

**STATISTICAL COMMISSION and
ECONOMIC COMMISSION FOR EUROPE**

Working Paper No 20

CONFERENCE OF EUROPEAN STATISTICIANS

**ECE-Eurostat-OECD Joint Consultation
on the European Comparison Programme**

(Geneva, 23-25 October 2000)

Organisation of European Comparison Programme (ECP) 1999

Management and financial implications of continuing the ECP

Paper submitted by ECE Secretariat

Introduction

1. At its last meeting in March 2000, the UN Statistical Commission (UNSC) though expressing support for the International Comparison Programme (ICP) recommended that the start of the next round of the global ICP be postponed by at least one year. It also recommended that the management structure and financial implications of continuing both the global and the regional programmes be reviewed and discussed at the next meeting of the Commission to be held in March 2001. The recommendations were made in the light of serious reservations regarding the quality, timeliness, credibility and transparency of the ICP as identified in the Catsles¹ and Ryten² reports, both of which were presented and discussed by the Commission in 1999.

Reaction in Europe to the evaluation of the ICP

UN Economic Commission for Europe

2. The forty-eighth plenary session of the Conference of European Statisticians (CES), held in June 2000, noted the recommendations of the Statistical Commission. The Conference also noted that the ECE countries with economies in transition, which were present in New York, expressed support for the European Comparison Programme and urged the organisation concerned, the ECE, to move on. In the final report of the CES, it is indicated:

“the Conference noted that the European Comparison Programme is expected to proceed as planned, under the leadership of Eurostat and the OECD, and with the active involvement of the ECE and CIS Statistical Committee. The Conference also agreed that in the ECE region the management and financial implications of continuing the ECP will be dealt with in the course of the next ECP Consultation meeting that the ECE will host in Geneva in 2000”.

European Union and Eurostat

3. Already in September 1998, the 30th Statistical Programme Committee discussed in depth the quality of the PPPs, as concerns the quality implications of the ECP Reform³ within the EU and with the view to improving the quality of national PPPs in order to pave the way for regional PPPs. The ECP Reform was launched in January 1999. The new organisation of the comparison broke down the barrier between the “old” ECP Groups I and Group II (Eastern European countries) and combined them in one unified group. However, as it is not easy to co-ordinate a group of 29 countries (recently 31 countries with Malta and Turkey joining), they were sub-divided into three groups led by Austria, Finland and Italy, called “Group Leaders”.

¹ Review of the OECD-Eurostat PPP Programme (STD/PPP(97)5, OECD Paris, 1997), by Jan Castles

² Report on evaluation of the ICP (E/CN.3/1999/8, UN, New York, 1999) by Jakob Ryten.

³ The abbreviation ‘ECP’ as used by Eurostat refers to the Eurostat’s Programme, which covers its member states plus candidate countries. In UN terms ‘ECP’ refers to the UN/ECE region which includes all countries of Europe plus Canada and United States.

4. The ECP Reform was launched and supported by the appropriate funding. It is expected that this will substantially improve the timeliness of the results, which is an important element of the overall quality of the PPPs results. In addition, the ECP Reform in itself is regarded as a major quality measure. In a document prepared for the 33d meeting of the SPC “Quality improvement in the calculation of the PPPs: proposals from Eurostat”, it is indicated that:

“Eurostat believes that the measures now in hand to improve the quality of PPPs, including timeliness, will lead to a relatively rapid and lasting improvement of the overall quality of the PPPs results. To echo the views of the recent reports of Castles and Ryten, PPPs are an essential tool for international comparisons but to be useful the resources applied to them have to be adequate. Eurostat’s actions involve an increase in the total PPP resources and a better and more efficient use of those resources”.

OECD

5. The OECD-Eurostat PPP Programme was reviewed at a meeting held in November 1997 in Paris on the basis of a background document prepared by Jan Castles - the Castles Report. Further discussions concerning the quality of the results published by Eurostat and the OECD have been held at various meetings convened by the OECD secretariat. In response to the recommendations for greater transparency on the part of international organisations (Ryten report), the OECD member countries were provided with tables that enabled them to check the consistency of the 1996 results. Further work related to the publication of the 1996 results, which included more details on the methods used in producing the PPPs. The OECD secretariat also undertook visits to the non-European statistical agencies between 1999 and end-2000.⁴

6. A PPP Research Programme was set up to investigate various issues as a follow-up required in respect of the Castles and Ryten reports but also as a result of the OECD’s investigations into the 1996 results. In 2000, the research agenda included work on the following topics:

- Estimation of rents (using dwelling stock data);
- Adoption of the new expenditure classification based on SNA 93;
- Establishing links between NA data base(s) and PPP data to be used in the analysis of the PPPs results and preparing a framework for analysing country’s data individually;
- Non-market services(health and education);
- Examining the effects of reducing the numbers of basic headings;
- Further sensitivity testing;
- Improving PPP estimation for investment;
- The effects of different aggregation methods.

⁴ More information on the work undertaken by OECD could be viewed at: <http://www.oecd.std/ppp>

CIS Statistical Committee

7. The countries of the Commonwealth of Independent States (CIS) plus Mongolia participated for the first time in the 1996 benchmark comparison as Group III countries. The work on the CIS countries was carried out by OECD in co-operation with the Interstate Statistical Committee of the CIS, Goskomstat of the Russian Federation and the State Institute of Statistics of Turkey. The final results, after being discussed at a workshop in July 1999 in St.Petersbourg, were linked to the results of Groups I and II and published by the ECE secretariat in January 2000.

8. In June 1998, at a meeting held in Armenia, the Presidents of the Statistical Agencies of the CIS member countries recommended that the CIS countries participate in the next round of comparisons. The CIS Statistical Committee and the Russian Goskomstat have undertaken the work with data for 2000. The World Bank has provided some financial support.

1999 and 2000 rounds of comparisons in Europe, ECP 1999 or ECP 2000

9. As could be seen from above, all countries (except Albania) that are members of the ECE and have participated in the 1996 benchmark comparison have undertaken work either on 1999 comparison, (Eurostat, OECD) or on 2000 comparison (CIS Statistical Committee). Therefore, it is worth continuing and completing the international comparison of GDP at the regional level of ECE for 1999 or 2000, though at the global level the International Comparison Programme is postponed. The issue of “which year should be taken as a benchmark” is discussed in Working paper 19 submitted by OECD. As there is no decision on which year would be used at the time of writing of this note, the round is referred further in this text as the ECP “1999”.

10. The ECE member countries are participating in the following comparisons:

Eurostat -OECD PPP Programme

11. The Eurostat -OECD PPP Programme now consists of four Groups of countries which include the three Eurostat groups plus one group “OECD countries”.

- Group 1 (or “Northern Europe”) includes 10 countries: Finland, Denmark, Estonia, Iceland, Ireland, Latvia, Lithuania, Norway, Sweden and United Kingdom;
- Group 2 (or “Central Europe”) including 11 countries: Austria, Belgium, Czech Republic, Germany, Hungary, Luxembourg, Netherlands, Poland, Slovak Republic, Slovenia and Switzerland;
- Group 3 (or “Southern Europe”) including 10 countries: Italy, Bulgaria, Cyprus, France, Greece, Portugal, Romania, Spain, plus Malta and Turkey which joint recently⁵;

⁵ Malta and Turkey are included in Group 3 by the ECE secretariat on the assumption that they belong to Southern Europe.

- Group 4 (or “OECD countries”) including 9 countries: Israel, Russian Federation, Canada, United States, Australia, New Zealand, Japan, Korea and Mexico. The first four of these countries are also members of ECE.

12. Eurostat is co-ordinating the data collection of the countries comprising Groups 1, 2 and 3. OECD is co-ordinating the countries in Group 4 and will undertake the calculation and aggregation of PPPs for the OECD member countries and the countries included in the Eurostat –OECD PPP Programme⁶. Ukraine is also participating in the 1999 OECD comparison, and bilateral comparison between the Russian Federation and Ukraine is underway.

OECD and two South Eastern countries

13. OECD secretariat has undertaken work on Croatia and The former Yugoslav Republic of Macedonia to co-ordinate their participation in the 1999 round of comparisons. The work is carried out in co-operation with Slovenia as well.

CIS countries and Mongolia

14. The CIS Statistical Committee and the Statistical Agency of the Russian Federation have undertaken work to compare the CIS countries and Mongolia with data for 2000. The work is a continuation of the work done by OECD with data for 1994, 1995 and 1996. However, after the 1996 round, OECD withdrew from assisting the CIS countries. The comparison includes eleven CIS countries and Mongolia. The CIS countries include: Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Turkmenistan, Uzbekistan and Mongolia. The work on the comparison follows a time schedule which aims at having the first results in the second quarter of 2002 and publication of the final results in the third quarter of 2002.

How to organise the ECP “1999” at the ECE regional level?

15. This section discusses a few issues concerning the organisation of the ECP “1999” from the perspective of the ECE secretariat. The issues are more organisational rather than methodological. It is expected that a large part of the methodological questions concerning the ECP “1999” will be discussed under the respective agenda items.

The experience from ECP 1996

16. The ECP 1996 covered 52 countries, of which 47 countries from the ECE region. During the 1993 round of the ECP the country coverage was extended beyond the ECE region and this trend was continued during the 1996 round to include four non- European countries members of OECD (Australia, Japan, Mexico and New Zealand) and Mongolia.

⁶ More information on the work undertaken by OECD could be viewed on the OECD web site at: <http://www.oecd.std/ppp/pppnonmember/htm>.

17. The ECP 1996 comprised three separate comparisons, the results of which were linked and published by the ECE secretariat in close co-operation with Eurostat, OECD and the Austrian Central Statistical Office. Group I comparisons were undertaken within the Eurostat-OECD PPP Programme, Group II which included Eastern European countries (or Transition Economies) was co-ordinated by the Austrian CSO and Group III included the CIS countries plus Mongolia. The groups comparisons were combined into an overall ECP comparison with the help of the “bridge” countries, i.e. those countries that participated in more than one group.

The new groups of comparisons

18. It was noted earlier that all countries that participated in the ECP 1996 are also working on 1999 or 2000 comparisons, except Albania. However, as already described in previous sections, the new round of ECP in Europe has to be organised differently because of different groups that have been formed, but also because of the year for which the comparison is carried out.

19. Speaking in ECE terms, four groups of comparisons could be identified for the ECP “1999”:

- **Group I** comparisons undertaken by Eurostat, which covers its member States, Iceland, Norway, Switzerland plus Candidate Countries;
- **Group II** comparisons undertaken by OECD within the Eurostat-OECD Programme and includes the non-European members of OECD;
- **Group III** comparisons undertaken by CIS Statistical Committee, which includes the CIS countries and Mongolia.
- **Group IV** –small group, which could be formed from Croatia and The former Yugoslav Republic of Macedonia.

Methods used, choice of reference country and numéraire currency

20. The PPPs calculations are normally compiled separately for each group of countries and the method used should be same. While this is ensured for the Eurostat-OECD Programme and the countries which are co-ordinated by OECD it has to be also applied to the CIS comparison.

21. Austria was chosen as the *reference country* and the Austrian schilling as the *numéraire currency* for presentation of the overall ECP 1996 results similarly to the previous ECP rounds. Consequently, all volume and price level indices were expressed as percentages of Austria at 100. The real values were expressed in terms of schillings and PPPs were expressed in relation to the schilling as 1. To-date, the conditions have changed and Austria is not the ‘bridge’ between the Eastern and the Western countries any more. In this context, participants are asked to discuss on the choice of *reference country* and *numéraire currency* for the presentation of the overall ECP 1999/2000 results.

Combining groups comparison results

22. The overall ECP 1996 results were obtained through chain-linking of the groups' results at the level of analytical categories. Austria was the bridge country for linking between Group I and Group II. Group III was linked with Austria by using all possible linking countries, i.e. Belarus, Moldova, The Russian Federation and Turkey. A country was linked with Austria (Group II) through four bridges, and then a simple geometric mean of the four results was used at the analytical category level. Participants are invited to discuss possible ways for linking the group results of the 1999 and 2000 comparisons.

Timetable for completion and publication of the overall "1999" final results

23. A consultant hired by the ECE linked the 1996 groups' results. Final 1996 results were submitted to the ECE secretariat by the respective organisations responsible for the separate comparisons. However, it should be noted that because of lack of co-ordination of the work between international organisations involved, at the late stages of completing the work on CIS countries, the publication of the overall 1996 results was unnecessary delayed. The ECE publication with 1996 data was issued only in January 2000, or four years after the round.

24. In view of improving the timeliness for publication of the final "1999" results, the secretariats of Eurostat, OECD, CIS Statistical Committee and ECE should agree on a timetable, acceptable to all parties involved, for submission of the results and their publication. The same refers to a possible timetable for issuing joint press releases. The good co-operation between the four secretariats will be determinant for improving the timeliness for publication of the final results.

Management and financial implications of continuing the ECP

25. As mentioned earlier, the Statistical Commission recommended that the issues of management and financial implications of continuing the ECP be discussed at regional levels as well. That was one reason for including the topic on the agenda. Another reason is that, if the work on ECP continues at the ECE level, then the ECE secretariat needs to organise its limited resources for supporting the work and publishing the results.

26. The Commission also recommended that:

“in the light of the serious reservations noted regarding the quality, timeliness, credibility and transparency of the ICP as identified in the Castles and Ryten reports the following steps should be undertaken:

- Securing the adequate funding for the programme;
- Instituting an adequate management structure at both global and regional levels;

- Developing an agreed practical implementation plan which is initially limited to the calculation of PPPs for private household consumption expenditure;
- Building country capability as an integral component of ICP “.

27. The above recommendations, except perhaps the third one, are also relevant to the European Comparison Programme at the level of ECE. In this context, it is suggested that the same issues are discussed in view of the completion of the ECP “1999”.

28. Securing the adequate funding for carrying out the activities related to the 1999 and 2000 comparisons is of major importance. In order to complete the work at the ECE regional level, it is assumed that enough resources would be available in each of the four groups comparisons, as identified in paragraph 18, to carry out the undertaken work. Securing financing implies that countries should commit themselves to produce reliable and timely data.

29. Resources are needed for linking the final groups’ results. There are three options:

- (i) linking is done by one of the Secretariats involved in the work on ECP “1999” - Eurostat, OECD or CIS Statistical Committee;
- (ii) linking is done by one of the “Group Leaders” - Austria, Finland or Italy;
- (iii) linking is done by a consultant hired by one of the secretariats.

30. Good co-ordination of the work on the various groups’ comparisons is of great importance in ensuring the quality and the timeliness of the final overall ECP results. It is also important that the secretariats responsible for the groups’ comparisons agree on a timetable for completion of the work, submission of the results for linking of the groups and publication of the final results.

31. Ensure greater transparency on the part of the international organisations and more credibility in the results would require that the methods used are well documented and the publication of the final results is accompanied with sound analytical commentary. In this context, it is important that in preparing the publication with the overall ECP “1999” final results good co-operation be established between the secretariats responsible for the groups’ comparisons.

32. Building country capability as an integral component of the ICP is the goal of the whole exercise. While the majority of the countries in Central and Eastern Europe have made considerable progress in the PPPs work and in improving their price surveys, some of the countries from South-Eastern Europe, such as Albania, Bosnia and Herzegovina and others - still have a long way to go.