



**1st 2011 ICP National Accounts Working Group (INAG) Meeting**  
**February 16-17, 2011, Washington DC**  
**Minutes of Meeting**

## **Table of Contents**

Executive Summary .....	2
Item 1: Objectives of the National Accounts Working Group – <i>Proposed TORs and Work Modalities</i> .....	3
Item 2: National Accounts Framework – The Role of the National Accounts in the ICP .....	3
Item 3: National Accounts Activities for the ICP and Reporting Forms .....	4
Item 4: How to Produce Estimates in Practice to be Exhaustive, Ensure the Consistency of the Accounts across Regions and Best Ways of improving GDP Estimates in Regions .....	5
Item 5: Splitting GDP Expenditures for the ICP.....	6
Item 6: Supply and Use Table / Commodity-Flow and the Price Factor Method for Machinery and Equipment .....	7
Item 7: Government Occupations .....	7
Item 8: Data Validation Procedures .....	7
Item 9: Assessing Regional Technical Assistance .....	8
Item 10: Outline of Regional Workshops .....	9

## **Annexes**

Annex 1. Draft Agenda (February 16-17, 2011).....	10
Annex 2. List of Participants .....	12
Annex 3. Terms of Reference .....	13

## Executive Summary

1. The first meeting of the 2011 ICP National Accounts Working Group (INAG) was held on February 16-17, 2011, at the World Bank, Washington DC. The purpose of the INAG is to support the Global Office in ensuring that GDP expenditures compiled by the countries participating in the current round of ICP comply with the SNA-93 and are as comparable as possible across the countries.
2. Mindful that the reliability of converting national GDPs into a common currency using PPPs depends on the accuracy and comparability of GDP expenditure values at the different levels of the ICP classification, the INAG agreed on a 5-line strategy to support the countries in the compilation of their GDP expenditure statistics in a consistent and comparable manner. The 5 strategic lines are summarized below.
3. Identify problematic areas – An initial priority list of major problematic areas that emerged from the 2005 round of the ICP in countries' national accounts was established. It includes FISIM, Actual and imputed rents for dwellings, Government consumption/occupations, Consumption of fixed capital for government, Own account production and consumption (including subsistence agriculture) and Final expenditures of non-profit institutions serving households. This list will be supplemented with inputs from Regional coordinators and finalized by March 2011.
4. Refer policy issues to the ICP Executive Board - The ICP requirement for the maximum consistency possible among economies' GDP data may result in many economies changing their GDP levels. A critical policy issue arising is to seek ICP Executive Board reaffirmation of the 2005 round policy that the national accounts to be used for ICP purposes are the official national accounts of the economies. The other policy issue is about the revision of PPPs in 2015 or beyond when official GDP estimates have become final in most countries. These two issues will be referred to the Executive Board. Technical discussions on these two issues will be organized in the TAG to agree on the recommendations to be submitted to the Board to inform its decisions.
5. Develop a model reporting document for expenditure data and metadata – The Global Office will develop by August 2011 a country case study that will show how basic heading expenditure values can be estimated in practice. Each country will then estimate their expenditures, learning from that **Model Report on Expenditure Statistics (MORES)**. Countries will also use the National Accounts Form 1 which remains obligatory, whereas the other 4 forms are seen as useful tools that economies may use if they choose to do so.
6. Build capacity on the compilation of GDP expenditures - Countries will be trained on the National Accounts tasks to be carried out and all related approaches and methods. This will be done through technical assistance missions, on a need basis, and regional workshops that will address: basic concepts; the estimation and reporting of expenditure values and metadata; the review of selected problem areas; the treatment of comparison-resistant services; and data validation. The estimation of basic heading expenditure values will be carried out according to 5 approaches (direct estimation; extrapolation from recent year; borrowing per capita quantity; borrowing category's structure; and using expert opinion.) About 4 workshops should be organized per region over the program life span.
7. Validate expenditure data for quality, consistency and comparability – The validation procedures will be implemented at country, regional and global level. They will consist in basic checks, comparisons of values reported with international data bases, as well as comparisons of per capita real expenditure values.

## Minutes of the Meeting

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8. The first meeting of the 2011 ICP National Accounts Working Group was held on February 16-17, 2011, at the World Bank, Washington DC, as per the agenda in Annex 1. In attendance were the working group members as well as observers, as listed in Annex 2.

9. Grant Cameron, Manager, World Bank, Development Data Group (DECDG), welcomed the working group members and briefed them on his new role within DECDG department. He also expressed his enthusiasm and expectations on benefits that this working group would bring to the 2011 ICP.

### **Item 1: Objectives of the National Accounts Working Group – Proposed TORs and Work Modalities**

10. Michel Mouyelo-Katoula, ICP Global Manager, made a presentation on the objectives and tasks of the INAG as proposed in its draft Terms of Reference (ToRs). The purpose of the INAG is to support the Global Office in ensuring that GDP expenditures compiled by the countries participating in the 2011 round of ICP are sound in terms of the adherence to the SNA-93 and have complete coverage of the goods and services within the SNA's production boundary, and that they are as comparable as possible across the countries. In addition, the INAG will advise the Global Office on the procedures that should be adopted to ensure the best possible detailed (basic heading) expenditures are provided by participating countries.

11. The meeting concluded that the 1<sup>st</sup> and 4<sup>th</sup> specific objectives (see Annex 3) should be recast as follows:

- To the extent possible, ensure that GDP for the reference year is forecast/estimated in compliance with the SNA requirements;
- To the extent possible, maximize consistency between data collected for comparison-resistant areas and GDP expenditures.

### **Item 2: National Accounts Framework – The Role of the National Accounts in the ICP**

12. In his presentation of the role of National Accounts in the ICP, Paul McCarthy reminded the meeting that the reliability of converting national accounts statistics expressed in local currency units to a common currency using PPPs depends on the accuracy and comparability of GDP expenditure values at the different levels of the ICP classification reported by participating countries. In the ICP, the comparability of GDP requires its estimates to be “exhaustive”, which means all economic activities have to be included. The major potential areas that are mis-measured in countries' accounts should be identified and appropriate ways of overcoming the related consistency problems should be determined. They include: the informal sector or the non-observed economy; subsistence production; rents; FISIM, consumption of fixed capital for government; parts of government final consumption expenditure (e.g. local government expenditures); final expenditures of non-profit institutions serving households; and basic headings that include sensitive data (e.g. defence, and illegal activities). To take stock of the scope and magnitude of the problem, the Eurostat “tabular

approach to exhaustiveness” is recommended as it provides a very useful framework for assessing the exhaustiveness of GDP.

13. The participants underlined that the ICP requirement for the maximum consistency possible among economies’ GDP data may result in many economies changing their GDP levels. This is a critical policy issue for which the ICP Executive Board is expected to reaffirm the 2005 round policy that the national accounts to be used for ICP purposes are the official national accounts of the economies. A prior technical discussion will be held in the TAG with a view to issuing the appropriate recommendations to be proposed to the Board.

14. The meeting agreed that issues related to the accuracy of GDP (particularly gaps) should be submitted to the Technical Advisory Group (TAG) for informed discussion on the relevant implications and further reported to the ICP EB for decision. Also, when the 2011 GDP estimates have become final in most countries, there will be a need for the revision of PPPs in 2005 or beyond. The TAG should be consulted on this, and its recommendations should be tabled in the ICP EB for final decision.

15. Another technical issue raised by some participants concerns direct expenditures abroad by residents and non-residents. The SNA requires that household final consumption expenditure (HFCE) include expenditures abroad by residents and exclude expenditures in the home country by non-residents. To explain the problem:

- Many countries estimate HFCE from household expenditure surveys which only cover resident households and which ask respondents to record their expenditures abroad. For these countries HFCE is in line with SNA recommendations.
- Other countries, however, base their estimates of HFCE on retail sales and production statistics and in these countries their first estimate of HFCE may include expenditures by non-residents and exclude expenditures abroad by residents. These countries must, therefore, adjust this first estimate of HFCE so that it is compliant with the SNA. There are two ways they can do this – either adjust household consumption expenditure at a detailed level or have a two-line adjustment to their initial HFCE estimate by adding total expenditures abroad by residents and subtracting total expenditures in the home market by non-residents.
- Either type of adjustment – detailed or two-line – is consistent with the SNA, but countries that use the two-line adjustment will show higher expenditures on hotels, restaurants, transportation and other tourist-type expenditures than countries that either base HFCE on household expenditure surveys or which adjust HFCE at a detailed level. This question will be taken up by the TAG.

### **Item 3: National Accounts Activities for the ICP and Reporting Forms**

16. The Global Manager made a presentation on: (a) the various National Accounts activities to be undertaken for the ICP 2011; (b) the categorization of the 155 basic headings according to 3 different criteria (i.e. the consistency between the existence of price data and expenditure values; the importance of the basic heading; and the unavailability of source data); and (c) the proposed reporting forms. The forms, although deemed useful, raised almost unanimous concerns in terms of the burden they would place on the national accountants.

17. The meeting therefore resolved that:
- only form 1 (data provision) is obligatory;
  - form 2 (metadata) is required as a guiding tool for 2011 only. However, countries that can complete the form are encouraged to do so. Other countries should consider it as a template that shows the types of adjustments to be made and metadata to be reported on whatever format the countries will deem appropriate;
  - forms 3 to 5 are equally seen as useful tools that economies may use if they choose to do so. They are provided to assist countries in their calculations and editing.
18. As proposed by Rob Edwards, the meeting recommended that the ICP Quality Assurance Framework (ICP-QAF) and its associated check list should be reviewed against the backdrop of the INAG deliberations and amended if necessary, and considered a very useful framework for preparation of metadata about an economy's national accounts data.

#### **Item 4: How to Produce Estimates in Practice to be Exhaustive, Ensure the Consistency of the Accounts across Regions and Best Ways of improving GDP Estimates in Regions**

19. Presentations were made by Paul McCarthy and Derek Blades on the following items which are generally poorly treated or overlooked in many countries' national accounts:
1. Exhaustiveness (Non Observed Economy)
  2. Own production/consumption (particularly focusing on subsistence production)
  3. Income in kind
  4. FISIM
  5. Net expenditures abroad
  6. Actual and imputed rents for dwellings
  7. Government consumption/occupations
  8. Consumption of fixed capital for government
  9. Final expenditures of non-profit institutions serving households
20. As not everything can be or even should be improved during the current round, the meeting decided to concentrate only on a reasonable number of them:
1. Own account production and consumption (including subsistence agriculture)
  2. FISIM
  3. Actual and imputed rents for dwellings
  4. Government consumption/occupations
  5. Consumption of fixed capital for government
  6. Final expenditures of non-profit institutions serving households
21. While the TAG recommends to carry over the user cost method that was developed in ICP 2005 to measure imputed rents, the other issues need to be further investigated with a view to proposing the most practical way of processing relevant expenditures. The Global Office will commission explanatory papers on these issues.

## Item 5: Splitting GDP Expenditures for the ICP

22. The Global Manager delivered a presentation on *Splitting GDP Expenditures for the ICP* where he mainly emphasized the need to categorize the basic headings into three categories and he explained five approaches of splitting GDP into 155 basic headings. The 5 approaches are:

- a) Direct estimation;
- b) Extrapolation from a recent year or from 2005;
- c) Borrowing a per capita quantity or volume from a country in the same cluster related to a particular basic heading;
- d) Borrowing a structure related to a class, sub-group or group from a country in the same cluster related to a particular higher level heading; and
- e) Splitting a category's volume or quantity (class, sub-group or group) into its composing basic headings, using expert opinion.

23. To further describe the 3<sup>rd</sup> and 4<sup>th</sup> approaches above, Mathieu B. Djayeola made a complementary presentation on a worked out example of country clustering and application of the two data-borrowing-based approaches.

24. The meeting agreed that the proposed 5 approaches should be implemented on a selective basis depending on the country, the basic heading and the availability of source data. It was further commented that:

- Approach 1 of direct estimation is most preferable and then is followed by Approach 2. Other approaches should be adopted on a selective basis.
- Approach 2 (extrapolation) can be applied to a range of commodities, and indicators other than population growth or price changes should widely be used;
- The clustering of countries in a particular region should be done using indicators from external sources. The latter are preferable to using ICP indicators.
- Clustering might prove difficult for basic headings such as health and education since they heavily depend on the government structure.

### A **MO**del **R**eport on **E**xpenditure **S**tatistics (**MORES**)

25. Rob Edwards made a proposal which was strongly supported by the regional coordinators and approved by the entire INAG. It's about developing a concrete example, a country case study that will show step by step, in minute details, how basic heading expenditure values can be estimated for a particular country using the recommended 5 approaches and specific methods related to some basic headings. Each country will customize this template and learn from it to estimate their expenditures, report on the results as well as the underlying metadata. The thus defined **MO**del **R**eport on **E**xpenditure **S**tatistics (**MORES**) will be developed by the Global Office by August 2011 and circulated to all INAG members for comments and review. It is expected to serve as the main operational reference for the implementation of National Accounts activities in the ICP.

## **Item 6: Supply and Use Table / Commodity-Flow and the Price Factor Method for Machinery and Equipment**

26. Derek Blades made a presentation on Supply and Use Tables (SUT) and Commodity Flows as well as the Price Factor Method for machinery and equipment.

27. Supply-use tables provide a detailed picture of the flows of goods and services in an economy. They are based on the identity that the use of goods and services is equal to the supply of goods and services, not only for the economy as a whole but also for each good and service (or group of goods and/or services). However, they are difficult to compile and resource-demanding and are available only in a small number of countries.

28. It was reported that the ADB is implementing a regional technical assistance program in selected countries in Asia to develop SUTs; however SUTs in general will not be widely used in the other regions for the 2011 ICP due to the required amount of resources. Where they cannot be implemented, countries should use the commodity flow approach as an alternative in estimating basic heading expenditures and validating them against existing data on production and/or imports.

29. The FAO data base on food balances was suggested by Xiaoning Gong as a potential source of information for commodity flows on food items.

30. Only a small number of countries in the world manufacture machinery and equipment items. The rest of the world relies heavily on imports, which justifies the Price Factor Method as a fallback option. However, it was argued from past regional experience in Asia that the method is difficult to implement for lack of basic data.

## **Item 7: Government Occupations**

31. Derek Blades made a presentation on government occupation for which a methodology and operational materials were developed and approved by the TAG for implementation by the participating countries. This includes a questionnaire on Government Expenditure where countries are required to provide detailed expenditure data (Wages and salaries in cash; Employers contribution to social security funds, actual and imputed; benefits in kind; Intermediate consumption expenditure; Other taxes less subsidies on production; Consumption of fixed capital; Net operating surplus; minus sales and fees) for general, central or federal and other levels of government.

32. Rob Edwards recalled that the IMF maintains a database on government finance statistics which would provide useful country information for the ICP. The Global Office therefore will liaise with IMF to inquire as how these data sets can be accessed and inform the Regional Coordinators.

## **Item 8: Data Validation Procedures**

33. Paul McCarthy presented several aspects of the validation for GDP expenditures to be implemented at country and regional level. Some are basic checks to ensure that expenditures have been reported for all basic headings, that the sum of components is equal to the corresponding aggregates, and that correct signs have been applied to those components that are potentially negative. Others require the comparison of values reported for GDP and its major aggregates with the data reported in the annual international national accounts questionnaire, which are stored in the UNSD

data base. This latter check was also suggested by Rob Edwards. Multilateral validation to be performed by the regional coordinators will include the comparison of per capita real expenditure values related to a basic heading for countries with similar patterns for that particular basic heading.

34. The meeting endorsed the proposed validation approaches. It was further underlined that the comparison between total supplies and total uses will be used as a quality check especially where there is discrepancy between production and expenditure based estimates of GDP.

## **Item 9: Assessing Regional Technical Assistance**

35. Nada Hamadeh delivered a presentation on the current Global Office preparation status of National Accounts activities. She described the operational materials related to National Accounts and their translated versions into Arabic, French and Spanish, and facilitated a discussion on the tentative schedule of activities of the working group, as well as the regional needs for technical assistance in this area. It was emphasized that to the maximum extent possible national accounts work for ICP purposes should be integrated with other national and international initiatives to improve national accounts in economies.

36. **Africa** - The SNA 2008 implementation initiative and the ICP National Accounts activities are expected to benefit from each other. The Regional coordinator made specific requests including the need for operational materials to be provided in hard copy for ease of reference. He also asked for support from the Global Office including the provision of promotional materials and prominent speakers for regional workshops and advocacy events.

37. **Asia** - Activities related to Supply and Use Tables of 51 commodities and 32 industries started in 2008 with reference year of the SUT ranging from 2005 to 2008 depending on data availability at country level. A workshop scheduled in May or June 2011 will bring price statisticians and national accountants together. A conference in March is mainly dedicated to the 2009 PPP Update (methodology and results) though it will also be used as an advocacy program for countries where the ICP lacks priority.

38. **CIS** - A second meeting on National Accounts is scheduled for October 2011 to mainly discuss non-market services combined with national accounts issues. Five countries split their 2008 GDP officially; three other countries recently made a draft GDP breakdown by basic headings for 2008.

39. **Latin America and Caribbean** - Three workshops are currently scheduled in May, June, and July 2011, respectively. They will be dealing with machinery and equipment, government services, and construction, with all three topics being covered in every workshop. A training session on commodity flow will be held in June or July 2011 in the Caribbean sub-region.

40. **Western Asia** - The second meeting on National Accounts will take place in May 2011 in a country not yet decided.

41. **Pacific Islands** - Keith Blackburn presented the current status of ICP preparation in these countries/economies, laying emphasis on the poor statistical capacity in most of them.

## Item 10: Outline of Regional Workshops

42. As proposed by the Global Office, the meeting resolved that countries should be trained on the tasks to be carried out according to 5 approaches (see para. 22) and related methods. This will be done through technical assistance missions to the countries on a need basis and regional workshops. Paul McCarthy presented a draft outline of the regional workshops which will mainly focus on:

- Basic concepts (Output, intermediate consumption and value added; production approach; expenditure approach; links between production and expenditure approaches; supply-use tables; classifications and concordance; possible data sources);
- Expenditure on GDP (content of each major aggregate; ICP requirements; uses of ICP data — real expenditures; comparative price levels; basic headings; prices required and links between prices and values; ICP reporting forms; demonstration on how a country can customize the **MOdel Report on Expenditure Statistics – MORES** – to produce the expected results and related metadata);
- Problem areas (exhaustiveness; own-account production/consumption (including subsistence production); non-observed economy; Eurostat tabular approach to assessing GDP exhaustiveness; rents —user cost method for imputed rent, and price vs. quantity approach for PPPs–; potentially missing data — income in kind–; consumption of fixed capital for government, FISIM, other government expenditures);
- Comparison-resistant services (construction; health; education; housing; compensation of government employees; others);
- Data validation (Basic checks - values reported for all basic headings; sum of basic headings equals broader aggregates and sum of broad aggregates equals GDP; GDP and broad aggregates consistent with national accounts data in the UNSD database; aggregates with negative values reported correctly -; comparing the share of GDP contributed by each basic heading in similar economies; comparing per capita real expenditures for each basic heading and for major aggregates in similar economies)

43. The training sessions will also address the need for alternative ways of estimating Household Final Consumption Expenditure values in the absence of data from Household Income and Expenditure Surveys. The meeting agreed to supplement the outline with any inputs which regional coordinators may wish to provide. A consolidated outline will be circulated to the INAG members in early March 2011.



**Day 2: February 17, 2011**

<b>Room MC10-100</b>	<b>Sessions</b>	<b>Presenters</b>
<i>08:30-09:00</i>	<i>Coffee</i>	
<i>09:00-11:50</i>	Splitting GDP expenditures for the ICP: <ul style="list-style-type: none"> <li>• <i>Commodity-flow approach and supply-use tables</i> <ul style="list-style-type: none"> <li>○ <i>Valuation (basic → producers' → purchasers' prices)</i></li> <li>○ <i>Price-factor method for pricing equipment</i></li> </ul> </li> <li>• <i>Estimating basic heading details</i> <ul style="list-style-type: none"> <li>○ <i>Implications of errors in basic heading data</i></li> <li>○ <i>Indirect methods of estimating basic heading data</i></li> </ul> </li> <li>• <i>Data validation procedures</i></li> </ul>	<i>Derek Blades</i>  <i>Paul McCarthy</i>
<i>11:50-12:00</i>	<i>Main Conclusions</i>	<i>Keith Blackburn</i>
<i>12:00-01:30</i>	<i>Lunch</i>	
<i>01:30-04:30</i>	Assessing Regional Technical Assistance Needs & National Accounts Workshops	<i>Nada Hamadeh and Regions</i>
<i>04:30-05:30</i>	Working Group Work Program	<i>Paul McCarty and Derek Blades</i>
<i>05:30-06:00</i>	Conclusion and Way Forward	<i>Michel Mouyelo-Katoula</i>
<i>11:50-12:00</i>	<i>Main Conclusions</i>	<i>Luis Gonzalez</i>

## Annex 2. List of Participants

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## **Annex 3. Terms of Reference**

### **ICP National Accounts Working Group (INAG)**

#### **1 Background**

The International Comparison Program (ICP) is a worldwide statistical initiative to collect comparative price data and estimate purchasing power parities (PPPs) of the world's principle economies. Using PPPs instead of market exchange rates to convert currencies makes it possible to compare the output of economies and the welfare of their inhabitants in real terms - that is, controlling for differences in price levels.

National Accounts (NA) are a critical input into the ICP because they directly provide the values used in deriving PPPs.

#### **2 Introduction**

*“The most common use of national accounts is to examine the changes over time in GDP and other major aggregates, with the volume measures being particularly important in this regard. While some users analyze some detailed data in the time series national accounts, most analysts examine the relationships between broader national accounts aggregates. As a result, the consistency of data sources from one period (generally a quarter or a year) to another is a key aspect of data quality assurance. On the other hand, the ICP requirement is primarily for “one-off” data sets, with very detailed data needed, but only once every several years.*

*The estimation techniques used in compiling the time series national accounts can assist in obtaining the detailed data required for the ICP. In particular, the commodity-flow method and supply-use tables (SUTs) can be used to produce estimates of some components of expenditure on GDP that are not compiled as a matter of course in the time series national accounts.*

*The task of splitting GDP expenditures into the detailed components (basic headings) required for the ICP would be relatively straightforward if the broad aggregates in the national accounts were based on combining detailed data from bottom up. In such a situation, detailed prices, production data and expenditures would be available fairly readily. However, the paucity of basic data sources precludes such a simple solution in most countries in the world.*

*It is essential to make the most of existing statistics to maximize the consistency in the national accounts activities for the ICP. Consistency is the key requirement: consistency between prices collected in the field and prices embedded in GDP expenditures, between production data and expenditure data, between import prices, producers' prices and purchasers' prices, between wholesale prices and retail prices. Consistency is also important when assessing the plausibility of per capita expenditures at the basic heading level in nominal and real terms, both within a country and between countries belonging to similar economic clusters.*

*Disaggregating GDP into the detailed basic headings required for the ICP is the core part of the national accounts data needed for the ICP. In principle, only details based on the expenditure approach are required for the ICP. However, the other approaches (particularly the production approach) should also be taken into account. (See paragraphs 19 to 21 of the chapter “The national accounts framework in the ICP” for more details about the three approaches to measuring GDP.) The clear distinction usually made between the three approaches is not always justified as the three methods rely on the same pool of data, at least to some degree, although the extent varies across countries. For example, given the definition of government services, output for these services is the starting point for calculating government final consumption expenditure. Also, in the absence of a survey of businesses' capital expenditures, the major sources of expenditure data for machinery and equipment are import statistics and information on the outputs of producers of these products. If a full set*

*of data is available for businesses (i.e. value of output, intermediate inputs, wages and salaries paid, taxes paid etc.) then the production and income approaches will be identical because the gross operating surplus is measured as the balancing item between the production-based measure of value added within the business and the other components of the income-based approach.*

*In cases where all these data sources are available, the various data sets can be reconciled in a supply-use table. The commonalities between the data sources should be used to the extent possible to estimate GDP or its detailed components, particularly using the production and expenditure approaches. A critical advantage of having data on both these approaches to measuring GDP is that it enables the source data to be cross checked and validated so that the best possible data are available on the components of expenditure on GDP.”*  
[Source: *The ICP and National Accounts Practices; Operational Material; Global Office*]

### **3 Objectives**

*Splitting GDP expenditures for the ICP is a “major statistical exercise which requires a great deal of cooperation and coordination between price statisticians and national accountants. Inevitably, a large part of the overall work program is directed at identifying the representative and comparable products to be priced and then collecting the prices required to produce PPPs. However, the national accounts are a critical part of the overall ICP. PPPs are of no use unless other relevant data are available to use with them. For example, PPPs are combined with national accounts data to produce real expenditures expressed in a common currency, which can be used to compare the relative size of countries. PPPs can also be combined with exchange rates to provide price level indexes (PLIs), which show the relative price levels in different countries thereby enabling countries to be compared on the basis of whether they are “expensive” or “cheap” to live in or to visit.*

*It is clear the national accounts have a major impact on the overall outcomes of the ICP and one of the aims in the 2011 round is to improve the quality of the national accounts data. Any errors in the national accounts data will have a direct impact on the real expenditures derived by applying PPPs to the national accounts values.*

*Countries participating in the 2011 ICP round will be required to provide a very detailed breakdown of the final expenditure categories of gross domestic product (GDP). There are 155 detailed expenditure sub-classes or basic headings involved, and they are defined in the ICP Expenditure Classification. A detailed breakdown of the national accounts aggregates is needed to provide the values that are converted into real expenditures at the basic heading level. These values also provide the weights that are used in calculating the PPPs at more aggregated levels, up to the level of GDP itself. As is generally the case with price indexes, the prices of goods and services that account for large shares in final expenditure are given a larger weight in calculating the PPPs for broader aggregates than are the prices of goods and services that have relatively small shares.”*  
[Source: *National Accounts Framework in the ICP; Global Office*]

In view of the above an ICP National Accounts Working Group (INAG) is being established whose overall objective is to support the Global Office in ensuring that detailed GDP expenditures compiled by the countries participating in the 2011 round of ICP are sound in terms of the adherence to the SNA-93 and comparable across the countries.

The specific objectives are to:

- Ensure that GDP for the reference year is forecast/estimated in compliance with the SNA requirements;
- Propose practical methods of splitting GDP into 155 basic headings;
- Propose practical methods of ensuring consistency between the estimated expenditure values and prices collected in the ICP surveys; and
- Ensure consistency between data collected for comparison-resistant areas and GDP expenditures.

#### **4 Terms of Reference**

The tasks of the INAG members include providing inputs to various methodologies being prepared in the main areas of the ICP to ensure inter-area consistency from a National Accounts viewpoint. This will entail collaboration with experts in those areas, and a wide knowledge of all ICP aspects. The members are also expected to provide technical assistance and training to regional agencies and countries on ICP methodology.

##### **The tasks will include but not be limited to:**

- Identifying issues for which practical recommendations will be proposed to the countries;
- Providing input to the preparation of regional workshops on National Accounts for ICP;
- Reviewing country documentation on national accounts metadata in order to ensure the consistency and comparability of the accounts across regions; Providing inputs into the processes of defining methodologies for comparison resistant areas (public and private health services, public and private education services, compensation of employees, construction and equipment) to ensure the consistency of methods/approaches proposed therein with SNA;
- Preparing notes on concrete steps to be taken by national accountants to implement the proposed methods/approaches in compliance with SNA requirements;
- Preparing papers and presentations for regional workshops on the implementation of the guidelines; and
- Supporting National Accounts data validation at country or regional level.

Specifically, the working group will focus on providing practical advice to country statisticians on these and other related topics such as:

- Global Office's national accounts reporting forms
- Commodity-flow approach and supply-use tables
  - Valuation (basic → producers' → purchasers' prices)
  - Price-factor method for pricing equipment
- Estimating basic heading details
  - Implications of errors in basic heading data
  - Indirect methods of estimating basic heading data
- Exhaustiveness
  - NOE
- Own production/consumption (particularly focusing on subsistence production)

- Income in kind
- Imputed rents
  - Consistency between values and real expenditures
  - User cost approach
  - Quantity approaches
- Consumption of fixed capital for government
- FISIM
- Net expenditures abroad
- Data validation procedures

## **5 Reference Material**

The reference material to be used by the working group will include but is not limited to:

- The SNA Manual
- The National Accounts Framework in ICP
- The ICP and National Accounts Practices
- The National Accounts Forms for ICP
- The ICP Book

## **6 Time Frame**

The working group will support the ICP Global Office until the end of the 2011 round.