



INTERNATIONAL COMPARISON PROGRAM

TERMS OF REFERENCE

TASK FORCE FOR HOUSING (TF02)

September 2017

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1. Background

The 47th Session of the United Nations Statistical Commission (UNSC), held in March 2016, instituted the International Comparison Program (ICP) as a permanent element of the global statistical work program. Starting from 2017, the program will be conducted at more frequent intervals. The ICP Governing Board, in its inaugural meeting in November 2016, adopted the ICP Governance Framework and established a Technical Advisory Group (TAG) to guide the program's research and methodological developments.

The ICP TAG is a technical body, which (i) assures methodological soundness and overall quality of the purchasing power parity (PPP) estimates; (ii) ensures transparency of the PPP estimation process; and (iii) facilitates the establishment of a permanent and more frequent ICP rounds. The TAG, at its first meeting in May 2017, set forth a technical research agenda to inform future ICP comparisons.

The TAG is forming Task Forces on specific topics and inviting recognized experts on the practical application of index numbers, PPPs, price statistics and national accounts to take part in them, as needed, to develop concrete proposals to address the various research agenda items and support the computation of ICP results. The Global ICP Unit at the World Bank supports the work of the Task Forces.

This document outlines the terms of reference of the *Task Force for Housing* (TF02), including its scope of work, proposed membership, tenure and work modality, and deliverables.

2. Scope of Work

The *Task Force for Housing* works towards addressing the following ICP research agenda item:

PPPs and real expenditures for dwelling services

Estimation of PPPs for dwelling services posed formidable problems in the 2005 and 2011 rounds of the ICP. Cross-country comparisons in this area are difficult because of the varying mix between rented and owner-occupied dwellings, absence of reliable and regular rental surveys, and unreliability of housing expenditures and the absence of adequate imputation of expenditures for owner occupied housing in many countries. Consequently, methods based on rental survey data, as well as quantity or direct volume methods, were canvassed and used in the last two rounds of the ICP (Heston, 2013). However, the poor quality of rental data, housing volume indicators and housing expenditures was a major factor why the Asia-Pacific region had abandoned using data from these sources. Instead the real expenditures for that region were imputed using the reference quantity approach (ADB, 2013).

The problem with dwelling services was recognized in the UNSC Friends of the Chair (FOC) group report and its evaluation states: "... Several aspects make the comparison of housing expenditures challenging, for instance, the recording of housing expenditures and the significantly varying market situations from one country to another. There were substantial efforts from the regional coordinators and the Global Office to improve the methodology as well as input data (prices as well as national accounts figures) in this complicated area; however, the actual progress was rather moderate. Most likely the dual-approach for collecting both rental and quantity data needs to be maintained. Improvements in this area should primarily come from improvements in data quality and availability (price and dwelling stock data as well as national accounts data)." (Paragraph 36, E/CN.3/2016/9, UN, 2015).

The poverty economists at the World Bank have expressed their concern with lack of reliable data on dwelling services as it is an important item in household budgets. Thus, the poverty economists are keen to see reliable PPPs and real expenditures for dwelling services in the 2017 ICP.

The Global ICP Unit is making special effort to improve quality of data on dwelling services and identified the following items for immediate attention:

- Assess the quality of housing input data;
- Recommend additional housing quality indicators for data collection, where possible;
- Propose imputation techniques in cases of missing housing data;
- Suggest refinements and improvements to the existing methods for housing estimates to better account for quality differences; and
- Investigate the use of new methods for estimating housing expenditures, such as the user cost approach.

3. Membership

The *Task Force for Housing* will be formed of experts and/or practitioners in the field of index numbers, PPPs, price statistics and national accounts. They include:

- Alan Heston, University of Pennsylvania
- Bettina Aten, United States Bureau of Economic Analysis
- Inyoung Song, World Bank
- Kaushal Joshi, Asian Development Bank
- Liu Nan, National Bureau of Statistics, China
- Michel Mouyelo-Katoula, Independent Expert
- Niall O’Hanlon, International Monetary Fund (IMF)
- Paulus Konijn, Statistical Office of the European Union (Eurostat)

4. Tenure and Work Modality

The *Task Force for Housing* will have a fixed tenure of two and a half years (July 2017-December 2019), in-line with the timeframe of the assigned research item, which is as follows:

- PPPs and real expenditures for dwelling services: 2017-2019

The *Task Force* will meet physically at least once per year. It can also meet virtually if need arises. Members may also join the meetings of the IACG to discuss the operational implications and feasibility of their proposals, and the meetings of the TAG to present their findings and recommendations for the TAG’s consideration. The Global ICP Unit will provide access to necessary data and materials to facilitate the work of the Task Forces. Standard ICP confidentiality provisions apply.

5. Expected Deliverables

The *Task Force for Housing* is expected to present its proposed approach to the TAG; draft an interim report for discussion by the TAG; fine-tune and undertake further research and computations, if deemed necessary by the TAG; and prepare a final report with recommendations. If any methodological change is proposed, the Task Force should conduct and document an assessment of the impact of this change on the results. Specific deliverables include:

- Develop and apply approach and respective guidelines for PPPs and real expenditures for dwelling services.