

Partnership for capacity development in household surveys
for welfare analysis

LAUNCH EVENT

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Rome, June 19 2017

Good morning ladies and gentlemen,

On behalf of Governor Visco, I am pleased to welcome you all to the Bank of Italy in Rome. It is indeed an honour today for the Bank of Italy to host the distinguished representatives of the World Bank and of all the institutions involved in this important Memorandum of Understanding (MoU).

As part of its legal mandate, the Bank of Italy currently promotes technical cooperation with central banks and other institutions in the emerging countries. Through staff training activities and consultancy, the Bank aims at helping to improve the institutional capacities of the beneficiary institutions, establishing relationships that strengthen reciprocal ties. Moreover, the Bank is Italy's representative in numerous international organizations and institutions, such as the World Bank, cooperating with them in various ways, with the ultimate purpose of promoting international financial stability and a smooth functioning of the payment system. The partnership we are launching today is thus an integral part of this more general context.

The cooperation between the World Bank and the Bank of Italy in the field of statistics was not born today. In October 2015 another MoU between these two institutions was entered into. On that occasion, several areas of collaboration were pointed out: improving the availability, quality and cost-effectiveness of data production to inform policy making in low and middle income countries; engaging in research on subjects of common interest; promoting the harmonization of household surveys; and engaging other entities, such as research institutions and local academia, to give additional support to the abovementioned activities.

In this framework, our institutions co-founded the Center for Development Data (C4D2) in Rome, with which we have been working for the past 2 years. Let me now share with you my personal satisfaction in having contributed to launching a project that has organized such a wide and knowledgeable team of institutions which can significantly improve the statistical data for welfare analysis in developing countries and in our countries too.

Contributing to the achievement of a world free of poverty is the ultimate goal for which all economists should bear responsibility. To this end, economic growth, although necessary, may not be a sufficient condition for everyone to make progress. Nowadays there is great concern about the possible effects of technical progress and globalization on inequality. Both in developed and developing countries, political institutions must constantly monitor the different segments of their populations to ensure that no one is left behind and promote a shared prosperity. In this perspective, sample surveys acquire a strategic role. Cooperation in this field arises from the awareness that macroeconomic data are not enough for economic analysis. It is essential to look at the distribution of phenomena and not only at averages, in particular when dealing with household welfare and inequality.

Microdata derived from household surveys are not only a powerful descriptive tool; they can be employed in more complex statistical analyses to study how variables as different as an individual's occupational status, social environment and personal values relate to consumption and

saving behaviour. General models can thus be adapted to new scenarios and to the measures referring to estimated subgroups.

Throughout its history, the Bank of Italy has been an active producer of statistics, and in particular of household survey data. In June 1947 the then Governor Luigi Einaudi, during the work of the Constituent Assembly of which he was a member, advocated the need for collecting information on the standard of living of Italian citizens. By the 1950s, the Bank of Italy had already worked with Doxa, a private company, on conducting surveys on household finances. In the early sixties, the Bank of Italy conducted several pilot surveys on the income, consumption and savings of Italian households and in 1966 the first official survey was conducted. Since then, the Bank of Italy has interviewed almost 200,000 households in what is now called the Survey on Household Income and Wealth (SHIW), collecting biannual data on several aspects of economic behaviour.

SHIW data have been often used in the Bank of Italy to carry out structured research projects on the main economic themes, like saving and consumption behaviour, ageing and the pension systems, distribution of wealth, measures of well-being and financial vulnerability. Moreover, the availability of a database containing a large amount of information on Italian households has enabled policy measures to be evaluated, thereby contributing to an informed public debate.

Thanks to the free availability of anonymous microdata, survey data have also been widely used for academic research. A recent bibliography of scientific works that over time have used the survey data included over 800 articles by more than 450 authors at the end of 2016. This has improved the accountability of the Bank and enriched the economic debate.

Over the years, the Bank of Italy's statisticians have explored the methodological issues of the SHIW in detail, focusing both on its potentials and pitfalls. While a standard methodological report allowing for the analysis of standard errors is always attached to each survey report, specific studies have been carried out on various topics, like unit non-response, measurement errors, under-reporting and micro-macro reconciliation. This long experience has taught us that in sample surveys the adoption of best practices in the collection of survey data can significantly increase the reliability of estimates. Moreover, if the move towards the standards is widespread, comparisons are also positively affected by the change, adding value to each statistical source.

For a number of years the Bank of Italy has been promoting projects aimed at harmonizing SHIW data with those obtained from other surveys, such as the Luxembourg Income Study and the Luxembourg Wealth Study. In recent years our survey has become part of the Eurosystem's Household Finance and Consumption Survey (HFCS), coordinated by the European Central Bank. The HFCS includes harmonized surveys on household income and wealth from 18 euro-area countries, as well as Poland and Hungary. The network of participants has proved to be a very valuable forum for exchanging experiences in conducting surveys and fostering the adoption of uniform best practices. We hope the expertise acquired on these technical grounds can be useful for the present project.

In fact, at the present time, survey data do not always share common standards regarding sampling, coverage, definition of variables or valuations and estimation methods as more standard statistics like national accounts do. This is particularly true in the developing countries, which often face peculiar difficulties in conducting sample surveys, due to a lack of population lists, logistic problems in territories, and so on. Improving the availability of reliable data production is a valuable ingredient for promoting evidence-based policy making; this is why, although it is a costly exercise, it is crucial for low and middle-income countries to invest in this field.

The cooperation starting today will initially focus on training with the objectives of improving the quality and coherence of international training for statistical capacity building on microdata, and of supporting training activities in these fields based in low and middle-income countries.

In particular, the project will implement a training program for statistical capacity building in household surveys, through some week-long training courses and workshops, to be held in the Bank of Italy's premises, and with training sessions in various statistical training centres in Africa. By adopting a training-of-trainers (ToT) approach, the project will exploit a multiplier effect, spreading the ability to deal with sample surveys beyond the participants and reaching a large number of low- and middle-income countries.

A further and no less important aim of this project is building a network which includes experts from many developed and developing countries. The exchange of experiences can be beneficial for improving statistical capacity in household surveys and fostering convergence towards common standards.

Let me conclude with the words of Luigi Einaudi which have often been quoted by those who have succeeded him as Governors of the Bank of Italy. All policymakers, all institutions should base their *modus operandi* on the principle 'Conoscere per deliberare' (know, then decide).¹ It expresses the need for a policy based both on knowledge and data, as can be derived from microsimulation model estimations when analysing alternative scenarios and policy measures.² Einaudi would certainly have approved the efforts we are all making in pursuing this current project. He would also have appreciated the presence of a number of important Italian institutions here today. It is important that the Bank of Italy is not alone in this endeavour. Cooperation with the Italian Ministry of Foreign Affairs and International Cooperation, the Italian Agency for Development Cooperation, the Italian National Institute of Statistics and the Italian National Institute of Health means fostering dialogue among different disciplines and recognizing the multidimensional nature of human well-being, the measurement of which is the aim of household surveys. Yet it also testifies to the commitment of leading Italian public institutions to working together to strengthen our cooperation with developing countries.

¹ L. Einaudi, *Prediche inutili*, Opere di Luigi Einaudi, Volume II, Einaudi, Turin, 1964 (first edition 1956).

² See for example Ando and Nicoletti Altimari, 'A microsimulation model of demographic development and households' economic behaviour in Italy', *Temi di discussione (Working Papers)*, 533, 2004, and Michelangeli and Pietrunti, 'A microsimulation model to evaluate Italian households' financial vulnerability', *Questioni di Economia e Finanza (Occasional Papers)*, 225, 2014.