

## **Activities in the field of the ICP in the CIS region in 2005 (progress report)**

1. The work on a number of aspects of the ICP in the CIS region was carried out in accordance with the time table suggested by the Global Office and the schedule approved by the Council of the Heads of Statistical Services of the CIS countries. The major efforts were focused on continuation of comparison of GDP of the CIS countries for 2004 and on collection of prices of consumer goods and investment goods for comparison for 2005. In more specific terms national average prices of representative consumer goods for 2004 were finalized at the meeting of experts held in Moscow in May of this year. The diagnostic tables (Quaranta tables) were used for this purpose. The prices of investment items for 2004 were supplied by the countries to the regional coordinators for a preliminary analysis and will be finalized at the meeting of experts to be held later this year in Moscow. There is a general understanding that some corrections can be introduced into the prices of consumer and investment items after some iterations of diagnostic tables later this year.

It is worth noting that information on prices was furnished by countries to the regional coordinators with the help of electronic questionnaires which facilitate preliminary analysis of the data and identification and correction of mistakes.

In accordance with the established schedule the countries continue to supply to the regional coordinators the data needed for comparison of non-market services and dwelling services; the latter will be compared in the CIS region on the basis of the quantity approach.

2. The regional coordinators continued to assist statistical services of the CIS countries on a number of issues pertaining to this project. In particular, they supplied to the statistical services some chapters of the World Bank Handbook on ICP translated into Russian and some methodological materials intended to facilitate collection of prices and dealing with some other aspects of GDP comparison. This refers to the GDP classification by expenditures which is an adaptation of the standard classification for conditions of the CIS countries (for example, exclusion of FISIM and illegal services, etc.), questionnaires intended to collect data for comparison of non-market services for 2005. Methodological notes on computation of compensation of employees in non-market services on an accrual basis and on computation of imputed social contributions were prepared and supplied to the countries at their specific requests.

3. Throughout 2004 and 2005 the regional coordinators continued to provide technical assistance to the CIS countries in compilation of national accounts and in computation of GDP, in particular. Thus, in the fall of 2004 the meeting of experts from the CIS countries on national accounts was held in Moscow in order to discuss a variety of issues of compilation of national accounts and computation of GDP, in particular. In the context of this meeting special attention was paid to improving international comparability of GDP among the CIS countries and in a more broad international context. It was emphasized at the meeting that the issue of international comparability of GDP acquires a special importance in the context of participation of the CIS countries in the global project of ICP. The treatment of informal and shadow economy which accounts for a significant part of GDP was discussed at this meeting in details. During 2005 a number of methodological materials on a variety of national

accounts issues were prepared and supplied to the countries by the regional coordinators. One document which is currently under preparation by the regional coordinators deals with treatment in national accounts of illegal activities. It is intended to include these services in the estimates of the GDP of the CIS countries in the foreseeable future in order to conform with the provisions of the SNA 1993 and to secure a better the international comparability of data.

Consultations on a variety of issues of economic statistics were provided in April of this year to the delegation from the statistical office of Tajikistan in Moscow by experts of CISSTAT Committee and ROSSTAT; in the context of these consultations special attention was paid to some issues of compilation of national accounts.

4. At the same time the work on collection of prices for 2005 both of consumer goods and investment goods has been initiated. The list of representative items used for comparison for 2004 was modified to exclude some items which were considered to be less characteristic for 2005 and to include some new items important for 2005 market situation in the countries. The consumer items prices are collected on monthly or quarterly basis depending on the inflation rate in respective country in accordance with the recommendations by the regional coordinators. The prices of investment goods are collected, as a rule, as mid-year prices.

The standard procedures are used in the CIS countries to obtain average national prices consistent with those used in national accounts for valuation of GDP. This means that prices collected in capitals or both in capitals and in selected regions are extrapolated using special coefficients obtained from the CPI data. Similar type of extrapolation is used to arrive at average annual prices.

The issues pertaining to collection of prices of consumer goods for 2005 were discussed at the regional meeting of experts of the CIS countries held in Moscow in May of this year.

Considering the importance of consumption from own production (which accounts for substantial share of consumption of food items) special attention was paid to incorporation into average national prices of valuation of goods produced by households for own consumption. Specific instructions were sent by the regional coordinators to the countries on the procedures to be used to take into account data contained in national accounts on prices of consumption from own production by households as well as on the procedures to be used for incorporation of the above valuation into calculation of average national prices.

5. For comparison of construction projects it is intended to use the method previously used for 2000 and 2004 comparisons which implies collection of prices for construction materials and wages of workers for a number of standard construction projects. This method is implemented in cooperation with outside company "Co-Invest"; the latter, in particular, formulated standard construction projects (models) which describe technological process of construction of certain types of buildings.

6. The regional coordinators continued monitoring the process of price collection for 2005. However, the transmission of average national prices by the countries to the regional coordinators is to be carried out in the 1<sup>st</sup> quarter of 2006 in accordance with the provisions of the Memorandum of Understanding (MOU) between each country and the regional coordinators and the schedule approved by the Council of Heads of Statistical Services of the CIS countries.

7. Through the year the regional coordinators cooperated with the Global Office in respect of compilation of the list of items for the Ring comparison. The data on items in Russia and Kazakhstan needed for the Ring comparison were sent to the Global Office. The regional coordinators provided technical assistance to the statistical office of Kazakhstan with respect of identification of the items relevant for the Ring comparison. Two visits of experts of ROSSTAT to Kazakhstan were conducted in order to discuss the ring list of consumer items.

8. A more specific information is given below to respond to questions suggested by the Global Office for the regional progress report.

Which countries have started data collection on schedule and which countries are falling behind, with particular focus on core countries in each region?

All CIS countries started price collection for 2005 on schedule. The details on this matter can be found in the table contained in the annex. Statistical services of Russia and Kazakhstan which are core countries in the region started collecting data on prices on schedule.

Which countries are participating at the GDP level?

All 11 CIS countries which participate in the project (excluding Uzbekistan) participate at the GDP level.

Which countries are conducting nation wide surveys including urban and rural areas?

In most countries both urban and rural areas are covered. However, in some countries the surveys were carried out only in capitals. In all cases the results were extrapolated to secure nation wide coverage. The details on this matter are contained in the annex. It should be noted that share of consumption in rural areas is less in the CIS countries than 25% of GDP.

Which countries are submitting raw data and which are providing averages only?

In accordance with the MOUs approved by the national governments the countries provide only national average prices to the regional coordinators.

What is the protocol of agreement for data transfer and data accessibility, etc. between countries?

The transfer of data by the countries to the regional coordinators is specified in the MOUs between each country and the regional coordinators and the latter contain specific provisions in accordance with which the countries provide to the regional coordinators national average prices and diagnostic tables earlier prepared by the regional coordinators; these tables are essential for analysis of the relevancy of the collected data and comparability within the CIS region. The MOUs specify that "The regional coordinators will national data submitted to them only for computation of the results of comparison in the CIS region for 2004 and for analysis of the diagnostic tables." It is also specified in the MOUs that the parties oblige "not to reveal and not to divulge to any third party any information, in general terms or in details, received in the context of the cooperation in the framework of the present Memorandum

without the consent in written form obtained from the party provided this information in due time”.

What were main results of meetings to review data from countries?

At the meeting of experts held in Moscow in May of this year the following results were achieved:

- consumer prices were practically finalized for 2004 on the basis of analysis of the diagnostic tables;
- the item list for comparison for 2005 was finalized by modifying 2004 list;
- procedures for collection 2005 prices were discussed and progress already achieved in this area was also discussed.

Regional action plans and time frame for expenditure weights compilation work

In accordance with the established schedule the data on expenditure weights for 2004 will be submitted by the countries to the regional coordinators during the 1<sup>st</sup> half of 2006. These weights will be used for computation of PPPs for 2004 and for comparison of GDP for 2004 as well as for preliminary calculation of PPPs for 2005.

Plans for estimating national annual average prices/questions

For computation of GDP comparison for 2004 at least three iterations of Quaranta tables will be carried out in order to achieve necessary quality of price data. Up to now the first iteration of Quaranta tables was carried out. It is intended to carry out the second iteration in September-October period; these Quaranta tables will incorporate price corrections which countries introduced after discussion at May meeting. The third iteration will be conducted after receiving countries responses in the 1<sup>st</sup> half of 2006 and it will be taken into account for obtaining first results of comparisons. With respect to comparison of GDP for 2005 similar procedure will be used with the time lag of one year.

### Information on price collection in the CIS countries for 2005

|  | Azer-<br>bajan | Armenia      | Belarus      | Georgia                | Kazakh-<br>stan | Kyrgyz-<br>stan | Moldova   | Russia                           | Tajiki-<br>stan | Turkme-<br>nistan | Ukraine      |
|--|----------------|--------------|--------------|------------------------|-----------------|-----------------|-----------|----------------------------------|-----------------|-------------------|--------------|
| <i>Consumer goods</i>  |                |              |              |                        |                 |                 |           |                                  |                 |                   |              |
| Date of the beginning of the price survey  | January 2005   | January 2005 | January 2005 | 1.03.05                | January 2005    | January 2005    | 1.03.05   | January 2005                     | January 2005    | 1.03.05           | January 2005 |
| The number of representative items   | 1230           | 1300         | 1175         | 1117                   | 1335            | 1100            | 1203      | 1335                             | 1148            | 1335              | 1330         |
| Types of outlets:  |                |              |              |                        |                 |                 |           |                                  |                 |                   |              |
| Shops  | +              | +            | +            | +                      | +               | +               | +         | +                                | +               | +                 | +            |
| Supermarkets   | +              | +            | +            | +                      | +               | +               | +         | +                                | +               | +                 | +            |
| Department stores  | +              | +            | +            | +                      | +               | +               | +         | +                                | +               | +                 | +            |
| Open markets   | +              | +            | +            | +                      | +               | +               | +         | +                                | +               | +                 | +            |
| Others (kiosks, mobile shops and so forth)   | +              | +            | +            | +                      | +               | +               | +         | +                                | +               |                   | +            |
| Periodicity of price surveys:  |                |              |              |                        |                 |                 |           |                                  |                 |                   |              |
| Monthly  |                | +            | +            |                        | +               | +               | +         |                                  |                 |                   |              |
| Quarterly  | +              |              |              | +                      | +               |                 |           | +                                | +               | +                 | +            |
| Other periods of observations  |                |              |              | Season goods - monthly |                 |                 |           | Season goods – during the season |                 |                   |              |
| Price quotations per item  | 8-15           | Around 100   | Around 100   | 6                      | Around 100      | Around 50       | Around 50 | 5-6                              | 50-60           | 24                | 5-6          |
| Location of price collections:   |                |              |              |                        |                 |                 |           |                                  |                 |                   |              |
| All country  |                | +            | +            |                        | +               | +               | +         |                                  | +               | +                 |              |
| Large regions  |                | +            | +            |                        | +               | +               | +         |                                  | +               | +                 |              |
| Capital  | +              |              |              | +                      |                 |                 |           | +                                |                 |                   | +            |
| If price collections do not cover all country, indicate whether extrapolation procedure was used         | Yes            |              |              | Yes                    |                 |                 |           | Yes                              |                 |                   | Yes          |
| Goods produced for own consumption are taken in consideration in calculations of average national prices | Yes            | Yes          | Yes          | Yes                    | Yes             | Yes             | Yes       | Yes                              | Yes             | Yes               | Yes          |

|   | <b>Azer-<br/>bajan</b> | <b>Armenia</b>  | <b>Belarus</b>  | <b>Georgia</b> | <b>Kazakh-<br/>stan</b> | <b>Kyrgyz-<br/>stan</b> | <b>Moldova</b> | <b>Russia</b> | <b>Tajiki-<br/>stan</b> | <b>Turkme-<br/>nistan</b> | <b>Ukraine</b> |
|---|------------------------|-----------------|-----------------|----------------|-------------------------|-------------------------|----------------|---------------|-------------------------|---------------------------|----------------|
| <i>Investment goods</i>                   |                        |                 |                 |                |                         |                         |                |               |                         |                           |                |
| Date of the beginning of the price survey | January 2005           | March 2005      | January 2005    | June 2005      | January 2005            | January 2005            | January 2005   | January 2005  | January 2005            | August 2005               | January 2005   |
| The number of representative items        | 170                    | 50              | 150             | 80             | 206                     | 47                      | 147            | 206           | 206                     | 200                       | 206            |
| Periodicity of price surveys:             |                        |                 |                 |                |                         |                         |                |               |                         |                           |                |
| At the middle of the year                 |                        |                 |                 | Yes            |                         |                         | Yes            |               |                         |                           |                |
| Other periods of observations             | During the year        | During the year | During the year |                | At the end of the year  | Quarterly               |                | Quarterly     | 2 times in a year       | 1 time in a year          | Quarterly      |