



**Economic and Social Council**

Distr.  
GENERAL

E/CN.3/1987/11  
17 September 1986

ORIGINAL: ENGLISH

---

STATISTICAL COMMISSION  
Twenty-fourth session  
23 February-4 March 1987  
Item 7 of the provisional agenda\*

PRICE STATISTICS

Phase V of the International Comparison Project (ICP)

Report of the Secretary-General

SUMMARY

The field work of phase V of the International Comparison Project (with 1985 as reference year for about 60 participating countries) had already started by the beginning of 1985, and the first regional results are expected towards the end of 1986. Although in some of the regions the comparison work progresses quite well both in respect of the level of participation and the methods applied, in other regions serious problems have been experienced owing mainly to shortages in financial resources. Co-ordinating the project at the world level is also encountering some financial difficulties. A provisional timetable for the remainder of phase V is presented in section IV, and points of discussion are suggested in section V.

---

\* E/CN.3/1987/1.

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
INTRODUCTION .....	1 - 5	3
I. PARTICIPATION IN PHASE V .....	6 - 18	4
II. METHODOLOGICAL ISSUES OF THE PHASE V COMPARISON .....	19 - 43	6
III. THE FINANCIAL STATUS OF THE PROJECT .....	44 - 52	12
IV. PROVISIONAL TIMETABLE FOR THE REMAINDER OF PHASE V AND PRELIMINARY CONSIDERATIONS FOR THE NEXT PHASE .....	53 - 54	14
V. POINTS OF DISCUSSION .....	55	15

## INTRODUCTION

1. Work on real product and purchasing power comparisons has a relatively short history. After some pioneering antecedents in various parts of the world the results of the first phase of the United Nations International Comparison Project (ICP) covering 10 countries, was published with reference years 1968 and 1970; the second phase followed shortly, with 16 countries relating to 1973; the third, with 34 countries, used 1975 as reference year, and the fourth, with 60 countries, related to 1980. At present almost two years have elapsed since the first preparatory steps were taken to organize phase V of the ICP. Although there are still a number of uncertainties, the contours of the phase seem to emerge more or less clearly, and some preliminary conclusions can now be drawn on the progress achieved so far and on the problems encountered.
2. The interest in respect of real product and purchasing power parity data is continually growing. The rapidly increasing number of requests for ICP-type data made to the Statistical Office of the United Nations Secretariat and other international organizations is only one manifestation of that growing interest; the same conclusion can be drawn from the meetings between users and producers of real product and purchasing power comparison data held in the past few years in the United States of America and in the European Community. The increasing demand for ICP-type data comes from national statistical offices, other governmental organs like planning agencies and financial ministries, academic institutions, businesses, and, of course, various international organizations.
3. Interest alone, however, is not a sufficient condition for achieving progress in the ICP, at least not at the world level. The participation in the ICP work by national statistical offices requires substantial additional resources, and developing countries, in general, cannot bear the burden alone. Many such countries are willing to incur the additional domestic cost (since surveys to obtain ICP basic data may well equally serve national statistical purposes, such as price data to be used for consumer price index computations), but they do not have the funds necessary to send their experts to multilateral meetings. Some of the developing countries require, in addition to travel funds, some assistance in order to conduct domestic price surveys.
4. The financial situation of ICP has deteriorated drastically, with adverse consequences for the development of the project (see paras. 44-54 below). In spite of substantially increased interest, the country participation in phase V is not expected to improve; the number of countries participating may even drop. The shortage in financial resources has also given rise to a number of other problems, which will be considered below.
5. The present report starts with a review of country participation. Then some ICP methodological problems are considered (section II), and an assessment of the financial situation of the project is given (section III). Section IV presents a preliminary timetable for further work in the phase, and section V raises some questions for discussion.

## I. PARTICIPATION IN PHASE V

6. The changes in the financial situation of the project affect in very uneven ways the various regions of the world; there are both positive and negative developments in the world comparison, and the structural pattern of the phase, from the point of view of participation, will look substantially different from that of phase IV.

7. Phase V, like phase IV, will be carried out in a regionalized way - i.e., first a number of regional comparisons are made, then the regional results are linked by means of the core comparisons, which are comparisons between countries of different regions. For two regions a substantial improvement can be reported; for one region no change is anticipated; for another the situation is still uncertain at present; and, finally, for one other region there is drastic deterioration.

8. The region of the Organisation for Economic Co-operation and Development (OECD) is one of those where considerable development is taking place. Whereas in phase IV, 18 member countries participated in the comparison, in the present phase, the number climbed to 22. Australia, New Zealand, Sweden and Turkey are the four countries joining for the first time. Iceland and Switzerland are the only two OECD member countries not participating.

9. The 12 OECD countries that are members of the European Economic Community (EEC), carry out a separate comparison for EEC, conducted by EUROSTAT. Austria and Finland also participate in the Europe Group 2 comparison (see para. 12). The OECD regional comparison is conducted jointly by EUROSTAT and the OECD secretariats.

10. In addition to increased participation, there is also a qualitative improvement in the OECD comparison, since a number of second-best solutions which had to be adapted in phase IV (because the OECD joined phase IV at a later stage and had to collect data retrospectively) can now be avoided.

11. The most notable development takes place in the African region, where the number of participating countries increased from 15 (in phase IV) to 24. The countries participating will be Benin, Botswana, Cameroon, Congo, Côte d'Ivoire, Egypt, Ethiopia, Gabon, Kenya, Madagascar, Malawi, Mali, Mauritius, Morocco, Nigeria, Rwanda, Senegal, Sierra Leone, Swaziland, Tunisia, United Republic of Tanzania, Zaire, Zambia and Zimbabwe. The substantial assistance of the EEC to the African comparison (both financial and technical) plays a sizeable role in the improvement. The comparison is being conducted by EUROSTAT in close contact with the secretariat of the Economic Commission for Africa (ECA).

12. There is no change in the level of participation in Europe Group 2, in which - besides Austria and Finland (which are also members of the OECD comparison) - Hungary, Poland and Yugoslavia are participating. Austria plays the role of centre for the comparison (which has a star shape); and the work will be carried out with assistance from the ECE secretariat.

13. There are still a number of uncertainties in respect of the comparison for the region of the Economic and Social Commission for Asia and the Pacific (ESCAP). Although a seminar was held at Sapporo in as early as October 1984 to discuss the methodological problems of the comparison, until the early part of 1986 there was no follow-up, partly due to lack of travel funds (to assist developing countries to participate in multilateral workshops) and partly because the ESCAP secretariat had some difficulties with the organization and conduct of the regional comparison. Nevertheless, at present it is envisaged that in the second half of 1986 a workshop will be convened at Bangkok to start the actual field work for the regional comparison. In addition to Japan (also a member of the OECD region), Hong Kong, India, Indonesia, Iran, Pakistan, Republic of Korea and Thailand will be participating. Bangladesh, the Philippines and Sri Lanka have not yet reached a definite decision on their participation. It is expected that the ESCAP regional comparison will not be completed before the second half of 1988.

14. The worst decline in the level of participation took place in the region of the Economic Commission for Latin America and the Caribbean (ECLAC). In phase IV, when the Inter-American Development Bank provided substantial assistance to the regional comparison, 16 countries participated in the project (initially 18, but Nicaragua and Mexico dropped out). In phase V, when only very limited financial support will be available, Argentina is the only definite participant for the time being; three other countries (Brazil, Colombia, Panama) are considering joining the project but have not yet started the actual work. With such a limited number of participating countries, there is no possibility of organizing a regional comparison in ECLAC, and any countries participating will be linked to the rest of the ICP through the core comparisons - i.e. by binary comparisons with countries in other regions. There may be, however, some funds to finance a small Central American comparison, comprising of about five countries, but it is not yet known how that comparison will be joined to the rest of the ICP if it takes place. Finally, EEC has offered a number of Caribbean countries financial and technical assistance to carry out comparisons with the European Community, but it is not definite that such comparisons will ultimately take place.

15. No country from Western Asia has expressed interest in participating in Phase V of the ICP. In phase IV Israel was the only country having a direct comparison with the EEC.

16. To build up the world comparison, the regional results will be linked by means of core comparisons, mostly binary comparisons between countries belonging to different regions. In phase V the core comparisons are planned in advance and carried out with much more active participation on the part of the core countries than was the case in phase IV, when a large part of the linking work was performed by the central organs without the active participation of the statistical offices of the core countries. Nevertheless the links among the regions will not be exempted from some serious problems. Originally nearly 20 core comparisons were planned, but financial resources are only available for 10-12 linkages. Even some of the core comparisons already agreed upon have had difficulties, and it is not sure whether they can be sustained to the end.

17. The links between the OECD (EEC) and African regions seem to be quite satisfactory, since three bilateral comparisons (United Kingdom/Kenya, France/Senegal and Italy/Tunisia) are being carried out, and EUROSTAT provides substantial assistance to them. There were two core comparisons planned which will provide links between Africa and the ESCAP region: the India/Kenya comparison, which is proceeding well, and the Pakistan/Nigeria comparison, which, however, could not start on time due to some difficulties on the Nigerian side. Between the OECD and ESCAP regions there is only one comparison which is progressing satisfactorily - that between the United States and India. The United States/Philippines comparison was discontinued since the Philippines does not have at its disposal sufficient comparable price data, and there were no funds available to assist the Philippines in carrying out additional surveys. The Turkey/Pakistan comparison was started but, owing to some difficulties encountered by Turkey, is not making sufficient progress; its outcome is uncertain. There is also an implicit core comparison between the OECD and the ESCAP region, provided by Japan, which is participating in both regional comparisons. The Europe Group 2 will be linked to the OECD also by implicit core comparisons, Austria and Finland being the countries participating in both regional comparisons.

18. There is one core comparison (Argentina/Federal Republic of Germany) that links countries not participating in any regional comparisons to the rest of ICP, and it is proceeding well. The probable Latin American participants (Brazil, Colombia, Panama) may have similar comparisons with Spain, and if the Caribbean countries join the project, they will have similar comparisons with the EEC. If the Central American regional comparison takes place, then the Spain/Panama comparison becomes a genuine core comparison (linking region to region).

## II. METHODOLOGICAL ISSUES OF THE PHASE V COMPARISON

19. The most important recent changes in the methodology of the ICP (which has not in fact undergone significant changes over the years) were the regionalization (between the third and fourth phases) and the establishment of the system of core comparisons (between the fourth and fifth phases). Although there are many methodological problems which would merit consideration if more resources were available, at present, in the middle of phase V, three of them deserve special attention:

(a) How should the process of regionalization be evaluated? Was it a regrettable necessity caused by extraneous circumstances, other than methodological considerations, or can it be considered as a welcome development in the methodology of the international comparisons?

(b) What are the experiences of the core comparisons?

(c) How can the development of the methodology of international comparisons be evaluated in general?

### A. Regionalization

20. Although regionalization was inevitable for reasons apart from methodological considerations (mainly because substantial funds which were available for certain regional comparisons could not be used for direct world comparison), it is worthwhile to consider whether the process has improved or weakened the methodology. It is the view of the Statistical Office that the advantages of regionalization far outweigh the disadvantages.

21. The main advantage of regionalization stems from the fact that the degree of intra-regional comparability is much higher than that of interregional comparability; thus, in a sense regionalization can be interpreted as a kind of stratification, reducing the error of computation. (Within a region there are more comparable products, the quality differences are generally smaller, and the structures of the aggregates being compared are more alike than they are outside the region.) Intra-regional comparisons use regional measuring scales (regional average prices as weights for the quantity comparisons), which definitely improve the comparison ("increases the characteristicity" according to the ICP language) although they cause some difficulties for and presumably reduce the accuracy of the interregional comparisons. However, since intra-regional comparisons are more important than interregional comparisons - at least for a large number of users - the regional measuring scale is more of an advantage than a disadvantage.

22. While it is true that, after regionalization, the methods used in the ICP became less uniform than before, it should be noted that a substantial portion of the differences are flexible accommodations to special regional circumstances rather than inconsistent deviations from the general rules. For instance, if the breakdown of expenditure categories can be more detailed in one region than in others, it would be unwise not to make the most of it for the sake of some apparent uniformity. It should be observed, however, that certain other differences are not justified by methodological considerations or specific regional circumstances but reflect differences in views or preferences of the experts in different regions. Had the central co-ordination of the project been stronger and, in particular had there been more occasions to discuss methodological problems, most of the differences could have been eliminated.

23. In actual practice, a number of negative developments in the ICP occurred simultaneously with regionalization - e.g., some interregional links became questionable; some results had to be revised even several years after the reference period etc. Most of the problems, however, cannot be charged to the regionalization account. They are the consequence of events (like deteriorating financial conditions) that are independent of regionalization. Neither should regionalization per se be judged on the basis of the deficiencies encountered in its implementation, such as those related to phase IV core comparisons, which were not well planned in advance.

24. There is one other important methodological aspect of regionalization which deserves reconsideration. Because regional comparisons use regional measuring scales (regional average prices as weights), which differ from region to region, and the world comparison requires a unique measuring scale (e.g., world average

prices), there is an inherent conflict in a regionalized world comparison, since the quantity indices for any aggregated category between two countries differ depending on whether subregional (e.g., EEC), regional (e.g., OECD), or world average prices were used as weights. In order to avoid the proliferation of conflicting results, ICP in phase IV accepted the "fixity principle" which requires that any results obtained in a regional (subregional) comparison should remain unchanged in any other comparison embracing a larger number of countries. The "fixity principle" is, however, as experience in phase IV has shown, in serious conflict with other important requirements and thus causes serious difficulties. Both the OECD secretariat (in the OECD comparison) and the Statistical Office (in the world comparison) have attempted to deal with the problem by experimenting with several methods, keeping the EEC comparison results unchanged. But adhering strictly to the fixity requirement inevitably resulted in severe negative consequences. For example, it was found necessary:

(a) To either accept discrimination among regions (subregions), which may cause a substantial bias in the results (The OECD, for example, considered the possibility of using average EEC prices throughout to preserve the fixity of the EEC results but finally decided against that option, because the bias it would introduce in comparisons between EEC and non-European OECD countries such as the United States might be as high as 8 per cent for the total of gross domestic product.) or to renounce the comparability between countries belonging to different regions for any category other than the total aggregate of gross domestic product, since details are presented at relative regional prices for each country. (This was the case in one of the methods applied in the 1985 OECD study and in the world comparison, referred to as the bloc method.); or

(b) To sacrifice the additivity (internal consistency) requirement, one of the most important advantages of the Geary-Khamis formula, selected as standard method for the ICP. (This was the case with the second method applied in the 1985 OECD study and in the world comparison, where regional (subregional) results were linked separately, at each level of aggregation.)

25. A number of users expressed their dissatisfaction with these arrangements and asked for results that were not biased and were comparable even across regions at each level of aggregation and at the same time additive. The Statistical Office, to satisfy those particular users, provided on tape or printouts data calculated on the basis of average world prices. In order not to breach the fixity agreement, the Statistical Office provided the data without any aggregation and qualified them as being supplementary (non-official) material. It should be pointed out, however, that the users could carry out the aggregation themselves and arrive at indices which do not observe the fixity requirement.

26. The problem is not so much a methodological one as one of priorities among various uses (or users) of the ICP. The Statistical Office in the second half of 1986 intends to consult national statistical offices on the relative priorities those offices attach to the various possible solutions.



## B. The experiences of the core comparisons

27. In phase IV, except for a few cases, the linking of the regional results was done by the Statistical Office on the basis of price and other data supplied to it. "Core countries" - i.e., countries whose data were used to establish the links - in general did not actively participate in the process. The weakness of the procedure is obvious: from the point of view of comparability, interregional comparisons are the most difficult, and it is very risky for a central organ, not sufficiently familiar with national conditions, with characteristics of the specifications to be compared, to carry out the linking on the basis of data provided to serve intra-regional (and not interregional) comparisons.

28. Aware of the limitations and shortcomings of such centralized core comparisons, in preparing phase V, the Statistical Office opted for another solution. Core comparisons were planned in advance (together with the regional comparisons) and were premised on the active participation of the core countries. It was thought that in a comparison such as the one between the United States and India, where very serious comparability problems were encountered, direct contact between experts from each country would produce sufficiently reliable links.

29. In 1984, when the outlines of phase V were being formulated, the organizers of the project planned almost 20 core comparisons. In 1985, when financial constraints became apparent, not only was the number of core comparisons reduced but the way they were to be carried out also had to be modified. Originally, it was planned that experts of core countries would first meet in a multilateral workshop where they would discuss the methodological problems of the core comparisons and then they would later meet twice in each expert's respective country to select the specifications, to match them, to carry out the necessary checking of the preliminary results, and to agree on the final results. When it became evident that for a number of core comparisons there would be no funds available for two subsequent meetings, it was decided to spend a large part of the multilateral workshop selecting specifications.

30. Judging from the experience of the core country workshop held in September 1985 at Vienna, it would be useful if future multilateral workshops of the core countries were to devote a substantial part of the time to binary work so as to take advantage of the presence of staff members of the central organs (Statistical Office, OECD, EUROSTAT). Moreover, particular binary comparisons might profit from the information available in other binary comparisons between regions, going on simultaneously, as was discovered at the Vienna meeting for the Europe/Africa core comparisons.

31. It was also evident at the Vienna meeting that there was a strong need for further direct contact between the experts of the two countries, since many of the problems remain unresolved at the end of multilateral workshops, and not all of them can be solved by the mere exchange of correspondence. Considerable effort has therefore been made to promote the possibility of at least one more meeting between the experts which could take place in one of the participating countries. Visiting the principal city of the partner country gives the expert the additional advantage of being able to inspect directly many of the specifications selected (in shops,

service establishments etc.). In that context, in allocating the limited financial resources available for the ICP, high priority has been given to assisting core comparisons between developing countries, taking into account that the comparisons are carried out not so much for their own sake as for the sake of the world comparison.

32. It is essential for central organs to facilitate as much as possible the tasks of the core countries, since the countries agree to undertake a substantial burden of the tasks in addition to their participation in their respective regional comparison. One of the difficulties to be overcome relates to the many specification lists and the lack of appropriate cross-references among them. India is the country that has suffered the most from this: in the ESCAP regional comparison it had to work on the basis of the ESCAP specification list; in the India/United States core comparison, on the basis of the OECD specification list; in the India/Kenya comparison, on the basis of the African specification list.

#### C. The state of the ICP methodology

33. The question most often asked is whether the methods used in ICP are sufficiently well developed to serve as a firm basis for the comparison work. In order to answer the question adequately, it is useful to draw out and articulate three questions implied behind its general formulation:

(a) Is there a sound and systematic methodology on which the comparison can be based?

(b) Is the staff concerned sufficiently familiar with the methodology?

(c) How faithfully in the actual comparison work is the methodology applied?

34. In answer to the first of the implied questions, it is the view of the Secretariat that the research phase of the ICP has yielded generous dividends and that the workshops, international conferences, advisory services and experience gained from the earlier ventures have helped to establish a relatively well developed methodology which, in general, can provide a firm basis for the practical comparison work.

35. This does not imply, however, that there is full agreement on all the details among all the prominent theoreticians of international comparisons. Some believe that there are better aggregation methods than the currently applied Geary-Khamis formula; views differ on the relative advantages/disadvantages of the Country-Product-Dummy (CPD) method or on the merits of the Elteto-Köves-Szulc (EKS) formula. This diversity of opinions, however, is not too different from that which exists in most other fields of statistical methodology - for example, intertemporal indices or other specific national accounting subjects. What is important, however, for practical purposes, is that it eventually led to a consensus on the methods to be used in the actual work.

36. Nor does it mean that there is no more room for improvement. Comparisons of construction and of government services provide examples where further research is needed in order to achieve clearer answers to their comparison problems. Again, the problems experienced in the field of interspatial indices are not substantially different from those encountered in intertemporal indices, so that the difficulties involved are not so much intrinsic to international comparison as they are intrinsic to the quantity and price measurement of certain items. While it can be said that there is room for improvement in the methodology currently used by the Statistical Office, it should be noted that a substantial part of the difficulty stems from the fact that inherently some items have only limited comparability.

37. It is the view of the Secretariat, therefore, that although there are many problems involved in the ICP work, the number that can be attributed to deficiencies in the methodology itself is relatively small.

38. The second question that has been raised is whether the methodology is sufficiently known to those who are responsible for producing the comparison results. There is, of course, an abundance of articles, books, studies and discussion papers dealing with methodological problems in international comparison. While they are useful for the specific purposes for which they were intended, they do not meet the needs of producers of ICP-type data, who require guidelines and instructions. A large part of the materials are discussion papers arguing for or against some particular points of methodology which may have been useful before the decision was made on what procedures to apply but are of limited use to those who merely want to know what specifically they have to do in the actual comparison work. Some of the other materials are end-user oriented, giving advice on how the comparison results are to be used and interpreted, again being only of limited value to the producers of the comparison results.

39. There is, therefore, a lack of guideline materials in the actual application of methodological techniques. The availability of handbooks or instructional materials is all the more important owing to the relatively high rotation of staff assigned to ICP-type work. Even in countries which are traditional ICP participants, the staff often do not have the experience necessary. Since the methodology of international comparison is seldom taught in universities or even in specialized courses in statistics, most beginners in ICP-type work receive only on-the-job-training. Therefore, some type of handbook or guidelines would be of great help.

40. Several years ago the Statistical Office began to prepare a handbook on the methods of international comparisons but, owing to lack of resources, the work had to be curtailed. However, if, in preparing the various methodological papers currently being produced, more attention is given to the teaching and pedagogical aspects of the methodologies, the need for such a handbook would be partially met.

41. The third question raised is whether the methodology is indeed being used in carrying out the actual comparison work. Often there are various practical constraints which prevent those working on the comparison from exploiting the methodology's full potential. For example, no matter how knowledgeable the experts are on the principles involved in the selection and matching of specifications to

be used as price representatives, if they are deprived of the chance to meet each other, to inspect the merchandise, shops and service establishments of their Partner countries, they will be compelled to use some simplifications and shortcuts which inevitably produce results inferior to those that would normally be possible in theory.

42. Other factors which limit the effectiveness of the methodology are gaps in the national accounting data in respect of the aggregates to be compared and insufficient specifications for which prices are observed and which, in a number of cases, do not permit the accurate determination of national average prices. Prices observed are often poor approximations of the annual average prices.

43. In summary, it is the view of the Secretariat that any deficiencies in the ICP results are due mainly to limitations in the comparability, which stem from the nature of the comparison task; the imperfect application of the methodology already developed; and - but only in a minimal way - to the fact that the methodology has not yet been fully developed. Therefore, in order to improve the accuracy of the results of ICP, efforts should be made to improve the application of the methodology already developed rather than to invest in further development of the methodology.

### III. THE FINANCIAL STATUS OF THE PROJECT

44. In spite of some limitations in resources, the ICP has successfully withstood its most demanding "research stage" (consultancies, expert group meetings on methodology, briefings of national statistical offices etc.) and its pioneering "application stage", when many developing countries participating for the first time in the project needed substantial technical assistance in their "homework" (carrying out surveys for collecting the necessary price data etc.). At the earlier stage, the World Bank and various development agencies and foundations from the most developed countries provided substantial resources to cover the costs entailed.

45. At a later stage, when ICP work gradually became a routine activity for a number of countries, the financial needs per country moderated; as new countries joined the project, resource requirements remained at a relatively high level. Even in phase IV the financial situation of the project was relatively good. The European Community financed the African comparison (15 countries, which needed several hundred thousand dollars of support); the Inter-American Development Bank financed the Latin-American regional comparison (18 countries, about half a million dollars); the World Bank still provided substantial assistance; and to cover the other needs of the project an ICP Trust Fund was established at the United Nations, to which the statistical offices or development agencies of a number of developed countries contributed around 400 thousand dollars.

46. For phase V, however, the financial situation drastically deteriorated. Although the European Community still continues to support the African comparison (on an even larger scale, since there are already 24 African countries participating in the project), the support from all the other sources diminished or

stopped entirely. The World Bank reduced its assistance and now only provides ad hoc help to facilitate occasional travel of experts from and to developing countries; the Inter-American Development Bank no longer finances the Latin American comparison, and the 1985 fund-raising campaign of the United Nations did not result in any contributions to the Trust Fund. The Overseas Development Administration of the United Kingdom and the Commonwealth Secretariat are making contributions to cover the travel costs of developing core countries, and the Government of Japan has indicated that it would provide assistance to the ESCAP regional comparison.

47. The main problem is, of course, the shortage of resources, but an additional difficulty is the uncertainty surrounding the resources. It takes quite some time for the potential donors to decide on whether or not they will provide a particular kind of assistance, and in the meantime either some preparatory work must be delayed (e.g., ESCAP regional comparison work could not start before the middle of 1986) or arrangements must be made in an atmosphere of uncertainty (e.g., the planned ECLAC regional comparison was counting on the IADB to provide substantial assistance).

48. Owing to the lack of resources, a substantial number of countries have abandoned the project or have not joined it, although they would be willing to participate under different circumstances. There are a number of developing countries that would be willing to carry out the "homework" needed for the comparison but do not have the resources to send experts to multilateral meetings. (Some countries are even asking for national survey support.) The most striking consequence of the financial shortage was experienced, as mentioned above, in the ECLAC region.

49. Another negative consequence of the financial shortage is that experts from different countries do not have sufficient opportunity to meet with each other or with the experts of the regional centre conducting the multilateral comparison, to discuss the problems of matching the price representatives selected. This, to a limited extent, is true for all comparisons but seems to be especially severe for the ESCAP regional comparison and for some of the core (interregional) comparisons.

50. The co-ordinating role of the world centre (the ICP unit in the United Nations Secretariat) and also of some regional centres has weakened appreciably owing to the financial shortage. The links between the various regions have also weakened. Originally almost 20 core comparisons were planned for phase V. Now only about seven core comparisons are proceeding as planned. Some of the core comparisons could not even start, owing to financial shortages; others have started, but are having difficulties.

51. Delays caused by the uncertainties of financing are likely to lead to some disruptions in the project. For instance, since the ESCAP regional comparison could not start before the second half of 1986, it is very likely that many (or perhaps most) of the countries in that region will not be able to provide 1985 basic data for the comparison (as is done in other regions of the world and in the core comparisons) but only 1986, or even 1987, basic data. Of course, in the end, with extrapolation methods it will be possible to bring all the countries to the same reference year. However, this will introduce additional sources of error and will reduce the analytical value of the end results.

52. While the ICP as a whole has been affected by the lack of resources, certain areas have continued to develop. The OECD regional comparison will be good - even better than ever before. There will be no severe consequences for the African comparison, and for the three Eastern European countries and the links between those regions will also be relatively good. The ESCAP regional comparison, however, will suffer greatly from the financial constraints; participation is reduced, and work started late and in all likelihood cannot be assisted technically or controlled in the same way as the African comparison. In addition, the links between the ESCAP region and the rest of ICP also appear to be less stable. Finally, the worst consequences will be felt in the ECLAC region, where no regional comparison is planned at all, and only a few countries will participate in phase V.

#### IV. PROVISIONAL TIMETABLE FOR THE REMAINDER OF PHASE V AND PRELIMINARY CONSIDERATIONS FOR THE NEXT PHASE

53. In view of the many uncertainties over the scheduling for the rest of the project, the timetable below cannot be very specific and should be considered only as provisional.

1986: Start of the field work for the ESCAP regional comparison in a multilateral workshop.

Continuation of field work in the African and Europe Group 2 regions and in the core comparisons. Finalization of the EEC and OECD comparisons and perhaps also publication of the preliminary results.

1987: Publication of the detailed results on the EEC and OECD comparisons. Completion of the Europe Group 2 and African comparisons. Continuation of the core comparisons and completion of many of them at a second multilateral workshop. Continuation of the ESCAP regional comparison.

1988: Completion of the ESCAP regional comparison. Completion of the rest of the core comparisons. First results of the world comparison.

1989: Publication of the final results of the world comparison.

54. Only certain general considerations can be formulated at present for the next phase of the project. As to the reference year, there does not seem to be any strong reasons to change the traditional five-year interval and to plan the next reference year for 1990. Expected country participation will depend mainly on the financial status of the project. The interest for real product and purchasing power comparison data is continually growing, and under favourable financial conditions it would not be unrealistic to reckon with a participation of 80-85 countries. However, if the current financial situation continues, the participation of even the present (around) 60 countries would be difficult to maintain. Moreover, it is not unrealistic to anticipate a further deterioration in the financial conditions. Therefore, the following possibilities should be considered:

(a) The world comparison should be discontinued, and only some regional comparisons should be kept;

(b) The next ICP phase should be deferred perhaps until 1995;

(c) A deferral should be used to experiment with product side (value-added) comparisons among countries;

(d) Instead of the traditional ICP methods, shortcut methods that require fewer resources could be used. (The Statistical Office recognizes the usefulness of various shortcut methods, especially when there are no other options. However, it considers that they are substantially less reliable than the traditional ICP methods and provide much less information on details.)

#### V. POINTS OF DISCUSSION

55. The Commission may wish to provide guidance and make recommendations on the overall ICP programme. It may also wish to consider the following questions:

(a) What measures should be taken to attenuate the consequences of the financial difficulties?

(b) What are the options available if the financial situation continues to deteriorate? (See, in particular, para. 54 above.)

(c) Should the Statistical Office continue its policy of concentrating scarce resources on the support of developing countries carrying out core comparisons?

(d) What measures should be taken to strengthen the co-ordination of the project?

(e) Should the system of core comparisons, as established for phase V, be retained or should modifications be introduced, and if so, what kind?

(f) Should the United Nations continue to maintain that the world results on ICP are not yet adequate for policy-oriented comparisons such as those for the determination of the scales of budgetary assessment?

(g) Should the Statistical Office continue to restrict its comparison activities to expenditure categories, or should it undertake, at least on an experimental basis at first, comparisons of production (industrial) categories?

-----