

Governance Structure of ICP 2005

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The 2005 round of the International Comparison Program (ICP) was the first since 1993. The main reasons for the long gap between rounds were the problems encountered in finalizing the 1993 data, in particular insufficient resources (both financial and staff) for the program and the inability to properly link the regional results because the processes were not standardized across regions. A perceived shortcoming in the process was the inadequate coordination, mainly between regions but also within some regions, which was attributed in turn to the lack of a formal governance structure. As a result, planning for the next ICP round was delayed pending the outcome of a wide-ranging review of the 1993 process.

At its 29th session, held in 1997, the United Nations Statistical Commission (UNSC) agreed both on the need to conduct an evaluation of the global International Comparison Program to address the reservations by certain member states about ICP implementation and the uses of ICP results, and on the need to seek ways to improve the credibility of ICP data.

On the basis of that evaluation, a report was prepared and presented to the UNSC during its 30th session, held in March 1999 (UNSC 1999). One of the recommendations was that the program have “a global or world coordinator.” The UNSC also noted other problems identified by the report and appointed a group, coordinated by the World Bank, to advise on steps to overcome these shortcomings and to report back to the UNSC at its 31st session at the end of February 2000. At that meeting, the UNSC considered the World Bank’s report and recommended (among several other recommendations) that the start of the next ICP round be postponed by one year while an adequate management structure was designed and instituted at both the global and regional levels. It also empowered the chair of the UNSC to appoint a group of “Friends of the Chair” to review the World Bank’s implementation plan.

The World Bank presented a detailed implementation plan to the 33rd session of the UNSC in March 2002. The plan provided details about a proposed research and development program, financing arrangements, country participation, and governance arrangements, including regional

management. Under the governance arrangements proposed, the ICP secretariat (better known as the ICP Global Office) would be based within an existing international organization, an international governing body would be responsible for the overall strategic management, an advisory group would provide technical advice, and regional organizations would manage the ICP in countries other than those coordinated by Eurostat (the European Union's statistical office) and the Organisation for Economic Co-operation and Development (OECD) as part of their ongoing purchasing power parity (PPP) program. The UNSC accepted the recommendations of the report and endorsed the World Bank as the most appropriate location for the international secretariat for the global coordination and management of the ICP. The secretariat was duly established within the Development Data Group (DECDG) of the World Bank. As a result, the staff of the Global Office were subject to the World Bank's rules and procedures on working conditions, travel, managing ICP databases, and data confidentiality.

The Friends of the Chair participated in the formulation of the final plan and the selection of the ICP global manager. The Friends of the Chair, in conjunction with the World Bank, also established the ICP Executive Board.

Figure 2.1 is an overview of the governance structure of the 2005 ICP, which essentially will be replicated for the 2011 ICP. The next section provides detail about the different levels of the governance structure and the roles and responsibilities of each.

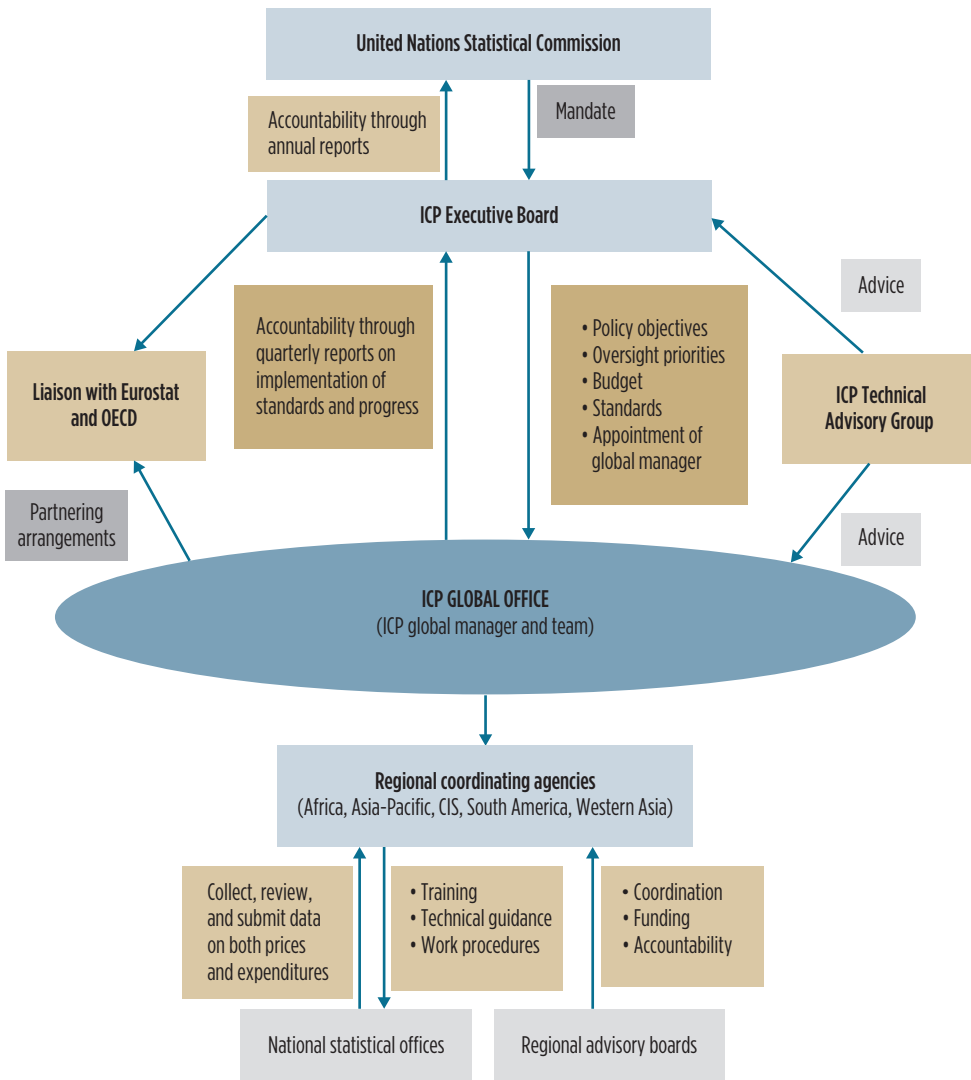
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A governance structure was implemented to ensure that consistent results would be produced in each region. This outcome would be achieved by coordinating the work globally, establishing a single set of standards, providing centralized technical and practical guidance, and ruling on issues that had the potential to be interpreted in different ways in the regions. Several tiers of governance were needed, ranging from worldwide coordinating groups to regional bodies. However, the basic level of governance comprised the national coordinators in each economy to ensure that the relevant agencies in their economies approached the ICP with a consistent view of what was required and how to achieve it. An important element of the governance arrangements was to ensure that sufficient financial resources were made available to implement them fully. In addition, each region required sufficient finances to employ the skilled personnel needed to successfully complete the 2005 ICP round. The nature of the ICP and its global reach meant that the UNSC should be the apex governing body. Because the membership of the UNSC includes national statistical offices and other international organizations, it was well suited to provide the overall oversight of the functioning of the ICP. To provide a more hands-on overview, an Executive Board was formed. The director of the United Nations Statistics Division (UNSD) was a member of that board to facilitate communications among the UNSC, the Executive Board, and the Global Office at the World Bank.¹

Executive Board

The Executive Board was established to provide strategic leadership and to make decisions about the ICP's priorities, standards, overall work program, and budget (see annex A for a list of members). It also was given a key role in overseeing the activities of the ICP Global Office. Representation on the Executive Board was agency-based (either an international organization or a national statistics office), with the specific requirement that representatives be very senior staff. Thus those

FIGURE 2.1 ICP 2005 Governance Arrangements



Source: ICP.

attending board meetings were eminent economists or statisticians and experienced statistical managers. Many were heads of national statistical offices or of statistics departments in international organizations, and others were managers of economic statistics divisions, with skills and experience in national accounts or price statistics.

The Executive Board met at least twice a year; once in conjunction with the meetings of the UNSC and once again about halfway between the annual UNSC meetings. Examples of actions taken by the board are the following:

- Reviewed nominations for the membership of the Technical Advisory Group (TAG—described later in this chapter) and approved the final selection.

- After a review of the funding situation, directed the ICP Global Office to produce purchasing power parities for all major components of the gross domestic product (GDP) rather than for the household final consumption expenditure only.
- Approved the recommendation from the Technical Advisory Group that the ICP regions and the Eurostat-OECD PPP Programme be linked using the Ring methodology (described in chapters 4 and 6). Later, the board approved the selection of countries that would participate in the Ring price collection.
- Approved the timetables for the regional and Ring data collections. The board also approved the risk assessments and contingency plans that determined a country's readiness to begin data collection, along with the requirements to be included in the global report.
- Approved the data access policy established by the Global Office.
- Approved the level of detail to be published in the global report. Later, it delegated the responsibility for the final decision on the data to be published in the global report to the chair of the Executive Board and the global manager.

Annual reports on the status and progress of the ICP were prepared by the Global Office and submitted to the UNSC through the Executive Board.

Global Office

The Global Office was established in 2002 within the World Bank to carry out the day-to-day work required to implement the ICP worldwide. The global manager was responsible for its operations, supported by a team of professional statisticians and administrative staff. The Global Office reported regularly to the Executive Board on work programs and budgets. Important activities carried out by the Global Office and its external consultants were developing ICP standards, preparing the framework to determine the goods and services to be priced in the ICP round, preparing the *ICP 2005 Methodological Handbook* and the "ICP Operational Manual" (World Bank 2005, 2007), producing the software for countries to input and edit price data, analyzing the data collected for the ICP, and aggregating the price and national accounts data within and between regions. The Global Office was subject to the World Bank's administrative and fiduciary rules and regulations, including all requirements related to the confidentiality of data.

On day-to-day activities, the Global Office reported to the director of the World Bank's Development Data Group. The ICP was not only a global program under the auspices of the UNSC, but also a World Bank program and initiative in which the DECDG director was accountable to the World Bank management for the program. DECDG established the ICP database and managed access to the ICP data. The group's director was responsible for ensuring that data confidentiality was maintained according to World Bank rules and procedures. On matters related to the execution and implementation of the ICP mission, policy, programs, priorities, and standards, the global manager acted within Executive Board directives and within the framework of board-approved work programs and budgets. Other key responsibilities of the Global Office were the following:

- Organized meetings of the Technical Advisory Group, kept it apprised of methodological issues requiring input, and guided the research required to develop the new methodologies.
- Developed new methodologies, including the use of structured product definitions to describe the price-determining characteristics of the products to be priced; methods to price construction goods and services; and methods to link the regions. Improvements

- were also made in the procedures to compare expenditures for housing, government, and equipment by preparing global specifications for the price data collection for these items.
- Prepared global specifications for the Ring list for which selected countries provided prices in addition to those they provided for their regional list. The office also coordinated the data collection for the Ring price survey and, with the regional coordinators, carried out the data validation.
 - Worked closely with the regional coordinating agencies to ensure that timetables, work plans, and methodologies were consistently followed.
 - Organized the meetings of the regional coordinating agencies at which they were apprised of the new methodologies. At these meetings, regional coordinators presented the validation tables showing the diagnostics for the prices submitted by the countries in their regions. This approach allowed regions to assess jointly whether they were following the methods consistently.
 - Prepared software for data validation and estimation of the PPPs and related indexes. This software included new validation methods known as the Dikhanov tables.
 - Provided technical assistance to the regions in the estimation of the regional PPPs.
 - Computed the global PPPs and related indexes and published the final global results.
 - Worked with the Executive Board to develop data access policies.

The Global Office also worked with other stakeholders within the World Bank and in outside organizations on the use of PPPs, on understanding the quality of the results because it affected the decisions to be made, and on answering questions raised by the press and other data users.

Technical Advisory Group

The Technical Advisory Group (TAG) was responsible for providing advice on technical issues related to the ICP; it resolved conceptual and methodological matters (see annex B for the 2005 membership list). TAG's members, appointed by the Executive Board, were all internationally known experts in the fields of prices or national accounts. To overcome the shortcomings of previous rounds, several major methodological improvements were implemented in the ICP program, with TAG providing technical advice. The main innovations and methodological enhancements provided by TAG included the following:

- Analyzed and reviewed the methods used to compute basic heading PPPs and average them to the global level. Upon TAG's recommendation, the Country Product Dummy (CPD) method was used to compute basic heading PPPs and the traditional Gini-Éltető-Köves-Szulc (GEKS) method was used to aggregate those to the higher-level aggregates, including GDP.
- With misgivings, endorsed implementation of a new methodology to estimate construction PPPs.
- Proposed a new methodology for linking the regional PPPs into a global set in a way that maintained the consistency of the regional results.
- Recommended to the Global Office and the Executive Board those countries that should represent their regions in the Ring price data collection.
- Provided the Global Office and the World Bank with guidance on what data needed to be collected in the ICP to enhance poverty analysis. A significant recommendation was that there be no specific price collection of a poverty basket. Instead, separate weights

reflecting the spending patterns of the poor would be used for aggregating basic heading PPPs to higher levels of the household final consumption expenditure, including its total.

- Provided the Global Office with advice on other technical matters such as how to weight PPPs for basic headings that can have negative values (e.g., net exports), how to improve the data collection for owner-occupied housing, and how to impute equipment PPPs.

Several important papers were authored by TAG members on the many methodological issues faced by the ICP. These papers and minutes of the technical discussions are on the ICP website (http://siteresources.worldbank.org/ICPEXT/Resources/ICP_2011.html) for use by other researchers.

Regional Coordinating Organizations

Regional offices coordinated ICP activities in each of the five geographic regions—Africa, Asia-Pacific, Commonwealth of Independent States (CIS), South America, and Western Asia—through the African Development Bank (AfDB); Asian Development Bank (ADB); Interstate Statistical Committee of the Commonwealth of Independent States (CISSTAT), in partnership with the Federal State Statistics Service (Rosstat) of the Russian Federation and the Bureau of Economic Analysis (Moscow); Statistics Canada, in cooperation with the Economic Commission for Latin America and the Caribbean (ECLAC); and the Economic and Social Commission for Western Asia (ESCWA). In addition, the economies included in the regular PPP program run by Eurostat and OECD were treated as though they were in an autonomous region for the purposes of incorporating their estimates into the worldwide estimates.

Some regions also had advisory boards responsible for establishing the governance structure of the regional program, making decisions on technical aspects relevant to the region, and monitoring the work program and financial and staff resource requirements. The boards also were expected to promote flows of information, disseminate the PPP results, and promote their use in the region. The regional coordinating agencies set up agreements with each of their participating countries outlining the respective roles and responsibilities of the regional coordinator and the country. These agreements provided a formal basis for mutual cooperation.

The main functions of the five regional coordinating organizations acting under the auspices of the Global Office were to liaise with the national agencies responsible for providing data in their region, to develop the regional product pricing lists, to train the staff involved in collecting prices and estimating the basic heading expenditures, to validate the data received, and to produce and publish the regional results. The regional coordinators and the Global Office maintained close ties to ensure the highest degree of consistency across regions.

A very important role of the regional coordinator was preparation of the regional list of products to be priced by the countries. This task required extensive consultations with the countries so that they were able to participate in the selection of products and then understand the nature of the product descriptions for their own data collection. The consultation process continued through the data validation stage when countries in each region were brought together to review jointly the national prices.

The regional coordinators took part in meetings organized by the Global Office, and at those meetings worked together to review the regional results, decide on best practices, and agree on work plans and timetables.

National Coordinating Agencies

In most economies, several different agencies provided the national accounts and price data for the ICP. In such cases, one agency was nominated as the national coordinating office, and within that agency a national ICP coordinator was appointed. The main role of the national coordinator was to ensure that the economy's ICP data (national accounts, prices, and wages) were estimated correctly, that statistical and field staff (involved in collecting prices) were trained in the concepts underlying the ICP and the practical implications for collecting prices, that data were edited and entered into the ICP database, and that editing queries from the regional coordinator were handled promptly. The national coordinators also attended the data validation workshops held in each region to check the consistency of the data supplied by those regions.

As stated earlier, the national coordinators participated fully in specifying the list of products to be priced. A major responsibility was to determine the framework for the price surveys. This task included selecting outlets to ensure their cooperation in the price collection and training the price collectors in the ICP methodology on product specifications.

Coordination with the Eurostat-OECD PPP Programme

The World Bank, Eurostat, and OECD maintained close communications during both the planning and operational phases of the 2005 ICP. The aim was to incorporate the Eurostat-OECD results directly into the ICP by treating the Eurostat-OECD program as a sixth “region” of the world for ICP purposes. The techniques used by Eurostat and OECD differed in some respects from those used in the other regions because the Eurostat-OECD program had developed certain methods over the years that could not always be replicated in other regions. However, the close relationships among the coordinating organizations meant that the results could be satisfactorily integrated despite the different procedures used.

Summary

An important part of the governance structure of the 2005 ICP was the division of the world into five geographical regions; a sixth “region” was devoted to the countries in the Eurostat-OECD PPP Programme. Regionalizing the ICP meant adding to it an extra layer of governance to cater to each of the regions. However, the extra complexity was more than offset by the benefits: the products specified for pricing were more homogeneous within regions, the expenditure patterns were generally more similar among countries in each region, and the language differences were reduced. Also important, dividing the ICP organization among regional offices in closer proximity to the countries they were coordinating produced some operational benefits, particularly the regular personal contact with (and among) the countries.

The Global Office managed and coordinated the program across the regions, disseminated details of the statistical methodology to be employed, and either provided direct financial support or assisted with regional fund-raising activities. The Global Office's activities were supported by the ICP Trust Fund, which was in turn supported financially by several national and international organizations and the World Bank. The regional coordinators met several times in Washington,

DC, and all regional coordinating agencies were represented on the Executive Board to ensure consistency across the regions in all aspects of the ICP.

The regionalization worked very well, although its downside was the need to link together the regional results to obtain a set of worldwide real expenditures and price level indexes. A completely new process, the Ring country method, was developed to link together the regional results, but problems arose in implementing the approach (see chapter 8 for details). As a result, a new methodology has been proposed to link the regions in the 2011 ICP. It is based on all countries collecting, in addition to prices for their region-specific products, prices for a range of products on a worldwide product list.

Although it was not part of the original governance strategy, several partnering arrangements established between some national statistics offices and the regional and global coordinators proved to be very effective. The Federal State Statistics Service of the Russian Federation and Statistics Canada were the respective coordinators of the CIS and South America regions. Using funding made available by the Australian Agency for International Development (AusAID), the Australian Bureau of Statistics led the development of the product specifications for consumption in the Asia-Pacific region and also provided technical support for the overall program. The U.K. Office for National Statistics supplied not only the Africa region with technical support but also the Global Office in coordinating the Ring program. France's statistical office, Institut national de la statistique et des études économiques (INSEE), gave the Africa region technical support as well. As a result of the success of the partnering arrangements in the 2005 round, a similar process is being adopted for the 2011 ICP.

Overall for the 2005 ICP, the ICP Executive Board proved to be an effective policy-making body, ensuring support from all stakeholders. The Technical Advisory Group also provided valuable methodological support for several complex problems. Meanwhile, the regional and national coordinators effectively organized and executed their respective programs. However, problems did arise on several occasions, and, as a result, questions were raised about the legal status of the Executive Board, its authority, and whether members served in their own right or as representatives of their organizations. Questions were also raised about the authority of the Global Office as it extended to implementing the methodology in the regions.

Because the requirements for data access and sharing were not clearly defined at the start of the 2005 ICP, some countries were reluctant to furnish data at the desired level of detail and to have their data reviewed by the Global Office and other regions. Fairly late in the process, the Global Office had to prepare some detailed policies dealing with access to microdata and the conditions under which data could be shared between the regional coordinator responsible for a country, other regions, and the Global Office. The policies also covered issues related to access to unpublished data sets after the final global results were published. These policies provide a firm basis for the 2011 ICP and so are unlikely to be modified significantly.

Overall, the governance arrangements worked very well, with only relatively minor fine-tuning required over the duration of the 2005 ICP. Their effectiveness has resulted in similar governance arrangements being put in place for the 2011 ICP round, albeit with some more fine-tuning, including enlarging the Executive Board and the Technical Advisory Group to enable more broadly based representation on those bodies.

Full details of the governance arrangements for the 2011 ICP round are available in a paper presented to the Executive Board at its meeting on February 21, 2010 (World Bank 2009).¹

ANNEX A

ICP Executive Board—ICP 2005

For the 2005 ICP, the membership of the Executive Board was based on institutions and agencies rather than on individuals. Dennis Trewin, Australian Bureau of Statistics, was appointed chair. Senior members of the ICP Global Office, including the global manager, were *ex officio* members. The following agencies were represented on the Executive Board:

- African Development Bank (AfDB)
- Asian Development Bank (ADB)
- Australian Bureau of Statistics (ABS)
- Ecole Nationale Supérieure de Statistique et d'Economie Appliquée (ENSEA)
- Economic and Social Commission for Western Asia (ESCWA)
- Economic Commission for Latin America and the Caribbean (ECLAC)
- Eurostat (European Commission)
- Federal State Statistics Service (Rosstat), Russian Federation
- International Monetary Fund (IMF)
- Interstate Statistical Committee of the Commonwealth of Independent States (CISSTAT)
- Ministry of Statistics and Programme Implementation, India
- National Bureau of Statistics of China (NBS)
- Office for National Statistics (ONS), United Kingdom
- Organisation for Economic Co-operation and Development (OECD)
- Statistics Canada
- Uganda Bureau of Statistics (UBOS)
- United Nations Statistics Division (UNSD)
- World Bank

ANNEX B

ICP Technical Advisory Group (TAG)—ICP 2005

Unlike the Executive Board, the membership of TAG was largely based on the selection of individuals rather than on the agency to which they belonged. The exceptions were Eurostat and the Organisation for Economic Co-operation and Development (OECD), which were represented at all TAG meetings on an agency basis. At times, experts in a particular field were invited to attend a meeting to discuss specific issues.

The following were ongoing members of TAG:

Alan Heston, University of Pennsylvania, United States, *Chair*
Frederic A. Vogel, ICP Global Manager, World Bank, *Ex officio*
Angus S. Deaton, Princeton University, United States
W. Erwin Diewert, University of British Columbia, Canada
Francette Koechlin, OECD
Paulus Konijn, Eurostat, Luxembourg
Paul McCarthy, Australian Bureau of Statistics
D. S. Prasada Rao, University of Queensland, Australia
David Roberts, OECD
Sergey Sergeev, Statistics Austria
Silke Stapel, Eurostat, Luxembourg
Kimberly D. Zieschang, International Monetary Fund

NOTE

1. The United Nations Statistical Commission oversees the work of the United Nations Statistics Division.

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