REPORT

on the training for officials of the Department of Quality Life Statistics
of the Committee on Statistics of the Azerbaijan Republic

Development of a model set of questions for the household budget survey

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Introduction

The training was devoted to the development of a model set of questions for HBS. Two presentations were presented, which were based on the report "Developing a model set of questions for the household budget survey" for the second phase of the UNECE project and covered the following topics:

- Analysis of country surveys of household budgets in order to harmonise survey questionnaires.
- Development of a model set of questions for HBS.

The first part of the training included general developing questions, as well as the development of separate sections, in particular, modules on expenditures, incomes and deprivations. In the second part of the training, after the presentations, a discussion of individual issues was held.

The first part of the training: presentation of the model questionnaire

General issues

The main objective of the training on general questions of the development of the questionnaire was to provide information on the main principles that were used as the basis for developing a model set of questions and other generalised information.

As a general information, the experience of the household survey in the countries considered in the report was presented. Then we talked about the basic principles that were used as the basis for developing a model set of questions on expenditures, incomes and deprivations in a sample survey of household budgets, such as:

- comparability of questionnaires with SDG indicators;
- classification of expenditures, incomes and deprivations based on certain principles;
- implementation of the coding of expenditures, incomes and deprivations;
- ensuring the maximum possible harmonisation under the given conditions.

Information was provided on the Sustainable Development Goals in the area of poverty and inequality, as well as the indicators that measure them. The consultant, presenting his approach, stressed that all sections should be subject to classification and coding, and showed how this can be done. They were explained that as a result of applying a uniform approach, but taking into account the peculiarities of countries, the greatest harmonisation in terms of both expenditures and household incomes is possible at the class level.
Household consumption expenditures module

The objectives of the training in presenting this module were:

1. Clarification of the content of the proposed integrated functional-purpose approach to form of the Quarterly Questionnaire on Household Expenditures.

2. Discussion of possibilities for harmonisation of the Model Questionnaire and the Questionnaire of Azerbaijan on household consumption expenditures at the level of COICOP classes.

In explaining this module, the consultant explained the essence of the proposed integrated functional-purpose approach to form of the Quarterly Household Expenditure Questionnaire. In particular, the main purpose of the Model Questionnaire for household consumption expenditures was identified. It should provide information on the aggregate amounts of household expenditure (including for SDG indicators) in a form that ensures comparability of data obtained by national statistical agencies and their correct comparative analysis and generalisation. The questionnaire is designed to ensure:

- accounting for data on the total amount of household expenditures for a certain period (quarter), as well as on household expenditure by main sections, groups and classes of expenditure in accordance with COICOP;
- conditions for harmonisation of national household consumption questionnaires at the level of expenditure classes through a uniform methodology (structure and content of questions, coding and aggregation of expenditure data).

The structure of the Model Questionnaire includes the following ten modules.

I. Nutrition.
II. Non-food products of individual consumption.
III. A home.
IV. Doing housekeeping.
V. Education.
VI. Health care.
VII. Transport services.
VIII. Recreation, entertainment and social and cultural events.
IX. Other goods and services.
X. Other financial expenses.

In accordance with the provisions of an integrated functional-purpose approach to describing and accounting for the basic functions of household consumption, the questions on all expenditures related to a particular consumption function are aggregated in one module.

Classification and coding of household expenditures is carried out in accordance with COICOP, which is designed to create the conditions for the greatest possible harmonisation at the class level. In this case, the consultant showed the links between modules and sections of COICOP.

The consultant also noted that the Questionnaire assumes consideration of psychological factors during the interview. To do this, it is suggested to include in the statistical forms filled in by household members (Diary of Daily Expenses and the Journal of Accounting for Quarterly Expenditures and Incomes), sufficiently
detailed “tips and reminders” on the main items of expenditure, and to provide details of expenditure items at the class level.

The questionnaire is based on the main approach to determining the expenditure of households – on the acquisition of goods and services, and therefore it does not reflect the stocks of basic food (as well as non-food) goods.

The issues of competence of national statistical agencies were also outlined, in particular, they include:

- setting up the period of the expenditure survey – two weeks, a month, a quarter;
- compilation of the Diary form of household daily expenditures;
- inclusion into the lists of food products of specific (“national”) products, but within the overall codification of COICOP;
- the ability to determine expenditure with two approaches (on acquisition or actual use) and, accordingly, the ability to monitor the dynamics of stocks of basic food products, by including relevant issues in the questionnaire;
- specification or aggregation of expenditures by category within the general classes in accordance with COICOP.

**Household income module**

The objectives of the training in presenting this module were:

1. Identify both common features and differences in income sections in the questionnaires of the analysed countries.
2. Consideration of approaches to the classification and coding of household incomes.

Presenting the results of Analysis of countries’ HBS Questionnaires, the consultant stopped on both the general features and the differences in the questionnaires of the analysed countries. He noted that:

- In most of the questionnaires at the first level, the income from labour, from property, from sales, as well as various benefits and transfers are allocated as sections. The number of the main income components varies from 13 to 42 (approximately, since there are additional specifying sub-components);
- there are rudiments of income classification of through coding or numbering of questions, but as a whole it is absent;
- the aggregated structure of income is comparable to a large extent.

Then he paid attention to the specifics of the development of household income section in HBS, in particular, he spoke about the need for a clear hierarchical income classification. The consultant explained that the income question is based on the classification proposed in the Canberra Group Handbook, in accordance with the Guide on Poverty Measurement, supplemented by ESSPROS for current transfers. He stressed that the purpose of introducing an uniformed classification was to unify the monetary indicators for calculating the indicators of poverty and inequality of SDG 1 and SDG 10, and in particular, the amount of disposable income – the amount of primary incomes and net amount of current transfers.

The consultant noted that a separate issue is that, in accordance with the recommendations of the Canberra Group Handbook, social transfers received in kind are not included in the calculated disposable
income. The answer options should also take into account the source of origin for payment, as recommended by the above handbooks (for example, the government, the private sector, non-profit organisations, households and receipts from abroad), and the type of payment – in cash or in kind.

Separate attention was paid to the fact that in many questionnaires analysed the level of detail of current transfers is much more higher than the Canberra Group Handbook suggests. Therefore, the consultant separately explained in great detail on the modified classification of current transfers.

**Deprivations module**

The objectives of the training on deprivations module were the following:

1. Discussion of premises and reasons for developing model module on deprivations. Analysis of comparability of deprivations questions in CIS questionnaires.

2. Discussion of Azerbaijan’s HBS module on deprivations: identification of differences between model questionnaire.

The consultant pointed out that CIS questionnaire contain a number of similar questions on deprivations, however the wording of questions is somewhat different between countries. He mentioned examples showing similarities in EU SILC questions and CIS countries’ questionnaires. The consultant mentioned that eight of eleven countries have separate modules on self-perception of poverty. He concluded that there are certain premises to develop a model questionnaire.

The consultant emphasised that development of module on deprivations is important for valid assessment of multidimensional poverty and monitoring of SDGs’ achievement. The model deprivations module is invoked to solve the problem of gaining complex and reliable information about deprivations. The model questionnaire contain a minimal set of questions in order to ensure comparability and ease the implementation process. With that, countries are able to add questions relevant to their social and economic situation. The model deprivations module is as well aimed at collecting information necessary to track the SDG indicators. The consultant concluded that the majority of deprivations calculated by EU SILC are relevant to CIS region and can be easily generalised.

**The second part of the training: discussion of selected issues**

After the presentation, a number of issues were discussed, the content of which is summarised below.

**General issues**

1. What indicators of SDGs (poverty and inequality) are already calculated? What is the methodology and other materials?

**Comment:** Only general poverty based on consumption expenditure is calculated, the national line is tied to the subsistence level. Other indicators are just starting. In particular, the representative of the Committee asked to explain the calculation of poverty for the international poverty line ($ 1.9 per day per PPP) and for metadata of basic services: access to clean drinking water and quality of food.

With regard to the Committee’s request, the consultant checked the calculation of poverty indicators according to the international poverty line (USD 1.9 per PPP) and found out that the Committee on Statistics was applying the correct methodology, but the error was found in the PPP coefficients. The consultant informed the representatives of the Committee on Statistics how to check the PPP data at the World Bank website.
With regard to access to basic services, it was explained that metadata had recently appeared on this indicator, which were considered together with the representatives of the statistical committee.

2. How is the coding and aggregation processes of all questions and indicators in all forms implemented?

Comment: Software adaptability is significant, forms can be easily changed. The encoding is for expenditures only (COICOP), there is an encoding for the HBS software - so-called income and expenditure specification. Later these specifications were submitted to the consultant for use in the work.

3. What other methodological documents are there? For example, in Form 3 there is a reference to the instruction (question 9.4). Is there a Reference Book of income and expenditure?

Comment: There is an instruction that was later submitted. The income and expenditure guide does not exist, but it is replaced by the above specification for income and expenditure.

Discussion of the consumption expenditures module

4. What approach to the definition of expenditures is used in Azerbaijan: on acquisition or actual use? What is the relationship to stock recording?

Comment: It was explained that in Azerbaijan the approach is based on acquisition. Accounting for stocks in the statistical forms for the survey of household budgets is not implemented.

5. How does the current composition of the Quarterly Questionnaire of Azerbaijan correspond to the proposed Model Questionnaire?

Comment: Currently, in the Quarterly Questionnaire, 6 sections (Nos. 1 to 7, with the exception of Section 5) provide data collection on consumption expenditures by households. Several sections are similar in content to the sections of the Model Questionnaire. Section 7 is of an integrated nature – it presents expenditures for several types of services. If the integrated section is divided into separate sections - on education expenditures, transportation services and other financial services, as well as expenditures for culture and recreation (including expenditures for commemorative events), the composition of the Quarterly Questionnaire of Azerbaijan will become very close to the composition of the Model Questionnaire.

6. How is the classification and coding of the COICOP reflected in the Questionnaire of Azerbaijan?

Comment: COICOP is the basis of the Quarterly Questionnaire of Azerbaijan, but to simplify the entry of codes into statistical forms, the Quality of Life Statistics Department has developed "keys", as well as the Expenditure Specification on the basis of which the COICOP expenditure is aggregated. The conformity of COICOP codes and "keys" can be seen in the HBS Guidelines.

7. What criterion is used to classify the place of purchase of goods (service) when filling out the Diary of Recording of Daily Expenditures and a Memory Book for recording quarterly expenditures? This division into "organised and unorganised trade"? or "state and non-state trade"?

Comment: The "store, trade stall" (organised trade) means officially organised trade objects. Goods purchased from the hands and from individuals on the streets are considered "from citizens, from hands" (unorganised trade).
8. What are the differences in the rules for filling in the Daily Expenditure Diary and the Memo for recording quarterly expenditures?

Comment: The HBS Guidelines and the Example of filling in Expenditures for the Purchase of Goods and Services in the Diary states that the Diary records household expenditures on food products, as well as a number of the most frequently purchased non-food items and individual services no more than 5 manats). An indicative list of these goods and services is given in the Diary. In practice, households most often fill out all actual expenditure on food in Form 2 ("Daily Expenditure Diary"), and all other expenditures in Form 4 ("Memory Book for Recording Quarterly Expenditures and Incomes").

9. What are the real possibilities for harmonising the proposed model and national questionnaires on household consumption expenditures at the COICOP class level: how flexible is the software, will it allow groups and classes to be transferred between sections, and also aggregate data for separate functional-purpose modules of expenditure?

Comment: There should be no fundamental difficulties in the harmonisation of questionnaires, since both questionnaires are based on a unified COICOP methodology, the acquisition approach and the principle of sufficient detailing of expenditures at the level of classes (and categories), as well as coding expenditures strictly in accordance with sections, groups, classes and categories of COICOP. The software is flexible enough and easy to reconfigure.

Discussion of the income module

10. What are the indicators of household income calculated? Is there an indicator of disposable income? Clarify the calculation procedure.

Comment: The disposable income is not calculated. With respect to the calculated income, publications were submitted later. Tables from publications were used in the report.

11. How is the source of payment determined? What is the classification?

Comment: there is no direct indication of sources by origin, in some cases there is mentioning of individual sources by origin.

12. Does any indicator (disposable income) include transfers in kind?

Comment: Yes it does, specific questions were shown.

13. What is the methodology for recalculating natural indicators in value terms?

Comment: In some cases, prices for goods and services are compared with market prices, where they are not exist, interviewers rely on the assessments of the respondents themselves.

14. What is the difference between the terms "entrepreneurship", free professional activity and self-employment?

Comment: representative the Committee agreed that the term should be clarified.

15. Is it possible to uniquely define the functional purpose of social transfers? What laws govern the benefits award? Can I get them?
Comment: After discussion, we agreed that it was not very difficult. Unfortunately, the laws are in the Azerbaijani language. However, if necessary, the staff of the State Committee will clarify after receiving the report.

16. What is included in the income from a personal agricultural farm – sale or net income?
Comment: Definitely – net income. It was shown in the Specification of income and expenditures as it is considered.

Discussion of the deprivation module

17. Availability of deprivation assessments in the current statistical forms of the household budget survey of Azerbaijan,

18. Development of unified forms for evaluation of deprivations, based on current statistical forms and developed within the EU-SILC.
Comment: On these issues, the consultant together with the representatives of the Committee on Statistics made a brief overview of the current and developed forms. The consultant proposed a number of recommendations that were discussed in the framework of the training. General recommendations include:

– Creation of sets of new questions on material deprivation, reduction of the list of durable goods to six denominations reflecting basic deprivations.

– Creation of blocks of questions on accessibility of the Internet, social benefits, preschool and school education and public health services.

– Adding a number of housing issues that assess deprivation

– Adding a block of questions on poverty self-assessment.

In general, mutual understanding was reached with the representatives of the State Statistics Committee of the Republic of Azerbaijan regarding the proposed recommendations.