

What is ICP?

The **International Comparison Program** is a series of statistical surveys held worldwide to collect price data for a sample of commonly bought goods and services. It is a uniquely complex statistical exercise involving national, regional and international agencies and is overseen by a Global Office located in the World Bank.

Surveys are held every three to five years, depending on the region, and the data collected are combined with other economic variables from countries' national accounts to calculate **Purchasing Power Parities**. PPPs help data users and donor organizations target programs more effectively, and assist international markets by identifying the relative productivity and investment potential of different countries.

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.

From the Global Manager

Dear Readers

Welcome to the first issue of the ICP e-newsletter. We intend to publish this newsletter in electronic form quarterly and update sections such as the calendar of events as the information becomes available. One of the most remarkable aspects of the large and very complex International Comparison Program is the wide range of organizations and individuals with whom we are closely involved. We hope that this newsletter will ensure that everyone is kept informed.

The last year has been very busy and productive. Several burning issues have been reviewed and recommendations implemented to ensure the sustainability of the program, details of which are available in the Work-in-Progress section of the newsletter. Preparation for data collection is in progress. In the meantime, fund-raising efforts are underway both at the global and regional levels to fill the shortfall in funding required over the next 3 years. We have been pleased with the recent support from the Canadian International Development Agency (CIDA) that will greatly benefit the Latin American program. However, the fund situation in Asia and the CIS regions is still a concern. Fund raising efforts therefore remain a priority.

Several technical issues are still under review, for example a more simplified approach is being considered to provide the linkage between the regional Purchasing Power Parities. Much of the ICP process is being re-engineered with an emphasis on using methodology more relevant to developing countries.

I would like to take this opportunity to thank all our funding partners without whose contributions in cash and in kind the Program would not have seen the progress it has over the past year. We are very grateful to them. I would also like to commend our strong partnership arrangement with the regional coordinating agencies and National Statistical Offices who form the backbone of the ICP. I also thank all those who contributed towards making this newsletter a success. We hope it will serve the information needs of staff, partners and stakeholders and act both as a communication link and a bridge between our various offices and partners all over the world.

Finally, as our work takes up steam, let me emphasize again our commitment to the International Comparison Program's goal, which is to provide a reliable and relevant information base, with the ultimate objective of informing policies that affect economic and social development and supporting poverty measurement and monitoring efforts.

Happy new year!

Fred Vogel

The New Millennium Round of ICP Surveys

At the start of the new millennium the world arena is dominated by rapid globalization, increasing integration of international markets and a greater awareness of social issues and people's well-being. There is a compelling and growing need for robust and timely global statistics to form the basis of a sound knowledge base that supports successful policy and management decisions in the fight against poverty. Reliable cross-country comparisons of economic and social well-being are crucial to this and are reliant upon robust purchasing power parity (PPP) data. The International Comparison Program meets that need.

The demand for PPP data is wide and growing. For example, the Millennium Development Goals aimed at reducing the proportion of people living in poverty, defined as less than US\$1 per day, use PPP conversion factors to establish the local currency equivalent of this value. Many international and regional agencies use PPP data to analyze economic and social conditions within their areas of concerns. Major multilateral corporations use PPPs to analyze market sizes and trends as well as to compare cost of production in various countries.

Unfortunately, the last round of the ICP - the 1993-1996 round - fell short of expectations due to inadequate funding, weak management and coordination, and inadequate focus on the policy relevance of the data at the country level (as identified by the Ryten Report). The Ryten report, one of two independent evaluations of the 1993-1996 round of the ICP, was prepared at the request of the UN Statistical Commission (UNSC) and sponsored by the IMF, the United Nations Statistical Division and the World Bank. The other was sponsored by OECD.

Both highlighted the importance of PPP data. The Ryten Report stressed that the ICP had a crucial role to play in universalizing the UN System of National Accounts. At the request of the UNSC, a new strategic framework for the 2003-2006 round of the ICP was developed by the World Bank in close collaboration with other agencies. The framework sets out concerted remedial actions to be undertaken by international and regional agencies along with national compilers that will strengthen all components of the ICP, including its outputs and operations, and which will benefit a wide range of people and institutions around the world directly and indirectly. The framework provides a novel approach whereby:

- The ICP will be integrated with national statistical systems to enhance efficiency and consistency, under a general capacity building initiative.
- PPPs for poverty will be incorporated into the mainstream work of the ICP;
- With the agreement of the international community, endorsed by the United Nations Statistical Commission (UNSC) an effective and efficient management and coordination process has been established.
- A consortium of national, regional and international institutions, under the auspices of a global ICP Executive Board, coordinates the global program;
- An ICP International Secretariat has been established and is charged with the day-to-day management of the program and is housed in the World Bank. Regional coordinating agencies have been established in Africa, Asia and the Pacific, Latin America and the Caribbean, Western Asia, and the Commonwealth of Independent States;
- A number of international conferences and expert group meetings have been held to address long standing data quality, timeliness and relevance issues, under a broader capacity building strategy;
- A cost-sharing arrangement has been established to mobilize adequate funding for the implementation of the next round.

Over 120 countries (160 including EU and OECD members) are expected to take part in the Millennium round with 2004 as a base year.

The ICP - Work in Progress

While the general principle underlying the ICP methodology is essentially the same as in the previous rounds, significant changes are being made in the data collection and processing procedures. The ICP Handbook is prepared to serve both as a reference material and step-by-step guide line for data collection and compilation. An integrated software system (ICP Tool Pack) has been developed to provide for standardized data collection, verification and processing, and building capacity.

Structured Product description (SPDs)

Cross country comparison of prices of unlike products and products not truly representative of the countries in question led to critical problems in past ICP surveys. In order to avoid the same problem, a more systematic and structured approach has been adopted in the current round of the ICP. The new approach, Structured Product Description (SPD), uses a set of price-determining characteristics for each ultimate class of product, of which there are about 800 for household consumption expenditure.

The compilation of a concordance of item specifications across the regions will cover all basic headings covering GDP. The current effort is necessarily limited to the category of consumption. Over 300 SPDs for Food, Clothing and Footwear products have been developed with inputs from regional ICP implementing agencies. Another 400 or so SPDs for the rest of household consumption are being developed. The next step in each region is to use the SPDs within each basic heading classification of the ICP to define list of specifications of goods and services to be priced in the regional surveys. For more information, please contact Kathleen MacDonald (kmacdonald@worldbank.org) or Jinsook Lee (jlee4Qworldbank.org).

SPD software

The SPD software allows the creation of regional specifications from global SPDs, which can then be used by the country coordinators to prepare product specifications. The software supports the dialogue between the regions and the countries in this process. It also provides the regional coordinators with a quick comparison of the product specifications from different countries. Informational tables are also available as features of the software. The software and the instruction manual was prepared and sent to the Regions to help regional and country coordinators prepare product specifications based on the SPDs sent by the global office. Several enhancements to the software were made based on suggestions during and after the Tunis meeting of regional coordinators. These enhancements, which decentralize a key process of customizing the SPDs for the regions, have been implemented in the software and sent to the regions. For more information, please contact Vilas Mandlekar (vmandlekar@worldbank.org).

The ICP Tool Pack

The primary objective of the Tool Pack is to improve national and international data collection and processing capacity. Its aim is to strengthen key areas of data development, including (a) supporting national price collection efforts; (b) standardizing price collection and gap filling methods within and across countries; (c) permitting data validation through a systematic procedure as the price data is moved back and forth through a hierarchy of processing to regional and global offices; (d) ensuring data collection consistency overtime and space; (e) facilitating data archiving, analysis and dissemination.

The Tool Pack consists of two separate modules -- Price Collection Module (PCM) and Price Analysis and Administration Module (PAM). The PCM was demonstrated to the regional coordinators at the Tunis meeting in November 2003. Based on their suggestions some changes were made to the PCM. It is now undergoing acceptance testing. The multilingual versions (French, Spanish, Arabic, Russian Chinese) of the PCM will be ready by early March 2004 for testing. The PAM is under final development and will be available for testing in March 2004. The PAM provides rich features for computing indices, Quaranta tables (for inter-country analysis), diagnostic reports, data validations and for upward transmission of price data upward to the Regional coordinators and to the global office (either price averages or detailed observations). For more information, please contact Vilas Mandlekar (vmandlekar@worldbank.org) or Yuri Dikhanov (ydikhanov@worldbank.org).

Price collection

Since it is difficult to define a global set of products that are both representative and comparable, regional lists of goods and services are being established and the program is being implemented on a regional basis, with global coordination. Discussion is underway to determine the kick off time for price collection. We hope to provide the schedule for price collection in all regions in the next newsletter.

Calendar of events

Date	Location	Participants	Contact
Meeting with ICP Africa National Coordinators			
December 3-17, 2003	Johannesburg, South Africa Host: African Development Bank / Statistics S.A.	ICP-Africa National Coordinators (51), Deputy Coordinators (51), Administrative Assistants (51), Statistical Training Centers (8), Regional and Sub-regional organizations involved in Statistical Development(5), International Organizations (3)	Michel Mouyelo-Katoula (m.mouyelo-katoula@afdb.org)
Second Meeting of the Regional Advisory Board (RAB)			
December 15-16, 2003	Manila, Philippines Host: Asian Development Bank	RAB members	Lutgarda T. Labios (llabios@adb.org)
First Regional Workshop on ICP in Western Asia			
December 15-19, 2003	Beirut, Lebanon Host: United Nations Economic and Social Commission for Western Asia (ESCWA), in collaboration with Arab Fund for Economic and Social Development (AFESD) and the World Bank	National Accounts & Price Statisticians from 11 member States, Consultants and Representatives from AFESD, World Bank and LAS	Mohamed Al Badrawy (albadrawy@un.org)
Workshop on Product Specifications (Food, Clothing and Footwear)			
January 26— February 5, 2004	Bangkok, Thailand Host: Asian Development Bank and the Australian Bureau of Statistics	Price Statisticians from the 20 participating developing member countries (DMCs) of ADB and 3 non-ADB members.	Ms Lutgarda T. Labios (llabios@adb.org)
ICP Technical Advisory Group (TAG) Meeting			
January 21-23, 2004	Washington, USA Host: CP Global Office	Technical Advisory Group (TAG) members	Omar Hadi (ohadi@worldbank.org)
ICP Executive Board Meeting			
February 10-11, 2004	Geneva, Switzerland Host: UN Office, Geneva	Executive Board members	Omar Hadi (ohadi@worldbank.org)
Workshop for the Training of Trainers for Price Collectors (East and Southeast Asian countries)			
March 22-26, 2004	Kuala Lumpur, Malaysia Host: Asian Development Bank and Department of Statistics, Malaysia	Price Statisticians and National Accounts experts.	Lutgarda T. Labios (llabios@adb.org)
Workshop for the Training of Trainers for Price Collectors (South Asia)			
March 22-26, 2004	Goa, India Host: Asian Development Bank and Central Statistical Organization, India	Price Statisticians and National Accounts Experts.	Lutgarda T. Labios (llabios@adb.org)

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