

ICP Asia Pacific

Seventh Meeting of the Regional Advisory Board

22 June 2007

ADB Headquarters, Manila, Philippines

Highlights of Proceedings

Attendance:

Ms. Carmelita Ericta, Administrator, NSO, Philippines
Mr. Ifzal Ali, Chief Economist, ADB
Mr. Peter Harper, Deputy Australian Statistician, ABS
Mr. Shuichi Watanabe, Deputy Director, SIAP
Mr. Yonas Biru, Deputy Global Manager, ICP Global Office
Mr. Rusman Heriawan, Chief Statistician, BPS, Indonesia
Mr. Dominic K.T. Leung, Deputy Commissioner for Census & Statistics, Hong Kong, China
Mr. Huang Langhui, Director General, ISIC, NBS, China
Mr. G.M. Boopathy, Deputy Director General, MSPI, India
Mr. Ramesh Kolli, Additional Director General, MSPI, India
Mr. Bishnu Pant, Assistant Chief Economist, ADB
Mr. Prasada Rao, ICP Consultant
Mr. Derek Blades, ICP Consultant
Mr. Yuri Dikhanov, ICP Global Office
Mr. Vaskar Saha, Principal Statistician, ADB

Updates on the Global Level

1. The Deputy Global Manager reported on the status of the regional ICP programs. All the regions have completed data collection and validation. The Latin American program has published its final report.
2. For the ring countries in the Asia and the Pacific region, there are consistent findings between the regional and ring preliminary results. The final ring comparison results for households are targeted for release in October and the full GDP December 2007.
3. The Board took note that the Ring program is an essential part of the ICP and stressed that delay in the Ring comparison will delay the publication of the global report. In this respect, the Board members supported the market evaluation proposed by the Global Office as a step forward and emphasized that it should be done without delay. The Board was informed that Hong Kong and Malaysia agreed to participate in the market evaluation.
4. The current ICP round will be evaluated by "Friends of the Chair". The Board suggested that the experts who not directly involved in the current round of ICP be included in the group of evaluators.

Meeting of National Coordinators and National Accountants

5. The Regional Coordinator presented the significant highlights of the meeting of national coordinators and national accountants to review preliminary PPP results, held on 18-21 June 2007. The Board attended the last day of the meeting which gave them the opportunity to discuss/interact with representatives from the 23 participating countries.

Dwellings

6. It was explained that the quantity approach is the recommended approach for the estimation of PPP dwellings services. However, this approach could not be used because data submitted by many countries did not seem to be reliable. Also, in situations where housing quality varies significantly from country to country – as it does in the Asia and the Pacific region – the use of the quantity approach itself is questionable. It was, therefore, decided that instead of using a reference PPP, a reference method using the volume ratios of Individual Consumption Expenditures by Households, will be used as the reference for deriving the volume indices for dwellings. This is a neutral method which will not have much effect on the over-all per capita volumes.

7. It was also agreed that more efforts were needed in the next ICP round to redefine concepts and data requirements relating to quality and quantity indicators.

8. Mr. Blades was requested to document the issues/concerns on the reasons for not using the quantity approach and these will be included in the technical notes of the final report.

Compensation of Employees

9. Participating countries in the Asia and the Pacific region show very wide disparities in the levels of compensation. In consultation with the participating countries, ADB international consultants and World Bank, it was decided to introduce productivity adjustments on the compensation data using the Cobb-Douglas production function.

10. Various other options for productivity adjustment were presented and discussed in the meeting. These include the ratio of real GDP (without Agriculture & Government) to Labor force (without Agriculture & Government). However, since some participating countries do not have reliable labor force data, an alternative ratio was suggested using per capita real GDP. Also presented were different scenarios using the Cobb-Douglas production function from constant labor coefficient and constant capital-output ratio to variable labor coefficients and capital-output ratios. After deliberations, it was decided to adopt a (i) labor coefficient of 0.75 for high-income countries, and 0.5 for and the rest of the countries, and (ii) capital output ratios of 2.5 to 3.5, with the high-income countries having higher values. The Board agreed to release the preliminary PPP results using the Cobb-Douglas production function with the above assumptions.

11. At the same time, since the use of the productivity adjustment is a new methodology introduced for Asia and the Pacific, the Board advised the Regional Office to seek the views of the Technical Advisory Group (TAG) on this matter. The views of the TAG will be taken into account in compiling the final estimates.

Comments on the outline of the draft preliminary report

12. The draft preliminary report was circulated to Board members and they provided comments on the draft report. It was agreed that for this region, Hong Kong, China will be the numeraire country. For presenting the results, the Board agreed not to use “Asian Regional Currency” or “Asian Regional Unit”. Further, RAB advised that the term “real per capita” should be used instead of “per capita volume” for various categories of release.

13. While the uses of PPPs are included in the report, it was suggested to include situations where PPPs are not recommended to be used and a table on the number of products priced by the countries.

14. The Board agreed to provide their comments on the preliminary report to the RO by 30 June 2007.

Category of Release for Publication

15. In principle, the Board agreed to the suggested release categories but requested for copies of the results as soon as these are available.

Publication and advocacy plans

16. The Board was informed that the preliminary PPP results will be released on 31 July at ADB Headquarters. This will be preceded by a meeting of the heads of the national statistical organizations. In this regard, the Board was requested to suggest agenda items for the meeting of NSO heads, by 2 July 2007.

Status Report on Poverty PPPs

17. It was informed that preliminary PPP-based poverty results were discussed in a workshop in March 2007 and that all household expenditure weights for all the 16 participating countries are now available.

Other Matters Discussed

18. Since the PLIs for Iran are generally low, the Board advised to compute PPP results with and without Iran to identify its overall effect on PPP results.

19. The Board agreed that should data from a country for particular components of GDP adversely affect PPP results, the RO may have the option of using data from a similar neighboring country or another methodology that it deems appropriate, but the results for these components will not be published for the country concerned and three dots (...) will be used instead. The concerned countries will be informed of these situations.

20. The Deputy Global Manager acknowledged the significant contribution of the Asia and the Pacific region in this ICP round, particularly as a model for governance, while noting that this region is the most challenging due to diversity in economic and cultural situations of the countries.

21. The Board was informed that the report would indicate that the national level estimates compiled from the 11-city data submission of China were computed by the World Bank/ADB.

22. The Board noted that capacity-building is the most defining aspect of this ICP round. The Board acknowledged the contributions made by the participating countries, ICP Experts and ADB.