



International Comparison Programme For the Caribbean Region

ICP 2005 (Millennium Round)

**The 29th SCCS Meeting
Bermuda, 22-25 Nov. 2004**

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Background – What is ICP?

- A global statistical program established in 1968 to compare GDP and its components using PPPs rather than exchange rates
- The number of participating countries increased from 10 in 1970 to 118 in 1993
- ICP is now an integral part of national statistical work in Europe and CIS countries
- Although progress has been made in the coverage of developing countries, the quality of the data have suffered due to lack of funding.

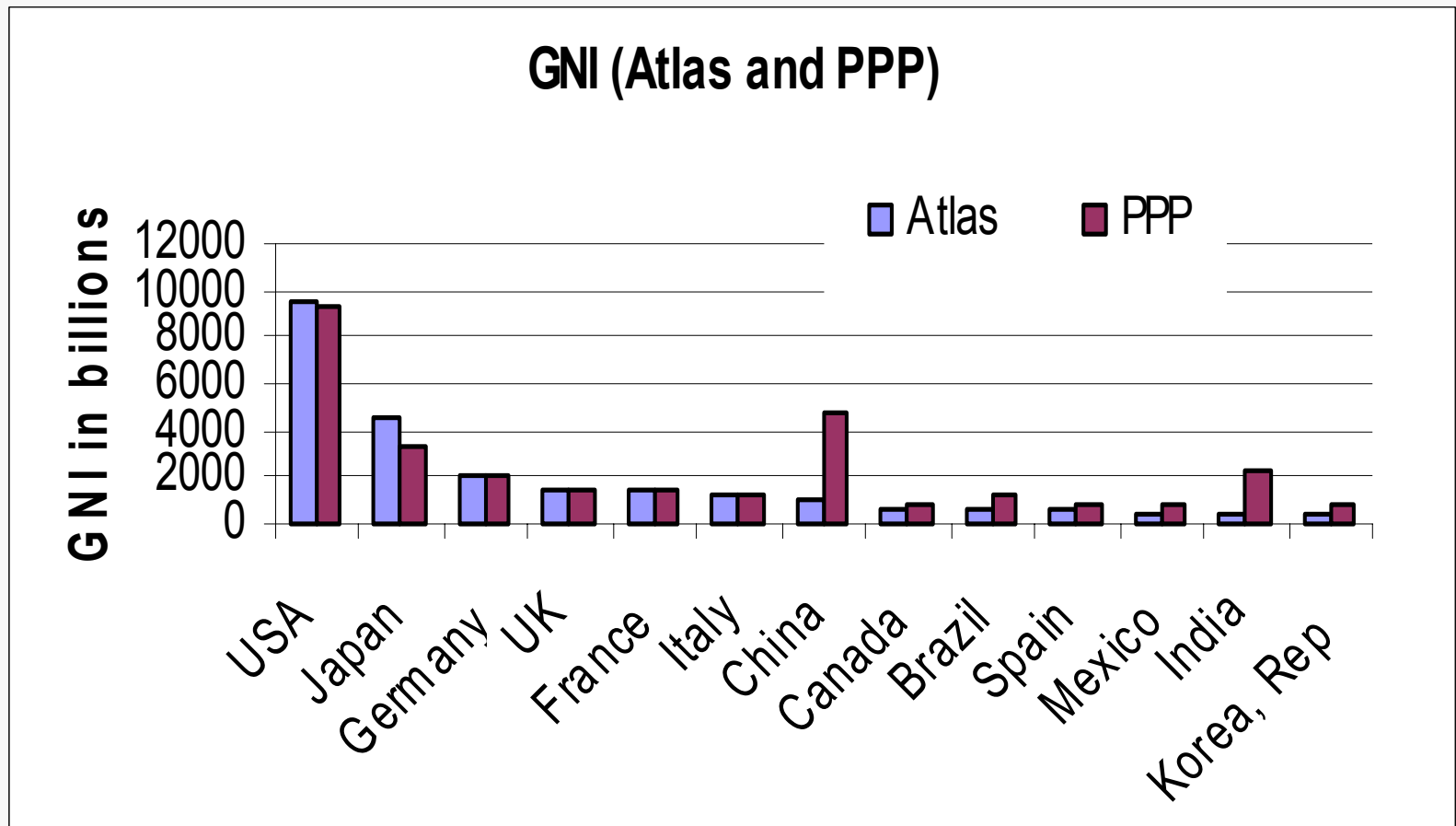
Background – Why not exchange rates?

- They do not reflect relative price levels in the countries, so they provide inconsistent estimates of income levels
- They do not move with changes in relative prices, i.e. comparisons are not consistent over time
- Not only do they obscure the true quantity relationships among countries for GDP as a whole, but they also distort the structural relationships among its major components
- Unsuitable for regional or global policy decisions which in principle relate to volumes only, free of price and exchange rate distortions.

Background – Why PPPs?

- PPP is defined as the number of units of a country's currency required to buy the same basket of goods and services in the country as, say, one US\$ would but in the US
- PPPs account for price differences. They are, thus, suitable for comparing relative command over economic resources
- The PPP concept provides the best way to classify countries if the objective is to rank by the purchasing power of currencies or by GDP and its components

Background – Why PPPs: China the 2nd largest economy in PPP terms and 7th largest in exchange rate terms.



Uses of PPP Data – Private Sector

- Rapid globalization and the integration of international markets and financial institutions have imposed a new urgency for PPP data
- Multinational companies are increasingly demanding internationally comparable data to obtain information on competitiveness
- PPP data are commonly used to compare market sizes and to assess differences in cost of production across countries

Uses of PPP Data – Public Sector

- PPP data crucially underpin the MDGs and all attempts to measure progress towards a world free of poverty
- Facilitate the establishment of regional economic communities
- Used widely in economic and social development research.
- PPPs are commonly used to explain comparative growth rates, competitiveness in world trade, and patterns of specialization among industries.

Uses of PPP Data: Int'l Organizations

- To establish international poverty lines (WB)
- To construct HDI (UNDP)
- To compare health expenditure (WHO)
- To assess education expenditure (UNESCO)
- To monitor the welfare of children (UNICEF)
- To compare the relative sizes of economies and to estimate weighted averages of regional growth rates (IMF).

National Capacity Building

- ICP provides a comprehensive and an integrated platform for statistical capacity building
- The ICP has been adopted as a flagship of regional statistical capacity building initiative in Asia and Africa
- Since the data are basic in character (for example, GDP expenditures, consumer prices) they have top priorities in statistical development programs both at the national and international level.

An Independent Evaluation of ICP

- The last ICP round was in 1993-1996
- An independent evaluation of the ICP was conducted in 1999
- The report concluded that the quality of PPP data leaves much to be desired
- A new strategic framework was developed to enhance the credibility of the program
- The UNSC endorsed the strategic framework in 2002 and supported moving ahead with the launching of a new round of surveys in 2004

New Strategic Framework

- Acknowledges there is an immediate need to rebuild the credibility of the ICP
- Proposes building a coalition of stakeholders and forming a cost-sharing arrangement
- Establishes a well coordinated and effective national, regional, & global management
- Promotes maximizing the synergy between the ICP and national statistical programs
- Reflects an essential congruence of national, regional and international interests.

Millennium Round

- **113 countries + 45 ECP members will take part**
 - China for the first time, India after 20 years
 - Central America & the Caribbean regions?
- **New Governance Arrangement**
 - Executive Board guides implementation
 - Technical Advisory Group helps to resolve technical and methodological issues
- **Broad Partnership & Cost-Sharing**
 - IMF, WHO, ILO, UNESCO, UNSD, UNDP, ADB, AfDB, ESCWA, ECLAC, CARICOM, OECD, Eurostat, Stat Canada, DFID, ABS, and ONS

How is ICP Organized?

- The ICP surveys are first carried out in regions
- The key to ICP management lies at the regional level
 - Western Asia – Coordinated by ESCWA
 - Africa – Coordinated by AfDB and UNECA
 - Asia – Coordinated by ADB and UN ESCAP
 - CIS – Coordinated by CIS and OECD
 - Latin America – Coordinated by ECLAC
 - OECD countries – Coordinated by OECD
 - Caribbean islands - CARICOM
- The World Bank is the Global Coordinator

Governance Arrangement

- The structure and composition of the governance structure was submitted to the UNSC for its consideration.
- It was endorsed by the Commission in 2002
- The basic structure includes
 - The ICP Executive Board
 - International Secretariat
 - Technical Advisory Group
 - Regional Governing Bodies
 - Regional Secretariats
 - National Implementing Agencies

The ICP Executive Board

- The Board, equivalent to the board of directors in the corporate model, provides overall guidance, & makes executive decisions on the strategy, and direction and the successful implementation of the global program
- Members are chief statisticians, managers of statistical operations with relevant experience, and senior managers of international organizations
- The ECLAC region is represented by the Executive Secretary of ECLAC and a Member of the Inter American Development Bank

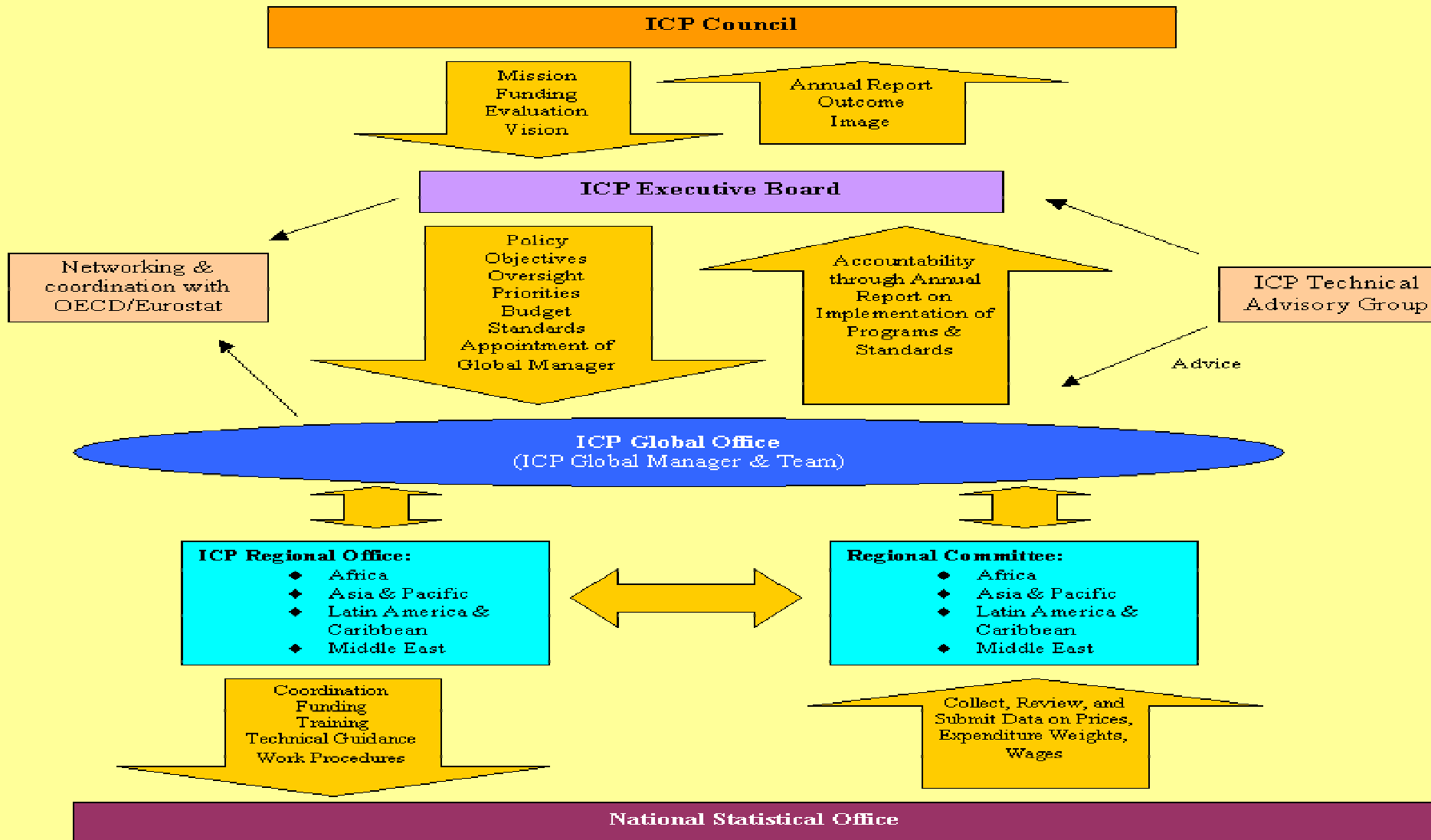
International Secretariat

- As per the recommendation of the UNSC, an International Secretariat of the ICP has been created and is housed in the HQs of the World Bank
- The Secretariat coordinates the global program on a day-to-day basis
- It will report to the Executive Board and will prepare annual work programs and budgets for their approval;

Regional Governing Arrangement

- 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 set up Regional Governing Board to maintain contact with participating countries
- ICP surveys will be carried out by a National Implementing Agency .

Management Structure



What is New?

➤ International Coding System

- International coding system established to develop region specific and globally consistent Structured Product Descriptions
- SPDs capture standard characteristics of price determining parameters of products

➤ ICP/CPI Tool Pack

- An integrated ICP/CPI software for survey administration, data collection, verification and processing
- Works in 6 languages – Chinese, Russian, English, French, Arabic and Spanish

What is New?

- **ICP Handbook and Operational Manual**
 - Providing step by step guidelines for data collection, verification, processing and overall program implementation
- **Construction Surveys – A new approach (Basket of Construction Components) goes a long way to resolving a major ICP problem**
 - Prices basic components including labor, material and equipment
 - Simplified method
 - Will provide reliable comparison for ICP, and also supports national construction indexes and ICP

What is New?

- **Ring Comparison Method** - introduced to address long standing problem with previous linking method based on bridge countries.
- **PPP Aggregation at Basic Heading Level** – A new approach (weighted CPD) provides more robust PPP results.
- **Work with WHO, ILO, UNESCO** to improve health, compensation and education comparisons
- **PPP for the Poor** – Poverty Specific PPPs will be computed

What Is New? - Poverty PPPs

- Three pilot studies underway to develop a methodology for poverty PPP
 - Bilateral comparisons -- India and Indonesia; Guatemala & Mexico; & Ethiopia & Ghana
 - Establish a correspondence between ICP expenditure classification and common elements in HES
 - Supplement HES unit values with ICP prices, but use HES expenditure weights
 - SPDs include new products relevant for poverty
- Promising approach – to produce PPPs and price indexes that can be used both for cross-country as well as within country poverty analysis

The Caribbean Region

- Cost-sharing arrangement proposed to bring the Caribbean region into the ICP fold
- Global Office
 - Coordinates global program,
 - Covers the cost of global meetings,
 - Pays for Handbook, operational manual
 - Provides Software and training
- CARICOM
 - Covers regional meetings and workshops
 - Supports part of data collection activities
- NSOs
 - Cover the cost of data collection activities

ICP-Caribbean: Challenges

- Mobilizing Resource at the Regional Level
 - Developing fund raising strategy
 - Allocating institutional resources
- Determining level of participation
 - Full GDP vs. Household Consumption
 - Full List vs. Reduced List
 - Determining regional linking method
- Catching up with the rest of the regions
 - Developing list of specifications to be priced
 - Training on the ICP Tool Pack
 - Organizing Workshops to discuss and agree on standard procedures to be adopted by all

Visit the ICP Web Site

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www.worldbank.org/data/icp