

**PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC69012

Project Name	Harmonization of Price Statistics & National Accounts in LAC Countries and Supporting the Estimation of PPP Time Series
Region	OTHER
Country	World
Sector(s)	General public administration sector (100%)
Theme(s)	Analysis of economic growth (25%), Economic statistics, modeling and forecasting (50%), Macroeconomic management (25%)
Lending Instrument	IPF
Project ID	P160275
Borrower Name	UN-ECLAC
Implementing Agency	The United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC)
Environment Category	C - Not Required
Date PID Prepared	18-May-2016
Estimated Date of Approval	25-May-2016
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Recent assessments (*) of the status of national accounts, consumer price indices and basic economic statistics in the Latin America and the Caribbean (LAC) region have shown that, despite significant progress in the last few years, substantive improvements are still needed in terms of reliability, accuracy, timeliness and completeness of the information provided to users. In particular, the scarce availability of reliable and timely basic data sources to regularly produce internationally comparable annual expenditure-based estimates of Gross Domestic Product (GDP) is a source of major concern. Further work is needed in most countries to build the technical capacities at the national level, and further strengthen progress towards the improvement of basic data sources.

The main project aim consists in fostering, starting with ten LAC pilot countries, but eventually benefitting the whole region, the harmonized production, in line with international recommendations and standards, of timelier, more relevant, and more comprehensive official economic statistics that aid in the decision making by businesses, policymakers, households, and individuals. The ten pilot countries were identified from LAC's four sub-regions: Mercosur, Andean Community, Central America and the Caribbean. They are Brazil and Uruguay (Mercosur); Bolivia and Ecuador (Andean Community); El Salvador, Guatemala and Nicaragua (Central America); and the Bahamas, Jamaica and St. Lucia (Caribbean).

As a regional initiative, this project will entail the cooperation of participating LAC countries to

share good practices and will thus promote and reinforce institutional coordination and economic relationships in support of regional development efforts and national efforts towards Sustainable Development Goals (SDGs), a core element of the post-2015 development agenda.

This comes in line with the outcome of the concluding regional workshop for the 2011 International Comparison Program (ICP) round which was held in Santiago (Chile) in September 2013, in which all the participating countries stressed on the importance of sustaining the experiences gained through the 2011 ICP round and asked UN-ECLAC to develop a mechanism ensuring regular production of regional purchasing power parities (PPPs) in LAC; the countries highlighted that regular production of PPPs would reinforce statistical capacity in the areas of national accounts and price statistics. The 45th session of the UNSC, which followed in March 2014, also clearly underlined the definite need for further building the capacity of countries in national accounts and price statistics and the production of more frequent PPP estimates in all regions.

* ECLAC, 2014 Statistical Yearbook for Latin America and the Caribbean, 190, United Nations 2014

Sectoral and Institutional Context

Internationally comparable estimates of GDP are one of the fundamental indicators in analyzing the status of eliminating extreme poverty and boosting shared prosperity, which are the twin goals of the World Bank. Further, PPP estimates are essential for accurate estimates of volume measures of economic activity and for monitoring global and regional poverty levels.

In line with the Bank policy and strategy to identify the key areas in which support can best assist a country in achieving sustainable development and poverty reduction, the proposed project aims at estimating, based on pilot countries, harmonized data on prices and national accounts and existing economic data from non-pilot countries, PPPs for household consumption for 2005-2017, for the following geographic areas and sub-regions: Mercosur, Andean Community, Central America, the Caribbean, and the whole LAC region.

Relationship to CAS/CPS/CPF

Not applicable.

II. Project Development Objective(s) Proposed Development Objective(s)

The overall objective of the project is to build the capacity of pilot countries in the areas of price statistics and national accounts, in order to advance the data foundation for measuring sustainable development, and to support evidence based policymaking and effective monitoring. Specific objectives include:

- Improving country statistical capacity in the compilation of detailed disaggregated national accounts expenditure data, and addressing gaps identified in the 2011 ICP round. Efforts would focus specifically on improving difficult to measure areas, such as housing, financial services, net purchases abroad, services provided by non-profit institutions serving the households, etc;
 - Improving the quality, comparability and consistency of consumer price data across the ten pilot countries, by advancing harmonization of CPI and ICP regional and sub-regional lists and survey activities; and
 - Filling identified data gaps in price statistics and national accounts, and introducing a new approach to allow the production of regular annual estimation of PPPs for LAC countries.
- Promoting partnerships and strengthening the sense of ownership of the international comparison between national statistical offices (NSOs) and regional and international agencies by sharing good practices and building human capital.

Key Results

The proposed project activities and resulting knowledge will help increase statistical capacity in the LAC region. The key results of the project can be summarized as follows:

- Increased capacity to produce timelier, relevant, and comprehensive national accounts and price-related statistics, including improving expenditure-based GDP estimates, establishing regional price harmonization, and strengthening the NSOs' regular activities in price statistics and national accounts;
- Operational guidelines and training materials for price statistics and national accounts in Spanish and English;
- A sub-regional/regional harmonized product list for price statistics surveys (integrating CPI and ICP), and implementation of surveys based on the list;
- Sub-regional and regional PPP time series for the period 2005-2016 and forecasts to 2017; and
- A summary report of the methodology followed, lessons learned, results including the estimates and indices produced, and related analysis.

UN-ECLAC will disseminate the TFSCB-funded estimates of national account expenditures in nominal and PPP terms, together with the related price indices, via written reports, databases, and training materials, which will all be made publicly available on UN-ECLAC's website.

III. Preliminary Description

Concept Description

Recent assessments carried out in LAC countries by UN-ECLAC's Statistics Division on the status of national accounts, consumer price indices and basic economic statistics have shown that, although significant progress has been achieved in the last few years, substantive improvements are still needed in terms of reliability, accuracy, timeliness and completeness of the information provided to users.

The two areas – national accounts and consumer prices – are closely linked, as the consumer price index is the reference series for estimation of national accounts at constant prices. Therefore, the synergies that might emanate inside the project should be taken into due consideration as a factor that can substantially improve the comparability of economic statistics over time and across

countries, a factor of major concern at the international level.

For national account activities, the project aims to address the main issues encountered by member countries in providing high-quality national accounts expenditure data. More specifically, and in line with the technical assistance provided during the 2011 ICP, efforts will be dedicated to the estimation of detailed expenditures, following international requirements that shall advance the previous efforts for compilation of national accounts data. The objective of the project proposal is to maximize the appropriate use of available statistics and source data in all pilot countries to obtain detailed expenditure estimates based on ICP classification, thus reducing to a minimum the use of imputation.

The project also aims at improving the quality, comparability and consistency of consumer price data across the ten pilot countries, and ultimately across the entire LAC region. This objective will be achieved through further developing a comprehensive and standardized survey framework, and using better standardized quality and consistency control procedures.

Finally, the project will pilot a new approach in the estimation of PPP time series, which would constitute a breakthrough in the process of updating regional and sub-regional PPPs.

Project Activities:

To enhance the capacity of countries to national practices and methodologies in the fields of national accounts and prices statistics, and to produce indices in line with established international standards, the project activities will cover:

- Regional and sub-regional workshops with focal points in prices and national accounts aimed at: (i) identifying data gaps and difficult to measure areas in price statistics and in national accounts and discussing the concrete steps to improve them; (ii) discussing methods for harmonizing collection, validation and estimation of results; (iii) supporting quality assurance processes; (iv) developing a new approach for producing annual estimates of regional PPPs; and (v) facilitating the sharing of best practices in the production, reporting and dissemination;

- National seminars and technical assistance designed to: (i) improve detailed national accounts expenditure data and filling gaps; (ii) address issues related to survey sample design, data collection, validation and processing procedures; and (iii) support national data validation and other quality assurance processes; and

- Development of training materials and manuals on data collection, validation, estimation, and reporting, as well survey materials and guidance in both Spanish and English. The materials will contain guidance on international recommendations and best practices on both consumer prices and national accounts.

Project Phases:

The project will be implemented in six stages:

- Phase 1 - Preparation: Assessment of price and national accounts situation in pilot countries; analysis of available economic data for non-pilot countries; definition of a regional list of Household Consumption items for the ten pilot countries;

- Phase 2 - Price data collection: Collection of at least two quarters of consumer prices per year during 2016-2017 per pilot country; price data collection and estimation based on regional list of items with available information for years 2005-2015;

- Phase 3 - National Accounts: Use of latest available vintages on national accounts to update the national accounts expenditures for years 2005-2016; estimation of Household Consumption expenditure structures for years 2005-2016;

- Phase 4 - PPPs estimation for pilot countries: PPPs estimation for pilot countries for

years 2005-2016;

➤(€ Phase 5 ➤(Sub-regional and Regional PPP estimation: Mining of available price data for non-pilot countries for the overlapping common products in national CPI and regional lists; estimation of PPPs by sub-region and LAC for years 2005-2016; and

➤(€ Phase 6 ➤(Forecasts to 2017: Preliminary estimates of national consumption data and structure based on available information for both pilot and non-pilot countries; use of quarterly price data collected to estimate preliminary PPPs at sub-regional and regional levels.

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		x	
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	0.4147	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Trust Fund for Statistical Capacity Building			0.4147

VI. Contact point

World Bank

Contact: Maurice Nsabimana

Title: Statistician

Tel: 473-3773

Email: mnsabimana@worldbank.org

Borrower/Client/Recipient

Name: UN-ECLAC

Contact:

Title:

Tel:

Email:

Implementing Agencies

Name: The United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC)

Contact: Giovanni Savio

Title: Chief, Economic and Environmental Statistics Unit, Statistic

Tel: 56-2-2210-2751
Email: giovanni.savio@cepal.org

VII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: <http://www.worldbank.org/infoshop>

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