

International Comparison Program

Technical Advisory Group

Agenda for Meeting of May 21-23, 200 (including notes)

Meeting room: World Bank, MC 10-715

May 21, Wednesday

9:30 – 12:30

Welcome. Shaida Badiee, Director, DECDG

Overview of Progress to Date. Fred Vogel, Global Manager

Role of the Technical Advisory Group. Edwin Dean, TAG Chair, and Fred Vogel

1. Data collection and estimation of parities at basic heading level. Consideration of EKS and SPDs (structured product descriptions). Discussion of possible variants of these methods.

- *Merits of the EKS and CPD; use of SPDs in combination with either EKS or CPD*
- *Discussion of other techniques, including variants of the above techniques*
- *Problems of implementing SPDs from a practical perspective*
- *If SPDs are used, at which level (data collection, national statistical office, sub-region, region) are the item characteristics entered into an electronic format?*
- *Possibility of a simple weighting system at basic heading level (e.g., very important, somewhat important and not of importance)*
- *Estimation of national average prices*
- *Checking of prices, including system for identifying outliers for review and role of countries and sub-regions (if any) in checking of prices*
- *Update on the IMF-WB effort to collate EU-OECD item codes with the U.S. BLS CPI checklists. Possible role of these codes in SPDs.*
- *Obstacles presented by country confidentiality rules*

2. Classification system: Definition and number of basic headings and related main aggregates. Problems with expenditure weights.

- *Consideration of new EU-OECD minimum classification; its possible use for all regions*
- *Relation of classification system to available expenditure lists at country level*
- *Procedures for agreeing on regional (and sub-regional?) modification of minimum classification*

- *What approach should be taken to countries that simply do not have detailed expenditure data?*
- *Relation of main aggregates to basic heading classification; ensuring uniformity in main aggregates among regions*
- *Treatment of items that may take on negative values*

12:30 – 1:45 Lunch. World Bank Dining Room. We will eat in a private room.

1:45—5:30

3. How to price government services, health and education (both public and private), rents, construction and major equipment items?

- *Regarding “comparison-resistant services”: when price collection proves possible, how will quality adjustments across countries be made?*
- *Review of Szilagyi method for general government*
- *Since regions will follow different procedures, how will these be integrated with the ring country comparisons?*
- *Rent comparisons: can rents be associated with housing characteristics in many countries?*
- *Fall-back procedure where rental markets are thin and/or where countries use substantially different procedures to estimate rents*
- *Review of “components approach” for construction PPPs*
- *Developing weights for “components” within and between projects*
- *Specification of characteristics of units of capital equipment*
- *Possible use of exchange rates in developing PPPs for capital equipment; can the limitations of this method be overcome?*

4. Ring countries and linking. Number and identity of ring countries; linking procedures. Criteria for deciding these questions. How many ring countries are needed? Could reliable results be produced with fewer than 18 countries?

- *Review of past understandings of the “ring method”*
- *What should be the criteria for defining a “good” implementation of the ring method?*
- *Choice of countries: choice based on prior criteria? Judgmental choice based, perhaps, on selection of countries that presently have high quality data or high quality data-collection capabilities? Review of list prepared during July 2002 Expert Group Meeting.*
- *How many countries are needed? Cost advantages of a group of 10 countries rather than 18 or more.*
- *Selection of items to be priced in ring countries*
- *See also item 7 below, the research agenda*

May 22, Thursday

Morning

5. Timing and coverage of next ICP round. If next ICP round covers only total consumption rather than total GDP, what would be the consequences? Would these consequences be more unfortunate than preparing total GDP for a smaller number—say 80—countries? Could useful PPPs at the level of GDP be estimated by scaling up consumption PPPs? If total GDP is estimated, would it be feasible to collect only household consumption in 2004 and the rest of consumption and other GDP components in 2005?

- *These questions require discussion because of the trade-offs between availability of resources, quality of the data released, coverage of the data, and time available for data collection and processing.*

Afternoon

6. Comments on chapters of draft ICP Handbook.

May 23, Friday

Morning

7. Consideration of a research agenda. Research projects were discussed at the July 2002 Expert Group meeting. Other projects have been suggested more recently. Projects should be discussed and tentatively ranked by (1) degree of urgency—which projects must be completed soon for use in the current round—and (2) degree of importance—which projects will contribute most in the long term to the quality of the ICP.

- *Progress to date in the IMF-WB research on collating EU-OECD item codes with the U.S. BLS CPI checklists (see also item 1 of this agenda)*
- *Methods of aggregation across headings for future ICP rounds (i.e., rounds after the current round): i) minimum spanning tree approach of Robert Hill as applied to countries within country groups, ii) a modified Ikle approach, iii) the share and additive methods of Diewert and Sergueev, and iv) the modified CPD approach suggested by Rao.*
- *Alternatives for estimation within the ring country framework; possible use of CPD to estimate heading parities; possibility of linking at the heading level; consideration of G-K and EKS for linking. Which procedures could be used for current round and which could only be used for future rounds?*
- *Issues in the valuation of housing services. Implications of current national accounting practices and the ICP. Further exploration of Sergueev's suggestions regarding practices in centrally-planned economies.*

- *Problems in the estimation of comparison-resistant services. Examples are estimation of quality differences among countries; improving upon the equal-productivity assumption; alternative methods of estimating output of education and health services.*
- *Parities for construction: estimation of weights for “components”; treatment of profits and architectural fees; possible integration of methodology with Eurostat-OECD practice.*
- *Quasi and non-benchmark countries: PPPs for areas like Puerto Rico and Taiwan; large countries that have not yet participated in a benchmark covering the whole country; evaluating short-cut methods for countries that will not fully participate in a PPP exercise.*
- *Extrapolations: moving benchmark estimates backwards and forwards. This topic would include estimation of PPP-adjusted growth rates and would cover the assessment of alternative ways of using multiple benchmarks to estimate national and regional growth rates.*
- *Theoretical underpinnings of the ICP. Presently, there is no unified theoretical model underlying the ICP. For example, should measurement methods be reconciled with a model that includes an objective function for world income (or for individual countries’ incomes) and a set of constraints?*

8. Aggregation technique above the basic heading level. Consideration of EKS, GK, and possibly other techniques.

- *Note the recommendation of July 2002 expert group meeting to use both EKS and Geary-Khamis for aggregation above the basic heading level for next ICP round. (See also item 7 above—research agenda—for discussion of research into alternative aggregation techniques for future rounds.)*

Lunch. A box lunch will be served in the meeting room. Work will continue during lunch, to permit those who must fly to Europe to leave by 2:00 p.m. Others may decide to work beyond 2:00.

Notes:

- The session will start at 9:30 on the first day. The group will decide its work schedule for other days.
- Coffee will be served at 11:00 and 3:30 every day.
- A computer for PowerPoint presentations will be available in the meeting room.