

## ICP Africa Quarterly Newsletter

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### **The AfDB Launches ICP 2011 Round Surveys in African countries**

The African Development Bank has launched the ICP 2011 round surveys starting with the price data collection in 18 regional member countries: Botswana, Burundi, Cote d'Ivoire, Gabon, The Gambia, Ghana, Lesotho, Malawi, Mauritius, Namibia, Niger, Nigeria, Rwanda, Senegal, Seychelles, Swaziland, Zambia and Zimbabwe. Efforts are being made to have the rest of the countries start before end of February 2011.

A unique feature of the ICP 2011 round is the emphasis on leveraging partnerships and collaboration with other African institutions. To this end, the AfDB will work very closely with UNECA in implementing activities in the countries, particularly in the area of national accounts. Other partners include the AUC and ACBF in fostering the statistical harmonization agenda. AFRISTAT and Regional Economic Communities such as AMU, COMESA, ECCAS, ECOWAS and SADC as well as Statistical Training Centers will also assist in implementing activities in their respective regions. African countries, however, will remain pivotal in ensuring the successful implementation of the ICP 2011 round.

### **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

### **From the ICP-Africa Regional Coordinator**

#### **Dear Readers**

*The 2011 round of the International Comparison Program for Africa officially kicked-off this January with national coordinating teams on board to begin the price data collection. Although a number of challenges remain ahead of us, I am pleased that the strong partnership that has been established between the regional coordinating team and national coordinating teams will allow us to meet these challenges. The spirit of cooperation that has been evident since the 2005 round of ICP continues to grow as almost all participating countries are better prepared to begin data collection. The integration of the ICP as a routine activity into statistical programs of National Statistical Offices since the 2005 round has been a good incentive and beneficial.*

*In 2010, two very productive meetings took place in June and September. The meeting held from 14-25 June in Nairobi, Kenya, marked the launch of the 2011 round of ICP-Africa. During this meeting a number of issues were discussed including the time-table for collection of data in 2011, the governance structure of the ICP-2011, and the establishment of the Africa ICP Governing Board to support the ICP-Africa regional and national coordinating teams. The meeting also reviewed the Global Core List and Regional List and the respective product specifications. A report on the launch can be found in the September 2010 issue of the African Statistical Newsletter published by the United National Economic Commission for Africa.*

*At the subsequent meeting held from August 30 to September 3, 2010 in Hammamet, Tunisia, participating countries discussed preparation of the work-plans, survey framework for price collection, data quality assurance framework, national accounts forms and special surveys. As ICP has been a continuous exercise in Africa, this meeting also provided an opportunity to participating countries to validate prices and national accounts data for 2009. The Regional Coordinating Team is currently in the process of computing Purchasing Power Parities for 2009.*

*I welcome you to the first issue of the ICP-Africa Newsletter. We will keep you informed of important issues concerning the ongoing activities in participating countries. We shall expect the ICP National coordinating team, i.e. Price Statistics and National Accounts Experts to contribute to the Newsletter in a number of areas pertaining to training of data collectors, experiences in data collection, good practices in supervision; how well the product list is being adhered to, challenges of data collection in specific geographic areas, challenges of consistency in product identification, completion of national accounts forms, challenges in national accounts compilation in relation to GDP breakdown and any other areas of general interest, including best forms of data checks and validation. In the meantime, I hope you enjoy this first issue of the ICP-Africa Newsletter. I would like to take this opportunity to thank our editorial team. As always we look forward to your feedback.*

**Regards,**

*ICP-Africa Regional Coordinator*

Global Office located in the World Bank. In Africa, the Program is coordinated by the African Development Bank.

The surveys collect price data which are combined with data on other economic variables from countries' national accounts to calculate **Purchasing Power Parities**.

### ***Use of Purchasing Power Parities***

Purchasing Power Parities (PPPs) are used to contrast estimates of the size of a country's economy, its overall welfare, the well-being of its residents and how its prices compare with those in other countries. For instance, the South African Rand exchanged and spent in Zambia will buy more bananas than a Rand spent in South Africa. PPP takes into account the lower cost of living in Zambia and adjusts for it as though all income was spent locally. In other words, PPP is the amount of a certain basket of basic goods which can be bought in a given country with the money it produces (or with its local currency.)

ICP data make it possible to analyze the structural characteristics of the economy using international prices. Multinational corporations increasingly use the ICP data for monitoring and assessing exchange rate developments because their investment decisions are based on the real values of the return on their investment. ICP data are also used for evaluating cross-country investment costs, including unit of labour and material costs, project viability, market size and asset allocation; as well as comparing relative size of economies and estimating weighted averages of regional growth rates.

### ***Progress Report:***

#### **ICP – 2011 GLOBAL LEVEL MEETINGS:**

From 18-22 October 2010, four ICP global level meetings were held in Washington DC. The ICP-Africa regional coordinating team attended the 3rd ICP 2011 Executive Board meeting; the 4th 2011 ICP Technical Advisory Group meeting; the 3rd ICP2011 round Regional Coordinators meeting, and the ICP Data Users Conference.

***The third meeting of the ICP 2011 Executive Board*** was held on October 18, 2010. The Board appointed a new chair and a deputy chair for the Technical Advisory Group (TAG), and approved new members, among them is Professor Julian Douglas May from the University of KwaZulu Natal, South Africa who is the first ever TAG member from a developing country. As a poverty expert, his role in the TAG will be to generate and contribute to the debate on poverty measurements and methodology which previously had a low priority on the agenda.

The ICP-Africa coordinating team presented the progress report of the Africa region in the preparations for the 2011 ICP round, including highlighting the workshops and other activities that had so far taken place since the last Executive Board Meeting. It was also noted that the number of countries participating in the ICP-Africa has increased from 48 in the 2005 ICP round to 51 in the 2011 ICP round.

***The Fourth Meeting of the Technical Advisory Group (TAG)*** was held from 20-21 October 2010. The meeting discussed the technical proposals for pricing construction, equipment and education and the approaches to be adopted for productivity adjustments, aggregation and linking between regions. One of the key elements discussed concerns the informal construction sector as an

important element of the construction sector in many countries, particularly in Africa. The TAG agreed to include informal sector in the approach to be adopted for construction. The meeting further agreed that the ICP Global Office and the African Development Bank will take lead to prepare guidelines on components that could be priced to represent informal dwelling construction and potential weights, with some African countries being used as case studies.

***The third meeting of the ICP 2011 Regional Coordinators*** was held on 21-22 October 2010. The ICP Global Office reported on the preparation of Operational Materials and Survey Instruments covering product lists, national accounts, survey operational material, quality assurance checklists, translation, and software tools. The Regional Coordinators reported the status for the preparations for 2011 field and desk activities. The meeting discussed and agreed on the 2011 activities and next steps.

On 19<sup>th</sup> November 2010, the World Bank organized an *International Conference of the users of the International Program Comparison (ICP) statistics* as part of the World Statistics Day celebrations. The main purpose of the conference was to bring together the ICP users and partners to explore new or underutilized applications of purchasing power parity (PPP) data and methodologies. The conference participants were potential users outside the scope of traditional PPP applications, and existing users who potentially have new ways of applying PPP methods. The identified new uses would also need expansion and enhancements to the scope of PPP data collection and analysis.

The Conference was successful and contributed to increasing the understanding of the ICP and to targeting audiences by defining the best way to reach the ICP community at national and international levels including the private sector and academia.

***A Meeting for a harmonized implementation of the ICP 2011 in Egypt and Sudan*** was held on 7 December, 2010 in Doha, Qatar. In 2005, Egypt and Sudan participated both in ICP-Africa and in the United Nations Economic and Social Commission for Western Asia (ESCWA), resulting in the production of two sets of ICP results. At the Doha meeting, Egypt and Sudan agreed to a harmonized process that was proposed by African Development Bank (AfDB), United Nations Economic and Social Commission for Western Asia (ESCWA), and the Global Office (GO) to have one set of ICP data.

#### **ICP-AFRICA 2011 ACTIVITIES:**

ICP-Africa 2011 activities began in 2010 and can be divided into two main parts – Price Statistics and National Accounts activities. The work plan up until end of 2011 has been finalized and is in line with the Global Work Plan.

##### ***A: Price Statistics Activities:***

Since the last regional ICP-2011 meeting of price statistics and national accounts experts held in Hammamet, a number of activities have been completed. Countries were given the opportunity to review, comment upon, and provide input on the ICP Core List of products as well as the Regional List. The AfDB compiled country inputs and submitted them to the ICP Global Office. At the same time the AfDB together with the sub-regional organizations finalized updating the Regional list.

By mid-December 2010, all ICP-2011 participating countries had received the ICP price survey materials including the main survey questionnaire, guidelines for filling price collection sheets, the data collection manual, the supervisor manual, and the frequently asked questions sheet. In mid-December, nearly all participating countries had completed the review of their survey frameworks and had submitted the survey framework reports to the AfDB. Countries were also expected to submit the "availability and importance matrix" linked to the Regional product list. As of December 31, all participating countries had received the final Regional List and Products catalogues, and are expected to have started with the training of field staff in anticipation of data collection scheduled to commence on January 1, 2011.

#### **Training of Trainers on ICP-Africa 2011 Software:**

The AfDB in collaboration with the ICP Global Office organized a training Workshop of trainers from 6-10 December, 2010, on the use of Genesis Software and ICP Country Software. These softwares will be used to process ICP data at the country and sub-regional level and for transmission of the validated price data to the regional coordinator. The Workshop brought together experts from Statistical Training Centres, AFRISTAT and Regional Economic Communities (AMU, COMESA, ECCAS, ECOWAS and ECOWAS). Beginning December 2010 through February 2011, the AfDB and the Statistical Training Centres will jointly conduct training in the use of the software in all the participating countries.

#### **Technical Assistance:**

Beginning September 2010 through September 2011, the AfDB in collaboration with AFRISTAT and Regional Economic Communities (COMESA, SADC and ECOWAS), will be undertaking technical assistance field missions to countries on ICP price activities. Technical assistance is expected to cover the following areas and others upon request by the individual countries: (i) elaboration or updating survey frameworks and related data collection preparatory activities; (ii) training of data collectors, data entry clerks and supervisors; (iii) support on the use of ICP data collection; validation tools; (iv) support on any specific request about ICP methodology; and (v) supervision of the work of the national coordination teams.

#### **B: National Accounts Activities:**

In September and October, 2010, the Bank together with the AFRISTAT and Regional Economic Communities organized a series of technical assistance field missions on the 2009 GDP breakdown in selected countries. By end of October, the countries had submitted to AfDB and Regional Economic Communities draft GDP vectors for 2009.

In November, 2010, countries submitted their revised 2006 to 2009 data on major aggregates of GDP as well as values for all Basic Headings for the same period.

Ten case studies will be conducted by AfDB, AFRISTAT and the Regional Economic Communities to familiarize themselves with the national accounts forms and to assess the expected additional workload on countries resulting from the introduction of new national accounts requirements for ICP-2011.

During the first half of 2011, a Pilot Study on surveys of machinery and equipment will be undertaken in five countries (Cameron, Kenya, Senegal, South Africa and Tunisia) in preparation for collection of data in all ICP-2011 participating countries.

#### **C: Price and National Accounts Workshops:**

Three sub-regional Workshops on ICP-Africa price control and validation of the 2010 price data and data for the first three months in 2011 will be organized. The Workshops to be held on 1-5 April and 10-14 November, 2011 will be organized at the regional level, but the price data control and data validation activities will be performed at REC level -ECOWAS, SADC, COMESA, AMU and ECCAS. During the third regional Workshop scheduled from 6-10 June, 2011 all the price data control and data validation will be undertaken at the regional level.

Three sub-regional National Accounts Workshops have been scheduled in 2011. Two Workshops will be held in April, 2011. The first Workshop will review the results from the Case Studies on 2011 ICP National Accounts metadata forms and specific survey methodology. During the second Workshop, participants will review preliminary national accounts data for 2010. The third sub-regional Workshop will take place between August and September 2011. This Workshop will focus on revised national accounts data for 2010, and ICP 2011 specific surveys data validation.

Two Regional Workshops will be held in June 2011 and November 2011 jointly with Price statistics experts. During the June Workshop, national accounts experts will review and validate the 2010 GDP breakdown preliminary data. The November Regional Workshop will focus on the revised data for 2010 GDP breakdown and on data validation of ICP 2011 specific surveys.

#### **COMPUTATION OF THE 2009 PURCHASING POWER PARITIES:**

In preparation for computation of the 2009 Purchasing Power Parities, countries and the sub-regional organizations collectively reviewed the final GDP breakdown estimates and 2009 price data. The AfDB will revalidate average price data and GDP expenditure weights for 48 countries. The AfDB will also prepare material for national price adjustment (from capital to national); review national accounts data for 2009; make comparison between 2005 and 2009 data by product, basic heading and above; compute actual aggregation for 2009 and create reports.

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