with the base reference requirements for 2005 under the ICP. Thus, there was heavy reliance on relevant quantity and price series to move estimates forward to 2005 and to shift measures onto the appropriate valuation basis. In addition, to meet the requirements of SNA 93, it was agreed to plan/undertake a comprehensive study, of the NPISH sector and to compile a relevant list

of current operative domestic and international NGOs from which to select a representative sample in the country.

9. The preparation of suitable frames, especially of establishments and enterprises, was seen as a general problem for improving the overall quality of the national accounts. This issue extends to the need to review the general quality of administrative files to generate the type of value data and other information required to produce not only robust sector level estimates but also statistical series to serve as a basis for benchmarking and moving figures to a different time and value basis.

10. Issues confronting countries in compiling government sector estimates on an SNA 1993 basis were also addressed. A significant number have data only for central and not general government. Others recognized that the coverage of local government activities was weak, mainly because of the very poor state of many local government accounts.

11. All the countries made efforts to impute the value of own account consumption although, in several cases, this was tackled from a production rather than expenditure approach. Similarly, countries tried to resolve the problem of obtaining meaningful figures for the informal sector, mostly through specially designed surveys of households. The ability to compile estimates for underground, black market and other illegal activities was seriously constrained and most countries did not attempt to produce data in these areas.

## **4 Towards a Regional Strategy**

12. The revised System of National Accounts is complex and demanding in terms of the variety of different data sources that must be tapped and developed and channeled into a regular, properly institutionalized process of statistical reporting. Some statistical offices do not have either the breadth or depth of expertise to maintain and enhance such data flows.

13. Programs for national data development have not always been centered around a coherent long-term thematic data structure. Many countries have had to respond to various 'ad hoc' and contemporary demands placed upon them from different sources.

14. To build up appropriate databases to meet statistical imperatives, countries need special help in firstly having a complete and thorough understanding of the concepts, definitions and the classifications in the SNA 93. The right application of the production boundary as defined in the SNA 93 is the key to the compilation of national accounts.

15. The next step would be to consolidate their national accounts based on the existing sources of data (and filling gaps where they are significant). Only when the available data sources have been optimally used and the gaps in the coverage of the national accounts especially with regard to the production boundary have been filled, should countries move to the extension of the other accounts recommended in the SNA 93.

16. In this respect, an African working group on the implementation of SNA-93 on the continent has been established under the Statistical Commission for Africa (Statcom-Africa) at its first meeting in January 2008, in Addis-Ababa.

17. In line with a strategy to be designed, an action plan will be proposed for the African countries that may include activities defined alongside the following aspects:

- Sub-regional training sessions for officials responsible for the compilation of national accounts of their country.
- National training focusing on the production boundary in the SNA 93 and the compilation of GDP by the three approaches, with particular emphasis on definitions of transactions included in the three approaches.

18. While they are organized, international and regional organizations should explore the idea of implementing a permanent mechanism for the training of critical masses of national accountants. Meanwhile, the African Development Bank will continue, on an annual basis, to convene 'statistics outputs oriented workshops' (SOW) whereby all African countries will be brought together to carry out computer work in terms of estimating, reviewing, cross-checking, comparing, and breaking down their GDP expenditures in a participatory manner. This approach proved successful for the 2005 ICP round in Africa.