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Africa - African Development Bank

Progress Report

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Preparation Status of the 2011 ICP-Africa round

1. Background

The 2005 International Comparison Program for Africa (ICP-Africa) was implemented in 48 African countries, within the financial and technical support of the African Development Bank (AfDB). The program aimed at strengthening the capacity of the AfDB regional member countries (RMCs) in generating reliable and timely socio-economic statistics for computing purchasing power parities (PPPs) necessary for cross-country economic comparisons.

The African Development Bank (AfDB) was in charge of the overall regional coordination. Coordination teams were formed at the regional, sub-regional and national levels. The regional team at the AfDB was responsible for designing, implementing and managing the program, including, providing technical guidance and coordinating the activities in participating countries. The sub-regional coordination teams at AFRISTAT, COMESA, ECOWAS and SADC helped the AfDB in the execution and monitoring of activities in the participating countries. Financial and technical support was also provided to five Statistical Training Centers (STCs) to build their capacity to undertake statistical training and seminars at the country level. The national teams in each participating country were responsible for the day-to-day management of the program and the implementation of the activities at the national level.

In 2006, the Bank decided to make ICP-Africa part of its regular activities. Purchasing Power Parities will therefore be estimated on an annual basis between the Global ICP rounds.

1.1 PPP estimations in 2009 and 2010

The 2009 and 2010 PPP estimations use a reduced geographical coverage. Prices are collected in the capital city only. The 2005 data set will be used to compute an adjustment factor to take the capital city averages to national averages.

a. Estimating 2009 PPPs

Price data were collected quarterly from July/August 2009 by participating countries. Price data of products common to both ICP and CPI for months for which data were not collected will also be used in the estimation of annual averages. Sub-regional (AFRISTAT, COMESA-SADC) workshops were organized to validate the data. A sub-regional data validation workshop will be organized on 23-26 February 2010 for the ECOWAS sub-region and North Africa. PPP estimates will be computed and results published in the second quarter of 2010 using the best
available weights. PPP will also be computed using a reduced list. The reduced list is obtained using the 2005 data and PPPs to determine for each basic heading the minimal set of items on the following rule: the PPPs computed with the minimal set are the closest to the PPPs computed from the entire set of items of the basic heading. The closeness is established using a predefined criterion. A comparison between the two sets of PPPs will permit to draw some conclusion on the use of the reduced list for cost reduction purposes.

b. Estimating 2010 PPPs

Data will be collected quarterly (February, May, August and November) from the capital city using the whole list of products. Data validation workshops will be organized and PPPs will be computed in 2011 using the best available weights. A comparison between the full and reduced list PPPs will also be carried out.

2. Preparing for the 2011 Round

The preparatory activities for the implementation of the 2011 ICP-Africa round are underway. It will be implemented following the 2005 ICP-Africa implementation model but on the basis of 5 sub-regional lists (COMESA, ECCAS, ECOWAS, SADC and MAU) instead of one single regional list as was the case in 2005. Also Algeria, The Seychelles, and Libya are expected to take part in addition to the 48 countries who participated in 2005 round. The preparation for the 2011 round entails reviewing the Global Core List, the Regional List and developing a Regional Core List and Sub-regional lists, designing surveys and survey instruments, data validation tools and undertaking national accounts work with an emphasis on GDP breakdown. One key innovation of the 2011 ICP-Africa round is the inclusion of poverty-PPPs, which will necessitate the definition of a poverty product list.

2.1 Global Core List

The 2011 ICP round will use the approach of core list to link the regions into global PPPs. The Global Core List (GCL) developed by the Global Office (GO) was underwent desk review at the regional level and will soon be submitted to the GO. The next version of the GCL from the GO will then be reviewed by the regional coordination (RC) team and participating countries and will be an integral part of the African list. The process of reviewing the GCL will require frequent exchange of information between participating countries and the regional coordination team and between the regional and the global coordinations.
2.2 Regional Core List

The 2005 regional item list needs to be reviewed and updated to take into consideration new products, and lessons learned from the 2005 round. The linking of sub-regions into Regional PPPs will be carried out using a list composed of the RCL and the GCL. The RCL is the reduced list mentioned earlier obtained from the 2005 revised and updated list and PPPs on the principle indicated earlier.

2.3 Sub-regional lists

As indicated earlier and because the sub regional comparisons are of interest, the 2011 ICP-Africa round will be implemented on the basis of five sub-regional lists. Each sub-regional list will comprise the GCL, the Regional Core List (RCL) and goods and services relevant to the sub-region determined on the basis of the 2005 regional list and sub-regional availability and representativity of the products.

2.4 Determination of a poverty basket

In addition to the above sub-regional lists, a regional poverty basket will also be determined using the Structured Product Descriptions (SPDs) used to define more than 2,000 products among which 853 were retained during the 2005 round.

2.5 Surveys Preparation

The following surveys will be undertaken following the indicated timetable

- Health services survey
- Pharmaceutical products survey
- Education survey
- Housing survey

The quality of these survey data is a function of the time spent in planning them. The planning should consist of the definition of the objectives of the survey, the target data, the sampling and data collection plans, the training of data collectors, the supervision and data accuracy. Activities will be conducted for each step and framed into a survey framework with definite implementation periods as indicated in the timetable. The surveys’ design and methodology should comply with the Global ICP requirements.
Data collection forms, data collection manuals and product catalogues will be reviewed following the revision and/or the development of product lists.

Training of data collectors and supervisors, testing of survey instruments and other preparatory activities should be conducted in the last quarter of 2010 so that data collection can start in January 2011 in compliance with the Global ICP data collection program. Training will be conducted mainly by participating countries with the help of the regional coordination team on demand.

2.6 Data Processing Tools

Data collection forms will be reviewed to comply with the new lists. A new data validation tool will be developed if necessary and in close collaboration with the Global Office to take into consideration the GCL and sub-regional lists.

3. Data Collection, Validation and Transmission

Data will be collected monthly for the main ICP survey and once for the other surveys. Data collection will be conducted quarterly on the poverty basket. Data collected by countries in month $t$ should be transmitted to the Bank in month $t+1$ after its validation at the national level. Countries will be brought together once every six months through sub regional workshops to review and validate data at the sub-regional levels. Data will be transmitted to the global office after the sub-regional validation workshops. Several iterations may be necessary between participating countries and the regional coordination team and between the regional team and the global coordination team before determining which data sets would be used for PPP computation.

4. National Account activities

National accounts activities will be undertaken in compliance with the Global office requirements and the African Strategy on the Implementation of the 2008 SNA, with an emphasis on GDP breakdown.

The 2008 SNA will not be used as the main framework in the implementation of the 2011 ICP. However, a continental wide “study on the impact of the implementation of the 2008 SNA in
African countries” and its analysis will be undertaken, and two series of ICP data will be compiled according to the 1993 SNA and the 2008 SNA. The following preparations will be undertaken in 2010:

- Review of the GDP breakdown methodology
- Review of 2005 ICP-Africa Classification
- Bridge table between the ICP-Classification and the Global Office Classification
- Assistance to countries which did not participate in the 2005 ICP round

In 2011, the following ICP related national accounts surveys will be undertaken using the GO-methodologies.

- Equipment
- Compensation of employees
- Housing

5. Resource Mobilization

The estimated budget to implement the 2011 is about 44.75 million USD. Most of the resources will be mobilized from the countries and through the Bank’s ADF window. However, as indicated in the budget there is a gap of about US$ 11.65 million which will be mobilized from the World Bank and other partners. This is mainly to undertake ICP activities in ADB-only countries which are not eligible for ADF funding.