

What is ICP?

The **International Comparison Program** is a series of statistical surveys held worldwide to collect price data for a sample of commonly bought goods and services. It is a uniquely complex statistical exercise involving national, regional and international agencies and is overseen by a Global Office located in the World Bank. Surveys are held every three to five years, depending on the region, and the data collected are combined with other economic variables from countries' national accounts to calculate **Purchasing Power Parities**. A PPP is a form of exchange rate based upon the relationship of actual prices paid for a fixed basket of goods and services. This provides a measurement tool to accurately gauge levels of economic development in different countries using a currency unit that is comparable across countries. PPPs help data users and donor organizations target programs more effectively, and assist international markets by identifying the relative productivity and investment potential of different countries.

What is an SPD?

The Structured Product Description (SPD) is a systematic and structured approach to identifying products to be priced in the ICP survey using a list of price-determining characteristics to describe details of the product. The objective of the SPD approach is to facilitate cross country comparison of prices of like products that are truly representative of the countries in question.

From the Global Manager

Dear Readers

It is a pleasure to report that significant progress has been made in the ICP Program since the last newsletter in January. The ICP Executive Board meeting in February followed on the heels of a very productive meeting of the Technical Advisory Group (TAG). Additional chapters for the ICP Handbook have been prepared, and the ICP software (Tool Pack) is being tested and readied for distribution to the National Statistical Offices.

The TAG provided input on the "hard to compare" components of the ICP, namely, housing, government services, construction, and capital equipment in its meeting in January (minutes are available on the ICP website). Our consultants are actively engaged in preparing the specifications that will guide the preparations for price collection for these categories. The Executive Board approved the TAG recommendations and also approved the data collection for these items to take place in mid-2005.

The TAG recommended that the global linkage of the regional PPPs be accomplished by carrying out a full Ring Multilateral Comparison. This essentially means that all of the regional lists will be combined in order to construct a "Ring List" of products that can be priced by a selection of 2-3 countries from each region (Ring Countries). The Executive Board approved the TAG proposal and suggested that data collection for the Ring list of products be carried out during the third quarter of 2005 and provide point in time price estimates. The criteria for selecting the Ring countries and the initial selection of countries who will be asked to participate appear in the minutes of the February meeting on the ICP website.

The Executive Board minutes also contain a summary of some additional key decisions. While the Board expressed concern about the funding situation, it is confident the issue will be resolved and agreed that the target comparison level should be total GDP. It also approved the inception of price collection by some regions in July although most will be beginning in October 2004. The Global Office was directed to thoroughly test the Tool Pack, supplement the ICP Handbook to provide countries more guidance on determining where and when to price, and how to do data validation and analysis. The Global office was also directed to prepare advocacy materials. I am happy to say that steps have been taken to meet all requests.

I hope you are finding ICP News useful. Any comments and suggestions for the improvement of the newsletter will be highly appreciated.

Regards,

Fred Vogel

News in brief

Linking the World (Ring Comparison)

After much discussion and numerous proposals, the decision has been made to use a multilateral approach to link the regions to construct the global comparison of prices and incomes. This methodology is to be called the “Ring Comparison”. It involves procedures and methodology never employed before, but deemed to be superior by ICP experts to the methods used in the past.

Essentially, it involves choosing a subset of countries from each region to price a common product list in addition to their regional lists. It requires the preparation of a list of products that would maximize an overlap in products for a maximum number of countries, thereby creating enough robust pair-wise links for an efficient comparison. The process will be implemented via the following steps:

- ❑ Two or three countries will be selected from each region to participate in the Ring comparison. The pricing of the items in the Ring list will commence after they have completed price collection for the items in their regional list. This price collection will be done in the third quarter of 2005.
- ❑ The global office will obtain the product specifications prepared by each region for their price comparison. For example, it will obtain the 300-800 specifications for food products from each region. These will be reviewed to find products common among regions. The Ring list will include products appearing on two or more regional lists. If not enough commonalities are found, new products will be defined and proposed for inclusion in the list. As it will require intensive consultations with the regions, this will be a joint effort between the Global office and the regional coordinators.
- ❑ Each country will submit the price data from this data collection to the Global Office. In effect, the Ring comparison can be seen as another region, this one spanning the globe. The Global office will follow the regional data review procedures via the inter-country data validation steps in the Tool Pack and prepare PPPs at the basic heading level and aggregate them to the GDP.
- ❑ Some pending issues include the method to link the regional basic level parities and the aggregation procedures to be used both at above and below basic heading.

For more information please contact Fred Vogel (fvogel@worldbank.org) or Yonas Biru (ybiru@worldbank.org).

Practical guide on the implementation of the ICP

The Global Office has commissioned a step by step guide on institutional, organizational and operational issues related to the ICP. In the recent Executive Board meeting, it was suggested that although chapter 6 of the ICP Handbook addresses conceptual issues adequately, it does not provide step by step guidance on practical issues. The paper, which will be available on the ICP website by mid-May, is expected to deal with:

- ❑ The Institutional Framework – specifying the institutions that directly or indirectly carry out the ICP survey. It will explain the roles and responsibilities of the national coordinator as outlined in Memoranda of Understanding and provide guidance on preparing a national plan of action.
- ❑ The organizational component - explaining how those who are to carry out the survey – the planners, operational directors, supervisors and data collectors – will be recruited and what is expected from them. It will help people responsible for national accounts, prices, wages, capital formation and household survey methodologies coordinate their activities.
- ❑ The operational guide - specifying the various stages of the survey, from the definition of objectives all the way through to the provision of results. The focus will be on developing a survey framework covering practical issues related to sampling designs. This includes geographical stratification and sampling of outlets, weighting structure by regions, number of price quotations required for each item to ensure a reliable average price, etc.

For more information please contact Fred Vogel (fvogel@worldbank.org) or Yonas Biru (ybiru@worldbank.org).

Pilot study on Construction Surveys using the SPD concept

Traditionally construction sector PPP calculations have been performed using the Bill of Quantities (BOQ) approach. The continued use of this method is currently being discussed and an alternative approach is being developed for consideration. Professors Walsh and Sawhney (2002) recommended a new approach termed ‘basket of construction components’. The basket of construction components was developed to address some peculiarities in the construction sector relevant to comparison of international costs. These peculiarities include the variation in construction standards for completed facilities across national boundaries, the estimating/costing conundrum, and (perhaps most importantly) the labor/equipment tradeoff in the selection of means of construction. Site visits were conducted in Tunisia, Egypt, Ghana, South Africa, Rwanda, Cameroon, and Kenya during the months of February and March 2004. With the assistance of the African Development Bank, the World Bank and the respective national statistical offices, extensive data were collected for the development of SPDs for construction components. Numerous construction sites were visited and a multitude of construction processes were photographed. Meetings with construction managers, construction quantity surveyors, civil

engineers, architects, and other construction experts were also organized. These meetings provided deep insight into the construction industry, construction industry practices and construction industry processes in individual countries. A plethora of documents were also collected for the seven countries including construction specifications, construction drawings, and bill of quantities. The data collected during the country visits are currently being distilled to develop 5 to 8 SPDs for construction components that will be tested in the seven countries. Plans are also being developed to create a framework for conceptualizing and developing a comprehensive SPD based construction sector methodology for PPP calculations. The results of this pilot study are expected in mid May. If the approach is endorsed by the ICP Technical Advisory Group consultants will visit selected countries in other regions to develop SPDs that will serve both global and regional needs. For more information please contact Yonas Biru (ybiru@worldbank.org).

Spotlight: Regional Office Progress Report

ICP Western Asia

Fundraising: In the first quarter of 2004 fund raising efforts continued in the region to finance impending ICP activities in Western Asia. The estimated budget deficit in the region has been reduced thanks largely to a contribution from the Arab Fund for Economic and Social Development (AFESD). A Letter of Agreement has already been signed and the funds are currently in the process of being transferred to the ESCWA Regional Office. A draft project document has also been prepared for the countries to raise funds from various donors. ESCWA is working closely with the World Bank on a fund raising campaign to further reduce the deficit.

ICP Handbook: Translation of Chapters 3 to 7 of the ICP Handbook into Arabic is being contracted out and will be ready by June this year. Translated copies will be distributed during the Second Workshop on ICP in Western Asia, June 2004.

ICP Tool Pack: Kuwait, from the Western Asia Region, is currently testing the Tool Pack. Evaluation reports will be sent to the ICP Global Office by April 23. National ICP Coordinators are looking forward to forthcoming workshops to train them to use the Tool Pack software and prepare for data collection. As per the recommendations of the ICP Executive Board for Western Asia in the second meeting, ESCWA is exploring the possibility of using 'hand-held devices' for data collection in the region.

Product Specifications: Structured Product Descriptions (SPDs) for 'Food & Beverages' and 'Clothing' and 'Footwear' were distributed to the participating countries in October 2003. So far ten countries of the region have submitted Product Specifications. The regional list of products for the 'Food', 'Clothing' and 'Footwear' groups will be finalized in the Second National Coordinators Meeting and Workshop on ICP in Western Asia scheduled for June 2004. Currently all participating countries are in the process of compiling their PSs for the 'Furniture' and 'Utilities' groups and are expected to complete them by the end of April.

ICP Asia Pacific

Regional Product List for Food, Clothing and Footwear: Price statisticians from 20 participating countries and 3 non-ADB member countries met in January this year to agree on the regional product list for food, clothing and footwear and start work on the rest of the household consumption product list.

Advocacy paper on PPPs: The purchasing power parity (PPP) data generated by the International Comparison Program (ICP) and their extrapolations over time and space are used widely in analytical research. However, their use in administrative decisions and country policy work has been limited. A paper, entitled 'International Comparison of Prices: Why Should Countries Participate?' was commissioned by the Asian Development Bank and written by Dr Sultan Ahmad to address this issue. This paper is available at http://www.adb.org/Statistics/icp/icp_activities.asp.

Training of Trainers for Price Surveys: Two sub-regional workshops on the Training of Trainers for Price surveys were held in Putrajaya, Malaysia for East and Southeast Asian DMCs and in Goa, India for South Asian DMCs including People's Republic of China and Fiji. The workshops which were co-hosted by the Governments of Malaysia and India aimed to prepare ICP price statisticians for the conduct of the price survey and ensuring the collection of high quality data and that ICP process are compatible with all of the other regional programs. A two-day training was provided on the Toolpack software for price collection, editing and validation, and processing. Participants were expected to be ready to conduct similar workshops for their price data collectors. The workshop provided the opportunity for the price statisticians to comment on the Tool Pack in the hope of further improving the utility of the software.

ICP Asia Pacific website: A website dedicated to ICP Asia Pacific (<http://www.adb.org/Statistics/icp/ico.asp>) was developed to

ide information on developments and activities of the program.

Future Activities:

- DMCs will conduct their own in-country training of price collectors and ADB will provide assistance upon request. The first of these trainings will be held in Beijing tentatively in the second quarter 2004.
- Field-testing of Toolpack in 4 participating countries before it is finally used by the DMCs.
- Finalization of the Product List for the rest of household consumption tentatively set for July 2004.
- Meeting of RAB scheduled in July 2004 at ADB Headquarters.

ICP ECLAC

Product Specifications: In two important meetings organized in Buenos Aires and Lima by Economic Commission for Latin America and the Caribbean (ECLAC) and Statistics Canada in December 2003 a complete list of food specifications were finalized for price comparison in the sub-regions of Mercosur and Chile and the Andean Community. Questionnaires related to the rest of the basket (excluding food) were designed, sent to the countries and returned by the end of April. All of the food specifications and their allocation by sub-regions were completed and about 20 specifications pertaining to the rest of the basket (the non-food portion) were either determined centrally or agreed upon in March and April. The rest of the specifications will be established during field visits in May and June 2004, and will be reviewed at the third technical meeting in July 2004. All specifications for the two sub-regions will be finalized and approved at the July meeting for price collection in October 2004.

Field visits: A first round of visits to individual countries was completed in March and April this year. The purpose of these visits was to revise with the participating countries the state of their CPI operation and their price sample for each specification; establish the modality of data transmission; begin the photo album of products and points of purchase; review with the individual country some of the specifications pertaining to the rest of the basket, and organize the second round of visits for May and June 2004. The digital cameras were purchased and distributed to participating countries during the first round of visits. Photos were taken of all the food specifications as well as a large proportion of the specifications related to the rest of the basket.

ICP Handbook: Statistics Canada, on behalf of the World Bank, organized the Spanish translation of the chapter on price collection. The translations were done on time for the pre-collection visits.

ICP CIS

Product Specifications: A workshop with the national coordinators was held April 19-23 to finalize the product lists for price collection. The region is making good progress with their preparations for price collection.

The ICP - Work in Progress

ICP Handbook

Ten chapters of the ICP Handbook, which is being completely rewritten for this round of the program, can now be accessed from the ICP website. The first 6 are essentially complete. Chapter 6 (Sampling and Price Collection) and two annexes lay the framework for determining the number of outlets to be sampled in the survey and the frequency of price collection. This chapter is being supplemented by an Operations Manual to provide more detailed guidance to countries on actually determining the sample. A new version of Chapter 7 (Editing and Data Validation) is now available on the ICP website and contains a worked example of how to detect outliers and mis-classified items for intra-country data review and estimation of preliminary PPPs at the regional level. Chapter 10 is also available on our website now. It contains a worked example showing how basic heading parities can be computed. Chapters 1-6 are in various stages of being translated into Arabic, Chinese, French, Russian, and Spanish.

ICP Tool Pack

The final versions of the ICP Tool Pack's two modules—Price Administration Module (PAM) and Price Collection Module (PCM)—have already been tested in the Global Office in the World Bank. The system is undergoing further testing and evaluation by selected national statistical agencies. Evaluation reports are expected soon. Related documentation, such as installation guides, user manuals, recommended testing procedures and training exercises have also been prepared. In March this year Global Office representatives conducted separate training workshops in Malaysia and India attended by statisticians from East and South East Asian as well as South

Asian countries where the system was well received. The Tool Pack will ultimately be available in 6 languages (Arabic, Chinese, English, French, Russian and Spanish). The PCM has already been translated and efforts are currently underway to translate the PAM. The Tool Pack is expected to be ready for distribution in time for the first price surveys scheduled for July 2004.

Price Collection Surveys

At the meeting in February this year, the Executive Board considered the implications of different regions beginning price collection at different time periods and approved of it on the condition that all countries within a region start price collection at the same time unless there were explicit and approved exceptions. At that time, the regional reports were that the CIS regions could begin price collection in July, and Asia could begin price collection for Food, Clothing and Footwear in July (and the remaining consumption items in October in parallel with the starting times for the other regions). The July starting times are currently being re-assessed in the CIS and Asian regions.

Structured Product Descriptions (SPD)

SPDs under the following Basic Headings have already been finalized and sent to the Regional Offices: Food, Clothing & Footwear, Utilities, Furniture and Equipment, Transport & Communication, Recreation and Culture and Restaurants & Miscellaneous goods and services. The final list was modified to include comments and suggestions from the Regions with a view to making the product list truly representative. SPDs for Health and Education, also part of Individual Consumption, will be ready later this year. The new timeline (2003-2004) for the SPD process is now on the SPD discussion page in the ICP website. The SPD team in the Global Office is liaising closely with the Regions in order to improve the quality of product descriptions.

SPD Software

Version 1.1 of the SPD software, which was distributed to Regional offices in January 2004, gave users more flexibility and efficiency in customizing SPDs to meet Regional needs. The software was tested both at the Global Office and Regional levels and is being used both at the regional and national levels. Meanwhile, the system is being enhanced and updated in response to recommendations from users. The major addition to the system is 'The Bridge', which facilitates the transfer of the Regional List of Products from the SPD software to Tool Pack-compliant Excel templates. Other enhancements requested by the Regions are being incorporated into Version 1.2 which will be disseminated soon.

Calendar of events

Date	Location	Participants	Contact
Regional CIS meeting for building of consumer item list for CIS 2004			
April 19-23, 2004	Khimki City, Moscow region Host: Goskomstat of Russia/CIS Stat Committee	CIS ICP experts from all CIS countries except Uzbekistan	Vasily Kouznetsov (kouznetsov@gks.ru) Youri N. Ivanov (youri.ivanov@cisststat.com)
Regional Coordinators meeting for Latin America			
April 24-25, 2004	Santiago, Chile Host: Statistics Canada and ECLAC	Regional coordinators for Latin America	Louis Marc Ducharme (louismarc.ducharme@statcan.ca)
Regional workshop to review statistical assessment reports carried out by ADB			
April 26-30, 2004	Yaoundé, Cameroon Host: African Development Bank	51 directors of National Statistical Offices (NSO)	Michel Mouyelo-Katoula (m.mouyelo-katoula@afdb.org)
Regional workshop on the ICP for Africa			
April 26-May 4, 2004	Yaoundé, Cameroon Host: African Development Bank	ICP National coordinators and Deputy Coordinators	Michel Mouyelo-Katoula (m.mouyelo-katoula@afdb.org)
Workshop for the Training of Trainers for Price Collectors (East and Southeast Asian countries)			
April 26-May 4, 2004	Yaoundé, Cameroon Host: African Development Bank	CPI Statisticians from less developed countries in terms of CPI systems	Michel Mouyelo-Katoula (m.mouyelo-katoula@afdb.org)
Regional coordinators meeting			
May 17-21, 2004	Washington, DC, USA Host: World Bank	Regional coordinators and ICP Global Office representatives	Omar Hadi (ohadi@worldbank.org)
Second ICP workshop for Western Asia			
June 12-16, 2004	Cairo, Egypt Host: ESCWA	National coordinator, national accounts statistician and price statistician from each country participating in the ICP, representatives from League of Arab States (LAS), Arab Fund for Economic and Social Developments (AFESD), Arab Monetary Fund (AMF), ICP Global Office, ESCWA-ICP team and consultants	Mohamed Al-Badrawi (albadrawy@un.org)
Third Executive Board meeting for ICP regional office for Western Asia			
June 17, 2004	Cairo, Egypt Host: ESCWA	Executive Board members	Mohamed Al-Badrawi (albadrawy@un.org)
Regional CIS meeting for building of investemnt item list for CIS 2004			
August/September, 2004	Khimki City, Moscow region Host: Goskomstat of Russia/CISStat committee	All CIS countries except Uzbekistan	Vasily Kouznetsov (kouznetsov@gks.ru) Youri N. Ivanov (youri.ivanov@cisststat.com)
Third Technical meeting for ICP — Latin America			
July 5-9, 2004	Montivideo, Uruguay Host: INE, Monivideo, Uruguay	Mercosour and Chile	Louis Marc Ducharme (louismarc.ducharme@statcan.ca)
Regional coordinators meeting for Latin America			
July 10-11, 2004	Buenos Aires, Argentina Host: Statistics Canada and ECLAC	Regional coordinators for Latin America	Louis Marc Ducharme (louismarc.ducharme@statcan.ca)
Third Technical Meeting for ICP— Latin America			
July 12-16, 2004	Lima, Peru Host: INEI, Lima, Peru	Latin American countries of the Andean Community	Louis Marc Ducharme (louismarc.ducharme@statcan.ca)

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