

What is ICP?

The **International Comparison Program** (ICP) is a global statistical initiative involving national, regional and international agencies. It 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. The 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. The collection of price data and calculation of PPPs in 107 countries of the world is coordinated by the ICP global office in the World Bank. ICP results combined with the Eurostat/OECD PPP Programme will bring the total number of participating countries to about 150, making it the largest international data collection exercise in the world today.

What is Ring Comparison?

Ring Comparison is a multilateral approach used by ICP to link regional PPPs to generate global PPPs expressed in a common currency. The multilateral ring comparison requires a selected number of countries from each region to participate in a separate comparison organized specifically to provide a link between regions. The 'ring countries' are expected to price a common global ring product list in addition to their individual regional lists. This approach provides the most robust link between regions because products can be matched between ring countries in any pair of regions.

From the Global Manager

Dear Readers

As ICP regions complete product specifications for consumption items and prepare for price collection surveys, we are turning our attention to the more difficult areas such as housing, equipment, construction and government. These have been called "comparison resistant" because of the complexity of the items to be measured.

During the past few months, we have had consultants engaged in researching these issues to find ways that can best reflect the reality in developing countries. Papers for each of these areas were prepared and presented to the ICP Technical Advisory Group (TAG) in a meeting in September. The TAG's recommendations were presented to Regional Coordinators the following week, and in some cases were revised based on input from the regional offices and continued debate among ICP technical experts. The TAG minutes based on the overall input have been finalized and appear on the ICP website. A summary also appears in the News-in-Brief section of this newsletter.

This brings me to my next point which is to comment about the technical experts providing methodological support to the ICP. Their names represent the "who's who" in economic statistics and they serve either on the TAG or as expert consultants to ICP. Their contribution is raising the program to a level commensurate with that envisaged by the UN Statistical Commission, the IMF and the World Bank in the ICP's new strategic framework. We gratefully acknowledge the support of our Technical Advisory Group members and salute their dedication and passion for ICP.

We are also pleased to highlight our partnership with the Eurostat/OECD PPP Programme. While it functions independently of the ICP, there is continual collaboration between those organizations and the ICP Global Office. We continue to appreciate the support and input from other international organizations including UNESCO which has provided considerable input on the education components of the comparison. Several of the regions are also benefiting from the support of national statistical offices such as the Australian Bureau of Statistics and Statistics Canada (Asia and Latin America respectively). The Office for National Statistics, UK will be taking the lead on coordinating the Ring Comparison efforts in the Eurostat/OECD region.

We are excited about moving into the data collection phase in this round of the program and look forward to reporting about those activities. We appreciate the feedback received about this newsletter and hope to hear from you more often.

Regards,

Fred Vogel

News in brief

ICP technical experts meet to resolve urgent methodological issues

The ICP Technical Advisory Group (TAG) met for a 3-day conference from 22-24 September, 2004 in Washington D.C. to resolve urgent pending ICP issues. The meeting was chaired by Alan Heston and attended by TAG members and the ICP global office team.

The TAG reviewed several papers containing proposals for housing, construction, equipment, government, and the linking methodology for the global Ring Comparison. After considering other options, the TAG recommended that the full multilateral approach be used for the Ring Comparison. Linking should be done at the basic heading level. Basic heading parities will be estimated using the CPRD ('R' for representativity) method for regional use and at the basic heading level. Sensitive to over-burdening countries with extra price collection activities, the TAG decided that prices for the Ring Comparison should only be collected in capital cities if previously collected information allows extrapolation to national prices.

The TAG also reached agreement on the methodology to obtain PPPs for the government, construction and housing sectors. The quantity approach was recommended for rental markets that are not representative of the rest of housing in a country. In a regional coordinators meeting held in Washington D.C. the following week, participants agreed that a 'representative rental market' should be defined as one that includes at least 25 percent of the population, half the tenants are local residents, and the rented sector is geographically distributed.

For construction, the TAG recommended the use of the 'Basket of Construction Components' approach that involves using SPDs to identify components of construction and obtaining prices for them. The TAG endorsed a procedure using adjusted exchange rates to estimate PPPs in countries that import most of their equipment. However, due to issues regarding multiple exchange rates and price discrimination by exporters, countries are expected to price equipment directly, in which case the adjusted exchange rate approach will be used as a fallback.

For the government sector, the TAG recommended that ICP use the methodology based on compensation of employees to estimate PPPs.

ICP systems offshore team wins award for excellence

The ICP systems team at the World Bank's Offshore Development Center (ODC) in India has received an award of excellence for the ICP Tool Pack project. The ODC supports many systems projects for the Bank and the ICP Tool Pack was selected as one of the best projects based on technical challenges and key business areas it supports. The citation commends the staff for effective team management and coordination in the project. The ICP Tool Pack project has also received recognition from Microsoft Corporation.

Eurostat-OECD PPP Programme and ICP—a shared commitment

The partnership between the Eurostat-OECD PPP Programme and the International Comparison Program is an excellent example of effective global development partnership between international organizations. The two programs collaborate on methodological improvements for the international comparison of prices and volumes, although they are managed and organized independently and use different software systems. The collection of price data and calculation of PPPs for countries outside the Organization for Economic Cooperation and Development (OECD) and the European Union (EU)—that is, 107 countries in Africa, Asia, Latin America, Commonwealth of Independent Countries and Western Asia—is coordinated by the ICP global office in the World Bank.

The Eurostat-OECD PPP Programme was established in the early 1980s to compare the GDPs of European Union and OECD member countries on a regular and timely basis. This remains the purpose of the program, although its coverage has been extended to include countries that have applied to join the European Union and countries of the former Soviet Union and the former Yugoslavia with which Eurostat and the OECD have programs of technical cooperation in statistics. The table below provides an overview of the number of countries participating in the program since 1980.

Eurostat-OECD Comparisons 1980 to 2002

	1980	1985	1990	1993	1996	1999	2002
Countries co-ordinated by Eurostat	13	13	14	16	19	31	31
EU Member States	10	10	12	12	15	15	25
Non-EU OECD countries	3	3	2	4	4	8	1
Other countries	—	—	—	—	—	8	5
Countries co-ordinated by the OECD	5	9	10	8	13	12	12
Non-EU OECD countries	5	9	10	8	9	7	7
Other countries	—	—	—	—	4	4	4
Total	18	22	24	24	32	43	43

From 1980 to 1990, Eurostat comparisons took place every five years and involved mainly EU member states and countries in line for EU membership at the time (Greece, Spain and Portugal).

After 1990, Eurostat adopted the rolling benchmark approach and started making annual comparisons. The number of participating countries rose from 14 in 1991 to 19 in 1994 thanks to the expansion of the European Union and to countries of the European Free Trade Association harmonizing their statistics and statistical programs with those of EU member states. In 1999, the number of countries covered by Eurostat comparisons rose to 31 with the inclusion of the 13 countries that were candidates for EU membership. To accommodate the increasing number of participating countries, Eurostat initiated the 'ECP Reform' under which, the 31 participating countries were split into three manageable country groups.

Encouraged and assisted by Eurostat, the OECD began organizing comparisons for those OECD member countries that were not already included in Eurostat comparisons in the early 1980s. The first comparison had 1980 as the reference year, but data collection did not start until 1983 and was limited to four countries. Two of these—Japan and the United States—were major non-European economies of particular interest to the European Commission. The results of this retrospective exercise were combined with those from the Eurostat comparison, thereby covering 18 of the OECD's 24 member countries.

Thereafter the OECD worked closely with Eurostat to effect comparisons for 1985 and 1990. When put together, the Eurostat and OECD comparisons covered 22 OECD member countries in 1985 and all 24 OECD member countries in 1990. It was during this period that formal agreements between the two organisations were made to establish the Eurostat-OECD PPP Programme. Eurostat and OECD agreed to coordinate the data collections in two different groups of countries with the object of combining the data sets of the two groups in a single comparison.

When Eurostat adopted the rolling benchmark approach after the 1990 comparison, the OECD followed suit, but only with respect to the three-year survey schedule for consumer goods and services. It did not adopt the schedule of yearly price surveys for equipment goods and construction projects that the annual comparisons required. Instead, because of the cost involved in pricing capital goods and the resource constraints of countries participating in OECD comparisons, it was decided they would only price capital goods every third year. Consequently, since 1990, OECD comparisons have been three yearly—1993, 1996, 1999 and 2002.

The objective of the current Eurostat-OECD PPP Programme is to compare the price and volume levels of GDP and its expenditure components across the countries participating in it on an annual basis for the European Union and every three years for the wider OECD group and associated countries. The next joint comparison will be 2005.

Eurostat and OECD are ICP regional coordinators for the 43 countries covered by their own PPP program. They are represented on both the ICP Executive Board and the ICP Technical Advisory Group. The two organizations and the ICP global office collaborate on methodological and practical issues. For example, they have shared their lists of product specifications. The data validation and Quaranta analysis tables in the ICP Tool Pack came from the Eurostat system. The programs will also collaborate on updating the specifications for employee compensation for the government PPPs. The Eurostat-OECD Programme has contributed to the drafts of some of the chapters in the ICP Handbook and have helped develop the global program's 155 Basic Headings that are consistent with the OECD and Eurostat 222 breakdown.

No extra price collection is foreseen in the Eurostat-OECD Programme for ICP purposes, except by those countries that are included in the global Ring Comparison. Data collected for the 2005 Eurostat-OECD comparison will be used for the 2005 ICP comparison. For more information about the OECD-Eurostat PPP Programme please visit <http://www.oecd.org> and <http://europa.eu.int>.

Spotlight: Regional Office Progress Report

ICP Africa

Funding: The African Development Fund has approved grant resources of about US\$ 21.41 million to support the implementation of ICP-Africa activities over the next 3 years (2004-2007). Funding organizations and national statistical offices are keen to take advantage of ICP activities to help improve the quality of African National Accounts, price statistics, etc. The regional office has signed Protocols of Agreements with AFRIST, COME, ECOW, SADC to channel funds efficiently to participating countries. The resources will be disseminated among countries on the basis of the following criteria: area; population; GDP per capita; size of urban population as percentage of total population; level of ICP participation (at the GDP level or at consumption level), and statistical capacity.

Regional Product List: The complete list for consumption goods and services has been finalized, translated into French and uploaded directly into the ICP Tool Pack for distribution to member countries. The African product list has also been transferred into the SPD software to facilitate preparation of the Ring Product List.

Tool Pack Training: 12 Consultants/National ICP staff and 4 AfDB staff have participated in "train-the-trainers" workshops. Sub-regional and national ICP staff will be given training in October/November.

Price Collection Survey: African countries are beginning pilot price collection in November. Actual price collection is expected to begin in January 2005.

ICP Asia Pacific

Regional Product List: The product list for household consumption has been finalized and completed. There are 650 products in the list altogether.

Training: 12 countries in the region have received training on ICP concepts, price survey methodology and using the Tool Pack.

Price Collection Manual: ADB has developed a price collection manual which will be disseminated among countries by the first week of October '04.

Weights: Some Asian countries are still using 1968 SNA. The weight generated from 1968 SNA will be mapped on 1993 SNA classification for ICP purposes. The regional office is organizing a meeting in December to this end.

ICP software: India, PRC, the Philippines, Bhutan, Bangladesh, Nepal and Vietnam have already received training on how to use the Tool Pack. Cambodia, Fiji, Lao PDR and the Maldives will finish training by Oct '04. A number of countries are in the process of translating regional product lists into their national languages.

Health SPDs: 7 countries have sent their comments on the pharmaceutical products list provided by the Global Office. These include pharmaceutical products available in their countries and dosages as well as products not available (Vietnam can price only 16 out of the 30).

Price Collection Survey: Pilot price collection will begin in the last quarter of 2004. Real price collection will begin January 2005.

ICP CIS

Regional Product List: preparation of specifications of consumer goods and creation of a common list of representative items was carried out after due interaction and discussion with national coordinators. Work is also in progress to create a list of representative investment goods.

Price Collection Survey: Collection of prices of consumer goods started in July this year. 2005 prices will be extrapolated from the 2004 prices in order to be consistent with other regions in ICP.

Methodological material: Documentation on methodological issues is currently being prepared in order to improve the accuracy and international comparability of GDP of CIS countries.

Translation: The Bureau of Economic Analysis Foundation, Russia has translated the files for the ICP Tool Pack into Russian. The specifications of food, clothing, footwear, cars, motorcycles and bicycles have been translated from Russian into English and dispatched to the Global Office. A number of chapters of the ICP Manual have been translated into Russian and put on the internet for use by statistical offices in CIS countries.

ICP Western Asia

Regional Product List: Food and Beverages, Footwear and Clothing regional SPDs, word glossary, picture glossary and national PSs have been completed. Furniture and Utilities, Transportation and Communication regional SPDs, word glossary, picture glossary have also been completed. Recreation and Culture regional SPDs and word glossaries are complete.

Workshop: A workshop and National Coordinators meeting was held in Cairo on 26-30 June to discuss and finalize the regional product list for Food & Beverages and Clothing & Footwear. The workshop also provided training to two statisticians from each country on the Tool Pack. Participants also received training in the areas of national accounts, price indexing and sampling, etc.

Training: The regional team provided training on the Tool Pack to national price statisticians in the regional meeting held from 11 to 15 October. Training of Price Collectors has not taken place yet.

Price collection surveys: Surveys for Food and Beverages, Footwear and Clothing are expected to start in mid-Nov on a pilot basis.

Translation: ICP Hand-Book chapters 3 to 7 have been translated into Arabic and sent out to countries. The translation of the Operational Manual and other manuals are expected to be completed by the end of October. Product List for Food and Beverages and Footwear and Clothing have been translated into Arabic.

ICP Latin America

Regional Product List: Two rounds of visits to participating countries have taken place to complete the specifications and the photo album for Food & Beverage products, and to prepare the specifications and photo album for Clothing & Footwear and Furniture & Household Equipment products. Meetings were held with the two sub-regions (Mercosur & Chile and the Andean Community) to finalize specifications of all consumption products in July 2004..

Training: 8 countries were trained on the use of the Tool Pack in a workshop in Chile. Computers were purchased by ECLAC, the Tool Pack was installed, and the computers were sent to the countries. 5 countries will be using the Tool Pack for price collection, entry and editing. 3 countries will be using data collection forms generated from the Tool Pack in their data collection.

Price Collection Survey: All countries are expected to start price collection on a pilot basis in October. Argentina, Brazil, Chile, Ecuador, Peru, Colombia, Uruguay and Bolivia will collect in more than one city. Venezuela and Paraguay will collect only in the capital cities. All ten countries have agreed to submit raw price observations to Statistics Canada.

OECD/Eurostat

The Eurostat-OECD PPP Programme: The Eurostat-OECD programme functions independently from ICP. The data from this region will be linked to ICP at the basic heading level. A 3-year rolling benchmark is used for consumer prices. Equipment goods and construction are priced bi-annually in Eurostat (OECD every 3 years); both collect prices in 2005.

Price Collection Survey: 3 out of 6 surveys for consumer prices (which will form 2005 data) have already been executed (2 published). One more survey is scheduled for 2004, 2 in 2005.

The ICP - Work in Progress

Price Collection Surveys—The Global Office has sent a questionnaire to regional offices to assess the readiness of the countries to undertake price collection surveys. Africa, Asia, Latin America, and Western Asia are starting price collection surveys on a pilot basis in the fourth quarter of 2004. Actual price collection is scheduled to begin in the first quarter of 2005 in those regions. The CIS region has begun price collection surveys on consumption items. Data collection will continue into 2005 to minimize the amount of extrapolation required to meet the 2005 reference period.

Structured Product Descriptions (SPDs)—The pharmaceutical product SPDs based on the WHO set of core medicines were sent to regional offices and comments have been received from Asia and Africa. The remaining health related SPDs have also been sent to both regional offices and WHO for review. Their comments are expected by end-November '04. The SPDs will then be updated again and sent to regional offices for their use in preparing product specifications.

The Global Office team has also developed SPDs on education after liaising closely with UNESCO. The SPDs have been sent to regional offices who are expected to confer with the countries in their constituencies and choose the specifications that are relevant for their environment. Comments are expected to be sent to the global office by end-November '04.

Provisional Equipment SPDs are being prepared by the Global Office using the 2003 Eurostat Equipment Goods list as the primary source. The Global Office has formatted SPDs covering 9 out of Eurostat's 17 Basic Headings. Website addresses of manufacturers have been included as a new feature to aid regional offices/countries seeking specialized information. Work is beginning on a technical glossary. At the Regional Coordinators' Meeting in September, it was agreed that the Global Office will merge the OECD/Eurostat and CIS lists and prepare SPDs for the pre-survey work. This global list will be sent to regions for their review and decisions on which items to price.

Operational Manual—The Global Office has prepared a step-by-step guide for national coordinators with details of their institutional responsibilities in terms of MOUs signed, relationships between global office, regional office and national statistical offices, etc. It provides a practical guide summarizing all activities and functions required to prepare for price collection. It is accompanied by a Price Collector's guide. Both have been furnished to the regional coordinators for distribution to the countries. The Operational Manual is available on the ICP website.

Ring Comparison—The Global Office Ring team, TAG members and regional coordinators finalized the procedures for building the ring product list and agreed on a timeline in two recently held meetings in Washington D.C. The Global Office is currently building a structured preliminary list which is scheduled to be delivered to regional offices on a flow basis starting end-October. The goal is to complete the major portion of the Ring list by the end of June 2005 for price collection during the 3rd quarter of 2005.

The SPD software is undergoing developments and enhancements to support the Ring Comparison process. A new product list report functionality in Excel is being added. Enhancements will include the ability to create a ring region; the capability to merge and compare various regional product lists; and the capability to update global SPDs to include regionally added characteristics

Advocacy—The Global Office has created brochures on the following topics: International Comparison Program (ICP)—An overview of the 2003-2006 round; Country Participation in ICP 2003- 2006 round; ICP software; The uses of PPPs; The methodology used by ICP to generate PPPs with detailed examples. Hardcopies will be available for distribution and marketing purposes by mid-November.

Tool Pack—The Price Administration Module (PAM) in the Tool Pack Version 1.1 has been upgraded to allow the use of Excel to prepare outlet profiles and map products to outlets. A new Tool Pack utility, called 'Batch Upload' is now available to upload Product List components into the PAM database.

Included in this utility is an option to upload raw price data to the Price Administration Module, devised for countries that will not be using the Price Collection Module for price collection. Tool Pack Version 1.2, which includes the Data Processing Module (Quaranta table, data aggregation, index number calculation and reports), is currently undergoing thorough testing. It is scheduled to be ready by November, 2004. The Russian version of the Tool Pack is being developed and will be ready by November 15, 2004. Tool Pack supporting documentation, including Installation guides; User guides; Troubleshooting guide; Flowchart; Quick start guide; and Training exercises have been sent to the regional offices and is also available on the web? Additional documentation is being prepared to support the Data Processing Module. A strategy to support the Tool Pack in participating countries was agreed upon at the regional coordinators meeting in September. In that context, the Tool Pack web page on the ICP website will be re-designed to include Frequently Asked Questions (FAQ), supporting documentation, and information on the latest updates of the system.

Calendar of events

Date	Location	Participants	Contact
Meeting of European regional coordinators, Eurostat and OECD to finalize item list for second consumer price survey 2004 (overlap meeting)			
October 6-8, 2004	Paris Host: OECD	Eurostat, OECD, 3 group leaders, Belgium	<i>Silke Stapel</i> (silke.stapel@cec.eu.int) <i>David Roberts</i> (david.roberts@oecd.org)
ICP Western Asia Executive Board Meeting			
October 9-10, 2004	Beirut, Lebanon Host: UN ESCWA	Executive Board members	<i>Mohamed Al-Badrawy</i> (albadrawy@un.org)
Workshop on forthcoming price survey in Western Asia			
October 11-15, 2004	Beirut, Lebanon Host: ICP ESCWA	National Coordinators, Price Statisticians and Price Survey Supervisors	<i>Mohamed Al-Badrawy</i> (albadrawy@un.org)
Pilot data collection in Latin American countries for ICP			
October/November/ December, 2004	Participating countries in LA	Participating countries in LA	<i>Luis Marc Ducharme</i> (louismarc.ducharme@statca)
CIS meeting on National Accounts			
November 1-3, 2004	Moscow, Russia Host: CIS Statistical Committee	Experts on National Accounts from statistical offices of CIS countries	<i>Youri Ivanov</i> (Youri.Ivanov@cisstat.org)
Workshop for National Coordinators and IT Experts from West African countries			
November 1-5, 2004	Dakar, Senegal Host: AfDB/DSD-ENEA/AFRISTAT	National Coordinators and IT Experts from 14 West African Afristat countries	<i>Roland Rittenau</i> (r.rittenau@afdb.com)
Country training on ICP ToolPack and survey preparation			
November 1-5, 2004	Dar es Salaam, Tanzania Host: AfDB/EASTC/SADC	National Coordinators and IT Experts from 13 SADC countries	<i>Roland Rittenau</i> (r.rittenau@afdb.com)
Planning meeting of European regional coordinators, Eurostat and OECD for first consumer price survey '05 (OECD/Eurostat PPP Program)			
November 8-9, 2004	Luxembourg	Eurostat, OECD, 3 Group leaders, Belgium	<i>Silke Stapel</i> (silke.stapel@cec.eu.int) <i>David Roberts</i> (david.roberts@oecd.org)
Country training on ICP ToolPack and survey preparation in Africa			
November 8-12, 2004	Bamako, Mali Host: AfDB/AFRISTAT	National Coordinators and IT Experts from 12 Central African Afristat countries	<i>Roland Rittenau</i> (r.rittenau@afdb.com)
Country training on ICP ToolPack and survey preparation in Africa			
November 8-12, 2004	Kampala, Uganda Host: World Bank	AfDB/Makerere University/COMESA/ECOWAS	<i>Roland Rittenau</i> (r.rittenau@afdb.com)
Regional Meeting to evaluate pilot price collection in Latin America			
December 6-11, 2004	Rio de Janeiro, Brazil Host: ECLAC and Statistics	Representatives of participating Latin American countries	<i>Luis Marc Ducharme</i> (louismarc.ducharme@statca)
Publication of final PPP data 2002 and preliminary data 2003 for 31 countries participating in the annual Eurostat comparison			
December 15, 2004			<i>Silke Stapel</i> (silke.stapel@cec.eu.int) <i>David Roberts</i> (david.roberts@oecd.org)

How to reach us: International Comparison Program (ICP), c/o The World Bank,
1818 H Street NW, MC2-209
Washington D.C. 20433
USA

Email: ICP@worldbank.org

