

International Comparison Program

2011 International Comparison Program

Note on High-Level Missions

8th Regional Coordinators Meeting

February 22, 2013

New York, NY

Contents

PREFACE 3

1. BACKGROUND 4

2. PRINCIPLES OF DATA VALIDATION 4

3. HIGH-LEVEL MISSION OBJECTIVES 5

4. MISSION ORGANIZATION 5

5. INFORMING THE BOARD AND USERS..... 6

PREFACE¹

This note is prepared to clarify the details on high-level missions to be conducted jointly by the World Bank/Global Office and the regional coordinating agencies concerned to any major country/economy whose ICP prices exhibit inconsistencies with the times series of ancillary data (such as the CPI), with a view to resolving the inconsistencies or confirming any underlying justifications.

¹ This note was prepared by the ICP Global Office at the World Bank, based on material from the Final Report of the Joint Asian Development Bank – World Bank Mission on the Prices of the People's Republic of China for the 2011 International Comparison Program.

1. BACKGROUND

The International Comparison Program (ICP) Executive Board in its meeting on November 13, 2012 discussed in detail the need for high-level missions by the World Bank/ Global Office and regional coordinating agencies to address data validation and data quality issues. The discussions led to a consensus on the usefulness of these missions. The Board decided that high-level missions should be conducted jointly by the World Bank/ Global Office and the regional coordinating agencies concerned to any major country/economy whose ICP prices exhibit inconsistencies with the times series of ancillary data (such as the CPI), with a view to resolving the inconsistencies or confirming any underlying justifications.

The first such mission was conducted by the Asian Development Bank and the World Bank in October 2012 to the People's Republic of China and Hong Kong. The mission was undertaken to discuss concerns on the countries/economies' national annual average prices for the 2011 ICP. The mission specifically aimed to: (i) discuss national average household consumption product prices for the 2011 ICP; (ii) conduct in-country data validation in major regions; and (iii) identify ways to resolve data issues arising from the ICP data review process. In light of the success of this mission, the ICP Executive Board decided to mainstream high-level missions into the overall ICP process and rely on them to resolve inconsistencies in country data unresolved by the data validation process.

The Global Office agreed to prepare a note to clarify details on such missions, hence the purpose of this note.

2. PRINCIPLES OF DATA VALIDATION

In the ICP, it is extremely important that products priced are exact matches to ensure comparability within a country/economy and across countries/economies. It is also crucial that prices within the country/economy are national annual averages. To assess the present quality of data across countries/economies, and ensure comparability across space (spatial comparison), the regional coordinating agencies and the Global Office perform extensive intra-country and inter-country price validation of the national annual average prices of all participating countries/economies. They also conduct temporal analysis, to compare data between the 2005 and 2011 rounds of the ICP.

The Consumer Price Index (CPI) is an established index consistently and regularly updated, and thus, considered an important source for ICP temporal data validation. Significant differences between the ICP-implied price changes and those from the CPI require additional validation on the ICP data.

Another aspect of the validation is to review the implied inflation ratios of the cities/regions covered in the 2005 ICP with the same cities/regions covered in 2011, to understand the effects of changing the sampling framework. This requires reviewing subnational price ratios. These data are vital in explaining the resulting regional and global PPPs, and price behaviors.

A two-stage comparison is done for intra-country price validation. Stage 1 compares 2005 and 2011 ICP prices (levels) for each country/economy, while Stage 2 compares the price trends of the 2005 and 2011 ICP prices with the (CPI) movement over the same period (2005 and 2011).

To compare the ICP and CPI price movements, the PPPs from the ICP data are compared to the official CPI information from that country/economy for the same level of aggregates. CPI information is commonly available at aggregate levels only. After obtaining indices of comparable levels of aggregation for ICP, the movements are then compared with the movement of prices/indices for the same CPI aggregates.

Upon completion of intra-country validation, the indices from the ICP prices are evaluated vis-à-vis their CPI changes to determine if further validation is needed.

The regional coordinating agencies share with the countries/economies all findings from the data validation process and any concerns or inconsistencies identified. These findings are further discussed in regional workshops/meetings. Where needed, technical assistance missions by the regional coordinating agencies and Global Office staff/consultants take place to the countries/economies concerned to help with the validation process. If the data from the concerned countries/economies still exhibit inconsistencies, then high-level missions should be conducted as the next step of the validation process.

3. HIGH-LEVEL MISSION OBJECTIVES

The high-level missions will aim to support the discussion of data issues identified in the validation process with the higher authorities in the statistical offices of the countries/economies concerned, find possible resolutions to these issues, and draw a roadmap for the next steps. Consistent with the ICP's governing principles, the final decision on whether inconsistent numbers remain unrevised rests with the country/economy in question.

Each high-level mission will entail a mission statement that includes:

- (i) an overview of the status of participation of the country/economy concerned in the 2011 ICP, including the scope/coverage, timing and frequency of the country/economy's ICP price surveys;
- (ii) the data issues and findings identified in the data validation process; and
- (iii) a proposal by the relevant regional coordinating agency and the Global Office to address these data issues.

4. MISSION ORGANIZATION

The mission is initiated with a letter addressed to the Head of the National Statistical Organization of the country/economy concerned from the Chief Statistician/Economist of the regional implementing agency and the Director of the World Bank Development Data Group (where the ICP Global Office is hosted).

The mission delegation will be composed of high-level officials from the regional coordinating agency, the World Bank Development Data Group, and the ICP Global Office. Members of the ICP Executive Board may also be invited to participate.

The mission head will prepare a confidential mission report upon the completion of the mission, with input from the mission delegates. The report will highlight the mission activities, discussions, and decisions reached with the high-level officials of the National Statistical Organization concerned. This report will be shared with the Head of the National Statistical Organization. An official response from the Head of the National Statistical Organization shall be included in the final mission report.

The final mission report will be shared on a confidential basis with the ICP Executive Board Chair and members, for their information and action, if any.

5. INFORMING THE BOARD AND USERS

The ICP Executive Board agreed in its 7th meeting that the quality of the 2011 ICP results is the ultimate objective of this exercise, and that users would need to be informed of any data limitation.

Thus, should a participating country/economy choose not to revise data that could be perceived as inconsistent at the conclusion of the high-level mission, the regional coordinating agency and the ICP Global Office reserve the right to document these inconsistencies in footnotes to the data tables in their 2011 ICP final regional and global reports. This would ensure full transparency on the data usage to users of the ICP data and results.