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PROJECTS AND PROGRAMMES IN THE FIELD OF STATISTICS

**THE INTERNATIONAL COMPARISON PROGRAMME DEVELOPED
FOR THE FORTHCOMING SESSION IN 2003**

A. GENERAL INFORMATION

1. *Historical background*

1. Work began on the International Comparison Programme (ICP) as an international project in successive sessions beginning in the early 1970s. The ESCWA member countries took part in the sixth session, the last of the twentieth century, which was held in the 1996-1998 biennium. They adopted a methodology based on data relating to a small number of goods and services. In 1998 and 1999, ESCWA published three reports in Arabic and English giving the results of a study that had covered 11 of its Arab member countries. The first report was preliminary and the other two were final.

2. However, ICP suffered from funding difficulties which affected the continuity of data input on purchasing power parities (PPP) and from certain conceptual and operational problems.

3. Nevertheless, the United Nations Statistical Commission, having studied the reports of world experts including, *inter alia*, the Ryten report, gave new momentum to the Programme, putting in place new supports with a view to developing it and making it more secure with respect to funding, thereby ensuring its continuity. Its administrative and organizational structure was developed and its scope broadened, and its aims were expanded. Most of the conceptual and operational problems were resolved, and Programme outputs began increasingly to focus on serving the Millennium Development Goals relating to the reduction of poverty in the world, and results were linked to Human Development Indicators. This new and more highly developed version of the Programme will provide useful support for technical capabilities in the statistical bodies of member countries.

4. The first session of the newly developed ICP to take place in the twenty-first century will commence in 2003, and ESCWA will participate therein. It is hoped that results will be available in 2005.

5. Following this brief introduction is a review of the most important features, goals and technical characteristics of the Programme. The review also covers the various roles and activities in implementation of ICP which it is proposed to carry out in ESCWA member countries, in accordance with the ESCWA strategy and programme of work. Such activities will be undertaken in complete cooperation between the member countries, in their capacity as the parties with title to the Programme, and ESCWA, as the coordinating technical party. Work will be supervised by the regional coordination office. The review will also deal with the rules governing Programme-related activity and the internationally agreed standards and mechanisms.

2. *The goal of the Programme*

6. In general, the aim of ICP is to estimate the components of local revenues and expenditure on the basis of actual standards which interpret the true volume of the goods and services that comprise gross domestic product (GDP), namely, by PPP.

3. *The justifications for establishing the Programme*

7. Sample studies established that exchange rates were not a reliable guide to the true purchasing power of local currencies and made using the economic performance of countries for the purpose of making international comparisons misleading and even occasionally misguided. The factors that affect exchange rates are normally political, psychological and inconsistent rather than economic.

4. *The significance of the new session of the Programme*

8. In accordance with the wishes of the United Nations Statistical Commission, ICP has acquired new status. The World Bank has pledged to cooperate with a number of international and regional organizations in preparing a comprehensive international strategic plan for Programme implementation which includes a distinct improvement in its breadth and methodology and will produce results with more profound development dimensions and wider impact. An international work plan has been prepared on this basis. At regional level, ESCWA has prepared a strategy for Programme implementation that is appropriate to the situation prevailing in the countries of the area and is linked to a regional work plan that embodies those countries' goals and priorities.

B. THE NATURE OF THE PROGRAMME AND ITS WORK

1. *Principle Programme requirements*

9. In order to establish PPP, it is essential to have access to comparative data on the prices of goods and services. These must conform to certain specifications if they are to provide useful comparisons on the extent of use in a given country and throughout the countries being compared. Detailed data on or estimates of the components of GDP must also be available and conform to the concepts developed in the 1993 System of National Accounts.

2. *The results expected from the Programme*

10. The new formulation of ICP will provide PPP for every country and more accurate comparisons of not only levels of economic performance but also standards of living, because PPP will be linked to comparative indicators on levels of poverty in certain social groups and will take into account urban and rural population distribution in the countries being compared. Furthermore, the new methodology will resolve weighting problems in dealing with price matrices and produce analogies that represent the structure and performance of the economies in the comparison countries and depict the levels and composition of prices in accordance with corresponding levels of income and expenditure.

11. The indicators and standards produced by ICP will constitute the norms for PPP and establish effective mechanisms for measuring the economic performance of countries. Such mechanisms are clearly indispensable in dealing with the radical changes currently taking place in the global economy as a result of globalization, international trade and fierce competition with respect to production, technology, trade and consumption. All the foregoing make it incumbent upon every country in the world, including ESCWA member countries, to prioritize the acquisition of the technical capabilities necessary to build such indicators and standards, which will make it possible to monitor development, evaluate productivity and compare performance with other countries and, in particular, countries that are involved in international trade. Such comparison is a practical and effective tool in formulating the economic, trade, monetary and price policies necessary to correct development processes and soften the impact of the globalized economy.

3. The role of ICP in national and regional capacity-building

12. The Programme will have a positive effect on the building of technical capacities in the field of statistics, improve the quality of statistical data, target such data more precisely and extend their range. It will also have a positive impact on the estimates, indicators and comparative figures that are produced, because ICP will include a number of meetings and technical workshops which will be attended by specialists from member countries. It will also provide financial and material support, including the provision of programmes and some equipment, as well as certain financial incentives for surveys of prices and expenditure.

13. The Programme will therefore provide a firm foundation for the building of statistical technical capacities in participating countries, similar to that provided by ICP in most of the participating countries in the Asia and Pacific region.

4. The expected uses of the Programme

14. The Programme is consistent with the Millennium Development Goals relating to the reduction of poverty in the world. It is expected to have other uses, which include the following:

(a) Programme results will assist in the implementation of countries' economic structural adjustment programmes;

(b) Programme results will also assist international and regional organizations in formulating baseline standards for levels of poverty throughout the world which, by constructing a human development guide for the United Nations Development Programme, will in future make it easier to monitor the progress made in reducing poverty;

(c) Programme results will further assist in building human development indicators in other fields including, inter alia, health, education and child care;

(d) Programme outputs will have the analytical capacity to estimate the relative volumes of the economies of comparison countries throughout the world, in addition to estimating weighted growth rates at regional level;

(e) The Programme will isolate data for which there has become an urgent need in view of the increasing pressure of factors relating to globalization, international trade and the integration of world financial markets. In order to evaluate the cost of investment in developing countries, for example, it is necessary to use PPP in carrying out studies on per capita share of GDP rather than current and fixed nominal values. The other indicators and gross and net figures that will be produced by ICP will assist in assessing the economic costs of employment per unit and average commodity consumption, in order to evaluate the benefit of economic projects, the size of markets and the allocation of resources;

(f) Programme outputs will provide the indicators necessary to evaluate the expected growth of industry and the related cross-border investment risks. That, in turn, will assist in the making of sound decisions, particularly with respect to private sector investment.

15. On the basis of the foregoing, it is possible to say that the demand for PPP data will grow strongly and steadily in the near future.

5. Programme structure and operating mechanism

16. In accordance with the structural and administrative organization of this advanced version of the Programme, participating countries will make an effective contribution to its implementation and to processing its outcomes and taking them into account at country level. Useful administration at regional level will be provided by the ESCWA secretariat, which will be responsible for coordinating the stages of ICP implementation, including the collection and processing of data, the carrying out of sample surveys in member countries, calculating PPP at regional level and relating them to the corresponding figures at

international level, in cooperation and coordination with the international administrators of ICP in the World Bank in Washington. Member countries will therefore become true partners with the funding agencies in the international institution that will oversee this session, making it effective both from the bottom up and vice versa. The role played by ESCWA will be that of an effective coordinator, in accordance with the Programme's organizational structure. Involvement in ICP will provide statistical and planning bodies in member countries with practical, methodological expertise during the period of the Programme, namely, 2003-2005.

17. On this understanding, the statistical and planning bodies of ESCWA member countries will have responsibility for collecting prices under specific headings, carrying out special surveys in accordance with given methodologies and preparing estimates of national accounts and, in particular, accounts relating to production and income-generation. They will also have to appoint task forces and liaison elements to act as the link with the regional team in ESCWA that will provide the necessary assistance and technical support for Programme workers in all the countries of the region.

18. An electronic exposition of the Programme will be prepared.