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**COMMON MARKET FOR EASTERN
AND SOUTHERN AFRICA (COMESA)**

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**COMESA REGULATIONS CONCERNING THE
PROCEDURES FOR THE ADJUSTMENT OF PRICES
RESULTING FROM CHANGES IN THE QUALITY OF
PRODUCTS IN THE HARMONISED CONSUMER
PRICE INDICES (HCPI)**

**THE COUNCIL OF MINISTERS OF THE COMMON
MARKET FOR EASTERN AND SOUTHERN AFRICA
(COMESA),**

Having regard to Article 140 of the Treaty establishing COMESA through which Member States made an undertaking to cooperate in the field of statistics in order to create an enabling environment for up-to-date reliable, harmonized and comparable statistical data on various sectors of economic activity, through the harmonization and adoption of common methodologies concepts and definitions to be used in collecting and compiling statistics;

Having regard to COMESA Regulation No [xx] of [date] concerning the establishment of harmonized consumer price indices (HCPIs) in Member States;

Having regard to existing COMESA Member States' legislation on statistics and the confidentiality clauses therein;

HEREBY ADOPTS THESE REGULATIONS:

**Article 1
Citation**

These Regulations shall be cited as the COMESA Regulations Concerning the Procedures for the Adjustment of Prices Resulting from Changes in the Quality of Products in the Harmonized Consumer Price Indices (HCPI).

**Article 2
Definitions**

In these Regulations, unless the context otherwise requires:

“Characteristics” means the tangible or intangible attributes of a good or service that serve to identify it and enable it to be classified;

“Class mean imputation” means the imputation of the price of a missing item by reference to the average price change of comparable items;

“Direct comparison” means that the price of a replacement item is compared with the price of a missing item without any quality adjustment;

“Expert judgment” means a method of quality adjustment where the value of a change in an item's characteristics is made on the basis of informed expert knowledge;

“Harmonized Consumer Price Indices (HCPI)” means the comparable consumer price indices compiled by each Member State;

“Hedonic method” means a method of quality adjustment where hedonic regression is used to estimate the value of changes in an item's characteristics;

“Item” means an individual, specified goods or service in the sample of products selected for pricing;

“Matched models” means pricing similar items in consecutive months, so as to ensure that the observed price changes are unaffected by quality change;

“Member States” means COMESA Member States;

“Option pricing” means a method of quality adjustment in which the prices of specific options are used to enable price comparisons of hypothetical items which have identical characteristics;

“Overall mean imputation” means the imputation of the price of a missing item by reference to the average price change of the remaining unchanged items in the same elementary aggregate;

“Overlap” means a method of quality adjustment based on the difference in price between a missing item and its replacement when both are available for pricing in the same month;

“Price-determining characteristics” means those characteristics which have, or may have, an effect on the price of a good or service;

“Pure price change” means a change in the price of an item whose characteristics are unchanged; or the change in price following any quality adjustment;

“pure price index” means an index that is based on pricing a constant representative basket of products at the current period;

“Quality adjustment” means an adjustment to the change in price of an item whose characteristics change over time, designed to remove the contribution of the change in characteristics to the observed price change;

“Replacement item” means an item which replaces another item whose price was previously collected, but whose availability disappears at a time outside the annual revision of products;

“Secretariat” means the COMESA Secretariat; and

“Secretary-General” means the Secretary-General of the Common Market provided for by Article 17 of the Treaty.

Article 3 Objective

The objective of these regulations is to ensure a harmonized approach to the procedures used for quality adjustment in the HCPI to meet the comparability requirements as laid down in Article 5 of the Framework Regulations.

Article 4

Circumstances requiring quality adjustment

1. Member States shall make a quality adjustment to the price of the replacement item where:
 - (a) an item whose price is collected for the HCPI needs to be replaced by another, because the first item is no longer available; and
 - (b) there is a change in one or more of the price-determining characteristics of the item.
2. Member States shall use overlap pricing where:
 - (a) an item whose price is collected for the HCPI needs to be replaced by another because the original item is considered likely to become unavailable within a short time in order to address any price difference between the two items; and
 - (b) one item replaces another during a general revision of the sample in accordance with Article 8 of the Regulations on Weights, Product Sample and Item Substitution to address any price difference between the two items.

Article 5

Methods of quality adjustment

1. Member States shall make all quality adjustments in accordance with the principle of pure price index.
2. Member States shall carry out quality adjustments in the circumstances stated in Article 4, by using any of the following options:
 - (a) Explicit methods, including:
 - i. option pricing;
 - ii. expert judgment; or
 - iii. hedonic method.
 - (b) Implicit methods, including:
 - i. Overlap;
 - ii. matched models;
 - iii. overall mean imputation; or
 - iv. class mean imputation.
3. No Member State shall estimate the value of a quality change as the whole of the difference between the prices of the replaced item and the replacement item, unless this can be justified as being a reasonable estimate.
4. Member States shall, where none of the options referred to in paragraph 2 is possible, take the

pure price change to be the whole of the difference between the prices of the replaced item and the replacement item.

Article 6 Quality Control

Member States shall provide to the Secretariat information sufficient to evaluate compliance with the procedures laid down in Articles 4 and 5.

Article 7 Amendments

1. Any proposals for the amendment of these Regulations shall be submitted to the Secretary General in writing who shall, within 30 days of its receipt, communicate it to the Member States.
2. The Member States which wish to comment on the proposals shall do so within 90 days from the date of the dispatch of the proposals by the Secretary General.
3. After the expiration of the period prescribed under paragraph 2, the Secretary General shall submit the proposals and any comments thereon received from the Member States to Council through the Committee on Legal Affairs.
5. Any amendment to these Regulations shall be adopted by Council and shall enter into force upon

publication in the Official Gazette of the Common Market.

Article 8 Entry into force

These Regulations shall enter into force on the date of publication in the Official Gazette of the Common Market.

Done and adopted at the Thirty First Meeting of the COMESA Council of Ministers held at Kampala, Uganda, on 20 November 2012.

[Signature]
Chairperson
COMESA Council of Ministers