



# **2021 Cycle of the International Comparison Program**

## **Implementation, Timetable and Funding**

**ICP Global Office**  
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## Background

The International Comparison Program (ICP) is a global initiative to collect comparative price and expenditure data in participating economies and to subsequently produce purchasing power parities (PPPs) and price level indexes (PLIs) for each economy. PPPs are mainly used to convert volume and per capita measures of gross domestic product (GDP) and its expenditure components into a common currency. The ICP was initiated in 1968 as a modest research project between the United Nations and the University of Pennsylvania, with financial contributions from the Ford Foundation and the World Bank, with its aim to set up a regular program of PPP-based comparisons of GDP. Since then, ICP has evolved into the largest statistical partnership in the world.

Recognizing the needs for more frequent and reliable PPP estimates, the United Nations Statistical Commission (UNSC) agreed, at its [47<sup>th</sup> Session](#) held in 2016, that the ICP should become a permanent element of the global statistical program, conducted more frequently starting from 2017, with a stable methodology, better alignment with regular national statistical programs, and under a light and stable governance framework.

The UNSC subsequently approved the [governance structure](#) of the Program, under which the ICP will continue to be conducted by *global, regional and national implementing agencies*, under the overall oversight of a *Governing Board*. The Board, comprising Chief Statisticians or senior-level directors of statistics, is a strategic and policy-making body that approves the methodology of the Program, conducts advocacy and outreach, promotes openness and raises funding. An independent *Technical Advisory Group*, comprising leading academics, practitioners and prominent users, ensures the methodological soundness and overall quality of PPP estimates. An *Inter-Agency Coordination Group* ensures efficient coordination between global and regional agencies. The *Global Office at the World Bank* coordinates and manages the ICP globally.

To date, nine ICP comparison have been conducted. Results from the most recent comparison cycle, ICP 2017, were published in May 2020 in [Purchasing Power Parities and the Size of World Economies: Results from the 2017 International Comparison Program](#). Prior to the release, the ICP Technical Advisory Group conducted an independent assessment of the quality and replicability of the ICP 2017 results, and their consistency with the results from the previous 2011 benchmark, and [approved them for publication](#). Moreover, the ICP 2017 results have been widely accepted by users. The improved quality and consistency were highlighted in a National Bureau of Economic Research (NBER) [working paper](#) by Sir Angus Deaton and Paul Schreyer and in a Peterson Institute for International Economics (PIIE) [policy brief](#) by Patrick Honohan.

In March 2020, the ICP Global Office, in consultation with the regional implementing agencies and, by extension, the national implementing agencies assessed the impact that the pandemic was having on the scheduled ICP 2020 cycle. The assessment focused on the status of activities and the technical challenges faced by countries, including delays and disruptions to the collection of prices and the compilation of national accounts, and on whether the timing of surveys needed to be adjusted over the coming months. On the basis of the assessment, the ICP Technical Advisory Group came to the view that 2020 was not an appropriate benchmark year and, in April 2020, recommended to the ICP Governing Board to move the benchmark year for the next ICP comparison by one year to 2021. The Board [agreed](#) to that effect.

## Use of ICP data

Internationally comparable estimates of GDP expressed in PPP terms overcome the shortcomings of the alternative approach of using market exchange rate-converted estimates of GDP. The latter reflects not only differences in the volume of output but also differences in national price levels, and thus inflates the size of high-income economies, where price levels tend to be higher for non-tradable goods, and deflate the size of low-income economies where prices are generally lower. Furthermore, the volatility of market exchange rates and their decoupling from relative prices may result in fluctuating estimates of GDP. PPP-based cross-country comparisons of GDP and its expenditure components reflect only differences in economic outputs or volume, as PPPs control for price level differences between economies and account for the relative purchasing power of currencies in their national markets.

The investment in the ICP enables a host of PPP-based indicators across the socioeconomic spectrum from poverty and inequality, to health and education, to climate and energy, through to labor, productivity, trade and infrastructure.

The wide use of PPPs in many indicators used to measure progress towards the [Sustainable Development Goals \(SDGs\)](#) reflects their importance and relevance to monitoring the effectiveness of national policies. PPPs are used for monitoring how far the world and its countries has come in achieving no poverty ([SDG 1](#)); zero hunger ([SDG 2](#)); good health and well-being ([SDG 3](#)); quality education ([SDG 4](#)); affordable and clean energy ([SDG 7](#)); decent work and economic growth ([SDG 8](#)); better industry, innovation, and infrastructure ([SDG 9](#)), and reduced inequalities ([SDG 10](#)). In addition, PPPs will be used in coming years to monitor progress towards [SDG 11](#), which seeks to make cities and human settlements inclusive, safe, resilient, and sustainable.

In addition to SDGs, PPPs are used in socioeconomic indicators crucial for policymakers to assess their competitiveness and compare their economies to those of their neighboring countries and trade partners. For example, PPPs are an ingredient to the [Global Competitiveness Index](#) and to the [Travel and Tourism Competitiveness Index](#), while within the European Union and Euro area PPPs are being used to measure [price level convergence](#). Moreover, PPPs are used for assessing human development and gender policies through their use in the United Nations' [Human Development Index](#) and [Gender Development Index](#) and OECD's [Better Life Index](#). Monitoring poverty levels and the trends in poverty rates over time is also important to the development agendas of many countries. [International poverty lines](#), expressed in PPP dollars, identify the daily income or consumption level under which people struggle to provide for their basic subsistence needs.

Furthermore, data collected by the ICP, such as the prices of goods and services and the wages of public sector employees, have informed research and analyses resulting in global datasets on [food security](#) and [public sector compensation](#). The ICP also compiles detailed national accounts expenditure data, which have been used to analyze the [effect of income on consumption patterns](#) as well as the [composition of typical food baskets](#) around the world.

The European Commission, International Monetary Fund (IMF), and World Bank all employ PPP-based indicators for administrative purposes. [The European Commission Cohesion Fund](#) is aimed at European Union (EU) member states whose PPP-based GNI per inhabitant is less than 90 percent of the EU average. It seeks to reduce economic and social disparities and to promote sustainable development.

The IMF’s permanent financial resources come mostly from quota subscriptions. Quotas determine the maximum financial resources that member countries are obliged to provide the IMF, the amount of financing that members can obtain from the IMF, and their voting power in IMF decisions. Each member country is assigned a quota, measured in [special drawing rights](#), based broadly on its relative size in the world economy. A blended GDP measure contributes a weight of 50 percent to the [quota formula](#), with PPP-based GDP making up 40 percent of this blended measure, and thus contributing 20 percent overall.

Similarly, the World Bank Group incorporates PPPs into its [dynamic formula](#), which provides the necessary anchor and a data-driven analysis for shareholding discussions reflecting the evolution of the global economy and countries’ contributions to the World Bank Group mission. The shareholding rights of the International Bank for Reconstruction and Development member countries are largely based on economic weight at the global level of which PPP-based GDP contributes 40 percent and market exchange rate-based GDP 60 percent.

## ICP 2021 organization, timetable and deliverables

The ICP launched its 2021 cycle in June 2020. Price surveys and data collection are expected to be conducted throughout 2021, while selected administrative data compilations will take place in 2022. The ICP 2021 cycle results are scheduled to be released by the end of 2023. They will cover: (i) results for the reference year 2021, (ii) revised results for the reference year 2017, as needed, and (iii) annual PPPs for the years 2018 to 2020. Further dissemination of the results and outreach to users will take place in the first half of 2024.

**Table 1: ICP 2021 overall timetable**

ICP 2021 Cycle	2020		2021				2022				2023				2024	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Governing Board meetings																
Technical Advisory Group meetings																
Inter-Agency Coordination Group meetings																
Operational materials and guidance notes																
Price surveys																
National accounts expenditure compilation																
Data submissions																
Publication of results																
Dissemination and outreach to users																

The COVID-19 pandemic continues to present a range of specific challenges in the context of the ICP 2021 cycle, as reported by national and regional implementing agencies. Those include challenges to price data collection, price and expenditure data representativity and the coordination and management aspects of the Program. The ICP Inter-Agency Coordination Group is actively supporting national implementing agencies in meeting ICP price and national accounts data requirements in the context of the pandemic and related lockdown measures and is issuing specific guidance notes to address these challenges.

## ICP 2021 budget and funding sources

The total cost of the ICP 2021 cycle, including both global and regional budgets, is estimated at \$23.4M over four years (mid 2020- mid 2024), excluding the contributions of national implementing agencies. In contrast, the ICP 2011 cycle duration was five years, and its total budget amounted to around \$45M, while the ICP 2017 cycle duration was four years and its total budget amounted to around \$24.5M, both excluding the contributions of national implementing agencies.

**Table 2: ICP 2021 global and regional budgets**

Program	Amount (millions of USD)	%
<b>Global program</b>	6.5	28%
<b>ICP-Africa</b>	5.0	21%
<b>ICP-Asia and the Pacific</b>	2.1	9%
<b>ICP-Commonwealth of Independent States</b>	0.5	2%
<b>ICP-Latin America and the Caribbean</b>	0.7	3%
<b>ICP-Western Asia</b>	0.6	3%
<b>Eurostat program</b>	7.0	30%
<b>OECD program</b>	1.0	4%
<b>Total Budget</b>	<b>23.40</b>	<b>100%</b>

At the regional level, the total budget of \$16.9M is distributed as follows: Africa \$5.0M; Asia and the Pacific \$2.1M; Commonwealth of Independent States \$0.5M; Latin America and the Caribbean \$0.7M; Western Asia \$0.6M; Eurostat program \$7.0M; and Organisation for Economic Co-operation and Development (OECD) program \$1.0M. This budget will cover the costs of regional coordination; technical assistance and support to countries; quality assurance; calculation and dissemination of regional results.

At the global level, the estimated total budget for the ICP 2021 cycle is around \$6.5M. This budget will cover the costs of governance; global coordination; quality assurance; calculation and dissemination of global results; research; and outreach by the ICP Global Office. In contrast, the total global budget for the ICP 2011 cycle was \$11.5M and for the ICP 2017 cycle around \$7.0M.

The cost reduction from the ICP 2017 and 2011 cycles will be mainly driven by holding the ICP methodology unchanged, conducting virtual meetings, and streamlining processes with new technology.

Moreover, progress is being incrementally made at the national, regional and global levels to incorporate ICP into regular work programs.

The current sources of funding to the ICP 2021 cycle are shown in Table 3 below. They currently amount to \$19.75M in financial contributions and contributions-in-kind.

**Table 3: Current sources of funding to the ICP 2021 cycle**

Institution	Amount (millions of USD)	%
<b>Eurostat</b>	7.00	35%
<b>The World Bank</b>	4.00	20%
<b>African Development Bank</b>	4.00	20%
<b>Asian Development Bank</b>	2.10	11%
<b>OECD</b>	1.00	5%
<b>United Kingdom’s Foreign, Commonwealth and Development Office*</b>	0.75	4%
<b>UN Economic Commission for Latin America and the Caribbean</b>	0.40	2%
<b>UN Economic and Social Commission for Western Asia</b>	0.20	1%
<b>Interstate Statistical Committee of the Commonwealth of the Independent States</b>	0.15	1%
<b>UN Development Account</b>	0.15	1%
<b>Total Contributions</b>	<b>19.75</b>	<b>100%</b>

*\* Remaining funding from their contribution to global and regional ICP 2017 programs.*

The budget deficit is estimated at \$3.65M (around 16% of the total budget for this cycle). This includes a budget deficit of \$2.0M at the global level, \$1.0M in Africa, \$0.35M in Commonwealth of Independent States, and \$0.30M in Western Asia. Donor support is needed to overcome the budget deficit and to ensure the successful implementation of the ICP 2021 cycle.

## Looking forward

The ICP results cater to a wide range of uses. Furthermore, the ICP 2017 results offer an analysis of the global economy prior to the emergence of COVID-19 and will hence serve as a baseline to measure and understand the consequences of the pandemic on communities around the world. The results from the ICP 2021 cycle will be crucial to assess the world economy after the onset of the pandemic and tracking progress towards recovery.

In order to ensure the continuity of the world’s largest statistical program and a leading global public good, securing sustainable funding for the ongoing ICP 2021 cycle will be crucial.