

ICP Regional Coordinator Workshop:

Summary of Issues and Actions Taken

Moscow, Russia

July 24-28, 2006

A. Overview

The purpose of the workshop was to review the regional data from the latest data collections including both prices and expenditure weights, examine the coverage of the Ring pricing effort and associated definition problems, update the regional work plans taking them to their preliminary publications, review remaining issues regarding health, education, housing, equipment, construction, and government compensation, and finally to understand the steps to be taken with the Ring Comparison to prepare the global report. The workshop agenda and attendees are in Annexes A and B respectively. Actions to be taken resulting from the workshop include:

- Some of the specifications for the Ring products were either incorrect or lacked clarity. Updated specifications were sent to the regions on August 2, 2006 via email from N. Hamadeh. As regions find problems, they should be submitted to the Global Office which will act upon them, and update the specifications which will be sent to the regions.
- Russia has not priced any of the Ring products, instead has mapped prices from the CIS and OECD collections to the Ring list. Because of this and other several other reasons, the CIS will not be included in the Ring Comparison. Discussions with the TAG chair and Eurostat/OECD resulted in agreement about the inclusion of Russia and the rest of the CIS as documented in further detail in Section C.
- The point in time /capital city based Ring prices will be back cast to 2005 and national levels using indices to be submitted to the Global Office using the template presented at the workshop.
- A review of the policy regarding preliminary vs. final reports found that all regions except the CIS are moving forward with plans to prepare preliminary reports. The region also wants Russia to be included in the OECD comparison with fixity retained for the global report. Actions to avoid jeopardizing the Global program resulting from these situations and the status of the Ring data collection require revising the steps to prepare the global report and removing Russia and Kazakhstan from the Ring Comparison, as outlined in Section D below.
- Questions regarding expenditure weights included dealing with major revisions in GDP, missing data, and sharing weights data across countries. Regions should refer to guidelines offered in Handbook Chapter 3 and the paper resulting from the “Expert Meeting on ICP Expenditure Data.” The Executive Board will be asked to provide a policy about revisions in GDP resulting from content and coverage changes between preliminary and final ICP reports. There was consensus that expenditure weights should be shared across countries.
- Housing comparison for the Ring will be based on the Quantity approach.

- Additional guidance will be provided about how data for “problem” countries, i.e., countries with questionable price data, can be used to minimize the affect on other countries.
- Regions will be asked to review data access policy statements being prepared for Executive Board approval.
- The Global Office was requested to provide additional guidance regarding pricing health when government reimbursements are included and the estimation of W-2 weights for construction.
- Regions are requested to update the time table shown in Annex D leading to the preliminary publication of their regional results. This update is to be submitted to the Global Office by September 15, 2006.
- The work plan (Annex E) for validation of Ring data and data review activities leading to the preliminary global report is also to be reviewed and returned to the Global Office by September 15, 2006.
- The Global Office is requested to provide additional guidance in the estimation of national annual average prices when there are missing data collection periods or geographic areas of a country.
- Two countries, Russia and Egypt, have collected data for two regions with questions remaining about how they will be used in the regional and global comparisons. Russia will be in the OECD comparison. The Global Office will review Egypt data submitted for both W. Asia and Africa to guide where and how they will be included in the regional and global reports.

More detail about the discussions and issues follow.

B. Review of Regional Quaranta Tables and Expenditure Weights

CIS: Quaranta tables for the final prices for consumption items were shown. Questions were expressed about the variance coefficients which were generally very small and similar or same numbers of observations regardless of the product. Variances of the CUP ratios were also much smaller than those from the other regions. The recommendation to the region was that they need more information from the countries about their data collection and editing practices and to determine if the variances are correctly computed. The region did not show expenditure weights. The region does not want to publish preliminary data; only once final GDPs are available at the end of 2007. This will affect the global reports; more detail about a resolution will follow in Section D.

Asia: Problems remain with the data validation for four countries with some problems with quarter to quarter consistency. The Tool Pack is being used by 22 countries which enhances the data analysis. Overall, 657 products were priced; 80 percent of the variance coefficients of the CUP ratios are below 40. The region has put considerable effort into the preparation and review of the expenditure weights. As a result, some countries want to revise their GDPs which will significantly change the weight structure between the preliminary and final estimates. Numerous questions were raised about health and housing; these issues will be

reviewed in more detail below. The region's data collection for government compensation will be based on data from the national governments only.

W. Asia: The conflict in Lebanon and the region prevented the ICP team from traveling. Nada Hamadeh, World Bank, reported for the region by reviewing Quaranta tables and expenditure weights. A question was raised about Egypt data and its effect on the regional data because they are pricing both the W. Asia and Africa lists as well as the Ring Comparison. The Global Office will evaluate the data Egypt submitted to W. Asia and Africa, respectively, to guide how they will enter the regional and global reports.

Africa: The region is pricing 853 consumption items. One of the lessons learned as they move through data validation is that data collection for future rounds should be quarterly, not monthly. Quarterly collections allow time in between to validate the data and make corrections if needed for the next collection. An additional lesson for future rounds is that much more time should be allowed for translation of survey materials and data collection forms. They expect to be able to include 30-35 countries in the full GDP comparison, with some additional for consumption only. The Global Office will provide data analysis to assist in determining which countries have sufficient data and of quality to be included.

Latin America: The results of the recent preliminary publication, as well as methods implemented to obtain the results, were reviewed with considerable interest. The region pointed out that more attention should be given to the national accounts data; these were the weak link in the publication.

C. Review of Ring Data Collection:

All regions were able to submit prices except LAC. Most of the data were not yet validated; thus the main review concerned the degree of overlap. It was determined that there is good overlap between the regions. Some problems with product specifications were discussed; a summary of the revisions has been sent to the regions.

The CIS region submitted average prices for Russia. The prices were taken from products Russia priced in the CIS collection, items priced for the OECD comparison, and its CPI. Questions were raised about the product definitions from the source list and how it was determined that they overlapped. A major concern is that this procedure means the CIS Ring prices will only represent items from the CIS/OECD comparisons and not include prices for items important to other regions, which defeats a major purpose of the Ring Comparison. The region was directed to provide the specifications of the items priced from their lists to allow comparisons with the Ring description, and also to identify for items not priced whether or not they could have been. Data collection has not yet begun in Kazakhstan.

Ring prices are collected at a point in time and only in the capital city. The time tables for the collections ranged considerably across the regions. Inflation rates also vary across the Ring countries. A worksheet (example shown in Annex C) was presented providing an overview of data each Ring Country should submit, so that the Ring prices can be back cast to 2005 and calibrated from the capital city to the national level. Where countries have weak

CPI's, data from the ICP quarterly collections can be used. The worksheet has been sent to the regions.

D. Preliminary vs. Final PPPs

The policy regarding the publication of preliminary and final PPPs as recommended by the TAG and approved by the Executive Board was again reviewed to ensure that everyone understood and agreed. The preliminary report is to be based on final Basic Heading PPPs, and 2004 or the latest expenditure weights calibrated to the most recent estimates of 2005 GDP. The final report will be based on the same basic heading PPPs with 2005 expenditure weights and the most recent estimates of 2005 GDP. All regions except the CIS are moving forward to prepare preliminary reports following this policy. The CIS position is that its countries want only one report; thus they will not be preparing a preliminary report and placing the preliminary global report in jeopardy.

Russia and Egypt are pricing data in two regions as well as being designated as Ring Countries. The Global Office made the point that the Global report will only include each country once to avoid confusion resulting from different numbers. The CIS strong reaction was that Russia be included in the OECD comparison with fixity respected from that comparison for the global publication. This and other issues in the CIS region including their approach to pricing the Ring list resulted in several changes in the global program, including removing Russia and Kazakhstan from the Ring program and changing how the CIS region will be included in the final global report.

The process for including the CIS region in the Global report, as discussed with Eurostat/OECD and the TAG chair, will proceed as follows:

1. Eurostat will provide the OECD with its basic heading PPPs and expenditure weights for 37 countries - the 25 EU Member States, plus Iceland, Norway, Switzerland, Bulgaria, Romania, Turkey, Croatia, Macedonia, Albania, Serbia, Montenegro and Bosnia-Herzegovina. The OECD will link these basic heading PPPs and expenditure weights with those for nine other countries – its seven non-European member countries, and Russia and Israel. It will then calculate the 2005 Eurostat-OECD comparison in stages to ensure that the final results at all levels of aggregation respect fixity for three blocs of countries - the 37 Eurostat countries, the seven non-European OECD countries, and Russia and Israel. The Global report will provide details about this process for transparency purposes.
2. The CIS will not be included in the Ring Comparison which will now include five regions: Africa, Asia, LAC, Western Asia and Eurostat-OECD. These five regions will be combined to global levels through the Ring Comparison. All the Ring Countries originally designated, except Russia and Kazakhstan, will be used in the Ring Comparison. Russia and Kazakhstan were chosen to provide links with CIS countries, but given the means by which we will include the CIS countries in the global comparison - that is via Eurostat-OECD - they are no longer required to serve as Ring Countries.

3. The countries in the CIS comparison would then be linked to countries in the Eurostat-OECD comparison through Russia - that is, Russia will act as a traditional bridge country, having participated in both the CIS comparison and the Eurostat-OECD comparison.

4. The CIS will not be included in the preliminary global report. The CIS data will be presented in separate tables in the final Global report because they will not have been included in the global linking exercise; but only through using Russia as a bridge.

E. Expenditure Weights — Issues, Questions, and Actions

The GDP to be used for the ICP is each country's official number as agreed upon previously. One issue raised is that some countries want to revise their GDP numbers based upon the review to break down the data to the basic heading levels, but will not have if done in time to use the weights for the preliminary publication. This could mean the weight structure between the preliminary and final publications could be significantly different, resulting in large differences between the preliminary and final results. The countries should be asked to make projections of the revisions to be made so that the results can be reflected in the preliminary weights.

The Executive Board will be asked to consider policy regarding significant revisions in GDPs and the distribution of the expenditure weights between the preliminary and final ICP reports resulting from revisions in content and coverage. Otherwise, it could appear the country changed its GDP between the preliminary and final reports to improve its relative position.

A question was raised about how to estimate for basic headings where the country did not provide a breakdown. Chapter 3 in the ICP Handbook provides procedures, including using patterns from neighboring countries or seeking expert opinion. The Handbook also states that the regional coordinator needs to provide the breakdown if a country does not do so.

The regions were asked if they share the expenditure data across countries. Most said they did, all were encouraged to do so in order for each country to understand its own situation and question that of others. In fact, the regional coordinators were encouraged to "suggest" a structure in certain cases.

Regions should refer to the ICP website where the minutes of the regional coordinator workshops are stored. The documents shown there for the February 2006 workshop contain a paper, "Expert Meeting on ICP Expenditure Data," which provides guidance on how to review the expenditure shares across countries. The Regional Offices are responsible for defending the PPPs, per capita expenditures and price level data which they publish for their Region. This means in particular that they have the right to reject expenditure weights that they find anomalous.

F. Housing

The Quantity approach will be used for the Ring Comparison. Forms A, B, and C from Annex 2 in the Handbook chapter on Dwelling Services should be completed by each Ring Country in as much detail as possible.

G. What to do with Problem Countries?

The issue is that each region has countries whose prices are out of sync with the rest of the region and having a significant affect on other country PPPs. Regions were advised to leave these countries out of the first analysis and computation of PPPs and add them in later in an extra computation. Guidance will be provided on how this can be done.

H. Data Access and Level of Detail to Publish.

The Data Access Working group submitted its report to the Executive Board. Input has been received from the TAG, Executive Board and some regions. The Global Office was directed to prepare a draft policy statement regarding these issues for Executive Board review and approval at its next meeting. The draft policy statement is being prepared and will be sent to the regions for their additional input as soon as possible.

I. Health Comparison

There were many questions and much discussion about the meaning of Total Cost with no easy answers forthcoming because of the difficulties in the measurement. The Global Office was asked to provide more detailed examples showing how government reimbursements are to be included.

J. Time Table for Regional Publication.

The table in Annex D summarizes the input about each region's plans to publish preliminary results, as received during the workshop. Regions are asked to send their updates by September 15, 2006.

K. Workplan for Ring Validation and Preparation of Global Reports.

The attached Excel file contains two worksheets. The first sheet shows dates regions have committed to on when Ring prices and regional PPPs will be submitted to the Global Office. Sheet 2 provides an overview of the workplan. Note that Quaranta and Dikhanov tables for the Ring Countries will be prepared by the Global Office. As discussed and agreed at the workshop, the tables containing all Ring Countries will be submitted to the regions for their review prior to the December 4-8, 2006, with the understanding that files are to be destroyed when the review is completed.

L. Construction

The Global Office is asked to provide additional guidance and guidelines about the estimation of the W-2 Weights.

M. Estimation of National Annual Prices

Guidelines are requested about how to estimate average prices when the matrix is uneven or full, which is the case when prices were collected every quarter. Some countries collected for three quarters, others 4 or 2, etc.

Annex A: Workshop Agenda

Eighth ICP Regional Coordinator Meeting Moscow, Russia July 24–28, 2006

**July 24-28 – Regional Coordinators Meeting
Chair: Fred Vogel**

Monday July 24	
Morning Session: Opening Session and Global and Regional Reports	
09:30 - 09:45	Opening comments—arrangements (Kosarev, Ivanov, Kuznetsov)
09:45 -10:30	Global progress report, issues from Executive Board meeting including data access, evaluation, time table. (Vogel)
<i>10:30 -11:00</i>	<i>Coffee Break</i>
11:00 -12:00	Discussion--and begin CIS data review
<i>12:00 - 13:30</i>	<i>Lunch</i>
Afternoon Session: Regional Data Validation	
13:30 - 16:00	CIS Data review
16:00 - 1630	Wrap-up
16:30	Depart for reception hosted by Rosstat

Tuesday, July 25	
Morning session: Regional Data Validation	
09:00 – 11:00	Analysis of preliminary results of the latest two quarters (Asia)
<i>11:00 – 11:30</i>	<i>Coffee Break</i>
11:30 – 13:30	Analysis of preliminary results of the latest two quarters (W. Asia)
<i>13:30 – 15:00</i>	<i>Lunch</i>
Afternoon Session: Regional Data Validation	
15:00 – 17:00	Analysis of preliminary results of the latest two quarters (Africa)

Wednesday, July 26

Morning Session: Ring data review

09:00 - 10:30	LAC national average prices, Preliminary PPPs—lessons learned Perez/Dikhanov
10:30 - 11:00	<i>Coffee</i>
11:00 -12:30	Ring. Review of coverage, overlap, specification issues (Hamadeh)
12:30 - 14:00	<i>Lunch</i>
Afternoon Session:	
14:00 -15:30	Ring preliminary Quaranta/Dikhanov tables (Dikhanov)
15:30 - 16:00	<i>Coffee Break</i>
16:00 – 16:45	Consistency between regional and Ring results (Baran)
16:45 – 17:30	Back casting to 2005 & Capital city to National (Dikhanov)

Thursday, July 27

Morning Session:

09:00 - 10:00	Discussion of Ring Work Plan (Vogel)
10:00-11:00	Review status Expenditure weights, meta data (Dikhanov)
11:00 - 11:30	<i>Coffee</i>
11:30 -13:30	Construction and W2 weights-- issues and discussion (Biru)
13:30-15:00	<i>lunch</i>
Afternoon Session:	
15:00 -17:00	Equipment issues and discussion (Biru)
17:00--	Reference PPPs (Dikhanov)

Friday, July 28

Morning Session

09:00 – 10:30	Housing Review and discussion (Dikhanov)
10:30 - 11:00	<i>Coffee</i>
11:00 - 12:30	Government Compensation review and discussion (Dikhanov)
12:30 - 13:30	<i>Lunch</i>
13:30-14:30	Work plan review (Vogel)
14:30-----	Summary and Conclusions (Vogel)

Annex B: Workshop Attendees

Africa: Michel Mouyelo-Katula and Abdoulaye Adam

Asia: Vaskar Saha

CIS: Vasily Kuznetskov, Youri Ivanov, Andrey Kosarev

LAC: Claudio Perez

W. Asia: Unable to attend but submitted data for evaluation and discussion

Eurostat/OECD: David Baran

World Bank: Fred Vogel, Yonas Biru, Yuri Dikhanov, and Nada Hamadeh

Annex C. Worksheet to provide indices to back cast prices to 2005 and from capital city to national

ICP 2005 - Instruction for Submitting Indexes for Ring Country Prices

Please fill out the lowest available level

Country Name XXXXXX

N°	Code	Description	Ring Survey Date (Month, 2006)	Reference CPI for the Ring Survey Date (Month, 2006)	Reference CPI (Annual, 2005)	Ratio of Capital to National Prices
1	100000	GROSS DOMESTIC PRODUCT				
2	110000	FINAL CONSUMPTION EXPENDITURE BY HOUSEHOLDS				
3	110100	FOOD AND NON-ALCOHOLIC BEVERAGES				
4	110110	Food				
5	110111	Bread and cereals				
6	110111.1	Rice				
7	110111.2	Other cereals, flour and other cereal products				
8	110111.3	Bread				
9	110111.4	Other bakery products				
10	110111.5	Pasta products				
11	110112	Meat				
12	110112.1	Beef and Veal				
13	110112.2	Pork				
14	110112.3	Lamb, mutton and goat				
15	110112.4	Poultry				
16	110112.5*	Other meats and meat preparations				
17	110113	Fish				
18	110113.1	Fresh, chilled or frozen fish and seafood				
19	110113.2	Preserved or processed fish and seafood				
20	110114	Milk, cheese and eggs				
21	110114.1	Fresh milk				
22	110114.2	Preserved milk and other milk products				
23	110114.3	Cheese				

Annex D. Time Table for Publication of Preliminary Regional and Global Reports—August 2006

Region	What is Published	When	Comments
Asia	Actual Consumption Full GDP	Qtr 4 2006 ?	Some countries want to revise their GDPs as a result of analysis to prepare the basic heading weights. These will be large revisions which could result in significant differences between the preliminary and final reports. Executive Board will be asked for guidance and recommend that revisions not take place between preliminary and final reports.
Africa	Consumption excluding health, education and housing Full GDP	Qtr 4 2006	Need to evaluate countries to determine those to be included as “core” and those to be added in to later reports. Time table to be updated in September.
W. Asia	Consumption GDP	Q4 2006 Q1 2007	
LAC	Consumption Full GDP	June 2006 Qtr 4 2006	
CIS	No preliminary report will be published		The region will furnish basic heading parities and expenditure weights to the Global Office in Qtr 1 2007. The preliminary Global report will exclude the CIS region. The regional data will be included in the final publication
Eurostat	Full GDP	Qtr 4 2006	First estimates published June 2006
OECD	GDP and Consumption	Qtr 2 2007	Preliminary Basic Heading PPPs will be provided in January 07 for use in the Ring data validation with final PPPs coming in Quarter II 2007. Preliminary publication at level of GDP and total consumption . OECD data comparison will include Russia and Israel.
Global	Consumption Total GDP		The goal has been to publish PPPs for actual final consumption by mid-2007. The ICP Executive Board advised the Qtr 2 time table is optimistic because of the time required to validate the Ring data. The time table is dependent on the availability of the regional data. If the Board advice is correct, the first global report will include preliminary results for consumption and the full GDP with no Qtr 2 report

