

International Comparison Program

Executive Board

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Procedures for

Publication of Global PPPs and

Related Measures

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I. Overview

The ICP Executive Board directed the Global Office to document the processes leading to the publication of the Global Purchasing Power Parities, GDP tables, and related information at a prescribed level of detail. The data requirements, the review procedures, and publication processes follow.

1. The **Global Office** has been established at the World Bank to implement and monitor the program at the global level and to provide support to the ICP regional coordinators. The Global Office also collaborates with the Eurostat and the OECD on methodological and organizational matters.
2. The **Global Office** is also responsible for organizing the “Ring Comparison” which, by comparing prices from a small number of countries from each region using a list of product specifications developed to represent the world, will provide the means to link the regional comparisons with each other in one global or worldwide comparison. In organizing the Ring Comparison, the Global Office acts like an ICP regional coordinator with regard to data validation and quality assurance over all Ring Countries.

II. Data from the Regional Comparisons to be Submitted to the Global Office

Timetable and Work Plan

The first global results for the 2005 benchmark will be published in September 2007 and will include all basic headings making up household consumption. The per capita measures will be based on the most recent estimates of the 2005 GDP and breakdowns into the 155 Basic Headings. Results for the full GDP will be published in December 2007. Annex A provides an overview of the work plan and timetable leading to the publication of global results.

The timetable and work plan shows when results from the Ring and regional comparisons must be delivered to the Global Office in order that the established publication schedule is met. The table also shows the timing of workshops when all of the regional representatives and the Eurostat/OECD will together review the results being prepared for publication.

ICP Regions

The ICP regional coordinators have the responsibility for the data validation and preparation of the PPPs and related indices for their respective regions. In order to assist the regions and to ensure consistency and comparability of results across regions; the

following items will be submitted to the Global Office for a final review prior to the publication of the regional results:

- Final national annual average prices
- Number of observations
- Representativity indicators
- Variance coefficients
- Basic heading Purchasing Power Parities and expenditure weights

Eurostat/OECD

The following items will be submitted to the Global Office, following the schedule outlined for the Ring data validation and preparations for the Global report.

- Basic Heading Purchasing Power Parities and expenditure weights
- Basic Heading Purchasing Power Parities based on a separate computation using only data from the Ring Countries
- Number of items priced per basic heading and country
- Number of representative items priced per basic heading and country
- Average number of observations per item and country except for non-EU/OECD members that only submit average prices.
- Variation coefficients per item and country except non-EU/OECD countries, which only submit average prices
- Average variation of PPP price ratios by basic heading by country
- Weights diagnostic tables

III. Data from the Ring Comparison to be Submitted to the Global Office

The following data will be submitted by the ICP regions and the Eurostat/OECD for their respective Ring Countries.

- Individual price observations for Ring items except where national policies limit a country to providing the average prices, number of observations and variance coefficients.
- Indices to calibrate capital city prices to national levels and back cast point-in-time prices to 2005 annual averages, unless the regional coordinator has completed the calibration.

IV. Data Validation

The diagram in Annex B provides an overview of the procedures required to create the global level PPPs from the regional results. Each ICP region and the Eurostat/OECD will

have prepared their final regional estimates and published the results. The Global Office works closely with each region, provides technical support, and signs off on their final results. The Eurostat/OECD follows a similar practice for their member countries. Therefore, the final data validation to prepare the global results is primarily a review and validation of the prices from the Ring data validation.

The Ring Countries will provide average prices for the Ring list, which was created to represent a global basket of goods and services. A brief overview of the process as outlined in Annex B follows:

Step 1. Within region validation of Ring prices. The countries within each region will have priced both the regional and Ring lists. PPPs computed from each price list will be reviewed to identify Ring products with prices not consistent with levels from the regional price collection. The purpose is to determine whether the correct products were priced and to ensure that the prices from the Ring Comparisons within a region are consistent with the regional results for the same set of countries

Step 2. Data validation within the group of 18 Ring countries. This is when the Ring PPPs reflect countries from all of the ICP regions and the Eurostat/OECD. The data will be subjected to the same Quaranta and Dikhanov diagnostic procedures used for Step 1 validation.

Step 3. Compute and validate the linking factors that will calibrate regional PPPs to a common global currency. PPPs between the 18 Ring Countries can be computed two ways; one using the Ring prices, the other using regional PPPs as computed using the linking factors.

Step 4. Calibrate regional PPPs to the global currency using Ring linking factors and the global review. For the first time, price levels, per capita measures, etc can be compared across all countries. Diagnostic tables will be prepared, this time to evaluate the results across the world, review the overall rankings, and determine the level of detail to publish. The purpose of this review is to challenge the results for defensibility; and determine if the departures from expectations can be explained. The Eurostat's Quaranta Tables and the Global Office's Dikhanov Tables will be used for validation. Chapter 7 of the ICP Handbook, which describes in detail the two methods, can be accessed from the ICP Website: www.worldbank.org/data/icp

To ensure that the regional coordinators are involved in the Ring data validation and that there is transparency in the process, the diagnostic tables resulting from all the steps above will be sent to the regional coordinators and the Eurostat/OECD for their review and input for the validation process.

V. Publication of the 2005 Global Comparison

Aggregation

The calculation and presentation of the global PPPs and related indices will respect fixity at the basic heading level and all levels of aggregation. This means that the regional rankings and relative indices will be preserved when they are linked to the rest of the world. The aggregation method will preserve fixity, but will compromise additivity of GDP aggregates to national totals. Additional tables will be presented in the appendix for selected indicators showing results that are additive. However, fixity will not be preserved for the additive results.

Statistical Indicators

The publication will show two sets of results by numeraire currency and reference country; one with the world as the base, the other with the United States as base. The statistical indicators and the list of analytical categories to be published for the 2005 global comparison will be established in consultation with the Eurostat/OECD and the ICP regional coordinators.

Level of Detail to Publish

The goal is to publish the global results at the level of detail defined under Data Access Policies. The final determination will be based on a data review using statistical diagnostics and an expert review that will provide an evaluation of each level of aggregation.

The purpose of the statistical diagnostics is to provide a consistent set of analysis of within-country consistency across basic headings and aggregation levels and then by basic heading across countries. Statistical tests will identify countries and aggregation levels where their results significantly depart from the averages. This review as well as “common sense” evaluations based on an expert evaluation relying on regional and country-level knowledge will determine the final level of detail to be published.

The decisions about the level of detail will be reviewed with the ICP regions and the Eurostat/OECD for their input before publication. Publications of regional results by ICP regional coordinators and the publication of Eurostat-OECD results by Eurostat and the OECD may be more detailed than the global publication and include different statistical indicators.

Procedures to Include Regions/Countries in Stages

The process to combine the regional results into a global comparison requires that all regions meet both the data quality requirements and the established time schedules. Provisions have been made for instances where either by choice or circumstance some regions or countries are not included in the first global results, but will be added later in the final publication.

It is also possible that some regions or countries will only meet the quality standards or time deadlines for consumption, for example.

If any of the above situations occur, the PPPs and related indices for the affected regions/countries will be computed in stages. The first stage will include the regions that have complete data sets. The BH PPPs for these regions will be linked via the Ring prices representing only their countries. Subsequent stages will include regions with partial country coverage and or scope of the GDP. When the final results are computed, fixity will be applied to the regions/countries in the first stage and the remaining regions/countries at the basic heading level.

While the Eurostat/OECD conducts a parallel comparison program, it is a full participant in the Ring Comparison. The CIS region by choice is not pricing the full Ring list. Annex C describes how PPPs for the countries in the Eurostat/OECD comparison will be computed in stages followed by linking the CIS into their results.

Global Publication

A draft outline showing the contents of the global report will be prepared and reviewed with the regional coordinators and the Eurostat/OECD. The report will include methodological explanations and an analysis of the published data. A publication review workshop will be held prior to the data release in order for the ICP regions and the Eurostat/OECD to provide input about the final content.

The preliminary global publication will be in electronic form with a limited distribution of paper copies.

Preliminary vs. Final Publications

The preliminary and final publications are expected to differ primarily because more current expenditure weights and GDP levels will be available for the final report. Most countries revise their national accounts on an established schedule as more information is obtained.

The issue is that some countries may make more than routine revisions, and may in addition update their national accounts to meet SNA 93 requirements. The effort to break down the GDP to the 155 basic headings has also revealed discrepancies. The result is that revisions in national accounts and expenditure weights in some countries may occur between the preliminary and final global publications. The changes in the weight structure in some countries could affect the PPPs for other countries as well as the rankings. The Global Office and regional coordinators will provide guidance to these countries for the timing of their revisions to minimize the impact on the final results. The policy remains unchanged that the official ICP results will be based on national data that is declared official and as published by the country.

VI. Ownership Rights, Copyrights for the 2005 Global Results, and the Guardian of the Data Base until the next ICP Round

The ICP regions, the Eurostat/OECD and the World Bank hold joint ownership of the 2005 Global results.

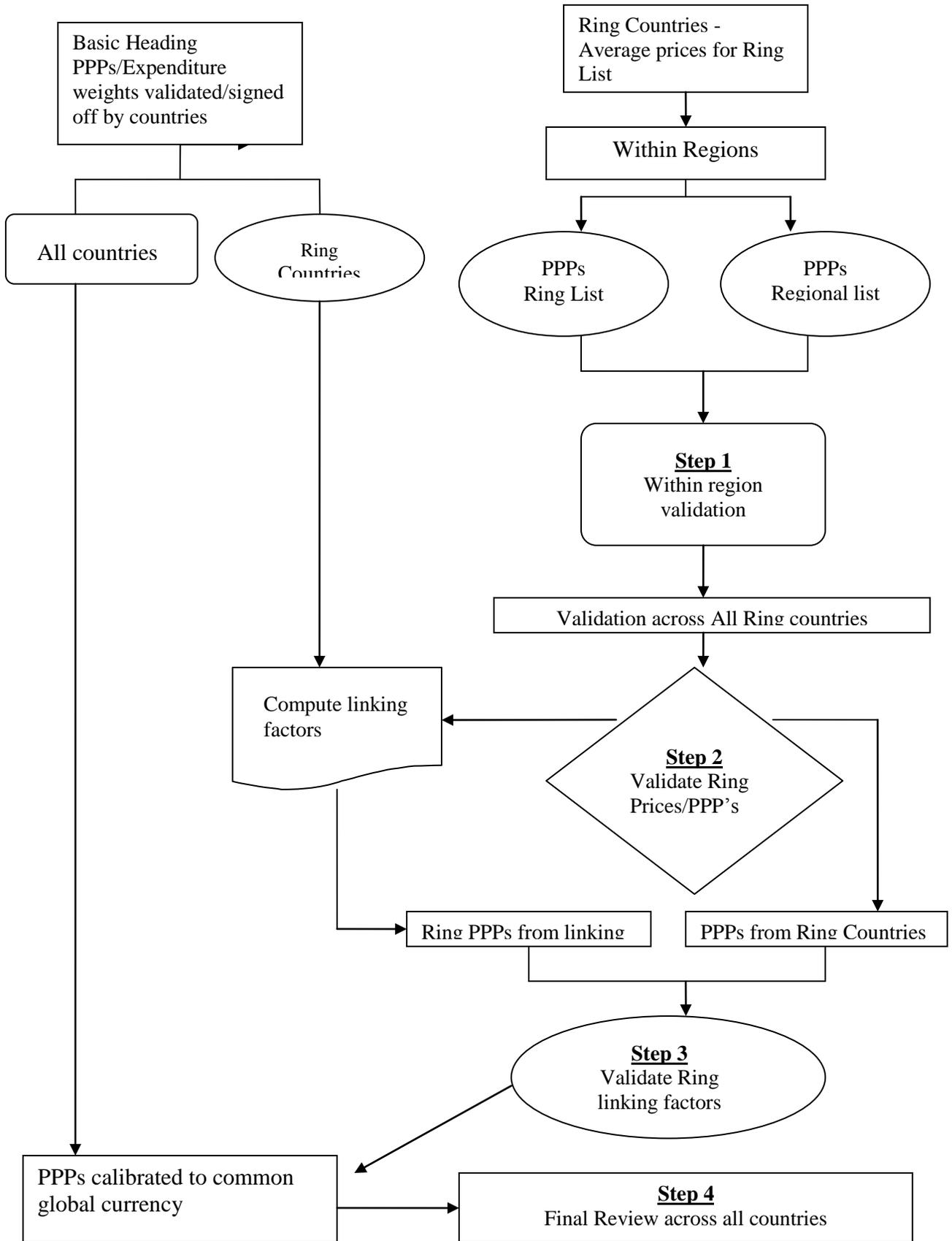
The copyrights are with the World Bank.

The Guardian is the Development Data Group in the World Bank, until such time as the location of the Global Office for the next round is determined, with handover proceeding as soon as it is operational.

VII. Pricing Policy

The results of the ICP are a public good. Thus they will be available on the ICP website with no charge. A limited number of printed copies will be available and will be distributed free of charge to donors and major stakeholders. Others may obtain printed copies for a fee that will cover the costs of printing. Requests for special tabulations will also be done, but for a fee that will cover the costs of producing them.

Annex B: Steps to Prepare Global PPPs



Annex C. How the Eurostat/OECD and CIS will Enter the Global Comparison

The following paragraphs provide more detail about how the Eurostat/OECD enters into the global comparison, and describe how the CIS region will be included in the final global comparison.

Russia has priced the OECD list and will be included in the Eurostat/OECD results with fixity maintained from that point to the global report. As a result, agreement was reached with the Eurostat/OECD to include Russia and the rest of the CIS. Therefore, the Global Office has decided to use an alternative procedure to link CIS to the rest of the world. The procedure involves close collaboration with Eurostat/OECD. The linking will be done as follows:

- Eurostat will provide the OECD with its basic heading PPPs and expenditure weights for 37 countries — the 25 EU member states, the EFTA countries (Iceland, Norway and Switzerland), Bulgaria, Romania, Turkey, Croatia, Macedonia, Albania, Serbia, Montenegro and Bosnia-Herzegovina. The OECD will link these basic heading PPPs and expenditure weights with those for nine other countries — its seven non-European member countries, Russia and Israel. It will then calculate the 2005 Eurostat-OECD comparison in stages to ensure that the final results at all levels of aggregation respect fixity for three blocs of countries — the 37 Eurostat countries, the seven non-European OECD countries, and Russia and Israel. This is basically the procedure that was followed in the 2002 Eurostat-OECD comparison.
- Without the CIS, there are five regions: Africa, Asia, LAC, Western Asia and Eurostat-OECD. These five regions will be combined in the global comparison through the Ring Comparison. All the Ring Countries originally designated, except Russia and Kazakhstan will be used in the Ring Comparison. Russia and Kazakhstan were chosen originally to provide links with CIS countries. But given the proposed means to include the CIS countries in the global comparison — via Eurostat-OECD (see below) — they are no longer required to serve as Ring Countries.

The countries in the CIS comparison will then be linked to countries in the Eurostat-OECD comparison through Russia — that is, Russia will act as a traditional bridge country, having participated in both the CIS comparison and the Eurostat-OECD comparison. This in effect links them to countries in other regions through the four countries chosen to link Eurostat-OECD countries. This step will only be taken when including the CIS countries in the final global report.

Because the procedure to link the CIS with the rest of the world represents a notable departure from the global standard followed by the other regions, the results from the CIS region will be shown with appropriate footnotes.

As neither Russia nor Kazakhstan has collected any prices specifically for the Ring Comparison, no loss of resources is involved. In fact, savings can be realized as neither country will need to price the Basket of Construction Components. Russia has invested some time in mapping products that it has priced on the CIS and OECD lists to products that are specified on the Ring list. Although these data will not be used for the Ring Comparison, they can still be used for analytical purposes.