



**INTERNATIONAL COMPARISON PROGRAM TERMS OF REFERENCE  
TASK FORCE ON ANNUAL PRODUCTION OF PURCHASING POWER PARITIES (PPP)**

**DRAFT**

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# 1. Introduction

## Task Forces

The 47<sup>th</sup> Session of the United Nations Statistical Commission (UNSC), held in March 2016, instituted the International Comparison Program (ICP) as a permanent element of the global statistical work program. Starting from the ICP 2017 cycle, the program has been conducted at more frequent intervals. The ICP Governing Board, in its inaugural meeting in November 2016, adopted the ICP Governance Framework and established a Technical Advisory Group (TAG) to guide the program's research and methodological developments.

The ICP TAG is a technical body, which (i) assures methodological soundness and overall quality of the purchasing power parity (PPP) estimates; (ii) ensures transparency of the PPP estimation process; and (iii) facilitates the establishment of a permanent and more frequent ICP rounds. The TAG, at its first meeting in May 2017, set forth a technical research agenda to inform future ICP comparisons.

The TAG is forms Task Forces on specific topics and inviting recognized experts on the practical application of index numbers, PPPs, price statistics and national accounts to take part in them, as needed, to develop concrete proposals to address the various research agenda items and support the computation of ICP results. The ICP Global Implementing Agency at the World Bank supports the work of the Task Forces.

This document outlines the terms of reference of the Task Force on “*Annual Production of Purchasing Power Parities (PPPs)*”, including its scope of work, proposed membership, tenure and work modality, and deliverables.

## Background

The work of the Task Force on “*Annual Production of Purchasing Power Parities (PPPs)*” continues the efforts of the earlier Task Force on “*Country Operational Guidelines and Procedures*”, specifically focusing on the topic “*Moving towards rolling price surveys.*” This Task Force's work is also related to the earlier Task Force on “*PPP Compilation and Computation*”, particularly on the topics “*Linking interim regional updates into a global comparison*” and “*Building PPP time series for the interim period.*”

Historically, extrapolating PPPs at the aggregate level between benchmark comparisons, combined with other methodological updates, have severely limited the ability to align extrapolated PPPs with the benchmark PPPs. This issue was especially evident when the extrapolations were conducted over long periods of time, such as in the 2005 ICP results, which were published 12 years after the 1993 comparisons. A similar challenge arose with the 2011 and 2005 ICP comparisons, which had a six-year gap. The significant differences between extrapolated and benchmark results led to major revisions in estimates of the size of the world economy in real terms and its distribution across regions.

Inconsistencies between benchmark and extrapolated results arise from various factors, including changes in expenditure weights, commodity baskets, aggregation methods, and regional linking methodologies, among other considerations (Deaton and Heston, 2010; McCarthy, 2013; Annex D by Inklaar and Timmer to McCarthy, 2013; Deaton and Aten, 2017; and Inklaar and Rao, 2017).

This concern regarding inconsistencies between benchmark and extrapolated results was emphasized in the UN Statistical Commission’s recommendations in year 2016:

*“One of the key conclusions of the initial report on the 2011 round was that a six-year interval between ICP rounds was too long. This view was expressed by almost all stakeholders during the evaluation process and was also reflected in the reactions at the session of the Commission. It was expressed that the acceptance and relevance of ICP results depend on their frequent and timely availability (at least every two to three years with extrapolations to annual results). The Commission at its forty-sixth session expressed its preference to shorten considerably the interval of ICP worldwide comparisons with the intention of having the next benchmark occur as soon as possible, preferably in 2017.”* (Paragraph 45, E/CN.3/2016/9, UN, 2016)

Significant progress has recently been made in increasing the frequency of ICP comparisons, with a target of conducting them every three to four years. The ICP 2017 comparison, whose results were released in 2020, was followed by the ICP 2021 comparison, with results published in 2024. The ICP 2024 comparison is currently ongoing.

Similarly, the PPP time series approach [developed](#) by Inklaar and Rao, and [adopted](#) by ICP TAG in 2020, has facilitated the construction of PPP time series between ICP comparison years while also incorporating interim regional PPP comparisons, where available.

Despite these advances, the current ICP production approach has limitations:

- First, while recent ICP comparisons are conducted more frequently—every three to four years—issues of inconsistency between extrapolated and benchmark results persist. For instance, discrepancies were observed even for selected Eurostat countries when experimental extrapolated results from 2017 were compared to actual 2021 results.
- Second, although the frequency of ICP publications has increased, users today expect more frequent and timely releases. For example, before the ICP 2021 results were published in May 2024, the most recent available data was for reference year 2017, released in May 2020.
- Third, other non-ICP international databases continue to extrapolate PPPs using varying data sources and methodologies, leading to increasingly incoherent sets of PPPs as time passes after an ICP release.
- Fourth, the current approach does not allow for incorporating regional interim updates before releasing results for a new ICP comparison. Currently, annual PPPs are produced by Eurostat, the OECD, and the United Nations Economic and Social Commission for Western Asia (UN-ESCWA).

- Fifth, the current production approach does not allow for updating underlying data or revising results before the next ICP comparison cycle. For example, updates to the 2017 reference year data were only incorporated when releasing the 2021 results in 2024.
- Sixth, in some cases, data collection for previous ICP cycles has spanned multiple years, requiring temporal adjustments to align with the ICP reference year. However, the current approach does not fully utilize collected and processed data, which could otherwise be used to produce results for multiple years.
- Seventh and finally, a 3–4-year cycle may not be an ideal fit within national, regional, and global statistical work programs. Establishing an annual production cycle could better facilitate the integration of the ICP into regular work programs.

Moreover, recent advances in developing more detailed international classifications—most notably the Classification of Individual Consumption According to Purpose (COICOP) 2018—offer opportunities to enhance synergies with national statistical work, such as estimating weights, conducting temporal adjustments, and sourcing data. In this regard, the work of the “*Task Force on ICP Classification*” closely supports these efforts.

However, it is important to emphasize that any plan for annual regional and global production should carefully consider available resources, minimize the burden on national implementing agencies, and maximize synergies within statistical production. Additionally, it should focus on efficiently utilizing available data sources while ensuring the quality and consistency of ICP outputs.

## 2. Scope of Work

The Task Force on “*Annual Production of Purchasing Power Parities (PPPs)*” aims to develop approaches for annual PPP production at national, regional and global levels. These approaches will be presented for further discussion by the ICP Technical Advisory Group (TAG) and the National, Regional, and Global Implementing Agencies.

The Task Force will build on the work of previous related Task Forces and draw from existing examples of annual PPP production in selected regions.

## 3. Membership

The Task Force on 'Annual Production of Purchasing Power Parities (PPPs)' will consist of experts and/or practitioners in the fields of PPPs, price statistics, and national accounts. These include:

- Representative(s) of the ICP Technical Advisory Group (TAG).
- Representatives of the ICP Regional Implementing Agencies: African Development Bank (AfDB); Asian Development Bank (ADB); Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT); Eurostat and OECD; United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC); and United Nations Economic and Social Commission for Western Asia (UN-ESCWA).

- Representatives of the ICP National Implementation Agencies from each ICP region: Africa; Asia and Pacific; Commonwealth of Independent States (CIS); Eurostat-OECD PPP Programme; Latin America and the Caribbean; and Western Asia.
- Representatives of the ICP Global Implementing Agency.

## 4. Tenure and Work Modality

The Task Force on “Annual Production of Purchasing Power Parities (PPPs)” will have a fixed tenure of two years upon its establishment.

The Task Force will meet both virtually and in person, as needed. Members may participate in Inter-Agency Coordination Group (IACG) meetings to discuss the operational implications and feasibility of their proposals. Additionally, they may join ICP Technical Advisory Group (TAG) meetings to present their findings and recommendations for TAG’s consideration.

The ICP Global Implementing Agency will serve as the secretariat for the Task Force on “*Annual Production of Purchasing Power Parities (PPPs)*”.

## 5. Expected Deliverables

The Task Force on “*Annual Production of Purchasing Power Parities (PPPs)*” is expected to present interim and final reports on its proposed approaches to the Inter-Agency Coordination Group (IACG) and, subsequently, to the ICP Technical Advisory Group (TAG).

Once the report is finalized and cleared by the ICP TAG, its outputs will be presented and discussed within each ICP region in collaboration with the Regional and National Implementing Agencies to evaluate and develop feasible regional implementation plans.