

## **Memorandum of Understanding**

**Between**

**The World Bank**

**And**

**The African Development Bank**

**For**

Management and Implementation of the  
International Comparison Programme in Africa  
February 2003-December 2005

### **I. Background**

Under a mandate from the United Nations Statistical Commission (UNSC), the World Bank, in close collaboration with numerous national and international organizations, is preparing to launch a revamped round of the International Comparison Program (ICP) during a 2003 to 2005 timeframe. The ICP is global statistical exercise designed to collect and disseminate purchasing power parity (PPP) data. These data measure and compare the performance of economies throughout the world and the socio-economic status of different groups of people. In particular, PPP data are essential to the management and monitoring of progress made towards the Millennium Development Goals (MDGs). The data are also used by multilateral corporations to determine market sizes and assess investment conditions. In addition, there is a substantial, but as yet largely untapped, demand for the data at the national level to monitor macroeconomic conditions and integration with international markets.

Increasing use of PPP data has highlighted longstanding data quality issues. Subsequently, a new ICP strategic framework has been developed through a consultative process, with a remit to improve the methodology and implementation of the ICP exercise, and enhance the quality of its outputs. The UNSC has endorsed this new strategic framework and it has the widespread support of the broader ICP community, including data users and experts.

The framework's highest priority is the development of price statistics and national accounts: in this respect, it aims at maximizing the synergy between the ICP and domestic statistical programs through national statistical capacity building.

On the organizational front, the framework puts particular emphasis on establishing effective management structures at all three levels: global, regional and national.

As highlighted in the global governance framework<sup>1</sup> management and coordination of the ICP is needed at three levels: global, regional and national. Overall coordination and accountability of the **global** program will be achieved through an Executive Board who will represent the ICP's main stakeholders, including international organizations, regional agencies, and national statistical offices. It will be responsible for setting out the strategic framework for the global ICP, taking into consideration the statistical needs of regional agencies and countries, and for approving global annual work programs. The Board will be supported by a Secretariat based in the Global Office, located in the World Bank headquarters in Washington D.C, whose role will cover the day-to-day management of the global program, ensuring consistency and data quality in all participating regions and countries, and the preparation of the aforementioned annual work programs.

In keeping with previous ICP rounds, the proposed exercise will be carried out in six independent **regions**. The regional programs are developed with sufficient flexibility to meet regional statistical priorities and requirements. However, this arrangement is preceded by an understanding that meeting the requirements of the global program is the primary goal of the exercise. The regional ICP work in Africa (ICP-Africa) will be coordinated and managed by the African Development Bank. The data collection and processing work at the **country** level will be administered by national statistical agencies.

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<sup>1</sup> International Comparison Programme: Governance Framework, World Bank 2002

The ICP is a huge and complex global statistical exercise, involving many players. For it to be a success, the framework for the 2003-2005 round calls for:

- (i) effective coordination and management;
- (ii) concerted and continuous efforts in resource mobilization;
- (iii) standardization of concepts and definitions in data collection;
- (iv) harmonization of methodologies in data processing; and
- (v) collective commitment to quality assurances.

In support of this, the ICP handbook sets out guidelines for data collection, verification and processing to assist implementation at all levels. In addition, Memorandums of Understanding between the Global Office and each region set out modalities and timetables jointly agreed upon.

## **II. Summary**

This Memorandum is made between the African Development Bank and the World Bank concerning their collaboration for the successful completion of ICP-Africa under the general framework of the ICP. This Memorandum sets out the activities and responsibilities required of the African Development Bank and the World Bank for the ensuing round of the ICP to be implemented during 2003-2005 timeframe, with 2004 as a base year.

## **III. Roles and Responsibilities of the Global Office and Secretariat**

The Global Office and Secretariat will be responsible for the following:

### **1. Foster regional participation, mobilize resources, and coordinate the global program**

- Establish a global ICP office with appropriate staff and resources to implement and monitor the program at the global level;
- Foster participation of different regions, and provide assistance for the recruitment of participating countries;
- Mobilize resources for financing the global coordination component of the program and other contingencies, and assist regional agencies in their fund-raising efforts to cover both regional coordination, and national data collection costs;

- Coordinate the overall ICP work across regions, including promoting minimum standards for regional programmes, and ensuring a timely global comparison;
- Determine data collection, analysis, aggregation and dissemination timetables in collaboration with regional organizations;
- Prepare and submit global quarterly progress reports and a comprehensive annual status report to the ICP Executive Board with input from regional agencies;
- Keep appropriate financial and administrative records and provide regular progress and financial reports to the ICP Executive Board; and
- Provide secretarial support to the ICP Executive Board and the ICP Council.

## **2. Conduct research and establish standards for data collection and aggregation procedures**

- Conduct research in close consultation with the Technical Advisory Group, an independent panel established to provide guidance on technical issues and to monitor the use of appropriate methodology (see International Comparison Programme: Governance Framework);
- Develop and promulgate all necessary standards to ensure ICP data consistency and quality, including standards for product definition, price collection and verification, and data processing and aggregation through the preparation of ICP Handbook;
- Provide comprehensive and integrated software for price collection, data analysis and aggregation in six languages, including English, French and Portuguese;
- Ensure the regional coordinator and staff receive training in the preparation of product lists, price collection, data analysis and aggregation; and
- Coordinate communications regarding technical issues between the Technical Advisory Group, and the regional coordinating agencies, as specified in the global governing draft;

## **3. Establish international data sharing and dissemination procedures**

- Provide guidelines and policies on data sharing between countries within a region, between countries and the regional office, and between the regional office and the global office; See Appendix A

- Ensure reasonable adherence to the internationally recommended standards in respect of the presentation of ICP results before they are made public for their final use.

#### **4. Link regional results and produce global PPPs and reports**

- Ensure the development of an effective bridging methodology for linking the African regional comparison to the work undertaken at the international level, and to the similar work undertaken elsewhere on a regional or sub-regional basis;
- Identify the inter-regional link (ring) countries, prepare their product lists, and coordinate this collection effort with the various regional programs;
- Assist the African Development Bank in preparing harmonized survey guidelines and the list of core commodities for regional linking;
- Establish reporting requirements between the regional and global offices;
- Link regional results and compile global PPPs;
- Prepare and disseminate a global report; and
- Promote the uses of the data for policy-oriented analysis.

#### **IV. Roles and responsibilities of the regional agency**

As the regional administrator for Africa, the African Development Bank, in collaboration with the Global Office, will handle daily operational matters, including coordination, project development, preparation and implementation of the regional comparison. The key tasks of the regional coordinating body are as follows:

##### **1. Foster country participation, mobilize resources, and coordinate the national programs**

- Establish a regional ICP office with appropriate staff and resources to implement and monitor the program at the regional level;
- Recruit countries to take part in ICP-Africa, and coordinate the efforts of the participating countries through information sharing, training, assistance, and ensure that global ICP standards and timetables are met;

- Mobilize resources to finance the regional coordination component of the program and to provide financial support to countries to help cover data collection and processing costs;
- Prepare timetables of activities and due dates for participating countries and establish monitoring criteria to signal possible delays, budget shortfalls, or technical issues requiring attention.
- Organize and conduct regional workshops;
- Provide venues, support, materials, and guides to ensure that participants are properly trained;
- Help participating countries to design their ICP plan of action, which will include the benchmark comparison tasks and follow-up activities deemed necessary to ensure the sustainability of the ICP;

**2. Provide mechanisms to ensure countries take full ownership of the program**

- Form regional committees, representing all stakeholders, in order to fully involve participating countries in the management of the ICP, to ensure that effective communication takes place, to promote the use of the ICP and to guide the dissemination of the results;
- Keep appropriate financial and administrative records and provide regular progress and financial reports to the Regional Governing Board and the Global Office;
- Provide secretarial support to the Regional Governing Board;

**3. Ensure countries observe standard data collection and processing guidelines established by the Global Office**

- Develop a list of regional classifications maintaining adequate overlaps with other regions;
- Ensure uniform standards in the participating countries, regarding comparable and representative items, price collection and outlets from where they are obtained, recording and documentation, and the overall timetable for the program;
- Assist countries in the adoption of survey methods and compilation of average prices and GDP expenditure weights;
- Supervise all technical and managerial aspects of the regional program;

#### **4. Establish international data sharing and dissemination procedures**

- Ensure that the data sharing procedures established by the Global Office are observed per Appendix A
- Ensure reasonable adherence to the internationally recommended standards in the presentation of the ICP results before they are made public for their final use.

#### **5. Liaise with the global coordinator and the other regional coordinators**

- Liaise with the global coordinator and the other regional coordinators on a continuous basis to share information and best practices, and meet annually to discuss any outstanding issues;
- Provide effective management and a regular exchange of technical information with the Global Office to support the project's overall management and direction;
- Inform the Global Office of technical matters requiring the attention of the Technical Advisory Group;
- Prepare and submit regional quarterly progress reports and a comprehensive annual status report to the Global Office with input from national agencies.

#### **6. Compile regional PPPs and prepare analysis of the data and reports**

- Process and analyze data from each country and calculate regional PPPs;
- Publish and disseminate the report; and
- Promote policy-oriented uses of the data.

### **V. Timeframe and Work Programs**

This Memorandum will continue from the date of signature until December 31, 2005. It is understood that additional areas of collaboration may be identified during the lifetime of this Memorandum and successive activities would be supported by a more specific activity agreement that would be signed by both parties to this Memorandum.

## **VI. Other Parties**

Other Parties may join this collaboration and can be signatories to a revised form of this Memorandum provided that the original signatories consent.

## **VIII. Implementation**

The individuals with overall responsibility for implementation of this Memorandum of Understanding are:

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For the AfDB

## **IX. Termination**

This Memorandum may be modified at any time by joint agreement of the parties. It shall remain in effect until the global aggregates and PPPs have been published.

Signatures

World Bank

African Development Bank

Chairman, ICP Executive Board

Appendix A

**Guidelines and Policies for Data Access, Analysis, and Dissemination**

**International Comparison Program**

**Overview**

1. One of the criticisms of previous rounds of the International Comparison Program (ICP) was the lack of attention paid to data quality – an issue more complex for the ICP than for most national data collections. Considerable attention must be given to the determination of what is to be priced, the pricing sources, and data editing to ensure comparable items were priced across countries and unusual or outlier reports were handled consistently within as well as between countries.
2. While there is a vast amount of literature on data aggregation methods and index theory, very little exists on basic data collection. The 1992 ICP Handbook provides little information on how to deal with errors that occur in data collection. Nor are there any guidelines regarding the roles of the National and Regional Coordinators.
3. One fundamental issue is the application of consistent data editing that provides robust international data sets. Country statisticians know how to review data from their national surveys and can identify “outliers” and how prices can vary across regions of their country. They are ultimately responsible for the quality of the data and the resulting official estimates and have to defend departures from expected levels. However, the ICP takes data quality to another level that require data editing, analysis and estimation across countries. A dataset in Country A may contain data that satisfied its domestic edit and analysis requirements and provides consistent measures of change and level over time for that country. However, when compared with Country B’s dataset, price levels for some items may not be comparable for several reasons ranging from interpretation of product definitions to the identification of “international outliers”, i.e prices that were reasonable from a national sense, but not when viewed across countries.
4. Another criticism of previous rounds was that when countries finished data collection and submitted their results, they were out of the loop as far as any further work was concerned on data aggregation through dissemination. That added fuel to the belief there was little in the exercise for the countries themselves.
5. The following sections outline the data access, analysis and dissemination policies that will guide the work of the National Offices, the Regional Coordinators, and the Global Office. The policy guidelines will define the roles of the different organizational levels.

### **Data Access, Analysis and Dissemination Policies and Procedures**

- i. Policy: National Statistical Offices will be responsible for the basic data collection and editing phases. They are to use the ToolPack data entry system unless their own systems are certified by the Regional Coordinator as capable of performing identical editing functions. However, the ToolPack remains the means of transmitting data to the regional coordinating offices.
- ii. Policy: Each country will transmit individually reported price transactions for each product being priced to the Regional Coordinator via the ToolPak data base on a timeframe to be agreed upon by the National, Regional and Global Offices. Transmissions should begin before data collection passes the halfway point so that problems of product identification and comparability can be resolved as early as possible in the collection period.
- iii. Policy: The Regional Coordinator will use basic national data exclusively for editing purposes that involve inter-country comparison and data analysis purposes. Doubts or misgivings about a country's data will be immediately communicated to its National Coordinator. The Regional Coordinator will not engage in any data change without the knowledge of the national counterpart.
- iv. Policy: National Coordinators accompanied by the appropriate national experts attend meetings in the regional offices convened to set standards, define scope, edit and analyze regional data.
- v. Policy: Problems identified in the sub-regional edits that affect consistency with other countries will be documented and shared with all countries in the region and the Global Office. Any changes that could be made to product definitions or collection procedures to resolve a regional problem must have the approval of the Global Office.
- vi. Policy: National Coordinators will submit expenditure weights at the basic heading level on a timetable to be agreed upon between the Global, Regional and National Offices.
- vii. Policy: The Regional Coordinators will provide preliminary summaries of national, annual, average prices at the country level to allow all countries in the region to take part in the cross country editing process.
- viii. Policy: The Global and Regional Offices will receive guidance from the Technical Advisory Group to determine the method(s) to be used for GDP aggregation

- ix. Policy: Upon completion of the data edit and review process, national, annual average prices will be computed for each country. A committed group including the National Coordinators and the Regional Coordinators will review the national, annual average prices, their frequency distributions and initial PPPs, agree where additional analysis or editing may be required and, when agreement is reached, sign-off on the results.
- x. Policy: Representatives of countries in the region will take part in the review of the regional aggregations. This will include a review of the national average prices to ensure consistency across the region. The Global Office will participate in this review.
- xi. Policy: The Regional Coordinators and 2-3 countries representing each region are given the authority by their remaining counterparts to review the regional PPPs and aggregations across the regions for world comparisons and resolve any remaining problems.
- xii. Policy: The first data release will be a preliminary release of PPPs for volume and per capita measures for the main expenditure aggregates by region followed by the global release.
- xiii. Policy: Each participating country will retain the reported prices for three years following the release of the global results.
- xiv. Policy: Countries will not publish any country level ICP data until results of the regional or global comparisons have been published.
- xv. Policy: Each region will announce the date the data will be released at least 30 days prior to release. There is to be no pre-release of results to special parties.
- xvi. Policy: The OECD/ Eurostat policy of regional fixity will be followed.