



ICP Asia Pacific
Meeting of Heads of National Implementing Agencies
30 July 2007
ADB Headquarters, Manila, Philippines



Inaugural Address

By

Ifzal Ali, Chief Economist
Asian Development Bank

I warmly welcome you all to this important meeting. It is my privilege to address this group whose all-out support and commitment to the 2005 International Comparison Program in Asia and the Pacific region, or ICP Asia Pacific, have been vital. I thank each one of you for making the time and effort to join us today.

The ICP initiative spanning the past four years holds a very special significance for my colleagues in the Asian Development Bank (ADB) and to me personally. We were privileged to have worked closely with a dedicated group of national statistical organizations, without whom ICP Asia Pacific would not have achieved its main objective of generating a reliable, robust set of PPP-based GDP measures. These years have been truly rewarding and I am deeply privileged to have been associated with this program, both as an advisor and participant.

PPP Results as a Milestone

Tomorrow, 31 July 2007, we will be releasing the PPPs for the Asia and Pacific region. The release of the PPPs for our region on is a milestone for four main reasons. **First**, the simultaneous participation of the People's Republic of China (PRC) and India, which together account for 64 percent of the total real gross domestic product (GDP) of the 23 economies participating in the ICP Asia Pacific, was a first for the ICP since its inception in 1968. The PRC and India's participation significantly increased the coverage of the 2005 round. **Second**, the challenges brought about by the diversity of the 23 participating economies in terms of size, geography, and statistical capacities were not deterrents to the successful implementation of the program, as you all worked concertedly to generate price and national accounts data that are broadly comparable. The difficult challenges in developing a common list of products to be priced across the region brought about by the huge variety in the types of goods and services produced and consumed in different parts of the region were matched only by your unstinting determination. Amid a spirit of harmonious cooperation, ICP Asia Pacific surmounted the obstacles and was able to formulate the needed regional product list. **Third**, the PPP estimates in this round are far more robust than previous rounds because of improvements in methodology, data collection, data review, and data processing. As a result, we now have the most comprehensive set of estimates to make meaningful cross-economy comparisons among the ICP Asia Pacific participants. Finally, ICP Asia

Pacific established the technical know-how in the economies and in ADB itself; and institutional capacities were created on which future ICP rounds could build on.

ICP Program Implementation

At this point I would also like to recognize the Regional Advisory Board (RAB), which is the highest policymaking body that established regional goals, priorities, objectives, and processes for the implementation of the ICP Asia Pacific. The RAB played a central role in the conduct of the ICP Asia Pacific. A key early decision of the RAB that had a profound impact was to have the participating economies agree to a framework of partnership rather than sign a memorandum of understanding to join the 2005 round. As you may recall, the framework of partnership was discussed and agreed upon in the first Meeting of the Heads of the National Implementing Agencies held in June 2003.

The RAB maintained transparency at all stages of the program as it stayed in close consultation with you in all aspects of the ICP process. In the past, the ICP was organized and managed from the top down, with important decisions made by the global coordinators. In contrast, the new framework is a partnership-based program—aptly called Framework of Partnership—with no single agency playing a dominant role.

This partnership propelled the ICP Asia Pacific to a good start. The rest is history. Though composed of highly diverse economies and cultures, ICP Asia Pacific was implemented successfully, thanks in great part to the spirit of collaboration and camaraderie among you, the participating economies.

The release of the preliminary PPP results tomorrow, 31 July, is a testimony to your unwavering efforts, support, cooperation, and creativity despite the substantial increase in workload. This teamwork was fostered by the frequent interactions during several workshops convened at various stages of the program—from the product list development stage, to the ToolPack training, to the data review, to the preliminary results review. The workshops enabled face-to-face interactions whereby concerns and issues were thoroughly discussed and solutions were identified. These would not have been achieved through electronic discussions. The discussions were also the venues for the liberal exchange of ideas and experiences among the economies.

ICP as a Capacity-building Platform

In its seventh meeting held in June 2007, the RAB singled out capacity building as the most defining aspect of this ICP round for the region. We believe that is true for both the economies and for ADB itself. In the ICP country profiles submitted to ADB, many economies acknowledged their ICP experiences as instrumental in improving capability in conducting price surveys. They upgraded data quality of price statistics not only for ICP, but also for consumer price indices (CPI) through more accurate product specifications and better spatial coverage of price surveys. The ICP exercise also helped developed the national accounts statistics in several of the participating economies. The use of the structured product description was instrumental in highlighting the need for tight specifications for accurate product identification, thus assuring comparability.

For ADB as the regional coordinator of the ICP Asia Pacific, capacity building was most crucial in acquiring the technical know-how in PPP computation and in adoption of new methodologies not discussed in the *ICP Handbook*. There were several problems encountered during the compilation of PPPs for several important basic headings including dwellings, compensation of employees, and construction. The procedures recommended in the *ICP Handbook* had to be reviewed and suitable new procedures devised in order to obtain meaningful PPPs and volume measures for these basic headings. For dwellings, first, the use of a “reference volume relative” was introduced. Second, a methodology for productivity adjustment of government compensation data was formulated. Third, the geometric mean (excluding outliers) was used to derive the W2 weights for aggregating construction systems to derive the PPPs for construction.

During estimation of GDP weights required for the 155 basic headings in the ICP, the participating economies reported that they found the ICP exercise very useful as they tried to harmonize the 2005 GDP estimates with the requirements of the 1993 System of National Accounts. This resulted in better comparability of GDP coverage among the participating economies. ADB hopes, though, that this ICP experience has also raised awareness of the need to further address data gaps, and improve surveys and other administrative sources of data used in national accounts compilation.

Some economies acknowledged the utility of ToolPack for CPI compilation. Bhutan, I am informed, has already started using the software for its CPI, while a couple of economies are also planning to do so.

There were also economies that indicated that their ICP experience has given them the confidence that statistics they generated through the ICP now meet international standards. They have also become more appreciative of the significance of PPPs. As an example, one country expressed its plan to launch its internal PPP exercise.

ICP Asia Pacific also introduced innovative approaches to ensuring data quality. The “What to Price” guide together with the colored product catalogs for more accurate product identification were distributed. The formation of separate Core Groups of Experts for the construction and equipment sectors was another pioneering step for data validation in these comparison-resistant sectors.

Concluding Remarks

Looking back at the experience of the past four years, among the more important lessons gained is how openness and transparency contribute to the success of a regional statistical undertaking such as the ICP Asia Pacific. We are happy to note from your ICP economy profiles that you found the ICP endeavor useful for both price surveys and GDP estimation. I am certain that the camaraderie and friendship built through personal interaction during the regional meetings helped in forging the rapport needed in coordinating this considerably large statistical undertaking. Many NSOs, I have been informed, are looking forward to the next ICP round. The explicit recognition that ICP Asia Pacific is all about relativities, and that one change will have a chain effect impacting on others, emphasized the importance of working together, trusting the credibility of each other’s data, and learning from each other.

As we come closer to the much awaited publication of the final PPP results, the bigger challenge of advocating and promoting the use of the PPPs comes to the fore. Surely, we all want to see the day when all our efforts are rewarded by the acceptance and use of the numbers from ICP Asia Pacific. We also want ICP to be integrated in the regular national accounts and price collection programs of the NSOs. We will all have the opportunity to discuss your ICP experiences today and hopefully, we can chart ICP Asia Pacific's future directions.

Again, let me thank all your governments, your agencies, your dedicated staff, and most importantly, you as heads of the ICP national implementing agencies, for your patience, initiative, and support that have enabled us to reach this stage of the project. I also thank all our consultants and the ICP Global Office for expertly advising and guiding ICP Asia Pacific to finally reach our goal of having the PPP results. Our gratitude, likewise, goes to AUSAid, DFID, JSF, and the World Bank for providing additional financial support to ADB to make this project possible.

Finally, I know all of you will join me in strongly appreciating the herculean efforts of Vaskar Saha, the regional coordinator of the ICP Asia Pacific, and his dedicated colleagues for their professionalism, dedication, and commitment to detail and accuracy. They are the heroes from ADB's side.

Thank you once again for your strong support and perseverance in bringing the ICP Asia Pacific to its penultimate, fruitful conclusion.