

**ICP Asia Pacific
Fourth Regional Advisory Board Meeting
23-24 May 2005**

ADB Headquarters, Manila, Philippines

Highlights of Proceedings

Global Office Updates

1. The RAB heard a useful global update from Fred Vogel on the status of the ICP in the various regions, as well as an overview of the methodological issues, which were taken up individually later on.

Product Catalog

2. The members of the RAB viewed a sample printed copy of the Product Catalog that was distributed to all the participating countries. All members coming from international organizations were provided a CD containing three electronic versions of the catalog, namely: HTML, PDF and Word formats.

3. It was agreed that the product list should not be made available for public viewing and therefore, advised not to disseminate the Product Catalog on the web now.

Data Review Workshops

4. Given the funding constraints of the Global Office and in view of the fundamental importance of achieving the highest possible quality of basic data collected, it was agreed by RAB members that the conduct of Data Review Workshops is top priority. Therefore, **a minimum of two Data Review Workshops would be conducted** though three such reviews would be ideal, if funds permit. The review workshop aims to identify, address and correct data errors from the country submissions as well as exchange experience between countries to ensure parity across the region for improving the data quality.

5. The first data review workshop is tentatively scheduled for the first week of July/August and aims to cover data for the first quarter of 2005. If the product specifications have changed significantly or found to be “not available” across the majority of countries in the region, revisions will be made appropriately in the product specifications. The new revisions to products and recommendations for “best practices” will then be applied during the subsequent round of data collection to minimize future data errors.

6. In the effort for cost savings, the option was considered to conduct product finalization workshop for the following groups: Housing (dwellings), Health, Education, Government Occupations, Equipment and Construction in addition to the data review workshop in one venue.

Tool Pack

7. Tool Pack is an essential component for the success of the ICP. Any suggested major changes including poverty PPP functionality at this stage will increase the risk on its use and dependence, as it will require major programming changes.

8. The Regional Office (RO) will continue to serve as the clearinghouse for all queries from the countries on Tool Pack. **It would be most useful for GO and Satyam to set up a “Help Desk” to quickly address the queries of countries for which the RO will not be in a position to deal with particularly on computer program related issues.**

9. The RO needs to review individual price quotations bilaterally (between country and RO) to maintain data confidentiality during data validation. For this purpose **the Tool Pack needs to allow the download of a filtered set of data into Excel.** The current version only provides download of an XML file.¹

10. The current Tool Pack 1.2 version is limited to calculation of simple price averages without incorporating weights. The addition of weights functionality needs to be incorporated into the computations process. In deriving the national annual average price estimates, weights may be applied on the quarterly data on the basis of data quality improvements as NSO gain further experience in later quarters. Furthermore, weights need to be applied at outlet level to obtain a price-weighted average to reflect the expenditure volumes of consumer in any given country and for the purpose of poverty PPPs. However, Tool Pack will allow the user to input weights for GDP and location (rural/urban). The GO informed RAB members the weights functionality will be available by the end of June². In light of this, **countries should be informed that they should input the required weights in Tool Pack for specific weight calculations.** Statistics Canada developed a process for Latin American countries to submit flat files of data then upload into Tool Pack. Most African countries will submit Excel worksheets to their Regional Office, who will upload the data into Tool Pack. China commented that Tool Pack is not very friendly and therefore, decided on the use of Excel. Seven other Asia-Pacific countries will not use the PCM of Tool Pack for data entry but instead use the Batch Upload Utility to be able to transfer their data to PAM. In view of these decisions of not to use Tool Pack, it was suggested that **the Global Office establish uniformity in using Excel for data submission** to avoid data management problems in the future.

11. Mr. Vishnu Kumar opined that in order to facilitate the transmission of data to the Regional Coordinator, an electronic format consistent with the Tool Pack may be provided.

Construction

12. The Basket of Construction Components (BOCC) approach will be used for ICP comparison. This includes 34 construction components. Most of the product specifications are highly technical and it was the general feeling of the RAB that the

¹ As of June 13, 2005 the latest upgrade of Tool Pack allows for the download of data in Excel form.

² As of the Tool Pack training held on 13-18 June 2005 at AIT, Bangkok the weighting feature of Tool Pack is being developed. It will allow for application of weights down to outlet type.

national statistics offices do not have the technical capacity to comment and collect data required for all 34 components.

13. Hong Kong, China and the Philippines could seek assistance from fellow government agencies that are involved with construction activities in their respective countries at a cost. The other countries will be encouraged to do likewise. It is expected that these government agencies will be able to provide information on public construction. Nevertheless, consultant will be required to collect construction price data in order to ensure uniform methodology across all participating countries in the Asia Pacific region.

14. In Europe, an average of 7,000 euros per country was required to undertake the construction survey through hiring international construction survey companies with several offices based in different countries and locations. The Australian Bureau of Statistics (ABS) hires a consultant to complete the construction survey because they find it not worthwhile to invest so much on training their staff for this highly technical task.

15. Although the hiring of outside expertise (for specialized tasks) appeared to run counter to the ICP principle of capacity building, it was pointed out that these tasks were not generally the core business of national statistical offices.

16. **The RO was advised to send the Construction SPDs to the countries and get feedback on the capacity of NSO's to collect prices.** Countries should be asked to identify those items in the basket, which they could price without using outside experts and those for which outside expertise would be necessary. Countries should also be asked if they have the expertise to translate the SPDs into the local languages.

17. The RAB recommended that the Global Office take a pilot survey with at least one country from each region to be able to assess how much assistance the countries need.

Machinery and Equipment

18. Data to be collected will include equipment prices as well as incorporate the requirements for the Exchange Rate Approach as the fall back.

19. It was suggested that prices be collected from dealers and distributors of machineries and equipment.

20. The Exchange Rate Approach could be a fall-back in countries where most machinery and equipment is imported. This method requires information on the average rates of customs duties, other taxes, trade, transport and installation margins on imported machinery and equipment. It was pointed out, however, that while this was the method recommended by the ICP Technical Advisory Group (TAG) the Regional Coordinators preferred to get individual prices. The RAB agreed, however, that depending on the availability of funds to hire experts it may be necessary to use this approach in countries where high shares of machinery and equipment are imported.

Government Occupations

21. The Global Office has now prepared a list of 50 typical occupations in government health, education, defence and other collective services. Unless otherwise stated, compensation of employees for these occupations refers to employees with 5 years' seniority.

22. The occupations are defined in general terms and in the case of prison-guards, for example, it is not specified whether it is a Junior, Senior, or Chief- Prison Guard. In countries where there are several ranks of prison guard, the procedure recommended in the ICP Manual is to identify the modal category in the salary scale for all prison guards regardless of their rank and then derive the step in that category that corresponds to five years' seniority.

Dwellings

23. Two methods can be used to estimate rent of dwellings – the Modified SPD Method and the Quantity Approach. The Modified SPD Method can be used in countries where there is an extensive rental market for dwellings and where the country already has a comprehensive national rent survey in place.

24. In the Quantity Approach, volume relatives are directly calculated by comparing the quality-adjusted quantities of dwellings in each country. PPPs are then obtained indirectly by dividing the volume relatives into expenditure relatives. A problem with this method is that the PPPs so derived will not be meaningful if the expenditure relatives have been based on imputations for owner occupied dwellings using **inappropriate rents or incorrect quantities**. **The Board noted that in this case it was better to utilize the directly-calculated volume relatives than go through the price comparison**. The Quantity Approach has already been used in CIS and European countries and has been shown to produce reasonably reliable estimates of volume relatives for dwelling services in these countries.

25. Differentiating modern from traditional dwellings takes into consideration the quality of construction.

Ring Comparison

26. The RAB members were informed that the preliminary list for the Ring Comparison has been distributed to the ring countries. A workshop to finalize comments on the list will be conducted in June/ July 2005.

27. A Global Finalization workshop for the ring list will be held in September 2005.

28. The Ring Comparison is a GO activity and as such the GO will provide the funding for the ring activities.

Funding

29. Global Office (GO) is facing a huge funding deficit. A decision is required if the ICP will cover the full GDP or just household consumption. Since it has been agreed that the conduct of data review workshops is crucial in achieving good quality data, the

decision has to be made before much needed funds for the workshops are spent on the non-household components.

30. It was opined that the more lasting contribution of this ICP initiative is enabling the comparison of GDP and its components across countries and not the numbers per se. Thus, it is still better to have imperfect figures than none at all. The estimates just have to be improved over time.

31. The Ring Comparison is necessary to be able to calculate the global PPPs therefore GO will fund its activities. **Data Review Workshops (estimated at \$180,000) will have priority over Construction and Equipment (estimated at \$200,000).**

32. A suggestion was raised to make the ICP data available only to the donors/contributors. Thus, the agencies that have not contributed to ICP must contribute now to be able to benefit later. It was further proposed that donations are categorized such that the amount of data accessible to the donor will depend on the donation.

Poverty PPPs

33. The work on poverty PPPs progresses in tandem with the ICP. The major activities that are specific to poverty are the identification of product and outlet attributes. The countries (excepting India) have identified the poverty product attributes. **RO should coordinate with India for the identification of products out of the ICP basket specific to poverty.** However, Tool Pack is to accommodate these product attributes. Outlet attributes, on the other hand, is provided for in Tool Pack.

34. India reiterated its stand that prices collected in the ICP survey should not be used for calculation of poverty related PPPs. For the common items consumed by the poorer section of the population, quality is lower and therefore normally commands lower prices. The poorer sections normally make their purchases from different sets of markets/outlets. The way data is being collected, it will not be possible to identify as to the type of the outlets from which the prices have been collected.

35. It was felt that coding of products and outlets would be subjective. Furthermore, the proposed methodology would be dealing with subsets of products and outlets. The resulting subsets will be a significant reduction from the main ICP list of products, which was not considered in the original design. Therefore, a very low matching of Poverty products among countries is a major concern. Poverty-specific PPPs need also to be compiled on application of expenditure weights of the poor on Basic Headings (BHs) of the regular ICP. **The Regional Coordinator was advised to discuss with the consultant this methodology.** It is most important that poverty-PPP estimates are released in 2006 because a large portion of the funds raised in this region is aimed at publishing poverty-specific PPP figures.

Data Access

36. The GO will build a database of ICP prices with the following basic information from each participating country: (i) annual national averages, (ii) number of observations for each product, and (iii) coefficient of variation. These are basic information included in the Quaranta tables produced by Tool Pack and will be reviewed by the countries within

the region. The GO solicited indications on whether these data can be shared with the countries in other ICP regions, researchers, and the general public.

37. The GO also sought views on the number of aggregates to be published. OECD published 20 aggregates while the previous round had 53. It was opined that 20 is still too many considering the levels that countries publish their national accounts.

38. India and the Philippines reported that their CPI market basket is released to the general public. China agreed to publish the aggregated 11 cities PPP only. It will examine the possibility of releasing disaggregated PPPs at groups of Basic Headings.

39. The RAB acknowledged that it is the countries that are making the greatest contribution to the ICP, and therefore they should be having a major say on questions of data access. Consequently it was agreed to **honor the confidentiality policy of the countries**. Thus, the level of country data to be released to the public will be determined by the country.

40. For data validation purposes, only averages will be shared among the participating countries within the region. Individual price quotations could only be discussed between the RO and the owner-country. Should some other procedure be warranted, a mutual agreement should be attained.

41. **The RAB was requested to revisit the Framework of Partnership (FOP), particularly on data access policies, agreed upon by all the participating countries.** The FOP was drawn up by the RAB during its first meeting and approved on December 2003.

Advocacy activities

42. It was informed that the GO has prepared four brochures on ICP and has kept the ICP website updated. It was also mentioned that the GO has a problem with resources to handle further advocacy activities. The focus on high quality data is important to compute good PPP figures which are essential for advocacy.

43. The GO was of the view that they should provide the countries with the tools for advocacy. The main advocacy activity in the country is to raise awareness of the potential power of this initiative.

44. UNESCAP indicated that it would make efforts, in conjunction with SIAP, to provide up to \$50,000 to finance a 1-2 day advocacy meeting targeted primarily at high level policymakers, but with statisticians also participating since it was important to bring the two groups together. Apart from government officials, it was felt useful to invite executive of multinational corporations if possible, as potential users of PPPs.

45. SIAP presented a course outline for its workshops to institutionalize the ICP into all future prices training programs. Their plan is to discuss ICP whenever prices or index numbers are taken up. Aside from understanding PPPs this will make the seminar participants clearly see the difference between the CPI method and the use of SPDs in identifying products to be priced. The first such price workshop will be held in Maldives during the last week of September 2005 with about 20 participants.

46. Suggestions were discussed to improve the scope of the Prices course design. A Tool Pack demonstration was proposed to include in the curriculum. SIAP requested the RAB members to provide suggestions in future also. ADB agreed to provide SIAP with available ICP materials.

47. It was opined that for a one-week course on prices and index numbers, not more than 20% of lectures should be devoted to ICP. Furthermore, it was suggested that **countries should be encouraged to include lectures on ICP in their regular courses on Statistics of Prices and Price Indices.**

Scheduling

48. The RAB recommended the RO to assess the countries' capacity to conduct non-household surveys in the fourth quarter, as this survey activity would be a substantial workload for NSO's.

Coordination

49. **The countries were requested to keep the RO informed of their progress so that GO will be able to keep track of the developments in the ICP. At the same time, the GO will inform the RO of updates in the other regions.**

50. **The Regional Coordinator was advised to explore other modes of communication to facilitate coordination.** It was recognized that in Asia, human contact is the most effective means for coordination. A possible alternative is video conferencing using the facilities of the ADB resident missions. Another suggestion was for the RO to issue advisories on new materials available on the ICP website and to furnish the countries with ICP documentations such as Power Point presentations.

Fifth Meeting of the ICP Asia Pacific RAB

51. The fifth RAB meeting was tentatively scheduled for November 2005.

52. On behalf of all RAB members the Chief Economist expressed their appreciation to Mr Frederick Ho, outgoing RAB Chair, for his stewardship and guidance on RAB meetings over the past year. Mr Fredrick Ho has made significant contributions in the roles of both Chair and participant providing valuable knowledge, comments and suggestions at RAB meetings. The RAB wish him success and good health in all future endeavors in the years to come.