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##### **Presentation and discussion of national implementation plans**

### **Implementation of the 2008 SNA in Kazakhstan: Plans, current work and basic challenges**

#### **Report of the Statistics Agency of the Republic of Kazakhstan**

##### *Summary*

The introduction of the methodological changes set out in the System of National Accounts, 2008 (2008 SNA), in the practice of compiling national accounts is one of the challenges now facing national statistics offices. This report presents the current status of implementation of the 1993 SNA in Kazakhstan and the 2011–2014 plan for the implementation of the 2008 SNA. The report describes the work already done to implement the plan, the basic problems encountered in implementing the 2008 SNA in the country, and possible steps to address those problems.

## **I. Implementation**

1. The United Nations Statistical Commission at its fortieth session endorsed the strategy to change over to the 2008 SNA. Under the strategy, the transition should take place in three stages, namely:

Stage I. Review of strategic framework and detailing of national and regional implementation programmes;

Stage II. Adaptation of the classification frameworks, business registers and frames, surveys, administrative data sources and information technology infrastructure;

Stage III. Application of adapted frameworks and source data, backcasting and changeover to the 2008 SNA.

2. It is important that the strategy recognizes the need to take coordinated action not only at the international level but also at the regional and subregional levels, inter alia in order to ensure the comparability of statistical data both regionally and globally.

3. The transition to the 2008 SNA is more complicated for developing countries than for developed countries, as they must simultaneously meet the challenge of fully implementing the 1993 SNA. Despite some progress, the 2009 report of the Working Group on National Accounts stated that 40 per cent of member countries and only 10 per cent of small island developing States and least developed countries had been able to report the minimum required data set which is used to determine whether countries have implemented the 1993 SNA.

4. Nevertheless, as the strategy to change over to the 2008 SNA has been endorsed by the international community, developing countries must develop and strengthen their national statistical systems and take specific decisions on the transition to the 2008 standard, taking into account national and regional conditions.

## **II. Current status of implementation of the 1993 SNA in Kazakhstan**

5. The Statistics Agency (hereinafter the Agency) is currently implementing and using the basic provisions of the 1993 SNA standard. The present status of implementation of the 1993 SNA may be described in more detail as follows.

6. All the following current accounts have been introduced and developed: production accounts, generation of income accounts, allocation of primary income accounts, secondary distribution of income accounts, redistribution of income in-kind accounts and use of income accounts.

7. The three approaches to measuring GDP include: the production approach, the income approach and the final consumption expenditure approach. Using preliminary data, GDP estimates made by means of the production approach are issued after 45 days; using reported data, they are issued after 90 days.

8. Capital accounts and financial accounts are derived from accumulation accounts. A tourism satellite account is compiled from satellite accounts.

9. In addition, supply and use and input-output tables are derived on an annual basis, with a one-year delay. The supply and use and input-output tables for 2010 were compiled in accordance with the general classification of economic activities and the classification of

production by type of economic activity. The basic framework for the supply and use tables includes 117 types of economic activity covering 715 types of goods and services. Symmetric input-output tables are produced by aggregating the basic supply and use matrix (715\*117) with 60 types of economic activities.

10. Supply and use and input-output tables at current prices are built up in accordance with the methodological principles and standards set out in the 1993 SNA. Tables at constant prices have not been compiled in national statistical practice.

11. At the same time, some of the provisions of the 1993 SNA standard have not been fully implemented. In particular, the following accounts and balance sheets have not been compiled.

- Other changes in the volume of assets accounts
- Revaluation accounts
- Balance sheets
- Social accounting matrices
- Satellite system for integrated environmental and economic accounting

12. Experimental calculations have now begun in order to compile other changes in the volume of assets accounts and revaluation accounts. The Agency has also started experimental work to compile balance sheets.

13. Experimental calculations are also being undertaken using satellite accounts for environmental accounts and health accounts.

14. The other 1993 SNA recommendations that have yet to be implemented in Kazakhstan relate to incomplete coverage of asset boundaries, insufficient recording, by government asset, of consumption of fixed capital, calculation of social insurance schemes, allocation of FISIM and the use of chained indices.

### **III. 2008 SNA implementation plan**

15. In accordance with the recommendations of the United Nations Statistical Commission, the Agency drafted a 2008 SNA implementation plan for 2011–2014; it was approved by the Chairperson of the Agency on 4 May 2011. The plan incorporates step-by-step efforts to implement specific recommendations on individual accounts, and clearly sets out the implementing authorities and a time frame.

16. The plan is divided up as follows:

- Methodology
- Improving internal databases
- Improving external databases
- Staffing

17. The “Methodology” section provides for efforts to update existing classifications and develop new ones, to refine the business register identification codes of institutional units, and to refine and develop new methodologies for all principal and satellite accounts and balance sheets, for the non-observed economy, for supply and use and input-output tables, for calculations of volume indices and for the automated calculation of SNA indicators.

18. Measures to improve statistical forms and surveys are included in the section entitled “Improving internal databases”, the aim being to make it possible to receive the information now needed to meet the requirements of the 2008 SNA. In addition, work to compile all the necessary price indices has been scheduled in order to recalculate SNA indicators at constant prices.

19. As responsibility for statistical data collection is shared by many State bodies in Kazakhstan, it is very important that such bodies provide the Agency with information meeting SNA requirements. For example, the National Bank is in charge of balance of payments and monetary statistics, while the Ministry of Finance is responsible for Government finance, debt and foreign trade statistics. The Ministries of Justice, Health, Oil and Gas and Agriculture and the Agency for Land Resource Management and others are also important data providers. This section of the plan also provides for measures calling for State bodies to compile indicators in a format that is in keeping with the needs of SNA objectives, methodological work to be conducted jointly with State bodies to calculate SNA indicators and for agreements to be concluded with State bodies so that they provide information to the Agency.

20. As staff training and development is among the important requirements for the successful implementation of the 2008 SNA, the section entitled “Staff training” includes plans for all senior Agency officials to be given guidance on compiling accounts in accordance with the 2008 SNA, for the participation of Agency officials in international workshops and conferences on national accounts and for the use of training resources of the United Nations, the International Monetary Fund, the World Bank and other international organizations and the use of technical assistance to train specialists.

21. In 2011, as part of the implementation of this plan, the Agency began working on the systematic, step-by-step implementation of the main provisions of the 2008 SNA.

22. In particular, a working group on methodological issues concerning national accounts and financial sector statistics (hereinafter referred to as the working group) was established by presidential decree to improve the calculation of indicators for the financial sector. It is comprised of representatives of the National Bank, the Financial Supervision Committee of the National Bank, the Ministry of Finance, the Ministry of Economic Development and Trade and voluntary associations such as the Financial Institutions Association of Kazakhstan and the Association of Banks of Kazakhstan.

23. The Working Group held three meetings, which took up methodological issues relating to the measurement, in accordance with the 2008 SNA methodology, of output of institutional units in the financial corporations sector and accumulation accounts indicators.

24. The Working Group meetings have enabled the Agency to address a range of issues with the State bodies concerned involving the provision of the necessary data.

25. In the light of discussions in the working group, in 2011 the Agency developed and its Chairperson approved the following methods, taking into consideration the provisions of the 2008 SNA:

- Method for calculating central bank services
- Method for calculating insurance services
- Method for calculating financial intermediation services
- Method for calculating financial services of second-tier banks

26. In accordance with the plan, work began in 2012 on refining the methodology for calculating market and non-market output (broken down by line of business and products),

trade and transport margins and household final consumption expenditure (broken down by products).

27. Requirements on the form and format of data submitted by information sources are being drawn up to improve internal and external information bases. In the Agency, the national accounts department is working with other industry-specific departments to cover all the data required for 2008 SNA purposes fully. Proposals are now being put together to include in the forms indicators covering household surveys and surveys of non-profit institutions.

28. The Agency will be carrying out the following work this year in accordance with the 2008 SNA implementation plan:

- Develop and/or refine the methodology for current accounts, individual accumulation accounts, satellite accounts and supply and use and input-output tables
- Continue experimental calculations of other changes in the volume of assets accounts, revaluation account, balance sheets and environmental and health satellite accounts
- Improve internal and external databases information bases
- Develop classifications of institutional units by sectors/subsectors of the economy and classifications of the functions of government (COFOG) and improve the classifications of the sectors of the economy

29. It should also be noted that a review of the methodology for measuring the non-observed economy in the light of the changes in the 2008 SNA is scheduled for 2013. There are also plans to measure the non-observed economy at the regional level on an experimental basis. In this regard, the Agency plans to explore ways of obtaining the necessary data from ministries and departments in the country in order to calculate this indicator.

30. Improving structural statistics or business statistics plays an important role in the plan of action to implement the 2008 SNA. Recent steps to introduce statistical standards in various areas of statistics have paved the way for compiling structural statistics as an integrated system ensuring the harmonization and comparability of data.

31. We believe that it is simply not possible to change over to the system of national accounts without integrating data from the accounting reports of institutional units, given the lack of any other information required for this purpose. Currently, there are significant discrepancies between information that can be obtained from the accounting reports of institutional units and the requirements of the system of national accounts. Nevertheless, we believe that during the first phase of implementation of the SNA, data from accounting reports should be integrated in the form in which they exist today. This will enable the statistics authorities to do the necessary "full count" and obtain data that allow for a system of national accounts to be compiled, even if the data are not entirely reliable, and to further study the relationship between the two accounting systems, which in turn will help in the final transition of domestic statistics to generally recognized market economy standards.

32. Further development of structural business statistics will be aimed at optimizing information sources, providing for more complete and better statistical data to build up a system of national accounts indicators and to ascertain how the various types of economic activities are developing. Continued efforts will be made to improve statistical tools and to implement methods for the presentation of financial accounts data in order to bring structural statistics into line with international standards. This will allow for the formation of a new system of indicators, including output, intermediate consumption, gross value

added (by business and sector), the number of workers producing that output and such derived indicators as gross value added per worker or business, etc.

33. The United Nations Statistical Commission noted at its forty-second session that the development and use of short-term indicators is one of the factors facilitating the introduction of the 2008 SNA standards. In the light of the material on short-term indicators reviewed at past workshops, the Agency has carried out work to build up a leading indicator. This has resulted in a method of building up a composite leading indicator of industrial production and a composite indicator of the volume index of industrial production. On the basis of this method, information updates on the composite leading indicator of industrial production have been issued quarterly since 2011. In addition, the Agency plans to conduct research to establish leading indicators for the labour market and the trade sector.

## **IV. Main challenges of implementing the 2008 SNA**

### **1. National and regional programmes for the transition to the 2008 SNA**

34. The United Nations Statistical Commission has said that clear national and regional programmes for the transition to the 2008 SNA are among the major prerequisites for its successful implementation.

35. In our view, the national programmes should include coordinated plans for all State bodies responsible for successfully implementing the 2008 SNA, yet the Agency's implementation plan for the SNA for 2011–2014 mostly applies only to the Agency itself. Other State bodies have yet to incorporate measures to implement the 2008 SNA into their medium-term strategic plans, and this might prevent the 2008 SNA from being implemented on schedule.

36. As far as regional plans are concerned, the Agency is coordinating its work with the Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT). There is still no clear plan with deadlines for the implementation of the 2008 SNA in the CIS region. CIS-STAT has prepared a document providing an overview of the main provisions of the 2008 SNA, with proposals for their gradual application to statistical practice in the CIS countries. According to this document, the CIS countries should take into account changes affecting the size, structure and growth rate of GDP, and other changes should be incorporated at later stages. For these purposes, CIS-STAT has plans to develop and approve various methods, taking into consideration the requirements of the 2008 SNA.

37. Preferably, uniform methodological instructions should be used to ensure that data are comparable at the regional and international level. At the same time, we now need to agree on a time frame to work out a methodology and implement the provisions of the 2008 SNA at the national and regional levels.

### **2. Availability of data required to calculate indicators in accordance with the requirements of the 2008 SNA**

38. Implementing the 2008 SNA will require considerable time and effort on the part of the Agency and other State bodies responsible for compiling macroeconomic statistics. A number of changes will need to be made to the definition and classification of several indicators, to accounting and reporting practices and to sample survey programmes. There is a need to enhance cooperation between the Agency and the Ministry of Finance and the

National Bank and to coordinate their efforts to introduce the new SNA standards, State finance statistics and balance sheets, and also to foster cooperation with the Ministries of Education and Science, Defence, Culture and Internal Affairs and with the Office of the Procurator-General.

39. Although most of the changes proposed in the 2008 SNA are viable, the scope for their implementation is not the same. Problems in improving data sources, finding practical uses for administrative records, improving the statistical business register and developing a methodology for measuring the contribution of the unobserved economy have been identified as significant obstacles to 2008 SNA development.

40. For example, the changes to the methodological principles and standards in the 2008 SNA concerning the supply and use and input-output tables basically call for a revision of the treatment of goods sent abroad for processing. The 2008 SNA recommends that imports and exports should be recorded on a strict change of ownership basis. Therefore, flows of goods between the country owning the goods and the country providing the processing services should not be recorded as imports and exports of goods. Instead the fee paid to the processing unit should be recorded as the import of processing services by the country owning the goods, and as an export of processing services by the country providing it. For the relevant accounting, the Customs Committee of the Ministry of Finance must consider the possibility of providing information on the export and import of goods, leaving aside goods sent for processing without a change of ownership. Preliminary information from the Customs Committee indicates that providing such information is rather problematic. In turn, the National Bank must use the information referred to in those records to calculate exports and imports of goods and services in its balance of payments. It will be difficult to obtain information from the Ministry of Oil and Gas on mineral and energy resources in value terms, and information on weapons systems indicators is considered by the Ministry of Defence to be classified; more problems of this kind are likely to be encountered.

### **3. Introduction of integrated economic statistics in the framework of the 2008 SNA**

41. Draft guidelines on integrated economic statistics were submitted at the forty-second session of the United Nations Statistical Commission by the Friends of the Chair on integrated economic statistics. The document emphasizes the importance of harmonization and consistency of economic statistics. It is mentioned that macroeconomic statistics should be linked to a constant set of other economic indicators dealt with by users on a regular basis, including retail prices, spending on construction, profits, employment, wages and inflation levels. With this, the system of national accounts serves as a basis for the integration of economic statistics.

42. In implementing the 2008 SNA, the Agency is planning on addressing the problem of establishing integrated economic statistics. This is a very difficult objective and requires making changes to the procedures for data collection, to classification and to registers, etc. Particular attention will be given to the classification of statistical units and to recording them in registers. Special attention has been given to this problem in the draft guidelines. One of the recommendations was that countries should give priority to unifying data collection methods and focus attention on the following four elements: consistency, coherence, breadth and depth. Consistency presupposes the use of common concepts, terminology, standards and a uniform definition of statistical units. The National Statistics Office should also develop a common and comprehensive business register and method of ensuring consistency among various business registers to make it possible to identify all businesses and take the necessary measurements without any duplication. To provide for

internal consistency of economic statistics, it is important to apply consistent classifications to reliably established statistical units.

43. The importance of uniform application of classifications to institutional units can be illustrated by the following example. Currently, one of the problems with harmonizing economic statistics is the absence of complete consistency among industrial output statistics, numbers of persons employed in industries and other indicators. The reason for this is that when calculating output, for example by industry, the line ministry collects data by primary, secondary and other types of activity on large, medium-sized and small enterprises, using a continuous method. Some of the institutional units on which data is collected for industrial output cannot provide a minimal data set in accordance with the requirements of the SNA. The data in question include:

- Data in the production account and the generation of income account
- Data on the number and categories of employees and hours worked
- Estimates of the stock of non-financial capital and natural resources used
- Estimates of changes in inventories and gross fixed capital formation

44. At the same time, an approach is used in labour statistics under which all employees of an enterprise are considered to be employed in the basic type of activity in question, regardless of the establishment. Moreover, a sampling approach is applied when determining employment in small enterprises. Thus, there are problems in applying the concepts of “establishment” and “industry” and in ensuring that industrial indicators (output, profits, outlays, number of employees, etc.) are comparable.

#### **4. Providing for qualified specialists**

45. Among the most important issues is the problem of staffing. A sufficient number of well-trained specialists is needed to successfully implement the 2008 SNA. The staff at the Agency are rather young; most lack sufficient experience. Training opportunities for all staff members in modern theoretical and practical skills is limited. Furthermore, high staff turnover is a problem. Many young professionals leave for better paid work in the private sector after they have worked for a while at the Agency.

### **V. Possible measures to address the problems**

46. A range of measures covering the various aspects of statistical work is necessary for the qualitative implementation of the 2008 SNA.

47. We believe the main problem is the question of how to obtain all the necessary data from all the relevant State bodies meeting the requirements of the SNA. In this regard, it would be useful to review the issues involved in the implementation of the 2008 SNA at the Interdepartmental Council of the Government of Kazakhstan. Thereafter, the Government of Kazakhstan might need to draft and adopt a decision on a plan of action to implement the 2008 SNA. In such a national plan of action, it will be necessary to set out the responsibility of each State body to develop a methodology, form of collection of statistical and administrative data and time frame for implementing measures to meet the requirements of the 2008 SNA. A national plan of action for the introduction of the 2008 SNA will help to ensure the implementation of all the necessary measures by all the State bodies concerned and establish a precise time frame for the introduction of the 2008 SNA.

48. In addition, it will be necessary to coordinate efforts with the plans of the Interstate Statistics Committee of the Commonwealth of Independent States to develop relevant methodologies and implement the 2008 SNA in the CIS region.

49. There is a need to carry out major work to review the principles of data collection and indicator measurement so as to ensure consistency throughout the entire system of economic statistics. The use in practice of standard statistical observation units will make it possible to appropriately describe the structure of the production system in terms of sector and region.

50. The establishment of a system of statistical observation based on the type of economic agent must provide for a uniform methodology, and cross-cutting assessments of all such agents and should be adapted as much as possible to the particular features of their operations, depending on the type in question.

51. There is a need to optimize all forms of structural and sectoral statistics on a quarterly and annual basis, taking into account SNA requirements. There are plans this year as a first step to review the forms for medium-sized and large enterprises and further improve statistical observation of small business entities. The mobility of the small business sector makes it necessary to have more flexible observation tools. The contributions of self-employed entrepreneurs to the economy have grown significantly in recent years. Therefore, the establishment of statistics for this sector of the economy is one of the key objectives of structural statistics.

52. To increase the quality of information, there is a need to devise methodological recommendations for the revision of databases for SNA purposes. These are scheduled to be drawn up and approved in 2012.

53. There are also plans to develop new software for the possible introduction of integrated baseline data on small business entities. Regional bodies will play an active role in introducing the baseline data. The establishment of such databases will allow for the generation of indicators at the district level.

54. A project entitled “strengthening the national statistical system of the Republic of Kazakhstan in the period from 2012 to 2016”, to be carried out as from 2012 by the Statistics Agency together with the World Bank, should have a significant impact on the implementation of the 2008 SNA in Kazakhstan.

55. The main objective of the project is to increase the effectiveness and performance of the national statistical system of Kazakhstan, with the aim of providing users with the up-to-date and reliable data they need, in accordance with international methods and best practices. On the whole, it may be said that the project is aimed at increasing the quality of statistical information by improving the work of the Agency in all areas, from the collection of primary information all the way through the distribution of compiled data.

56. The Agency stands to benefit most from the project. At the same time, the project will contribute to improving statistical work not only in the Statistics Agency but also in other State bodies that collect statistical information. This will result in an improvement of the administrative data that will be used more and more with every year, including for the purposes of the 2008 SNA.

57. State bodies involved in producing statistical information will receive assistance with methodology and training of specialists during the implementation of the project.

58. One of the components of the project is an improvement of the methodology used by the Agency. The Agency plans to carry out the necessary methodological work in the framework of this project to change over to the 2008 SNA, which will require the involvement of leading international experts in the field.

59. Another important component of the project is capacity-building among the Agency's staff, which will be an important factor for the Agency's future development. In this regard, there are plans within the framework of the project to introduce the best staff management practices of developed statistics services. There is still a need to develop new staff management methods, with individual plans for personnel development and training and career development, and with rotation programmes for specialists. A staff training and development strategy will be developed within the project, and officials from central and local bodies will be trained and acquire the necessary skills at leading training centres in other countries, including on issues concerning the implementation of the 2008 SNA.

60. We believe that the timely and high-quality development by international and regional organizations of the necessary guidelines and methodological recommendations on the 2008 SNA, together with their provision of technical assistance to countries for staff training and statistics capacity-building, will have a significant effect upon the pace and quality of implementation of the 2008 SNA.

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