International Comparison Program

06

Reports from the Technical Advisory Group and the Regional Coordinators Meetings

Executive Board Meeting

October 14, 2009

Washington DC
CONTENTS

1 Introduction .......................................................................................................................... 3

2 Main Conclusions of the Regional Coordinators meeting.............................................. 3
   2.1 Objectives of the Meeting .......................................................................................... 3
   2.2 Main outcomes .......................................................................................................... 3

3 Main Conclusions of the TAG meeting................................................................. 7
   3.1 Objectives of the Meeting ...................................................................................... 7
   3.2 Main outcomes ........................................................................................................ 7
1 INTRODUCTION

The first two technical meetings (Regional Coordinators and Technical Advisory Group (TAG)) of the ICP 2011 were held in Washington DC, back to back, from September 28-October 2, 2009. They were hosted by the World Bank.

The first meeting ran from September 28-30, 2009. The aim of this meeting was to launch the 2011 round through discussions around five main agenda items: (i) Objectives; (ii) Product Specifications; (iii) Housing, Gross Capital Formation and National Accounts; (iv) Data Management and Processing Resources; and (v) Data Quality Requirements and Institutional Aspects.

The attendance list included: (i) the ICP Regional Coordinators from Africa, Latin America and Caribbean, Asia, West Asia, and CIS, as well as representatives from the OECD-Eurostat PPP Program; (ii) experts on health and education services who attended only relevant sessions; and (iii) members of the ICP Global Office team.

The second meeting took place on 1 and 2 October 2009. As it followed on immediately from a Regional Coordinators’ meeting, the Regional Coordinators were invited to attend the TAG meeting as observers. The TAG for the 2011 ICP includes the members/organisations from the 2005 ICP but has been expanded to obtain a broader representation.

The objective of the TAG meeting was to discuss methodological issues including the need for the ICP 2011 to build on lessons learned from the 2005 program and the recommendations emanating from the interim Technical Advisory Group (iTAG), and to provide additional technical guidance on the improvements and innovations to be introduced in the new round, as well as the relevant research agenda.

2 MAIN CONCLUSIONS OF THE REGIONAL COORDINATORS MEETING

2.1 Objectives of the Meeting

The following six overall goals framed the meeting: (i) solidifying the collaborative efforts between countries, regions and the ICP Global Office (GO); (ii) defining the objectives of the 2011 round; (iii) ensuring the comparability of country results through agreed methodologies and procedures; (iv) identifying the main work areas for the program; (v) reaching a common understanding on data transmission and sharing; and (vi) adhering to jointly agreed time schedules.

2.2 Main outcomes

Noting that the ICP will aim to ensure the relevance of PPPs for poverty analysis, 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, the Regional Coordinators resolved the following:

**Objectives of ICP 2011:**
1. The meeting approves the ICP 2011 objectives, strategic lines and expected results proposed by the GO;
2. The program is a collaborative exercise that should seek consensus among all partners;
3. The 2011 Round will build on the 2005 ICP round and make improvements and innovations where deemed necessary;
4. This round will reach out to users and policy makers;
5. There is a need to take stock of all queries received from users on the 2005 ICP to learn from them.

**Lessons Learned from the ICP 2005 and regional reports**
6. Given financial resources problems highlighted by some regions, there is a need for an optimal utilization of existing resources;
7. The time required to translate documents needs to be reflected in the ICP timetable;
8. Even if different methodologies were used across the regions, consistency should always be ensured;
9. The issue of countries that will be added to or removed from each regional program from the 2005 list needs to be further discussed with the respective regions, to properly accommodate all countries willing to participate.

**Process for building product lists for the main survey**
10. The core list approach will be used in the 2011 ICP to link the regions into global PPP estimates;
11. There will be a core list for each type of price data collection;
12. The core lists will be part of the regional lists;
13. SPDs will be used to develop and update the core lists;
14. The core lists will be translated into other languages.

**Education services**
15. The GO will improve on the survey instruments related to the methods used for the 2005 Round for public and private education services. It will simultaneously seek to pursue research in these areas with a view to coming up with new methodologies to be implemented in parallel with the improved old methods;
16. Processes for deriving PPPs for education will be examined by National Accounts experts in order to ensure the consistency between expenditures and prices.
Health services

17. The ongoing research aims to develop a direct output approach to be implemented in 2011 together with the improved 2005 methods;
18. The 2005 methods will continue to be used, both for time consistency sake and as a back-up;
19. OECD and Eurostat will further exchange experience with the GO to look for improvement in methodologies;
20. Health data will be examined by National Accounts experts in order to ensure the consistency between expenditures and prices.

Housing

21. An improved quantity approach will be investigated and more research is needed in order to identify better approaches. This will entail creating new partnerships (e.g. UN-HABITAT, Habitat for humanity);
22. Discussions on alternative approaches on housing will be undertaken with National Accounts experts.

Gross capital formation

23. Equipment. It was agreed that the 2005 method will be implemented with significant improvements -- the equipment core list approach will be used;
24. The 2005 equipment list will be revised to provide an updated list for 2011;
25. The content of the equipment core list and the ways it should be updated were agreed: regions may provide comments and/or add items. The GO will ensure bridging between the OECD/Eurostat and the ICP lists. A final report and guidelines on how to collect prices will be submitted by the GO by end of June 2010;
26. A component costs method will be used as a price validation tool for machinery and equipment;
27. Construction: A new method is being developed and will be submitted to the TAG;
28. Equipment and construction pricing need to be reviewed by National Accounts experts at country and regional levels for consistency between expenditures and prices.

National Accounts

29. The meeting accepted the idea of a National Accounts (NA) framework for ICP-2011 based on SNA-1993;
30. It was agreed that the proposed ICP related NA framework will be included in the handbook;
31. The GDP estimates are the responsibility of the country, but if requested, the GO and Regional Offices may provide assistance.
GDP estimates need to be exhaustive and include all relevant economic activities (including the informal economy);

32. The use of SUTs is recommended to identify and fill gaps in NA, and to validate data (expenditures and prices);

33. Consistency between prices in NA values and prices collected need to be ensured;

34. It was agreed that the GO will provide guidelines for NA activities;

35. A working group on National Accounts for ICP will be established;

36. A timetable related to NA was agreed upon.

**Data Management and Processing Resources**

37. A specific tool will be used for transmission, management and archiving of data and metadata;

38. In addition to the MoUs with the regions, some written agreements may be needed with some countries to obtain the release of their data;

39. The software modules used in the previous round and in the interim period at the regional and global levels, that are still relevant and are in accordance with the new methodology developed for the 2011 round, will be part of the ICP software family. This may include the PCT developed in Asia, the SEMPER in Africa and CIS’s tools, as well as the Eurostat tool for SPD;

40. New software packages, if any, will be developed in modular form in accordance with the agreed timetable. The GO will provide training, documentation and technical support.

**ICP Data Quality Framework**

41. All the regions and the GO will ensure that their respective activities will be implemented in alignment with the ICP data quality framework;

42. The countries responses to the DQAF check list need to be followed by an assessment of actions and resources needed for capacity building;

43. Using the ICP DQAF as a planning tool, there is a need for ex-ante assessment of country capacity using a sub-set of the check list. This will help regional coordinators target their technical assistance to countries in need;

44. There is a need for the GO to draw up a detailed timeline and work program indicating who will do what. The timeline should provide for translation time.

**ICP Calendar of Activities**

45. A detailed calendar of activities was agreed which will include: necessary time for the translation of various ICP materials into
other languages; the milestones and deadlines of the Eurostat/OECD PPP program; the fact that several countries that will mainly focus their efforts in 2011 on taking population and housing censuses may defer their main price data collection activities to 2012.

Memoranda of Understanding

46. Principles to be followed in establishing MoUs between the GO and the regions were agreed upon;

47. Specific agreements proposed to the Regions will be reviewed to ensure that they include the core elements agreed at the meeting.

3 MAIN CONCLUSIONS OF THE TAG MEETING

3.1 Objectives of the Meeting

The objective of the meeting was to review the achievements of the ICP 2005 Round and discuss the methodological implications of the objectives of the ICP 2011. TAG members focused essentially on the need to make ICP computation a truly transparent process, showing on the regions and OECD-Eurostat are linked to the Globe. They welcome the Global Office’s initiative of delineating a National Accounts Framework for ICP work and defining guidelines for the implementation of ICP related National Accounts activities. They further discussed various aspects related to research activities aimed at improving ICP methodologies.

3.2 Main outcomes

The meeting reviewed what went well in the previous round and identified aspects that need to be improved (and how) and to determine the key areas of research with work to start on the issues likely to have most impact on the estimates in the 2011 ICP.

A key issue which the TAG agreed upon is the need to enhance the consistency between the prices underlying the values in the national accounts and the prices collected for calculating the PPPs (e.g. rents, motor vehicles, construction). Upgrading methods in some of the comparison-resistant components is also a high priority, as is improving the consistency of the basic heading values both within countries and across regions. A practical step being taken is to identify ways to improve the GDP expenditure estimates and to supply them earlier in the process so that they can be used in editing prices. Regions and countries will be strongly encouraged to work collaboratively to ensure the greatest possible consistency is achieved between the national accounts and the PPPs derived from the prices collected. The basic heading expenditure values from the national accounts will also be used in editing the prices collected during 2011. Identifying global pricing strategies will assist in validating the prices collected during 2011.

On other specific issues, the TAG agreed the following:
Health

1. During the 2011 ICP, the Global Office will continue using the input methods (based on wages of selected health occupations) used in previous ICP rounds. The Global Office will also assess the need for productivity adjustments to be applied to the wages inputs in each region.

Poverty PPPs

2. It would be useful to separately identify urban and rural prices for their potential use in calculating poverty PPPs, in editing the prices collected and in producing the best possible estimates of national average annual prices;

National Accounts

3. The ICP results should be based on the GDP estimates provided to the Global Office by each country;
4. The Global Office will present a paper to a future TAG meeting containing recommendations on the basic heading classification for the 2011 ICP;
5. The 1993 SNA should be the basis for national accounts estimates in the 2011 ICP;
6. The current method of using exchange rates as a reference PPP for net international trade is less than satisfactory and so this issue should be put on the research agenda;
7. The TAG welcomed the flow chart of the national accounts activities and their relationship to the price collection activities for the 2011 round, as well as basic data validation and consistency procedures being developed by the Global Office;

Global linking and aggregation

8. The ITAG recommendation should be adopted for the “core list” approach to be used instead of the “ring comparison” to link the regional household final consumption expenditure to obtain global estimates of PPPs and real expenditures.

Process for building the core and regional product lists

9. A new definition of representativity is needed, which would focus on the practical issues associated with identifying representative products;

Education

10. The TAG agreed that any methodology developed for the 2011 ICP has to work for both public and private schools.

Rents for owner-occupied dwellings

11. The Global Office and Regional Offices will provide assistance to improve relevant estimates, including explicitly identifying the
price and volume elements in their national accounts so they can be used for ICP purposes as well.

**Possible research topics to be considered by the TAG**

- The treatment of owner-occupied housing
- The treatment of financial services
- The measurement of government outputs
- Problems associated with the review of survey frameworks
- The treatment of exports and imports
- The adjustment of household consumption data for net purchases abroad
- The representativity problem
- Aggregation issues
- Pricing construction
- Poverty issues
- Backcasting.