



# International Comparison Program 2017

## Program Overview

The International Comparison Program (ICP) is a worldwide statistical initiative coordinated by the World Bank under the auspices of the United Nations Statistical Commission. It is one of the largest statistical programs in the world and brings together partners from international, regional, sub-regional, and national agencies under a robust governance framework and an established statistical methodology. The main objective of the ICP is to produce comparable volume measures of Gross Domestic Product (GDP) and its expenditure components based on Purchasing Power Parities (PPPs).

### History

The ICP celebrated its 50<sup>th</sup> anniversary in 2018, having grown from a modest research project in 1968 spearheaded by the United Nations Statistical Division and the International Comparisons Unit of the University of Pennsylvania and supported by financial contributions from the Ford Foundation and the World Bank. ICP comparisons have been completed for 1970, 1973, 1975, 1980, 1985, 1993, 2005, 2011 and 2017. Country participation consisted of 10, 16, 34, 60, 64, 115, 146, 199, and 176 economies respectively. The next ICP comparison will be conducted for reference year 2021.

### Partnership

The successful implementation of the ICP is reliant on the strength of its global partnership. The ICP 2017's main partners included the African Development Bank, the Asian Development Bank, the International Monetary Fund, the Interstate Statistical Committee of the Commonwealth of Independent States, the Organisation for Economic Co-operation and Development, the Statistical Office of the European Union, the United Kingdom's Department for International Development, the United Nations Economic Commission for Latin America and the Caribbean, the United Nations Economic and Social Commission for Western Asia, the World Bank, and the 176 participating economies.

### Governance

The governance structure of the ICP consists of the following bodies, each with its distinct role and responsibility:

- *The United Nations Statistical Commission* decides the frequency and operational modality of the program.
- *The ICP Governing Board* sets the strategies and policies governing the production of ICP results. In ICP 2017, it was led by India's Ministry of Statistics and Programme Implementation and Statistics Austria.
- *The ICP Technical Advisory Group* develops the program's methodology and assesses the overall quality of ICP results. In ICP 2017, it was led by Nobel laureate Sir Angus Deaton.

- *The ICP Inter-Agency Coordination Group* coordinates activities across regions and develops common ICP standards, guidelines, and protocols for all participating economies in the program.
- *The ICP Global Office at the World Bank* undertakes the overall coordination and implementation of the ICP and calculates and disseminates global ICP results.
- *Regional Implementing Agencies* coordinate and implement the regional ICP comparisons and calculate and disseminate regional ICP results.
- *National Implementing Agencies* undertake the price surveys and compile the national accounts expenditure data required for producing PPPs.

## Uses and applications

ICP PPPs are used in monitoring progress toward the United Nations Sustainable Development Goals—in particular, in the goals focusing on poverty and inequality, agriculture, health, education, energy and emissions, labor, and research and development—and the World Bank’s twin goals of ending extreme poverty and promoting shared prosperity. PPPs are also used in other development indicators, such as the United Nations’ Human Development Index and the World Economic Forum’s Global Competitiveness Index, to name but a few. The European Union uses PPPs in their allocation of the European structural and investment funds across European Union members. The International Bank for Reconstruction and Development and the International Monetary Fund both rely on the PPP-based GDPs of member economies to determine their shareholding and drawing rights.

*For more information, visit the International Comparison Program website at [icp.worldbank.org](http://icp.worldbank.org).*



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### Methodology Overview

#### ICP Outputs

The International Comparison Program (ICP) produces the following indicators:

- *Purchasing power parities (PPPs)*: PPPs are both currency conversion factors and spatial price indexes. They convert different currencies to a common currency and, in the process of conversion, equalize their purchasing power by eliminating the differences in price levels between economies. They show, with reference to a base economy, the relative price of a given basket of goods and services in each of the economies being compared. In contrast, consumer price indexes (CPIs) are temporal price indexes that show, with reference to a base period, the price of a given basket of goods and services at different points in time for a given economy.
- *Price level indices (PLIs)*: These are standardized indexes obtained by dividing an economies' PPPs by its market exchange rate. They express the price level of a given economy relative to another.
- *PPP-based Gross Domestic Product (GDP) and its expenditure components*: These are expenditures that are valued at a common price level. They are obtained by dividing, for each economy, its nominal GDP and expenditure components by its respective PPPs.
- *PPP-based per capita GDP and its expenditure components*: These are obtained by dividing, for each economy, its PPP-based GDP and expenditure components by its population.

#### ICP Data Requirements

The ICP requires participating economies to collect and compile:

- *Price data*: national annual average prices for a common basket of goods and services. These prices need to be consistent with those underlying national accounts expenditures. Goods and services need to be both *comparable* across economies and *representative* of the consumption patterns in these economies.
- *Expenditure data*: detailed expenditures in local currency units compiled from national accounts.
- *Population estimates and market exchange rates*.

The above data are needed to calculate ICP PPPs and associated indicators.

## ICP Data Quality Assurance Processes

Quality assurance processes are undertaken at three levels:

- *National/intracountry*: data collected and compiled for an economy are validated by the respective ICP national implementing agency.
- *Regional/intercountry*: data for all economies within a given region are validated by the respective ICP regional implementing agency.
- *Global/interregional*: data for all economies across all regions are validated by the ICP Global Office at the World Bank.

## ICP Calculation Processes

ICP PPPs for each participating economy are calculated in two stages:

- *Regional PPPs*: Each regional implementing agency calculates a set of regional PPPs for the participating economies in its region.
- *Global PPPs*: The ICP Global Office at the World Bank links these regional PPPs into a common set of global PPPs using methodology developed by the ICP Technical Advisory Group.

PLIs, PPP-based GDP and expenditure components, and PPP-based per capita GDP and expenditure components for each participating economy are then derived based on the calculated PPPs.

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