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## Statistical Commission

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### Items for discussion and decision: International Comparison Programme

## Report of the World Bank on the International Comparison Programme

### Note by the Secretary-General

In accordance with Economic and Social Council decision 2013/235, the Secretary-General has the honour to transmit the report prepared by the World Bank on behalf of the Executive Board of the International Comparison Programme (ICP). The report outlines the status of implementation of the 2011 round of comparisons and describes the computation of the 2011 estimates, the governance activities that were carried out to support the computation process and review the preliminary results, the schedule of publication of the final results and the related communication strategy, the knowledge material prepared for the 2011 round, the revision policy of purchasing power parity statistics and the plans for the evaluation of the 2011 round. The Statistical Commission may wish to review the progress achieved with respect to the publication of the final results and to establish an ICP friends of the Chair group to carry out the evaluation of the 2011 round.

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\* E/CN.3/2014/1.



## **Report of the World Bank on the International Comparison Programme**

### **I. Introduction**

1. The present report provides the Statistical 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 2012 to November 2013. The report covers governance activities; computation and schedule of publication of the 2011 results; knowledge material; communication strategy and outreach activities; policy for revision of purchasing power parity (PPP) statistics; and evaluation of the 2011 round.

### **II. Governance activities**

2. To address the highly critical components of the final year of the 2011 round of ICP, various meetings of governance bodies, including the Executive Board, the Technical Advisory Group, the Regional Coordinators, the Computation Task Force and the Results Review Group, were held.

#### **A. Executive Board meetings**

3. The Executive Board held two meetings in 2013: the eighth meeting in New York on 24 February and the ninth meeting in Washington, D.C., on 30 October.

4. At its eighth meeting, the Executive Board reviewed the timetable and deadlines and stressed the critical need for timeliness. In addition, the Board requested that the ICP Global Office prepare and share bimonthly status reports on the progress of the programme. The Board asked to review the preliminary results ahead of the release date. It was agreed that high-level ICP missions would be carried out to economically large countries where inconsistencies in the data remained after the data validation process was concluded. The Board highlighted the need for a general ICP revision policy and communication strategy to better appeal to policymakers.

5. At its ninth meeting, the Executive Board addressed the critical stage of finalizing the computation process and publishing the results. For quality assurance, the Board formed a special task force to review the global results, with a special emphasis on the economic consistency of the results of the largest economies. The task force was given the task of addressing technical issues related to the impact on the results of those economies of the representativity of global core products priced, the validation process and review of outliers and the treatment of construction and housing. To allow for the additional results review step, the Board decided that the date of publication of the ICP results should be postponed to 5 March 2014. In addition, the Board endorsed the ICP 2011 communication strategy and recommended that the 2011 evaluation be conducted through the friends of the Chair modality.

6. In accordance with the Board's decision, the special task force met on 21 and 22 November 2013 at the World Bank to discuss and thoroughly examine the quality assurance issues surrounding the results of economically large countries.

## **B. Technical Advisory Group meetings**

7. The Technical Advisory Group held two meetings in 2013 in Washington, D.C.: the eighth on 20 and 21 May and the ninth from 25 to 27 September.

8. At its eighth meeting, the Technical Advisory Group meeting assessed the quality of preliminary datasets and findings. The Group addressed methodological issues on dwellings, government compensation, equipment and construction. It also reviewed the validation of the 2011 national accounts data and issues related to consistency between the 2005 and 2011 ICP results. The most crucial task of the meeting was to examine the consistency of the global core prices and to discuss how best to handle outliers. The Group recommended that the weight applied to important versus non-important products be 3:1 at both the regional and global levels. The Group agreed with the proposal that the Eurostat-Organization for Economic Cooperation and Development (OECD) real expenditures on education be linked through Latin America. It was also decided that the Pacific Islands would be linked to Fiji, Australia and New Zealand.

9. At its ninth meeting, the Technical Advisory Group considered preliminary 2011 estimates that showed that global linking through the global core list approach is feasible. The approach for housing was reconsidered, and it was determined that a method similar to what was done in the 2005 ICP would be used. In the critical stage of the programme, it was reiterated that outliers that could not be justified economically should be deleted by the ICP Global Office.

## **C. Regional Coordinators meetings**

10. The Regional Coordinators held three meetings in 2013: the eighth in New York on 22 February and the ninth and tenth in Washington, D.C., from 22 to 24 May and on 23 and 24 September, respectively.

11. At the eighth meeting, the Coordinators reviewed and discussed four issues notes related to high-level ICP missions, enhancing the comparability of the ICP 2005 and 2011 results, testing the impact of different methods and weights for importance indicators on the ICP 2011 results, and the ICP validation steps. The Regional Coordinators also reviewed the status of data submission and confirmed a strong commitment to the way forward.

12. The ninth meeting was focused on data review and validation to highlight the issues and incorporate the recommendations made at the eighth Technical Advisory Group meeting in order to improve the data. Analyses lead to concrete decisions regarding household consumption data as well as special surveys, metadata, linking and data gaps.

13. The tenth meeting covered ICP progress reports, review of data and metadata quality and the timetable and final results. The meeting specifically addressed the actions to be carried out by the Regional Coordinators and the Global Office to

resolve remaining issues and adhere to the set timetable for publication of the 2011 results.

#### **D. Computation Task Force meetings**

14. The Computation Task Force met in Washington, D.C., on 26 September and on 2 and 3 December to ensure that their parallel and independent processes of global computation converged on the same results. They thus harmonized their approaches and methods and reviewed the preliminary results generated in the fourth round of computation. The sessions led to an agreement on detailed guidelines for the subsequent rounds of computation and a strict timetable for the production of the results by 31 January 2014.

#### **E. Results Review Group meeting**

15. The Results Review Group, made up of several prominent Technical Advisory Group experts, was formed to conduct an adept review of the 2011 results and to ensure that the highest quality is achieved. The experts of the Group met in Washington, D.C., on 19 November. The meeting, which was attended by the Senior Vice-President and Chief Economist of the World Bank, covered poverty-related issues arising from the current set of preliminary results, the comparison of 2011 benchmark results with 2011 extrapolated PPPs and volume measures in the world development indicators, and the consistency between 2005 and 2011 ICP results.

### **III. Computation and publication of the 2011 results of the International Comparison Programme**

16. The computation of the 2011 results was carried out by the Global Office and the Computation Task Force independent experts. Extensive validation and simulation work was conducted to ensure the quality of the results and the soundness and reliability of the methodology adopted in the 2011 round.

17. The Global Office and the Computation Task Force examined the differences between the 2005 and 2011 rounds. Comparing the results is tricky, as improvements in methodology were introduced in the 2011 round, including using the global core list approach to link the regions, improving the global aggregation method, using the importance notion to classify products and introducing an improved approach to measuring construction. The final ICP 2011 report will include an analysis of the estimated effect of those changes in methodology on the overall results.

18. The 2011 benchmark results will bring out new information on the world economies when compared with the current 2011 extrapolated PPPs and volume measures in the world development indicators. Differences exist between volume growth rates of gross domestic product as measured by the time series national accounts and as implied by PPP benchmarks. The nature of those differences has been investigated since the initial phases of the ICP. The broad reasons for the differences include the different product baskets used in the time series national accounts deflators and in estimating PPPs, the use of different computational

methods and different weighting patterns and so forth. Conceptually, it is impossible to maintain consistency in PPPs simultaneously across time and space, no matter which index number formulas are chosen for estimating both the time series price indexes and the PPPs in the selected years. The reason is that index number formulas are designed either to measure price changes over time (e.g., the consumer price index) or to measure price levels between countries (i.e., PPPs), but they are not designed to measure both of those aspects simultaneously. Therefore, the 2011 benchmark results cannot converge with the current 2011 extrapolated PPPs and volume measures in the world development indicators.

19. The work of the Computation Task Force was carried out in compliance with the quality assurance processes and procedures set out by the Technical Advisory Group and approved by the Executive Board. It underwent further quality review by the Results Review Group before being shared with the Executive Board for final endorsement. The ICP 2011 results release date will soon be scheduled, to be followed by the publication of the final report in the second quarter of 2014.

#### **IV. Knowledge material**

##### **A. International Comparison Programme book**

20. On 20 May, the World Bank announced the publication of *Measuring the Real Size of the World Economy: The Framework, Methodology, and Results of the International Comparison Program — ICP*, which is the most comprehensive accounting ever presented by ICP of the theory and methods underlying the estimation of PPPs. The full version of the book is available from the ICP website ([www.worldbank.org/data/icp](http://www.worldbank.org/data/icp)).

##### **B. International Comparison Programme operational guide**

21. The Operational Guidelines and Procedures for Measuring the Real Size of the World Economy comprises, inter alia, material on the approach to and data requirements for the main price survey and special surveys, including various guidelines produced and survey forms, the framework of and requirements for national accounts activities for ICP, and guidelines for data validation, the computation of national annual averages, the calculation of PPPs, aggregation and linking.

#### **V. Communication strategy and outreach activities**

##### **A. Communication strategy**

22. The ICP communication strategy, endorsed by the Executive Board, covers the following elements surrounding the release of the ICP 2011 results: messages, audience, products, media outlets, communication activities and timing.

## **B. International Comparison Programme seminars and blogs**

23. The fifty-ninth International Statistical Institute World Statistics Congress took place in Hong Kong, China, from 25 to 30 August. The session entitled “Measuring the real size of the world economy: methodological and quality improvements of the International Comparison Programme” was organized by the ICP Global Manager. Members of the Technical Advisory Group, Regional Coordinators and Global Office staff contributed and presented papers.

24. The Washington Statistical Society held a seminar entitled “Measuring the real size of the world economy — methodology and challenges” in Washington, D.C., on 6 November. The ICP Global Manager, the Deputy Chair of the Technical Advisory Group and a professor at the University of Pennsylvania briefed participants on the conceptual framework of ICP and presented an overview of the statistical methods used to estimate PPPs, the changes introduced since the 2005 round and the possible impact on the final 2011 results.

25. The Africa statistics practice group of the World Bank celebrated African Statistics Day on 18 November with the theme “Promoting quality statistics for Africa’s progress”. One of the event’s parallel sessions was on using ICP to measure Africa’s progress. The ICP team leader made a presentation on the Programme and its application in Africa, the upcoming release of the results of the 2011 round of the programme and the way forward.

26. The ICP Global Office posted its first blog on 17 June 2013. It announced the upcoming release of the results of the 2011 round, which would be followed by a more in-depth report in 2014. The post was shared with the World Bank and data users via the open data blog website (<http://blogs.worldbank.org/>). The Global Office readily responds to comments posted on the blogs and will continue to post further announcements on the progress of the programme and the expected release of the 2011 results.

## **C. International Comparison Programme quarterly updates**

27. The Global Office continues to share quarterly updates with the ICP community on a quarterly basis. The updates provide the ICP community with an insider perspective and include special interviews conducted with various stakeholders. All quarterly updates are available on the ICP website.

## **VI. Policy for revision of purchasing power parity statistics**

28. The Programme’s revision policy explicitly defines how ICP indicators will be revised and describes the relevant triggers and guidelines, as well as the timing of revisions and the steps to be taken to communicate them to users. The policy stems from user interest in comparing ICP results from subsequent benchmark rounds. The Executive Board agreed that revisions should be implemented but acknowledged that the policy is forward looking and that its time frame transcends the current governance of the 2011 ICP. Therefore, the policy will be implemented by the World Bank as the custodian of the ICP 2011 data and will not pose any additional burden on countries to provide updated data beyond what is already compiled as part of

their routine statistical work and reporting to international agencies (e.g., national accounts, population and exchange rate data).

## **VII. Evaluation of the 2011 round of the International Comparison Programme**

29. The evaluation of the 2005 round of the ICP was carried out by the friends of the Chair group headed by Statistics Norway. The experience was successful, and thus the Executive Board recommended following a similar approach and having a friends of the Chair type of evaluation for the 2011 round under the general auspices of the Statistical Commission. The Global Office prepared draft terms of reference for the friends of the Chair evaluation (see annex).

## **VIII. Points for discussion**

30. **The Statistical Commission is requested:**

- (a) **To review the progress with respect to the publication of the final results;**
- (b) **To establish the ICP friends of the Chair group to carry out the evaluation of the 2011 round of the ICP.**

## Annex

### **Draft terms of reference for the Statistical Commission friends of the Chair evaluation of the 2011 round of the International Comparison Programme**

#### **A. Background**

1. The International Comparison Programme (ICP) is a worldwide statistical initiative aimed at estimating purchasing power parities (PPPs) to be used as currency converters to compare the economic situation of economies around the world. The primary purpose of ICP is to generate relevant PPP data to convert the gross domestic product, and its sub-aggregates reported in different currencies, into a standard common currency that equalizes the real purchasing power of each of the currencies.

2. Following the successful completion of the 2005 round of ICP under World Bank management, the Statistical Commission requested the Bank to take on the global coordination of the 2011 round. This new round leveraged the successful implementation of the 2005 round. This, together with a concerted effort by international and national statistical agencies, meant that the 2011 round was better planned, managed and coordinated. The ICP Global Office, hosted by the World Bank, worked to broaden the scope of the programme, streamline quality assessment processes, improve the poverty relevance of PPP statistics, ensure the sustainability of PPP delivery and enhance statistical capacity-building activities related to the generation of ICP basic data with a specific focus on price statistics and the implementation of the System of National Accounts.

3. One of the biggest challenges was related to the scope of the programme, which was enlarged to accommodate as many as 199 countries/economies: 50 in Africa; 23 in Asia and the Pacific; 9 in the Commonwealth of Independent States (including the Russian Federation, which also participates in the Eurostat-Organization for Economic Cooperation and Development programme); 17 in Latin America; 12 in Western Asia (including Egypt and the Sudan, which also participate in the Africa programme); 22 in the Caribbean; 21 Pacific Islands countries and territories (including Fiji, which also participates in the Asia-Pacific programme); and 47 in the Eurostat-OECD programme, as well as Georgia and the Islamic Republic of Iran.

4. Another challenge arises from the cumulative effect of the two ICP rounds, which takes ICP from a one-time “snapshot” created by each solitary benchmark into a time series-like environment. Improving the time consistency of ICP indicators is crucial for meeting users’ needs. In this regard, the World Bank is investigating the possible use of information technology to enhance price data collection methods and is exploring new approaches for improving the extrapolation method currently used in the world development indicators.

5. At its meeting in October 2013, the ICP Executive Board discussed possible modalities for the evaluation of the 2011 round of ICP and concluded that the friends of the Chair group was the preferred modality for the evaluation. In the body of the present report (see para. 30), the Statistical Commission is requested to create a friends of the Chair group consisting of representatives of participating countries



to evaluate the 2011 round of ICP with respect to its scope and activities and make a proposal on the desirability of a new round, taking into consideration lessons learned from the evaluation.

## **B. Purpose, objective and scope**

6. The purpose of evaluating the 2011 round is to highlight what was achieved and measure how the achievements compare to the goals set out in the initial plan. The objective of the evaluation is to provide intrinsic feedback that may be used to foster future ICP work. The scope entails a thorough review of the following:

- (a) The governance framework and the implementation of the roles of the distinct governance bodies;
- (b) The technical aspects and methodological improvements;
- (c) The quality of data and metadata;
- (d) The timeliness of targets and the publication of results;
- (e) The meeting of users' needs;
- (f) The composition and allocation of the ICP budget;
- (g) Challenges, achievements and lessons learned for the future of the ICP.

## **C. Existing information sources**

7. Relevant sources and documentation for the evaluation include, but are not limited to, the following:

- (a) The ICP book *Measuring the Real Size of the World Economy*;
- (b) The ICP Operational Guidelines and Procedures for Measuring the Real Size of the World Economy;
- (c) The ICP 2011 governance framework;
- (d) The minutes of meetings of governance bodies (Executive Board, Technical Advisory Group, Regional Coordinators);
- (e) Progress reports to the ICP Executive Board, the Statistical Commission and donors;
- (f) The Department for International Development of the United Kingdom of Great Britain and Northern Ireland project memorandum and logical framework for funding ICP;
- (g) Quality assurance framework questionnaires;
- (h) Survey framework questionnaires;
- (i) National accounts metadata;
- (j) ICP quarterly updates;
- (k) ICP website and portal.

## **D. Methodology**

8. The friends of the Chair group will agree on the evaluation methodology to be followed, which may include:

- (a) Reviewing the existing information sources;
- (b) Carrying out a survey of stakeholders' views (national statistical offices, regional coordinating agencies, Global Office, donors, etc.);
- (c) Conducting interviews with major users.

## **E. Outputs**

9. The friends of the Chair group is to prepare and provide a report on its findings and recommendations to the Statistical Commission by mid-November 2014. The report will include the results of the evaluation of the 2011 round of ICP and an assessment of the scope, activities and lessons learned. It will provide recommendations, where actionable improvements can be made, and a proposal concerning the future of the programme.

10. The evaluation report may include but is not limited to the following suggested elements:

- (a) Executive summary;
- (b) Introduction;
- (c) ICP background;
- (d) Experiences from the 2011 round, including:
  - (i) The governance structure;
  - (ii) Technical aspects and methodologies;
  - (iii) Capacity-building;
  - (iv) The quality of data and metadata;
  - (v) The timeliness of targets and the publication of results;
  - (vi) The meeting of users' needs;
  - (vii) The composition and allocation of the ICP budget;
- (e) ICP challenges;
- (f) ICP achievements;
- (g) Future of ICP;
- (h) Concluding remarks.

## **F. Considerations for composition**

11. Given that ICP is a broad programme encompassing both developing and developed countries, it is advisable to have two co-chairs for the friends of the Chair group — a developed country national statistical office that is part of the Eurostat-

OECD programme and a developing country national statistical office. The membership of the friends of the Chair group should encompass representatives from all participating regions.

12. The co-chairs of the friends of the Chair group would be expected to provide contributions in kind in the form of staff time. In order to save on costs, the modalities should primarily entail desk work to minimize travel and its associated costs.

13. The friends of the Chair group would coordinate closely with the World Bank Development Data Group, which holds the institutional memory of the programme.

## **G. Tentative timing**

14. It is expected that the work programme will have the following activities and timetable:

(a) Setting up the friends of the Chair group by the Statistical Commission (March 2014);

(b) Preparing instruments to be used to collect information, if needed (April 2014);

(c) Reviewing existing information sources, conducting surveys and interviews and analysing the information collected (May-September 2014);

(d) Drafting a report on findings and recommendations (October 2014);

(e) Submitting the final report to the Statistical Commission (November 2014);

(f) Presenting the final report to the Statistical Commission at its forty-sixth session (March 2015).

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