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**Global initiatives: International Comparison Programme**

**The work of the Republic of Kazakhstan on preparation for 2011 Global Round of the International Comparison Programme<sup>1</sup>**

1. International global comparisons of GDP and purchasing power parity of currencies, next round of which, according to 2011 statistics, was initiated by the decision of the UN Statistical Commission, are complex in organizational and methodological aspects projects, which assume the necessity for efficient interaction between all participants. Carrying out these comparisons provides unique information about the global economy, the place of individual countries in regional and global economy, the relative economic potential of individual countries. Such information is essential not only to the international organizations for the analysis of trends in global and regional economies, but also to the governments of countries in making decisions on the economic policy issues.

2. Decision on the participation of the Commonwealth of Independent States (CIS), which includes Kazakhstan, in the next round of global international comparison of GDP for 2011 was adopted on the 42<sup>nd</sup> meeting of the Council of Heads of Statistical Offices of the CIS countries in November 2009. At the meeting it was agreed that the CIS Statistical Committee will act as the Regional Coordinator in cooperation with the Federal State Statistics Service of Russia, and the latter will act as a partner-organization of the CIS Statistical Committee.

3. The methodology of the International Comparison Program (hereinafter ICP) is fixed in a number of guidelines developed by the World Bank and discussed at the meetings of regional coordinators. It is the

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adaptation of the following interrelated branches of economic statistics for the purposes of international comparison of GDP:

System of National Accounts (basic concepts, definitions, classifications and indicators), providing the uniformity of definition of GDP and its major components, and the unified classifications of expenditures of households on final consumption and expenditures on consumption of government;

Consumer price statistics (requirements of the axiomatic and economic indexes theories, which are important in the context of international comparisons; the price indexes formulas), which defines basic principles of calculating price indexes for different levels of classification of GDP and converting them to PPP;

Sample surveys theory, which is used to generate a list of representative goods, to define retail outlets where the prices of these commodities are registered.

4. The upcoming 2011 round of global comparisons of GDP is much similar to the previous 2005 round. Analysis of applied methodology, organization of comparison and its results led to the conclusion about the necessity of introducing some refinements to the solution of some important issues of methodology and organization of data collection for the ICP. One of these findings concerns the need to ensure greater reliability and international comparability of GDP in national currency data, which are the starting point for evaluating their purchasing power parity rates. In this regard, the work on the correspondence with provisions of SNA 1993 of the GDP components will be strengthened, focusing on the coverage of non-observed economy, the reflecting of government bodies' activities, the individual GDP components assessment, the tying up of GDP data with adjacent branches of macroeconomic statistics. These are balance of payments, government finances statistics and others.

5. General problems of obtaining reliable GDP data can be divided into two groups: conceptual (methodological) and practical. Methodological problems are related to the fact that all accounts in the SNA are interrelated, and therefore, absence of some accounts or errors in other accounts that are not directly related to the calculation of GDP can affect the accuracy of GDP estimates. Practical – associated with obtaining the primary data needed to calculate the individual components of GDP.

6. Kazakhstan has made significant progress in the implementation of the SNA 93. At the present time, the formation of the following units of the central structure of SNA is carried out in accordance with the methodology of the SNA 93:

- all current accounts (production, distribution and use of income);
- of the accumulation accounts – the capital operations account, financial account and other changes in assets;
- the construction of the account of other changes in volume of assets and the revaluation account are under experimental calculations, their introduction will allow to begin forming the balance sheet;

- “supply – use” and “input – output” tables. These are the accounts of industries by kinds of economic activity and the accounts of goods and services transactions by types of product;
- the gross domestic product by three methods in current and comparable prices, and regional product.

In order to improve the quality of the GDP data, the Plan of joint actions on realization of priority directions of development of the SNA for 2010-2012 is developed and approved. Requirements for branches of statistics have been developed in order to increase the comparability of data, according to which it is expected to improve the calculation of macroeconomic indicators. Introduction of SNA 2008 is expected to be started by studying issues that affect the estimates of GDP in current and constant prices and which are recommended by the CIS Statistical Committee to be implemented on the initial phase:

improvement of the coverage of non-observed economy in GDP and increase of the analytical value of data on non-observed economy;

changes in the treatment of expenditures on research and development and acquisition of weapons;

definition of the output of central bank services, financial services and insurance;

refinement of definitions of some concepts and guidelines on recording transactions related to foreign trade in goods.

7. Objectivity of the results of the comparisons depends largely on compliance with the requirements to collection of data on prices of selected representative goods and other components of the ICP. This refers to the principles of selection of representative goods, the methods of calculation of average prices, the frequency of price collection, processing large amounts of data on prices of identical or similar representative goods, averaging the ratios of prices of representative goods with special formulas.

Some part of the price information is collected as a part of regular national statistical observations for the formation of consumer price index, price index in the construction by elements of technological structure, index of price of construction works, the acquisition price indexes in industry and agriculture.

The current system of indicators of price statistics in Kazakhstan includes more than 20 major indexes, each of which is detailed in accordance with accepted standard classifications, ensuring comparability of these indicators at the international level. For all indicators of price statistics special techniques and methodological guidelines are developed, used and updated on a regular basis to ensure compliance with concepts and principles of conducting price surveys and forming indexes. They are based on the standards of Eurostat and IMF, and the recommendations of international guidelines jointly prepared by ILO, IMF, OECD, Eurostat, UN and the World Bank.

IMF has several times examined the conformity of Kazakhstan price indexes formation to international standards. It was concluded that “the concepts, definitions, scope, classification, division, and the basis of the CPI and PPI accounting meet international standards” (Reports of the IMF

missions on price statistics, May 1995, September 1997, April 2002, August 2007). Procedures of forming the price statistics indicators are consistent with appropriate international practice, the indexes are comparable by the periodicity and timeliness, and fully meet the requirements of the Special Data Dissemination Standard (SDDS) of IMF.

For the purposes of the ICP for each smallest commodity group a certain number of identical and internationally comparable representative goods with corresponding prices is chosen. For this purpose, there are detailed descriptions (specifications) of technical-economic characteristics for each representative good, providing the identity of selected representative goods in different countries. These differences must be eliminated in determining the PPP.

Selection of identical representative goods is particularly complex in case of high-tech products (machinery, equipment, computers, cars). The number of representative goods for each smallest commodity group depends on the proportion of the latter in GDP, its degree of homogeneity, the dispersion of indexes characterizing the ratio of prices in surveyed country and in the country chosen as a base in the region.

Comparison of prices of goods and services is a basis for calculating the PPP. Obtained results should be "pure price indexes", free from differences in product quality, taking into account not only the physical characteristics of the goods, but also the type of shops, size of the package of goods and some other pricing factors. In practice, application of this principle in full extent is costly, and it is realized with a certain degree of approximation, which remains a problematic issue.

It should be noted that the classification and the ensuing solution of problems of formation of data bulk for the ICP will ensure the reliability of comparison results.

8. Over the past year the Agency on Statistics of the Republic of Kazakhstan has carried out all of the activities outlined in the schedule of works for 2010. It was compiled in accordance with the general work plan for the period until 2013 and approved by the Executive Board of the ICP and the Global Office of the World Bank.

Memorandum of Understanding was signed between the Agency on Statistics of the Republic of Kazakhstan and the Interstate Statistical Committee of the Commonwealth of Independent States on international comparisons of GDP in the CIS region as part of 2011 Global Round of the International Comparison Program. It contains a detailed description of functions and responsibilities of project participants, as well as the procedures of cooperation in solving the fundamental problems of organization of GDP comparisons and integration of its results in the overall global outcome. Particular attention in these procedures is paid to the issue of ensuring the fixity of the results of regional comparisons, which means that the ratios between the indexes obtained in the regional comparisons should be stored in the global outcome.

9. As in 2005 round of comparisons, the results of the comparison in the CIS region will be integrated into the global output by including them in the OECD – Eurostat comparison results, using for this purpose the participation of the Russian Federation in both CIS and the OECD- Eurostat comparisons.

10. The work on identification of key consumer representative goods has been carried out. These materials will be used by the Global Office to compile common for all countries list of key representative goods, assessment of which will be used to aggregate the results of regional comparisons and to obtain global results.

11. Lists of consumer and investment representative goods are prepared for ensuing data collection. The materials on key methodological and organizational issues are studied: selection of representative goods, comparison of non-market services and housing rents, comparison of the construction aggregate, creation of a classification of GDP expenditures by smallest commodity groups, formation of consumer and investment representative goods list.

12. Further work of the Agency on Statistics of the Republic of Kazakhstan will be conducted in accordance with the general schedule of all works related to 2011 data comparisons. It covers the period from 2010 to 2013, when the Global Office plans to publish the results of regional comparisons and the results of global comparison.

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