ICP Research Agenda

Second Governing Board Meeting
September 15, 2017
World Bank, Washington, DC
The last half-century has seen the ICP grow into a global statistical program.

Each ICP round increased country participation, strengthened governance and improved methods.

ICP has reached a stage where it needs to identify its future direction and sustainability.
Opportunities

- United Nations mandate
  - “A truly permanent global program”

- Established governance framework
  - Governing bodies
  - Implementing mechanisms at global, regional and national levels

- Modernization and innovation
  - Information technology
  - Data revolution
Challenges

- Frequent and regular cycles of ICP
- Quality, reliability and consistency of PPPs
- ICP within the regular statistical work program at global, regional and national levels
- Sustainable funding
Research Agenda Consultations

- **Countries**
  - UN Friends of the Chair (FOC) Group evaluation
  - Regional workshops and events

- **Agencies**
  - Inter-Agency Coordination Group meetings

- **Users**
  - Poverty and economic policy experts
  - Academia
Research Agenda

- Focus on **methodological aspects** of building PPP time series and fine-tuning established methods and procedures to improve quality

- **Innovations** as a cross-cutting theme to ensure that new approaches, technologies, and data sources are utilized in the production of PPPs

- **Proposed Research Agenda includes:**
  - Immediate term (6 items)
  - Medium term (4 items)
  - Ongoing and longer term (3 items)
RESEARCH AGENDA FOR THE IMMEDIATE TERM
Extrapolations of PPPs at the aggregate level over long periods intervening the benchmark comparisons, coupled with major methodological changes between benchmarks, limit the ability to reconcile extrapolations from different benchmarks.

**Research topics include:**

i. Linking of regional interim updates into a global comparison

ii. Building PPP time series for the 2012-2016 interim period

iii. Assessing the adoption of the rolling price survey approach in all regions
II. Dwelling Services

Housing comparisons are difficult due to the varying mix of rented and owner-occupied dwellings, absence of reliable and/or regular rental surveys, and the unreliability of housing expenditures.

**Research topics include:**

i. Refining and improving existing comparison methods to better account for quality differences

ii. Investigating the use of new methods to estimate housing expenditures
III. Labor Productivity Adjustment

The adjustment for productivity differentials is designed to improve PPPs for labor; however, availability and quality of relevant productivity adjustment factors remains challenging.

Research topics include:

i. Assessing the quality and availability of input data to estimate adjustment factors and the impact of using/not using adjustment factors in different regions

ii. Using updated adjustment factors in the estimation of government employees PPPs for the 2017 ICP cycle

iii. Examining the possible use of adjustment factors in the estimation of construction laborers PPPs
IV. Fine Tuning Global Linking Procedures

In the 2011 ICP, linking regional results was relatively straightforward in principle. In practice; however, linking was not without its challenges and exceptions, e.g. special participation cases, different approaches for some GDP components, etc.

**Research topics include:**

i. Assessing avenues for refining and simplifying the linking process, as well as improving linking of specific GDP components

ii. Developing a strategy to accommodate special participation cases
V. Quality and Reliability of PPPs

ICP publications provide estimates of PPPs and real expenditures at the GDP level and for major components of GDP. However, indications on the quality of PPPs, including measures of reliability, are seldom provided.

**Research topics include:**

i. Investigating sources of data variability to assess the overall quality of the results and where data quality can be improved

ii. Establishing a statistical framework for the computation of measures of reliability
VI. Uses of PPPs for Policy Making

Though the ICP has existed for nearly 50 years, there has not been concerted effort to prepare a document outlining the uses of ICP results and demonstrating their relevance and usefulness for policy making.

**Research topics include:**

i. Assessing uses of PPPs for policy making at the international and national level

ii. Developing advocacy documents to demonstrate relevance and usefulness of PPPs for policy making
RESEARCH AGENDA FOR THE MEDIUM TERM
VII. CPI-ICP Synergies and Subnational PPPs

The need for closer integration of CPI and ICP activities has long been recognized; however, little progress has been achieved on this, partly because of lack of clarity on what integration entails.

**Research topics include:**

i. Assessing areas where harmonizing CPI and ICP processes could create synergies, and establishing relevant guidelines

ii. Producing guidelines for estimating subnational PPPs
Traditionally, the ICP has incorporated the foreign trade sector using market exchange rates. However, rich literature exists on incorporating terms-of-trade gains and losses due to the export-import price differentials into international comparisons.

**Research topics include:**

i. Investigating data availability and reliability for the terms-of-trade computation

ii. Developing and assessing methodologies to incorporate the term-of-trade effect into the PPP estimation
A new and simplified method to estimate construction PPPs was established for the 2011 ICP. However, 2011 construction results for some countries were not fully plausible, so concerns remain over the overall approach and the quality of input data.

**Research topics include:**

i. Investigating and resolving, to the extent possible, input data quality issues

ii. Examining avenues for methodological improvements of construction approach, in particular, using productivity adjustments for labor
X. Health and Education

Compilation of PPPs for health and education is challenging given the complexity of the provision and consumption of health and education goods and services. In addition, differences exist in the PPP estimation approach for health and education across regions.

Research topics include:

i. Assessing availability of health and education input data, and developing output-based approaches for estimating health and education PPPs

ii. Evaluating the effects of implementing an output-based approach instead of the current input-based method
ONGOING AND LONGER-TERM RESEARCH AGENDA
XI. PPPs and Global Poverty Measurement

PPPs are used to calibrate the World Bank’s international poverty line (IPL) and produce global poverty estimates; however, the Atkinson Commission Report on Global Poverty (2016) recommended fixing cross-country price comparisons at 2011 PPPs until 2030.

Research topics include:

i. Assessing the impact of 2017 ICP PPPs on global poverty measures  

ii. Assessing the possibility of estimating and using subnational and/or poverty-specific PPPs to measure poverty  

iii. Identifying strategies to use underlying ICP data in poverty measurement
Availability of scanner data, and possibility for collecting data through web-scraping and crowdsourcing, offer a range of alternative sources for price data.

**Research topics include:**

i. Assessing the availability and quality of price data from alternative data sources

ii. Developing approaches to use alternative price data in future ICP cycles
XIII. Product Quality Differences

The ICP uses structured product descriptions (SPDs) to ensure it compares prices of like-with-like across countries; however, it is still difficult to ensure that there are no differences in quality of products priced in different countries.

**Research topics include:**

i. Examining the possible use of an extended SPD approach to better capture quality differences of priced products

ii. Exploring the incorporation of quality indicators in the PPP estimation process
ICP TASK FORCES
Task Forces to be Established in 2017

1. PPP COMPILATION AND COMPUTATION
   - Linking interim regional updates into a global comparison (2017-2019)
   - Building PPP time series for the interim period (2017-2019)
   - Fine tuning global linking procedures (2018-2019)
   - Productivity adjustment for government and construction labor (2018-2019)

2. COUNTRY OPERATIONAL GUIDELINES AND PROCEDURES
   - Moving towards rolling price surveys (2017-2018)
   - CPI-ICP synergies to improve spatial and temporal price consistency (2017-2020)
   - Sub-national PPPs (2018-2020)
3. HOUSING
   - PPPs and real expenditures for dwelling services (2017-2019)

4. PPP USES
   - Uses of PPPs and ICP data for national and international policy making (2017-2019)

5. EXPORTS AND IMPORTS
   - PPPs for exports and imports (2017-2020)

6. PPPS AND POVERTY MEASUREMENT
   - ICP PPPs and global poverty measurement (2017-2021)
Task Forces to be Established in 2018 & Beyond

1. PPP RELIABILITY
   - Quality of data (2018-2019)
   - Reliability measures for PPPs (2018-2019)
   - Accounting for product quality differences in PPP measurement (2020-2022)

2. NEW DATA SOURCES
   - Exploring innovations in technology and data sources for PPP measurement (2018-2021)

3. NON-MARKET SERVICES
   - PPPs for health and education (2020-2021)

4. CONSTRUCTION
   - PPPs for construction (2020-2021)
THANK YOU