International Comparison Program  
Executive Board Meeting  
October 25-26, 2005  
Minutes

1. Introduction. The following members were in attendance.

Dennis Trewin, Chair  
Shaida Badiee, World Bank  
Ifzal Ali, ADB  
Abdulrahman Almansouri, ESCWA  
Enrico Giovannini, OECD  
Paul Cheung, UNSD  
Prem Singh Rana, India  
Ben Kiregyera, Uganda  
Charles Lufumpa, AfDB  
Langhui Huang, China  
Rob Edwards, IMF  
Peter Everaers, Eurostat  
David Fenwick, ONS, Great Britain  
Vladimir Sokolin, Rosstat, Russia  
Louis Marc Ducharme, Statistics Canada

Other participants included  
Misha Belkindas, World Bank  
Yonas Biru, World Bank  
Yuri Dikhanov, World Bank  
Andrey Kosarev, BEA, Russia  
Youri Ivanov, CIS  
Michel Mouyelo-Katoula, AfDB

The following paragraphs summarize the issues, discussions and actions taken by the Executive Board for the action items summarized in the October 17, 2005 status report. The status also included the time table for data collection which shows the target to publish preliminary results by the end of 2006. This is reflected in the policy issues presented below.


The issue is that not all participating countries were able to start data collection following the regional and global time tables making it necessary to define minimum requirements for participation. Other requirements were defined for the regional coordinating organizations and the Ring countries.
a. **Country requirements.**

- collect and submit data for two quarters for the 2005 reference year except for agreed items like housing where a single collection is suitable.
- final prices submitted should be **national annual** average prices
- price collection can be limited to capital or major cities if auxiliary data are available to extrapolate to national levels
- submit individual item prices after each data collection period for regional review. If confidentiality provisions prohibit, then the following are required for each item after each data collection period: the average price, number of observations, variance coefficients and representativity indicator.
- National level expenditure weights will be furnished for the 155 basic headings.
- (added per Board recommendation). **Average prices must reflect purchases across all type of outlets to provide a representative national price. Prices just representing a subset of outlet types are not acceptable.**

**Board Discussion:** A question was asked who determines whether adequate data are available to extrapolate capital city prices to national averages. The response was that this is a responsibility of the regional coordinator, but with consultation with the Global Office. Another question was who determines whether a country is eligible. This is the responsibility of the regional coordinator to inform the global office of problems and recommended actions for a final decision. The Executive Board will be asked to endorse any proposal that a country not be eligible to participate. Each regional representative provided an overview about how they have used the guidelines.

**Board actions:** The Board expressed broad agreement with the above requirements. The Board recommended that there be another requirement regarding the quality standards that must be met for a country to be included. For example, a country must submit average prices reflecting a cross section of all types of outlets to provide a representative national price.

b. **Regional requirements**

- Basic heading parities be computed using the CPRD method as endorsed by the TAG in all regions except the OECD/Eurostat where the EKS is part of administrative regulations
- TAG recommended procedures for housing, construction, equipment and government which will be followed with deviations needing approval from the Global Office.
**Board Discussion.** The CIS region disagreed with the recommendation to use the CPRD rather than the EKS which it has used for previous comparisons. The issue is the credibility of the official statistics unless clear guidelines are provided that show that departures from the recommended CPRD are statistically defensible. It was pointed out that both procedures provide similar results when the price matrix is full; but the CPRD is more robust as the number of missing prices increases because it uses all of the data available, and standard errors are provided.

**Board Actions.** The Board requests that the TAG provide a formal recommendation regarding the CPRD vs EKS with criteria upon which the comparison is made. It was also suggested that both the CPRD and the EKS methods be used with past CIS data so that differences can be better understood. The Board will then make the final decision. *(Global Office comment.)* The TAG recommendation was based on Chapter 10 of the ICP Manual that provides an overview of the various methods to estimate basic heading parities and sensitivity analysis. The Global Office is also concerned that departures from recommended procedures be construed by data users as being done to provide the desired country rankings. The Executive Board endorsed the CPRD methodology to link the regions)

c. **Ring country requirements.**

- Ring Countries are required to use the Basket of Construction Components for the construction comparison and the global office equipment list for the Ring comparison.

**Board Discussion:** The OECD/Eurostat and CIS regional comparisons are based on different methodology for construction and their own respective equipment lists. The remaining regions are using the above procedures for construction and an equipment list prepared by the global office. As a result, the OECD/Eurostat and CIS ring countries will be conducting two price collections; one for their region and another for the Ring. Assurance was sought by the OECD/ Eurostat that all countries would be following the prescribed procedures because of their commitment to do both price collections.

**Board Action:** The Board approved.

3. **Data to be submitted to the Global Office.**

a. **Country level average prices.** The issue is the expectation of the Global Office that regions submit country level average prices, number of observations, and variance and representativity coefficients to the Global office. Without access to country level data, the Global office is not able to evaluate whether consistent procedures are being followed between regions
regarding number of products, variability of price observations and variability of the price ratios.

- Regional coordinators agreed it was necessary for the regions together to be able to review data from other regions to collectively assure they are following consistent procedures.
- The country level data will only be used by the Global office staff to review data quality and to do analysis of aggregation and linking methodologies.
- The Global Office seeks the Executive Board’s endorsement of the need for it to be able to review country level data to evaluate the data quality across regions.

**Board Discussion.** Two regions, Asia and the CIS, do not feel the Memorandum of Agreements between them and their respective countries adequately inform the countries that their average prices and diagnostics will be forwarded to the Global Office. The Asia region also wants assurance that only data that have gone through the validation process be submitted. Both regions have either already or plan to inform their respective constituents of the need to submit certain data to the Global Office.

**Board Action.** The Board endorsed the recommendation, and expects the Global Office to provide supporting material to the regions that strengthens the case for the positive benefits resulting from the use of the data.

b. **Ring country prices at individual observation level.** The Global Office and regional coordinators have completed the preparation of the Ring list for consumption. It was difficult in many cases to define comparable items resulting in the need for information in addition to prices to be collected. These individual prices will need to be reviewed along with the auxiliary information when comparing them with countries in other regions. While the regional coordinators will be reviewing the data as well, it will be at the global level where prices are compared across regions.

**Board Discussion** One issue is that while some countries will be able to submit individual price observations to their regional coordinators, they will not allow it to go beyond that level. This resulted in a suggestion to consider the need for data access vs. actually holding the data. Another question concerned the definition of micro data and whether it included the name of the outlet. (Only the price and descriptive information are requested, not the name of the outlet).
**Board Action.** The Board approved the recommendation with the understanding data access and confidentiality issues considered in the following sections be satisfied.

4. **Confidentiality and access to ICP data.**

The status report to the Executive Board outlined that procedures to ensure the confidentiality and security of data used by the World Bank are similar to those in National Statistical Offices. The issue is what access will be allowed to ICP data at more detailed data than what is published. This will involve developing a set of rules that will guide access to non-published data and conditions of the access. More fundamentally, access needs to be defined i.e. whether certain data can be downloaded from the regional or local data base to the user’s computer or must be accessed on site. The Global Office recommended a working group be formed to assess the issues and report to the Executive Board.

**Board Discussion:** The discussion included who needs to be represented on the working group such as data users, academics, market researchers, etc. Other questions considered are whether access should be free or for a fee.

**Board Action.** The Global Office should nominate a working group for approval by the Executive Board. This working group should mainly consist of national statistical organizations because they are responsible for much of the data of question. The working group will be expected to receive input from all stakeholders including data users. It was felt as much information as possible should be put in the public domain. The important question is what information should be in the public domain versus only being available on a restricted basis. A Terms of Reference will be prepared for the working group which is expected to prepare a first report to the Executive Board by mid February 2006.

5. **Location of the Global Data Base.**

The issue is that in addition to the regional data bases, there will be a global data base prepared for the global comparison and analysis purposes. This data base will contain national average prices by item, number of observations, and variance and representativity coefficients for every item and country in the comparison. The data base will also contain population data, expenditure weights at the 155 Basic Heading level, and exchange rates.

**Board Discussion:** The working group on data access should also define the elements that should go into the global data base. A question sparking considerable discussion was about what happens at the end of this round—will there be a Global Office—if not who will have ownership of the data base? It was pointed out that the ICP is a project imbedded in the Data Group of the World Bank and will continue its
ownership of the ICP even if the work is scaled down. A related point is that the relationship between the Global Office and the World Bank needs to be defined and consideration given to who should be signing the institutional guarantees of confidentiality.

**Board Action:** The Board approves the recommendation that the World Bank DECDG be responsible for the Global ICP Data base.

6. **Fixity**

The TAG recommendation is that the global comparison linking the regions ensures the ranking of countries and relative indices resulting from the regional comparisons be preserved.

**Board Action:** Approved.

7. **Publication level of ICP results.**

The level of data by groups of Basic Headings to expenditure aggregates for PPP, volume level indices, etc. will be determined by each region. The issue is what level of detail should be prepared for the global publications. If the global publication provides more detail than what was in some regional publications, then the global publication will contain many empty cells. The TAG recommended avoiding the problem of empty cells by publishing at the level of the most restrictive region.

**Board discussion:** The Board was concerned that the global results would be determined by the most restrictive region. A related question was asked whether a country could opt out of the process after seeing the preliminary results. The answer was that countries will be engaged in several data review workshops with many opportunities to address data issues, but cannot opt out at the end of the process. It was also stated that varying levels of detail provided by different regions could raise questions about the data quality of those with the most restrictive publications.

**Board Action:** The Global Office should work with the regional coordinators to seek a common agreement on the level of detail to be published with the goal to publish as much detail as possible.

8. **Aggregation methods within regions.**

The TAG recommended that the EKS method to aggregate PPPs. This method is non additive, but avoids the Gerschenkron effect that biases the results towards countries with larger economies. The African representatives commented that the TAG recommendation did not consider realities in Africa and the consequences of a non additive procedure providing estimates of consumption exceeding the overall GDP.
The Global Office stated it has commissioned some additional research to review the properties of additive aggregation procedures to seek a solution to the above problem. It is also understood that the regional approach reduces the concern about the Gerschenkron effect.

**Board Action:** The Global office is to leave this as an open question pending additional research and analysis.

9. **Choice of numeraire currency.**

The TAG recommended the unit of account be based on the basis of the world average = 100 rather than the US dollar. There are advantages and disadvantages to each.

**Board Action.** The global comparison should contain two tables; one with the world = 100, the other based on the US dollar.

10. **Future of the ICP**

Countries and regional coordinators are raising questions about the future of the ICP because of the human capital and investment that has gone into this round. The expertise and experience will be lost and difficult to regain if there are no plans to continue the program.

**Board Discussion.** There were several positive comments regarding the future of the ICP. For example it was stated that the ICP needs to be put on a footing that is continuous and spreads the work out over time. The ICP should be used as a vehicle for statistical capacity building for economic statistics. One of the results of the ICP has been the opportunity for countries to work together to prepare product specifications, compare survey methods, and review procedures to prepare national accounts. Consideration should be given to integrating the ICP with CPI surveys. There should be an effort to position the ICP as an integral part of international statistics by linking it to the political process including the use of MDGs.

One country representative stated that the from an NSO point of view, the ICP contributed to capacity building and a systematic improvement in data collection. Countries need to understand these benefits and if so will budget for the ICP work.

Another discussion evolved around the need to evaluate the current round and that it should include issues ranging from the governance structure to price collection issues to IT. It was stated that the first step should be a self evaluation starting with the regions seeking input from the countries. This self evaluation process should involve the global office, the TAG and provide feedback on lessons learned.

**Board Action.** The Board agreed upon a stated goal of continuing the ICP beyond the current round with a preference for a business model that spreads the work out
over time, and that the evaluation process should begin with the global office guiding an initial self evaluation. This should be completed by October 2006. The TAG should be consulted on the technical issues associated with a more continuous program.

11. ICP report to the UN Statistics Commission.

The Global Office will be submitting a paper for discussion purposes. The issues for discussion include: Current status and publication plans, budget issues, data access and the report from the working group, the publication strategy regarding level of detail, and the future of the ICP.

12. Funding situation. The Global Program still faces a short fall with the Asian region needing additional funds for the construction and equipment data collection. The W. Asia and Latin American regions are also requesting additional funds to support the Ring data collection.

Board Action: The Global Office was directed to provide a status report to the donors informing them of progress to date and where the funding remains a problem.

End