

Minutes of the 3rd ICP Regional Coordinating Agencies and Technical Experts Meeting

Washington, DC

October 28-30, 2015

Welcome and meeting objectives

The third meeting of the International Comparison Program (ICP) Regional Coordinating Agencies (RCAs) and Technical Experts took place from October 28 to 30 at the World Bank headquarters in Washington, DC. The first session of the meeting discussed issues related to the interim regional updates: i) regional work plans; ii) global core lists and survey materials; iii) national account expenditures and price deflators; iv) technical assistance strategies; and v) abridged expenditure classification. The second session discussed issues related to the interim technical agenda: i) linking interim regional PPP updates; ii) productivity issues and industry-based PPPs; iii) PPP extrapolation; iv) alternative sources of price data; and v) poverty and sub-national PPPs. The third session covered discussions on the future of the ICP. Annex 1 provides the complete agenda of the meeting.

Meeting participants included representatives from the Asian Development Bank (ADB), Interstate Statistical Committee of the CIS (CIS-STAT), Eurostat, OECD, UN-ECLAC, UN-ESCWA, the IMF, the World Bank, and leading technical experts as listed in Annex 2. The meeting was chaired by the World Bank's Development Data Group (DECDG).

Grant Cameron, DECDG manager at the World Bank, welcomed the meeting participants and noted the rising prominence of the PPP estimates, especially due to the World Bank's revision of global poverty numbers using the 2011 PPPs, as well as increased political attention to the development data agenda in general at the latest World Bank-IMF Annual Meetings. During the interim phase, key objectives include mainstreaming and reshaping the ICP program to become a sustainable permanent program estimating annual PPPs.

Nada Hamadeh, ICP team leader at the World Bank, emphasized the importance of the regional PPP updates undertaken in various regions, which would help build a more reliable PPP time series in the interim period. Going forward, the interim activities are expected to blend into the future ICP that will be prescribed by the United Nations Statistical Commission (UNSC) in March 2016, based on the Friends of Chair (FOC) Group evaluation and proposal for the future.

Session I: Interim regional PPP updates

Brief update by regional coordinating agencies on post-2011 activities at the regional level

Asia and the Pacific: Joseph Mariasingham (ADB) explained that a regional update is underway for the reference years 2015 and 2016. A workshop was held in Thailand in June 2015, and the next workshop is scheduled for December 2015. In addition to the regional PPP updates, ADB is supporting countries with the estimation of sub-national PPPs and the construction of supply and use tables. He called for further outreach efforts on PPP estimation methods and PPP uses, as well as streamlining the PPP production processes.

Commonwealth of Independent States: Andrey Kosarev (CIS-STAT) briefed the meeting that the release of regional results for the reference year 2014 is scheduled for late 2016 or early 2017. The next regional workshop is planned for November 2015. The approach for linking CIS' regional results into the OECD comparison will be further discussed.

Latin America and the Caribbean: Giovanni Savio (UN-ECLAC) informed participants that a regional update for a selected group of countries is scheduled for the reference year 2016. Changes in the regional country participation were noted due to OECD enlargement. In addition to technical assistance on price statistics, LAC countries require assistance on national account expenditure compilation.

Western Asia: Majed Skaini (UN-ESCWA) explained that the regional results for the reference years 2012 and 2013 have been released as extrapolations from the 2011 benchmark, and an update is scheduled for the reference year 2016. Regional country participation for the update is expected to grow from the 2011 benchmark to accommodate additional Arab countries joining UN-ESCWA. The next workshop is scheduled for January 2016. In addition to regional activities, technical assistance on sub-national PPP estimation is being provided to the United Arab Emirates.

Eurostat-OECD: Marjanca Gasic (Eurostat) and Francette Koechlin (OECD) briefed the meeting that the Eurostat-OECD results are being released as per the annual publication schedule. In addition, Eurostat is planning to calculate and publish revised historical results based on the newest European system of national and regional accounts (ESA 2010) and newly adopted expenditure classifications (ECOICOP, etc.).

The ICP team informed the meeting that, based on the information recently provided by the African Development Bank (AfDB), a regional update is underway in Africa for the reference years 2015/2016. Since the last RCA meeting, two workshops have been held in Senegal in June-July 2015, and in Zambia in August 2015. The next workshop for national accounts and special surveys is scheduled for the end of 2015.

Finalizing survey materials for regional PPP updates: global core lists and survey forms

Mizuki Yamanaka (World Bank) presented a semi-final version of the household consumption global core list and updated special survey forms to be used in the interim regional updates. For the household consumption list, regional inputs on the fast evolving technology products (FETP) are a necessity for finalizing the complete list. It was agreed that the Eurostat-OECD list for FETP will be circulated for regional review and feedback by end-November 2015.

For special surveys, the main objective of the survey form update was to harmonize the forms across the surveys, simplify the format and use of the forms, and reduce required information in order to lessen the burden on respondents. It was noted that regional input for the machinery and equipment survey list is critical by December 2015 in order to ensure representativity of the list outside the Eurostat-OECD region. It was agreed that the government compensation and housing volume survey forms will be updated based on input received during the session, and that all special survey forms will be resent to the RCAs.

Review of national accounts questionnaires

Inyoung Song (World Bank) presented the three national accounts questionnaires, namely MORES (Model Report on Expenditure Statistics), GDP Exhaustiveness Questionnaire, and the National Accounts Quality Assurance Questionnaire, developed during the 2011 round of ICP to assist in compiling and ensuring the

quality of national account expenditures. It was decided not to use the GDP Exhaustiveness Questionnaire in the future. However, MORES will continue to be used by selected regions and countries. The ICP team has revised the National Accounts Quality Assurance Questionnaire to reflect comments received during the ICP 2011. The main purpose of this qualitative assessment questionnaire is to gather facts and input from national compilers about countries' national accounts practices and assess the international comparability of expenditure data for ICP purposes. The ICP team will further revise the Questionnaire to reflect feedback received during the meeting and will circulate it to the RCAs after the meeting. It was agreed that the Questionnaire will be shared with countries and reviewed in regional workshops in order to collect this information by mid-2016, in preparation for the future ICP.

Expenditures, deflators and CPIs' availability and quality

Maurice Nsabimana and Hanan AbuShanab (World Bank) presented the submission status, as well as main issues identified, for the national account expenditures, national account deflators and consumer price indices (CPIs). It was stressed that these data are critical for improving the extrapolation method currently applied for calculating global PPP time series by the World Development Indicators (WDI). It was also noted that several regions are yet to provide their regional datasets. It was agreed that submission forms will be resubmitted to the RCAs, and that all pending data will be provided before the end of 2015 at the latest.

Technical assistance strategy to improve expenditures and price deflators

Venkat Josyula and Niall O'Hanlon (IMF) explained that the IMF's technical assistance strategy is based on a regional approach, with nine regional technical assistance centers, including five in Africa, covering 97 member countries. A major concern noted was that the majority of countries compile household final consumption expenditure as residual, and that estimates at constant prices are available only for a limited number of countries. Another challenge regarding CPI is the limited coverage, out of date baskets, old consumption weights, and compilation issues. The IMF's key focus is to enhance national staff capacity through training and workshops.

Joseph Mariasingham (ADB) identified three target areas that require improvement, namely governance, methods and tools, and statistical infrastructure. Further, ICP's potential role in measuring globalization was addressed, and countries' roles as primary ICP stakeholders was emphasized as part of an integrated advocacy strategy.

Abridged expenditure classification

David Roberts (World Bank) presented a proposal to revise the 2011 ICP expenditure classification. The aim was to simplify and reduce the classification to alleviate the burden on countries. Four of the proposed modifications were accepted: i) the adoption of gross capital formation as a main aggregate in the place of gross fixed capital formation and changes in inventories and valuables; ii) the division of actual and imputed rentals for housing into two basic headings; iii) the breakdown of the individual consumption expenditure by NPISH into five basic headings (housing, health, recreation and culture, education, social protection and other services); and iv) the reduction of balancing items to single basic headings. However, the exports and imports were to remain as two basic headings. The proposal to reduce the basic headings under individual household consumption from 110 to 75 was rejected. It was agreed that the classification will be further revised and circulated to the RCAs after the meeting.

Yuri Dikhanov (World Bank) further showed the impact on global ICP 2011 PPPs due to proposed changes in classification, namely the reduction from 110 to 75 basic headings for individual household consumption, using the standard two-stage ICP aggregation with regional fixity. It was shown that it is possible to produce consistent ICP 2011 results with the proposed reduction in the number of basic headings. However, these results were obtained partly with the use of 2011 disaggregated data and therefore the experiment cannot be regarded as conclusive.

Timetable and next steps

It was agreed that the ICP team will prepare and circulate a timetable for the interim period that outlines the timing of various regional PPP updates and the revisions of the global PPP time series.

Session II: Interim technical agenda

Nada Hamadeh explained the need to develop an interim technical agenda to guide the technical work on: i) linking interim regional PPP updates and producing interim global PPP estimates, ii) addressing outstanding topics from the ICP 2011 technical agenda including productivity issues, iii) exploring the possible use of alternative sources of price data; and iv) researching PPP applications including sub-national PPPs and poverty PPPs. The meeting participants further highlighted the need to add the following items to the interim technical agenda: (i) researching measures of reliability of PPPs; (ii) PPPs for exports and imports; and (iii) validation of resulting PPPs.

The ICP team will invite Fred Vogel to draft a research agenda to inform the interim period, covering all the topics identified by the meeting participants. Prasada Rao and Robert Inklaar will be invited to prepare a blueprint of the method to update PPP time series for the WDI utilizing all available regional PPP updates and price data. The same method could also be used to calculate global annual PPPs once the future ICP starts.

Linking interim regional PPP updates and filling “gaps” in regional and global PPP time series

Yuri Dikhanov’s presentation on linking interim updates discussed various challenges in linking including update timing differences across regions, changes in composition of the regions, different granularity across regions, and representativity of the global core list and methodological differences between regions.

Fred Vogel (World Bank) presented an analysis of country diversity and its effect on global CAR and aggregation ICP 2011 results, and concluded that there is considerable variability in regional PPPs, linking factors and global PPPs. Further research is to be carried out on identifying sources of the variability, so-called weak links in the global aggregation, and whether global PPPs present more variability than within-region PPPs.

Productivity issues and industry-based PPPs

Robert Inklaar’s (University of Groningen) presentation on productivity issues highlighted that the overall objective of productivity adjustment is to get the ICP results as close as possible to the “first best approach.” Going forward, research is called for a more systematic comparison of the Eurostat-OECD government health and education input and output results, as well as construction input and output

results. Furthermore, it was agreed that international consultants will be asked to review the current ICP construction survey data requirements for resource mixes, mark-ups, and professional fees. Additionally, RCAs will ask national experts to review these construction survey data requirements as well.

Further, on industry-based PPPs, Inklaar presented his paper with Erwin Diewert on a new method for simultaneously comparing industry productivity levels across countries and over time. The new method is illustrated using an industry level dataset and shows that productivity dispersion across 38 countries between 1995 and 2011 has decreased faster in the traded sector than in the non-traded sector. The analysis concluded that world aggregate productivity convergence is driven by China and India through increasing weight (world efficiency) and productivity growth (dispersion). It was also concluded that reliable detailed estimates require dedicated measures, especially on products and services for intermediate use.

PPP extrapolation

Yuri Dikhanov presented the results of PPP extrapolation in Asia and Africa. For Asia, the 2005 and 2011 Asian comparisons were linked and a time-space consistent aggregation was produced, in order to produce estimates for ICP inflation. Then ICP inflation was contrasted with 12 COICOP CPI categories. The CPI was re-estimated in order to eliminate the bias due to index number ICP-CPI inconsistencies. The further irreducible CPI-ICP inconsistencies were produced for 8 countries with available data. It was found that it was possible to reduce the ICP-CPI inconsistencies from 4.5% when using just overall CPI to about 3.5% when using the detailed 12 COICOP CPI categories. In conclusion, using National Accounts deflators for HHCE instead of CPI did not improve the extrapolation consistency.

The second part of the presentation addressed the African comparison. As it was not possible to link the 2005 and 2011 comparisons directly, no ICP inflation could be estimated. However, for 18 countries with available data, changes in CPI (12 components) were compared with changes in PPPs, using the geometric mean for the 18 countries as the base. The resulting inconsistencies were found to be significant, with a max/min ratio of 1.51 for the Madagascar-Malawi pair and a 10% standard deviation at the individual household consumption level.

Sergey Sergeev (Statistics Austria) presented experiments to extrapolate global 2011 PPPs and to build a PPP time series over the period 2005-2013 (data for 157 countries from six regions were used), using national account expenditures and extrapolation indices (national account deflators and detailed CPIs). He concluded that the present set of national account expenditures and extrapolation indices still contains problematic points and these should be reviewed by the RCAs prior to finalizing the experiments. It was agreed that RCAs will review and submit these data before the end of 2015.

Prasada Rao (University of Queensland) presented an econometric approach to the extrapolation of PPPs to non-benchmark years. The approach uses all historically available PPPs from previous benchmark exercises. The results are published in the University of Queensland's International Comparison Database at: <https://uqicd.economics.uq.edu.au/>.

Alternative sources of price data

Marko Rissanen (World Bank) presented a pilot project to study the feasibility of capturing granular high-frequency price data using modern ICT. More specifically, the pilot aims to test the possibility of covering a complete basket of goods and services for household consumption, as well as achieving a representative

set of national average prices through wide geographical coverage, including rural areas. The pilot is being conducted in partnership with Premise Data Corporation in three pilot countries (Brazil, Indonesia and Nigeria), for a basket of 159 household consumption items. The price data, accompanied by a rich set of metadata, including pictures, GPS coordinates, brand and outlet type information, is collected through Premise's global network of smart phone users. In addition to actual price and metadata, a set of analytical products, such as price histograms and package size analysis, was developed during the pilot. It was noted that the World Bank will continue to work on improving data collection procedures and practices jointly with Premise, in order to achieve reliable and qualified price data for a majority of the collected items. It was also noted that extension of the pilot coverage from the original three countries to a total of fifteen countries spanning Africa, Asia and the Pacific, and Latin America is being planned. It was agreed that the World Bank will keep the RCAs and technical experts informed on the progress of the pilot, as well as on the possible uses of the collected data.

Sub-national PPPs

Yuri Dikhanov presented case studies on sub-national PPPs, as part of a joint project with the ADB. For the Philippines, the project used available CPI micro-data to estimate quarterly price levels for 18 regions. The CPI items were harmonized to be made comparable across regions. Weights for aggregation came from detailed household surveys. The result of the aggregation was an estimate of time-space consistent price levels for 27 categories of Individual Consumption, for 18 regions and for 60 consecutive quarters. An important finding was the close correlation of regional price changes over time, with inter-regional price differentials kept fairly constant. Apart from the Philippines, several countries in the region are conducting work on sub-national PPPs, including Vietnam, China, and Thailand. It was agreed that the World Bank will compile an inventory of sub-national PPP projects in various countries.

Bettina Aten (Bureau of Economic Analysis) presented on regional price parities (RPPS) within the United States, and explained that RPPs show percent difference in price levels across regions and for one specific time period.

Poverty PPPs and other applications

Alan Heston (University of Pennsylvania) presented his joint paper with Naresh Nepal on estimating poverty counts using modified PPPs from the 2005 and 2011 rounds of the ICP. The presentation explained the differences between the World Bank approach for calculating global poverty and the approach in the paper, and showed the adjusted poverty threshold for 2005.

Robert Inklaar discussed a barebones subsistence basket approach for producing alternative subsistence PPPs that are more relevant for poverty measurements. The research proposes the use of physiological and not monetary standards, the use of subsistence basket expenditure weights for alternative subsistence PPPs, and comparing price/calorie instead of price/product.

William Vigil Oliver (World Bank) presented a proposed research project on poverty-sensitive PPPs. The project aims to combine existing household survey data with underlying ICP data to produce two sets of poverty-sensitive PPPs, for selected regions: i) poverty PPPs using weights relevant for the poor; and ii) poverty PPPs using weights and items relevant for the poor. Weights and items relevant for the poor will be calculated and carefully chosen using relevant information from standardized household expenditure surveys. The survey standardization process will greatly facilitate the project since all survey items have

been mapped to corresponding ICP basic headings. The ICP team will work on the research project and present its findings at the next RCA meeting.

Majed Skaini presented on estimating children-specific PPPs (i.e. PPPs calculated based on children-expenditure specific items) as an alternative PPP application. The objective is to expand the scope of PPP use at both regional and global levels.

Session III: Discussions on the future

Discussions on the recommendations of the Friends of the Chair Group to the 47th UNSC

Sergey Sergeev presented the current state of proposals and recommendations of the FOC group on the future of the ICP. The FOC group will continue their consultation on these recommendations before they are finalized by end November for the report of the FOC group to the 47th session of the UNSC in March 2016. The final recommendations will be motivated by the 46th UNSC discussion of the preliminary FOC findings in which UNSC members highlighted the need for more frequent ICP activities in the future on a more regular basis, taking into consideration lessons learned from the ICP 2011.

Along this line, the current FOC proposal outlines three main objectives: to shorten the ICP interval, to target 2017 as the next benchmark year, and to integrate ICP into the regular national, regional and international statistical work programs. The current proposal suggests holding the 2017 comparison on a rolling benchmark basis with surveys spanning 2016/17/18. The 2017 comparison would thus be the starting point for more frequent rolling benchmark comparisons.

The meeting participants welcomed the general contours of FOC proposal for the future of the ICP. However concerns were raised in regards to the ambition of the proposal, given the capacity constraints many participating countries face. Specifically, participants noted that starting survey activities in 2016 is likely unrealistic for many countries, as the UNSC decision will only be made in March 2016. In addition, participants flagged the challenge of aligning rolling benchmark survey activities across all regions, as regions will inevitably have differences in timetables or face delays. A more flexible approach was suggested as an alternative, such as having each region complete one cycle of ICP surveys over a three-year period. It is also important to decrease the burden on countries, especially in conducting special surveys. For example, it was suggested that special surveys for gross fixed capital formation could be conducted once every three years. Annual regional and global PPPs can be produced based on a mix of collected data and extrapolations. The meeting also commented that a permanent frequent exercise would not require the same elaborate governance structure as the past 2005 and 2011 benchmark exercises. Thus, it is important to streamline and simplify the governance structure going forward.

World Bank report to the 47th UNSC

Grant Cameron mentioned that the World Bank will submit a report on the ICP interim activities to the 47th session of the UNSC, for information. The report aims at giving the Commission a sense that the ICP has already begun to be a continuous process and that various ICP stakeholders are coordinating interim activities to maintain the momentum from the 2011 round. The report will also play a role in fundraising for the ICP, as various donors are keen on seeing the ICP turn into a permanent frequent activity.

Summary of Meeting Decisions

Household Consumption Global Core List:

- The ICP team will circulate the Eurostat-OECD list for fast evolving technology products (FETP) by end-November 2015 for RCAs' review and feedback.

Housing and Government:

- The ICP team will update the government compensation and housing volume survey forms based on input received during the session, and that all special survey forms will be resent to the RCAs.

Gross fixed capital formation:

- The RCAs will provide input for the machinery and equipment survey list in order to ensure representativity of the list outside the Eurostat-OECD region.
- International consultants will be asked to review the current construction survey data requirements for resource mixes, mark-ups, and professional fees. Additionally, RCAs will ask national experts to review these construction survey data requirements as well.

National Account Quality Assurance Questionnaire:

- The ICP team will further revise the Questionnaire to reflect feedback received during the meeting and will circulate it to the RCAs with the meeting minutes.
- It was agreed that the Questionnaire will be shared with countries and reviewed in regional workshops in order to collect this information by mid-2016, in preparation for the future ICP.

National account expenditures, deflators and consumer price indices for PPP extrapolation:

- The ICP team will resend the submission forms to the RCAs after the meeting, and RCAs will review and submit these data before the end of 2015.

Interim research agenda:

- The ICP team will invite Fred Vogel to draft a research agenda to inform the interim period, covering all the topics identified by the meeting participants.
- The ICP team will invite Prasada Rao and Robert Inklaar to prepare a blueprint of the method to update PPP time series for the World Development Indicators utilizing all available regional PPP updates and price data. The same method could also be used to calculate global annual PPPs once the future ICP starts.

Sub-national PPPs:

- The ICP team, with input from RCAs, will compile an inventory of sub-national PPP projects in various countries.

Timetable:

- It was agreed that the ICP team will prepare and circulate a timetable for the interim period that outlines the timing of various regional PPP updates and the revisions of the global PPP time series.

Annex 1. Agenda

Day 1: October 28, 2015 – MC7-100

08:30 – 09:00	Breakfast
09:00 – 09:30	Welcome and meeting objectives
Session I	Interim regional PPP updates
09:30 – 11:00	Brief update by regional coordinating agencies on post-2011 activities at the regional level
11:00 – 12:30	Finalizing survey materials for regional PPP updates: global core lists and survey forms
12:30 – 14:00	Lunch break
14:00 – 15:30	National accounts and price deflators <ul style="list-style-type: none">- Review of national accounts questionnaires- Expenditures, deflators and CPIs' availability and quality- Technical assistance strategy to improve expenditures and price deflators
15:30 – 16:30	Abridged expenditure classification for the future
16:30 – 17:00	Next steps and timeline

Day 2: October 29, 2015 - MC 7-100

08:30 – 09:00	Breakfast
Session II	Interim technical agenda
09:00 – 10:00	Setting up an interim technical agenda
10:00 – 11:00	Linking interim regional PPP updates and filling “gaps” in regional and global PPP time series
11:00 – 12:00	Productivity issues <ul style="list-style-type: none">- Government compensation- Construction
12:00 – 12:30	Industry-based PPPs
12:30 – 14:00	Lunch break
14:00 – 15:30	PPP extrapolation <ul style="list-style-type: none">- Extrapolation of regional PPPs: Case studies- Extrapolation of global PPPs: Findings from experiments
15:30 – 16:30	Alternative sources of price data <ul style="list-style-type: none">- Approach and preliminary findings from a pilot study- Possible uses of alternative sources of price data
16:30 – 17:00	Sub-national PPPs: Case studies

Day 3: October 30, 2015 - MC 7-100

08:30 – 09:00	Breakfast
Session II	Interim technical agenda (cont'd)
09:00 – 10:00	PPP applications for poverty
10:00 – 10:30	Experimenting with alternative PPP applications
10:30 – 11:00	Next steps
Session III	Discussions on the future
11:00 – 12:00	Discussion of the Friends of Chair Group recommendations to the 2016 UNSC

Annex 2. List of participants

Name	Organization
AbuShanab, Hanan	World Bank
Accibas, Valerica	CIS-STAT
Aten, Bettina	Bureau of Economic Analysis
Beer Prydz, Espen	World Bank
Cameron, Grant	World Bank
Chen, Shaohua	World Bank
Dabalén, Andrew L.	World Bank
Dikhanov, Yuri	World Bank
Djayeola, Biokou Mathieu	World Bank
Fu, Haishan	World Bank
Gasic, Marjanca	Eurostat
Hamadeh, Nada	World Bank
Heston, Alan	University of Pennsylvania
Inklaar, Robert	University of Groningen
Josyula, Venkat	IMF
Koechlin, Francette	OECD
Kosarev, Andrey	CIS-STAT
Mariasingham, Joseph	Asian Development Bank
Mitchell Jolliffe, Dean	World Bank
Nsabimana, Maurice	World Bank
O'Hanlon, Niall	IMF
Rafei, Leila	World Bank
Rao, Prasada	University of Queensland
Reinsdorf, Marshall Budd	IMF
Rissanen, Marko Olavi	World Bank
Roberts, David	World Bank
Sangraula, Prem	World Bank
Savio, Giovanni	UN-ECLAC
Sergeev, Sergey	Statistics Austria
Signo Kouame, Christelle	World Bank
Skaini, Majed	UN-ECSWA
Song, Inyoung	World Bank
Thomas, Jim	Bureau of Labor Statistics
Van der weide, Roy	World Bank
Vigil Oliver, William	World Bank
Vogel, Fred	World Bank
Yamanaka, Mizuki	World Bank