



INTERNATIONAL COMPARISON PROGRAM

TERMS OF REFERENCE

TASK FORCE ON ICP CLASSIFICATION

DRAFT

March 2025

Contents

1.	Introduction	2
2.	Scope of Work	4
3.	Membership	4
4.	Tenure and Work Modality	5
5.	Expected Deliverables	5

1. Introduction

A. Task Forces

The 47th 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 ICP 2017 cycle, the program is 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 forms Task Forces on specific topics and invites 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 Global ICP Unit at the World Bank supports the work of the Task Forces.

This document outlines the terms of reference for the Task Force on *ICP Classification* including its scope of work, proposed membership, tenure and work modality, and deliverables.

B. International Comparison Program Framework and Classification

National accounts expenditures are essential for the ICP. First, they are used as weights to aggregate purchasing power parities (PPPs) through the various levels of aggregation up to gross domestic product (GDP). Second, they are ultimately deflated by the PPPs and expressed as PPP-based expenditures. Neither aggregated PPPs nor PPP-based expenditures will be reliable unless the national expenditures provided by economies are comparable—that is, they are compiled using the same definitions of GDP and its component expenditures and are equally exhaustive in their measurement of economic activity. The common national accounts framework has been System of National Accounts (SNA) 2008 for the 2017 ICP cycle onward.

The SNA defines GDP from the expenditure side as the sum of expenditures on final consumption, gross capital formation, and net exports. Final consumption is the total expenditure on the goods and services consumed by individual households or the community to satisfy their individual or collective needs. Gross capital formation is the total expenditure on gross fixed capital formation, changes in inventories, and acquisitions less disposals of valuables. Net exports are the difference between the value of goods and services exported and the value of goods and services imported.

The [current ICP expenditure classification](#), published in 2019, was used for the ICP 2017 and ICP 2021 cycles. It was an update of the [previous ICP classification](#), which was used for the ICP 2005 and ICP 2011 cycles. The 2019 revision incorporated lessons learned from previous cycles, ensured consistency with the Eurostat expenditure classification, and aligned with classification changes introduced by the 2008 SNA.

According to the current classification, GDP comprises six main aggregates, which are broken down into 28 expenditure categories, 63 expenditure groups, 126 expenditure classes, and 155 basic headings. Each main aggregate is broken down by purpose in line with other international classification as below.

- Individual consumption expenditure by households is broken down by purpose in line with the Classification of Individual Consumption According to Purpose (COICOP) 1999.
- Individual consumption expenditure by non-profit institutions serving households (NPISH) is broken down by purpose in line with the Classification of the Purposes of Non-profit Institutions serving Households (COPNI).

- Government final consumption expenditure is broken down by purpose and by type of service in line with the Classification of the Functions of Government (COFOG) into individual consumption expenditure by government and collective consumption expenditure by government.
- Gross capital formation consists of three categories: gross fixed capital formation, change in inventories and acquisitions less disposals of valuables. Of these, gross fixed capital formation is broken down by type of product in line with the Classification of Products by Activity (CPA) 2008.

The ICP classification for individual consumption expenditure by households is structured in accordance with COICOP 1999, categorizing expenditures into 13 categories, 44 groups, 91 classes, and 110 basic headings. The basic heading level is particularly important, as it defines and estimates expenditures, determines the selection of items for pricing, and serves as the level at which PPPs are first calculated.

Aligning the ICP classification with other international classifications is essential for ensuring consistency within the global statistical system. This alignment enhances synergies between national and international statistical production, reducing the need for ICP-specific data collection, facilitating the integration of temporal adjustments, and enabling more streamlined data usage across statistical domains. In particular, harmonization with COICOP is crucial, as it directly pertains to individual consumption, with 110 out of 155 ICP basic headings falling under this main aggregate.

C. Classification of Individual Consumption According to Purpose (COICOP)

COICOP provides a structured framework for classifying goods and services based on their function or purpose within household consumption expenditure. While it is a key component of the System of National Accounts (SNA), its applications extend beyond national accounting. It is widely used in household budget surveys to analyze expenditure patterns and living standards, serves as the basis for Consumer Price Indices (CPIs), and supports international PPP-based national accounts expenditure GDP comparisons. Additionally, COICOP is applied in various statistical analyses related to culture, sports, food, health, and tourism.

As an internationally recognized classification system, COICOP ensures that individual consumption expenditures are consistently categorized across economies. Many economies integrate COICOP into their CPI frameworks, allowing goods and services to be classified uniformly based on their intended purpose. This harmonization is essential for the ICP, which relies on a common framework/classification to collect prices and CPI data globally. By aligning CPI data collection with COICOP, which is already in line with ICP requirements, economies can streamline their statistical processes and reduce the additional burden of collecting separate data for the ICP.

The United Nations Statistical Commission first adopted COICOP in March 1999, with its first revision introduced as [COICOP 2018](#). COICOP 2018 is significantly different from the previous version, featuring extensive changes in goods and services, greater detail to meet user needs, stronger links to other classifications, and adaptations to address emerging statistical and policy demands from international organizations. The updated changes are expected to have a significant impact on the ICP classification, requiring substantial revisions to align with the new COICOP. These updates will also affect other PPP methodologies, calculation approaches, and the overall framework, necessitating adjustments to classification structures and thorough testing across different scenarios to assess their impact on PPP results.

D. System of National Accounts (SNA)

The SNA is also currently undergoing a revision. The new [2025 SNA](#) addresses significant global economic developments, including globalization, digitalization, well-being, and sustainability. Notably, it introduces conceptual changes such as recognizing data as a produced asset, accounting for natural resource depletion as a production cost, and refining the measurement of central banks' output. The finalized 2025

SNA has been endorsed by the United Nations Statistical Commission (UNSC) in March 2025, and economies will begin implementing the updates. While the initial impact on the ICP classification is expected to be minimal, further assessment is essential to fully understand its implications and necessary adjustments.

E. Pre-discussions with ICP Technical Advisory Group (TAG) and Inter-Agency Coordination Group (IACG)

The ICP TAG and IACG have initiated discussions on a potential update to the ICP classification, highlighting the key changes in COICOP and their potential impact and challenges for the ICP classification. ([IACG Oct 2023](#), [TAG Nov 2023](#), [IACG Nov 2024](#))

During the meetings, it was noted that updating the current ICP classification is necessary to ensure comparability and alignment with COICOP 2018, particularly as many economies have already adopted, are in the process of adopting, or plan to adopt COICOP 2018. Given the upcoming SNA 2025 updates, the need for a revision was further emphasized.

Incorporating COICOP 2018 revisions into the ICP classification is expected to impact price data surveys, national accounts data compilations and PPP estimation. While some adjustments will be straightforward, others will require further investigation and analysis. Despite the anticipated challenges, the update is expected to enhance alignment with national Consumer Price Index (CPI), national accounts, and other PPP classifications, such as Eurostat-OECD's, ultimately reducing the burden on economies and regional agencies.

Hence, the establishment of a dedicated ICP Task Force, comprising international, regional, and national experts, is suggested to address these updates and ensure a smooth transition.

2. Scope of Work

The *Task Force on ICP Classification* is responsible for addressing the following key areas, among others:

- Assess the impact of the COICOP 2018 and 2025 SNA updates on the ICP classification.
- Draft an updated ICP classification.
- Draft an interim approach to link the current ICP classification with the new Eurostat-OECD PPP classification.
- Analyze possible scenarios and conduct simulations to assess the impact on PPPs.
- Explore the feasibility of revising previous ICP cycle results to be aligned to the new classification and review the implications on PPP time series data.
- Recommend an appropriate timeline and implementation strategy for the new ICP classification.
- Develop guidelines and recommendations for adopting the updated classification.
- Prepare other documentation as needed, including needed revisions to ICP operational materials and solutions.

3. Membership

The *Task Force on ICP classification* will be formed of experts and/or practitioners in the field of index numbers, PPPs, price statistics, national accounts, and international statistical classification. These may 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.
- Independent experts/consultants.

4. Tenure and Work Modality

The *Task Force on ICP classification* 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 ICP Classification*.

5. Expected Deliverables

The *Task Force on ICP Classification* is expected to develop an updated and interim ICP classification. Throughout this process, it will present its proposed approach to the TAG, draft an interim report for discussion, refine its methodology through further research and computations as needed, and prepare a final report with recommendations. If a methodological changes, stemming from the update, are proposed, the Task Force should conduct and document an assessment of its impact on the results.