



International Comparison Program (ICP)

2003–2006 ROUND

*Responding to the need for robust
global economic statistics*



The International Comparison Program (ICP)

is a global statistical initiative involving national, regional and international agencies. This unique exercise produces internationally comparable price levels, expenditure values, and Purchasing Power Parity (PPP) estimates informing users such as national policy makers, economists, international organizations and academicians about the relative purchasing power of citizens of countries. ICP price collection surveys were initially conducted at 5 year intervals but the long term goal is to move them to an annual basis as is done in the European Union. The ICP global office in the World Bank coordinates the collection of price data, compilation of detailed expenditure estimates and calculation of PPPs for 107 countries in Africa, Asia and the Pacific, Latin America, the Commonwealth of Independent States and Western Asia. The Organization for Economic Cooperation and Development (OECD) and the Statistical Office of the European Union (Eurostat) coordinate activities for their member countries. ICP results combined with the Eurostat-OECD PPP Program will bring the total number of participating countries to about 150, making it the largest international data collection exercise in the world today.

CURRENT FRAMEWORK

The current program is based on the following framework endorsed by the United Nations Statistical Commission (UNSC):

A strong global coordinator at the World Bank with substantially increased funding and a network of five regional coordinators

Coordination by a consortium of national, regional and international institutions under the guidance of a global Executive Board and a Technical Advisory Group

Integration of the ICP with national statistical systems to enhance efficiency and consistency under a general capacity building initiative

A new handbook explaining the methodology used to calculate Purchasing Power Parities from data collected through ICP surveys

Research into strategies to generate poverty PPPs in the 2003–2006 round of the Program and incorporation of PPPs for poverty into mainstream ICP work.

ICP 2003–2006 ROUND

Preparations for the 2003–2006 round have been underway since 2001. Price collection surveys for the current round begin in the first quarter of 2005. Preliminary results will be published in 2006.

Through intense collaboration of national, regional and global coordinators, lists of goods and services have been tailored in this round to represent local markets whilst maintaining comparability with other countries and regions. This new approach to identifying products to be priced in the ICP survey using a list of price-determining characteristics is called **Structured Product Description (SPD)**. The objective of the SPD approach is to facilitate cross country comparison of prices of like products that are truly representative of the countries in question.

The 2003–2006 round of the program has also invested substantially in new technology and methodology in order to enhance the quality of the data and help countries build sustainable statistical capacity. The task of compiling, analyzing and reviewing price data for the ICP has been simplified by the development of a new software called the **ICP Tool Pack** which is distributed free of charge to countries participating in the program and to Regional Coordinating Offices. A **handbook** explaining the methodology used to collect and analyze data for the computation of PPPs has been completely rewritten and is accessible to users from the ICP website. The ICP Handbook is aimed at professional economists and statisticians working at all levels in National Statistical Offices and the various international and regional agencies involved in the program.



*“Through **intense collaboration** of national, regional and global coordinators, lists of goods and services have been tailored in this round to represent **local markets** whilst **maintaining comparability** with other countries and regions.”*

WHAT IS PURCHASING POWER PARITY (PPP)?

The Purchasing Power Parity (PPP) between two countries is the rate at which the currency of one country needs to be converted into that of a second country to ensure that a given amount of the first country's currency will purchase the same volume of goods and services in the second country as it does in the first. For instance, the PPP for the Indonesian rupiah against the US dollar is defined as the number of rupiah needed to buy in Indonesia the same amount of goods and services as one US dollar would buy in the United States. A problem that has challenged economists who wish to compare the GDPs of countries is that GDPs are expressed in individual national currencies. Therefore, national levels of GDP have to be converted into a common currency before comparisons can be made. While exchange rates can be used for this conversion, analysts find these to be deficient because of the effect of non traded goods and services, capital movements, and exchange market interventions. The long-standing recognition of these deficiencies led to the development of Purchasing Power Parities (PPPs) as a more appropriate currency converter to compare the GDP and its components across countries.

USERS OF PPP DATA

National governments

PPP converted GDPs generated by the ICP provide the best available estimate of the size of each country's economy and the economic well-being of the country in relation to others. The central argument for participation in ICP is the need for a country to be able to express its key macroeconomic aggregates in PPP terms to compare prices and quantities with those of its neighbors to see how much more (or less) competitive one country is compared to another. A national policy maker interested in the economic development and financial planning of his country would want answers to the following questions:

- How expensive is my country relative to others?
- How well off are people in my country relative to others?
- What is the incidence and severity of poverty in my country relative to my neighbors?
- How different is my economic structure from that of my neighbor?
- What confidence can we place in my country's national accounts?

These questions have answers only if the economic aggregates are expressed in terms of Purchasing Power Parities.

Private sector

ICP strives to provide a timely measure of relative prices to the private sector. Given the price sensitivity of the demand for most goods and services, firms in the private sector need to monitor their price competitiveness compared to others. PPPs can be used by firms to compare their prices and operating costs with those of similar enterprises in other countries.

Public sector

International organizations, universities and research institutes use PPPs as inputs into economic research and policy analysis requiring comparisons between countries. The monitoring of the first Millennium Development Goals—“*Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day*”—is based on PPP data, rather than market exchange rates, to establish the proportion of people who live on less than US\$1 a day.

PPP data is used by:

The **World Bank** to establish a threshold for worldwide poverty

The **UNDP** to construct the Human Development Index

The **World Health Organization** (WHO) to compare health expenditure per capita

The **UNESCO** to assess per capita expenditures in education

The **UNICEF** to monitor the welfare of children

The **IMF** and **OECD** to compare the relative sizes of economies and to estimate weighted averages of regional growth rates

The **EU** uses PPP converted GDP per head as an indicator for the distribution of Structural Funds in the framework of its regional development policy.

Media practitioners

Journalists and other media practitioners use PPP data to comment on economic and social policies.

GOAL OF ICP

The goal of the program and related activities is to provide a reliable and relevant information base, with the ultimate objective of informing policies that affect economic and social development as well as supporting poverty measurement and monitoring efforts. The ICP also provides a data resource that is extremely valuable to businesses involved in production, sales or purchases abroad, or in financial transactions or in setting compensation levels in different countries.

For more information about ICP and related activities please contact:

International Comparison Program (ICP)
Development Economics Data Group (DECDG)
The World Bank
1818 H Street, NW, MC2-209
Washington D.C. 20433, USA

phone 1 800 590 1906 (from inside the US)
+1 202 473 3930 (from outside the US)

fax +1 202 522 1498

e-mail ICP@worldbank.org

Visit our website at

[HTTP://WWW.WORLDBANK.ORG/DATA/ICP](http://www.worldbank.org/data/icp)

ICP REGIONS

The ICP is organized on a regional basis. In each of the five regions—Africa, Asia and the Pacific, Commonwealth of Independent States (CIS), Latin America and Western Asia, regional coordinating agencies (African Development Bank; Asian Development Bank; Federal State Statistical Service of the Russian Federation; Interstate Statistical Committee of the Commonwealth of Independent States; Bureau of Economic Analysis Foundation, Russia; United Nations Economic Commission for Latin America and the Caribbean; Statistics Canada and United Nations Economic and Social Commission for Western Asia) take responsibility for the execution of the Program and provide the mechanism to coordinate activities and liaise with participating countries.

The International Comparison Program and the Eurostat-OECD PPP Program¹ are run independent of each other. The two Programs collaborate on methodological improvements for the international comparison of prices. The global PPPs will be prepared by the ICP global office by combining the ICP regional PPPs with the Eurostat-OECD program's PPPs via the Ring Comparison Program.

Our Partners

African Development Bank (AfDB)	Office for National Statistics, United Kingdom (ONS)
Arab Fund for Economic and Social Development (AFESD)	Organization for Economic Cooperation and Development (OECD)
Asian Development Bank (ADB)	Statistics Canada
Australian Agency for International Development (Aus/AID)	Statistical Institute for Asia and Pacific (SIAP)
Australian Bureau of Statistics (ABS)	Statistical Office of the European Union (Eurostat)
Bureau of Economic Analysis Foundation, Russia	United Nations Economic and Social Commission for Asia and Pacific (UN ESCAP)
Canadian International Development Agency (CIDA)	United Nations Economic Commission for Europe (UN ECE)
Economic Commission for Africa (ECA)	United Nations Economic and Social Commission for Western Asia (UN ESCWA)
Federal State Statistical Service of the Russian Federation (Rosstat)	United Nations Economic Commission for Latin America and the Caribbean (UN ECLAC)
Interstate Statistical Committee of the Commonwealth of Independent States (CISSTAT)	United Nations Development Program (UNDP)
International Labor Organization (ILO)	United Nations Educational, Scientific and Cultural Organization (UNESCO)
International Monetary Fund (IMF)	World Health Organization (WHO)
Norwegian Agency for Development Cooperation (NORAD)	

¹ For more information about the Eurostat-OECD PPP Program please visit <http://www.oecd.org> and <http://europa.eu.int>