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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 2014/219, the Secretary-General has the honour to transmit the report of the World Bank on the International Comparison Programme. The report outlines the final stages of implementation of the 2011 round of the Programme, describes the concluding governance activities undertaken for the 2011 round and discusses the release of the results and the accompanying documentation. Additional information is provided regarding the uses of those results and related outreach activities. The report also provides an overview of the involvement and activities of the World Bank related to the progress of the evaluation, by the Friends of the Chair group, of the 2011 round of the Programme, which was initiated by the Statistical Commission.

The Statistical Commission is requested to take note of this report.

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\* [E/CN.3/2015/1](#).



# **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 conclusion of the 2011 round of the International Comparison Programme (ICP), with specific emphasis on the activities that were carried out from October 2013 to November 2014. The report considers governance and supporting technical activities; release of the results of the 2011 round; documentation for the 2011 round; and media coverage, use of the results of the 2011 round, and outreach activities. The report also provides an update on the evaluation of the 2011 round of the Programme and summary conclusions.

## **II. Governance and supporting technical activities**

2. A series of governance and technical meetings were held from 30 October 2013 through 3 March 2014 as the six-year 2011 round of the Programme 2011 entered its final stages. These series of meetings ensured that the Programme's high standard of due diligence was met in three areas: sufficient oversight of the process by the Executive Board, satisfaction with the depth and thoroughness of the review of the methodological foundations of ICP, and assurance of the validation of results in advance of the 30 April 2014 publication of summary results.

3. As reported to the Statistical Commission at its forty-fifth session, the ninth meeting of the Executive Board, held on 30 October 2013, addressed the critical step 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 requested to address technical issues related to the impact on the results of the largest economies, specifically 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 summary results should be postponed to early 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 group modality.

4. Further, as reported to the Statistical Commission at its forty-fifth session, several technical groups, namely, the Results Review Group, the Special Task Force and the Computation Task Force, held their meetings after the ninth Executive Board meeting.

5. The Results Review Group was formed to provide an expert review of the ICP 2011 results and to ensure that the highest quality would be achieved. The Group, composed of several prominent Technical Advisory Group experts, held its first meeting on 19 November 2013 in Washington, D.C., to discuss the current set of preliminary results; the comparison of 2011 benchmark results with 2011 extrapolated purchasing power parities (PPPs) and volume measures in the World Development Indicators; and the consistency between the 2005 and the 2011 ICP results.

6. Subsequently, to ensure that its work could be completed in compliance with the ICP release schedule, the Special Task Force met on 21 and 22 November 2013 at the World Bank in Washington, D.C., to discuss and thoroughly examine the quality assurance issues associated with the results of economically large countries.

7. Further, a parallel technical group, the Computation Task Force, met in Washington, D.C., on 2 and 3 December 2013 to ensure that the parallel and independent processes of global computation of Computation Task Force experts converged to the same results. They harmonized their approaches and methods and reviewed the preliminary results generated through the fourth round of computation of results. The sessions were productive and led to an agreement on detailed guidelines for the subsequent rounds of computation and a strict timetable for producing the results.

8. The tenth meeting of the ICP 2011 Executive Board was held on 24 January 2014, at the World Bank in Washington, D.C., to confirm the due diligence undertaken for ICP 2011; ensure quality global results; and agree upon an action plan towards the release of the final global results. Meeting discussions related to activities carried out since the ninth meeting of the Board — in particular the findings of the Special Task Force and the Computation Task Force; the review of the ICP 2011 preliminary global results; and the release of the ICP 2011 final global results. At the tenth meeting, the Board agreed that the due diligence and additional work conducted since the ninth Board meeting reinforced the quality of ICP estimates, but stressed that any remaining technical work required for the final stages of the ICP 2011 round should be openly shared and discussed so as to ensure that the process conforms with the United Nations Fundamental Principles of Official Statistics. Additionally, the Board instructed the Global Office to delay the release of the final ICP 2011 results and final report until the second quarter of 2014 so as to ensure that there was time available to produce communication materials that clearly spelled out the uses and limitations of the estimates in various policy applications.

9. In compliance with the ICP release schedule, the second meeting of the ICP 2011 Results Review Group was held on 10 and 11 February 2014 in Washington, D.C. The purpose of the meeting was to review the results from the final computations of the global purchasing power parities and real expenditures. The data review included an assessment of the effect of changes in methodology between 2005 and 2011, a final review of the linking methods and the resulting tables of ICP 2011 results, and a discussion on the results of major economies.

10. The Results Review Group also discussed issues regarding the use of PPPs for establishing international poverty lines as affected by the level differences between the 2005 and 2011 PPPs. Additionally, there was a discussion on how to reconcile benchmark PPPs with time-series PPPs that are based on gross domestic product (GDP) growth rates.

11. The eleventh meeting of the ICP 2011 Executive Board was held in New York on 2 March 2014 to review the process leading to the creation of final technical papers; and review and endorse the final ICP 2011 global results; provide feedback on the outline of the ICP 2011 final report; and determine a date for publication of the ICP 2011 final global results. The Board approved the two-step approach for releasing the ICP 2011 global results. Summary results along with key documentation would be released on 30 April 2014, followed by a comprehensive

report which would include the full set of results and more comprehensive documentation, for release in the third quarter of 2014.

12. Pursuant to the endorsement by the Executive Board of the ICP estimates, the ICP 2011 Regional Coordinators held their eleventh meeting in New York on 3 March 2014. The discussion focused on the implications of the decisions taken by the ICP Executive Board at its eleventh meeting; and regional and global publication and communication plans. A plan was established for achieving final results according to the publication deadlines.

### **III. Release of the ICP 2011 results**

13. The summary of results and findings of the 2011 International Comparison Programme was released on the ICP website (<http://icp.worldbank.org/>) on 30 April 2014. Data for PPP-based measures of GDP and its main aggregates for 177 participating economies were featured along with partial GDP coverage for an additional 22 economies.

14. The announcement of the summary results was undertaken in line with the ICP 2011 communication strategy approved by the ICP Executive Board, and implemented by the ICP Global Office in a concerted effort with the World Bank communications team. Publicity efforts included a multilingual press release, a media call, social media coverage, and various media interviews.

15. Following the publication of the summary of results and findings, detailed results were released on 20 June 2014. The data cover 26 expenditures categories for goods and services, and several indicators including PPPs, expenditure shares of GDP, total and per capita expenditures in United States dollars in both exchange-rate and PPP terms, and price-level indices for 177 economies. Partial results are available for selected economies and Pacific islands. Also included are imputed PPPs at the level of the GDP for non-participating economies.

16. The ICP 2011 results can be accessed through web resources for retrieving and reporting related data, including the ICP Data Portal, the ICP DataFinder app (for Android and iOS tablets), and ICP Data Visualization. Using these web resources, users can customize the ICP 2011 data online through the preparation of reports, charts and maps.

17. In addition to the global results, which express PPPs in relation to United States dollars, links to the regional results (expressed in regional numeraires) are also made available through the ICP website.

18. Finally, researchers may request access to what is not publicly available, i.e., unpublished detailed data and metadata from the ICP 2011 round, by submitting an application to the World Bank Development Data Group, in accordance with the 2011 ICP Data Access and Archiving Policy.

19. ICP 2011 can boast, as planned, the most expansive country coverage of any PPP exercise undertaken to date. Final participation included 50 economies in Africa; 23 in the Asia and Pacific region; 9 in the Commonwealth of Independent States; 17 in Latin America; 22 in the Caribbean; 12 in Western Asia; 21 in the Pacific islands; 2 singleton economies (Georgia and Iran (Islamic Republic of)); and 47 in the Eurostat-Organization for Economic Cooperation and Development

(OECD) PPP Programme. There were four dual participating economies, bringing the total to 199, of which 177 participated at the full GDP level and the remaining 22 on a partial basis.

## **IV. ICP 2011 documentation**

20. ICP 2011 has generated a plethora of information and data. In this regard, the goal of the International Comparison Programme is to ensure that they are widely used and shared by the ICP communities and stakeholders at all levels. To the greatest extent possible, much of the information and data are shared through the ICP website and in other documented formats. Documentation has been abundant throughout the round and was very strong in the final year of the programme. In particular, the summary report, full report, operational guidelines and procedures, and documented governance activities considered below reflect the efforts of the 2011 round of the Programme to disseminate such information and to constitute the most transparent round to date.

### **A. Summary report**

21. The summary report, entitled “Purchasing power parities and real expenditures of world economies: summary results and findings of the 2011 International Comparison Program”, was released on the ICP website on 30 April 2014. It provides a summary of ICP 2011 governance, methodologies and processes. The results of ICP 2011 demonstrate that the world has become more equal because household consumption and GDP values in most poor countries are larger relative to the United States of America than was previously believed. The shares of world GDP of large economies such as China and India have more than doubled relative to the United States between 2005 and 2011. These findings have fuelled a debate about the quality of the ICP 2005 data as compared with the ICP 2011 benchmark results and also about the quality and relevancy of the extrapolations prepared by the World Bank and published in the World Development Indicators.

### **B. Final report**

22. The final report of the ICP 2011 round, entitled *Purchasing Power Parities and the Real Size of World Economies: A Comprehensive Report of the 2011 International Comparison Program* (Washington, D.C., World Bank, 2015), was released on the ICP website on 28 October 2014. The report contains a wealth of information, including the full set of results and in-depth analysis of volume and per capita measures, with thorough information on methodology. The report also provides a detailed examination of the general background of the Programme, and further analysis of the 2011 round results, and discusses the conceptual framework and survey methods used, and special approaches developed for ICP 2011, as well as the governance and policies of the 2011 round.

### **C. ICP operational guide**

23. The ICP “Operational guidelines and procedures for measuring the real size of the world economy” has been fully edited and published on the ICP website. In describing the approach and data requirements for the main price survey and special surveys, including the various guidelines produced and survey forms, the operational guide serves as a complement to the final report. It also covers the framework and requirements for national accounts-related activities of the ICP. In addition, guidelines are provided for data validation, computing national annual averages, and calculating regional PPPs at various levels of aggregation, as well as for the linking of the regional PPPs.

### **D. Governance activities-related documentation**

24. The process, papers and discussions of the Technical Advisory Group which led to the choice of the new methodology implemented in 2011, together with the minutes of the governance meetings detailed above (in sect. II on governance activities), are all available on the ICP website. Noteworthy examples in this regard include the discussions and research leading to the use of the country aggregation with redistribution procedure, and productivity adjustments.

## **V. Media coverage, uses and outreach activities**

### **A. Media and blog coverage of the April 30 release**

25. The ICP results received remarkable media coverage worldwide with headline news articles, blogs, video clips and major stories featuring the results. The buzz was instantaneous as the release prompted a vigorous debate about the size of economies. For instance, Bloomberg featured an article entitled “China set to overtake U.S. as biggest economy in PPP measure” on the day the summary results were released and later published other material about the findings set out in the ICP 2011 results. The role of PPPs in poverty measurement continues to be another hot topic, as reflected in articles such as “World Bank eyes biggest global poverty line increase in decades”, written by Shawn Donnan and published by the *Financial Times* on 9 May 2014.

26. Similar responses were elicited from many sources such as BBC News, CNN, the *Economist*, the *New York Times*, the *Wall Street Journal*, the *Washington Post* and *Vox* as well as many localized sources worldwide, in an array of languages. Blogs that focus on the ICP 2011 results were published by the *Financial Times*, the Brookings Institution, the Center for Global Development and the World Bank. A complete breakdown of media and blog coverage may be found on the ICP website.

### **B. Uses of the ICP 2011 results**

27. Once released, the ICP 2011 results were quickly referred to in numerous papers, publications and reports. Most prominently, the United Nations Development Programme (UNDP) utilized the results in its *Human Development Report 2014: Sustaining Human Progress — Reducing Vulnerabilities and Building*

*Resilience* (New York, 2014). The results are also incorporated in the 2014 World Development Indicators as well as the University of Queensland International Comparisons Database. Additional papers are being published with findings based on the ICP 2011 results. A comprehensive list of the uses of ICP 2011 results is maintained on the ICP website.

### C. Conferences and seminars

28. The thirty-third General Conference of the International Association for Research in Income and Wealth (IARIW) was held in Rotterdam, Netherlands, from 24 to 30 August 2014. The programme included discussions of the most recent developments in the measurement of national accounts and in the area of income and wealth distribution. The General Conference enabled statisticians and academics from around the world to exchange ideas. A session entitled “Measuring the size and the structure of the world economy part one” was held on 28 August 2014 and covered materials relevant to ICP. Papers presented methodological innovations, results and findings of the 2011 round; comparisons of hospital prices; revisions to global income comparisons; measures of inequality in global production and trade; and an index approach to assessing the reliability of PPPs in China. Part two of the session, held on 29 August 2014, covered areas including Penn World Tables; econometric estimation and aggregation of PPPs of components of GDP; space-time inconsistency of the system of national accounts; intra- and intercountry food PPPs; and subnational PPPs, as well as inequality and poverty in Africa. Overall, much interest was focused on the ICP 2011 results in addition to the differences between the extrapolations and benchmarks. Further information is available online from <http://www.cbs-events.nl/iariw/home/>.

29. A workshop entitled “Inter-country and intra-country comparisons of prices and standards of living” was held in Arezzo-Florence, Italy, from 1 to 3 September 2014. Papers presented included “Computation of standard errors for PPPs in the ICP”, “Flaw of one price: the ICP in historical perspective” and “A least squares approach to imposing within-region fixity in the International Comparison Programme”. A round-table discussion on the future of ICP specifically examined the lessons learned and recommendations for the future. The participants had three main recommendations on how to further improve ICP: (a) ICP rounds should be implemented on a more frequent basis, according to the rolling benchmark approach, and by applying an improved method of extrapolation; (b) subnational PPPs should be compiled at the least in the context of an initial specific project, and ways should be explored to mainstream relevant activities in countries’ routine work related to the consumer price index and ICP; and (c) alternative sources of price data should be used in PPP computation to reduce the cost. Details on the workshop, including the many significant papers presented, are available on its website ([www.polo-uniar.it](http://www.polo-uniar.it)).

30. Several seminars regarding the ICP 2011 results were held at the World Bank in Washington, D.C., for various audiences. The World Bank Poverty and Inequality Measurement and Analysis Practice Group organized a seminar entitled “2011 PPPs: The nuts and bolts” on 15 May 2014, at which the methodology and processes underlying the calculation of the 2011 PPPs were discussed. The recorded presentation and discussions are posted on the Practice Group website. The World Bank Group Executive Board of Directors organized a technical briefing on the ICP 2011 round on

19 May 2014 which encompassed an overview of ICP, PPPs and their uses, an overview of ICP 2011 results, calculation of the results, ICP 2011 improvements and limitations, and the next steps for the programme. Angus Deaton, Dwight D. Eisenhower Professor of Economics and International Affairs at the Woodrow Wilson School of Public and International Affairs and the Economics Department at Princeton University, lectured on 16 June 2014. He discussed the difference in the ICP 2011 results from those that were previously produced from extrapolation of the ICP 2005 results. The details can be found in his paper, co-authored with Bettina Aten, entitled “Trying to understand the PPPs in ICP 2011: why are the results so different?”, which is available online from [https://www.princeton.edu/~deaton/downloads/Deaton\\_Aten\\_Trying\\_to\\_understand\\_ICP\\_2011\\_V3\\_1.pdf](https://www.princeton.edu/~deaton/downloads/Deaton_Aten_Trying_to_understand_ICP_2011_V3_1.pdf). Martin Ravallion, Edmond D. Villani Professor of Economics, Department of Economics, Georgetown University, Washington, D.C., delivered a lecture on 9 July 2014 on his paper entitled “An exploration of the International Comparison Program’s new global economic landscape”. The discussion was centred around a detailed analysis on why the ICP 2011 differed from what had been indicated by the World Development Indicator extrapolations based on ICP 2005. The paper is available online from <http://www.nber.org/papers/w20338.pdf>. A brown-bag lunch event, entitled “ICP multichannel data dissemination system”, was organized on 17 September 2014, at which attendees were shown how to utilize the ICP DataFinder application to access the ICP 2011 results and access ICP data through the ICP Data Portal.

#### **D. ICP Quarterly Updates**

31. The Global Office continues to share ICP Quarterly Updates with the ICP community. The Updates keep the ICP community abreast of, inter alia, governance meetings, activities, publications, global and regional results and data access.

### **VI. Update on the evaluation of the ICP 2011**

32. At its ninth meeting, held on 30 October 2013, the ICP Executive Board discussed possible modalities for the evaluation of the 2011 round of the Programme, and concluded that the creation of a Friends of the Chair group was the preferred modality for the evaluation. At its forty-fifth session, the Statistical Commission established the Friends of the Chair group to carry out the evaluation of the 2011 round (see [E/2014/24](#), chap. I.B, decision 45/108, para. (i)), the findings of which will be reviewed at the forty-sixth and forty-seventh sessions of the Commission, in 2015 and 2016, respectively. The group is co-chaired by the statistical offices of Austria and India.

33. The first meeting of the Co-Chairs of the Friends of the Chair group established to carry out the evaluation of the 2011 round of ICP, including the participation of officials of the World Bank and the Statistics Division of the Department of Economic and Social Affairs of the United Nations, was held on 17 June 2014 through virtual connection. The composition of the Friends of the Chair group, its terms of reference, and the timetable for the evaluation were discussed. At the meeting, which was highly constructive, it was decided that the outputs of the evaluation would include a preliminary report to the Statistical Commission at its forty-sixth session, to be submitted by 3 December 2014, followed by the final report to the Commission at its forty-seventh session, due for



submission by the end of November 2015. The membership of the Friends of the Chair group was finalized by September 2014 and members started to participate in the activities of the group in October 2014, and, in particular, to share with the two Co-Chairs the work remaining for the preparation of the preliminary report, to be submitted to the Commission at its forty-sixth session.

34. The evaluation of the ICP 2011 round has begun with a survey based on a questionnaire conducted by the statistical offices of Austria and India, the Co-Chairs, as noted above, of the Friends of the Chair group. The questionnaire focused on governance, technical and methodological issues with a view to surveying the experiences of the stakeholders who were closely involved in the implementation of ICP 2011. This survey was followed up with an in-depth interview of members of the ICP Executive Board, the Technical Advisory Group and the Global Office. The results of the questionnaire survey and the findings of the Friends of the Chair group are reflected in their preliminary report to the Statistical Commission at its forty-sixth session dated 8 December 2014. The provisional report also reflects the views of all members of the Friends of the Chair group, to whom the draft report was circulated by the Co-Chairs. The comments provided were incorporated in the report during the process of finalization by the Co-Chairs.

## VII. Conclusions

35. The immense publicity surrounding, and the widespread utilization of, the ICP 2011 round results attest to the strong need for such programmes and prove that the results will be highly valuable to decision makers, academics and other interested stakeholders. ICP has not only produced new and improved comparisons of real measures of GDP and its components along with comparisons of national price levels, but also helped improve the availability and quality of national accounts and price statistics data in a number of economies, as well as built capacity for producing such data in a number of countries with less advanced statistical systems or with limited resources for producing these types of statistics. At the same time, it assisted in the implementation in countries of international statistical standards such as the *System of National Accounts 2008* (2008 SNA), the international recommendations on price statistics, and international statistical classifications such as the Central Product Classification (CPC) and the Classification of Individual Consumption According to Purpose (COICOP), among others.

36. ICP has become the world's largest international statistical initiative in its coverage of the global economy and the scope of GDP and its aggregates. No other statistical initiative has entailed the same amount of cooperation across countries, and regional and international organizations needed to determine what to price, when and where to price it, and how to aggregate results to obtain global PPPs. This necessary spirit of cooperation, which prevailed throughout the ICP 2011 round, together with the secured financial support and knowledgeable and dedicated human resources, created the foundation for its success. The Global Office and its Manager, supported by the Development Data Group of the World Bank underpinned by the strong support received from the management of the Bank, was at the helm of this truly international undertaking.

37. The completion of ICP 2011 is a tribute to the 199 participating economies, regional coordinators, and other international institutions. This display of cooperation ensures the future of ICP regardless of the form it may take after the completion of the Friends of the Chair group evaluation and the subsequent decision by the Statistical Commission.

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