Statistical Commission
Forty-Fifth Session
------- March 2014
Item -- (-) of the provisional agenda
Items for discussion: 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 on behalf of the Executive Board of the International Comparison Programme outlines the status of implementation of the 2011 round. The report describes the computation of the ICP 2011 estimates; the governance activities that were carried out to support the computation process and review the preliminary results; the schedule of publication of the final results and the related communication strategy; the knowledge material prepared for the ICP 2011 round; the revision policy of Purchasing Power Parities (PPPs) statistics; and the plans for the evaluation of the ICP 2011 round. The Commission may wish to review the progress with respect to the publication of the final results, and establish the ICP Friends of the Chair group to carry out the evaluation of the ICP 2011 round.
I. INTRODUCTION

This report provides the Commission with a comprehensive update on the status of the implementation of the 2011 round of the International Comparison Programme (ICP), with specific emphasis on the activities that took place from November 2012 – November 2013. The report has eight sections covering (a) governance activities; (b) computation and schedule of publication of the ICP 2011 results; (c) knowledge material; (d) communication strategy and outreach activities; (e) revision policy of Purchasing Power Parities (PPPs) statistics; and (f) evaluation of the ICP 2011 round.

II. GOVERNANCE ACTIVITIES

To address the highly critical components of the final year of the ICP 2011 round, various meetings of governance bodies were held. These included meetings of the Executive Board, Technical Advisory Group, Regional Coordinators, Computation Task Force, and Results Review Group.

A. Executive Board Meetings

The Executive Board held two meetings in 2013: its eighth meeting on February 24 in New York and its ninth meeting on October 30 in Washington, DC.

At its eighth meeting, the Board reviewed the timetable and deadlines and stressed the critical need for timeliness. Additionally, the Board requested that the Global Office prepare and share bi-monthly status reports of the progress of the programme. The Board requested to review the preliminary results ahead of the release date. It was agreed that high-level ICP missions would be conducted to economically large countries where inconsistencies in the data remained after the data validation process was concluded. The Board highlighted the need for a general ICP revision policy and an ICP communication strategy to better appeal to policy-makers.

The ninth meeting addressed the critical stage of finalizing the computation process and publishing 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 Special Task Force was tasked to specifically address technical issues related to the impact of the following aspects on the results of these economies: the representativity of global core products priced, the validation process and review of outliers, as well as the treatment of construction and housing. To allow for this additional result review step, the meeting decided that the ICP results publication date should be postponed to March 5, 2014. Additionally, the Board endorsed the ICP 2011 Communication Strategy, and recommended that the ICP 2011 evaluation should be conducted through the Friends of the Chair modality.

As per the Board decision, the Special Task Force met from November 21-22, 2013 at the World Bank to discuss and thoroughly examine the quality assurance issues surrounding the results of economically large countries.
B. Technical Advisory Group Meetings

The Technical Advisory Group held two meetings in 2013: its eighth meeting from May 20-21, 2013 in Washington, DC and its ninth meeting from September 25-27 in Washington, DC.

The eighth Technical Advisory Group meeting assessed the quality of preliminary datasets and findings. The Technical Advisory Group addressed methodological issues on dwellings, government compensation, equipment, and construction. They also reviewed the validation of the 2011 National Accounts data and issues related to the consistency between the 2005 and 2011 ICP results. The most crucial output of the meeting was to examine the consistency of the global core prices and to discuss how best to handle outliers. The meeting was fruitful and the Technical Advisory Group recommended that weights of 3:1 be applied to the important/non-important products at both regional and global levels. The Technical Advisory Group agreed with the proposal that the Eurostat-OECD real expenditures on education should be linked through Latin America. It was also decided that the Pacific Islands would be linked via Fiji, Australia and New Zealand.

At its ninth meeting, the Technical Advisory Group considered preliminary ICP 2011 estimates that showed that global linking via the global core list approach is feasible. The approach for housing was reconsidered and it was determined that a method similar to what was done in the 2005 ICP would be used. In the critical stage of the program, it was reiterated that outliers that could not be justified economically should be deleted by the ICP Global Office.

C. Regional Coordinators’ Meetings

The Regional Coordinators held three meetings in 2013: its eighth meeting on February 22 in New York. The ninth meeting was held from May 22-24 in Washington, DC, and its tenth meeting from September 23-24 in Washington, DC.

The eighth meeting reviewed and discussed four issues notes related to: high-level ICP missions; enhancing the comparability of the ICP 2005 and 2011 results; testing the impact of different methods and weights for importance indicators on the ICP 2011 results; and the ICP validation steps. Regional Coordinators also reviewed the status of data submission and confirmed a strong commitment to the way forward.

The ninth meeting focused on data review and validation to highlight the issues and incorporate the recommendations made at the eighth Technical Advisory Group meeting in order to improve the data. Analyses lead to concrete decisions regarding household consumption data as well as special surveys, metadata, linking, and data gaps.

The tenth meeting covered ICP progress reports, review of data quality, review of metadata quality, and the timetable and final results. The meeting specifically addressed the actions to be carried out by the Regional Coordinators and the Global Office in order to resolve remaining issues and adhere to the set timetable to publish the 2011 results.

D. Computation Task Force Meetings

The Computation Task Force met in Washington, DC on September 26 and December 2-3, 2013 to ensure that their parallel and independent processes of global computation converged to the same results. They thus harmonized their approaches and methods and reviewed the
preliminary results generated through the fourth round of computation. 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 by January 31, 2014.

E. Results Review Group Meeting
The Results Review Group, made up of several prominent Technical Advisory Group experts, was formed to provide adept review of the ICP 2011 results and to ensure the highest quality is achieved. The experts of the Results Review Group met on November 19, 2013 in Washington, DC. The meeting was attended by the World Bank Senior Vice President and Chief Economist. The meeting specifically covered poverty issues arising from: 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.

III. COMPUTATION AND PUBLICATION OF THE ICP 2011 RESULTS
The computation of the ICP 2011 results was carried out by the Global Office and the Computation Task Force independent experts. Extensive validation and simulation work was conducted to ensure the quality of the results and the soundness and reliability of the methodology adopted in the 2011 round.

The Global Office and Computation Task Force examined the differences between the 2005 and 2011 rounds. Comparing the results from these two rounds is tricky, as improvements in methodology were introduced in the 2011 round, including using the Global Core List approach to link the regions, improving the global aggregation method, using the importance notion to classify products, and introducing an improved approach to measuring construction. The final ICP 2011 report will include analysis to estimate the effect of these changes in methodology on the overall results.

The 2011 benchmark results will bring forth new information on the world economies when compared with the current 2011 extrapolated PPPs and volume measures in the World Development Indicators. Differences exist between GDP volume growth rates as measured by the time series national accounts and as implied by PPP benchmarks. The nature of these differences has been investigated since the initial phases of the ICP. The broad reasons for these differences include issues such as the different product baskets used in the time series national accounts deflators and in estimating the PPPs, different computational methods, different weighting patterns, and so forth. Conceptually, it is impossible to maintain consistency in PPPs simultaneously across time and space, no matter which index number formulas are chosen for estimating both the time series price indexes and the PPPs in the selected years. The reason is that index number formulas are designed either to measure price changes over time (e.g., consumer price index) or to measure prices levels between countries (i.e., PPPs), but they are not designed to measure both of these aspects simultaneously. Therefore, the 2011 benchmark results cannot converge with the current 2011 extrapolated PPPs and volume measures in the World Development Indicators.

The work of the Computation Task Force was carried out in compliance with the quality assurance processes and procedures set forth by the Technical Advisory Group and approved by the Executive Board. It underwent further quality review by the Results Review
Group before onward sharing with the Executive Board for their final endorsement. The ICP 2011 results release date will soon be scheduled and will be followed by the publication of the final report in the second quarter of 2014.

IV. KNOWLEDGE MATERIAL

A. ICP Book


B. ICP Operational Guide

The “ICP Operational Guidelines and Procedures for Measuring the Real Size of the World Economy” entails twenty-eight chapters of material that are all available on the ICP website (www.worldbank.org/data/icp). 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, the Guide offers guidelines for data validation, computing national annual averages, calculating PPPs, aggregation, and linking.

V. COMMUNICATION STRATEGY AND OUTREACH ACTIVITIES

A. Communication Strategy

The ICP communication strategy, endorsed by the Executive Board, covers the following elements surrounding the release of the ICP 2011 results: messages, audience, products, media outlets, communication activities and timing.

B. ICP Seminars and Blogs

The fifty-ninth International Statistical Institute World Statistics Congress took place in Hong Kong, China from August 25-30, 2013. The session entitled “Measuring the real size of the world economy: Methodological and quality improvements of the International Comparison Program” was organized by the ICP Global Manager. Members of the Technical Advisory Group, Regional Coordinators as well as Global Office staff contributed and presented papers.

The Washington Statistical Society held a seminar titled “Measuring the Real Size of the World Economy - Methodology and Challenges” at the Bureau of Labor Statistics on November 6, 2013 in Washington DC. The ICP Global Manager, the co-Chair of the Technical Advisory Group and a Professor at the University of Pennsylvania briefed participants on the conceptual framework of the ICP and presented an overview of the statistical methods used to estimate Purchasing Power Parities, changes made from the ICP 2005 round, and the possible impact on the final ICP 2011 results.
The World Bank Africa Statistics Practice Group celebrated African Statistics Day on November 8, 2013 with the theme “Promoting Quality Statistics for Africa’s Progress”. One of the event’s parallel session was on "International Comparison Program for measuring Africa’s progress". The ICP Team Leader made a presentation on the International Comparison Program and its application within Africa, the upcoming release of the results of the 2011 round of the program, and the way ahead.

The ICP Global Office posted its first blog on June 17, 2013. It announced the upcoming release of the results from the 2011 round of the ICP, which would be followed by a more in-depth report in 2014. The post was shared with the World Bank and data users via the Open Data blog website (http://blogs.worldbank.org/). The Global Office readily responds to comments received from the blogs and will continue to post further announcements on the progress of the programme and the expected release of the ICP 2011 results.

C. ICP Quarterly Updates
The Global Office continues to share ICP Quarterly Updates with the ICP community on a quarterly basis. The updates provide the ICP community with an insider perspective and include several special interviews conducted with various stakeholders. All ICP Quarterly Updates are available on the ICP website (www.worldbank.org/data/icp).

VI. Revision Policy of Purchasing Power Parities Statistics
The ICP revision policy explicitly defines how ICP indicators will be revised and describes the relevant triggers and guidelines, as well as the timing of revisions and the steps to be taken to communicate these revisions to users. The policy stems from user interest to compare ICP results from subsequent benchmark rounds. The Executive Board agreed that revisions should be implemented but acknowledged that the policy is forward looking and its timeframe transcends the current governance of the 2011 ICP. Therefore, the policy will be implemented by the World Bank as the custodian of the ICP 2011 data, and will not pose any additional burden on the countries to provide updated data beyond what they already compile as part of their routine statistical work and report to international agencies (i.e. National Accounts data, population, and exchange rates).

VII. Evaluation of the ICP 2011
The evaluation of the 2005 round of the ICP was carried out by the Friends of the Chair group headed by Statistics Norway. The experience was successful, and thus, the Executive Board recommended following a similar approach and having a Friends of the Chair-type evaluation for the 2011 round under the general auspices of the United Nations Statistical Commission. The Global Office prepared draft Terms of Reference for the Friends of the Chair evaluation of the 2011 round of the ICP. They are included in the Annex to this report.

VIII. Points for Discussion
The Commission is requested to:

a. review the progress with respect to the publication of the final results; and
b. establish the ICP Friends of the Chair group to carry out the evaluation of the 2011 round of the ICP.

A. Background

The International Comparison Program (ICP) is a worldwide statistical initiative aimed at estimating Purchasing Power Parities (PPPs) to be used as currency converters to compare the economic situation of economies around the world. The primary purpose of the ICP is to generate relevant PPP data to convert the Gross Domestic Product - and its sub-aggregates reported in different currencies - into a standard common currency that equalizes the real purchasing power of each of the currencies.

Following the successful completion of the ICP 2005 round under the World Bank management, the United Nations Statistical Commission requested the Bank to take on the global coordination of the 2011 Round. This new round leveraged the successful implementation of the 2005 round. This, together with a concerted effort by international and national statistical agencies, meant that the 2011 round was better planned, managed and coordinated. The ICP Global Office, hosted by the World Bank, worked to broaden the scope of the program, streamline quality assessment processes, improve the poverty relevance of PPP statistics, ensure the sustainability of PPP delivery, and enhance statistical capacity building activities related to the generation of ICP basic data with a specific focus on price statistics and the implementation of the System of National Accounts.

One of the biggest challenges related to the scope of the program which was enlarged to accommodate as many as 199 countries/economies: 50 from Africa; 23 economies in Asia-Pacific; 9 countries in the Commonwealth of Independent States (including Russia that also participates in the Eurostat-OECD program); 17 in Latin America; 12 in Western Asia (including Sudan and Egypt that also participate in the Africa program); 22 in the Caribbean; 21 Pacific Islands countries and territories (including Fiji that also participates in the Asia-Pacific program); 47 in the Eurostat-OECD program; as well as Georgia and Iran.

Another challenge arises from the cumulative effect of the two ICP rounds, which takes the ICP from a one-time “snapshot” created by each solitary benchmark into a time series-like environment. Improving the time consistency of ICP indicators is crucial for meeting users’ needs. In this regard, the World Bank is investigating the possible use of information technology to enhance price data collection methods and is exploring new approaches to improve the extrapolation method currently used in the World Development Indicators.

At its 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. The ICP report to the 45th United Nations Statistical Commission will request the Commission to create a Friends of the Chair group consisting of representatives of participating countries to evaluate the 2011 round of the ICP with respect to its scope and activities and make a proposal.
on the desirability of a new round taking into consideration lessons learned from the evaluation.

B. Purpose, Objective and Scope

The purpose of evaluating the ICP 2011 round is to highlight what was achieved and measure how the achievements compare to the goals set forth in the initial plan. The objective of the evaluation is to provide intrinsic feedback that may be used to foster future ICP work. The scope entails a thorough review the following:

a. Governance framework and the implementation of the distinct governance bodies’ roles;
b. Technical aspects and methodological improvements;
c. Quality of data and metadata;
d. Timeliness of targets and publication of results;
e. Meeting user’s needs;
f. Composition and allocation of the ICP budget; and
g. ICP challenges, achievements, and lessons learned for the future of the ICP.

C. Existing information sources

Relevant sources and documentation for the evaluation include, but are not limited to the following:

a. ICP Book, “Measuring the Real Size of the World Economy”
b. ICP “Operational Guidelines and Procedures for Measuring the Real Size of the World Economy”
c. ICP 2011 governance framework
d. Minutes of governance meetings (Executive Board, Technical Advisory Group, Regional Coordinators)
e. Progress Reports to the ICP Executive Board, United Nations Statistical Commission and donors
f. DFID project memorandum and logical framework for funding the ICP
g. Quality Assurance Framework questionnaires
h. Survey Framework questionnaires
i. National Accounts metadata
j. ICP Quarterly Updates
k. ICP Website and Portal

D. Methodology

The Friends of Chair group will agree on the evaluation methodology to be followed, which may include:

a. Reviewing the existing information sources;
b. Carrying out a survey of stakeholders’ views (national statistical offices, regional coordinating agencies, Global Office, donors, etc.); and
c. Conducting interviews with major users.
E. Outputs

The Friends of Chair group is to prepare and provide a report of its findings and recommendations to the United Nations Statistical Commission by mid November 2014. The report will include the results of the evaluation of the ICP 2011 round, which will assess the scope, activities and lessons learned. It will provide recommendations where actionable improvements can be made and a proposal concerning the future of the program.

The evaluation report may include but is not limited to the following suggested elements:

- Executive summary
- Introduction
- ICP background
- Experiences from the ICP 2011 round
  - Governance structure
  - Technical aspects and methodologies
  - Capacity-building
  - Quality of data and metadata
  - Timeliness of targets and publication of results
  - Meeting user’s needs
  - Composition and allocation of the ICP budget
- ICP challenges
- ICP achievements
- Future of the ICP
- Concluding remarks

F. Considerations for Composition

Given that the ICP is a very broad program encompassing both developing and developed countries; it is advisable to have two co-chairs for the Friends of the Chair group – a developed country National Statistical Office, which is part of Eurostat/OECD program, and a developing country National Statistical Office. The membership of the Friends of the Chair should encompass representatives from all participating regions.

The co-chairs of the Friends of the Chair group would be expected to provide contribution-in-kind in the form of staff time. In order to save on cost, the modality should primarily entail deskwork to minimize travel and its associated costs.

The Friends of the Chair group will coordinate closely with the World Bank’s Development Data Group, which holds the institutional memory of the program.

G. Tentative Timing

It is expected that the work program will have the following activities and timetable:

- Setting up the Friends of the Chair group by the United Nations Statistical Commission (March 2014)
b. Preparation of instruments to be used to collect information, if needed (April 2014)
c. Reviewing existing information sources, conducting surveys and interviews, and analysis of the information collected (May - September 2014)
d. Draft report of findings and recommendations (October 2014)
f. Presentation of final report at the 46th United Nations Statistical Commission (March 2015)