



Notes from the Global Manager

What is ICP?

The International Comparison Program (ICP) is a global statistical initiative involving national, regional and international agencies. It produces internationally comparable price levels, expenditure values, and Purchasing Power Parity (PPP) estimates informing users such as national policy makers, economists, international organizations and academics about the relative purchasing power of citizens of countries. The PPP between two countries is the rate at which the currency of one country needs to be converted into that of a second country to ensure that a given amount of the first country's currency will purchase the same volume of goods and services in the second country as it does in the first.

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Dear Readers,

The conclusion of this round of the International Comparison Program is in sight as all of the regions plan to publish preliminary results for Actual Final Consumption by the end of this year to be followed shortly by preliminary estimates at the full Gross Domestic Product level. These preliminary estimates will be based on the most recent expenditure shares calibrated to the 2005 GDP. Final Purchasing Power Parities (PPPs) and volume indices will be prepared after mid-year 2007 when most countries will have final estimates for the 2005 GDP. The respective global publications will follow the regional schedule.

Having said this, there is much more to do and many challenges remain. Data collection remains to be done for capital formation, housing, government and health in addition for the Ring Comparison. These are "difficult" items to measure. However, some of the major hurdles regarding measurement concepts were resolved during a recent meeting with the regional coordinators.

Efforts to date have concentrated on the collection of price data. However, the final results will be based upon expenditure shares for 155 basic headings coming from a breakdown of each country's GDP to compute PPPs and per capita measures. Therefore, a recent meeting was held with national account experts to agree upon methods to evaluate expenditure shares and determine where data are inconsistent between countries.

The Global Office and the regional coordinators, for the second time as a group, reviewed regional preliminary PPPs and country average prices. Much was learned from these exercises about the quality of the data being collected. The primary lesson learned, however, was the importance for the data review and sharing to actually take place.

The ICP has a unique feature that sets it apart from other international statistical endeavors - a country cannot compute a PPP by itself. A closely related feature is that a region or the Global Office cannot produce satisfactory results unless all countries and regions adhere to the same methodology and procedures.

The agreed-upon principle to ensure a satisfactory outcome is based upon transparency. Transparency requires that countries within a region see the average prices submitted by each other to make sure the same products were priced, and that the coverage of outlets is comparable. In addition, each regional coordinator needs to see and understand the average prices estimated by other regions to ensure they are following the same methodology and collection principles to not bias the global comparison.

These principles are essential and will be the basis to determine what is published in the global report. This does raise questions about data confidentiality and data access. As a result, a Data Access Working Group has been formed to consider these many issues, with more discussion in another part of this newsletter.

In closing, I want to thank those who contributed material for this newsletter, which focuses on the theme of capacity building. As you can tell from this issue, there are many developments. Please visit the ICP website (www.worldbank.org/data/icp) to keep regularly posted on new events and material.

Regards
Fred Vogel

New Working Group Shaping Data Access Policy

Last December, a Data Access Working Group was established and its members selected by the Global Office, in close consultation with the Chairman of the ICP Executive Board. The Working Group was mandated to develop a policy to protect the integrity of ICP micro data holdings, and to formulate data access guidelines for researchers and the general public.

The management of the ICP is shared by the Global Office and five regions headed by Regional Coordinators (RC). The RCs coordinate the statistical process in their respective regions and manage the horizontal review of data provided by the national authorities of participating countries. For the latter, they need access to micro data from their participating countries, which is the rationale for developing a clear policy for data submission and data access to micro data holdings.

At the same time, many researchers seek access to unpublished data to expand knowledge boundaries on issues like measuring poverty and improving methodology. If we want to promote the use of PPPs, the guiding principle for a balanced data-access policy should encompass appropriate use of data by facilitating access, while respecting the confidentiality and integrity of micro data.

2 The Working Group met on 6 February 2006 in Washington to consider these multiple issues. The group has prepared preliminary recommendations to be considered by the RCs and subsequently by the ICP Executive Board.

Regional Coordinators Reviewed Program in Washington

The Regional Coordinators Workshop (February 7-10) included an indepth review of Quaranta Tables and supplementary analysis provided via the Dikhanov Tables for four of the five ICP regions. The Regional Coordinators and the Global Office also reviewed technical issues and the timetable for health, housing, equipment, construction, and government. The work plan for the Ring Comparison was also reviewed and tentatively agreed upon. The work plan will be reviewed by the regions and participating countries with the final version to be prepared for the next meeting of the ICP Executive Board.

Various sessions of the workshops also benefited from valuable input from TAG members Alan Heston (chair) and Kim Zieschang, and Global Office consultant Derek Blades. Actions flowing from this workshop include the finalization of guidelines for the review of national account data, and data collection for equipment, construction, health and housing (The full set of materials and minutes is available on the ICP website.)

Determining if a country/region meets the requirements to be included in the comparison was another key theme in the workshop. The policy guidelines from this workshop --Requirements for Participation in the International Comparison Program-- will be presented to the ICP Executive Board.

ICP e-Newsletter Published in 5 Languages

Notably, the e-Newsletter has gone through considerable changes in format, presentation and substance, beginning with the last issue in November 2005. A new section was introduced in the November issue to focus on "Country Spotlights." The section provides National Coordinators and other country experts with space to contribute succinct articles on their experiences. That issue also marked another important milestone: The e-Newsletter was published and distributed in five languages for the first time, including Arabic, English, French, Russian and Spanish.

The enhancements continue in the current February 2006 issue. A new Methodology section highlights procedural guidelines, methodological developments, and summary reports of research papers and case studies. The e-Newsletter is posted on the ICP website for the wider readership.

ICP Tool Pack Simplified for Regional Use

The ICP Tool Pack (TP) software, in use by Regional Coordinators, is now distributed in a new and simplified design. This was done in response to requests made by the CIS and Africa Regions to remove the Web-based interface, which required Microsoft's IIS software component to be installed on the computer. The IIS requirement posed a major problem due to stringent IT policies against installing IIS in the Africa and CIS Regions. The simplified TP brings all user interaction into the Windows interface of the popular Data Processing Module (DPM). It also comes in a "client" version of the installation, which is necessary in offices where several users work on the same data in a networked environment. The new TP allows the main DPM installation (includes the Database) to be installed on one central computer, while the "client" installations (without the DB) reside on other computers on the network. Both the client and main installations can update data and generate reports.

The TP developers have taken utmost care in this simplification process to ensure that any new patches (changes) to the software, including the present one, will NEITHER affect the data (product lists, specifications, prices – individual or average) NOR the functionalities for those using the earlier Web-based version.

While simplifying the TP installation, the Global Office has included a few important enhancements based on expressed and anticipated requests. These include the Country and Dikhanov diagnostic reports, customization in Index number and Quaranta processing, and flexibilities in viewing index number reports.

For more information, please e-mail Vilas Mandlekar (vmandlekar@worldbank.org).

Executive Board to Meet in New York

The ICP Executive Board will meet in New York City on March 6, 2007, ahead of the annual meeting of the United Nations Statistical Commission. The Board will review the status of data collection, publication plans, issues raised by the Data Access Working Group, and the outcomes of the regional coordinator workshop such as policies for inclusion in the ICP.

ICP — Enhancing the Quality of Global Economic Statistics

Kimberly Zieschang



The ICP is widely known as the premier source of information on international price comparisons as well as, on the volume side, international comparisons of gross domestic product (GDP) and its consumption, capital formation, and net export expenditure components. Accordingly, the ICP has an active user community critically evaluating the results of each round, and some data quality issues have surfaced in reviews of earlier ICP rounds. The current round addresses these issues with two new initiatives: the Structured Product Description (SPD) method for systematically developing product specifications, and a renewed effort to obtain improved GDP expenditure weights for the current ICP round's 155 basic headings. A valuable by-product of these new ICP data quality initiatives is to support and, in some instances, set in motion national and international efforts to improve the quality of national accounts and price statistics of the countries participating in the ICP.

Identifying data quality problems. The ICP does this, first, by identifying inconsistencies among national statistics on product-related breakdowns of GDP as well as national price survey practices in need of improvement. Taking GDP product detail first, because the ICP comprises an aggregate of purchasing power parity (PPP) calculations for 155 detailed basic headings weighted by their shares in GDP, it opens detailed GDP data to scrutiny by regional teams of international experts. Countries compiling GDP using detailed, product-by-product supply and use balancing are able to head off quality problems even at fairly high levels of detail. Yet in many parts of the world, compilers have not yet been able to undertake a robust supply and use methodology, and detailed GDP statistics usually are not subject to this level of review. Whether countries use advanced and data-intensive GDP compilation methods such as supply and use, or rely on less reliable techniques, detailed GDP breakdowns are rarely subject to a review further comparing one country's GDP product composition with another's. Such comparisons are, of course, inherent in ICP calculations.

Turning to price survey methods, price indices must compare similar items when assessing relative price differences, whether over time in the usual national consumer or producer price index context, or from country to country in the context of the ICP. To assess the "similarity" of items in price indices, products must be described or specified systematically, and the descriptions must include the most important price-determining characteristics of the products. Good survey practice also requires that specifica-

tions be closely checked for variations over time or from place to place to guard against direct price comparisons of dissimilar products. When differences in specification arise, compilers must take measures to assess the importance of the difference and apply appropriate statistical methodology to correct relative price comparisons for the difference. The current ICP round's SPD methodology is an internationally consistent approach to product specification. It allows more effective detection of significant variations in product specifications from country to country. The same methodology also offers rigorous options for correcting relative price comparisons for differences in product specifications. This may involve further price collection on a revised specification found in the areas compared, or it may involve methods of statistically correcting for the differences using, for example, regression models explaining country-to-country price variations by variations in the coded product characteristics information inherent in the SPD approach. In many ICP participating countries, application of the SPD approach has led to new insights into the adequacy of national product specification practices for headline price indicators such as the consumer price index (CPI).

Encouraging continuous improvement in the quality of national statistics.

While the first step to quality improvement is knowledge of quality problems, the second step is to change survey management and/or methodology and/or compilation practices and/or the staff, equipment, and software complement to address those problems. The lack of published product detail in GDP by expenditure in many ICP participating countries has spurred a new focus on the quality of national accounts statistics in selected regions of the world, by both national compilers and providers of statistical technical assistance. In many instances, issues the ICP surfaces in the form of suspiciously high or low national shares for certain basic headings can have implications for GDP level and growth estimates. In a number of ICP participating countries, errors in ICP basic heading shares may indicate insufficient coverage of the nonobserved economy and other coverage issues that significantly affect expenditure in certain product groups.

On the quality of national price data, the SPD methodology is finding acceptance among national price statistics compilers in countries participating in the ICP. Countries adopting this product specification framework in producing national price indicators can expect to see improvements in their ability to monitor and control for variations in product quality (i.e., product specification).
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"The ICP has become an important force for building regional statistical capacity in Africa. It has helped to identify areas where national statistical compilers need technical assistance to address data quality issues in both price statistics and national accounts it has spurred technical assistance providers to sharpen their focus on the most pressing needs."

Harmonizing ICP and HES Data to Calculate PPPs for the Poor

Quantifying the purchasing power differences across countries and income groups is critical for measuring global poverty and monitoring the effectiveness of poverty alleviation policies. Crucial steps in compiling such poverty incidences are the conversion of the US\$1/day international poverty line into the respective national currency units of countries using PPPs and determining the number of people who fall below that threshold. This measure is a key indicator for monitoring the Millennium Development Goals.

In the absence of poverty-specific PPPs, the common practice is to use PPPs for aggregate consumption. This has two limitations. First, the PPPs are based on prices of consumption items for all countries in the comparison. Consequently, the PPP estimates for developing countries are unduly influenced by the consumption baskets and spending habits of their developed counterparts. Second, the PPPs are derived using national average expenditure weights. Therefore, goods that are important to the poor and comprise a large part of their expenditure carry proportionally less weight.

A Poverty Advisory Group established to address the limitations of current PPPs has recommended that poverty-specific PPPs be computed for countries where poverty is prevalent, using price relatives from ICP sources together with weights representing expenditure patterns of the poor. The data to construct such weights can only come from nationally representative household expenditure surveys.

A characteristic feature of the ICP survey framework is that individual consumption expenditure by households is broken down into 90 classes according to the Classification of Individual Consumption According to Purpose (COICOP). Some classes are further divided into 110 Basic Heading (BH) expenditures. The ICP provides detailed price data for specifications of individual items that are classified into the 110 BHs. Though the ICP provides a detailed account of regional variations in prices, its expenditure side of the matrix leaves much to be desired. On the expenditure side, Household Expenditure Surveys (HES), in contrast, typically provide a detailed breakdown of expenditures by regions and income groups. But the price side of their matrix is mostly sparse, if not virtually blank. One very important off-shoot of the 2005 ICP Round is the work to integrate the ICP and HES expenditure classifications.

For this purpose, a two-step expenditure data compilation work has been initiated. The first step involves computing the weighting coefficients representing consumption patterns of the poor, for countries that have reliable and recent data on household expenditure. Where possible, the computation of these sets of weights takes into account regional and rural-urban variations in consumption patterns. The work involves: (i) recoding and aggregating data on expenditure by commodity according to the 110 BH classification of the ICP and (ii) deriving the share of each

ICP BH expenditure in the total household consumption, for different population categories (e.g. by income level, urban/rural).

Since the HES questionnaires are not designed according to the ICP BH classifications, some products and services will need to be regrouped. For example, the household survey questionnaire may collect data on “carrots,” “tomatoes,” and many other vegetables, which need to be aggregated into a single ICP BH -- “Fresh Vegetables.” In other cases, when the HES questionnaire lacks detail, data may be split under separate BHs. Obviously, such efforts are governed more by what is feasible than what is desirable. This first step of the work will result in data files providing the household annual consumption by BH, for as many BH expenditures as possible.

The work will ultimately cover about 80 developing countries, depending on the timeliness, quality and scope of national HES. So far, data for 35 countries have been finalized. It is expected that the work for the remaining countries should be done by the end of July. For an additional 40 or so countries in the 2005 ICP Round, the required household expenditure data are either unavailable, old or of relatively poor quality. This group will be treated differently: the required expenditure shares by income group will be generated utilizing an econometric model. This involves conducting econometric analysis of unit record data from a number of benchmark countries, to identify the determinants of household expenditure patterns for predicting expenditure patterns for those countries (and time periods) where expenditure share data are not available.

The global poverty-PPP project is being managed separately from the ICP and is funded by the World Bank, to avoid undue burden on the ICP program, now going through significant changes and improvements. The Asian Development Bank and the African Development Bank are funding independent regional pilot research initiatives. The global and regional initiatives are coordinated to avoid duplication of efforts. The work from this round will be leveraged to further refine the Poverty-PPP methodology in future ICP rounds. The ultimate objectives are to integrate poverty PPPs into the mainstream work of the ICP and to allow inter-regional cost-of-living comparison within a country.

Compilation and Validation of Expenditure Weights

The new ICP strategic framework is designed to meet the short-term goal of producing reliable, timely and relevant PPP data and to address the long-term objective of building capacity in price and national accounts statistics upon which the quality of PPP data depends. As part of this effort, an expert group on National Accounts met for three days in February to discuss issues related to the compilation, validation and documentation of the expenditure weights needed to calculate PPPs. In context, Basic Heading (BH) PPPs are averaged to higher levels of aggregation using detailed expenditure weights. Accordingly, participating countries are required to compile BH expenditure weights for 155 breakdowns of GDP.

The experts convened with a two-fold objective. The first goal was to agree on the key adjustments needed to ensure consistency with SNA 93 or, where this is deemed implausible, to propose the kind of metadata that should be gathered and maintained by Regional Coordinator (RCs). The second target was to review the status of national efforts in compiling BH weights, review the national structure of consumption for consistency and plausibility, and create a working document that will help RCs validate BH shares submitted by their constituents. The meeting focused on household final consumption expenditure (HFCE). Since regions are publishing consumption PPPs beginning this summer, it was thought that priority should be accorded to HFCE.

The experts agreed that the first objective could be met using the IMF GDDS metadata. They noted that the use of a standard platform, such as the GDDS metadata, would improve transparency of data compilation practices, identify weak areas in a country's statistical infrastructure and allow participating countries to benefit from best practices through a regional approach. The GDDS metadata will shed light on important questions such as: Is HFCE estimated independently or is it obtained as a residual? Are the weights for basic headings within HFCE based on household expenditure surveys or on supply-use table?

The expert group recommended that the ICP Global Office (GO) should collaborate with IMF to identify areas of immediate relevance to the ICP and prepare a summary form to be filled by national statistical offices. For some countries, this may involve simply updating the relevant GDDS/SDDS records. For others, it may mean filling the forms afresh. It was noted that this has an added benefit of providing information to update the IMF's metadata records.

The meeting discussed the status of the ongoing expenditure share compilation work and reviewed data from Latin America and the Asia-Pacific. The process involved both horizontal and vertical checks. Vertical reviews were performed within countries to check for consistency of the structure of consumption expenditure. It was also proposed that where possible, the horizontal checking should include consistency of structure over time, comparing data from two or more years. Horizontal or cross-section validation involved inter-country checks. A macro-based Excel spreadsheet prepared by the GO was used for this purpose. The tool follows a standard procedure to calculate the coefficient of variation (CVs) of the country weights for each basic heading and highlights those that appear to be anomalous. It combines the CV test with an examination of standard deviations in which countries are color-coded if their weights fall outside one, two or more standard deviations from the regional mean. This was done both for nominal and real shares expressed in PPP terms. The tool also allows validation at various levels of aggregation, including at summary category, groups, classes, or basic heading levels. This would allow regions to first focus on getting the higher categories right and then moving further down to groups and subsequently to classes and ultimately to basic headings.

SPD Software Improves Product List Development

The task of building a list of product specifications (PSs) has been simplified and significantly improved in this ICP round using software tools developed by the Global Office (GO), thus overcoming the problems of comparability, representativity and inadequate documentation from earlier rounds. The software is based on the conceptual framework in the Structured Product Description (SPD) approach, adopted from the US Bureau of Labor Statistics' checklist methodology.

The GO has invested in developing the SPD software tools necessary to support the process of SPDs and PS generation, which result in PSs that are comparable and representative. The software supports this through an efficient iterative process between national offices, regional implementing agencies and the GO. Besides facilitating the development of a global standard for product specifications, the software also introduces an international product coding structure.

The software is being augmented to support the generation of PSs in multiple languages simultaneously, and will include a glossary of terminologies in various languages. The software has a common database of products and characteristics. In the future, different regions will be able to describe the same product differently, for example, the description "minced beef" may be preferred in one region while "ground beef" is used in another. The software will assign the same code for similar descriptions in its glossary, thereby permitting regions to use their preferred description while still allowing the development of a standard global list. Regardless of the language or region where the PS is defined, in future rounds it will be possible to identify matching products both within and across regions, based on the associated codes for products and characteristics. This will have a far-reaching implication in the global comparison. It will allow a robust regional linking because it will be possible to identify countries that have maximum PS overlap with different countries across regions.

Lessons Learned: The ICP Latin America Experience

Louis Marc Ducharme



In November 2003, Statistics Canada (STC) agreed to participate in and coordinate the International Comparison Program (ICP) for 10 Latin American countries over a period of three years. STC is cooperating with the Economic Commission for Latin America and the Caribbean (ECLAC) on the project; the Agency's role is funded by the Canadian International Development Agency.

In early 2003, the ECLAC started harmonizing the basket of consumer goods and services with the help of participating countries. In 2004, the STC and ECLAC devoted time and resources to review product specifications and assess the degree of preparation of participating countries in the field. The region staged a "price-collection dress rehearsal" in all 10 countries, in preparation for actual price collection in 2005.

Thanks to the efforts of the 10 countries and two organizations coordinating the process, the Latin American region has acquired experience and best practices in executing a complex program. The first data on consumer spending will be published in June 2006, and the project will be completed in the first quarter of 2007 with the publication of the GDP.

Many lessons were learned in the course of the first two years of this project. Amongst them, it is worth mentioning the following:

I. Learning by Doing - Dress rehearsal: Before conducting the first real price collection, a region should plan a dress rehearsal ahead of time. It is the only way to discover problems and put in place solutions to correct them.

Frequency of collection and revisions: It is important to have as many as four rather than a single collection during the reference year, as this will allow time to improve operations in the field. It is also essential to have many revisions to the weighting patterns. For this region, it is clear that without a third and fourth price collection, the data for some of our participating countries would have been of poor quality. On the other side of the equation, it took three attempts to harmonize the classification and weights for the GDP and even after doing so, there are still some serious problems to resolve.

Establishment and monitoring of a realistic timetable: The establishment of a strict timetable and its monitoring are imperative. Given the size and complexity of the ICP and the very tight deadlines for the world comparison, the regional and national coordinators cannot tolerate any deviation from the agreed timetable.

II. Learning by Confronting Results - Post-mortem meeting: One important aspect of learning lies in the good practice of holding post-mortem meetings immediately after each price collection, where data of all participating countries are confronted. Often,

the only way for a country to realize that its numbers do not make sense is when its data is confronted by a neighboring country. This was the case not only for the price specialists, but also for the national accountants. There is nothing that can replace face-to-face discussion.

Quality control: There is no substitute for very intensive quality control. In Latin America, the quality control was done: a) before the price collection, when defining specifications and choosing outlets b) during price collection in the field and c) at the processing and aggregation stage at the STC. The regional coordinators have established a schedule for visiting and assisting countries over the four quarters, ensuring the widest geographical coverage within limited resources.

III. Learning by Building Capacity - An exercise of such magnitude has tremendous spillover effects on the National Statistical System of the participating countries. In our experience, a number of areas have benefited from the ICP. Let me mention two:

Price Statistics: As mentioned, the success of this exercise could not be achieved without a great deal of effort in harmonizing concepts, definitions and practices in the collection of price data. The confrontation of the results collected by the 10 countries showed the importance of carefully defining the specification of the product and service to be priced. The use of the SPD concept proved useful in harmonizing specifications among different countries, and ensuring proper control of the item to be priced. Also, the many field visits and instructions given to interviewers in the process of this exercise showed the importance of collecting characteristics of product, outlet and neighborhood to explain discrepancies in the results and improving the survey frame. Although most countries viewed this exercise independently from their current operations, they have integrated some of the lessons learned.

National Accounts: The data confrontation of national accounts expenditures was a revealing experience for all participating countries, as it showed the weakness of some key headings and highlighted the need for rapid improvement of the national structure of consumer expenditures. A few countries are already implementing some changes to the next revision of their national accounts. It is only in the context of this kind of exercise that national accountants have a real opportunity to confront and improve their national statistics.

For all the reasons mentioned above, all participants of the regional meetings in Latin America agreed that results from the ICP are the fruit of substantial investments and that it would be a pity if a new round is not launched immediately after the current one to ensure that knowledge is not lost and that improvements to national statistics are consolidated.

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Strategic Framework for Capacity Building in Africa

Michel Mouyelo-Katoula, ICP-Africa Coordinator



The second Forum on African Statistical Development (FASDEV II) was held in Addis Ababa, Ethiopia, from 9-10 February 2006. It brought together some 150 participants - from African National Statistics Offices (NSOs) and their line ministries, PRSP units, sub-regional organizations, the UN Economic Commission for Africa (UNECA), the African Development Bank (AfDB), the World Bank, the OECD Development Co-operation Directorate (DAC), and Partnership for Statistical Development in the 21st Century (PARIS21), and representatives of the donor community. The participants approved a Reference Regional Strategic Framework (RRSF) for Statistical Capacity Building in Africa. The Framework, which is in line with the Marrakech Action Plan on Statistics, is the result of inter-institutional agreement reached at the first FASDEV meeting in May 2004 in Addis Ababa, Ethiopia.

The RRSF is meant to contribute to improved development outcomes and good governance in Africa by guiding and accelerating sustainable statistical capacity building activities. It reflects the desire of African countries, with the support of the international community, to meet the data challenges of the results agenda by 2015. It helps in particular to focus on strategic directions and appropriate implementation instruments for improving the planning, financing, management, and coordination of statistical development activities to meet demands for statistics of good quality.

It is expected that national statistical institutions would refer to the framework for guidance on statistical capacity building; that international organizations would be able to use it as an input in their selection of programs and projects for supporting statistical development; and that all stakeholders would be able to use it to promote effective partnerships and coordination of capacity building efforts on the part of both national and international institutions.

NSOs would be responsible for implementing the Framework at the country level. Sub-regional and regional organizations have play important roles as well, especially in the area of promoting statistical development, monitoring implementation and providing forums for sharing knowledge, experience and expertise. If the Framework is to be effective, it will also be essential for international development agencies and donors to be fully involved in its implementation.

AfDB and UNECA, jointly, will coordinate the implementation, monitoring and reporting of the RRSF through appropriate coordination mechanisms yet to be agreed between the two institutions. AfDB's contribution to the implementation and coordination of the RRSF will be provided in the framework of the ICP-Africa.

Regional ICP Board Met in Asia

The Regional Advisory Board (RAB) for the ICP Asia-Pacific region met in Manila, 8-9 December 2005. The Board is responsible for providing leadership and determining strategic priorities for Asia and Pacific region within the framework of the ICP. The Boards also provide a forum for member countries to be involved in the regional project. This was the fifth meeting of the RAB.

Dr. Ifzal Ali, Chief Economist of the Asian Development Bank (ADB) and member of the global ICP Executive Board welcomed the RAB members. Dr. Ali acknowledged the hard work and financial resources that participating countries have put into the program. He stressed that for the first time, the ICP has placed ownership of the program where it belongs, with National Statistical Offices and regional implementing agencies. He supported this welcome departure from past practices. He concluded with the observation that irrespective of the PPP data that will result from this round, capacity building will be the most important legacy of the ICP in the Asia-Pacific region.

Ms. Carmelita N. Ericta, Executive Director of the Philippine NSO, was elected as the new Chair. Ms C. Ericta succeeds two former RAB Chairs before her, Mr. Frederick Ho, Commissioner of the Hong Kong Census and Statistics Department who retired from the government service, and Mr. Paul Cheung, formerly Chief Statistician of the Singapore Department of Statistics who had relinquished the Chair after assuming new responsibilities as head of the UN Statistical Department in New York.

".. irrespective of the PPP data that will result from this round, capacity building will be the most important legacy of the ICP in the Asia-Pacific region."

Ifzal Ali,
Chief Economist
The Asian Development Bank

The Board reviewed price data from the second-quarter data collection cycle and approved steps taken by the ADB and National Statistical Offices to improve data quality. The RAB supported a meeting of NSO heads to discuss the level of detail that can be published. The Board suggested drafting a communication plan and planning pre-launch activities prior to the release of final PPP data. Members of the Board stressed that the next round should be immediately organized at the end of the current round to capitalize on the present momentum and experience gained. The sixth RAB meeting is tentatively scheduled for June/July 2006.

Regional Reports in Brief

Africa

Forty-nine countries are conducting data collection, with varying submission rates of edited and validated data. Since data collection started in mid-2005 and will continue through mid-2006, methods are being developed to calibrate the data to a 2005 annual reference period. A quarterly price collection for pharmaceutical products began in November-December 2005, with data received from 10 countries to date. Twenty-six government occupations have been selected as the most common jobs in participating countries. Looking ahead, surveys for equipment goods will be conducted in April-May 2006, using the Ring List core products as the primary basis with some supplements to reflect the local situation. Collection for construction components will also take place in April-May 2006. Meanwhile, the partnership formed with the ONS (United Kingdom) and the INSEE (France) is proving to be productive from the technical viewpoint.

Asia

Three series of Data Review Workshops in 2005 have been conducted. Actions have been taken to improve the comparability of price data on the basis of decisions taken in the Data Review Workshops in July 2005 and the Regional Coordinators meeting in Washington in September 2005. These actions include: revisions on the product list; preparation of the "What to Price" guide; and preparation of the "List of Products Needing Special Attention". Asia plans to conduct two more Data Review Workshops to improve the reliability/quality of data for the household consumption items. GDP expenditure weights have been received from 22 countries, with varying reference periods from 2002 to 2004. The expenditure data from the countries were consolidated into regional and sub-regional tables and then evaluated on the average expenditures and statistical diagnostics.

Three workshops on Poverty PPP, construction survey and equipment goods surveys were organized the last week of November and the first week of December, 2005. Data collection for construction and equipment is scheduled for the second quarter of 2006. Surveys for education, dwellings and government occupations will be carried out during Q1 2006.

CIS

The region has collected data for both the 2004 and 2005 reference periods and will be providing PPP estimates and associated indices for both years. The prices for the 2004 reference year have been validated. The 2004 results will be published at the end of 2006. The region will receive average prices for the 2005 reference year at the end of Q1 2006. GDP expenditure weights for 2005, which will be used for comparison results calculation, will be available next year.

Latin America

The third regional meeting of the South America Region was held in Montevideo (Uruguay) 14-19 November 2005. Price specialists and national accountants from all ten South American countries

participated to the meeting. The objectives of the meeting were to review: i) progress in the region and at the global level; ii) the preliminary data of the third quarter of 2005 for consumer expenditures; iii) the revised data of the first two quarters of consumer expenditures; iv) the purchasing power parities of consumption by major groups and basic headings; v) the consumer weights provided by the national accounts of the participating countries; vi) the preliminary data for housing; vii) the preparatory work for the other areas of the GDP (construction, machinery and equipment and government expenditures).

Compared to the two first quarter, the third one showed substantial progress in the quality of data the number of products priced and the number of observation made. Expenditure weights were received from all participating countries and reviewed. For the first time all individual parities and the global consumption expenditures per capita were examined and analyzed together by the price specialist and national accountants of the ten participating countries. This was a major step forward as it is the first time that in this region, both price specialist and national accounts could examine the result of price collection and weight estimations. In December 2005, the South American Region completed its fourth collection of the consumer prices. The preparation for capital formation and government is underway.

Western Asia

During the last regional workshop for Western Asia, the second-quarter data of all 11 countries was revised using the Dikhanov analysis and Quaranta tables. Through this revision, the regional office and the member countries were able to detect problematic products and to identify means to tackle them. The product list for consumption of this region was quite large (1,285 products), which allowed for deletion of repetitive or non-representative products. In some areas, such as clothing and furniture, some participants expressed the view that some countries may be pricing lower-quality products while others may have gone for a higher-end product. It was agreed that a number of national ICP price experts should travel to their neighboring countries to check for quality differences, and to develop adjustment factors where quality differences were noted.

Two parallel workshops are organized for March 2006. A workshop is organized for data validation to finalize data from the second quarter and validate third quarter data. National Accounts experts are invited to take part in this workshop, to discuss basic heading expenditure weights and also to take part in the data validation process. A second workshop will bring together national construction experts to go over construction SPDs and to agree on implementation plans and the schedule.

Lebanon: ICP & Tool Pack Offer New Vision of Data Collection

Maral Tutelian



The ICP offers Lebanon a great opportunity to extend price collection of goods and services all over the country, since the CPI price collection is currently limited to the capital Beirut and its nearby suburbs. At the same time, the ICP also provides a platform for Lebanon to refine its method of defining specifications of goods and services in the CPI.

The Central Administration for Statistics (CAS) is responsible for the CPI and National Accounts in Lebanon. In the early days of the ICP in the ESCWA region, Lebanon fully participated and co-operated with the regional committee in specifying and translating SPDs into Arabic. Once the specifications were ready, the CAS selected a special team to implement the ICP under the supervision of the CPI Team. The team is composed of one senior statistician, three Assistant Statisticians, and 25 surveyors and controllers. To ensure national coverage, Lebanon was divided into five sub-regions, with each one including at least one major city to ensure the capture of large-scale markets. Each sub-region was divided into sectors to ensure consumption diversity in goods and services. Outlets with big turnover in each consumption category were selected from these sectors. A pre-survey was conducted in early January to confirm SPDs and compare, for each product, the different specifications encountered in the different sectors. The survey was postponed to the second quarter due to the country's political situation.

A total of 1,261 items were priced in more than 2,000 outlets.

Prices of fruit and vegetables were collected daily, while prices for the rest of food and non-alcoholic beverages were collected weekly. Other prices were collected monthly. This decision was taken to ensure a great amount of data to analyze seasonality and comparability between the regions. The ICP Tool Pack software was a great help for managing data storage. It also offered options for data comparison at several levels and provided a speedy tool to manage the field and to correct outliers.

The experience that the CAS has gained from the implementation of the ICP will provide a solid background of comparable data between the Lebanese regions for the first time in the history of Lebanon. This will allow regional comparison and analysis of the socio-economic situation and the level of poverty. The ICP is now an important input to the smooth implementation of CPI extension, to stretch data collection to the whole country.

In conclusion, the ICP and Tool Pack has offered to the administration a new vision of organizing data collection and managing regional databases, as well as an experience in harmonizing specifications and price collection practices across regions.

The author is Director General, CAS, Lebanon

ICP Experience Will Refine Egypt's CPI

Mohamed F. Abulata



The present round of the ICP is the third in the ICP series in which Egypt has participated. This round, however, is characterized by its wider geographic coverage so that average prices may be more expressive of the real price levels prevailing in Egypt. One other major feature of the present round is the larger number of items to be priced, with due consideration given to the detailed Structured Product Description (SPD) associated with each product.

Egypt is taking part in the present ICP round in two different regions, Africa and West Asia. Egypt is also among the 19 countries selected from the six regions to take part in the Ring Comparison that is designed to link regional purchasing power parity estimates.

The geographic coverage of the ICP price survey has been extended to cover eleven governorates representing nearly 70 percent of Egypt's population. Both urban and rural areas have been included whenever the selected governorate consists of both types of areas (nine governorates). The remaining two governorates are basically metropolitan cities (Cairo and Alexandria).

The sample outlets of different types was as large as 5,171 outlets selected from all governorates included in the survey. The size of outlet sample varies from one governorate to another, depending on the population size and the availability of all types of outlets. The sample size ranges from 348 outlets in Behera governorate to 618 in Cairo governorate. The frequency of price collection has been monthly for food and beverages, and quarterly for the remaining items with the exception of certain services, for example, education services, which were priced biannually due to the relative stability in their prices over time. The fieldwork started in January 2005.

A total of 108 price collectors, 26 team leaders and four senior supervisors have implemented the field operations. Prices were collected simultaneously for both the African and West Asian lists using two different questionnaires. The local employees of the Central Agency of Public Mobilization and Statistics (CAPMAS) have been recruited on a part-time basis to carry out the fieldwork. Besides their own staff, few local statistical offices have temporarily appointed additional price collectors.

Office editing and data processing are carried out centrally at the CAPMAS premises in Cairo. Tool Pack and SEMPER software were used for data entry and validation for West Asian and African ICP prices, respectively.

Undoubtedly, the present ICP has given substantial attention to capacity building in the national statistical offices in the fields of price statistics and national accounts. Egypt will build upon the

Country Spotlight

experiences gained from the ICP to improve its CPI in several aspects (1) Adopting detailed SPD to ensure that the reported price is exactly related to the same product, which is priced in various data collection centers; (2) Increasing numbers and types of outlets so that a better price average may be attained; (3) Devising software with a built-in validation capacity (Tool Pack or SEMPER) in compiling CPI; and (4) Upon satisfactory testing of the CPI module of the Tool Pack and assurance from the World Bank for its continued support, Egypt would like to use the ICP Tool Pack for CPI compilation. This would be a great benefit to both the CPI and ICP as it allows greater integration of the two programs.

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Matching Indonesia's Construction Materials Survey with the ICP Dedi Walujadi



In Indonesia, data users eagerly await the Wholesale Price Indices of Construction Materials by Type of Construction. Both the central government and local authorities use these indices, each fiscal year, in their budget proposals for infrastructure projects for development planning purposes. The indices are also important in the construction business, where economic actors estimate project costs and forecast business revenue and profit.

The Asian Development Bank and the World Bank initiated a very interesting occasion, the ICP Construction Workshop, in December 2005. This Manila workshop aimed to compare and build a standardized survey questionnaire by using the Basket of Construction Components (BOCC) approach, introduced by the Global Office, so that the indices will be comparable across countries. Questions raised on the floor included: What types of commodities should be accommodated? What should be the appropriate size for each commodity, for it to be well accepted by the respondent as an economic actor in the construction sector? What are the weightings for different types of constructions activities, and how big is the sample size of the survey? The fruitful discussion, which followed an explanation of the materials and results of some preliminary studies in Africa and Central Asia, led to the conclusion that the ICP Construction Survey may be applied in every country, with some modification. The participants also agreed on the importance of socializing the new method through national statistical capacity building.

To make the Wholesale Price Indices of Construction Materials by Type of Construction using the BOCC comparable in the near future, some work needs to be done. Like other countries in Asia, Indonesia needs appropriate infrastructure to support its economy. It is believed that the proposed Government infrastructure budget will give an accurate measure, if it can be backed-up by a theoretically sound deflator. The performance of the construction sector can also be measured appropriately by using the new

indices that will result from the proposed BOCC survey. The new comparable indices will give a clearer picture of the construction sector's role in the country's economic performance. It will clarify how strong the relationship is between construction and economic growth.

The next step to integrate the BOCC approach with national statistical work is to assess the existing questionnaires and to review the method of calculating the indices. A pilot study should be planned to apply the new questionnaire in selected areas and possibly through the national statistical capacity building initiatives. Clearly, an ICP "construction community" composed of the workshop participants, guest lecturers, and ADB and World Bank experts responsible for the ICP Construction Survey, will be a strong force for sharing experiences of the pilot studies.

The author is Division Chief of Mining, Energy and Construction Statistics, BPS-Statistics Indonesia

Nepal Finds ICP Useful for Building National PPI Sher Bahadur Budha



Gross Fixed Capital Formation (GFCF) is a very important component among the five main ICP expenditure aggregates. Within this expenditure aggregate, Machinery and Equipment and Construction are the main two pillars which support the national economy for sustainable development. In the Nepalese context, GFCF holds an approximately 20 % share of total GNP. The change in this share is considered an indicator of the country's development pace.

Nepal is among 23 Asia-Pacific countries taking part in the 2005 ICP Round. As part of the regional preparation for Machinery and Equipment Goods surveys, a regional workshop was organized by the Asian Development Bank in Manila from December 1-3, 2005. National ICP Coordinators from the NSOs and their national equipment experts attended the workshop. An international equipment expert and ICP coordinators from the ADB and the ICP Global Office (GO) led the workshop.

After a short presentation of the hybrid Structured Product Description (SPD) and Product Specification (PS) approach proposed for the 2005 ICP Round, the discussions focused on developing regional SPDs and narrowing down the specifications on each item to reflect market realities in the region. The starting point was the global SPD list prepared by the GO. The following questions were considered over three days: i) Product Selection: Is that particular item representative for most of the participating countries? ii) Product Addition: Is there any need to expand the list to cover areas of prominent commercial activities in the region? iii) Product Specification: What specification should be fixed for each selected item (including manufacturer and model) so that most countries can price it?

The national equipment experts represented various specialties, including IC Engine, construction equipment, medical equipment, fabrication, etc. The experts contributed a great deal to the discussion, and this was very vital to the creation of a draft regional list. To finalize the list, an electronic expert group was created to help address some pending issues. Nepal was involved in the electronic discussion. The e-group members undertook pre-surveys and research in their own markets and finalized the list through electronic discussion. The Asian list is used by the GO as the core equipment list for the Ring Comparison.

The ICP has proven useful in developing new methodologies for comparing costs of capital goods, including construction projects and equipment goods. Besides their intended aim of comparing costs of capital goods across countries, the methodologies will help countries develop and/or improve national indexes. In Nepal's case, the ICP has contributed to capacity building in the Central Bureau of Statistics (CBS) in these ways.

- A. As a part of the comprehensive system of price statistics, the ICP is contributing to further improvement in the country's existing system of price measurement.
- B. It is hoped that after the current ICP Round is completed, Nepal's CBS will be able to estimate GDP from the expenditure approach as well.
- C. Since the CBS has initiated price data collection to compile and publish PPI in the near future, the ICP has made it possible to identify and understand Structured Product Descriptions and Product Specifications, which will be very useful for the precise measurement of PPI.
- D. It is expected that the CBS will be able to strengthen and build sustainable capabilities to develop various kinds of price statistics through the development of expertise during ICP activities and regional workshops.

Looking ahead, an increased number of workshop days with field trips will provide even greater opportunity to examine and discuss SPDs and PSs more closely. The Electronic Working Group also needs to be supported by a separate website to follow up on the progress of the work and to share country experiences with all ICP participating countries.

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... continued from page 3 (ICP: Enhancing quality of statistics.)

cations) through time. In the mid 1990s, the Boskin commission attributed about 60 percent of its estimate of upward bias in the US CPI to insufficient accounting for quality change. For countries not yet using SPD-type methods, their implementation can only lead to significant first-stage improvements in the countries' ability to control for product quality change in national price indices. They do this by providing better information (1) on exactly how product specifications are changing and (2) in a form prospectively allowing compilers to use statistical modeling to develop product quality adjustment methods..

The ICP has become an important force for building regional statistical capacity in Africa. First, it has helped to identify areas where national statistical compilers need technical assistance to address data quality issues in both price statistics and national accounts. Second it has spurred technical assistance providers to sharpen their focus on the most pressing needs for methodological and organizational capacity improvement in national statistical offices.

Continuous improvement in the ICP. Ultimately, the quality of the ICP rests on the quality of its national source information. As a result of a general improvement in national statistical capacity, future rounds of the ICP can expect quality benefits to flow from the improvement in the quality of the price and national accounts source data in the participating countries. This improvement should be helped significantly by the quality issues previous rounds of the ICP have identified as national authorities and multilateral and bilateral technical assistance providers build the statistical capacity to remedy them.

Calendar of Events

Event	Western Asia 6th Regional workshop
Date	March 13-17, 2006
Venue	ESCWA, Beirut, Lebanon
Participants	National Coordinators, Price Experts and Construction Experts from 11 countries
Host	ESCWA
Contact person	Farah Nsouly nsouly@un.org

Event	Meeting of the Balkan Group on the first survey 2006 "Food, drinks, tobacco"
Date	April 20-21, 2006
Venue	Ljubljana
Participants	3 countries of the Balkan Group, Statistics Slovenia, Eurostat, OECD
Host	Slovenia as group leader
Contact person	Marjanca Gasic Marjanca.Gasic@gov.si

Event	Overlap Meeting for the first survey 2006 "Food, drinks, tobacco"
Date	March 15-17, 2006
Venue	OECD, Paris, France
Participants	4 group-leader countries, Eurostat, OECD
Host	OECD
Contact person	Francette Koechlin Francette.KOECHLIN@oecd.org

Event	Planning Meeting for the second survey 2006 "Personal Appearance"
Date	April 27-28, 2006
Venue	Eurostat, Luxembourg
Participants	4 group-leader countries, Eurostat, OECD
Host	Eurostat
Contact person	Jarko Pasanen Jarko.Pasanen@cec.eu.int

Event	LAC Regional meeting
Date	April 3-12, 2006
Venue	Santiago, Chile
Participants	National Accountants and Price Specialists of the 10 participating countries of South America
Host	ECLAC, Santiago
Contact person	Louis Marc Ducharme louismarc.ducharme@statcan.ca

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