

General Guidelines on Creating PSs from Global SPDs

May 2004

This document is the preliminary attempt of the Global Office to draw guidelines on creating more tightly defined PSs from Global SPDs. It is based on the review of the first set of final PSs on Food, Clothing and Footwear sent to the Global Office and discussions during the Regional Coordinators Meeting, Washington D.C., May 2004..

Given its *ex post* nature and the limited PSs on which the criteria are built, this document is not meant to be complete or exhaustive. The Guidelines will be constantly updated based on the future submissions of PSs from the Regions.

The Global Office encourages closer communication between it and the Regions so that future reviews of PSs can be anticipated at an early stage. To avoid duplication of work in the regions, it is recommended that the Regions send their PS lists to the Global Office, even before finalization of these lists. We hope these Guidelines will be useful and we welcome feedback from the Regions.

The global SPDs used for the current ICP round have been developed to the highest standard possible within applicable resource and time constraints. It is recognized that further development of the SPDs is needed. The ICPSPD software makes provision for Regional Offices to modify SPDs by adding additional characteristics and these modifications will be examined and incorporated as appropriate into revised global SPDs. However, the revised global SPDs will not be available for use before the next ICP round. Consequently, it is imperative that each Regional Office uses sound statistical judgment when developing regional SPDs and PSs.

- 1) Use judgment when specifying products. Neither under-specify nor over-specify a product. Under-specified products will result in poor price matches. But repetitive or generic information can detract from a description and should be avoided. Over specifying can result in data collection problems and in like products not being matched when they should be.

E.g. 1. If the product described must not have added flavor, must not be filled or must not have a topping, and there is any chance of ambiguity, it is better to clearly state this in the characteristics sections by clicking or writing “no flavor, no filling, no topping” in the appropriate fields, instead of leaving the fields blank. However, if a product would not normally have a flavor, filling or topping (e.g. rice, wheat or oats) it is better not to state the absence of one of these characteristics (even if the SPD makes provision for this) because making the absence explicit is likely to lead to confusion on the part of price collectors. A price collector is likely to be confused by a product described as consisting of ‘unflavoured’ rice.

E.g. 2. If a product is sold “loose” and brand is not a price-determining characteristic, it would be misleading to include “local brand” as a characteristic. However, if brand is price-determining (e.g. a well-known brand of rice or biscuits that is sold loose – something quite common in many developing countries) it would be misleading not to mention brand.

E.g. 3. It would be redundant to describe a “Live chicken,” as “fresh”.

- 2) Normally characteristics in each section of the SPD (Quantity and Packaging; Source/Destination; Seasonal Availability and Representativity; Product Characteristics) should be specified.

The four sections contain information that was designed to be complementary. Therefore, if no quantity or packaging is specified crucial information is lost relating to the way the product is presented and to quantitative aspects. If no Source/Destination is specified, it is not known if or in what way the origin of the product is price determining. Seasonal availability must be specified to identify whether a product is or is not seasonal. (However, it should be noted that “Representativity” is a country characteristic, not a regional characteristic, and is included on the SPD only for use when obtaining country responses but is omitted from the final regional specification because at the regional level it is redundant. The content and applicability of the section “Product Characteristics” varies substantially across SPDs. The extent individual characteristics need to be specified varies substantially depending on the SPD and product involved. Again, judgment is necessary when determining whether or not a particular characteristic should be included in a product specification.

- 3) The second section, “Source/Destination,” relates to whether and how the “origin” of the product is relevant in establishing matching products at the regional level. Many products such as services, and certain perishables (e.g. bread and pastries) are by definition “Domestic”. For some products “Origin” is strongly price determining and the country of origin is an important part of the specification. Examples would include genuine Scotch whisky or superfine Italian suiting material. For other products “Origin” may not be price determining; if for example the product is sourced within the region or within a free trade sub-region.

When the SPDs for the current ICP round were issued they only provided the choice “domestic” or “import”. If neither description is relevant to a product you should use the “add” function in the ICPSPD software and create an additional category (“not relevant”) and when specifying the product select it as the required characteristic.

In cases where both a domestic and an imported product are representative of the region, AND the price of the product is determined by its origin, the origin must be specified. Judgment should be used in deciding whether to create just one or two product specifications.

The “Quantity and packaging” characteristics of each PS should be correctly specified. Typically three aspects of quantity need to be specified, namely the Unit Of Measure, Size of Unit (the preferred or reference quantity in the Toolpack) and Preferred Quantity Range. If for a specified product regional guidance is needed concerning an acceptable quantity range, it is necessary to add the additional characteristic “Preferred Quantity Range” to the “Quantity and packaging” group using the “Add/Edit/Delete Characteristic” function in the ICPSPD software. This ensures all the characteristics relating to quantity are kept together. A less satisfactory solution would be to record the range in the “Comments” section. A “Preferred Quantity Range” is not specified for use

in Toolpack but solely to provide price collectors with guidance concerning the quantity of product to be priced. Specifying range is purely for the guidance of price collectors. It is still necessary to specify a quantity in the “Size of Unit” field because Toolpack requires a value in this field in order to adjust all price quotations to a common size of unit. The value recorded in the “Size of Unit” field can be arbitrary but a value that falls within the “Preferred Quantity Range” will result in more intuitive observed-quantity adjusted prices. The Toolpack calculation utilizes the UOM, Size of Unit and Observed quantity fields.

- 4) It is not sufficient to specify a characteristic in the title of a PS. It must also be included in the detailed product specification.

E.g. For the product “Canned mixed fruit in syrup,” the “syrup” characteristic must be included as part of the PS. The reference to the characteristic in the title is not sufficient.

- 5) If a region’s product specifications were developed without reference to SPDs or using an old version of the Global SPDs, it is necessary to convert the product specifications to SPD format by using the ICPSPD software. For the purposes of developing the ring product list, all regional specifications need to be available in the same SPD format and as XML files. Special attention should be given to the “Packaging” section of Food products as these were revised substantially in the XML versions of the SPDs.