Operational Guidelines and Procedures for Measuring the Real Size of the World Economy

Operational Guidelines and Procedures for Measuring the Real Size of the World Economy

2011 International Comparison Program

WORLD BANK GROUP

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Contents

Foreword *xv*
Acknowledgments *xvii*
Abbreviations *xix*

Introduction **1**
Organization of This Report 2
Summary. 4
Note 4
Reference 4

Part 1. The ICP Framework

1 National Accounts Framework for the ICP **5**
Categories of Basic Headings 5
Identifying Data Sources 6
Five Approaches to Splitting GDP 7
The MORES Model. 9
Conditional Step-by-Step Process 12
Annex A 14
Annex B 20
Annex C 30
Annex D 37
Note 41

2 ICP Classifications **43**
ICP Expenditure Classification 43
ICP Operational Classifications 44
Other International Codes and Classifications 45
Annex A 46
Annex B 68
Annex C 112
Annex D 136
Annex E 143
Annex F. 145

3 ICP Data Types **147**
The Input Approach to Computing PPPs 147
The Output Approach to Computing PPPs 147
National Accounts Data. 148

Part 2. Approach and Data Requirements

4 Household Consumption: Approach and Data Requirements 149
Development of the ICP 2011 Global Core List 149
Process for Developing the ICP 2011 Regional Lists 150
Overall Survey Framework 151
Sources of Variability in Estimating PPPs 156
Time Frame 160
Annex A 161
Annex B 163
Notes 177
References 177

5 Fast-Evolving Technology Items: Approach and Data Requirements 179
Basic Headings Covered 179
Operational Activities 180
Item Specifications 180
Pricing Guidelines 180
Annex 181
Notes 181

6 Water: Approach and Data Requirements 183
Data Collection Form for Water Tariff 184
Water Tariff Systems 184
Definition and Terminology 184
Sources of Information on Water Tariffs 185
Note 186
Reference 186

7 Private Health: Approach and Data Requirements 187
Basic Headings Covered 187
Medical Products, Appliances, and Equipment 187
Outpatient Services 191
Reference 192

8 Private Education: Approach and Data Requirements 193
Survey Frame 193
Item List and Specifications 193
Data Requirements 193
Data Sources 194
Pricing Rules 194
Annex A 200
Annex B 202
Annex C 203
Annex D 204

9 Housing: Approach and Data Requirements 205
Definitions of Housing Stocks 205
Estimating Household Expenditures on Dwelling Services 207
Calculating PPPs for Dwelling Services 208
Rental Specifications 210
ICP Dwelling Services Questionnaire 215
Guidelines for Applying the User Cost Method to Calculate Rents for Owner-Occupied Housing 215
Note 222
References 222

10 Government: Approach and Data Requirements 223
Information Required on Government 223
Annex A 232
Annex B 240
Annex C 242
Annex D 245
Annex E 247
Notes 249
References 249

11 Machinery and Equipment: Approach and Data Requirements 251
Categories of Machinery and Equipment Items 251
Summary of Pilot Study 252
Product List. 252
Objective of the Price Survey. 253
Working Methods. 253
Standard Method for Pricing Equipment Goods 254
Pricing Guidelines 256
Annex A 259
Annex B 260

12 Construction: Approach and Data Requirements. 261
Approach in Brief 261
Review of Alternatives. 262
Selecting Items 263
Establishing Weights 263
Pricing Rules. 264
Pricing of Equivalent Materials 265
Relevance 265
Project Prices 265
Implementation 265
Annex A 267
Annex B 269
Annex C 270
Notes 277
Reference 277

13 Computation of National Annual Averages. 279
Computation of National Averages 279
Computation of Annual Averages 284
Special Surveys: Compensation of Government Employees and Private Education 286

Part 3. Data Validation

14 Validation Tables 289
Quaranta Table. 289
Dikhanov Table. 296
Annex 305
Notes 305

15 Validation of Household Consumption Data 307
Validation Objectives, Means, and Limits. 309
Annex 328
Notes 330

16 Validation of Housing Data . . . 331
Annex A . . . 338
Annex B . . . 342
Note . . . 342

17 Validation of Government Employee Compensation Data . . . 343
Occupation Types . . . 343
Average Remuneration . . . 344
Annex . . . 353

18 Validation of Machinery and Equipment Goods Data . . . 355
Validation of Machinery and Equipment Goods Specifications . . . 355
Validation of Terms and Conditions . . . 356
Further Validation Steps . . . 357
Note . . . 357

19 Validation of Construction and Civil Engineering Data . . . 359
Overview of Approach to Calculating Construction and Civil Engineering PPPs . . . 359
Validation of Construction and Civil Engineering Survey . . . 362
Annex A . . . 367
Annex B . . . 368
Annex C . . . 372
Annex D . . . 377
Annex E . . . 378
Annex F . . . 380
Notes . . . 381

20 Validation of Availability and Importance Indicators . . . 383
Annex . . . 400

21 Validation of National Accounts Expenditures . . . 403
Data Collected . . . 403
Validation Tools . . . 403
Validation Process . . . 404
Annex A . . . 411
Annex B . . . 413
References . . . 420

22 PPP Validation . . . 421
Within-Region Validation of PPPs and Expenditure Weights . . . 421
Between-Region PPPs and Global PPPs . . . 423
Validating Basic Heading PPPs after Linking . . . 425
Validating the Aggregation to GDP . . . 426
Summary . . . 427
Annex A . . . 428
Annex B . . . 430
Annex C . . . 430
Annex D . . . 431
Annex E . . . 431
Annex F . . . 432
Annex G . . . 433
Notes . . . 435
Reference . . . 435

Part 4. PPP Computation and Linking

23 Elementary Aggregation Using the Country Product Dummy (CPD) Method 437
Practical Considerations in Computing the CPD 437
Annex A 440
Annex B 440
Annex C 441
Notes 441
References 441

24 Reference PPPs 443
Kinds of Reference PPPs 443
Reference PPPs for ICP 2011 444
Annex 445

25 PPP Aggregation Above the Basic Heading Level Using the GEKS Method 451
Inputs and Preliminary Check 451
Calculating the Cross-Country Real Volumes Matrix 452
Calculating the Binary PPPs 452
Calculating the GEKS PPPs 453
References 453

26 Linking and Calculation of Global Results 455
Linking at the Basic Heading Level 455
Linking at the Aggregate Level 456
Special Cases 456
Annex A 463
Annex B 464
Annex C 464
Notes 464
References 466

Glossary 467

Boxes

4.1 Process for Developing the ICP 2011 Regional Lists 150
9.1 Why the Real Rate of Return Is Needed for the User Cost Method 218
10.1 Example of the Application of Productivity Adjustment (PA) Factors 230
15.1 Errors of Quantity: Two Examples 312
15.2 Suggested Limits for Statistical Tests 314
15.3 Editing Price Data Based on the Results of Statistical Tests 315
15.4 Accounting for a High but Justified Coefficient of Variation (CV) 316
15.5 Editing of Price Data Based on Analysis of Quaranta and Dikhanov Tables 318
15.6 Example of Validation Dialogue for Men's Tennis Socks 320
15.7 Outliers 322
15.8 Example of Validation Dialogue for a Whiskey Product 323
15.9 Example of Validation Dialogue for Hairdressing Services 323
15.10 Example of Validation Dialogue for Loose Mushrooms 323
15.11 Example of Validation at the Aggregate Level 324
16.1 Example of Validation within the Same Dwelling Type, ICP 2011 333
16.2 Example of Validation of Volume Data with Population, ICP 2011 334

16.3 Example of Validation of Volume Data across Economies, ICP 2011 337
17.1 Example of Validation within Same Occupation and within Same Level of Experience 345
17.2 Example of Validation within Same Government Employee Occupation and between Different Levels of Experience 346
17.3 Example of Validation between Related Government Employee Occupations 346
17.4 Example of Erroneous Validation between Related Government Employee Occupations 347
17.5 Example of Rebasing to Reference Number of Hours Worked 349
17.6 Example of Table for Validation at Regional Level of Remuneration of Government Employees, ICP 2011 351
17.7 Application of Information from Pay and Employment Structure Indicators 352
19.1 Method for Indicating Relevance of Items Used in Construction Projects, ICP 2011 363
20.1 How to Determine Whether an Item Is Important or Less Important 384
20.2 Heterogeneous and Homogeneous Basic Headings 386
20.3 Example of Consistency of Relationship between Importance and Number of Quotations 388
20.4 Example of Price Importance Reverse Relativity 390
20.5 Sub-Subcomponents of Basic Headings 392
20.6 Example of Strong Price Level Representativity 394
20.7 Example of Weak Price Level Representativity, Economy G, ICP 2011 396

Figures

1.1 Conditional Step-by-Step Process for Choosing a GDP Splitting Approach for the Latest Available Year, ICP 2011 12
1.2 Conditional Step-by-Step Process for Choosing a GDP Splitting Approach for ICP 2011 or Any Upcoming ICP Benchmark Year 13
6.1 Example of Data Collection Form for Water Tariff, ICP 2011 185
8.1 Calculating Average Private School Tuition, 2010/2011 and 2011/2012, ICP 2011 195
13.1 Sequence of the ICP Price Averaging Process, ICP 2011 280
13.2 Economy Stratification, ICP 2011 281
13.3 Calculating Tuition/Salary for the Reference Calendar Year, ICP 2011 287
15.1 Validation Stages: National, Regional, and Global Levels, ICP 2011 308
15.2 Validation Iterations, ICP 2011 309
22.A Box and Whisker Plots of Price Level Indexes by Region and Economy (World = 100), ICP 2005 428

Tables

1.1 Potential Data Sources by Main Aggregates, ICP 2011 7
1.2 Five Approaches to Splitting GDP, ICP 2011 8
1.3 Completing the MORES Model in Six Steps, ICP 2011 11
1.A Categories of Basic Headings, ICP 2011 14
1.B Potential Data Sources, ICP 2011 20
1.C GDP Splitting Drivers, ICP 2011 30
1.D GDP Splitting Approaches by Basic Heading, ICP 2011 37
2.A ICP Classification and Mapping with International Classifications 46
2.B Mapping of ICP and Regional Classifications 68
2.C Mapping of ICP Classification, ICP Operational Classification, and ICP Actual Operational Classification 112
2.D ICP Economy and Currency Codes 136
2.E ICP Government Occupations 143
2.F ICP Private Education Items 145
4.1 Stratification of an Economy, ICP 2011 151
4.2 Stratification of Outlets, ICP 2011 152
4.3 Outlet Types and Definitions, ICP 2011 153
4.4 Variability of PPP Prices by Product and Relative Sampling Error, ICP 2005 157
4.5 Sample Sizes by Target Precision and Relative Standard Deviation, with 10 Percent Significance Level, ICP 2005 157
4.6 Basic Heading PPPs, Relative Standard Deviations of Basic Heading PPPs, Number of Products Priced, Relative Standard Deviations of Product PPPs, and Sampling Errors, ICP 2005 159

4.7 Examples of Target Numbers of Products to Price, ICP 2005 . . . 159
4.A Household Consumption Price Survey Forms, ICP 2011 . . . 161
4.B Homogeneous and Heterogeneous Basic Headings, ICP 2011 . . . 163
7.1 Health Expenditure by Households, ICP 2011 . . . 188
7.2 Health Expenditure by Government, ICP 2011 . . . 189
8.1 ICP Survey Methods for Private and Public Education, ICP 2011 . . . 194
8.2 Basic Heading, Private Education, ICP 2011 . . . 194
8.3 Data Requirements and Collection Forms, Private Education, ICP 2011 . . . 194
8.A Product Specifications, Education, ICP 2011 . . . 200
8.B General Education Indicators, Private and Public Education, ICP 2011 . . . 202
8.C Data Collection Form, Private Education (Average Annual Tuition), ICP 2011 . . . 203
8.D Data Collection Form, Private Education (Average Hourly Fee), ICP 2011 . . . 204
9.1 Housing Classification, ICP 2011 . . . 206
9.2 Global Rental Specifications, ICP 2011 . . . 209
9.3 Worked Example of the Quantity Approach, ICP 2011 . . . 210
9.4 Global Rental Specifications, Dwelling Services, ICP 2011 . . . 211
9.5 Weight in Total Rental Stock, ICP 2011 . . . 215
9.6 Dwelling Services Questionnaire, Form A, ICP 2011 . . . 216
9.7 Data Required to Estimate Expenditures on Owner-Occupied Dwelling Services: Worksheet 1, ICP 2011 . . . 217
9.8 Data Required to Estimate Stock of Dwellings at Current Market Prices: Worksheet 2, ICP 2011 . . . 219
9.9 Values of (1 – A/L): Worksheet 3, ICP 2011 . . . 220
9.10 Estimating Consumption of Fixed Capital of Owner-Occupied Dwellings: Worksheet 4, ICP 2011 . . . 221
10.1 Government Occupations by Function, ICP 2011 . . . 224
10.2 Government Pay Scales, ICP 2011 . . . 225
10.3 Case 1 (Number of Employees for Each Occupation Is Available), ICP 2011 . . . 226
10.4 Case 2 (Number of Employees under Each Basic Heading Is Available), ICP 2011 . . . 227
10.5 Case 3 (Only the Total Number of Employees under the Pay Scale Is Available), ICP 2011 . . . 227
10.A Government Occupations, ICP 2011 . . . 232
10.B Questionnaire on Compensation of Government Employees, ICP 2011 . . . 240
10.C Questionnaires on Government Expenditures, ICP 2011 . . . 242
10.D Aggregate Indicators, Pay and Employment Data, ICP 2011 . . . 245
10.E Computed Indicators, Pay and Employment Data, ICP 2011 . . . 247
11.1 Product List, Machinery and Equipment, ICP 2011 Survey . . . 252
11.A Registration Form, ICP 2011 . . . 259
11.B Machinery and Equipment Data Collection Form, ICP 2011 . . . 260
12.1 Construction Expenditure, ICP 2011 . . . 262
12.A List of Resources: Construction Materials and Products, Equipment, and Labor, ICP 2011 . . . 267
12.B Materials and Products Used in Basic Heading Work Types, ICP 2011 . . . 269
12.C Construction and Civil Engineering Questionnaire, ICP 2011 . . . 270
13.1 Hierarchical Weighting System, ICP 2011 . . . 281
13.2 Weighting Options, ICP 2011 . . . 281
13.3 All Weights and All Average Prices Provided, ICP 2011 . . . 282
13.4 Weights Missing Completely for One or More Products, ICP 2011 . . . 283
13.5 Weights Partially Missing for One or More Products, ICP 2011 . . . 283
13.6 Some Average Prices Missing, ICP 2011 . . . 283
13.7 Computation of National Average Prices Using Calibration Factors, ICP 2011 . . . 284
13.8 Annual Average with Varying Quarterly Weights, ICP 2011 . . . 285
13.9 Annual Average without Varying Quarterly Weights, ICP 2011 . . . 285
13.10 Quarterly Average Prices Partially Missing, ICP 2011 . . . 286
13.11 Backcasting Quarterly National Average Prices, ICP 2011 . . . 286
13.12 Backcasting Monthly National Average Prices, ICP 2011 . . . 286
14.1 Example of a Quaranta Table, ICP 2011 . . . 291
14.2 Color Scheme for PPP-Ratios, ICP 2011 . . . 293
14.3 Example of PLI Summary Table, ICP 2011 . . . 295
14.4 Example of Coefficient of Variation Summary, ICP 2011 . . . 296

14.5 Example of Country Diagnostic Report, ICP 2011 . . . 297
14.6 CPD Residuals and Respective PPP-Ratios, ICP 2011 . . . 298
14.7A Example of Extended Dikhanov Table (Basic Heading Level of Analysis), ICP 2011 . . . 299
14.7B Example of Collapsed Dikhanov Table (Basic Heading Level of Analysis), ICP 2011 . . . 300
14.8 Color Scheme for CPD Residuals, ICP 2011 . . . 301
14.9A Example of Collapsed Dikhanov Table (Calculated at Basic Heading Level), ICP 2011 . . . 302
14.9B Example of Collapsed Dikhanov Table (Calculated at GDP Level), ICP 2011 . . . 303
14.10 Indexes Used in the Original and Modified Dikhanov Tables, ICP 2011 . . . 304
14.11 Example of Modified Dikhanov Table (Calculated at Basic Heading Level), ICP 2011 . . . 304
15.1 Example of Average Price Table, ICP 2011 . . . 313
15.2 Example of Price Observation Table, ICP 2011 . . . 314
15.3 Example of Price Level Index Matrix, ICP 2011 . . . 327
15.4 Example of Coefficient of Variation Matrix, ICP 2011 . . . 327
16.1 Housing Data Collected for Reference Year, Rental Survey and Dwelling Services Questionnaire, ICP 2011 . . . 332
16.A Rental Survey Questionnaire, ICP 2011 . . . 338
16.B Dwelling Services Questionnaire, ICP 2011 . . . 342
17.1 Data Collected, Compensation of Government Employees, ICP 2011 . . . 343
17.2 Example of Comparable Government Employee Occupations between ICP 2011 and ICP 2005 Lists . . . 347
17.3 Example of Table for Validation at Regional Level of Remuneration of Government Employees, ICP 2011 . . . 350
17.A Comparison of ICP 2011 Items with ICP 2005 Items . . . 353
19.1 Construction Headings, ICP 2011 . . . 359
19.2 Subheadings and Associated Number of Items, Construction, ICP 2011 . . . 360
19.3 Subheadings as Basic Headings, Construction, ICP 2011 . . . 361
19.4 Calculation of Subheading Weights, Construction, ICP 2011 . . . 362
19.5 Example of a Completed Construction Questionnaire, ICP 2011 . . . 364
19.6 Initial Estimated Resource Mixes, ICP 2011 . . . 365
19.A Material Inputs, ICP 2011 . . . 367
19.B Complete List of Construction Headings and Items for PPP Computation, ICP 2011 . . . 368
19.C Conversion Factors, ICP 2011 . . . 372
19.D List of Materials, Equipment, and Labor Headings and Items for Validation, ICP 2011 . . . 377
19.E Classification of Economies into Income Groups, ICP 2011 . . . 378
19.F List of Project Price Headings and Items for Validation, Construction, ICP 2011 . . . 380
20.1 Data and Metadata Availability Checks, ICP 2011 . . . 385
20.2 Relative Price Level Checks, ICP 2011 . . . 385
B20.3.1 Price Quotations for Rice Basic Heading, ICP 2011 . . . 388
B20.3.2 Product Description, ICP 2011 . . . 388
B20.3.3 Price Quotations for the Basic Heading Passenger Transport by Road, ICP 2011 . . . 389
B20.4.1 Average Prices, Rice Basic Heading, ICP 2011 . . . 390
B20.4.2 Product Description, Rice Basic Heading, ICP 2011 . . . 390
B20.4.3 Average Prices for 1 Kilogram of Rice, ICP 2011 . . . 390
B20.5.1 Price Importance Reverse Relativity in Sub-Subcomponents, Garments Basic Heading, ICP 2011 . . . 392
20.3 Regional Binary Comparability Check, ICP 2011 . . . 393
20.4 Price Level Representativity Check, ICP 2011 . . . 393
B20.6.1 Quaranta Table, Basic Heading Fresh Milk (Item-Level Details), ICP 2011 . . . 395
B20.6.2 Basic Heading Fresh Milk: PPP-Ratios, Economy C, ICP 2011 . . . 395
B20.6.3 Basic Heading Fresh Milk: PPP-Ratios, Economy H, ICP 2011 . . . 395
B20.7.1 Basic Heading Fresh Milk: Price Level of Items, Economy G, ICP 2011 . . . 396
20.5 Global Relevancy or Interregional Binary Comparability Check, ICP 2011 . . . 397
20.6 Linking Feasibility Checks, ICP 2011 . . . 397
20.A Summary of Validation Stages, Phases, and Steps for Availability and Importance Indicators, ICP 2011 . . . 400
21.1 National Accounts Validation Types, ICP 2011 . . . 404
21.2 General Recommendations from Global Office for National Accounts Validation, ICP 2011 . . . 405
21.A National Accounts Quality Assurance Questionnaire, ICP . . . 411
21.B Eurostat Tabular Approach to Exhaustiveness . . . 413
22.1 Between-Region Linking Factors for Selected Food Basic Headings, ICP 2005 . . . 424

22.2 Between-Region Basic Heading Median, Maximum, and Minimum Linking Factors, ICP 2005 425
22.B Paasche-Laspeyres Spreads, South America, ICP 2005 430
22.C Paasche-Laspeyres Spreads, Commonwealth of Independent States, ICP 2005 430
22.D Paasche-Laspeyres Spreads, South America and Commonwealth of Independent States (CIS), ICP 2005. 431
22.E Paasche-Laspeyres Spreads, Commonwealth of Independent States (CIS) and Western Asia, ICP 2005. 431
22.F Variability of Direct/Indirect GEKS PPPs within Region (South America and Commonwealth of Independent States) and World, ICP 2005. 432
22.G Three-Letter Economy Codes, International Organization for Standardization. 433
23.1 Original Price Data, Five Items and Four Countries. 439
23.2 Matrix X 439
23.3 Result, Vector β 439
24.A Reference PPPs, ICP 2005 and ICP 2011 445

Foreword

The International Comparison Program (ICP) is a worldwide statistical initiative—the largest in geographical scope, in implementation time frame, and in institutional partnership. It estimates purchasing power parities (PPPs) for use as currency converters to compare the size and price levels of economies around the world. The previous round of the program, for reference year 2005, covered 146 economies. The ICP 2011 round leveraged the successful outcome of the ICP 2005 round and covered 199 economies from eight regions, seven of them geographical: Africa, Asia and the Pacific, Commonwealth of Independent States, Latin America, the Caribbean, Western Asia, and the Pacific Islands. The eighth region comprised the economies participating in the regular PPP program managed by the statistical office of the European Union (Eurostat) and the Organisation for Economic Co-operation and Development (OECD). In addition, two economies participated in bilateral comparisons. Numerous methodological improvements and operational guidelines were introduced in the 2011 round of the ICP for the advancement of the program.

The *Operational Guidelines and Procedures for Measuring the Real Size of the World Economy* is a compilation of ICP operational guidelines and material prepared by the ICP 2011 Global Office team, consultants, and international experts. It describes the approach to and data requirements for the main price survey and special surveys, including the various guidelines produced and survey forms. It also covers the framework and requirements for national accounts activities for the ICP. In addition, this guide describes the procedures followed for data validation, computation of national annual averages, calculation of PPPs, aggregation, and linking.

This guide complements the ICP book *Measuring the Real Size of the World Economy: The Framework, Methodology, and Results of the International Comparison Program (ICP)*, thereby enabling a complete and detailed view of the largest international statistical program in the world. Disclosure of the procedures underlying the ICP 2011 process heightens the transparency of the program and allows interested stakeholders and users of the results to delve into the ICP methods and operational aspects in order to better understand and interpret the results. The operational guidelines and materials highlighted in the chapters that follow will serve as guidance in further refining future ICP data collections, resulting in both methodological and operational improvements.

This guide, then, is a very constructive initiative, and on behalf of the World Bank Development Data Group I would like to thank

all those who contributed to this effort, including the ICP 2011 Global Office team, consultants, and international experts. We trust that users of the ICP 2011 results will find this guide valuable and that it will help them better understand and interpret the results. We hope that in the future more regular data collection and compilation will support a more frequent PPP exercise at the global level.

Haishan Fu
Director
Development Data Group, World Bank

Acknowledgments

The 2011 round of the International Comparison Program (ICP) was a complex exercise both conceptually and organizationally. Several methodological and operational improvements were introduced to improve the methods and operational aspects underlying the calculation of the purchasing power parities (PPPs) and related results.

The ICP 2011 Global Office team was committed to increasing the transparency surrounding the calculation of the results and all the operational aspects of the program. Thus it provided improved documentation, including the ICP book, *Measuring the Real Size of the World Economy: The Framework, Methodology, and Results of the International Comparison Program (ICP)*; the ICP 2011 summary report, *Summary of Results and Findings of the 2011 International Comparison Program*; the ICP 2011 full report, *Purchasing Power Parities and the Real Size of World Economies: A Comprehensive Report of the 2011 International Comparison Program*; and this ICP operational guide, *Operational Guidelines and Procedures for Measuring the Real Size of the World Economy: 2011 International Comparison Program.*

This guide was prepared under the aegis of the World Bank's Development Data Group led by Haishan Fu, director, and Grant James Cameron, manager. The global manager of ICP 2011 was Michel Mouyelo-Katoula. The guide was written by the ICP 2011 Global Office team, including Morgan Brannon, Yuri Dikhanov, Biokou Mathieu Djayeola, Nada Hamadeh, Michel Mouyelo-Katoula, Marko Olavi Rissanen, Virginia Romand, Inyoung Song, Frederic Vogel, and Mizuki Yamanaka, in addition to former team members Miglena Abels, Imededdine Jerbi, Min Ji Lee, and Kyung Sam Min. The guide was edited by Sabra Bissette Ledent. The cover was designed by Jomo Tariku.

This guide is based on operational material and guidelines prepared for ICP 2011 by the ICP 2011 Global Office team and leading experts, including Derek Blades, Eric Peter Bruggeman, Alexander V. Danilenko, Agnès Derelle, Richard Dibley, Alan Heston, Paul McCarthy, Jim Meikle, Ehraz Refayet, Gary Reid, David Roberts, and Sergey Sergeev. It also relies on operational materials prepared by the Organisation for Economic Co-operation and Development (OECD) and on material prepared by Eurostat on the Eurostat-OECD PPP Programme, as well as on methodological material from the ICP book *Measuring the Real Size of the World Economy*.

As a team, we are grateful for all of the dedicated efforts that have succeeded in making the ICP operational material and guidelines publicly available so that ICP knowledge continues to be cultivated and promoted.

Nada Hamadeh
International Comparison Program Team Leader
Development Data Group, World Bank

Abbreviations

AIC	actual individual consumption
BOCC	basket of construction components (method)
CAR	country aggregation with redistribution (procedure)
CEP	consumption expenditure of the population
c.i.f.	cost, insurance, and freight
CIS	Commonwealth of Independent States
COFOG	Classification of the Functions of Government
COICOP	Classification of Individual Consumption According to Purpose
CPD	country product dummy (method)
CPD-W	country product dummy-weighted (method)
CPRD	country product representative dummy (method)
EU	European Union
Eurostat	Statistical Office of the European Union
FISIM	financial intermediation services indirectly measured
f.o.b.	free on board
GDP	gross domestic product
GEKS	Gini-Èltetö-Köves-Szulc (method)
GNI	gross national income
ICP	International Comparison Program (Project prior to 1989)
ILO	International Labour Organization
IMF	International Monetary Fund
ISCED	International Standard Classification of Education
ISCO	International Standard Classifications of Occupations
IT	information technology
MORES	Model Report on Expenditure Statistics
NBS	National Bureau of Statistics (China)
NCA	national coordinating agency
n.e.c.	not elsewhere classified
NPISH	nonprofit institution serving households
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
PIM	perpetual inventory method
PISA	Programme for International Student Assessment
PLI	price level index

PPP	purchasing power parity
RCA	regional coordinating agency
SAR	special administrative region
SNA	System of National Accounts
SPD	structured product description
TAG	Technical Advisory Group (ICP)
TFP	total factor productivity
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNSC	United Nations Statistical Commission
UNSD	United Nations Statistics Division
UNSO	United Nations Statistics Office
VAT	value added tax
XR	exchange rate