

# GDP Expenditure Validation Procedure in Africa



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# Outline

- Intra-country validation
- Data Report – Basic Checks
- Data Report – Advanced Checks
- Vector of Unit Expenditures
- VUNEX – Selected Examples
- Narrative Report

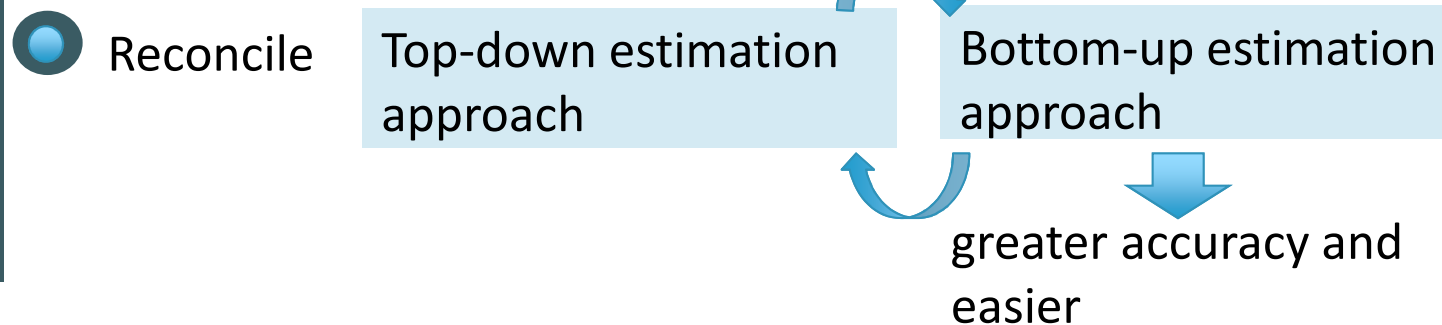


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# Intra-country Validation

## Purpose

- Ensure that GDP expenditure is effectively split into detailed categories along a 155-basic heading classification of expenditures



## 3 Stage Compilation

- To avert mechanistic implementation
- 3 stages

Basic Checks




consistency checks



economic analysis

## 2 Reports

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# Data Report – Basic Checks

## Data Source Review

Retrieving data needed to review expenditure data against SNA compliance requirements.  
Review each BH's estimation section in the MORES against available data

## SNA Compliance

Basic Check

### Additivity Check

**Should be Non-Zero**  
**Should be Negative**  
**Should be Positive**

Aggregate Levels Up To GDP

Basic Headings

# Data Report – Advanced Checks

## Consistency Checks

- Methodological consistency for selected categories of BHs
- Expenditure-price consistency for all BHs
- Consistency between Government BHs estimations and Government Finance Statistics

## Economic Analysis

Structural homogeneity

Flagging BH shares above 5% of GDP

Temporal variation

Flagging variations of BH shares to GDP above 20%

Constant structures

Flagging variations of BH shares to GDP below 5%

Economic likelihood

Flagging **VUNEX** related variations above set threshold.



# VUNEX = Vector of UNit EXpenditures

Consumer Theory

Substitution Effect

As item prices for some BHs rise, consumers are supposed to substitute away from those items, choosing more of other alternatives within the same BHs or shifting their preferences to more items under more affordable BHs

Income Effect

In the absence of compensation for price rises, the resulting loss of overall purchasing power will lead consumers to reduce the quantity of their demand

Definition

A notional vector of “rational consumer” needs the variation of which is estimated between two periods

Key question

Who benefits from a particular category of expenditures?

Analysis of expenditures groups allow to define beneficiaries depending on the nature of goods and services included under each category of expenditures



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# VUNEX – Selected Examples

Codes	Headings	Who benefits from expenditures?	Population Size
1101100	Food	Entire population	
1101200	Non-Alcoholic Beverages	Entire population	
1102100	Alcoholic Beverages	Population above 14 years	
1103100	Clothing	Entire population	
1103200	Footwear	Entire population	
1104100	Actual Rentals For Housing	All households	
1104400	Water Supply	Dwellings with running water	
1104500	Electricity, Gas & Other Fuels	Dwellings with electricity	
1112200	Prostitution	Population above 19 years	
1401100	Collective Services	Entire population	



# Narrative Report

A 35-50 page  
Word report

- A standardized report template
- Conditional customization/filling out

Content

- Comments on the alignment of reported classification with the new classification
- AfDB findings/comments arising from basic checks
- AfDB findings/comments arising from advanced checks
- 20 to 28 recommendations to countries, in terms of corrective measures to be taken or data to be confirmed



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**Thank You!**