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**THE 2011 ROUND OF THE INTERNATIONAL COMPARISON PROGRAMME (ICP)
IN LATIN AMERICA AND THE CARIBBEAN ***

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A. OBJECTIVES AND BACKGROUND OF THE INTERNATIONAL COMPARISON PROGRAMME (ICP) IN LATIN AMERICA AND THE CARIBBEAN

The International Comparison Programme (ICP) is a global initiative whose purpose is to collect price data for goods and services for different countries using a comparable consumer basket and to estimate the relevant purchasing power parities (PPPs).

The PPP is a conversion factor used to convert the monetary values of macroeconomic aggregates originally expressed in different national currencies into a common unit of measurement to allow for their comparison in real terms at the international level. PPPs even out the effects of differences in the relative prices of goods and services at the international level and mitigate the impact of any possible distortions in the market exchange rates of different countries. For example, the PPP is useful for comparing variables such as per capita GDP and the level of capital expenditure or consumer spending in two or more countries. It is also used to estimate and compare poverty levels of different countries and to obtain aggregate estimates at the regional level. The PPP may also be used to study the competitiveness and productivity of countries.

In the last ICP round and PPP update, which was conducted in 2005, ECLAC acted as the coordinating agency for Latin America and the Caribbean, in a strategic alliance with Statistics Canada (STATCAN), which acted as joint regional executive body. Only 10 Latin American countries participated in this round because of budgetary constraints. Mexico participated in its capacity as a member of the Organisation for Economic Co-operation and Development (OECD); the results were incorporated by the ICP Global Office¹ and disseminated together with the other PPPs.² Most of the activities of the round in the region were made possible thanks to the financial contributions of the Government of Canada, through the Canadian International Development Agency (CIDA), and of the ICP Global Office. The Inter-American Development Bank (IDB) also made a contribution for a smaller amount.

The activities carried out in South America during the 2005 round involved both national statistical institutes and central banks, since the ICP requires support from technical experts responsible for various macroeconomic statistics, especially those relating to prices and national accounts. In addition, between 2006 and 2008, ECLAC promoted an exercise in the Dominican Republic, Panama and the countries of Central America to provide technical training to national work teams in preparation for the 2011 ICP round.

More than 170 countries are expected to participate in the 2011 ICP round, which will make it one of the most important global statistical projects. This new round has received support from leading international cooperation agencies, including the United Nations Statistics Division, the World Bank, the International Monetary Fund (IMF), OECD and the European Bank for Reconstruction and Development.

The 2011 ICP round in Latin America and the Caribbean is significant not only as a means of updating PPP values, but also because the set of statistical activities in the countries, once they have been properly oriented, will boost the technical capacity of the region's national statistical systems—including national statistical offices and central banks—to produce price and national account statistics in accordance with international standards and best practices. Moreover, this new exercise, unlike the 2005 round, seeks to incorporate all the countries of Latin America and the Caribbean.

¹ The ICP Global Office is made up of representatives of various international organizations and, since the 2005 round, is based at the headquarters of the World Bank in Washington, D.C.

² See World Bank, "Global Purchasing Power Parities and Real Expenditures", Washington, D.C., 2008 [online] <http://siteresources.worldbank.org/ICPINT/Resources/icp-final.pdf>.

B. ORGANIZATION OF THE ICP IN THE 2011 ROUND

At its thirty-ninth session, the United Nations Statistical Commission requested the World Bank to assume responsibility for worldwide coordination of the 2011 round of the ICP. At its fortieth session the Statistical Commission approved the ICP governance structure, which provides for an Executive Board, a Global Office headed by a Global Manager, a Technical Advisory Group and various regional coordinating agencies. In addition, this governance structure establishes that the Global Office should report to the Statistical Commission and determines the working relationship between the Office and the Development Data Group of the World Bank.

The ICP Executive Board is the principal body responsible for decision-making and for defining the strategies of the Programme. It is accountable to the United Nations Statistical Commission with respect to the implementation of the 2011 round. Its members are representatives of key organizations that participate in ICP work: the Statistical Office of the European Communities (EUROSTAT), OECD, IMF, World Bank, the United Nations Statistics Division and all the regional coordinating bodies as well as the representatives of the countries that belong to the ICP and countries that provide assistance to the global programme and the regional programmes.

Under the direction of the ICP Global Manager, the Global Office is responsible for the overall coordination and implementation of the ICP at the international level and for providing guidance for regional programmes and ensuring that the procedures and methods are applied consistently in the different regions. The Global Manager is a staff member of the World Bank and reports to the Director of the Development Data Group. In matters relating to the execution and implementation of ICP, and to its policies, priorities and standards, the Global Manager will act in accordance with the directives handed down by the Executive Board.

The Technical Advisory Group is made up of experts who are commissioned to study issues of methodology in order to ensure the quality and reliability of the outcomes of the 2011 ICP round.³

As with the 2005 round, ECLAC will be responsible for coordination of the Programme in Latin America and the Caribbean.

C. SOME ASPECTS OF ICP METHODOLOGY IN THE 2011 ROUND

While the methodology of the 2011 round will introduce some changes compared with the previous round (in particular in the procedure for linking the PPP of the different participating regions with PPP at the global level), the approach will be fundamentally the same. Broadly, the essential elements of the methodology are as follows:

³ The documents prepared by the ICP Global Office and by the Technical Advisory Group may be viewed at the World Bank's website [online] http://siteresources.worldbank.org/ICPEXT/Resources/ICP_2011.html.

- Preparation of a regional basket of goods and services based on the guidelines established by the Global Office (for example, in relation to the number of basic headings and a subset of goods and services that must be included in the lists of all regions). In this way, it will be possible to collect information on the structure of end consumption in the participating countries and to agree a unique set of goods and services for which prices will be measured. This entails reaching an agreement on the detailed specifications of each of these items on the basis of the format of the structured product description.
- Compilation of values in current local currency of the various items of expenditure whose prices are representative. These values are weightings which will be used to obtain the PPP in the different GDP aggregates by expenditure in each country. National accounts data will be used for this purpose.
- Price surveys. This activity will be conducted by the countries themselves, although the compilation of the prices of certain components may be centralized in some cases. The 2005 round used this solution for the categories of machinery and equipment, and construction, although it would be desirable for each country to carry out those tasks to the extent that it has the capacity to do so. The central team will remain in close contact with the national agencies responsible for price capture and will visit each country to monitor the tasks that will ensure comparability.
- Computing PPPs. The parities at the regional level will be calculated by the ECLAC technical team, in on-going consultation with national experts and with the team of the Global Office. Once the parities have been calculated for each region, the Global Office will set about obtaining the parities at the global level, using a new methodology based on the use of a “core list”, that is a basket of goods and services common to all regions. This new methodology will replace the use of the “ring countries”, a method used in the 2005 round.

The elements of the methodology described above will require the participation of the countries in the following activities:

- *Preliminary activities:* Two regional workshops for the definition of a regional basket of goods and services with detailed specifications on the format of structured product descriptions.
- *Activities relating to the survey of prices of goods and services for household final consumption:* A launch technical workshop at which the specific methodology for price surveys will be established; a pilot price survey exercise; four quarterly price survey exercises, each one followed by a regional validation workshop and, lastly, a workshop on analysis of the preliminary results for the price vector.
- *Activities relating to the collection of national accounts data:* A launch technical workshop; various workshops on specialist topics such as: (i) government consumption expenditure; (ii) machinery and equipment; (iii) construction, and (iv) compilation and calculation of the values and structures of GDP components by item of expenditure at the level of the basic headings; and a workshop on validation of national account data by item of expenditure at the level of the basic headings.

D. THE ICP IN LATIN AMERICA AND THE CARIBBEAN: ADVANCES AND CHALLENGES

ECLAC has established an ICP coordination unit for the whole of Latin America at its headquarters in Santiago, and is establishing a unit that will support coordination for the Caribbean at its subregional headquarters in Port of Spain. The working relationship between ECLAC and the ICP Global Office will be set out in a memorandum of understanding, which will be signed in the near future.

In an effort to obtain the support of the different regional and subregional organizations that take part in statistical activities, ECLAC has been in touch with the Andean Community, the Central American Monetary Council and the Caribbean Community (CARICOM). CARICOM is expected to participate actively in the activities of the Programme in the non-Spanish-speaking Caribbean countries.

In February 2010, the countries of Latin America, including those of the Spanish-speaking Caribbean, were asked to indicate whether they would be interested in participating in the Programme. Invitations will soon be sent to the other Caribbean countries.

In accordance with the provisions of the ICP global coordination plan, ECLAC is promoting the establishment of two ICP advisory committees, one for Latin America and the other for the Caribbean, made up of national representatives. These committees will facilitate the active participation of the countries in the Programme. Their functions will include monitoring and formulating recommendations on the ICP work programme for the region to be presented by ECLAC, and supporting ECLAC in seeking funding for the country activities in the framework of the Programme and assisting with dissemination. The proposal is that the composition of the advisory committee for Latin America should be agreed in April 2010 at the ninth meeting of the Executive Committee of the Statistical Conference of the Americas of ECLAC. Discussions have been held with CARICOM for the same to be done for the advisory committee for the Caribbean in the framework of the Standing Committee of Caribbean Statisticians (SCCS).

Many ECLAC activities have consisted in seeking resources to enable all the Latin American and Caribbean countries to participate effectively in the Programme. The central objective of the activities undertaken by ECLAC with a view to obtaining resources is to succeed in bringing all the countries of the region, including those of Central America and the Caribbean, into the present round. The assumption, based on the experience with the 2005 round, is that the countries will undertake the relevant price surveys and the breakdown of national accounts with the necessary detail for weighting the basic headings. Resources are therefore needed to finance the participation of countries in the different coordination meetings that are part of the work programme and to support some countries in certain price capture tasks.

Two international agencies have committed to provide funding for the initial activities in the Caribbean countries. Similarly, an ECLAC project will make it possible to initiate the tasks in South and Central America. In any event, these funds are still a very small proportion of the total estimated costs.

Subject to availability of funding, the following activities will be carried out in 2010:

- (i) Obtaining a response to the invitations sent out to countries to participate in the ICP, establishing formal contact with the national statistical institutes and central banks directly involved.

- (ii) Carrying out preliminary activities linked to the establishment of regional and subregional baskets of goods and services.
- (iii) Initiating activities relating to surveys of the prices of goods and services for final household consumption.
- (iv) Holding the first technical workshop to launch the activities in the area of national accounts.

These activities are merely indicative since everything will hinge on whether the requisite funds are actually obtained.