Statistical Commission
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Item for information: International Comparison Programme


Note by the Secretary-General

The Commission has before it the report of the World Bank on the International Comparison Programme (ICP). The report prepared by the World Bank outlines the final stages of implementation of the 2011 round. The report describes the concluding governance activities undertaken for the round as well as the release of the ICP 2011 results and the accompanying documentation. Additional information is provided regarding the uses of the ICP 2011 results and related outreach activities. The Friends of the Chair evaluation of the ICP 2011 was initiated by the Commission and an overview of the involvement and activities of the World Bank related to its progress is highlighted in this report.
I. INTRODUCTION

This report provides the Commission with a comprehensive update on the conclusion of the 2011 round of the International Comparison Programme (ICP), with specific emphasis on the activities that took place from October 2013 – November 2014. The report has five sections covering (i) governance and supporting technical activities; (ii) release of the ICP 2011 results; (iii) ICP 2011 documentation; (iv) media coverage, uses of the ICP 2011 results, and outreach activities; and (v) update on the evaluation of the ICP 2011 round.

II. GOVERNANCE AND SUPPORTING TECHNICAL ACTIVITIES

A series of governance and technical meetings were held from October 30, 2013 through March 3, 2014 as the six year round of ICP 2011 entered its final stages. These series of meetings ensured the ICP’s high standard of due diligence was met from three perspectives: sufficient oversight of the process by the Executive Board, satisfaction with the depth and thoroughness of the review of the methodological foundations of the ICP, and assurance of the validation of results in advance of the April 30, 2014 publication of summary results.

As reported last year to the Commission, the ninth meeting of the Executive Board, held on October 30, 2013, addressed the critical stage of finalizing the computation process and publishing the results. For quality assurance, the Board formed a Special Task Force to review the global results, with a special emphasis on the economic consistency of the results of the largest economies. The task force was requested to address technical issues related to the impact on the results of the largest economies, the representativity of global core products priced, the validation process and review of outliers, and the treatment of construction and housing. To allow for the additional results review step, the Board decided that the date of publication of the ICP summary results should be postponed to the early 2014. In addition, the Board endorsed the ICP 2011 communication strategy and recommended that the 2011 evaluation be conducted through the Friends of the Chair modality.

Further as reported last year to the commission, several technical groups, namely the Results Review Group, Special Task Force and the Computation Task Force, held their meetings after the ninth Board meeting.

The Results Review Group was formed to provide adept review of the ICP 2011 results and to ensure the highest quality is achieved. The Group, made up of several prominent Technical Advisory Group experts, held its first on November 19, 2013 in Washington, DC, to discuss the current set of preliminary results; the comparison of 2011 benchmark results with 2011 extrapolated PPPs and volume measures in the World Development Indicators; and the consistency between 2005 and 2011 ICP results.

Subsequently, to ensure their work could be completed in compliance with the ICP release schedule, the Special Task Force met from November 21-22, 2013 at the World Bank in Washington, DC to discuss and thoroughly examine the quality assurance issues surrounding the results of economically large countries.

Lastly, a parallel technical group, the Computation Task Force, met in Washington, DC from December 2-3, 2013 to ensure that their parallel and independent processes of global computation converged to the same results. They harmonized their approaches and methods and reviewed the preliminary results generated through the fourth round of computation of results.
The sessions were productive and led to an agreement on detailed guidelines for the subsequent rounds of computation and a strict timetable to produce the results.

The tenth meeting of the ICP 2011 Executive Board took place on January 24, 2014, at the World Bank in Washington, DC to confirm the due diligence undertaken for ICP 2011; ensure quality global results; and agree upon an action plan towards the release of the final global results. Meeting discussions related to activities since the ninth Board meeting – in particular the findings of the Special Task Force and the Computation Task Force; review of the ICP 2011 preliminary global results; and the release of the ICP 2011 final global results. At the meeting, the Board agreed that the due diligence and additional work conducted since the ninth Board meeting reinforced the quality of ICP estimates, but stressed that any remaining technical work required for the final stages of the ICP 2011 be openly shared and discussed to ensure the process conforms with the UN Principles for Official Statistics. Additionally, the Board instructed the Global Office to delay the release of the final ICP 2011 results and final report to spring 2014 to ensure there was time to produce communication materials that clearly spelled out the uses and limitations of the estimates in various policy applications.

In compliance with the ICP release schedule, the second meeting of the ICP 2011 Results Review Group was held from February 10-11, 2014 in Washington, DC. The purpose of the meeting was to review the results from the final computations of the global purchasing power parities (PPPs) and real expenditures. The data review included an assessment of the effect of changes in methodology between 2005 and 2011, a final review of the linking methods and the resulting tables of ICP 2011 results, and a discussion regarding the results of major economies.

The Results Review Group also discussed issues regarding the use of PPPs for establishing international poverty lines as affected by the level differences between the 2005 and 2011 PPPs. Additionally, there was a discussion on how to reconcile benchmark PPPs with time series PPPs that are based on gross domestic product (GDP) growth rates.

The eleventh meeting of the ICP 2011 Executive Board took place on March 2, 2014 in New York to review the process leading to the creation of final technical papers, review and endorse the final ICP 2011 global results; provide feedback on the outline of the ICP 2011 final report; and determine a date for publication of the ICP 2011 final global results. The Board approved the two-step approach for releasing the ICP 2011 global results. Summary results along with key documentation would be released on April 30, 2014, followed by a comprehensive report that would include the full set of results and more comprehensive documentation in the summer of 2014.

With the Board endorsing the ICP estimates, the eleventh meeting of the Regional Coordinators was held on March 3, 2014 in New York. The discussion focussed on the implications of the eleventh Executive Board meeting decisions; and regional and global publication and communication plans. A plan was established to achieve final results according to the publication deadlines.

III. RELEASE OF THE ICP 2011 RESULTS

The Summary of Results and Findings of ICP 2011 was released on the ICP website (http://icp.worldbank.org/) on April 30, 2014. Data for PPP based measures of GDP and its
main aggregates for 177 participating economies was featured along with partial GDP coverage for an additional 22 economies.

The announcement of the summary results was undertaken in line with the ICP 2011 communication strategy approved by the ICP Executive Board, which the Global Office implemented in concerted effort with the World Bank communications team. Publicity efforts included a multilingual press release, media call, social media coverage, and various media interviews.

Following the publication of the summary results and findings, detailed results were released on June 20, 2014. The data cover 26 expenditures categories for goods and services, and several indicators including PPPs, expenditure shares of GDP, total and per capita expenditures in USD both in exchange rate terms and PPP terms, and price level indices for 177 economies. Partial results are available for selected economies and Pacific Islands. Also included are imputed PPPs at the level of the GDP for non-participating economies.

The ICP 2011 results can be accessed through web resources for retrieving and reporting related data, including the ICP Data Portal, the ICP Data Finder app (for Android and iOS tablets), and ICP Data Visualization. Using these web resources, users can customize the ICP 2011 data online by preparing reports, charts and maps.

In addition to the global results, which express PPPs in relation to $US, links to the regional results (expressed in regional numeraires) are also made available via the ICP website.

Finally, beyond what is publicly available, researchers may request access to unpublished detailed data and metadata from the 2011 round of the ICP by submitting an application to the World Bank Development Data Group, in accordance with the 2011 ICP Data Access and Archiving Policy.

As planned, ICP 2011 can boast the most expansive country coverage of any PPP exercise undertaken to date. Final participation included 50 economies in Africa; 23 in the Asia and Pacific region; 9 in the Commonwealth of Independent States; 17 in Latin America; 22 in the Caribbean; 12 in Western Asia; 21 in the Pacific Islands; 2 singleton economies (Islamic Republic of Iran and Georgia); and 47 in the Eurostat-OECD PPP Program. There were four dual participating economies, bringing the total to 199, of which 177 participated at the full GDP level, while the remaining 22 participated on a partial basis.

IV. ICP 2011 DOCUMENTATION

The ICP 2011 entails a plethora of information and data that the ICP aims to be widely used and shared by the ICP communities and stakeholders at all levels. To the greatest extent possible, much of the information and data is shared via the ICP website and in other documented formats. Documentation has been abundant throughout the round and was very strong in the final year of the program. In particular, the summary report, full report, operational guidelines and procedures, and documented governance activities expounded below reflect the ICP 2011 efforts to spread information and be the most transparent round ever.

A. Summary Report

The Summary Report, “Purchasing Power Parities and Real Expenditures of World Economies: Summary Results and Findings of the 2011 International Comparison Program” was released on the ICP website on April 30, 2014. It provided a summary of the ICP 2011 governance, methodologies, and processes. The results of ICP 2011 show that the world has become more
equal because household consumption and GDP values in most poor countries are larger relative to the United States than previously believed. The shares of the world GDP of large economies such as China and India have more than doubled relative to the United States between 2005 and 2011. These findings have fueled a debate about the quality of the ICP 2005 data compared to the ICP 2011 benchmark results and also the quality and relevancy of the extrapolations prepared by the World Bank and published in the World Development Indicators (WDI).

B. Final Report

The Final Report of the ICP 2011, “Purchasing Power Parities and the Real Size of World Economies: A Comprehensive Report of the 2011 International Comparison Program” was released on the ICP website on October 28, 2014. The report contains a wealth of information, including the full set of results and in-depth analysis of volume and per capita measures with thorough information on methodology. Also detailed are the general background of the ICP, further analysis of the 2011 results, the conceptual framework and survey methods used, special approaches developed for ICP 2011, as well as the governance and policies of the program.

C. ICP Operational Guide

The ICP “Operational Guidelines and Procedures for Measuring the Real Size of the World Economy” is now fully edited and published on the ICP website. The material complements the Final Report as it describes the approach and data requirements for the main price survey and special surveys, including various guidelines produced and survey forms. It also covers the framework and requirements for National Accounts activities for the ICP. In addition, guidelines are provided for data validation, computing national annual averages, calculating regional PPPs at various levels of aggregation, as well as for the linking of the regional PPPs.

D. Governance Activities Documentation

In addition to minutes of the governance meetings mentioned under the governance activities, the process, papers, and discussions of the Technical Advisory Group leading to the choice of new methodology implemented in 2011 are all available on the ICP website. Noteworthy examples are the discussions and research leading to the use of the country aggregation with redistribution procedure, and productivity adjustments.

V. MEDIA COVERAGE, USES AND OUTREACH ACTIVITIES

A. Media and Blog Coverage of the April 30 release

ICP results received remarkable media coverage worldwide with headline news articles, blogs, video clips, and major stories featuring the ICP results. The buzz was instantaneous as the release prompted a vigorous debate about the size of economies. For instance, Bloomberg featured an article titled, “China Set to Overtake U.S. as Biggest Economy Using PPP Measure” the day the summary results were released and later published other materials about the findings of ICP 2011 results. The role of PPPs in poverty measurement continues to be another hot topic in articles such as the “World Bank eyes biggest global poverty line increase in decades” by the Financial Times.

results were published by Financial Times, Brookings Institution, the Center for Global Development, and the World Bank. A complete listing of the media and blog coverage may be found on the ICP website.

B. Uses of ICP 2011 Results

Once released, the ICP 2011 results were quickly utilized in numerous papers, publications and reports. Most prominently, the United Nations Development Programme utilized the results in its Human Development Report 2014. The results are also incorporated in the 2014 World Development Indicators as well as the University of Queensland International Comparisons Database. Additional papers are being published with findings based on the ICP 2011 results. A comprehensive list of the uses of ICP 2011 results is maintained on the ICP website.

C. Conferences and Seminars

The thirty-third General Conference of the International Association for Research in Income and Wealth (IARIW) took place in Rotterdam, the Netherlands from August 24-30, 2014. The program included discussions of the most recent developments in the measurement of national accounts and in the area of income and wealth distribution. It enabled statisticians and academics from around the world to exchange ideas. A session titled, “Measuring the Size and the Structure of the World Economy - Part I” was held on August 28, 2014 and covered materials relevant to the ICP. Papers presented methodological innovations, results and findings of the 2011 round; comparisons of hospital prices, revisions to global income comparisons; measures of inequality in global production and trade; and an index approach to assess the reliability of PPPs in China. On August 29, 2014, Part II of the session covered materials including: Penn World Tables; econometric estimation and aggregation of PPPs of components of GDP; space-time inconsistency of the system of national accounts; intra and inter country food PPPs; sub-national PPPs; as well as inequality and poverty in Africa. Overall, much interest was on the ICP 2011 results in addition to the differences between the extrapolations and benchmarks. Further information is available online (http://www.cbs-events.nl/iariw/home/).

A workshop titled "Inter-Country and Intra-Country Comparisons of Prices and Standards of Living" was held in Arezzo-Florence, Italy from September 1-3, 2014. Papers presented included “Computation of Standard Errors for PPPs in the ICP”, “Flaw of one price; the ICP in Historical perspective”, and “A Least Squares Approach to Imposing Within-Region Fixity in the International Comparisons Program”. A round table discussion on the future of ICP specifically examined the lessons learned and recommendations for the future. The participants had three main recommendations to further improve the ICP: (i) the ICP should be implemented on a more frequent basis, according to the rolling benchmark approach, and applying an improved method of extrapolation; (ii) sub-national PPPs should be compiled at least as an initial specific project, and ways should be explored to mainstream relevant activities in countries’ routine work related to CPI and ICP; and (iii) alternative sources of price data should be used in PPP computation to reduce the cost. Details on the workshop, such as the many great papers presented, are available via their website (www.polo-uniar.it).

Several seminars regarding the ICP 2011 results took place at the World Bank in Washington, DC for various audiences. The World Bank Poverty and Inequality
Measurement and Analysis Practice Group organized a seminar entitled “2011 PPPs: The nuts and bolts” on May 15, 2014 that discussed the methodology and processes underlying the calculation of the 2011 PPPs. The recorded presentation and discussions are posted on the Practice Group website (http://spapps.worldbank.org/apps/Poverty/PIMAPG/default.aspx). The World Bank Group Executive Board of Directors organized a technical briefing of the ICP 2011 round on May 19, 2014 that covered an overview of the ICP, PPPs and their uses, overview of ICP 2011 results, calculation of the results, ICP 2011 improvements and limitations, and the next steps for the program. Angus Deaton, the Dwight D. Eisenhower Professor of Economics and International Affairs at the Woodrow Wilson School of Public and International Affairs and the Economics Department at Princeton University, lectured on June 16, 2014. He discussed the difference in the ICP 2011 results from those that were previously produced from extrapolation of the ICP 2005 results. The details can be found in his paper, co-authored with Bettina Aten, “Trying to understand the PPPs in ICP 2011: why are the results so different?” which is available online (http://www.princeton.edu/~deaton/papers.html). Martin Ravallion, Edmond D. Villani Professor of Economics, Department of Economics, Georgetown University lectured on July 9, 2014 about his paper, “An Exploration of the International Comparison Program’s New Global Economic Landscape.” Discussion surrounded detailed analysis on why the ICP 2011 differed from what the World Development Indicator extrapolations based on ICP 2005 indicated. This paper is also available online (http://www.nber.org/papers/w20338.pdf). Lastly, a brown-bag lunch titled, “ICP Multichannel Data Dissemination System” was organized on September 17, 2014 where attendees were shown how to utilize the ICP Data Finder application to access the ICP 2011 results and access ICP data via the ICP Data Portal.

D. ICP Quarterly Updates

The Global Office continues to share ICP Quarterly Updates with the ICP community on a quarterly basis. The updates keep the ICP community abreast of the governance meetings, activities, publications, global and regional results, data access, and the like. All ICP Quarterly Updates are available on the ICP website.

VI. UPDATE ON THE EVALUATION OF THE ICP 2011

At its ninth meeting in October 2013, the ICP Executive Board discussed possible modalities for the evaluation of the 2011 round of the ICP, and concluded that the Friends of the Chair group is the preferred modality for the evaluation. At its forty-fifth session, the United Nations Statistical Commission (UNSC) established the Friends of the Chair group to carry out the evaluation of the 2011 round, the findings of which will be reviewed at the forty-sixth and forty-seventh session of the UNSC in 2015 and 2016, respectively. The group is co-chaired by the statistical offices of Austria and India.

The first meeting of the co-chairs of the Friends of the Chair evaluation of the 2011 round of the ICP was held on June 17, 2014 via virtual connection. The composition of the Friends of the Chair group, its terms of reference, and timetable for the evaluation were discussed. The meeting was very constructive and it was decided that the outputs of the evaluation would include a preliminary report to the forty-sixth session of the UNSC in November 2014 followed by the final report to the forty-seventh session of the UNSC in November 2015.
The evaluation of the ICP 2011 has begun with a survey based on a questionnaire conducted by the statistical offices of Austria and India, the co-chairs of the Friends of the Chair group. The questionnaire focused on governance, technical, and methodological issues with the purpose of surveying the experiences of stakeholders closely involved in the implementation of the ICP 2011. This survey was followed up with an in-depth interview of members of the ICP Executive Board, Technical Advisory Group and the Global Office. The results of this questionnaire and findings of the Friends of the Chair are reflected in their preliminary report to the forty-sixth session of the UNSC in November 2014.

**VII. CONCLUSIONS**

The immense publicity and utilization of the ICP 2011 results attest to the strong need for such programs and prove that the results will be very valuable to academics and decision makers alike. The ICP has not only produced new and improved comparisons of real measures of GDP and its components along with comparisons of national price levels; it has also helped improve the availability and quality of national accounts data in a number of economies.

The ICP has become the world’s largest international statistical initiative in its coverage of the global economy and the scope of the GDP and its aggregates. No other statistical initiative requires the amount of cooperation needed across countries and regional organizations to determine what to price, when to price, and how to aggregate results to obtain global PPPs. This spirit of cooperation prevailed throughout the ICP 2011 round.

The completion of ICP 2011 is a tribute to the 199 participating economies, regional coordinators, and other international institutions. This display of cooperation ensures the future of the ICP regardless of the form it takes.