The International Comparison Program
Status and Progress Report
Submitted to the ICP Executive Board

February 2004
Geneva, Switzerland

1. This report provides the status of the global and regional activities of the program since the last meeting of the Executive Board in August 2003, and invites the Board to review the progress that has been made to date. Secondly, it provides a summary of the recommendations of the Technical Advisory Group (TAG) that met in January 2004. Thirdly, it flags areas where further progress is necessary, and finally, outlines action points requiring the Board’s immediate attention and decision.

I. Time line and sequencing of regional surveys

2. The work program was thoroughly reviewed with the regional coordinators in November 2003. A global time-schedule and work plan were prepared and presented at the regional coordinators meeting in Tunisia in November 2003 to provide a basis for discussion and to assist participants to formulate a realistic action plan for their respective regions. The original timetable specified 1 April, 2004 as the start date for data collection. Although significant progress has been made in most regions in preparation for the price data collection for food, clothing, and footwear, a consensus was reached in Tunis that launching the surveys in April 2004 would not be feasible. It was agreed that price collection for food, clothing, and footwear could begin in July 2004 and that the rest of the consumption should follow during the third quarter.

3. Though some of the participants were in favor of postponing the kick-off time until October 2004, representatives of Asia and Africa expressed strong opposition on the grounds that pushing it beyond July will undermine the credibility of the program and may discourage some countries from taking part.

4. Since the Tunis meeting assessment of more specific details of the tasks ahead has lead Africa and Western Asia to push the launching time to October, thereby aligning their schedule with that of Latin America. The proposal is to start with household consumption and defer data collection for housing, health, education, government and capital formation to 2005. This is consistent with the recommendation of the TAG. On the other hand, Asia is keen, and feels prepared, to launch the survey for food, clothing and footwear in July 2004. Coordinators of the CIS region feel they can start the surveys for full consumption in July, but are amenable to the idea of delaying it until October. Annex 1 contains more detail about the work plans and a summary of the advantages and disadvantages of a July vs. October launching of data collection.
II. Status and Progress Report

5. **Funding:** Significant progress has been made on the resource mobilization front since the last Board meeting thanks largely to a contribution of US$2.5 million by the Canadian International Development Agency (CIDA) for financing impending activities in the Latin America region. Furthermore, a review of the expenditure and reduction of cost in some areas has helped to narrow the budget shortfall over the next three years to $4.3 million. If approved by the Board, the proposal on the timing and sequencing of the surveys and related activities will help reduce the shortfall for 2004 from $3.8 to $1.7 million.

6. A closer look at the budget breakdown indicates that the Asia and Pacific region has the largest deficit accounting for 42% of the global deficit of $4.3 million over the period 2004-2006. It also accounts for 78% of the $1.7 million shortfall in 2004. The Global Office believes that the budget problem cannot be resolved without first addressing the situation in Asia. Evidently, limiting the surveys to consumption is not an option in Asia, since the regional advisory board (consisting of participating countries) has indicated that their intention is to participate in the full-scale survey. An effort was made by the global office to approach the Japanese Government to help raise fund for Asia and Pacific. The view held by some members of the Japanese government is that there is a Japanese trust fund in ADB that can be used for ICP, provided that the output of the program supports the region's poverty alleviation effort.

7. As noted above, the funding situation in Latin America has improved as a result of CIDA’s contribution of US$2.5 million. However, the current budget covers only 10 South American countries, leaving aside 16 countries from Central America and the Caribbean. UNDP has indicated an interest in financing Cuba and efforts are underway to mobilize funding for the remaining 15 countries. More detail about the funding needs by year is shown in Annex 2.

8. **ICP Handbook:** The first nine chapters of the Handbook have been drafted and are on the ICP website at http://www.worldbank.org/DATA/ICP. The most critical chapters, including chapters 3, 4, and 5 on expenditure weights, pricing concepts, and building regional list of specifications using the Structured Product Description (SPD) approach have gone through the revision process and are being translated. Chapter 6 (survey framework) has gone through several revisions and has been sent to TAG members for their comments. Chapters 7 (data editing and validation), 8 (government) and 9 (capital formation) have been drafted and are being revised. Translation arrangements have been made for Chapters 6 and 7. The Global Office and ICP-Africa are also working with IMF to adopt IMF’s CPI and National Accounts training materials for ICP purposes.

9. **Structured Product description (SPDs):** The quality of past ICP price surveys has suffered from documentation of product descriptions insufficient either because it permitted comparisons of the prices of unlike items between countries, or limited bilateral comparisons to identical items that may have been uncharacteristic of one or both countries. A more systematic and structured approach is adopted for the 2004 ICP round. The new approach, Structured Product Description (SPD) uses a set of price-determining characteristics for each
10. 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, with the remaining categories of government and capital formation scheduled for the second quarter of 2005. The process is progressing well in all regions. The list of specification for food, clothing and footwear will be ready in all regions by mid March and the rest of consumption items less housing, health and education will be ready before July 2004.

11. Prior to the regional coordinators meeting in Tunisia the regions were following different approaches regarding the general SPD framework. After a long and productive deliberation at the regional coordinators meeting it was agreed that all regions should follow the same procedure so as to facilitate the creation of a real global list and speed up the process using the SPD software. Latin America has drawn its list for food and beverages from an existing sub-regional list of specifications following the general SPD framework. It will use the SPD software for government and capital formation. CIS has a head start in building a list of specifications in that it can use a large part of the list it used for the 2000 CIS comparison. Eurostat has indicated its intention to adopt the SPD approach. It is currently evaluating the SPD software, with a view to using it for its program.

12. **ICP Tool Pack.** The Tool Pack is an integrated system with two physically separate modules: Price Collection Module (PCM) and Price Administration Module (PAM). This helps facilitate easy deployment of the system in the field, where only price collection is carried out, while reserving the more sophisticated administration and analysis module for the country management and regional centers.

13. **Regional Endorsement:** The PCM was demonstrated at the Tunis meeting in November 2003. It was also demonstrated at Statistics Canada for the coordinators of the Latin American region. All in attendance have endorsed its use both for data collection and capacity building. Participants expressed satisfaction with the modifications made to the beta version of the PCM that was demonstrated in an earlier regional coordinators meeting in Washington. Asia, Africa and Western Asia further indicated that they see the Tool Pack as essential to their programs.

14. **Testing and translation:** The Tool Pack has been tested at the World Bank. Independent testing is underway in Uganda by the Bureau of Ugandan Statistics and discussion is underway with Statistics Canada to field test the PCM in Canada in February and March. Translated versions of the PCM in French, Spanish, Chinese and Arabic will be ready by the end of February. The French and the Arabic versions will be ready first and will be tested in March in Tunisia and Beirut. The final version of the PAM is expected by the end of March 2004 and will be tested both at the World Bank by independent parties in March and April.

15. **Training plans:** Training programs are scheduled in March/April. The plan is to first train the trainers at regional coordinating agencies in March and April. Regional coordinators will then train national coordinators using the Tool Pack in their regional languages. Since the
Asian region has scheduled country level workshops for late March and early April, the regional coordinators will receive the training at the same time. The regional coordinators will then be responsible for providing country level support.

16. **Building detailed expenditure weights:** The broad nature of data sets required for ICP computations are detailed GDP estimates on the expenditure side along with price information based on well-defined specifications. The absence of such GDP estimates in many countries has inhibited progress in the development of ICP. The key point is that ICP has not progressed because many developing countries have lacked the capacity to collect basic data essential for the preparation of a complete set of national accounts.

17. A key and critical requirement of the ICP program is that countries take steps to improve their national accounts, including closer adherence to international standards, e.g. the SNA and various classification schemes, comprehensive coverage of all economic activities, and closer attention to issues of data quality. Therefore, the first priority should be a clear strategy for improving the availability of basic data to permit fuller and systematic coverage of GDP.

18. Regional agencies have compiled a list containing senior advisors to develop a work plan. In this respect, three papers have been drafted and plan is underway for a fourth paper, with the view to developing a road map (including detailed work plan and timeframe) for the short-term strategy of preparing expenditure weights for ICP. As part of this study 7 pilot studies have been selected in Africa (Angola, Eritrea, Ethiopia, Malawi, Mozambique, Uganda and Zambia). Consultants have been identified to travel to the noted countries, with the objective of taking stock of the SNA program and developing a short-term strategy to help improve their NA estimates. Their reports will be ready by the end of March. Based on the report, the global office will prepare guidelines for consideration by other regions. The Asian region has worked with the countries to prepare preliminary estimates for the 155 basic headings. The countries will be bringing these preliminary estimates to the workshops mentioned in paragraph 15 for review and discussion.

### III. Regional and Global Coordination

19. **Global Office:** When the Global Office met in August 2003, concerns were expressed about the level of staffing in the Global Office. At that time, the Global Office consisted of the Global and Deputy ICP managers, a senior statistician, and two short term consultants. A key Board decision was that the Global Office should proceed with an act of faith regarding the budget and staff accordingly. Since then three additional short term consultants have been added with another to report as soon as the contract can be completed. Other consultants have been engaged to prepare various chapters of the ICP Manual and to provide assistance to the regional coordinators.

20. **Regional Coordinators meeting:** The Global Office organized a meeting for regional coordinators in Tunis in November 2004. The objectives of the meeting were to (a) discuss the
status and progress of activities undertaken since the last regional coordinator’s meeting in July in Washington, (b) discuss the status and progress of global and regional Structured Product Description and Product Specification preparation, (c) demonstrate the ICP-Tool Pack and SPD software, with a view to getting participants’ reaction and input, and (d) develop work plans and timetables for the next 12 months. The detailed work plan and timetable annexed were results of the regional coordinators meeting. Suggestions received about the Tool Pack and the SPD software were subsequently incorporated into the final versions.

21. **Country Participation:** A total of 158 countries (Egypt, Mexico and the Russian Federation are counted in 2 lists) are participating in the 2004 round, including the 42 participating in the Eurostat and OECD comparisons. Forty-nine countries take part in ICP-Africa. Of which 34 are expected to participate in full GDP surveys, 8 in consumption surveys only and 7 on an experimental basis, i.e. survey results will not be included in the final analysis. In the Latin America and the Caribbean region 10 countries will be participating in full GDP surveys, up to additional 16 would participate if funding is available. Twenty-three countries will take part in Asia, including 17 in the full-scale surveys and 6 in consumption surveys only. In the CIS region 11 countries will participate in full GDP surveys. In Western Asia, 11 will participate in full GDP surveys, Yemen will participate in consumption surveys only and Palestine will participate on an experimental basis. The table below provides a summary of country participation by region. Full details are available in Annex 3.

<table>
<thead>
<tr>
<th>Region</th>
<th>Full GDP</th>
<th>Consumption only</th>
<th>Experimental</th>
<th>If funding available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>34</td>
<td>8</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>16</td>
</tr>
<tr>
<td>Asia and Pacific</td>
<td>17</td>
<td>6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CIS</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Western Asia</td>
<td>11</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>OECD &amp; EU</td>
<td>42</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>127</td>
<td>15</td>
<td>8</td>
<td>14</td>
</tr>
</tbody>
</table>

22. **Africa:** The program in Africa is progressing well. The African Development Bank, the primary implementing agency, has created a strong ICP unit staffed with one regional coordinator, five senior experts, five research associates, and one administrative support. An integrated work plan has been developed to address both the immediate objective of data collection and the longer terms goal of statistical capacity building. The countries have selected national coordinators and have prepared national implementation plans.

23. Statistical assessments have been undertaken in over 44 countries, with the objective of determining the level of ICP participation (at GDP or Consumption level), and assessing
technical and financial assistance needs. A comprehensive report is under preparation and will be used to design national strategies within the general framework of ICP-Africa.

24. Africa is leading in the preparation of a regional product list. A lingering concern is whether they will be able to disburse funds to the National Statistical Agencies in time to begin data collection. A regional meeting for national coordinators was organized in South Africa (2-19, December 2004) to discuss financial disbursement and procurement issues, go over the first set of SPDs covering food, clothing and footwear, and discuss and agree on a plan of action for the compilation of expenditure weights. AfDB is working with national coordinators on a bilateral basis to determine the list of countries that may face disbursement problem and try to overcome the problem.

25. Asia and the Pacific: The Region expects 23 countries to participate at various levels. With substantial budget shortfall, the Asia and Pacific region faces serious challenges. The Asian Development Bank is working in close collaboration with the Global Office and regional agencies to fill the gap. The regional Advisory board met in December to address the impending financial gap and consider alternative implementation plans. The current work plan is to go ahead and begin surveys of food, clothing and footwear in July 2004 while stepping up fund-raising efforts to mobilize additional resources for the remaining components of GDP, including government expenditure and capital formation.

26. The region is targeting the completion of their final product list for Food, Clothing, and Footwear for the first quarter of 2004 with a training schedule to continue into April 2004. Work on the remaining household consumption items has begun.

27. Commonwealth of Independent State: The region expects 11 countries to participate at the full level of GDP. It has a work plan in place and will soon start updating the product list used in the 2000 CIS comparison. CIS has considerable experience with the ICP. The 2000 comparison was a joint effort between Russia Goskomstat and the statistical committee of the Commonwealth of Independent States (CIS). The CIS program is coordinated by the Statistics Committee of the CIS and the Russia Goskomstat, under the overall coordination of the Bureau of Economic Analysis. A Memorandum of Understanding has been signed between the Global Office, the CIS and Goskomstat to this effect.

28. Western Asia: Significant strides have been made in Western Asia, including the formation of strong ICP team consisting of three regular full-time staff and a senior ICP consultant. The region still faces financial shortfall for 2005. The UN ESCWA is working in collaboration with the World Bank and the regional Executive Board to mobilize resources. The funding shortage is to cover data collection in member countries. The ICP-Executive Board for Western Asia recommended during its last meeting in October 2003 that the countries approach their National Fund Agencies and/or regional agencies to cover the cost of national implementation of ICP.

29. Latin America and the Caribbean: The program in Latin America and the Caribbean is jointly coordinated and managed by ECLAC and Statistics Canada. The Canadian International
Development Agency provided substantial funding to help fill the financial shortfall. The Latin American leg of the ICP got underway in earnest on July 7 2003 when the first of the sub regions met for an entire week and reviewed in detail the features of a large sample of goods and services drawn from all the major components of consumption expenditures. The seminar’s success owed a great deal to a previous initiative designed to harmonize the sub region’s national CPI’s. The experience gained in so doing is right now the region’s major and unique asset.

30. Funding of the Global project remains a major problem. Although 26 countries, including 7 from the Caribbean region, have indicated their intentions to participate, the work program covers only 10 countries in South America due to financial constraint. Further fund-raising effort is underway to bring all interested countries into the ICP fold. The project in Latin America has been strengthened with the new participation of Statistics Canada, which is funded directly by CIDA. The participation of Statistics Canada was welcomed both because it resolved some of the funding issues related to the activities in the region, and also because it brings to the project a technical and administrative expertise.

31. The region had its second sub-regional meetings in December 2003 in Lima, Peru and Buenos Aires, Argentina. The main purpose of the meetings was to finalize the list of specifications for all the food products and to establish the work plan for the first year. Most of the time was dedicated to the revision of the different specifications of the food portion of the basket of goods and services that underlined the Consumer Price Index (CPI) in each participating country. For each individual group of the food basket, decisions were taken as to which specification should be retained for the comparison. The meeting was very successful as the participants managed to reach consensus and make decisions on a number of key issues.

IV. Technical Advisory Group Meeting

32. The Technical Advisory Group (TAG) met in January 2004. First, it recommended that the full Ring comparison be implemented, but that price collection for the Ring comparison should begin in 2005 after the regional collections have begun. Second, it expressed serious concern about the July kick-off time and recommended to consider October 2004. Third, it discussed a number of research topics and endorsed the decision by the Global Office to commission papers. Details about their recommendations are shown in Annex 4.

V. Research

33. The conduct of targeted research focusing on the collection of prices, measurement of expenditure weights and PPP aggregation and regional linking methods is essential for improving the quality and relevance of ICP data. Accordingly, priority is given to three major areas. First, and of most immediate importance, is resolution of a set of essential problems related to the methods of developing a list of specifications, collecting price data, compiling expenditure weights, and determining prices of “comparison resistant” services such as medical services and construction projects. The second priority area is the linking of regional price parities to form international price parities and improving the quality and relevance of PPP
estimates for poverty measurement and monitoring work. The other priority area is research in poverty focused PPPs. Research is underway in each of the noted areas.

34. **Construction:** Traditionally construction sector PPP calculations have been performed using the truncated Bill of Quantities (BOQ) approach developed by EuroStat. In a recent paper, Walsh and Sawhney (2002) recommended a new approach termed as “the basket of construction components”. The basket of construction components was developed to address some peculiarities in the construction sector relevant to comparison of international costs. These peculiarities include the variation in construction standards for completed facilities across national boundaries, the estimating/costing conundrum, and (perhaps most importantly) the labor/equipment tradeoff in the selection of means of construction. These peculiarities are expected to have significant impact on the assessment of the costs of building completed facilities, but much less impact on the assessment of actual costs associated with several key components of these facilities.

35. Under a contract with the AfDB, Professors Walsh and Sawhney are developing a framework for alternative concepts (e.g. truncated BOQ and basket of construction components), including the development of specific test cases for data collection. Their terms of reference includes streamlining the development and identification of construction components through the use of the Structured Product Description (SPD) framework that is being designed by the ICP program for other sectors of the PPP calculations. The consultants will develop a shell system that can serve as a construct for the different regions, and still allow regional specificity to exist within the shell. The consultants are currently conducting pilot studies in 8 African countries, with a view to reviewing the SPD concept and developing a number of construction components for testing and initial evaluation in the African context.

36. Testing would be attempted in each of the three construction sectors: residential, non-residential, and civil engineering works. At a preliminary level the focus areas for selection will include broader subdivisions within these sectors such as subsurface, structural, length dependent, area dependent, and volume dependent.

37. **PPPs for the Poor:** One of the main objectives of this round is computing poverty-specific PPPs to support efforts towards meeting the Millennium Development Goals. A promising research is underway, with the objective of integrating poverty-specific PPPs within the mainstream of the ICP work. Professor Angus Deaton (Princeton University) is leading this effort in close collaboration with other eminent researchers, including Professor Alan Heston (University of Pennsylvania), Professor Erwin Diewert (University of British Columbia), Professor Prasada Rao (University of Queensland) and Professor Dipankor Coondoo (Indian Statistical Institute).

38. Two pilot studies conducted in Asia and Africa have built confidence that poverty-specific PPPs can be generated using expenditure data from household expenditure surveys along with price data from ICP. The findings of the two studies are significant in that they provide a promising approach that can be used both for cross-country as well as within country poverty analysis.
39. **Linking regional results:** One of the major problems to be addressed in this round is how exactly should the various regional PPP’s by basic heading category be linked across regions? The current methodology envisages linking each basic heading in each region by making pricing comparisons for ring countries. Thus a subset of countries from each region would be chosen and a separate price collection (by basic heading) would be made for these ring countries and then the regions would be somehow linked using these prices collected for the ring countries. Professor Erwin Diewert is preparing a paper examining in detail exactly how this could be done in a consistent manner.

VI. **Advocacy Materials and Electronic Discussion Forums**

40. One of the issues raised at the August 2003 Executive Board meeting was the need for advocacy material. First, heads of national statistical offices need it to explain to their political leaders why they need to devote resources to the ICP. Advocacy material is also needed to demonstrate how the PPPs can be used for policy and investment purposes. The Asian Development Bank commissioned a paper titled “International Comparison of Prices: Why Should Countries Participate in the Surveys”.

41. The first edition of the ICP e-newsletter – ‘ICP News’- has been published. The quarterly e-newsletter offers a platform to share information on project updates, events calendar, learning tools and materials, etc. with the aim of improving communications and serving the information needs of staff, partners and stakeholders.

42. A password protected electronic discussion forum has been created for the TAG. The forum promotes the discussion of technical and methodological issues related to the ICP and its implementation. The forum is open to TAG members, regional coordinators, consultants and others with professional involvement in ICP research activities. Other experts and practitioners will be allowed to participate if their inclusion contributes to the discussion of issues pertinent to the program.

VII. **Action Points**

43. **Action Point 1:** The Global Office proposes moving the kick-off date of the surveys for consumption to October 2004 to allow more time for regional and national preparatory work, and for the preparation and translation of training materials.

44. **Action Plan 2:** The Global office proposes moving the start date of the surveys for housing, health, education, government and capital formation to mid-2005. This allows more time for regional and national preparatory work and preparation and translation of training materials. It also relieves some of the financial pressure in 2004 by giving regional coordinators and the global office more time for fund raising. The decision of the Board is sought.
45. **Action Point 3:** The guidance of the Board is needed to resolve the tension between having a harmonized global survey and starting the surveys for food, clothing and footwear earlier in Asia to take advantage of the momentum built at the national level in the countries of that region. The issue here is one of coordination rather than of a technical nature, as the data from July surveys could be aged using the CPI to move to October, provided that the quality of the CPI in the participating countries is acceptable.

46. **Action Point 4:** The expenditure weights and GDP to be used for comparisons between countries are based on a calendar year. The time table, as it has evolved, will require some adjustments to annualize the prices to either 2004 or 2005. The Board's decision is sought regarding which should be the reference year.

47. **Action Point 5:** After a long deliberation and examination of alternative ring methods, the TAG recommended implementing the full Ring comparison as originally planned, but suggested that price collection for the ring should begin in 2005 after the regional collections have begun. The Global Office requests the Board's approval so that the process of seeking the proposed ring countries' cooperation can begin and work plans can be organized with regional coordinators.

48. **Action Point 6:** The Global Office would like to highlight the fact that unless the funding situation in Asia is resolved, it may jeopardize the entire program. Given the momentum that the ADB and ABS have created and the expressed intention of participating countries to take part in the full scale surveys, scaling down the program to consumption only is not an option for most countries, other than for the Pacific Islands.

49. **Action Point 7:** The entire Central American and Caribbean sub-regions are being excluded from the round due to financial constraints, despite the strong interest of these countries in taking part. The Global Office calls on the Board to persuade the Inter American Development Bank to step up to the challenge.

50. **Action Point 8:** The Global Office would like to propose the creation of an executive committee of the Executive Board that will work closely with the Global Office and guide its programs on a more regular basis. This would allow more frequent meetings and teleconferences in the interest of resolving pending urgent issues.