



**Minutes of the 1<sup>st</sup> Meeting of the ICP Task Force on PPP Computation and Time Series  
October 26, 2017  
World Bank, Washington, DC**

**Welcome and Meeting Objectives**

The first meeting of the International Comparison Program (ICP) Task Force on Purchasing Power Parity (PPP) Computation and Time Series was held on October 26, 2017 at the World Bank headquarters in Washington, DC.

The main objectives of the meeting were to discuss the Terms of Reference for the Task Force, and to initiate discussions on various ICP Research Agenda topics assigned to the Task Force, as per the agenda provided in Annex 1. The meeting participants are listed in Annex 2.

Nada Hamadeh, ICP Global Lead, World Bank, opened the meeting by welcoming the participants and highlighting the crucial role the Task Force plays in producing the results for the reference year 2017, as well as for the years between the 2011 and 2017 comparisons.

**Background and Terms of Reference**

The following presentations were made:

- [Terms of Reference for the Task Force](#), Global ICP Unit, World Bank
- [Availability of interim data and extrapolation indices](#), Global ICP Unit, World Bank

Agreements and conclusions:

- The Task Force accepted the proposed Terms of Reference.
- Erwin Diewert, ICP Technical Advisory Group member, was selected to be the Task Force coordinator.

**Building PPP Time Series for the Interim Period**

The following presentation was made:

- [A move towards the compilation of PPPs and real expenditures on an annual basis](#), Prasada Rao and Robert Inklaar

Agreements and conclusions:

- PPP time-series will cover the years from 2011 onwards; an extension to years before 2011 can be considered at a later stage.

- The Task Force will determine the most feasible approach for producing “smoothened” PPP time-series for the years between the 2011 and 2017 reference year comparisons.
- The Task Force will determine the optimal level for extrapolation and publication of interim results, considering the availability and quality of data required for extrapolation; in addition, the extrapolation approach should minimize the impact of changes in terms of trade.
- An approach to produce benchmark and PPP time-series for non-participating regions/countries should be developed by the Task Force.
- If regional ICP 2011 results are significantly revised, the need to recalculate the global ICP 2011 results will be considered and determined by the Task Force
- The Global ICP Unit will provide the Task Force with a summary of the revisions introduced to the ICP classification in the ICP 2017 cycle.
- The Global ICP Unit will provide the Task Force with the latest iteration of extrapolation database in January 2018; in addition, the Global ICP Unit will set-up a task team jointly with the International Monetary Fund (IMF) to validate and enhance the extrapolation data.
- Robert Inklaar and Prasada Rao will update their paper “A move towards the compilation of PPPs and real expenditures on an annual basis” to reflect the latest extrapolation data and make it available for discussion at the next Task Force meeting.

### **Linking Interim Regional Updates into a Global Comparison**

The following presentations were made:

- [Options for linking interim regional updates into a global comparison](#), Sergey Sergeev
- [Options for linking interim regional updates into a global comparison](#), Yuri Dikhanov

#### Agreements and conclusions:

- The Task Force will determine the most feasible approach for linking interim regional updates in to a global comparison, considering available data and results.
- The Global ICP Unit will continue to validate the available “interim” data to ensure quality and comparability of the data, in collaboration with the Regional Implementing Agencies.
- The impact of changing regional and/or country compositions on linking will be investigated by the Task Force.

### **Fine Tuning Global Linking Procedures**

The following presentations were made:

- [Overall linking approach and exceptions in ICP 2011](#), Yuri Dikhanov
- [Linking health and construction in ICP 2011 and proposed approach for ICP 2017 cycle](#), Paulus Konijn
- [Linking education in ICP 2011 and proposed approach for ICP 2017 cycle](#), Francette Koechlin
- [A least-squares approach to imposing within-region fixity in the ICP and Spatial Chaining of Price Indexes](#), Robert Hill

#### Agreements and conclusions:

- The Task Force will determine potential avenues for fine-tuning global linking procedures in relation to special country participation cases and specific GDP headings (such as health, education, housing and construction); however, the broad linking methodology employed in ICP

2011 should be maintained as per the United Nations Statistical Commission and the ICP Governing Board recommendations.

- Eurostat and OECD will provide government compensation data covering the years 2015, 2016 and 2017 for health, education and collective services for all participating countries for global linking purposes; however, compiling the related expenditure data requires additional considerations.
- Eurostat and OECD will provide construction data covering the year 2017 as per the ICP approach for a selection of countries for global linking purposes.
- A detailed description and impact analysis of the slightly-modified 2014 linking approach for the Commonwealth of Independent States (CIS) will be presented by the Interstate Statistical Committee of the CIS (CIS-STAT).
- Alternative linking approaches, such as estimating linking factors based on global core price data only, exclusion of weak links, and multi-stage linking approaches will be examined by the Task Force as research topics.

### **Productivity Adjustment for Government and Construction Sectors**

The following presentations were made:

- [Compilation of productivity adjustment factors](#), Robert Inklaar
- [Application of productivity adjustment factors in the ICP 2011 linking procedures](#), Yuri Dikhanov

#### Agreements and conclusions:

- Productivity adjustment factors will be updated for the years from 2011 onwards; however, the specific estimation approach, especially for interim-years, needs to be determined.
- The feasibility and impact of applying productivity adjustments for construction sector are to be studied by the Task Force.
- The approach for applying productivity adjustment for government sector needs to be documented in detail by the Task Force for increased transparency.

### **Any Other Business**

#### Agreements and conclusions:

- The Global ICP Unit will set-up a dedicated [Microsoft OneDrive folder](#) for information sharing and invite the Task Force members to join the folder.
- The Global ICP Unit will draft confidentiality statement agreements to be signed by the Task Force, similarly to the 2011 ICP practice.
- The Global ICP Unit will circulate the 2011 ICP Computation Task Force (CoTaf) minutes to the Task Force.
- The Task Force Coordinator, with the support of the Global ICP Unit, will draft a work program that the Task Force should tackle (Annex 3).
- The next meeting of the Task Force will be organized in conjunction with the Inter-Agency Coordination Group meeting, most likely in March 2018.

## Annex 1: Meeting Agenda

Thursday, October 26, 2017

08:30 – 09:00	<b>Breakfast</b>
<b>Task Force</b>	<b>PPP Compilation and Computation</b>
09:00 – 10:30	Background and TORs <ul style="list-style-type: none"> <li>– Overall objectives, <i>Nada Hamadeh</i></li> <li>– Terms of Reference for the Task Force, <i>Marko Rissanen</i></li> <li>– Availability of interim data and extrapolation indices, <i>Marko Rissanen</i></li> </ul>
10:30 – 11:30	Building PPP time series for the interim period <ul style="list-style-type: none"> <li>– A move towards the compilation of PPPs and real expenditures on an annual basis, <i>Prasada Rao and Robert Inklaar</i></li> </ul>
11:30 – 12:30	Linking interim regional updates into a global comparison <ul style="list-style-type: none"> <li>– Options for linking interim regional updates into a global comparison, <i>Sergey Sergeev</i></li> <li>– Options for linking interim regional updates into a global comparison, <i>Yuri Dikhanov</i></li> </ul>
12:30 – 14:00	<b>Lunch</b>
14:00 – 15:00	Fine tuning global linking procedures <ul style="list-style-type: none"> <li>– Overall linking approach and exceptions in ICP 2011, <i>Yuri Dikhanov</i></li> <li>– Linking health, education and construction in ICP 2011 and proposed approach for ICP 2017 cycle, <i>Francette Koechlin and Paulus Konijn</i></li> <li>– A least-squares approach to imposing within-region fixity in the ICP and Spatial Chaining of Price Indexes, <i>Robert Hill</i></li> </ul>
15:00 – 16:00	Productivity adjustment for government and construction sectors <ul style="list-style-type: none"> <li>– Compilation of productivity adjustment factors, <i>Robert Inklaar</i></li> <li>– Application of productivity adjustment factors in the ICP 2011 linking procedures, <i>Yuri Dikhanov</i></li> </ul>
16:00 – 17:00	Way forward

## **Annex 2: List of Participants**

### Task Force Members

- Paulus Konijn, Eurostat
- Massimiliano Iommi, IMF
- Francette Koechlin, OECD
- Vasily Kuznetsov, ROSSTAT
- Sergey Sergeev, Statistics Austria
- Robert Hill, University of Graz
- Robert Inklaar, University of Groningen
- Prasada Rao, University of Queensland
- Marko Olavi Rissanen, World Bank
- Yuri Dikhanov, World Bank

### Global ICP Unit

- Nada Hamadeh, World Bank
- Mizuki Yamanaka, World Bank
- Maurice Nsabimana, World Bank
- William Vigil Oliver, World Bank
- Inyoung Song, World Bank
- Hanan AbuShanab, World Bank

### Regional Implementing Agencies

- Gregoire Mboya Deloubassou, African Development Bank
- Rees Mpofu, African Development Bank
- Anouar Chaouch, African Development Bank
- Kaushal Joshi, Asian Development Bank
- Marjanca Gasic, Eurostat
- Andrey Kosarev, Interstate Statistical Committee of the Commonwealth of Independent States
- Valerica Accibas, Interstate Statistical Committee of the Commonwealth of Independent States
- Majed Skaini, UN Economic and Social Commission for Western Asia
- Federico Dorin, UN Economic Commission for Latin America and the Caribbean
- Maria Paz Collinao, UN Economic Commission for Latin America and the Caribbean

### Experts

- Dilip Kumar Sinha, India Ministry of Statistics and Program Implementation
- Patrick Kelly, National Statistical Office of South Africa
- Luigi Biggeri, University of Florence
- Alan Heston, University of Pennsylvania

### Annex 3: Task Force Work Program

Topic	Task	Responsible	Sub-Coordinator
<b>1. Building PPP Time Series for the Interim Period</b>	a. Updating, validating and enhancing the global extrapolation database.	ICP Inter-Agency Coordination Group	Marko
	b. Updating the paper "A move towards the compilation of PPPs and real expenditures on an annual basis" based on the most recent extrapolation data.	Prasada Rao, Robert Inklaar	Robert I.
	c. Determining optimal level for extrapolation and publication of interim results, considering the availability and quality of data required for extrapolation and minimizing the impact of changes in terms of trade.	Sergey Sergeev, Yuri Dikhanov	Yuri
	d. Determining the most feasible approach for producing "smoothened" PPP time-series for the years between the 2011 and 2017 reference year comparisons; an extension to years before 2011 can be considered at a later stage.	Prasada Rao, Robert Inklaar, Sergey Sergeev, Yuri Dikhanov	Prasada
	e. Developing an approach to produce benchmark and PPP time-series for non-participating countries.	Prasada Rao, Robert Inklaar, Sergey Sergeev, Yuri Dikhanov	Sergey
	f. Determining the need the need to recalculate the global ICP 2011 results, if regional ICP 2011 results are significantly revised.	Task Force to decide later	Erwin
<b>2. Linking Interim Regional Updates into a Global Comparison</b>	a. Validating available interim global data to ensure quality and comparability of the data.	ICP Inter-Agency Coordination Group	Marko
	b. Determining the most feasible approach for linking interim regional updates in to a global comparison, considering available data and results.	Erwin Diewert, Sergey Sergeev, Yuri Dikhanov	Erwin
<b>3. Fine Tuning Global Linking Procedures</b>	a. Examining possible options for fine-tuning the linking of hard-to-measure headings: Housing.	Task Force on Housing	Paul
	b. Compiling and validating government compensation and expenditures for 2015, 2016 and 2017 for health, education and collective services for all Eurostat-OECD countries.	Eurostat, OECD	Francette
	c. Examining possible options for fine-tuning the linking of hard-to-measure headings: Health.	Paul Konijn, Francette Koechlin	Paul
	d. Examining possible options for fine-tuning the linking of hard-to-measure headings: Education.	Francette Koechlin	Francette
	e. Examining possible options for fine-tuning the linking of hard-to-measure headings: Collective Services.	Paul Konijn, Francette Koechlin	Paul

Topic	Task		Responsible	Sub-Coordinator
	f.	Compiling and validating construction data for 2017 as per the ICP approach for a selection of Eurostat-OECD countries.	Eurostat, OECD	Francette
	g.	Examining possible options for fine-tuning linking of hard-to-measure headings: Construction.	Paul Konijn, Francette Koechlin, Marko Rissanen	Paul
	h.	Assessing the impact of changing linking approach: The CIS case.	CIS-STAT, Sergey Sergeev, Vasily Kuznetsov	Sergey
	i.	Assessing the impact of countries moving from one region to another: The LAC case.	ECLAC, OECD	Francette
	j.	Examining possible options for producing global results for dual-participating countries: The Africa-Western Asia case.	Sergey Sergeev, Yuri Dikhanov, AFDB, ESCWA	Yuri
	k.	Researching alternative linking approaches, such as estimating linking factors based on global core price data only, exclusion of weak links, and multi-stage linking approaches.	Erwin Diewert, Robert Hill	Robert H.
<b>4. Productivity Adjustment for Government and Construction Sectors</b>	a.	Documenting the 2011 approach for applying productivity adjustment for government sector.	Yuri Dikhanov	Yuri
	b.	Updating the productivity adjustment factors for the 2017 comparison and developing an estimation approach for the interim years.	Robert Inklaar, Yuri Dikhanov	Robert I.
	c.	Assessing the feasibility and impact of applying productivity adjustments for construction sector.	Robert Inklaar, Marko Rissanen	Robert I.