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**Economic and Social Commission for Western Asia**

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**REPORT OF THE EXECUTIVE SECRETARY  
ON THE ACTIVITIES OF THE COMMISSION****FOLLOW-UP TO IMPLEMENTATION OF THE RESOLUTIONS ADOPTED  
BY THE COMMISSION AT ITS TWENTY-SECOND SESSION***The participation of ESCWA member countries in the International Comparison Programme:  
resolution 248 (XXII)*

1. At its twenty-second session, the Economic and Social Commission for Western Asia (ESCWA) adopted resolution 248 (XXII) dated 17 April 2003 concerning the participation of ESCWA member countries in the International Comparison Programme (ICP). The final two paragraphs of the resolution urge all member countries who have not yet indicated a desire to take part in the Programme to join it forthwith, support it, cooperate with those responsible for it, and, when possible, provide it with financial support; and recommend that the secretariat includes activities related to ICP in its programmes of work.\*

2. Pursuant to that resolution, the ESCWA secretariat included ICP-related activities in its programme of work for the 2004-2005 biennium. Set forth below is a summary of the relevant activities that have been implemented since the adoption of resolution 248 (XXII):

(a) With the accession of Iraq in early 2005, all ESCWA member countries with the exception of Palestine were members of ICP and had appointed representatives to act as national coordinators. Those coordinators have the responsibility for Programme management in their countries and for the supervision of national task forces working in statistical bodies;

(b) An ESCWA team acts as the ICP Regional Executive Board. That team comprises the National Accounts and Economic Statistics and Indicators Team Leader and two assistant statisticians;

(c) The Arab Fund for Economic and Social Development (AFESD) participates in ICP by contributing 100,000 Kuwaiti dinars to regional implementation costs;

(d) The World Bank has, to date, contributed \$200,000 to the cost of implementing regional ICP activities and some \$150,000 to the cost of data collection in certain member countries. There remains a need

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\* The annex to this document gives details of the ICP strategy, aims, structure and methodology.

for further financial contributions to ensure completion of the Programme, and attempts are being made to involve Arab and other institutions in ICP funding;

(e) An ICP Regional Advisory Board has been established. Four of its seven members, including the Chairman, were elected by the regional coordinators at the First Regional Meeting on ICP in Western Asia, held in June 2003. The other three members are the ICP Regional Coordinator for Western Asia, an AFESD representative and an international consultant with ICP experience. The duties of the Board are, essentially, to formulate and follow up implementation of the technical and financial programmes necessary to strengthen statistical capacities in ESCWA member countries and national endeavours to apply ICP. Since its establishment, the Board has met three times;

(f) Three meetings have been held by ICP national coordinators, in June 2003, June 2004 and September 2004 and three workshops, in December 2003, June 2004 and October 2004. At those meetings and workshops, the focus was on ICP concepts and methodology. Agreement was reached on the implementation of a work plan in member countries. A total of 60 statisticians took part in the gatherings. They included national ICP coordinators and national statistical body staff specialized in national accounts and price statistics. The meetings and workshops were highly technical and achieved their goals, in that all participants became thoroughly familiar with ICP concepts and methodologies, and the capacities of a large number of statistical officials were increased with respect to national account and price statistics. A professional spirit was created amongst participants, as a result of which a large working group was formed, each of whose members is fully conscious of his responsibilities and role in the global programme, cooperates with members of the team in ESCWA and consults other members with respect to practical difficulties encountered in implementing ICP;

(g) In June and October 2004, more than 30 trainees from member countries were given practical training in a set of ICP computer programs developed by the World Bank, known as the ICP Tool Pack (ITP). The Central Agency for Public Mobilisation and Statistics, Egypt, supplied 20 personal computers for one of the ITP training workshops. Two experts from the World Bank ICP Office gave intensive training in the use of those programs to national staff and two members of the ESCWA Regional ICP Executive Board team;

(h) An intensive one-day training course for trainers was also arranged in June 2004, which was taken by five members of the regional task force and three other persons from member countries. They were selected on the basis of their computer skills, in order to ensure that they would subsequently, as trainers, be able to answer any technical queries and provide the necessary technical support with respect to the ITP program. One of the members of the regional task force from Oman, who had taken the course, was in fact able to provide technical assistance to Bahrain in using the programs to formulate the plan and framework for price surveys;

(i) The ESCWA ICP team prepared a variety of publications, guidelines and manuals, including booklets, indexes and catalogues, and distributed them to national members of the ICP working group. The most important parts of the ICP Handbook, amounting to some 300 pages, were translated, as were the ICP operational manual and the data collection manual. Member countries participating in ICP were sent electronic copies of those publications, which were also made available on the ESCWA ICP Internet site at <http://www.escwa.org.lb/icp>. A set of programs were also translated into Arabic in full;

(j) A total of 24 high-specification personal computers were purchased and ITP programs were installed on them before two were distributed to each participating member country. A contract was concluded with an international computer program company for the development of a special Arabic language program for price survey data collection that could be loaded onto a hand-held device. One hundred such devices were distributed to participating member countries. It is worth noting that Western Asia is the only one of the regions participating in ICP that has developed such a way of collecting data;

(k) The ESCWA ICP team took part in developing a new way of classifying goods and services, which was adopted by the World Bank: involved were the regional coordinator for Western Asia and a

member of the ESCWA ICP team, who joined forces in that process with members of the ICP World Bank headquarters team and representatives of other regions;

(l) National ICP team members were trained in the set of programs developed by ICP headquarters known as ICPSPD, which assist in classifying goods precisely and identify standard commodities that can be used for the purpose of comparison and included in regional commodity lists;

(m) Through missions by consultants, the Regional Coordinator and member of the Programme task force, ESCWA provided technical assistance to member countries participating in ICP in a variety of issues related to its implementation, including the uses of the special computer programs, the determination of classifications for standard local commodities that could be used for the purpose of comparison and methods of including such goods in commodity lists, and the identification of the general framework for the price surveys that were introduced in early 2005;

(n) The ICP Regional Coordinator took part in five meetings of regional coordinators where the progress of Programme-related work in each region of the world was discussed, together with the technical matters relating to Programme implementation. Training was given on new developments and a work plan and timetable for its implementation were discussed and adopted. Also discussed were the financial and administrative problems that affect Programme implementation;

(o) The Executive Secretary of ESCWA was chosen to be a member of the ICP Global Executive Board, as the representative for Western Asia. Because she was not able to attend its meetings, Mr. Abdulrahman Al-Mansoury, Assistant Deputy for Statistics and Censuses of the Ministry of Planning in Kuwait, and Chairman of the Western Asia ICP Executive Board, took part in the most recent meeting as her deputy;

(p) It was determined that in 2005 price surveys would be conducted in every country in the world which participates in ICP. Seven ESCWA member countries began to amass price data in early 2005 and continue to do so at the time of writing, while five further countries will begin to do so as soon as the necessary funding can be obtained or as soon as the task force that will carry out the operation is established. It should be noted that four countries need finance to conduct price surveys, and ESCWA is endeavouring to find the necessary funding from regional sources and the World Bank. The operation of carrying out simultaneous price surveys is unprecedented, nor have the methodology, mechanisms and programs involved been used before. The surveys cover every region and governorate of the participating country, both rural and urban. The prices of more than 1,000 specific commodities will be amassed throughout 2005, in a variety of markets and points of sale, on a regular weekly and monthly basis, or quarterly, bi-annually or annually, depending on the type of commodity or service involved. It should be noted that because Iraq only recently became a member of ICP, it is not possible to carry out price surveys in every part of that country, and the exercise will be limited to five cities and certain goods and services. Because the data from Iraq will not be comprehensive, it cannot be used in calculating the regional indicators. However, Iraq will gain practical experience of such surveys that it will be able to employ in future rounds of ICP and can use the outcome in calculating certain specific indicators;

(q) The ICP Regional Office, in coordination with the World Bank and member countries selected from the so-called Ring Comparison Countries, will determine the list of commodities and services on which those countries will amass price data, which will be used in international comparisons;

(r) In February 2005, in cooperation with the Department of Statistics of Jordan, the ICP Regional Office organized a two-week workshop that was held in Jordan and attended by the representatives of three Ring Comparison Countries, namely, Egypt, Jordan and Oman. Egypt is in fact a Ring Comparison Country for Africa, but attended this workshop because it was conducted in Arabic, rather than the comparable African workshop, where proceedings were in French.

### Annex

1. The idea for an international comparison programme first arose in 1967, when Pennsylvania University developed a methodology for comparing the economic performance of centrally planned economies and free market capitalist economies. That became an international programme sponsored by the United Nations Statistics Department and financed by, inter alia, the World Bank and the International Monetary Fund.
2. ICP developed as it was implemented. Six phases of the Programme have been carried out since 1970, with the involvement of an increasing number of countries. ESCWA member countries first took part in the sixth round, 1993-1996, for which ESCWA adopted a limited version of ICP based on a narrower range of commodity and service price data from member countries. Iraq and Kuwait did not participate.
3. In the current round of ICP, 2003-2006, its structure, range, goals, methodology and working mechanisms have been greatly developed and improved. The Programme was re-designed to be more credible and transparent and direct increased focus on basic sustainable development issues and the Millennium Development Goals (MDGs), including the issue of poverty.

#### A. STRATEGY AND GOALS

4. ICP strategy may be summarized as providing scientific mechanisms for measuring, strengthening and supporting international, regional and national development. Such mechanisms and indicators make comparisons between very different economies realistic and valid, and provide a firm and objective basis for national and regional policies on trade, investment and financial and monetary choices. The aim is to expand the absolute and comparative advantages of the various inter-related economies of the world. The detailed aims of the Programme may be summarized as follows:

(a) To assess local productivity and the income and expenditure of the countries being compared, using valid standards, namely, purchasing power parity (PPP) overall and at the per capita level. Countries that produce similar goods and services can make a valid and objective comparison of their true output that will assist in identifying the absolute and relative differences in economic volume. The identification of such differences may constitute a valid account and have analytical considerations for scientific research and makers of policy which is aimed at bringing about change in respect of the availability of resources, production levels, market size and technical and investment levels. Comparisons of the economic performance of countries, using per capita gross domestic product (GDP) in real rather than nominal prices, will produce indicators by which living standards may be measured, thereby influencing policy;

(b) To produce a variety of indicators and figures for prices and economies; production; investment; living standards; human development and other social indicators. Such indicators constitute the tools for quantitative comparative research, on the basis of which proposals may be made for price management policies, covering, inter alia, inflation, stagnation and deflation. Those comparative figures may also be used to adjust national accounts;

(c) To measure PPP in poor sectors of society, thereby making it possible to determine a measurement of poverty that can be used in following up subsequent changes in its level. It is clear that such measurements are important in determining the poverty line and subsequent developments. Such measurements have enormous analytical value for the design of policies to reduce poverty. The eradication of extreme poverty is an MDG.

#### B. THE NATURE AND SCOPE OF ICP

5. ICP is, in essence, an integrated statistical system combined with economic analysis. It uses statistical means to disaggregate the data necessary to calculate PPP indicators and true price measurement figures.

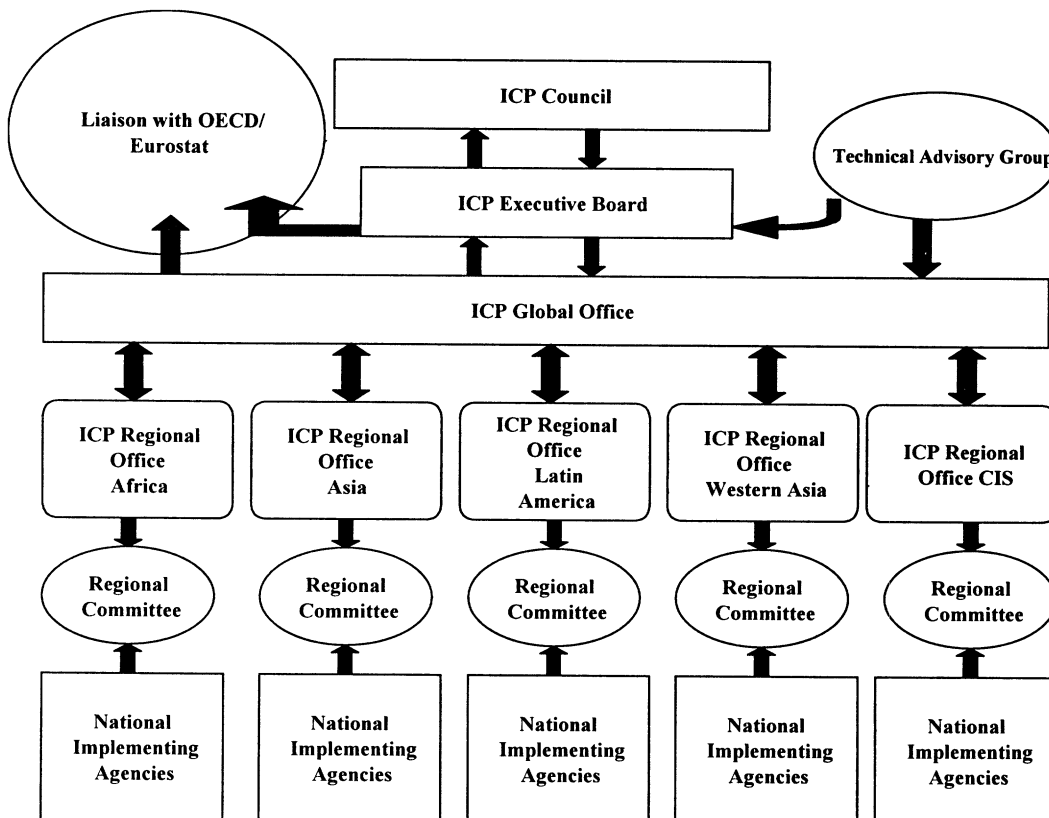
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6. On that basis, therefore, the aim of ICP is to obtain specific data on the prices of given classifications of commodities and services; Government and general expenditure; and estimated GDP and its components in various levels of detail. Those indicators are used to calculate PPP of the national currencies of the countries taking part in the comparison. PPP is used to convert GDP and its components in the relevant countries into true values that can assist in making valid comparisons between various country economies. Conversion using PPP avoids the traditional use of national currency exchange rates, which have proved ineffective as a tool for converting values and insignificant as a unit for measuring the true value of economic aggregates. Because PPP calculations include a variety of complex statistical and mathematical processes, the World Bank has developed a package of flexible computer programs for use in amassing and analysing data and extrapolating results and indicators.

C. ICP STRUCTURE

7. The ICP has been designed to have a transparent, credible and accountable organizational structure in order to constitute a global programme on which stakeholders and users may completely rely. The figure set forth below explains its structure.

Figure. ICP Governance structure



D. ICP WORKING MECHANISMS

8. ICP working mechanisms are based on certain sound principles, including accountability, transparency, democratic governance and operational integrity. The senior management are accountable to stakeholders and users. Programme goals and work plans are discussed and approved by the stakeholders who constitute the foundation of the Programme organizational structure, namely, the statistical and planning bodies in ICP member countries.

9. Task forces constituted at all the national, regional and international levels coordinate in implementing the Programme in a completely uniform and transparent manner, through continual discussion and exchange of knowledge and ideas, thereby providing member countries with valuable in-depth expertise.

#### E. PROGRAMME METHODOLOGIES

10. The basic aim of ICP practices and methodologies is to compare similar, if not identical, volumes of commodities and services produced by countries involved in the comparison, within a given timeframe.

11. Given that quantities of goods and services cannot be combined, they must be measured by what are known as volume measurement numbers. Because comparisons must be made on the basis of "comparing like with like", the goods or services being compared must be subject to strict rules with respect to their characteristics, the extent to which they represent the local market and how readily they may be compared with similar goods in other countries. However, if those strict conditions are to be applied, solutions, either statistical or mathematical, must be found to several difficulties, including differences in quality, manufacture, model, packaging, material specifications, functions, relative representation or circulation and problems relating to comparison or international comparability. In addition to the quantitative and material problems, there are problems relating to the prices of goods and services and their value as expressed in units of the local currency of the various countries involved in the comparison. It has been established that using currency exchange rates to convert prices to a value in a standard currency is not appropriate for that purpose. ICP methodology is therefore based on PPP calculations for the local currency rather than the use of exchange rates.

12. A series of steps are used in ICP methodology in order to calculate PPP and other indicators, as set forth below:

- (a) A field survey of the prices of goods and services is carried out;
- (b) Volume measurement numbers are constructed using mathematical matrices;
- (c) Bilateral and multilateral matrices are used to correlate the prices;
- (d) Components of GDP are used as weights;
- (e) Gaps in the price matrices are estimated;
- (f) PPP is calculated at the basic GDP component level for member countries and the ESCWA region;
- (g) PPP in the ESCWA region are correlated to their counterparts in countries participating in ICP;
- (h) Programme results are analysed by disaggregating the various indicators including volume measurement numbers, prices, human development and other indicators, and interpreting them;
- (i) Predictions are subsequently made to estimate indicators that are not available for certain years.

#### F. THE DEVELOPMENT IMPACT OF ICP

13. The impact of ICP on development takes the following forms:

- (a) The improvement of statistics, which leads to improved quantitative measurement research;
- (b) The development and improvement of planning and policy programming, which leads to improved decision-making procedures;

- (c) The improvement and development of scientific research methods;
- (d) Greater knowledge, which is better disseminated, particularly in developing countries;
- (e) The strengthening of scientific research in support of efforts to achieve sustainable development and MDGs in developing countries.

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