MINUTES OF THE 8TH ICP INTER-AGENCY COORDINATION GROUP MEETING

OCTOBER 23 - 25, 2019

WORLD BANK, WASHINGTON DC

Welcome and meeting objectives

The eighth meeting of the International Comparison Program (ICP) Inter-Agency Coordination Group (IACG) was held on October 23-25, 2019, at the World Bank headquarters in Washington, DC.

The main objectives of the meeting were to discuss i) the status of global and regional activities and risks; ii) the quality of data submissions under each heading; iii) reference PPPs and aggregates; and iv) planning for the 2020 cycle per the agenda provided in Annex 1. The meeting participants are listed in Annex 2.

Nada Hamadeh, ICP Global Lead, World Bank, opened the meeting by welcoming the attendees and highlighting the progress in implementing the ICP 2017 cycle since the seventh IACG meeting. She stressed that the delay in regional data submissions compressed the time available for the Global Office to process and validate the data and compute robust results, which consequently could jeopardize their timely publication. To this end, the Regional Implementing Agencies (RIAs) were urged to take all necessary steps possible to ensure that the mid-December milestone date for submission of complete and validated final data was met to guarantee the release of global results in early 2020.

She also noted that the next meeting of the Technical Advisory Group (TAG) would take place the following week on October 28-29, 2019. The TAG will be invited to review the preliminary ICP 2017 results.

Status of global activities, overall timetable, and risks

Nada Hamadeh presented the current ICP landscape; progress on the 2017 cycle and its risks and mitigation efforts; the key milestones to publication; planned communication activities; preparations for the 2020 cycle; recent use made of PPPs; and recent outreach. (PRESENTATION | TIMETABLE).

Agreements and conclusions

- In order to meet the ICP Governing Board's (GB) agreed publication date for the ICP 2017 results in April 2020, all regional results need to be finalized by mid-December 2019. To this end, the regions indicated that they will submit their final data and results as follows:
    o Africa: by November 30, 2019
    o Asia and the Pacific: by December 15, 2019
    o Commonwealth of Independent States (CIS): by December 23, 2019
    o Latin America and the Caribbean: by December 6, 2019
    o Western Asia: by December 9, 2019
    o Eurostat-OECD: by December 20, 2019

- Interim milestones have been set out in a roadmap to publication to facilitate data processing and timely review by the GB, TAG, and IACG during this period, and the preparation of release materials.

- The Global Office poster showing the current uptake of PPPs in eight of the Sustainable Development Goals (SDGs) will be circulated to RIAs for their own outreach.

Status of regional activities and risks

The RIAs reported on the status of their ICP 2017 cycle and related risks. The following presentations and interventions were made:

- Africa: Ben Paul Mungyereza, African Development Bank (AfDB) | PRESENTATION

- Asia and the Pacific: Kaushal Joshi, Asian Development Bank (ADB) | PRESENTATION

- CIS: Andrey Kosarev, Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT) | PRESENTATION

- Latin America and the Caribbean: Bruno Lana, United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC) | PRESENTATION

- Western Asia: Majed Skaini, United Nations Economic and Social Commission for Western Asia (UN-ESCWA) | PRESENTATION

- Eurostat-OECD PPP program: Marjanca Gasic, Statistical Office of the European Communities (Eurostat) and Francette Koechlin, Organisation for Economic Co-operation and Development (OECD)

ICP 2017 data review: Household consumption

Marko Rissanen, World Bank, presented the current status of the regional household consumption data submissions, related inter-regional overlap statistics, and overview of data quality.

William Vigil-Oliver and Rui Costa, World Bank, presented a detailed quality assessment of the household consumption GCL data, utilizing basic heading (BH) price level index (PLI) and USD average price visualizations.

Mizuki Yamanaka, World Bank, presented a review of importance indicators data submitted to date.

<u>Agreements and conclusions</u>

- The inter-regional overlap between the Global Core List (GCL) items was shown to be high, with over 90% of items priced by at least two regions.

- The quality of the latest submission has increased significantly since the seventh IACG meeting in April, which was itself an improvement over the initial submission of 2017 cycle data. The few remaining issues were identified at the BH level and at the item level.

- The BHs and items with the highest variation coefficients were identified, specifying which countries exhibited inconsistent prices within the same BH, and which countries deviated the most from the world and regional averages, suggesting possible sources of errors.

- The datasets for dual-participation countries should be further reviewed for any remaining discrepancies between regions.

- Allocation of importance indicators requires a further review by the RIAs, in order to ensure consistency and quality of the datasets. In this regard, regions were suggested to:

  o Provide information for any missing countries/headings;

  o Review overlapped items with national CPIs, review importance under each BHs, and compare the information with that of countries with expected similar consumption patterns, for countries with unexpected allocation patterns; and

  o Review allocation from the global core list point of view, in addition to regional list point of view.

- The RIAs will conduct final data review based on the findings from the global data quality assessment and submit revised datasets by the agreed deadlines.

- The importance of the Survey Framework Questionnaires was highlighted, and RIAs agreed to submit completed questionnaires together with the final data submission in December 2019.

ICP 2017 data review: Private education

Maurice Nsabimana, World Bank, presented the current status of the ICP 2017 Private education data, including coverage and overall review of data quality.

Agreements and conclusions

- The quality and comparability of private education data remain challenging.

- The RIAs will further review private education price data, to ensure the correct unit of measurement for each item, and any other data quality aspects, in order to ensure best possible quality and comparability of the collected data.

ICP 2017 data review: Housing (Rentals and Volume)

Inyoung Song, World Bank, presented the current status of the housing rental price and volume data submissions, related intra- and inter-regional validations, and overview of data quality.

Agreements and conclusions

- Data coverage in the latest submissions has increased for both rental and volume data; only a few submissions are still pending.

- Data quality in the latest submissions has also increased. In particular, volume data exhibits sufficient quality, while rental data requires further review.

- RIAs agreed to submit housing metadata questionnaires, any remaining missing country data, and revised rental and volume data after a final review of related datasets based on the feedback from the Global Office by the agreed deadlines.

ICP 2017 data review: Government compensation

Mizuki Yamanaka presented the current status of the ICP 2017 government compensation data, including the coverage and overall review of data quality.

<u>Agreements and conclusions:</u>

− The items to be used for multiple basic headings in the global computation were reviewed and suggested to be the following, in order to ensure sufficient balance of specific occupation types under each basic heading:

  o "1401111120 Office administrative assistant (non-medical)" is to be used for "Education services" and "Collective services" basic headings.

  o "1401111150 Building caretakers" is to be used for all three compensation basic headings.

  o All other items are used solely under the basic heading they belong to, that is, under "Health services", "Education services" and "Collective services" basic headings.

  o It was recommended that the regions follow the same practice upon calculating the final regional results.

− Regarding productivity adjustment, the Global Office will provide the regions with a template for calculating region-specific productivity adjustments factors, which are computed based on inputs from University of Groningen and regional PPPs.

− In terms of data quality, the RIAs will conduct a final data review based on the findings from the global data quality assessment and submit revised datasets by the agreed deadlines.

ICP 2017 data review: Machinery and equipment

Marko Rissanen and Peter Tabor (PLANCO) presented a coverage and quality review of the ICP 2017 Machinery and equipment survey data.

<u>Agreements and conclusions:</u>

− As per the discussion at the seventh IACG meeting, it is recommended that the regions utilize reference PPPs from "1501100 Machinery and Equipment" (a group level heading) for the "1501311 Other products" basic heading, instead of utilizing collected prices.[1]

− Unspecified item types typically exhibit higher CVs than their respective specified type items, especially at the global level. However, unspecified items may cover representative national and/or regional brands. To ensure both the quality of the global PPPs and representativity of the regional PPPs, it was agreed that only the specified-brand items (that is, when a duplicate item exists) would be used for calculating the inter-regional linking factors, while both specified and un-specific items are to be used for calculating regional PPPs.

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[1] This is because the ICP 2017 classification covers the several types of products under the BH "1501311 Other products": "Furniture and other manufactured goods", "Computer Software", "Other products n.e.c.". Moreover, the ICP BH "Other products n.e.c." has a high weight under the GFCF aggregate due to the inclusion of expenditures for other intangible fixed assets such as R&D and weapons and ammunition, among others.

- The regions will review the regional and national datasets based on the findings of the global data quality assessment and submit revised datasets by the agreed deadlines. To this end, the Global Office will provide RIAs with detailed feedback from PLANCO.

ICP 2017 data review: Construction and civil engineering

Marko Rissanen and Aaron Wright (RICS) presented a coverage and quality review of the ICP 2017 Machinery and equipment survey data.

Agreements and conclusions:

- The five machinery-type items[2] were noted to be among the most problematic items, possibly because a price for these items depends on a wide array of price-determining technical parameters. Hence, as per the earlier discussions, it is recommended that the regions replace prices for the five items with PPPs from the "1501112 Electrical and optical equipment" basic heading, which covers similar items. The same should be followed when reporting to regional price data to the Global Office.

- The material items should be "allocated" under the three construction and civil engineering basic headings either based on regional or global default values[3]; in particular, an identical set of items should not be utilized for calculation of the regional results. For global linking, the items are allocated as per the global default values.

- The resource mix shares provided by the countries should be validated against the global default values, which are provided for different income groups[4]. In addition, these default values should be utilized if a country submission is not available; in particular, equal shares for the input groups (materials; equipment hire; labor) should not be used.

- The regions will review the regional and national datasets based on the findings of the global data quality assessment and submit revised datasets by the agreed deadlines. To this end, the Global Office will provide RIAs with detailed feedback from RICS.

National accounts data review

Inyoung Song and Mizuki Yamanaka presented the current status of national accounts data submissions, related intra- and inter-regional validation, time-series data review, and overview of data quality.

Agreements and conclusions

- The data coverage and quality of national accounts expenditure data for the benchmark years (2017 and 2011) in the latest regional submissions have improved significantly. However, further review and fine-tuning of the data are needed for some countries.

- For time-series data (2012-2016), a few countries still have major gaps, and improvement of the data coverage and quality is imperative by the next submission.

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[2] Th items in question are 1501200133 Electric pump; 1501200134 Electric fan; 1501200135 Air-conditioning equipment; 1501200136 Stand-by generator; 1501200137 Solar panel.
[3] Refer to the ICP Operational guide chapter 19 "Validation of Construction and Civil Engineering Data", Annex A.
[4] Refer to the ICP Operational guide chapter 19 "Validation of Construction and Civil Engineering Data", Table 19.6.

− In relation to the treatment of NPISH expenditures, the countries that are able to report NPISH expenditures are supposed to keep the values under the respective NPISH categories, and hence the regions and countries are not expected to reallocate values to other household consumption headings[5]. However, given that all countries are not able to provide NPISH breakdowns, the to-be-published category will be "individual consumption expenditure by households and NPISH".

− The regions will review the regional and national datasets based on the findings of the global data quality assessment. In addition, RIAs were requested to submit the completed metadata questionnaire (National Account Quality Assurance Questionnaire) together with the final datasets in December.

Auxiliary data review

William Vigil-Oliver, Maurice Nsabimana, and Mizuki Yamanaka presented the current status and quality overview of the consumer price index (CPI), national accounts deflator, population and exchange rates data, respectively.

Agreements and conclusions:

− For CPIs, almost all countries (in all regions) report complete 2011-17 General and COICOP-12 CPI series. Basic heading-level CPI data was only reported by Iran and erroneously by Azerbaijan (CIS). Regional. In terms of quality checks, it was agreed that the Global Office would contact regions individually to discard potential quality issues surrounding a few CPI series. Lastly, the Global Office was informed that only WAS, and EUO will be reporting CPI time-series below the COICOP-12 level and following ICP 2017 Classification. All other regions will only provide CPI series at the COICOP-12 level.

− For deflators, coverage remains sparse across regions and limited to gross domestic product and main aggregates. Regions acknowledged the limited availability of deflators. In the absence of deflator submissions, the Global Office signaled that auxiliary data sources could be used.

− For population and exchange rates, submissions are nearly complete. However, it was found that a few countries submitted fiscal year data, and regions agreed to review that all the data for the ICP purposes will be for calendar year and update data where necessary in the final submission.

− Additionally, among countries with currency change/denomination, there were a few cases where reported PPPs, XRs, and expenditures were not consistent, especially for ICP 2011. Hence, RIAs should ensure that all the data will be provided in a single currency unit for a country for a given year in the final submission.

Reference PPPs in regional and global results and aggregation mapping

William Vigil-Oliver showcased a spreadsheet with a matrix of the current set of ICP 2017 reference PPPs. The matrix lists and denotes i) basic headings with a reference PPP (that is, basic headings for which no global price data was collected), and ii) basic headings used as reference(s) by each reference PPP. (PRESENTATION)

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[5] This entails that the regions will also provide respective reference basic heading PPPs for the NPISH headings, as per the reference PPP mapping.

The matrix also divides the reference PPPs into two stages: first and second stage. Those in the first stage are reference PPPs that reference basic headings that have not been covered by another reference PPP. Those in the second stage are reference PPPs that reference basic headings that are themselves already listed as reference PPPs in the first stage.

In total, there are 55 ICP 2017 reference PPPs. The number of reference PPPs by ICP main aggregate is the following: 21 under individual consumption expenditure by households, 5 under individual consumption expenditure by NPISHs, 19 under individual consumption expenditure by government, 4 under collective consumption expenditure by government, 4 under gross capital formation; and 2 under the balance of exports and imports.

<u>Agreements and conclusions</u>

- It was agreed that the reference for the "130411 Education benefits and reimbursements" reference should be "1110111 Education" (that is, education heading under the household consumption). This follows the logic used for referencing "1302124 Hospital Services", which has utilized household consumption health headings as references.

- The spreadsheet with the final matrix of ICP 2017 reference PPPs will be circulated to RIAs. The regions should consider utilizing this matrix for revised ICP 2011 results, ICP 2017 results, and any possible interim results.

Marko Rissanen noted the availability of aggregation mapping, which lists all aggregates, both "hierarchical" (that is, aggregated that are part of the ICP classification) and "non-hierarchical" (that is, a selection of headings outside the ICP classification) and related basic headings.

<u>Agreements and conclusions</u>

- Triggered by the national accounts related discussions, a new "non-hierarchical" heading called "Individual consumption expenditure by households and NPISH" will be created. In addition, "Individual consumption expenditure by households without housing" aggregate will be revised to include NPISH.

- Taken together, the "non-hierarchical" headings will include the following:
  o Actual individual consumption
  o Actual housing, water, electricity, gas, and other fuels
  o Actual health
  o Actual recreation and culture
  o Actual education
  o Actual miscellaneous goods and services
  o Domestic absorption
  o Individual consumption expenditure by households and NPISH
  o Individual consumption expenditure by households and NPISH, without housing
  o General government final consumption expenditure
  o Total housing

- The spreadsheet with the final aggregation mapping will be circulated to RIAs. The submissions forms will be updated and circulated accordingly, and the RIAs should provide both regional PPPs and national expenditures accordingly.

Operational planning for the ICP 2020 cycle

Rui Costa, World Bank, presented the status of the Household Consumption GCL preparations for the ICP 2020 cycle. The GCL was updated for the first time using a collaborative online tool (Item List Management Tool, or ILMT in short), thus facilitating the communication of new item proposals and revised item definitions. The item list was updated, taking into account the validation findings of the ICP 2017 cycle, suggesting the removal of items of questionable relevance and comparability, revised item definitions to reduce potential mistakes in data collection, and proposing new items to reflect market trends. There was also an overall concern to keep these changes to a minimum in order to maintain comparability with the ICP 2017 cycle.

The Global Office staff also presented the status of non-household consumption global lists, covering housing, private education, government, machinery and equipment, and construction and civil engineering. ([PRESENTATION](#))

Agreements and conclusions

- Household consumption: The Global Office will share a semi-final list with RIAs by late-November 2019. The RIAs have an opportunity to review the semi-final draft list during December 2019. The final GLC will be finalized and shared with the RIAs by early-January 2020.

- Housing rentals: The largest rental item will be deleted, and the second-largest rental item will be split into two smaller items. Four smaller houses and apartment units will be added to rental item list. Additionally, possibility of integrating Eurostat-OECD housing rental items with the ICP rental items in future ICP cycles was discussed.

- Housing volume: The list of collected datapoints will remain the same as in ICP 2017, with a small revision on traditional dwelling definitions.

- Private education: The list of items will remain the same as in ICP 2017; however, the Global Office will investigate whether the definitions could be tightened, in order to achieve a better comparability of the collected data.

- Government: The ICP 2017 item list will mainly stay the same; however, it was agreed to refine the item names of three occupations by removing "government" from their item names in order to avoid any misperception with the said occupations.

- Machinery and equipment: The ICP 2017 item list has been updated based on respective updates for the Eurostat-OECD item list. The list and suggestions are available on the ILMT. In addition, it was agreed to remove all global items for the basic heading "Other products." As for the unspecified items, the RIAs are welcomed to send their suggestions for brands/models to be priced; these can be further reviewed for forming possible joint items between the regions.

- Construction and civil engineering: The ICP 2017 item list has been updated based on the feedback from the global construction consultant (RICS). The list and suggestions are available on the ILMT. In addition, it was agreed to add pictures for the current set of items prior to finalizing the item list. Furthermore, the item specification should provide instruction on unit of measurement conversions, as needed and when possible.

- The RIAs have an opportunity to review the draft non-household consumption global lists until end-December 2019. The Global Office will finalize the item lists and respective survey materials during Q1, 2020.

Annex 1: Meeting Agenda

Day 1, Wednesday, October 23, 2019

09:00 – 09:15   Welcome and meeting objectives

09:15 – 09:45   Status of global activities, results, release timetable, and outstanding risks

09:45 – 11:00   Status of regional activities, results, release timetable, and outstanding risks

11:00 – 12:30   ICP 2017 data review: Household consumption

14:00 – 16:40   ICP 2017 data review: Household consumption (Cont'd)

16:40 – 17:00   ICP 2017 data review: Household consumption importance indicators

Day 2, Thursday, October 24, 2019

09:00 – 09:30   ICP 2017 data review: Private education

09:30 – 10:30   ICP 2017 data review: Housing (Rentals and Volume)

10:30 – 11:30   ICP 2017 data review: Government compensation

11:30 – 12:30   ICP 2017 data review: Machinery and equipment

14:00 – 15:00   ICP 2017 data review: Construction and civil engineering

15:00 – 17:00   National accounts data review: 2017 expenditures, Revised 2011 expenditures, and Expenditure time series

Day 3, Friday, October 25, 2019

09:00 – 10:30   Auxiliary data review: Consumer price indices, National accounts deflators, and Population and exchange rates

10:30 – 11:00   Reference PPPs and PPP aggregates in regional and global results

11:00 – 12:30   Operational planning for the ICP 2020 cycle: Review of the draft household consumption item list

14:00 – 16:00   Operational planning for the ICP 2020 cycle: Review of draft non-household consumption item lists

16:00 – 16:30   Next steps

Annex 2: Participants

African Development Bank (AfDB)
- Ben Paul Mungyereza
- Gregoire Mboya Deloubassou
- Michel Mouyelo-Katoula
- Tabo Symphorien

Asian Development Bank (ADB)
- Kaushal Joshi
- Criselda H. De Dios

International Monetary Fund (IMF)
- Niall O'Hanlon
- Andrew Baer

Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT)
- Andrey Kosarev
- Valerica Accibas

Organisation for Economic Co-operation and Development (OECD)
- Francette Koechlin

Statistical Office of the European Communities (Eurostat)
- Marjanca Gasic

United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC)
- Giovanni Savio (via Webex)
- Bruno Lana
- Maria Paz Collinao

United Nations Economic and Social Commission for Western Asia (UN-ESCWA)
- Majed Skaini

PLANCO (GFCF consultant)
- Peter Tabor (via webex)

RICS (GFCF consultant)
- Aaron Wright (via webex)

Independent consultants
- Sergey Sergeev (Consultant)
- David Roberts (Consultant)

World Bank, ICP Global Office
- Nada Hamadeh
- Yuri Dikhanov

- Marko Rissanen
- Mizuki Yamanaka
- Maurice Nsabimana
- Inyoung Song
- William Vigil-Oliver
- Rui Costa
- Edie Purdie
- Nancy Kebe
- Zhe Zhao