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Report of the World Bank on the International Comparison Programme

Note by the Secretary-General

The present report, prepared by the World Bank on behalf of the Executive Board of the International Comparison Programme (ICP), outlines the status of implementation of the 2011 round of the Programme. The report provides a description of the activities related to governance, country participation, the status of price and national accounts, risk assessment, timetable, capacity-building and outreach that were undertaken in 2012. It also contains information on progress in the implementation of ICP price and national accounts activities, the 2011 ICP data access policy, funding and considerations of the future of ICP. The Commission may wish to review the progress with respect to the implementation of the 2011 round and to express its views on the work plan leading to the publication of the final results. The Commission may also wish to establish the ICP Friends of the Chair group to carry out the evaluation of the 2011 round of ICP.

* E/CN.3/2013/1.



Report of the World Bank on the International Comparison Programme

I. Introduction

1. The present report provides the Commission with a comprehensive update on the status of the implementation of the 2011 round of the International Comparison Programme (ICP), with specific emphasis on the activities that took place from November 2011 to November 2012. The report has eight sections covering (a) governance activities; (b) participation and the status of price and national accounts activities; (c) risk assessment and timetable; (d) capacity capacity-building activities; (e) outreach activities; (f) data access policy; (g) financial status; and (h) the future of ICP.

II. Governance activities

2. To ensure that the work programme for the 2011 round proceeded as planned, various meetings of governance bodies were held, including the Executive Board, the Technical Advisory Group and Regional Coordinators.

A. Executive Board meetings

3. The Executive Board held its sixth meeting on 27 February 2012 in New York and its seventh meeting on 13 November 2012 in Washington, D.C..

4. At its sixth meeting, the Executive Board reviewed the progress in the implementation of the 2011 ICP and took several policy decisions. In particular, the Board:

- (a) Appealed for more punctuality in data submission so that the 2011 round could proceed according to the planned timeline, without sacrificing data quality;
- (b) Discussed participation and fund-raising issues;
- (c) Highlighted the need for a comprehensive communication strategy.

5. At its seventh meeting, the Executive Board reviewed the status of implementation of the round, the risk factors it faced and the timetable leading to the publication of the results. It also discussed technical recommendations from the Technical Advisory Group, adopted the 2011 ICP data access policy and initiated a discussion on the communication strategy for ICP results. The Board recommended the establishment of the ICP Friends of the Chair group to carry out the evaluation of the 2011 round of ICP.

B. Technical Advisory Group meetings

6. The Technical Advisory Group held its seventh meeting on 17 and 18 September 2012 in Washington, D.C.. The Group considered a detailed and comprehensive review of the data and metadata submitted to date by the regions. That analysis included price data related to global core and regional items, gross

domestic product (GDP) expenditure data and “importance indicators” (this concept supersedes the “representativity” concept). In addition, members of two special subgroups that had been formed, namely, the Validation Expert Group and the Purchasing Power Parity (PPP) Computation Task Force, presented their preliminary findings and challenges, which stimulated the discussion.

7. The meeting resulted in important recommendations on (a) the treatment of outliers; (b) the need for further testing of the use of “importance indicators”; (c) linking special participation cases; (d) the use of productivity adjustment for non-market services; (e) the review of proposals for improving the PPP extrapolation method; and (f) comparing 2005 and 2011 ICP results.

C. Regional Coordinators meetings

8. The Regional Coordinators held their sixth meeting from 23 to 25 April 2012 in Paris and their seventh meeting from 19 to 21 September 2012 in Washington, D.C.

9. At their sixth meeting, the Regional Coordinators reviewed and discussed the status of the global and regional programmes and reached consensus on (a) an approach for gathering required metadata information; (b) deadlines for the household consumption and national accounts data submission; (c) an action plan for the validation of the data; and (d) a timetable for upcoming activities.

10. At their seventh meeting, the Regional Coordinators reached decisions on (a) the overall timetable and the upcoming submissions of regional data to the Global Office in December 2012 and March 2013; (b) the revision of the 2005 benchmark PPP results and the need for a working note with information on the feasibility and implications of the revision process in the light of several technical and financial constraints; (c) the further examination of importance and its use; (d) the adoption of the proposed operational classification of basic headings; and (e) the approach and tool for computing national annual averages.

III. Participation and status of price and national accounts activities

11. The present section provides a brief report on country participation and the data and metadata submission status for the main price survey, national accounts and special surveys.

A. Country participation

12. The number of participating economies has grown to 197 in the current ICP round, up from 146 in the 2005 round. This round covers over 98 per cent of the world’s population. Participation in almost all regions has increased, with 50 countries in Africa; 23 in the Asia and Pacific region; 9 in the Commonwealth of Independent States (CIS); 37 in Latin America and the Caribbean; 12 in Western Asia; 21 in the Pacific islands group; 2 singleton countries; and 47 in the Organization for Economic Cooperation and Development (OECD)-Eurostat PPP Programme. From these 197 countries, 4 participate in two different regional

programmes. It is to be noted that some countries/economies in the Pacific and the Caribbean regions participate in a limited capacity by conducting surveys for the household consumption component of GDP only.

B. Main survey data collection and submission

13. The national annual averages for the 2011 household consumption main price survey for 153 countries, three of which participate in two regional programmes, were submitted to the Global Office. These include 49 countries in Africa; 23 in the Asia and Pacific region; 9 in CIS; 15 in Latin America; 12 in Western Asia; 47 in OECD-Eurostat; and 1 singleton country (Islamic Republic of Iran).

14. The Global Office and the Validation Expert Group are validating price data and metadata to assess (a) the comparability of data; (b) the extent to which global core prices represent and reflect regional price levels; (c) the density and scarcity of price data and their effect on computing linking factors; (d) the quality of resulting linking factors; and (e) time consistency with 2005 data.

C. Special surveys data collection and submission

15. Special surveys are being implemented for areas that are difficult to measure, including gross fixed capital formation, government services, housing and water services and private education. These data will be submitted to the Global Office according to the timeline set at the Regional Coordinators meeting. All regions are expected to submit the special survey data at the latest by the second quarter of 2013.

D. National accounts expenditure data reporting

16. A total of 158 countries, 3 of which participate in two regional programmes, submitted their latest available national accounts GDP expenditure breakdown into 155 ICP basic headings, either in the Model Report on Expenditure Statistics (MORES) format or in other formats. The countries include 50 in Africa; 20 in the Asia-Pacific region; 8 in CIS; 15 in Latin America; 12 in Western Asia; 8 in the Caribbean; 46 in OECD-Eurostat; and 2 singleton countries (Georgia and the Islamic Republic of Iran).

17. National accounts expenditure data are being validated spatially at the intracountry and intercountry levels and temporally against data from previous years.

IV. Risk assessment and timetable

18. The 2011 round of ICP faces two types of risks: (a) quality risks regarding data quality, metadata quality and completeness; and (b) timeline risks.

A. Quality risks

Data quality risks

19. The data validation conducted by the Global Office and the Validation Expert Group and Computation Task Force special subgroups showed that, in general, the current basic heading data for household consumption require further validation and editing before moving to the aggregation stage.

20. One quality risk relates to the lack of proper data validation, which results in data for some countries in some regions exhibiting a large number of outliers. To assess whether these potential outliers are errors in the data, the Regional Coordinators are deepening their analyses of the inconsistencies in the data and organizing a series of regional or subregional workshops to address data quality issues. To aid this validation process, the Global Office is providing operational material and guidelines on validating price data and technical support in data validation where needed.

21. Another quality risk is the surprising variation between 2005 and 2011 average prices, where some countries exhibit systematically higher or lower prices across all of the basic headings. To resolve this issue, the Regional Coordinators and the Global Office are conducting missions to the countries in question to identify the source of the problems and to find possible solutions.

22. The quality of “importance indicators” is also being assessed. The 2011 ICP requires countries to allocate “importance indicators” to specific items that inform the weights to be used in the calculation of the weighted country product dummy method. However, countries do not use a common criterion for allocating “importance indicators” to products. To address this issue, the Global Office provided guidance for allocating and validating “importance indicators” and discussed with the Regional Coordinators approaches to improving the quality of these indicators.

Metadata completeness and quality

23. Ensuring the quality and completeness of metadata is a crucial issue for this round of ICP. The Global Office prepared a series of metadata questionnaires to ensure that the 2011 round would have better metadata than the 2005 round.

24. Quality assurance framework checklists were prepared to help collect the information required to evaluate and assess the quality of the submissions. They are available in Arabic, English, French and Spanish. The checklists are expected to be completed by the countries by June 2013, the Regional Coordinators by December 2013 and the Global Office by March 2014.

25. On the national accounts side, the Model Report on Expenditure Statistics, national accounts quality assurance questionnaire and national accounts exhaustiveness questionnaire provide a wealth of metadata on how countries are splitting their GDP expenditures into 155 basic headings and on the quality and exhaustiveness of their GDP expenditure estimates.

26. On the price survey side, a survey framework questionnaire was prepared in Arabic, English, French and Spanish. This questionnaire is crucial, as it provides information on the survey coverage across countries. Countries are expected to complete the questionnaire and return it to the Global Office by March 2013.

B. Timeline risks

27. The 2011 ICP is being implemented according to the timetable set at the beginning of the programme. The final results are expected to be released in December 2013.

28. The schedule is very tight with only 13 months left to complete all the tasks for this ICP round. Any schedule slippage in any region will therefore have an adverse effect on the publication of global and regional PPPs.

29. In some regions, there is a serious risk of delay in implementing special surveys that produce PPPs for government, gross fixed capital formation and housing. The Global Office is working closely with the Regional Coordinators to ensure that all activities are taking place according to the timetable agreed at the latest Regional Coordinators meeting. If some countries fail to conduct the special surveys in a timely manner, a possible contingency plan would be to include those countries in the global results for the household consumption component only.

V. Capacity-building activities

A. International Comparison Programme Book

30. The ICP publication entitled *Measuring the Real Size of the World Economy, The Framework, Methodology, and Results of the International Comparison Program (ICP)*,¹ issued in November 2012, will be made available online on the ICP website (www.worldbank.org/data/icp). The book is a compendium of the methodological framework for conducting international comparisons, the methodological choices made for the 2005 ICP, the outcome of those choices and actions to improve the quality of the data for the 2011 ICP.

31. By disclosing the theory, concepts and methods underlying the estimates, the book increases the transparency of the ICP process. This allows researchers, users of PPPs and those involved in the implementation of the programme to have a better understanding of the strengths, limitations and assumptions underlying the estimates. The book also provides a forward-looking view of the methodological developments that could be taken to improve future comparisons.

B. Operational Guide

32. A total of 24 out of 28 chapters of the ICP Operational Guide have been finalized and posted on the ICP website. Those chapters are currently in the editing process.

33. The remaining four chapters are in the process of finalization. A complete edited electronic version will be available on the ICP website in April 2013.

¹ Washington, D.C., World Bank, 2012.

C. International Comparison Programme software

34. Version 4 of the ICP Kit software was released on 12 October 2012, with new and improved features. In addition to performance enhancement in all modules, new features to facilitate data validation and processing were incorporated.

35. The Global Office organized a special training workshop on version 4 of the ICP Kit software, held in Washington, D.C., on 24 and 25 September 2012. The objective of the workshop was to provide training, support and hands-on exercises to users in the regions that use the ICP Kit for price data entry, data validation and reporting. Participants from the Economic Commission for Latin America and the Caribbean (ECLAC) and the Economic and Social Commission for Western Asia (ESCWA) attended the workshop.

36. The Global Office is also providing the necessary guidance on the migration process from raw data to creating validation tables and computing PPPs.

VI. Outreach activities

A. International Comparison Programme website and calendar

37. The Global Office developed a virtual calendar of activities that lists all the main global and regional ICP events. The ICP calendar was launched on 6 July 2012 and is available on the ICP website.

38. Additionally, the Global Office continues to update the ICP website with new operational material and important meeting documents.

B. International Comparison Programme quarterly updates

39. The Global Office had released 14 issues of ICP monthly updates by the end of 2011. Since the beginning of 2012, in alignment with the schedule of activities at the regional and global levels, the ICP updates have been released on a quarterly basis.

40. The first, second and third ICP quarterly updates for 2012 were released in order to inform the ICP community of ICP-related news and events and are available on the ICP website.

VII. Data access policy

41. At its meeting on 25 October 2011, the ICP Executive Board discussed the proposed 2011 ICP data access and archiving policy. The Board endorsed the data access principles and agreed to the proposed access level for the following categories of ICP variables:

(a) PPPs, price level indexes and expenditure data for all countries are published at the analytical level, with supporting metadata;

(b) PPPs, price level indexes and expenditure data at the various levels of detail below the published level for all countries, with supporting metadata;

(c) National average price data at the product level for items on the global core list for all countries, with supporting metadata.

42. At its 13 November 2012 meeting, the Executive Board indicated that it was in favour of providing access to ICP average prices that are of adequate quality and that do not reveal the confidentiality of individual providers. They indicated that, for average price data, the product names and descriptions should be made anonymous before being shared with users, that is, brand names should be removed. They also noted that access to subnational data should be restricted, similar to individual observations.

43. The Board agreed on the access level to category 4 data and supporting metadata, namely, national average price data at the product level for regional items not on the global core list for all countries, as these data do not reveal the confidentiality of individual providers, and endorsed the 2011 ICP data access and archiving policy. The policy will be posted on the ICP website.

VIII. Financial status

A. Budget

44. The 2011 ICP round remains on-budget. The overall budget at the global level is about \$14.5 million. Excluding grants to regional programmes, the global budget is about \$11.5 million. The total budget for the 2011 ICP including the regional programme budget is estimated at about \$37.0 million.

45. In 2012, the Multi-Donor Trust Fund provided new grants to ESCWA, ECLAC and the Inter-State Statistical Commission of CIS to complete the 2011 ICP in their regions and prepare and publish final regional results.

B. Funding and technical assistance support to regional programmes

46. The Multi-Donor Trust fund also funds technical assistance in the form of consultants and technical assistance missions to support regions and countries in Latin America and the Caribbean, Asia, Western Asia, CIS and singleton countries. Consultants also facilitate sessions in regional and subregional workshops.

IX. Future of the International Comparison Programme

A. Evaluation of the 2011 round

47. The evaluation of the 2005 round of ICP was carried out by the Friends of the Chair group, headed by Statistics Norway. The experience was very successful and the Executive Board therefore recommended replicating the 2005 approach and having the same type of evaluation for the 2011 round under the general auspices of the Statistical Commission.

B. Towards a sustainable International Comparison Programme

48. The World Bank made many contributions during the 2011 round to make ICP sustainable. These included striving to ensure greater access to ICP data through the 2011 ICP data access and archiving policy adopted by the Executive Board to increase the impact of ICP in the development community and the use of ICP data and results.

49. The World Bank is also seeking to improve its method for PPP extrapolation and to develop a policy for PPP time-series revisions.

50. The World Bank conducted experiments on collecting price data through crowd sourcing using mobile phones and continues to look into new, more cost-effective technologies that could aid data collection.

C. Future steps

51. The suggested road map for the future of ICP would include the following milestones:

(a) The forty-fourth session of the Statistical Commission to establish the Friends of the Chair group to conduct an evaluation of the 2011 ICP;

(b) The composition and terms of reference of the Friends of the Chair group to be finalized during the first half of 2013;

(c) The Friends of the Chair group to conduct an evaluation of the 2011 ICP during the period 2013-2014;

(d) A detailed report on the evaluation of ICP and ideas about the future of the programme to be presented to the forty-fifth session of the Statistical Commission.

X. Points for discussion

52. **The Commission is requested to:**

(a) **Review the progress made with respect to the implementation of the 2011 round;**

(b) **Express its views on the work plan leading to the publication of the final results;**

(c) **Establish the ICP Friends of the Chair group to carry out an evaluation of the 2011 round of ICP.**