

Status Report on the International Comparison Programme

3 March 2004

Prepared by the Global Office of the International Comparison Programme, World Bank

Introduction

1. The International Comparison Program (ICP) Global Office welcomes the opportunity to present the Statistical Commission and heads of National Statistical Offices a status report providing updated information about progress so far and outlining future plans for the 2004-2006 round.

Overview

2. The ICP has made considerable progress since the last status report was submitted to the UN Statistical Commission in December 2003. Members of ICP's Technical Advisory Group came together on 21-23 January 2004 to discuss major technical issues and challenges facing the program, including the Ring Comparison. ICP surveys are done at two stages: countries within a region are compared first and then the regions are linked together through comparison between "ring" countries in the regions for a global comparison (The Ring Comparison will involve about 18 countries pricing an additional set of items from a list of products obtained from merging the regional lists). The Group recommended that the full Ring comparison be implemented in this round of the program, but that price collection take place in 2005. The Technical Advisory Group also gave the Global office valuable input regarding "comparison resistant" GDP components such as housing, government, and capital formation. The TAG expressed some reservations about the proposed July 2004 starting time for price collection. Minutes of the January 2004 TAG meeting will be posted on the ICP website shortly (<http://www.worldbank.org/DATA/ICP>).

Timeline and Work plan

3. 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. Since the Tunis meeting, assessment of more specific details of the tasks ahead has lead some regions to consider pushing the launching time to October 2004.

Funding

4. Significant progress has been made on the resource mobilization front since the last status report, 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.

ICP Handbook

5. The first nine chapters of the Handbook have been drafted and are on the ICP website. 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.

Executive Board meeting

6. Members of the ICP Executive Board met in Geneva, Switzerland on February 10-11, 2004 to review the progress of the global and regional activities of the program since the last meeting of the Board in August 2003. The Executive Board expressed satisfaction on the very substantial progress that had been made to correct the deficiencies of the previous rounds of the program and strengthen all components of this round of the ICP.

7. In particular, it noted:

(a) the active participation of 158 countries, including 51 from Africa (there are many others who would like to participate if funding were available – major gaps are Central America, the Caribbean and the South Pacific);

(b) the substantial funding provided by many international agencies (particularly the World Bank), donor agencies, and the in-kind contributions being provided by many participating countries as shown in the attached table. (Table from Status Report);

(c) the spirit of cooperation and sense of partnership that has developed between global, regional, and national stakeholders to achieve the project goals;

(d) the major contribution of the project towards reliable measurement of progress against the Millennium Development Goals, as well as improved targeting of poverty alleviation measures and the relative competitiveness of countries;

(e) the major contribution of the project towards national statistical capacity building in developing countries, especially with consumer price indices and the improvement and harmonization of National Accounts;

(f) the infrastructure and investment in new technology and methodology that is being put in place to enable lower cost rounds of the ICP in the future;

8. Despite the very substantial progress, some critical issues raised concern. First among these is the issue of funding. Although significant progress has been made on this front since the last Board meeting, and the project is in no danger of failing to progress to the data collection stage, sufficient funds are still not available to enable its completion.

9. The second area of concern is with meeting the deadlines for preparing the product lists, completing the testing of the software, and carrying out the training and translation activities that precede the collection of price data. The timeline was deemed ambitious but achievable if additional funding and specialist staff can be made available at the appropriate time. Of course, good project management would be essential as always at the global, regional and national levels to coordinate the activities and achieve targets.

10. Summary of Executive Board Actions

- The Executive Board agreed that preliminary estimates of PPPs be obtained using 2004 expenditure weights and final estimates be based on 2005 weights and GDPs. The goal is to make preliminary PPPs available by mid to late 2006.
- After a review of the financial and budget situation and noting the funding shortfall that still needs to be addressed, the Executive Board agreed that the target comparison should be total GDP. The Board noted with pleasure that 125 countries qualified for this comparison. The Board also noted that for the remaining countries, the basis of comparison might fall short of all GDP components.
- The Executive Board noted that the CIS plans to commence price collection surveys for consumption items in July 2004, and that the Western Asia and South American countries will begin in October 2004. The African region will be in a position to begin price collection prior to October 2004. The Asia and Pacific region plans to begin price collection in July for food, clothing and footwear, and by October for the rest of household consumption. Although July is the preferred timing, the Asian regional coordinators are instructed to consult with the heads of National Statistical Offices to see whether an October start would allow more time for regional and national preparatory work and for the translation of materials.

The Executive Board considered the implications of having regions begin price collection at different time periods and approved of it on the condition that all countries within a region start the price collection at the same time unless there were explicit and approved exceptions.

- The Executive Board approved the proposal that price collection for Housing, Health, Education, Government, and Capital formation should take place as near to mid-2005 as possible so as to allow more time for global and regional preparatory work including translation of materials.
- The Board instructed the Global office to ensure that regional coordinators assess the availability of price indices in each country so that price data may be estimated for a common reference period. The Global Office was also asked to request TAG to provide advice and assistance where price indices are not sufficient or available to deal with the technical issues caused by different collection periods across regions.
- The Executive Board directed the Global office to thoroughly test the Tool Pack in some country offices and in particular that such tests be conducted by Statistics Canada to ensure it meets the requirements of the ICP and to instill confidence in its use. It is suggested the testing be immediate for the modules critical for the price collection and country level data editing phases. The results of the full test should be reported to the Executive Board.
- The Executive Board suggested that the ICP Manual (Chapter 6 on Sampling and Survey Framework) be supplemented by an Operations Manual that could provide instructions and guidance to the National statisticians regarding price collection, the determination of outlets, the number of price quotes to be gathered, etc. The Global office was directed to prepare such a manual so that it could be used for training purposes.
- The Executive Board directed the Global office to ensure that Chapter 7 of the ICP Handbook (Data Editing and Validation) set rules for the editing of country data and also for within region edits involving inter-country comparisons. The Board noted that the responsibilities of the country and regional coordinators are to be carefully described and must include descriptions of the necessary iterations starting from the country level data review to the acceptance of the regional price levels and PPPs. The Executive Board places the highest priority on the completion of this important chapter.
- The Executive Board approved the TAG recommendation that the full Ring Multilateral Comparison be adopted and also approved the criteria for the selection of the countries. The Executive Board suggested that the data collection for the Ring comparison be carried out during the third quarter of 2005 as close to mid year as possible and provide point in time price estimates. The Board requested that the regional coordinators be asked to comment on the choice of

Ring countries using the criteria suggested by the TAG and inform the Global Office of any disagreement so that the matter can be quickly resolved.

The criteria for determining the selection of the Ring countries and approved by the Board are as follows:

- Openness of the economy;
- Existence of markets trading in a wide range of goods and services;
- A good statistical system in general, especially for price surveys and national accounts;
- A country not too large or too small in size, and finally
- The country's willingness to participate.

Once the list of Ring countries is completed and approved, the regional coordinators, with assistance from the Global office, will seek the cooperation of the selected statistical offices. The Executive Board approved the initial selection of the countries shown below:

- Eurostat/OECD: UK, Japan, Estonia and Slovenia. Australia, (Czech Republic reserve list)
- CIS: Russia, Kazakhstan
- ESCWA: Oman, Jordan
- ECLAC: Brazil, Chile
- Africa: Egypt, Kenya, Senegal and South Africa
- Asia: Hong Kong, Malaysia, Singapore and Sri Lanka, (Philippines reserve list)

- The Executive Board noted with approval that first steps were being taken to estimate poverty PPP's.
- The Executive Board directed the Global Office to prepare advocacy materials to be presented to potential donors in international and national organizations giving priority given to those expected to be able to provide immediate funding assistance. The approach to donors, including approaching donors who have already contributed, should include the preparation of materials for face to face meetings and presentations.
- The Executive Board approved the idea to include Pacific Island countries by asking them to price a reduced consumption list with the comparison results being used for analysis purposes. While the Board understood that this approach was conditional on the availability of funds it suggested that it be considered for the Caribbean Islands.
- It was proposed and approved that the Executive Board meet at least once a year. It was recognized that unforeseen situations might force the Chairman to engage

in consultation with Members of the Board who were immediately at hand, in person or by teleconferencing. But in such cases the Chairman would take steps to keep other members of the Board apprised of the matter under discussion without delay. This way the full Executive Board would always have an opportunity to provide their views before important decisions were taken.

List of Executive Board Meeting Attendees

Mr Dennis Trewin Chairman	Australian Bureau of Statistics
Mr Ifzal Ali	Asian Development Bank
Ms Shaida Badiie	World Bank
Mr Len Cook	Office for National Statistics, Great Britain
Mr Enrico Giovannini	OECD
Mr Li Xiaochao	International Statistical Information Center, China
Mr Brian Newson	Eurostat
Mr Jacob Ryten	Statistics Canada
Mr Vladimir L. Sokolin	Goskomstat of Russia
Mr Frederic Vogel	Global Manager, ICP
Mr Andre Hoffman On behalf of Mr Jose Luis Machinea	ECLAC
Mr Charles Leyeka Lufumpa On behalf of Mr Henock Kifle	African Development Bank
Mr Misha Belkindas	World Bank
Mr Yonas Biru	Deputy Global Manager, ICP
Mr Peter Hill	Consultant, World Bank
Mr Mikhail A Korolev	Interstate Statistical committee (CIS)
Mr Andrey E Kosarev	Bureau of Economic Analysis
Ms Silke Stapel	Eurostat
Mr Sun Zhen	International Statistical Information Center, China