



## **6<sup>TH</sup> ICP EXECUTIVE BOARD MEETING**

**New York, February 27, 2012**

## **2011 ICP Progress Report**

*As of February 15, 2012*

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## I. INTRODUCTION

The purpose of this progress report is to provide the Executive Board with a summary of the status of the 2011 Round of the International Comparison Program (ICP) at global and regional levels as well as major activities undertaken since the submission of the October 2011 Progress Report.

During the period between October 18, 2011 and January 31, 2012, the Global Office received provisional country data and metadata from regions, launched the data validation process, prepared operational and outreach material, and planned the 2012 meetings of the Regional Coordinators (RCs), the Technical Advisory Group (TAG) and other working groups.

At the regional level, since most of the participating countries have completed the 2011 main household consumption survey, the Regional Coordinators and National Coordinators are currently devoting more time and effort to iterative validation activities which will culminate into regional workshops in the first half of 2012.

The body of this report comprises three parts: (i) implementation of Board's decisions reached at its October 25, 2011 meeting; (ii) update on the implementation of the 2011 ICP in terms of data collection, submission, and validation, update on risk assessment, and preparation of operational and outreach material; and (iii) upcoming 2012 governance meetings. The second part also includes a section on Turkmenistan as a new participating country.

While no burning issue is being reported herein, Board members may wish to urge all the coordinating agencies at all the levels to keep the momentum of additional data collection in 2012, quarterly price data validation, GDP expenditure metadata reporting, as well as data and metadata processing and submission to the Global Office.

## II. IMPLEMENTATION OF BOARD'S DECISIONS

The decisions made by the ICP 2011 Executive Board at its previous meeting held on October 25 2011, were implemented as follows:

BOARD DECISIONS	ACTIONS TAKEN
<b>Implementation of Decisions taken at the February 2011 Board meeting</b>	
1. The Board requested that the issues related to the concept of <i>importance</i> and the extra-pricing of GCL items by a particular country should be looked into carefully by the TAG as well as the Global Office.	Both issues are on the agenda of the next TAG meeting to be held in September 2012.  This requires matrices of "importance" to be provided in a timely fashion by the regional coordinators and reviewed by the Global Office with a view to preparing validation material to

BOARD DECISIONS	ACTIONS TAKEN
	<p>be discussed at the April meeting of the Regional Coordinators (RCs).</p> <p>Also, Q1 and Q2 average prices related to regional and Global Core List (GCL) items, if submitted by the RCs, will be used to start simulating the possible impact of the extra-pricing of GCL items.</p>
<p>2. The Board urged the Global Office to add to the TAG's work program the task of carrying out a sequence of tests on the translation of the <i>importance</i> information into quantitative weights to prevent any arbitrary decisions such as removing <i>less-important</i> items to adjust PPPs.</p>	<p>Issue is on the agenda of the next RC meeting to be held in April 2012 and the next TAG meeting scheduled for September 2012.</p> <p>Given the criticality of this issue, it is expected that RCs will submit the "importance" parameters for each item – regional and global core –priced in each country in their region, ahead of their meeting scheduled for April 2012.</p>
<p><b>Status and Risk Assessment</b></p>	
<p>3. The Board stressed that the Global Office update the Board members on any potential risk situations, and stabilize the number of participating economies, which is especially important at this stage in external communication.</p>	<p>An update is provided herein.</p>
<p>4. The Board appealed for more punctuality in data submission so that the 2011 round can proceed according to the planned timeline, without sacrificing data quality.</p>	<p>The Global Office continuously follows up with the RCs to ensure punctuality. As further elaborated herein, so far, the agreed submission schedule has not always been respected, which may result in the ensuing activities at the Global level being delayed.</p> <p>Therefore, RCs should be encouraged to provide all Q1 and Q2 data which had to be submitted by the end of December 2011, and to strive towards more punctuality in the submission of Q3 and Q4 data.</p>
<p><b>Governance Meetings</b></p>	
<p>5. The Board requested that the Global Office circulate the draft ICP report to the UNSC to Board members by November 16, 2011 for review, as the</p>	<p>The report was circulated to Board members on November 14, 2011. Their comments were accommodated in the final submission to the UNSC.</p>

BOARD DECISIONS	ACTIONS TAKEN
deadline for submission to the UNSC is end of November 2011.	
6. The Board recommended that the fall meetings of the TAG and Regional Coordinators (RC) be held earlier than envisaged, preferably in September 2012, to give the Board enough lead time to consider any data and policy issues arising from those meetings.	The upcoming TAG meeting is scheduled for September 17-18 and the RC meeting is scheduled for September 19-20, 2012.
<b>Capacity Building and Outreach Activities</b>	
7. The Board requested that the Global Office provide to Board members by end of November 2011 the URL to the book chapters uploaded to the ICP website with a view to seeking their comments on the contents thereof.	The URL was sent to the Board in November 2011.
8. The Board requested that the Global Office prepare a 1-2 page foreword providing a layman definition of PPP and a brief review of the major uses of ICP statistics.	The note is presented as room document in this meeting.
9. The Board acknowledged that the representative from the US Bureau of Labor Statistics will provide the Global Office with suggestions for a revised version of the outline of the book.	The US Bureau of Labor Statistics provided on February 7, 2012 suggestions regarding the table of contents of the ICP book, particularly the order of the chapters.
<b>2011 ICP Data Access Archiving Policy</b>	
10. The Board advised that the Global Office should amend the current Data Access Archiving Policy paper to address the comments received from Board members on principles and procedures.	The revised paper was sent to the Board on November 9, 2011. It is available as room document in this meeting.
11. The Board requested from OECD to communicate with its non-Eurostat countries on the potential provision of the category 4 data.	OECD has reported so far that an informal consultation has started with some countries; the issue is an agenda item for their next meeting in Ottawa at the beginning of September 2012.
12. The Board requested from CIS-	CIS-STAT has reported so far that five

BOARD DECISIONS	ACTIONS TAKEN
STAT to communicate with their member countries on the potential provision of the category 4 data.	countries (Armenia, Azerbaijan, Belarus, Kazakhstan, and Russia) object to the provision of category 4 data; no answer has been received from the rest of the countries in the region. CIS-STAT will continue discussing with them.
13. The Board requested from China to inform the Board and the Global Office on their position regarding ICP data access, and hoped that they will agree to provide access to their data.	The Global Office sent a reminder to NBS, China, and is awaiting their reply.

### III. UPDATE ON THE IMPLEMENTATION OF THE 2011 ICP

#### A. COUNTRY PARTICIPATION

Out of the 197 countries and economies participating in the program, as many as 154 from the ICP regions and the OECD-Eurostat program conducted the largest part of the main household price survey in 2011. As the year 2011 has concluded, it is worth taking stock of the tremendous efforts undertaken by the countries and economies under the unremitting supervision of the ICP Regional Coordinators.

About 97 countries and economies from the ICP regions submitted their prices for the first and second quarters of 2011 to their respective Regional Coordinators, who were expected to relay them to the Global Office by December 31st, 2011. This includes 48 in Africa, 23 in Asia-Pacific, 17 in Latin America, 10 in Western Asia, and 1 singleton country (Georgia). Egypt and Sudan participate in both Africa and Western Asia.

In terms of intra-country survey coverage, half of the countries indicated that they conducted nation-wide surveys in the first quarter, while the remainder did so in urban areas or capital cities only. However, not all these regional data sets have been submitted to the Global Office as yet.

#### *Turkmenistan: A New Participating Country*

The Turkmenistan Government has decided to participate in the current ICP round. In this respect, their Ministry of Foreign Affairs has forwarded a formal letter of the Statistics Office of Turkmenistan to the Turkish Statistical Institute (TurkStat) proposing a partnership with them. Turkey would be a possible bridge country to link Turkmenistan into the ICP.

TurkStat has positively responded that they “are ready to cooperate with State Committee of Statistics of Turkmenistan in the efforts of comparing the statistical data in the scope of the International Comparison Program (ICP).”

They confirmed that their “ECP average price data could be used for the validation of Turkmenistan’s prices and for the calculation of Purchasing Power Parities (PPP) linking factors for Turkmenistan.”

This partnership will not result in any burden on TurkStat as they will not be requested to facilitate or participate in any meetings or any travelling or additional tasks.

The Global Office will help the State Committee of Statistics of Turkmenistan take the necessary technical steps towards starting price surveys no later than May 2012. Adding Turkmenistan the total number of participating countries/economies will rise to 198.

## B. DATA AND METADATA SUBMISSION

### *Required data and metadata*

Three major sets of ICP data and metadata were expected at the end of 2011.

The first set relates to price surveys. It includes validated national quarterly average prices – overall average, average by location types as well as averages by outlet types. It also covers validated sub-national quarterly average prices. These average prices should be provided together with validation tables showing the major validation indicators: number of price quotations, minimum prices, maximum prices, minimum/maximum price ratios, variation coefficients, outlier indicators and preliminary PPPs for the relevant basic heading PPPs according to the ICP classification. Individual price observations for the Global Core items, for countries that do not object to releasing this data to the World Bank are also requested. Associated with this are metadata on the availability and importance of products surveyed in each country. They will be used as product weights in the process of calculating basic heading PPPs.

The second one relates to National Accounts activities in ICP. It includes the basic heading expenditure values for whichever year is deemed the latest one for which detailed GDP estimates are available in the country. This can be any year between 2006 and 2010. It must be reported using the MORES template. Two National Accounts questionnaires are also required, which will be used to ascertain the quality of data reported in the MORES. The first one is the GDP Exhaustiveness questionnaire, which can be completed either in its full version or its very simplified version, the second one being the National Accounts Quality Assurance Questionnaire.

In addition to the above, a third set of general data and metadata is required: quarterly average exchange rates of local currencies as well as the most recent mid-year population figure available.

### *Africa*

At the deadline for submission, the Global Office received from Africa a significant amount of monthly average price data for household consumption items. This was only an initial and provisional submission containing price, importance, exchange rates and population data for the first 6 months, for a total number of 48 countries. Subsequently, earlier this month, the AfDB submitted quarterly average prices and related validation

tables and metadata for 47 (out of 48 countries): of which 46 for the first quarter and 43 countries for the second.

In terms of price sources, countries conducted actual ICP surveys as per the Global Office requirement in the months of February and May, but also drew for other months average prices from their CPI for the common ICP/CPI items. As regards the delivery of data for the two dual-participating countries (Egypt and Sudan), the African Development Bank will provide individual price quotation data each time a submission is made.

It is worth noting also that as part of their outreach strategy, the African Development Bank launched a newsletter, three issues of which have been published so far

### *Asia*

Following a South Asia countries sub-regional workshop held from 12-15 December 2011, the Asian Development Bank conducted a regional workshop from 16-19 January 2012 aimed to further validate the countries' price data for the first and second quarters of 2011, which were sent to the Global Office thereafter.

So far, Q1 and Q2 quarterly average prices received relate to the Global Core List items (GCL) only. No average prices were submitted for regional items. Prices for both GCL and regional items are needed to assess how well the GCL items reflect the regional results as a whole, and to validate the linking factors.

The Global Office has received the validation tables for price observations for the GCL and the related validation metadata and the matrix of "importance". Yet to receive are the quarterly Quaranta tables with the relevant preliminary PPPs, validation indicators of regional and GCL items.

### *CIS*

Almost all CIS region countries have completed the MORES with the indication of data source and methods of estimation as detailed as possible, but only vectors of basic heading expenditures have been submitted to the Global Office. The MORES requirements were discussed during the meeting of experts of the CIS region held in Moscow from 14-15 December, 2011. It was underlined that detailed description of the data sources and calculation procedures requires more time than initially expected by the Global Office.

### *Latin America and Caribbean*

The Global Office has received all required Q1 and Q2 data sets related to 16 ECLAC countries. This includes average prices, validation tables, exchange rates and population, as well as the matrix of importance. Q3 data also has been provided.

However their National Accounts documentation is provided for a lesser number of countries: 12 for the MORES, 3 for the exhaustiveness questionnaire, and 5 for the quality assurance framework questionnaire. These MORES files will be thoroughly reviewed in compliance with the set requirements.

### *Western Asia*

The program is progressing according to the globally set timetable, including data submission which complies with the set deadlines.

Data collection was carried out by 8 countries during the first quarter of 2011, 10 in the second quarter, and 11 in the third and the fourth quarters. The 12th country, Bahrain, will be conducting the price surveys throughout 2012). Any country that missed a quarter in 2011 will collect prices during the corresponding quarter of 2012. This will further improve the quality of data which so far has improved over the quarters as a result of both strict adherence to the prescribed survey methodology and the enhanced validation process.

As for the National Accounts data for the latest available year, the required files were submitted to the World Bank and will be supplemented with additional detailed metadata in keeping with the MORES requirements related to GDP splitting.

In addition to its unremitting validation efforts and liaison with the countries, the ICP Regional Office for Western Asia performed a series of activities to promote the ICP in the Region and the World, and to further expand the concept and the usage of Purchasing Power Parities. This includes revamping their ICP website and publishing the monthly ICP Regional Newsletter which was released for the first time in October 2011.

### *Singleton countries*

**Georgia** – Georgia submitted their consumer prices for the first two quarters of 2011 after they had been compared with those of Armenia, its bilateral partner. Further inter-country validation will take place during a meeting in Tbilisi from February 20-24, 2012 where the progress of price surveys on consumer goods and services, equipment goods, construction projects and selected government occupations will be reviewed. The inter-country validation will focus on the consumer prices collected during the third quarter of 2011 and possibly the fourth quarter as well. During the meeting, Georgia will be assisted to estimate their basic heading expenditures according to the MORES requirements.

**Iran** - The Islamic Republic of Iran is following a different price collection and data submission schedule. To date, the Central Bank of the Islamic Republic of Iran (CBI) has collected Household Consumption (HHC) prices for the third and fourth quarter of 2011, and the price collection for the first quarter of 2012 is being prepared. Overall, HHC prices will be collected quarterly till the end of 2012. In addition, CBI has reported that prices for Machinery and Construction surveys have been collected, and are currently being validated at country level. Furthermore, price surveys and data gatherings are being prepared for Housing, Compensation of Government Employees, and Private Education. Finally, National Accounts expenditure data for the latest available year at basic heading level is being compiled for submission by the end of the first quarter of 2012.

### *Main survey implementation status*

The status of implementation and data submission based on the information provided in January 2012 by the Regional Coordinators is summarized in Table 1. In this table, "Data

Submitted” for Q1 and Q2 refer to submission from countries to Region Coordinators and onward transmission to the Global Office, except for LAC where, 17 countries provided their data to the Region Coordinator, out of which 16 were relayed to the Global Office, and for Western Asia, for which the number does not include Egypt and Sudan since their data validation process was delayed due to their dual participation. Concerning the latter, the Regional Team for Western Asia Region visited Egypt in early February and met separately with both Egyptian and Sudanese National ICP Teams and upon joint efforts acquired the delayed HHC price data and was thus able to generate complete diagnostic tables (Quaranta and Dikhanov). For Q3 and Q4, “Data Submitted” provides the number of submissions to the Regional Coordinators only, except for LAC which transmitted Q3 data to the Global Office.

As reported in the previous report to the Executive Board, survey framework related data risks had been observed in some regions, especially for the 2011 first quarter survey. The number of countries collecting prices differs from month to another and some countries are not complying with survey frames and survey timing. Also, some countries even could not start survey in the first quarter. Considering this situation, some regions including Western Asia and Africa decided to extend their main household consumption survey into additional quarters of 2012, which will increase the number of data points in each country and improve the quality of average prices and resulting PPPs.

For OECD-Eurostat, the lack of entries under columns “Data Submitted” is due to the fact that the countries follow a different data submission schedule. Their data is expected by June 2012. The same is true for the CIS region, which follows a different submission schedule and is expected to submit their main survey data in March 2012.

**Table 1. 2011 HHC Main Survey - Implementation and Data Submission**

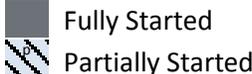
Region	1 <sup>st</sup> Quarter		2 <sup>nd</sup> Quarter		3 <sup>rd</sup> Quarter		4 <sup>th</sup> Quarter		Participation
	Survey conducted	Data Submitted							
Africa	47	46	48	43	48	22	48	9	50
Asia-Pacific	22	22	23	23	23	23	23		23
CIS	10		10		10		10		10
Latin America	18	17	18	17	18	16			18
Western Asia	8	8	10	10	11	9	11	2	12
Caribbean	-	-	-	-	-	-	-	-	21
Pacific Islands	-	-	-	-	-	-	-	-	18
Singleton	1	1	1	1	2	1	2		2
ICP Regions	106	94	110	94	112	71	94	11	154
OECD-EUROSTAT	47		47		47		47		47
(Dual Participation)	-3	-2	-3	-2	-1		-1		-4
Grand Total	150	92	154	92	158	71	140	11	197

## *Special Surveys*

Special surveys have started according to a different timeline than the main household consumption price survey, as shown in Table 2. Fully refers to all the countries in a region, while partially indicates that only some countries in a region have started the survey.

**Table 2. Special Survey Schedule**

Region	Housing (Rental)				Housing (Quantity)				Water Tariffs				Private Education				Compensation of Government Employees				Construction and Civil Engineering				Machinery and Equipment			
	2011		2012		2011		2011		2011		2011		2012		2011		2011											
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Africa																												
Asia and Pacific																												
CIS																												
Latin America																												
Western Asia																												



### C. UPDATE ON RISK ASSESSMENT

In its latest status report to the Board, the Global Office mentioned four possible risk areas. This report presents an update on two risk areas, namely data quality risks and funding risks.

#### *Data quality risks*

The amount and coverage –both space and time- of data being received from the various regions leads to anticipating that the data quality risk that was highlighted previously will not be worrisome. It is even likely to further subside when Africa and Western Asia have collected prices for additional quarters in 2012.

However, concerning National Accounts data, the paucity of metadata provided so far by most countries on how they split their GDP expenditures data into the 155 ICP basic headings in MORES does not yet support the same optimism.

#### *Funding risks*

Since the last Board meeting in October 2011, the funding problems in Africa have been resolved. The African Development Bank Board recently approved funding to support activities in the Statistical Capacity Building phase III program, including the ICP.

Concurrently, the World Bank Trust Fund for Statistical Capacity Building has lately approved a funding proposal for the harmonization of price statistics and national accounts in the Caribbean. This project has many synergies with the ICP as it helps build

the capacity of the Caribbean islands in the areas of national accounts and price statistics. Thus, the project would help alleviate some of the funding pressure in the region.

In Western Asia, ESCWA is providing four countries, namely Yemen, Jordan, Palestine and Iraq, funding from a World Bank grant to help them carry out the ICP activities.

#### D. CAPACITY BUILDING AND OUTREACH MATERIAL

##### *ICP Book*

The ICP Book will contain 24 chapters plus an Executive Summary and Foreword (written by Angus Deaton). The Executive Summary and Foreword have been written and only two of the 24 chapters remain in the drafting stage. The chapters provide an in-depth review of the methodology used in ICP 2005 using data from the regional and Ring comparisons. The chapters conclude with lessons learned and recommendations for improvement which in many cases have shaped the 2011 ICP. Some of the chapters cover topics new to the ICP set of methodology. For example, a chapter is devoted to introducing methods to validate PPPs and expenditures above the basic heading. Another describes how PPPs are imputed for those basic headings where prices are not available, for example, gross operating surplus of government. Another chapter explores issues regarding the imputation of PPPs for missing countries and the extrapolation of PPPs between benchmark periods. In addition, two chapters are devoted to poverty, and three come from data users such as the International Monetary Fund.

The ICP Book will be published both electronically and in print by the World Bank; the process has begun with the publication staff. The plan is to complete the electronic version by the end of June 2012 and to follow shortly with the printed version.

##### *Operational Material*

The Global Office circulated four additional guides to the Regional Coordinators in November and December 2011 in response to regional queries. The additional guides cover areas relating to the Household Consumption Price Survey (Brands), Construction Survey, Dwelling Services and Government Compensation of Employees. Additionally, the Global Office circulated guidelines on validating the Machinery and Equipment price data.

Twenty chapters from the ICP Operational Guide were finalized in 2011 and posted on the ICP website. The ICP Global Office is planning to finalize the remaining seven chapters and circulate them to Regional Coordinators by July 2012.

##### *ICP Monthly Update*

Since the October 2011 Board meeting, the Global Office has produced and circulated to the ICP community three editions of the ICP Monthly Update for the months of October, November and December. The monthly update effectively provided a snapshot of all pertinent ICP activities taking place throughout the regions with a view to celebrate successes along the way and promote adherence to the program's timeline in 2011. Beginning January 2012, the ICP Update will become a quarterly initiative with the next update scheduled to be released in March 2012.

## IV. UPCOMING 2012 GOVERNANCE MEETINGS

The 6<sup>th</sup> Regional Coordinator's Meeting is scheduled to be held on April 23-25, 2012 at the OECD Conference Centre in Paris, France. The draft agenda for the meeting includes: (1) Global and Regional status reports; (2) Validation of Quarter 1 and Quarter 2 data and preliminary PPPs for Household Consumption; and (3) Upcoming activities and next steps.

As per the Board's recommendation, the 7<sup>th</sup> Meeting of the Technical Advisory Group is scheduled to be held on September 17-18, 2012 and the 7<sup>th</sup> Regional Coordinator's Meeting is scheduled for September 19-20, 2012. Both meetings will take place at the World Bank in Washington, DC well ahead of the next Executive Board meeting, scheduled for October 2012, allowing for a sufficient amount of time between the meetings.