

International Comparison Program Governance Framework

Introduction

1. The International Comparison Program is probably the most difficult international statistical activity to manage and one of the most complex to implement. It involves collecting very detailed comparable price and expenditure data, according to agreed standards, on a coordinated basis in more than 120 countries, over a short period of time. It requires the management of a budget in excess of US\$ 5 million per year with appropriate mechanisms for accountability at the national, regional and global levels. In spite of this complexity, however, in the past the ICP has not benefited from a governance structure designed to meet its needs. Not surprisingly, therefore, the Program has been criticized for inadequate control, apparent indecision and lack of foresight. In particular, the quality of the purchasing power parity data has suffered when no appeal could be made to an overall authority for the support, guidance, and leadership that the Program so badly needs. This paper, therefore, sets out a set of integrated measures designed to avoid a repetition of past problems and seeks to ensure that the forthcoming round of the ICP is completed in accordance with best international practice.

Governance Requirements

Overview

2. The ICP's success depends on properly run and coordinated operations at the global level, within regions and in participating countries. If the Program is to be successful effective management is required at all levels. Since the ICP is a global program that aims to produce consistent and comparable PPP data for all countries, global management must establish standards, provide guidance to the regions, resolve conflicting regional objectives, allocate scarce resources fairly and productively and rule on technical issues that arise naturally from the complexity of the data collected. This requires both wisdom and evenhandedness. Users will place their trust in data quality and methodological excellence if they can be persuaded that a strong management team, accountable to the project's sponsors and stakeholders, is in charge. Such a team will need to:
 - Coordinate regional efforts while recognizing regional differences;
 - Develop and promulgate all necessary standards to ensure ICP data consistency and quality without appearing to micro-manage the project;
 - Provide technical guidance, training and overall quality control without interfering in day-to-day management; and
 - Ensure that the project's management is in firm hands and that foresight and good judgment are continually exercised.
3. Governance at the regional level will require regional agencies to display a much keener and intimate involvement with national efforts, an involvement comparable to what is already in place in Eurostat and at the OECD whose relations with their respective member countries are intimate and intense. This involvement requires that in addition to

providing the necessary regional coordination and technical guidance, regional agencies also provide:

- Venues, support, materials, and guides to ensure that participants are properly trained in the exercise they are to undertake;
 - Mechanisms to ensure the participating countries take full ownership of their portion of the program and play their role professionally and without reservations;
 - Effective resource management; and
 - Clear and thoughtful management and a regular exchange of information with the global level to support the project's overall management and direction.
4. Ownership of the project at national level can only be secured if substantial responsibilities and discretion are handed over to national executing agencies. But such discretion must be tempered by insisting on coherence and consistency with agreed standards, without which the ICP cannot be successfully implemented. Nationally, the ICP must be run by the agency or agencies responsible respectively for national accounts and for price data collection and index number compilation. These interests are not always represented by the same institution. Nonetheless, the success of the ICP demands that they be combined and harmonized in the person of a national coordinator who will take responsibility for organizing the data collection process on prices and expenditure weights and liaising with the regional coordinating agency.
 5. If overall governance is to be effective, all levels will need to exercise prudent and responsible management of their share of the project's resources. Moreover, that management must be demonstrably transparent and accountable to stakeholders.

Some Basic Principles

6. The success of the ICP will be measured by the quality of the purchasing power parity (PPP) data collected from participating countries. These data relate to Gross Domestic Product and other important macro economic aggregates including poverty-specific aggregates. The expectation from the governance arrangements proposed is that they will:
 - Lead to coordinated activities in all regions and participating countries and ensure the collection, compilation and dissemination of high quality data in a timely manner;
 - Provide for an open and transparent way of deciding on priorities and for allocating resources in a balanced manner to different ICP activities; and
 - Ensure that resources are used as efficiently and effectively as possible.
7. The measures that will need to be adopted include:
 - Installing and using an effective management system so that all people working on the program are clear about their roles and responsibilities, what is expected of them and how their performance will be assessed;
 - Making sure that stakeholders are kept adequately informed about progress throughout the duration of the project and are warned of surprising outcomes in

- time to take suitable counter action; and
- Keeping bureaucratic requirements to the sensible minimum consistent with the principles of open and transparent governance.

Stakeholders

8. Part of the complexity of projects such as the ICP arises from the varied interests of its stakeholder constituencies. The stakeholders of the ICP include:
 - The international sponsoring agencies (World Bank¹, IMF, UNDP);
 - National governments and agencies providing funding (donors, other funding agencies and foundations);
 - Current and potential users of the data (international agencies, national governments, other users) and researchers of PPP methodology;
 - Participating countries, especially the staff and management of the implementing agencies;
 - Regional implementing agencies;
 - Staff employed by the ICP global and regional offices.
9. Some individuals and agencies may fall into more than one category, but all have some interest in how the ICP is managed, what progress is being made and how the final results may affect their work or their outlook.

Proposed Governance Structure

Overview

10. The **ICP Council**, with its broad representation of sponsors, users, donors, and other stakeholders, is the ultimate “owner” of the ICP, equivalent to the annual general meeting of shareholders in a corporation. Its main roles will be to provide a forum where the views of the stakeholders can be expressed, to confirm or otherwise amend the mandate and accountability mechanisms for the Executive Board and to ensure that the ICP has adequate resources. The **ICP Executive Board**, equivalent to the board of directors in the corporate model, will be responsible for the successful implementation of the Program. A **Global Office**, headed by the **ICP Global Manager**, will manage the ICP on a day-to-day basis. It will report to the Executive Board and will prepare annual work programs and budgets for their approval. A **Technical Advisory Group** will provide guidance on technical issues and will monitor the use of appropriate methodology. **Regional Implementing Agencies** will be responsible for setting up the structures required to implement and monitor the program at the regional level. Each regional agency will establish a **Regional ICP Office** headed by a **Regional Coordinator**. Regional agencies will also be encouraged to set up regional committees to maintain contact with participating countries. Within participating countries, the ICP will be carried out by a

¹ The World Bank has been historically involved with the ICP as a major user and contributor and very recently as a lead agency in jointly sponsoring its evaluation and in preparing proposals for the next round, organizing fundraising, establishing an ICP Trust Fund, and sponsoring research studies and an international conference.

national implementing agency that will nominate an ICP coordinator.

Legal Status of the ICP

11. The ICP will be financed from a number of different sources, using different instruments including contributions in kind. At the global level a Trust Fund² will be set up and managed by the World Bank. This will be used to meet the costs of global governance as well as to transfer resources to regions. In some regions separate financial arrangements will be established with their own procedures for ensuring accountability.
12. While the ICP is an ongoing program, for the purposes of the next round the governance arrangements will be established with a time horizon of three years. In this situation, a project rather than a program mode of management is more appropriate. For the time being, therefore, it is not thought necessary to establish the ICP as a formal legal entity; the separate global and regional arrangements will provide the management flexibility and level of accountability needed. What will happen beyond the next round and what the legal status of the ICP should be will be addressed as part of a detailed independent evaluation that will be carried out towards the end of the three-year period. The ICP Executive Board will commission the evaluation and the ICP Council will have a chance to discuss the recommendations before they are publicly released.

ICP Council

13. The ICP Council will be the highest body of the ICP and will include representatives of all stakeholders. It will not be an executive body and will not be involved in day-to-day management or with methodological issues. Rather, the Council will be both the project's client and its ultimate custodian. Formally the Council will be responsible for the fulfillment of the ICP's mission and for making sure that the program's image is commensurate with the role it plays in shaping assessments of the world economy. Through the representation of all the major players, the Council will also provide the mechanism for keeping all parties involved and informed and for ensuring that the ICP's Executive Board and management can rely on high-level support. The following are the specific roles and responsibilities of the Council:
 - Building the image and credibility of ICP;
 - Promoting and facilitating fundraising;
 - Reviewing annual reports on ICP progress, activities and finances;
 - Making recommendations for the future, and shaping a vision for the Program.

Size and composition

14. The Council will include representatives of all the main stakeholders, including: international sponsoring agencies; donor agencies; United Nations Statistics Division (UNSD); regional implementing agencies; OECD and Eurostat; selected national

² The Trust Fund will be established according to World Bank rules and regulations and the Bank will take formal fiduciary responsibility for the allocation and use of these funds.

implementing agencies; data users, including researchers and the academic community; and professional media. Membership will be inclusive rather than exclusive, with up to 50 members.

Appointment of members

15. Constituencies, both geographic and functional, will be invited to make nominations for Council membership for the duration of the ICP round. Constituencies will also be able to nominate alternates if they wish.

Management of business

16. The Council will meet about once a year or at the beginning, mid-term and end of the ICP round. It will however have longer term responsibilities and in particular will review proposals for continuing activities beyond the next round based on the recommendations of the external evaluation. It will elect its own chair.

ICP Executive Board

Roles and responsibilities

17. The ICP Executive Board will be the decision-making and strategic body of the ICP³. As such it will be responsible for ensuring that the Program is completed on time, within budget and that it provides high quality PPP data for dissemination. The ICP Executive Board will have the following roles and responsibilities:
 - Providing leadership and determining strategic priorities;
 - Promulgating ICP standards;
 - Approving annual work programs and budgets;
 - Playing a role in resource mobilization, in conjunction with the Council;
 - Overseeing the activities of the ICP Global Office on the basis of quarterly progress reports;
 - Providing an annual report to the Council and stakeholders in general;
 - Approving the appointment of the Global Manager;
 - Commissioning evaluations of the ICP;
 - Acting to resolve any conflicts both within the Program and between the Program and its external environment.

Size and composition

18. The ICP Executive Board will be small enough to work as an effective decision-making body and will be sensitive to conflicting perspectives and points of view. It will have a minimum of 10 and a maximum of 16 members, who will all be eminent economists/statisticians and experienced statistical managers. It is anticipated that members will be Chief Statisticians or managers of statistical operations with skills and experience of direct relevance to ICP. The Global Manager will attend Board meetings,

³ The Friends of the Chair group, appointed by the UN Statistical Commission will act as an interim Executive Board until the Board is formally constituted and the members are appointed.

will act as secretary and will participate in discussions. At the invitation of the Chair of the ICP Executive Board, members of the Technical Advisory Group may attend meetings to provide technical advice, though it is expected that such attendance would be the exception rather than the general rule.

Appointment of members

19. Members of the Executive Board will serve for three years and will be appointed on an interim basis by the Friends of the Chair group of the United Nations Statistical Commission. Their appointments will be substantiated by the first meeting of the ICP Council. Membership of the Board will reflect the composition of the ICP Council and the global nature of the Program, but all members will serve in their individual capacity. The Director of the World Bank's Development Data Group within the Development Economics Vice-Presidency (DECDG) will be an ex-officio Board Member. The Executive Board will be able to co-opt new members if and when the need arises, subject to the overall size limit and the subsequent agreement of the ICP Council.

Management of business

20. The ICP Executive Board will meet physically once or twice a year as required, but day to day business will mostly be conducted virtually. It will provide leadership and guidance, but it will also review critically the annual report, work programs and budgets prepared by the ICP Global office before approving them. It will also submit the annual report to the ICP Council. While the Board is the final authority on matters of policy, personnel, priorities, standards, and timetable for the ICP, it will limit its interventions so as not to interfere with the Global Manager's scope for effective management.
21. The Board will rule in matters where there is no consensus regarding methods and standards and will draw on the advice of the Technical Advisory Group whose functions and responsibilities are described below. The Chairman and Deputy Chairman will be elected by the members.

Reporting and accountability

22. The ICP Executive Board is the key element in the program's governance structure. It will report and be accountable to the ICP Council. It will ensure that the Council is kept aware of the achievements of the program and the challenges it faces. Above all, the Board will uphold the Program's integrity and professionalism without which confidence in the quality of its output cannot be regained. The Executive Board will be formally responsible for the publication of regular progress reports and for the final dissemination of the PPP data and other results.

Technical Advisory Group (TAG)

Status, roles and responsibilities

23. The role of this body will be to resolve technical issues comprising conceptual integrity and methodological adequacy. It will carry out two main functions. First, it will advise on issues involving the standards, methods and procedures required by the Program. These may arise because of disagreements between participants, ambiguities in the procedures and guidelines, or as a result of previously unforeseen circumstances. It will provide advice on request from either the Executive Board or the Global Manager. Second, the TAG may propose research or analysis that it believes is necessary if the ICP is to continue evolving in the face of changing circumstances and providing better answers to its users' concerns.

24. Requests for technical advice coming from regional coordinators will be forwarded to TAG through the Global Manager. To ensure coordination and consistency in technical issues, all requests to and communications from TAG will be sent through the Global Manager.

Size and composition

25. The Technical Advisory Group will have a core membership of no more than five specialists, but may also involve a network of individual experts in various topics. The involvement of these networks can be expanded or contracted, depending on demand.

Appointment of members

26. Members of the Advisory Group will be formally appointed by the Executive Board for a period of three years. Once appointed the members will identify one of their number to be the convener and this role may be rotated from time to time. The Group will hold both physical and virtual meetings depending on demand and the workload.

ICP Global Office

Role and location

27. The ICP Global Office will be set up within the World Bank and will be located at the Bank's headquarters in Washington DC. Its activities will be financed from the ICP Global Trust Fund that is being established at the World Bank and so, the Global Office will follow World Bank administrative and fiduciary rules and regulations and will report, through the ICP Global Manager, to the Director of DECDG. On matters related to the execution and implementation of the ICP mission, its policy, programs, priorities and standards, the Global Manager acts within the directives provided by the Executive Board and within the framework of the work programs and budgets approved by the Board

28. Under the direction of the ICP Manager, the Global Office will carry out the day-to-day work required to implement the ICP at the international level. Its functions will include:
 - Overall coordination and implementation of the ICP;
 - Preparation of annual budgets and work programs;
 - Provision of secretariat functions to the Executive Board;

- Development of ICP standards to be promulgated by the Board;
- Liaison with and technical backstopping for the regional implementing agencies;
- Global data aggregation, analysis and dissemination;
- Networking and coordination with TAG and other agencies such as Eurostat and OECD;
- Preparing and distributing quarterly progress reports to the Executive Board;
- Drafting of the annual report from the Executive Board to the ICP Council;
- Financial management, accounting and reporting.

Size and composition

29. The Global Office will include:

- The Global Manager;
- Two or three professionals well versed in quantitative analysis and methods; each responsible for the coordination, technical guidance and analytical support with respect to two regions
- One or two research and/or program assistants

Recruitment and appointment

30. It is expected that the appointment of the Global Manager will be made before the Executive Board is in place. In this case the ICP Global Manager will be appointed by the World Bank on the recommendation of a selection committee chosen by the Friends of the Chair group and chaired by the Director, DECDG. If it proves necessary to appoint a Global Manager at a later date, then the Executive Board will appoint a selection committee and will approve the appointment. Other staff will be recruited in line with World Bank procedures and appointments will be made on the basis of an assessment by a selection panel.

Reporting and accountability

31. The Global Office will prepare quarterly progress reports, as well as a draft of the extensive annual report from the Executive Board to the ICP Council. The principle will be that as far as possible, all reports, once approved, will be public documents and will be accessible to anyone wishing to inspect them. Accounts of expenditure will be kept according to World Bank rules and procedures and all accounts will be subject to an official audit.

Regional Implementing Agencies

Overview of regional arrangements

32. The ICP will be organized on a regional basis. In each of five regions covering: Africa, Asia and the Pacific, the Commonwealth of Independent States, Latin America and the Caribbean, and Western Asia⁴, regional implementing agencies will take responsibility

⁴ Regional coverage will be based on the membership of the appropriate regional implementing agencies: for Africa, the African Development Bank; for Latin America and the Caribbean, the United Nations Economic Commission for Latin America and the Caribbean; for Asia, the Asian Development Bank and the United Nations Economic and Social Commission for Asia and the Pacific; for Western Asia, the United nations Economic and Social Commission for Western Asia; and for the Commonwealth of Independent States, the Statistical Committee of the Commonwealth of Independent States.

for the implementation of the Program. provide the mechanism to coordinate activities and to liaise with participating countries. Regional implementing agencies will establish Regional ICP Offices with appropriate staffing and other resources to implement and monitor the Program at the regional level. Implementing agencies are expected to set up regional committees to provide a mechanism for involving participating countries, fostering a process of ownership of both the ICP and its results, and maintaining information flows in both directions.

Relationship with the Global ICP

33. The World Bank will prepare a formal Memorandum of Understanding (MOU) to be signed with each regional implementing agency. This will set out the roles and responsibilities of each party and will identify what the regional implementing agency agrees to do. The MOU will not cover financial arrangements, which will be the subject of separate legal agreements, depending on the specific nature of the transaction. In particular, the MOU will require the regional implementing agency to set up an ICP office, to recruit participating countries and to conduct the ICP in line with technical guidelines established by the Global Office and the Executive Board. It will also establish reporting procedures.

ICP Regional Offices

34. The ICP Regional Offices will carry out the work required to implement the ICP at the regional level. Their responsibilities will be similar, but not identical to, the ICP Global Office. In particular, the ICP Regional Office under the direction of the Regional Coordinator and in consultation with the Regional Committee, will:

- Maintain a close relationship with the ICP Global Office including regular and extensive sharing of information;
- Design and implement regional programs, database management, standards, guidelines and procedures as agreed with the ICP Global Office;
- Coordinate the efforts of the participating countries in the region through the dissemination of information, training, and promoting ICP standards and guidelines, including the use of specialist ICP software;
- Strike a workable compromise with national participants on the list of items (goods and services) to be priced and expenditure weights to be supplied;
- Ensure that all national participants share the same understanding about how prices for comparable and representative items ought to be collected, the circumstances of collection, the outlets from which the prices must be obtained, the standards of recording and documentation, and the overall timetable for the program;
- Ensure that inter-regional link countries carry out their agreed duties;
- Provide technical guidance and effective leadership to participating countries to settle questions, doubts, ambiguities and inconsistencies, where necessary obtaining advice from the Technical Advisory Group through the ICP Global Manager;
- Monitor implementation of the program in order to signal, if necessary, possible delays, budgetary overshoots or major technical flaws to take preventive or remedial action if required;
- Carry out the aggregation of national results to calculate PPP indices and

- subsequently to apply them to GDP expenditure breakdowns for calculating volume measures;
- Provide an analytical underpinning for the regional results;
 - Prepare and submit quarterly progress reports and comprehensive annual reports in consultation with the Regional Committee, to the Executive Board through the ICP Global Office;
 - Keep appropriate financial and administrative records and provide regular progress and financial reports.

Regional committees

35. Regional implementing agencies are expected to set up committees to involve participating countries in the ICP, to promote flows of information, to disseminate the PPP results and to promote their use. The exact membership of each committee and its functions will be determined by the implementing agencies, but it is expected that the committees will carry out the following tasks:
- Provide a forum for participating countries to be involved in the regional project;
 - Provide a mechanism for the two way flow of information from the region to implementing countries and vice-versa;
 - Provide a forum for the training of national personnel and for sharing information and expertise.

National Implementing Agencies

Role

36. For each ICP participating country, there will be one national implementing agency (for example, the body in charge of national accounts and/or price compilation or the national statistical coordinating agency). This agency will appoint a national ICP Coordinator who will take responsibility for the successful implementation of the ICP in that country. The role of the coordinator will include:
- Ensuring the correct estimation of the national components of ICP. These include the statistics of prices (including poverty-specific measures), GDP expenditure weights and compensation of employees as scheduled and within the assigned resources;
 - Ensuring that there is a full understanding on the part of the staff assigned to the ICP of the objectives and standards of the program and how those objectives affect the collection of the necessary data;
 - Maintaining contact with the Regional ICP Office and the Regional Coordinator and other participating countries, either directly or through the Regional Committee, concerning the consistency and the understanding of regionally agreed targets and methods;
 - Ensuring that data collection is carried out according to agreed specifications and classifications, spanning agreed time intervals, geographical scope and outlets;
 - Accounting for all funds received from the Regional ICP Office and maintaining proper administrative and financial records;
 - Making sure that the Regional ICP Office is kept aware of those cases where there is limited compliance with either representativity or comparability in the goods and services selected and priced; and

- Submitting to the ICP Regional Office the data collected after suitable checking for validity, as well as submitting the appropriate documentation in the agreed form and at the right time.
37. Each national implementing agency will sign a Memorandum of Understanding with the ICP Regional Office, which will set out a list of entitlements and obligations. Separate arrangements may be required to manage the transfer and disbursement of funds.

Relationship with ICP Activities in OECD and European Union Countries

38. International comparison activities in the European Union and the OECD countries will continue and will be managed by Eurostat and OECD. It is anticipated that the data from the ICP will be merged with that generated by the OECD data collection activities to produce a single agreed global database. To achieve this there will need to be close collaboration between the global ICP and the program in Europe and OECD on technical and other matters. This will be achieved by regular consultation between the ICP Global Office, the Technical Advisory Group and Eurostat and OECD. A senior manager from OECD will be a member of the ICP Executive Board. In addition, OECD will also provide technical assistance to the ICP in the CIS states.