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**Items for discussion and decision: International  
Comparison Programme****Report of the World Bank on the interim activities of the  
International Comparison Programme****Note by the Secretary-General**

In accordance with Economic and Social Council decision 2015/216 and past practices, the Secretary-General has the honour to transmit the report of the World Bank on the International Comparison Programme (ICP), which is being submitted to the Statistical Commission for information. The report outlines the interim activities of the Programme following the conclusion of the 2011 round. It describes activities undertaken at the global and regional levels to conduct purchasing power parity (PPP) update exercises to improve PPP estimates in non-benchmark years. The report also highlights the latest capacity-building and advocacy activities to improve the uses of ICP results. The experience of the interim activities can help to inform the future of the Programme. The Commission is invited to take note of the report.

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# **Report of the World Bank on the interim activities of the International Comparison Programme**

## **I. Introduction**

1. At its forty-sixth session, held from 3 to 6 March 2015, the Statistical Commission urged the International Comparison Programme (ICP) to sustain the capacity built during the 2011 round and maintain the momentum. In response, countries and regional coordinating agencies initiated interim activities in various regions, and the World Bank provided coordination, technical and financial support to ensure the continuity of ICP activities.

2. The present report provides the Commission with a comprehensive update on the interim activities of ICP, with specific emphasis on those that took place from December 2014 to November 2015. The main objective of the interim activities is to provide more up-to-date estimates of global purchasing power parities (PPPs). As such, the interim estimates are an important step towards estimating PPPs on a more frequent basis, based on new price data collected by participating national statistical offices.

3. The interim activities described below are expected to culminate in a set of interim global PPP updates for the period from 2012 to 2016 by the end of 2018. Because all the post-2011 round interim activities are anchored to the production of a new global reference time series, they are better coordinated and consistent relative to the regional activities that took place between the 2005 and 2011 rounds.

4. The report is organized into five sections: (a) inter-agency coordination activities; (b) research activities; (c) capacity-building and technical assistance activities; (d) uses and advocacy activities; and (e) timetable for interim PPP updates.

## **II. Inter-agency coordination activities**

5. The organization of regional activities to produce global estimates for the period from 2012 to 2016 requires substantial coordination. This has been facilitated by informal ICP inter-agency coordination meetings. Participants reflected the same organizations that were deeply engaged in the 2011 round: the African Development Bank (AfDB), the Asian Development Bank (ADB), the Interstate Statistical Committee of the Commonwealth of Independent States (CIS-STAT), the Statistical Office of the European Union (Eurostat), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the Economic and Social Commission for Western Asia (ESCWA), the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. A series of coordination meetings was held from March through October 2015.

6. The first meeting was held on 1 March 2015 in New York. Participants discussed activities and efforts planned to estimate PPP updates at the regional level, the coordination of efforts to maximize the value of the updates for users, and thoughts about the future of the Programme. The participating agencies concurred that ICP needed to be revamped into a permanent and less costly exercise with lighter governance, producing more frequent, timely and consistent results.

7. The second meeting was held from 27 to 29 May 2015 in Washington, D.C. Participants discussed post-2011 activities and the maximization of synergies in regional and global post-2011 activities, as well as various PPP applications. The contribution of regional coordinating agencies at the meeting shed light on the current regional efforts. It was agreed that coordination between regional and global post-2011 activities was needed to ensure the production of a strong set of regional and global PPP interim estimates. Operational materials to support regional PPP updates, including global core lists and survey forms, were reviewed and discussed to ensure that the lists were representative of the consumption patterns in all regions.

8. The third meeting was held from 28 to 30 October 2015 in Washington, D.C. At the first session of the meeting, participants discussed issues relating to the interim regional updates, including regional workplans, global core lists and survey materials, an assessment of the quality of national account expenditures and price deflators, and technical assistance strategies. At the second session, leading technical experts joined the meeting and discussed an interim technical agenda to better inform the interim activities and the future ICP. At the third session, participants discussed preliminary recommendations on the future of ICP by the Friends of the Chair group on the evaluation of the 2011 round of the Programme.

### **III. Research activities**

9. The ICP coordinating agencies and leading technical experts discussed an interim technical agenda for building the most reliable global interim PPPs incorporating regional updates, and the advancement of PPP uses and applications. Activities in the research areas below are under way to better inform the future.

#### **Purchasing power parity extrapolation and linking interim regional purchasing power parity updates**

10. In order to improve the PPP extrapolation method, the World Bank ICP team, in collaboration with the regional coordinating agencies, is conducting experiments to extrapolate regional and global 2011 PPPs at more detailed levels below the gross domestic product (GDP), using national account deflators and consumer price indices (CPIs).

#### **International Comparison Programme classification**

11. The classification of expenditure on GDP used for ICP 2005 and ICP 2011 is being updated to reflect the lessons learned during the 2005 and 2011 rounds of comparisons, maintain consistency with the Eurostat expenditure classification, which has recently been revised, and take account of the changes to the classification introduced by the System of National Accounts 2008.

#### **Quality assurance**

12. Historically, the Programme has dedicated substantial efforts to the validation of ICP underlying data (prices and expenditure data) but less time and effort to validating the resulting PPPs. Efforts are under way to develop an iterative approach for validating regional and global PPPs from an economic point of view.

**Poverty purchasing power parities**

13. A research project on poverty-sensitive PPPs aimed at combining existing household survey data with underlying ICP data to produce poverty-sensitive PPPs is under way. Using standardized household expenditure surveys and corresponding detailed ICP data for selected ICP regions, the research project will simulate the following: (a) poverty PPPs using weights relevant for the poor; and (b) poverty PPPs using weights and average prices for items relevant for the poor.

**Subnational purchasing power parities**

14. To meet the growing demand for official estimates of PPPs at the subnational level, selected countries in various regions have undertaken the compilation of subnational PPPs in the interim period. The ICP team, in collaboration with the regional coordinating agencies, is compiling an inventory of subnational PPP projects and exploring future expansion and harmonization of the exercises to maximize synergies and comparability.

**Alternative sources of price data**

15. In order to explore the possibility of using alternative sources of price data for filling gaps in ICP data, such as for non-benchmark countries, a pilot project is being conducted to study the feasibility of capturing granular high-frequency price data using modern information and communications technology. The pilot is aimed at testing the possibility of covering a complete basket of goods and services for household consumption and achieving a representative set of national average prices through wide geographical coverage, including rural areas.

**IV. Capacity-building and technical assistance activities**

16. The sustainment of capacity-building and technical assistance activities is an essential element in producing robust interim PPPs and ensuring that the ICP skills and knowledge of participating national statistical offices do not erode. In the interim, various activities have been organized in various regions.

17. AfDB held two regional workshops to discuss the regional PPP update activities, in Senegal in June 2015 and in Zambia in August 2015. The next workshop is scheduled for January 2016. AfDB is also providing technical assistance to participating countries on the harmonization of ICP and CPI activities. In Asia, ADB held two regional workshops, in Thailand in June 2015 and in Indonesia in December 2015, to discuss the PPP update exercise in the region. In addition to the regional PPP update, ADB is supporting countries with the construction of supply and use tables and the estimation of subnational PPPs.

18. In the CIS region, a regional workshop was organized by CIS-STAT in November 2015 to validate the data underlying the regional PPP update for the reference year 2014. In Western Asia, two regional workshops were organized by ESCWA, in December 2014 and in August 2015 in Turkey. The next workshop is scheduled for January 2016. In addition to regional PPP update activities, ESCWA provided technical assistance on subnational PPP estimation to Egypt, the Sudan and the United Arab Emirates.

19. The World Bank supported regional partners with financial and technical assistance to implement interim activities. To support the regional PPP update exercises, the ICP team updated and simplified operational materials, including the global core item lists and survey questionnaires, so that harmonized and up-to-date materials would be utilized in regional update exercises. The national account quality assurance questionnaire was also updated to effectively gather facts and inputs from national compilers on countries' national account practices and to assess the international comparability of expenditure data for ICP purposes.

20. Looking ahead, capacity-building efforts will focus on the integration of CPI and PPP activities to reduce the burden of survey implementation on countries. This topic will be on the agenda of the upcoming CPI expert group meeting, to be held in Geneva in May 2016.

## V. Uses and advocacy activities

21. Efforts in the interim period focused on ensuring the wide use of the ICP 2011 results to increase their relevance. It is clear that the value of the ICP exercise would be greatly enhanced if the frequency of robust PPP estimates was improved and more of the underlying price data were made accessible. To improve advocacy and better educate users on the PPPs and their uses, various sessions were organized at international conferences and seminars.

### Uses of purchasing power parities

22. The ICP 2011 results were utilized in a wide variety of outlets over the past year, including media articles, research papers, reports, publications, videos and blogs. Themes ranged from poverty measurement to industry structure analyses to global inequality. A comprehensive list of the uses of ICP 2011 results is maintained on the ICP website ([www.worldbank.org/data/icp](http://www.worldbank.org/data/icp)).

23. One of the most prevalent topics covered by the media using ICP 2011 results is the recent revision of the World Bank international poverty line. On 4 October 2015, the World Bank updated the international poverty line from \$1.25 per day to \$1.90 per day, incorporating the 2011 PPPs produced by ICP. The 2011 results were also incorporated into the World Bank PovcalNet database, which is an online analysis tool for global poverty monitoring. The new international poverty line was covered by prominent media outlets such as *The Economist* and the *Financial Times*. The announcement was accompanied by a press release, policy research note, research paper, frequently asked questions, infographics and blogs. The results were also included in the World Bank *Global Monitoring Report 2015/2016: Development Goals in an Era of Demographic Change*.

### International conferences and workshops

24. In 2015, sessions were organized at several conferences with the aim of promoting the uses of PPPs. The sixtieth International Statistical Institute World Statistics Congress was held in Rio de Janeiro, Brazil, from 26 to 31 July 2015. The World Bank organized a session entitled "The International Comparison Programme: Results of the 2011 Round and the Way Forward". The session included various presentations that covered understanding the results of the ICP 2011, the application of PPPs for poverty analysis, the impact of the new 2011 PPPs on the PPP time series, recommendations of the ICP

2011 evaluation and the way forward. AfDB organized two additional sessions, on the themes “Measuring economies using the ICP data: Regional perspectives” and “Purchasing power parity concepts and methodology: A multifarious outlook”. China organized a session entitled “Improving the ICP methodology in emerging economies”, which marked the first time a country had organized a session on ICP in that forum.

25. A conference on international comparisons of income and production was held at the Center for Economic Research and Graduate Education — Economics Institute in Prague on 22 and 23 May 2015. Sessions covered international comparisons of living standards and prices; collecting prices across borders; wages and prices over time and space; and housing, prices and output accounting. Among others, a presentation was made on the World Bank initiatives on PPP applications. In addition, as part of the World Bank hands-on poverty measurement training, a session on PPPs entitled “Hands-on poverty measurement training: PPPs” was held in Washington, D.C. on 22 April 2015. The session provided training for World Bank economists on PPP methodology and recent results and findings.

#### **ICP Quarterly Update newsletter**

26. The ICP team continued to issue the newsletter “ICP Quarterly Update” on a quarterly basis in 2015. These newsletters cover seminars, workshops, data and research releases and media coverage. They are available on the ICP website.

## **VI. Timetable for interim PPP updates**

27. After the successful completion of the ICP 2011 round, various regions initiated interim activities to produce regional PPP updates so that the capacity and momentum from the 2011 experience would be maintained and carried forward to the future. The ICP team is actively supporting these regional activities and is conducting research activities aimed at producing more robust interim global PPP time series so that interim activities set the foundation for the future ICP and respond to the growing uses and demands on PPPs.

28. In Africa, AfDB initiated a regional PPP update for the reference years 2015 and 2016. Benchmark data collection began in 2015 for price data in capital cities, using a reduced regional list. Similarly, ADB is undertaking a PPP regional update in Asia for the reference years 2015 and 2016. CIS plans to release regional PPP results for the reference year 2014 in late 2016 or early 2017. ECLAC is organizing a regional update for selected Latin American and Caribbean countries for the reference year 2016. ESCWA released regional results for the reference years 2012 and 2013 as elaborated extrapolations from the 2011 benchmark and initiated a regional update for the reference year 2016.

29. In the light of the difference in the timing of interim regional PPP updates, the ICP team is making efforts to establish consistent annual PPP estimation practices based on data from the PPP exercises in various regions and detailed extrapolations relying on CPIs and other price indices. Further, a group of leading technical experts is examining the methodology to combine and integrate PPP price collections and extrapolations using CPIs and other price deflators to produce a reliable and consistent PPP time series on a continuous basis. These interim activities are expected to culminate in a set of interim global PPP updates for the period from 2012 to 2016 by the end of 2018.