Partially-Multilateral Comparison procedure for linking CIS to EU/OECD

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Content

- **Background** = Description of the topic / issue
- **ICP 2011 approach** = Description of the ICP 2011 approach
- **ICP 2017 approach** = Description of the ICP 2017 approach, including rationale for any modification of the ICP 2011 approach
- **Impact and implications** = Assessment of the impact of any change in approach on the ICP results
- **TAG asks** = Questions raised for TAG inputs/decisions
Background
Linking CIS ICP to EU/OECD

- Russia has dual participation – CIS and OECD
- Fixity of Russia’s results within OECD comparison is needed
- Use of multilateral approach for linking is needed, but EU/OECD items data may not be disclosed
ICP 2011 Approach
Simple Linear Calculation (SLC)

- \( \text{PPP}^{\text{CIS-EU/OECD}}(\text{CIScur/USD}) = \)
  
  \( = \text{PPP}^{\text{CIS}}(\text{CIScur/RUB}) \times \text{PPP}^{\text{EU/OECD}}(\text{RUB/USD}) \)

- (+) fixity of Russia’s results within EU/OECD
- (+) simplicity
- (-) violation of multilateral concept; bridge country’s peculiarities (economic and statistical) affect the CIS countries’ results
ICP 2017 Approach
Partially-Multilateral Comparison (PMC)

- linking CIS to EU/OECD at BH level allows in order not to disclose items data
- PMC is a 3-stage procedure
- 1st stage: \( \text{PPP}^{\text{CIS-EU/OECD}}_{\text{BH}}(\text{CIScur/USD}) \) for each BH via simple linear calculation using Russia as a bridge country
Partially-Multilateral Comparison

- **2nd stage**: intermediate aggregated $\text{PPP}^\text{int}$ are computed for combined CIS–EU/OECD set of countries via GEKS using BH data.

- All $\text{PPP}^\text{int}$ are based on multilateral approach, but $\text{PPP}^\text{int}_{\text{EU/OECD}}$ differ from initial $\text{PPP}^{\text{EU/OECD}}$, and fixity for EU/OECD results is to be restored.
Partially-Multilateral Comparison

- **3rd stage:** $\text{PPP}^\text{int}_{\text{EU/OECD}}$ are replaced by initial $\text{PPP}^\text{EU/OECD}$ for EU/OECD countries

- $\text{PPP}^\text{int}_{\text{CIS}}$ for CIS countries modified proportionally: $\text{PPP}^\text{CIS} = \text{PPP}^\text{int}_{\text{CIS}} \times \text{geomean} \left( \frac{\text{PPP}^\text{EU/OECD}}{\text{geomean} \left( \text{PPP}^\text{int}_{\text{EU/OECD}} \right)} \right)$

- procedure is identical to that one used to maintain fixity in EU/OECD comparison
Impact and Implications
PMC procedure ensures:

- multilateral approach instead of simple linear calculation based on bridge country data
- strict fixity of results for a country with dual participation (Russia)
- non-disclosure of detailed (items) data from different regions
PMC application for 2011, 2014, 2017:

- ranking among CIS countries does not change from internal regional to CIS–EU/OECD
- results get stronger for poorer CIS countries
- above mentioned features are true for any comparison – 2011, 2014, 2017
Uniqueness of official results

- CIS–EU/OECD results gotten via PMC procedure are the only official CIS ICP results
- political reason: results’ ambiguity is not acceptable for administrative decisions making
- methodological reason: comparison based on the enlarged set of countries ensures more sound results for CIS countries
Uniqueness of official results

- if looking for PPP(CIScur/RUB) – internal regional CIS comparison results might be appropriate
- looking for PPP(CIScur/USD) – PMC procedure ensures substantially better quality of results
- countries are highly interested in getting PPP(CIScur/USD) allowing wider economic analysis
CIS-Stat highly appreciates:

- PMC procedure was elaborated with important participation of Sergey Sergeev supported by the World Bank
- effective cooperation provided by OECD and Eurostat allowed making this step
TAG Asks
For TAG consideration:

- TAG is invited to support the Partially-Multilateral Comparison procedure for linking CIS ICP to EU/OECD comparison
- PMC procedure might be considered among options in other similar cases
THANK YOU