

Implementation plan for the International Comparison Programme (ICP) World Bank Statement

At its thirtieth session, the Statistical Commission, following discussion under item 3(e) of its agenda:

- (a) Noted the support of many countries and international agencies for a viable ICP programme;
- (b) Noted with approval the efforts made by the international and supranational agencies to address the reservations in their elements of the ICP programme;
- (c) However, in the light of the serious reservations noted regarding the quality, timeliness, credibility and transparency of the International Comparison Programme as identified in the Castles and Ryten reports, recommended that the start of the next round of the global ICP be postponed by at least one year so that the following steps could be taken:
 - (i) Securing of adequate funding for the programme;
 - (ii) Instituting an adequate management structure at both the global and regional levels;
 - (iii) Developing an agreed practical implementation plan which is initially limited to the calculation of purchasing power parities for private household consumption expenditure;
 - (iv) Building country capability as an integral component of ICP.
- (d) Empowered the Chairman to constitute a group of friends to review the implementation plan and to report back no later than at the next meeting of the Commission.

Following the above guidelines provided by the Commission, the World Bank has been working in close co-operation with regional agencies, international organizations and recognized experts in the field of price statistics and PPP work to chart the future of ICP taking into consideration the issues raised and the recommendations provided in the Castles and Ryten reports. Although much progress has been made in a number of areas that lay the foundation for a strong program, more work needs to be done before a comprehensive implementation plan anchored on a sound management structure and backed by adequate financial commitments is ready. This statement provides the Commission with information on the steps taken to date and plans that are underway.

A comprehensive proposal for the next global ICP round

A comprehensive proposal has been prepared and circulated for comments. The proposal is built on the premise that:

Changes in the design and implementation of ICP are essential to establish the program on a continuing basis with sustained funding;

The program is too demanding and resource intensive for any one organization to take full responsibility.

A close cooperation and a cost-sharing arrangement need to be worked out among regional agencies, international organizations and other partners of ICP.

Without renewed commitment from the international community, the program faces a near certain death in developing countries, where reliable information base for

International Development Goals (IDG) and poverty alleviation policy is badly needed.

There is an immediate need to rebuild confidence in the program and to promote the wider acceptance and use of PPP data both at the national and international levels;

Lack of reliability of PPP data is partially a reflection of the general weakness and uneven quality of national statistics and, as such, sufficient improvement in the reliability of ICP cannot be achieved so long as the effort is ad hoc rather than part and parcel of routine statistical work and national statistical capacity building;

Because of the continuing demand to compare levels of economic output at the GDP level as well as the need to monitor global economic growth as a key factor in poverty reduction, any work that is confined to private consumption will fall short of meeting the data needs of the development community;

However, in countries where statistical systems have limited capacity it would be necessary to concentrate resources on getting good quality price data for the consumption items only;

The proposal addresses the main issues raised in the Ryten report, in particular it provides for:

The mobilization of adequate resources in non-OECD/Eurostat countries, not only for the next round, but on a continuing basis;

An effective management structure at the global, regional and national levels;

Adequate incentives at the national level for all countries to participate and to take data quality seriously;

Improving the cost-effectiveness of the program, in particular by integrating price collection for ICP with national price data systems, especially the collection of consumer prices;

Integrating poverty-specific PPPs into the ICP framework

The proposal to date has been shared with key players in the program. It has benefited both in form and substance from the comments and recommendations of various groups, including but not limited to: participants of a recent World Bank-OECD joint seminar on PPP, international and regional agencies, technical experts in price statistics and national accounts, users of PPP data, and Friends of the Chair.

A joint World Bank-OECD seminar

A joint World Bank-OECD seminar on *Purchasing Power Parity - Recent Advances in Methods and Applications* was held at the World Bank, 30 January - 2 February 2001. The seminar brought together experts, regional coordinators, data producers, and users to discuss issues of great significance, including: a) data collection and editing procedures; b) PPP aggregation methods; c) issues and practices regarding linking regional results; d) integration of ICP with CPI; and e) uses of PPP data for policy analysis. The seminar helped identify key research areas that need to be addressed before (or in parallel with) the next ICP round.

Consultation with PPP experts

A meeting with technical specialists with recognized expertise and an international reputation was arranged during the seminar to discuss the overall strategy of the proposal with special emphasis on key research areas and their potential impact on data quality. The experts expressed general support to the overall strategy and provided many valuable suggestions on key research areas.

Consultation with regional and international coordinators of ICP

With a view to discussing the proposed strategy with the key players of ICP, a meeting between regional and international coordinators of ICP was held immediately following the seminar. The meeting was attended by IMF, OECD, UNECE, UNDP, UNESCAP, UNECLAC, AfDB, World Bank, and a representative of Russian Goskomstat in his capacity as a co-coordinator of the CIS regional comparison. The representative of UN ESCWA sent comments. The overall strategy and approach was accepted by the participants as sound and comprehensive. Most notably, the need to focus on GDP rather than limiting the exercise to consumption expenditure was emphasized by many of the participants. Participants also discussed practical steps that need to be taken to strengthen the management structure.

Consultation with Friends of the Chair

The proposal was sent electronically to all members of Friends of the Chair as well as to Mr. Ryten and Mr. Castles. Valuable comments were obtained from some of the members of the Chair. Detailed and valuable critical comments were also obtained from Mr. Ryten.

Research on the integration of ICP with routine statistical work

Research on the integration of CPI and ICP has been commissioned by the World Bank, with a view to address methodological and conceptual issues. The resulting paper has been accepted for publication as an appendix in the CPI manual currently under preparation by the Inter-secretariat Working Group on Price Statistics. Plan is underway to carry out pilot projects in two countries in the Asian and the Pacific region. The objective is to maximize the benefits that CPI and ICP will draw from an integrated price collection mechanism without placing undue burden on either one.

Next steps

The World Bank will continue to consider new comments and recommendations as they come and prepare a final draft of the proposal shortly after the meetings of the Commission and start discussions with prospective donors. To accomplish the long term goal of establishing a sustainable financial base with adequate funding, the World Bank in collaboration with other institution is promoting a cost sharing arrangement between regional and international institutions.

The continuation of ICP as world program depends very much on the willingness of international institutions to rise up to the challenge. It is hoped that the UN Statistical Commission will play a critical role in mobilizing both financial and institutional support.

February, 20, 2001