



Interim Progress Report to the ICP Executive Board

As of June 30, 2010

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1 Introduction

While the next meeting of the Executive Board will take place on October 18, 2010, in Washington DC, the purpose of this interim report is to briefly update the Executive Board on the major ICP activities conducted since after its February 2010 meeting, with special emphasis on those related to the preparations for the 2011 field and desk work.

This includes the World Bank's efforts to raise financial resources, the meetings of the Regional Coordinators (RCs) and the Technical Advisory Group (TAG) that focused on methodological

development, as well as the development of technical guidelines, survey material and instruments, and the ongoing review of the new data access policy.

At the regional level, it's worth stressing that regional coordinators were heavily involved in the preparation of the Global Core List, while developing their own regional list for the main survey. They also organized regional workshops to launch the activities in the countries.

The above is briefly described in the body of the report which therefore comprises 5 parts: the fund raising efforts; the governance meetings that focused on priority methodological matters; for the 2011 field and desk activities to be carried out at country and regional level; the overview of the methodological features of the ICP 2011 round; and the next steps.

2 Fund raising

The anticipated total cost to carry out global coordination activities, which covers the Global Office costs and the support to some regional programs, is estimated to be around 16 million USD. This includes foreseen support to Latin America, the CIS countries, Western Asia and possibly parts of Asia and the Pacific. The other regions expect to have sufficient resources to support the program. The World Bank will contribute approximately 6 million USD from its regular budget and existing trust funds.

A financial contribution has been received from International Monetary Fund.

Good progress has been made on raising resources for 2011 round from Norway and DFID. Other donors, including Australia, were also approached. A detailed report on this will be submitted to the Board in October.

Regional Coordinators are urged to do more in raising the required funding for the ICP programs in their respective regions.

3 Governance Issues

3.1 RCs: 2nd meeting

The Second Regional Coordinators meeting was held from 14-16 April 2010 in Washington DC. It brought together the ICP Regional Coordinators or Representatives from Africa, Latin America and Caribbean, Asia, West Asia, and CIS, as well as representatives from the OECD-Eurostat PPP Program; and (ii) members of the ICP Global Office team.

The main objective of the meeting was to provide participants with knowledge about tools and methodologies to be used in the implementation of the 2011 round and to take stock of the progress made in the preparation for the 2011 round.

Specifically, participants (i) reviewed the Global Core List related to major household products; (ii) discussed the proposed guidelines for the compilation and breaking down of GDP estimates into detailed categories; (iii) approved the survey framework for data collection on household goods and services; (iv) agreed to consult with the countries in their respective regions about the check lists to be completed as a tool for the implementation of the Data quality Assurance Framework; (v) undertook to provide feedback on the proposed Data Access Policy; (vi) appreciated the software modules for price data collection, averaging and validation, as well as for GDP breakdown

developed by the Global Office; and (vii) confirmed the overall calendar of ICP implementation in their region, with an indication of the period when the regional launching workshops will take place.

3.2 Technical Advisory Group (TAG)

TAG Chairmanship

Mr. Erwin Diewert has resigned from his position as chair of the TAG. Fred Vogel accepted to act as a chair in the interim period until a new chair has been appointed by the Executive Board. Erwin Diewert will continue as member of TAG.

Ostein Olsen, Chair of the ICP Executive Board, has proposed the following procedure for appointing a new TAG chair:

- In the near future, potential candidates will be identified, in a communication with the World Bank/the Global Office.
- A proposed person will then be appointed by the Executive Board in the next meeting in October.

Third Meeting

The 3rd meeting of the TAG took place in Paris, France, from June 10-11, 2010, under the chairmanship of Fred Vogel, to make decisions on essential and operational topics related to methodologies to be implemented in the short-term, and discuss non-decision topics pertaining to other methodological material recently developed by the Global Office.

The TAG reviewed and approved the proposed methods for Government Outputs, Housing, Survey Framework and Construction and made specific recommendations on follow up actions required before submitting the relevant material to the regions for onward implementation. They also approved the proposed line of research for education PPPs with a view to putting up a comprehensive and well tested approach by end of December 2010.

Other sessions of the meeting include presentations of the Global Core List (GCL) of household consumption items, machinery and equipment items, as well as the guidelines to be applied by the countries and the regions to compile and validate detailed GDP expenditure values.

Box 1: TAG Work Program

The TAG work program comprises 3 categories of topics: essential and operational, essential but non-operational, and non essential topics. Activities under the first category are considered highly priority as the resulting methodological improvement will feed into the field and desk activities to be carried out in 2010 and 2011. These activities must complete in June-October 2010. The second category relates to methodological development related to the processes of: (i) aggregating PPPs from basic headings level up to GDP; (ii) combining/linking sub-regional PPPs into regional PPPs for regions such as Africa, Asia and ESCWA where this spatial stratification is being contemplated; and (iii) linking regional PPPs into global results using the global core list approach. The third category includes research on methods not deemed essential for ICP operations, such as sub-national PPP methods.

4 Readiness for the 2011 field and desk activities

As per the global timetable, field and desk activities to be carried out in the last months of 2010 and throughout 2011 include the main price surveys related to household consumption items and preliminary work on the disaggregation of GDP expenditures into detailed basic headings.

Countries are requested to undertake data collection for household consumption items in 2011. Where all necessary arrangements will be made ahead of time, the countries will conduct some pilot surveys toward the end of the year, otherwise, the first months of 2011 will be considered as a pilot exercise. This entails reviewing the Global Core List, developing the regional list, effectively merging and consolidating the two lists, consolidating the matrix of availability and importance of Global Core and Regional items, preparing the survey frameworks, customizing the survey forms and ensuring that country teams are properly trained and equipped with the survey instruments they need.

As far as National Accounts are concerned, countries are recommended to start the preparations this year, as described in the guidelines developed by the Global Office. They will document the 2005 GDP breakdown process for benchmarking purposes, set an intermediate year [any year between 2005 and 2010] for which initial work will be undertaken, identify data sources, compile expenditure data for GDP and its main aggregates, and draft a comprehensive metadata report on this process where any emerging problems will be highlighted with a view to timely developing appropriate solutions.

In view of the above, the Global Office has developed the following: the Global Core List; the survey framework guidelines; the survey forms; and the guidelines for the disaggregation of GDP expenditures.

4.1 The Global Core List

The Global Core List (GCL) of items to be priced for the main survey on household consumption was developed through an interactive and participatory process that commenced in June 2009. Several versions of the GCL were prepared and forwarded to the 5 regional coordinators (RCs) as well as OECD and Eurostat for their comments. While the initial GCL included items selected from the 2005 Ring List, subsequent versions included items recommended by the RCs and OECD-Eurostat from their knowledge of the regional markets as well as from their respective 2005 regional lists or any updated version thereof. The GCL was further discussed at the 2 Regional Coordinators meetings held so far. The last version – containing 537 items - was approved by the Regional Coordinators subject to being reviewed by their respective countries during regional workshops. The current draft of the list was submitted to the Technical Advisory Group in Paris, on June 11, 2010 for endorsement.

It is expected that the countries will propose some additional items to increase the list's reflection of country's representative items. Any new proposals will be included in the GCL if they prove available in at least 2 regions. The deadline for receiving the last comments is July 15 and the GCL will be declared final on July 30.

It is expected that the inclusion of selected GCL items in the regional list will not result in additional burden on the countries as compared to 2005. When all the regions have submitted to the Global Office the matrix of availability and importance of GCL items and regional items in their respective

countries, a comparative table will be drawn up showing the number of items by country in 2005 and 2011.

4.2 Survey Framework and Instruments

The survey framework guidelines have been developed and approved by the TAG. They will be included as a chapter in the ICP Book under preparation. The chapter deals with the conceptual framework for price collection, the use of structural product descriptions (SPDs) to define product specifications, the classification of products by importance (products are either important or less important instead or representative or unrepresentative), determining the number of products to be priced, the number of price observations to be made, and the sampling and classification of outlets. Also included is a classification of basic headings by heterogeneity or homogeneity aimed to facilitate the identification of important products within a basic heading.

The survey forms to be used for price data collection were prepared in compliance with the survey framework requirements. They were submitted to Regional Coordinators at their April 2010 meeting. Each region/country is expected to customize them while ensuring that all required parameters are collected in the field and reported.

The forms can also be printed from the software modules for data collection, entry and editing developed by the Global Office and whose screens and messages are being translated into Chinese, French and Spanish.

4.3 Guidelines for disaggregating GDP expenditure data

For the 2011 ICP, a much larger role is envisaged for national accounts experts in participating countries than was the case in the 2005 round. A fourteen-step body of guidelines have been developed and five reporting forms are recommended that will support the relevant activities. They are designed to be useful for the national accounts experts in their own work and to help the ICP Regional and Global Managers to better understand the data sources and methodologies underlying country estimates of final expenditures.

These guidelines and forms were approved by the Regional Coordinators in April 2010 and presented to the TAG in June 2010 for information.

The countries are requested, before the end of the year, to estimate the expenditure values for the GDP major aggregates for the latest year for which this is possible (2006, 2007, 2008 or 2009), and to carry out preliminary breakdown of GDP expenditures for that year. They are also expected to provide all relevant metadata on basic heading details for final consumption aggregates. This early work is meant to pin down major problems related to data sources and methods of determining detailed expenditure values, with a view to addressing them in a timely fashion and ensuring that the corresponding work for the reference year 2011 is effectively done.

4.4 Data Access Policy

Given the proposed new direction of the 2011 round in terms of responding to user's needs by providing wider access to detailed data and increasing the focus on metadata, and given the new innovations of the round that will result in valuable price and national accounts information, there needs to be a policy on data access and archiving to guide practice in these areas. This is the primary purpose of the data access and archiving policy which is being finalised.

Following on the Board’s recommendations on this issue, the Global Office has consulted with a selected number of international experts, users and producers, including the regional coordinators and some country statisticians to seek their views on the proposed policy. A final draft will be submitted to the Board in October, for decision.

4.5 Launching workshops in the regions

The actual timetable for countries to start in 2010 their preparations for the 2011 price survey and to launch the national accounts activities depends on when the launching workshops in the various regions will take place [Cf. Table 1]. High level meetings were already held in Africa, Asia, LAC, Western Asia, and CIS, where heads of National Statistics Offices committed to undertake the ICP in their respective countries.

Table 1: Regional Workshop Schedule											
2010											
Regions	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Africa					14-25: Technical and High Level			TBD			
Asia				20-21: High Level	21-25						
CIS							23- 24: Technical and High Level			TBD	TBD
LAC Caribbean						24: High Level					
LAC Latin America			20-22: High Level				9-12: National Accounts				
Western Asia	1-2: High Level					20-22: Technical and High Level		TBD			

However, in some regions, there was a delay in holding the first technical workshops. The first workshop for the ESCWA region will take place on July 20-22, 2010. Another launch meeting for Caribbean countries only is scheduled for July 24, 2010 in Barbados.

Three regional workshops on technical issues have been already held so far, in Asia-and-Pacific and Africa. The main purpose is to prepare for activities to be carried out in 2011 at country level. This includes the review of the Global Core List and the regional list of consumption items, the development of survey frameworks, as well as the recommended procedure for breaking down GDP expenditures into detailed categories.

4.6 Country participation

The expected number of participating countries has remained unchanged since February 2010. However, the situation of two countries (Georgia and Iran) and the coordination of Pacific countries deserve some specific attention.

The Georgia case

Georgia will participate in the program under special arrangements.

Previously, Georgia participated in the ICP as a CIS member country. After Georgia left the CIS, the country is out of ICP and there is a need to find a way to be involved again in the ICP process. Georgia is no longer part of the CIS. However, it is still possible to link Georgia to other countries using the Global Core List. It is assumed that every country participating in the ICP will price a subset of the Global Core List which will be integrated in the regional lists. The Global Core list will include around 600 items, out of which each country would price 200 to 300 items distributed over about 90 basic headings. These items would be used to link regions among themselves as well as to complement the regional comparisons. In the case of Georgia, the Global Core will be the only product list to be priced.

Thus, Georgia would select at least around 300 items out of the Global list [possibly, more, because this will be the only list to be priced]. The data collection will be conducted on the quarterly basis and will be validated with the Global Office's help. The Global office will also validate their GDP breakdown. Georgia will collect 10 to 15 quotations per item each quarter.

Once the data are collected, Georgia will be linked directly to the Global comparison at the basic heading level. At the aggregate level [the level of publication] Georgia will be linked to the global set of results through one of the regions [experiments could be conducted to devise the most efficient linking and which region could be the link region]. In terms of publication, Georgia can be presented with any region, as well as separately as there will be no fixity constraints.

An initial agreement between World Bank and Geostat has been reached about Georgia's independent participation in the ICP on an exceptional basis. This will be the first case of independent participation of a particular country. The necessary funding is being secured.

The Iran case

The Asian Development Bank (ADB) has resolved that they "will not be able to accommodate the participation of the Islamic Republic of Iran as, aside from being a non-ADB member, its economic structure and consumption pattern are much different from that of the participating economies in the Asia Pacific region."

A special arrangement will therefore be required to ensure Iran's participation.

Pacific Countries

As regards the Pacific countries, except for Fiji, "given the limited resources allocated for the 2011 ICP Asia Pacific and for operational reasons", ADB will not either coordinate their participation. The Australian Bureau of Statistics will be approached to seek their support on this.

4.7 Problems encountered

One major problem can be anticipated at this stage: will the countries be able to train the survey staff and deploy them to the field in time for the price surveys to actually start in early 2011? This is the key aspect that will be addressed in the readiness questionnaire that will be submitted to the regional/national coordinators. As indicated in section 6.1., a report on country readiness will be submitted to the Board in October 2010.

5 Overview of the methodological features of the ICP 2011 round

As highlighted in Box 1 above, the TAG work program only includes research and discussions on methodological aspects aimed at improving the field operations and desk work to be carried out by the countries, the regional offices and the Global Office. Only pertinent and highly necessary improvements will be introduced, as per the recommendations made by the various governance bodies following the ICP-2005-based findings of the Friend of the Chair. The progress status of methodological improvement work is shown in Table 2 below.

Table 2: Progress Status of Methodological Improvement

Cat.	Topic	Priority	Status
1	Owner-occupied housing	High	Adopted
1	Measurement of government outputs	High	Adopted
1	Survey frameworks	High	Adopted
1	Construction PPPs	High	Approach adopted Ongoing research
1	Education	High	Ongoing research
2	Financial services	Low	Adopted
2	Net Exports and net purchases abroad	Low	Adopted
2	Linking regional PPPs into global results	Medium	Ongoing research
2	PPP-based poverty analysis	Low	Ongoing research
2	Back-casting and PPP revisions	Low	Ongoing research
3	Sub-national PPPs	Very low	Ongoing research

6 Next Steps

6.1 Short term milestones

The next steps include:

Product list development and review

- The submission of country's comments on the GCL [July 15] and the consolidation of the final GCL [July 30]
- The finalization of product list development for the main price survey. The consolidated regional lists should be submitted to the Global Office by September 15, 2010, and the relevant matrix of important items is expected by October 30.

Survey framework development

- Based on the Global Office's guidelines, countries should develop their survey frameworks by November 2010.

Initial activities related to GDP disaggregation – Before end of 2010.

- The countries should provide early estimates of the expenditure values for the GDP major aggregates for the latest year for which this is possible (2006, 2007, 2008 or 2009);
- They should undertake preliminary breakdown of GDP expenditures for that year.
- They should also provide all relevant metadata.

Readiness for the 2011 activities

- The ICP Quality Assurance check lists will be completed by the countries and the regional offices to report on their readiness for the activities to be carried out in 2011. This will be consolidated into a report to be submitted to the Executive Board at the October meeting

Methodological Development

- The improved methodologies for construction and education services, as well as the new specifications for machinery and equipment will be submitted to the joint meeting of TAG and RCs in October, for approval.

6.2 October meetings

The October meetings will be held in Washington DC as per the following schedule

Table 3: Schedule of the October Meetings

		Meetings	Participants	
18th		Executive Board Meeting	All Board Members	
19th	Morning	World Statistics Day Events	Open	
	Afternoon	ICP Users' Conference	80-100	EB Members; TAG; RCs; Users; Bank and IMF; Academia; Press
20th – 21st		Joint TAG & Regional Coordinators Meeting	40	With Regional Coordinators as observers
22nd		3rd Regional Coordinators Meeting	20	

6.3 Agenda of the 3rd Executive Board Meeting

There is a need for the Board members to be given more time to contribute, and for the meeting agendas to be more focused, with clear proposals for a limited number [3-5] of decisions to be made by the Board. To this end, the Global Office will prepare one single appended to the report. Also, it's proposed that the agenda of the meeting should be streamlined as shown in Box 2 below:

Box 2: Proposed Agenda for the Board Meeting

A) For-Decision Items

1. Readiness for 2011 data collection

Expected Decision: The Board will be requested to give the go ahead for the 2011 data collection

2. Overview of the methodological features of the ICP 2011 round

It's about highlighting key methodological changes from 2005, to provide assurance to the Board that only pertinent and highly necessary improvements will be introduced. This is in line with the categorization of the ICP research agenda into 3 categories.

Expected Decision: The Board will be requested to approve the new methodological framework

3. Global Core List and related process

The purpose is to report that: (i) the regional coordinators signed up; (ii) the list was reviewed by the countries; (iii) the TAG was informed; (iv) there will be no additional burden on the countries.

The latter will be substantiated with a comparative table showing the number of items by country in 2005 and 2011.

Expected Decision: The Board will be requested to approve the Global Core List

4. Data access policy

The report will show that there are precedents to the proposed policy.

Expected Decision: Approve the Data Access Policy

B) For-Information Items

5. ICP and Poverty PPPs

The purpose is to clarify that there will be no poverty-specific work [collection, calculation, publication, etc.] in the ICP activities. Poverty PPPs are one of the many usages of ICP results which cannot be barred from undertaking. PPP data users have expressed expectations on data quality, which once improved as requested, will benefit, as a residual, poverty experts.

6. Outreach activities

A section will be included in the status report to the Board on the outreach actions carried out in the context of ICP communication activities.

7. A.O.B.