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focusing on... **Informal Sector**

focusing on...
Informal sector

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The relevance of the Informal Sector in the National Accounts

The estimation of the Informal Sector (IS) in official statistics is one of the most relevant issues to be tackled to guarantee the exhaustiveness of the National Account estimates. The conceptual definition of this item comes from the SNA93, that describes, for the first time, the so-called Non Observed Economy (NOE). The SNA93 and the OECD Handbook identify three components in NOE: illegal economy, underground economy (i.e. legal activities unknown to the public authority for Fiscal or Social security contribution evasion) and informal sector, regarding those activities characterized by low level of organization with limited or inexistent division between work and capital, and working relationships often based on occasional collaboration such as family relationship or friendship (including household production for own final use). The informal sector is directly linked to the main objectives of development (increased production, job creation, combating poverty), being consequently so relevant in developing countries.

Istat experience on the Informal Sector estimation and its role in the international cooperation

Istat was the first NSI to develop a systematic approach to estimate NOE. For this reason, Eurostat used its experience in many countries. At the beginning it was tested in Eastern European countries and CIS countries (Russia, Caucasian countries, Central Asia countries), and afterwards in China and Mozambique. It is important to stress that during these activities, Istat experts acquired a very important knowledge to update the same Istat approach taking into account very different economic and social situations, especially to improve the methodology for the estimation of the IS. Consequently, a specific questionnaire was designed and used in China and Mozambique where a specific sustainable approach has been implemented.



by

Manlio Calzaroni

Marco Di Zio

Giorgio Della Rocca

Istat



A survey on Informal Sector: the case of Mozambique

In Mozambique the majority of economic units concerned with the NOE phenomena are included in the informal sector. The lack of other informative sources suggested to carry out a specific survey directly measuring IS (INFOR04) in order to improve the knowledge on its characteristics. However, due to the continuous changes in the IS, the update of information proves to be a fundamental aspect. Implementing a survey on a regular basis to study the IS is of course a solution, but rarely feasible, because of its high costs. Consequently, a two-step approach was experimented in Mozambique: in step one a specific sample survey on IS was designed and implemented in 2007 (INFOR04); in step two, an ad-hoc module attached to the Household Budget Survey 2008 was used to update information on IS.

The INFOR04 Survey

A key step was to design the questionnaire on the basis of the socio-economic framework of the country.

The starting point was not to ask the interviewer to decide whether the respondent belonged to IS but to ask him/her to propose questions to the respondent following a set of

filtering rules that, step by step, would help researchers to identify people belonging to IS; hence a questionnaire filter area was designed. In this module, questions about the recording of the activity in any register (at national and/or regional level, at the tax agency, etc.) were considered. In addition to the module, other modules of the

questionnaire asked for the characteristics of the job such as the kind of activity, the plot production etc.

Once a sample of households was interviewed, data were registered by CPro, a public-domain software package. The next steps were routine ones: check data in order to detect and correct errors; impute partial non-response through random hot-deck and weight adjustment to match the known total population available from the census.

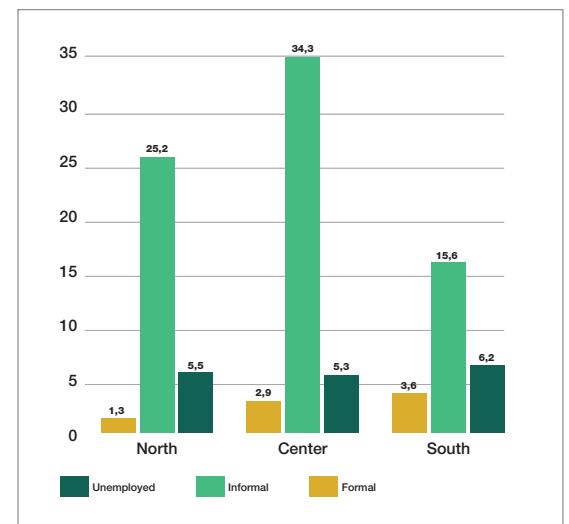
Results were analyzed and validated by the Mozambican experts.

The figure shows the importance of the informal sector that actually is the largest part of the Mozambican labor force.

An indirect estimation of Informal Sector: the experience of the 2008 Household Budget Survey

Since to run an IS survey every year is not sustainable, a sub-optimal solution was found in taking advantage of some other already planned surveys to gather information on, at

least, the most important variables featuring the IS. It was decided to include in the questionnaire of the



Distribution of labor force by activity type and geographic areas

Mozambique

Capital: MAPUTO
 Surface 799.390 km²
 Population (PHC 2010) 22,416,881
Estimates 2009
 GDP crt.p. (Million US\$) 269,346.1
 GDP per capita (US\$) 454
 Language: Portuguese
 Source: INE



João Dias Loureiro
President
of Instituto Nacional
de Estatística
(INE Mozambique)



interview with João Dias Loureiro



CHALLENGES FOR A YOUNG STATISTICAL SYSTEM

by
Salvatore Favazza
Tiziana Pellicciotti
Istat

Mr Loureiro, when you have been called for the first time to lead Mozambican statistics in 1996, you found a very young Institution in a very young pacified country. Which are the major changes occurred since then in the statistical system and the major challenges you had to face?

Well, 1996 to 2011 is 15 years. For many statistical institutions it is not much of an age, Istat for example is 70 years older, but for INE 15 years is what we have had and what we have used to come this far. Mozambique gained its independence in 1975 and thus is only 36 years old as an independent state. So much has happened during this time, but if I concentrate on statistical achievements since 1996 numerous new surveys have been launched, among which I would like to mention: General Population and Housing Censuses in 1997 and 2007; Household budget and expenditures survey in 1996/97, 2002/03 and 2008/09; Demographic and Health Survey in 1997 and 2003 (with the third round going on just now); Agricultural Censuses in 2000/01 and 2009/10; Business Census in 2002/03 with consecutive updates; Integrated Labour Force Survey in 2004 and 2011; Informal Sector Survey 2005 (to be repeated this year) and Census of Non-Profit organizations in 2004, conducted with Istat technical assistance; National Accounts according to SNA93 and now 2008; Consumer Price Index.

All these activities have been carried out launching instruments for data collection on the Economic Sector, consolidating coordination between the producers of official statistics, fine-tuning data dissemination methods, creating and fine-tuning our classifications, nomenclatures and statistical concepts. In addition, we created a National Statistics School within INE with both long-term diploma courses and short term practical courses for the whole statistical "community".

INE has secured the functioning of the 11 provincial offices and the total number of officials has more than doubled during the period. A main challenge has been to raise the level of competence in our staff. This has been obtained by supporting long-term studies at national and international universities; by an extensive programme of short-term courses and by stimulating on the job training. INE jumped from 8% of professionals in 1997 to 38% in January 2011.

Many of the achievements during this period have been made with direct assistance of international partners. Among the others, I would like to mention the Non Profit Institutions Census made with ISTAT support, the first in the entire African Continent following the latest international recommendations. This experience was shared with all SADC countries.

The National Statistical System (SEN) strategic plan includes "Ameliorate the institutional capacity to afford the new challenges driven by the users". Which are these challenges and, more in general, which are the priorities INE has to tackle in the near future?

The development of statistics has to be done in line with the needs of the users. It is not very rational to produce statistics that no one uses. But users have to be given time to mature, and in a country like Mozambique you really have to show potential users why and how, they can benefit from good quality statistics. INE has really worked on this issue. Seminars have been given for journalists, politicians and university students. For a long period INE had a weekly column, in a major newspaper, explaining the concepts of statistics. Analytical work has been done with national universities and now statistics can be accessed through SMS services on cell phones. All of this increased exposure is at the same time creating new challenges and a raised demand on new and more timely statistics. This is valid for our relations with users in general. But looking at the government we also have new challenges to meet. A political mantra of today is that the districts are the core of development and that has forced us to create a third level of statistical building. We call it Territorial Statistics or Regional Statistics and the idea is to create focal resources in the districts administrations (there are 148 of them) helping to both collect and disseminate statistics in acceptable ways.



This is a great and prioritized challenge which still has not been fully completed, needing a lot of attention during the coming years; but we feel that we are moving into the right direction.

In Mozambique a number of donors has created in 2008 “the Common Fund for Statistical Development” which is managed by INE and aims, besides providing technical support, to build leadership and ownership.

How do you find this approach? Which are advantages and disadvantages?

Traditional bilateral project support has the advantage that funding is predictable and always accessible without delays. The disadvantage is the tendency of splitting up the institution in separate parts with its own activity planning, budgeting, follow up and auditing. In the long run all financing of INE of course should come from the state budget in a planned way, but currently this is still not possible in Mozambique. As an intermediate arrangement we, and our partners see the Common Fund modality as a useful and viable alternative combining flexibility with predictability and transparency. The Common Fund is also a forum for discussions, avoiding the fragmentation that previous support modalities created. Presently the Common Fund partners are Canada, Denmark, Italy, Norway, Portugal and UNFPA, currently with Italian Cooperation leading the cooperating partners and the President of INE as chairperson of the Common Fund Steering Committee which governs the statistical work plan and respective budget approved by the Statistical High Council and financially supported by the Common Fund. It has been a very good experience of involvement of cooperating partners in terms of technical assistance in the area of statistical development. A couple of African countries asked us for copies of the MOU which sets our Common Fund for Statistical Development after learning about this successful arrangement of Donor Coordination.

These days INE web site publishes an appeal to contribute to the revision of the law. Which are the major needs for the change and why you have chosen such unusual but extremely interesting participatory approach?

The first time you make something you have to have very good luck if it is perfect. When the Statistics Act (Law no 7/96) was passed by the Parliament, we combined internal and national requirements with best international practices. The result has served well the development of the National Statistics System in Mozambique and we have not perceived any major difficulties with this legal framework. But even a good thing can be made better. As an example, more emphasis can be put on user participation to further comply with the intentions of the African Charter of Statistics adopted by the African Union in February 2009. By using our website we are in fact gaining a lot in terms of users' participation, particularly the international users. They participated in the updating of Mozambican Statistical Act project and at same time they got familiar with our National Statistical System.

interview with
João Dias Loureiro



Albania

Support for the alignment of Albanian Statistics with EU standards

Implemented by: Istat (main contractor), Statistics Sweden, MIPA
Financed by: European Commission
Duration: March 2010 - December 2012

The objective of the project is the reinforcement of INSTAT capacities in National Accounts, the implementation of the economic census of non-agricultural enterprises and the agricultural census. The project has been recently extended until December 2012. The main results achieved at this stage of the project are a) compilation of annual, quarterly and regional accounts and institutional sectors accounts, b) the conclusion of the census of economic enterprises, the start of the scanning process and of the main parallel activities - verification of data, codification, data editing programme, definition of the strategy for the update of the register, definition of criteria for data dissemination - and c) development of the methodological framework of the Census of Agriculture Holdings and of the strategy for medium-term development of agriculture statistics towards compliance with EU standards. A public event with the release of first provisional results of the economic census is foreseen by the end of June 2011.

Bosnia Herzegovina

Household Budget Survey 2007

Implemented by: Istat
Financed by: Italian cooperation Ministry of Foreign Affairs
Duration: June 2007 - July 2011

The project started in 2006 with the aim to implement the second Household Budget Survey in 2007 and to increase the capacity of the Bosnian Statistical Institutes in the sector of Consumer Price Index. The HBS 2007 survey was successfully achieved and the project has been extended until July 2011 in order to allow the follow-up of last activities on Consumer Price Index concerning management

and maintenance of the CPI software application.

Cameroon

Implemented by: Istat
Financed by: Minader, Cameroon
Duration: July 2011 - July 2013

Istat is working with Minader – the Ministry of Agriculture and Rural Development of Cameroon, to the definition of a plan of technical assistance activities aimed at supporting the Ministry in the field of economic accounts of agriculture and agricultural income index. A first mission of Istat experts is expected to take place in July 2011.

Kosovo

Technical assistance to the Statistical Office of Kosovo for the preparation of Population and Housing Census (EU-CEP2011)

Implemented by: Istat (main contractor), CIRPS-Sapienza University of Rome, ICON-Institute Public Sector and Rrota.
Financed by: European Commission
Duration: May 2010 - November 2012

The project aims at the improvement of the capacity of the Statistical Office of Kosovo (SOK) for the preparation and implementation of the first Population and Housing Census of the Independent Kosovo and for the dissemination of its results.

The census was carried out from 1st April 2011 to 19th April 2011. A post enumeration survey was also fully designed and introduced in this first census of Kosovo; it was started on 18th April in the areas where the census was already completed, and ended on the 28th of April 2011. A census website has been fully conceived and launched (<http://esk.rks-gov.net/rekos2011/>). The dissemination of preliminary results will be done by the 30th June, as states by the Kosovo Census Law. In the meanwhile, the Census questionnaires are being coded, in view of the starting of the Data Entry process foreseen at mid-July 2011. From 6th to 8th June a Study Visit to Rome of high level managers of the Statistical Office of Kosovo

has been implemented on “Using census results as a benchmark for other statistics”. SOK Census Directors were hosted two days in Istat to discuss: the role of the Population and Housing Census in the production of official statistics; strategies for the Census communication and data dissemination; and relevance of a deep data analysis of results in line with the international standards. The last day they met CIRPS-Sapienza University of Rome Director and Researchers in order to analyse the methods and tools for disseminating spatial census data.

Mediterranean

Statistical cooperation in the Mediterranean Region (MedStat -Phase III)

Implemented by: Adetef (main contractor), INSEE (France), ISTAT (Italy), ONS (UK), INE (Spain), INE (Portugal) KSH (Hungary), Statistics Lithuania, InWent (Germany), ICON - Institut (Germany), Sogeti (Luxembourg) DOS (Jordan), HCP - DS (Morocco)
Financed by: European Commission
Duration: April 2010 - December 2013

The project builds its objectives on the achievements of the two previous phases of the Euro-Mediterranean Statistical cooperation to further strengthen national statistical systems of beneficiary countries and to promote harmonisation with EU and international standards in the six thematic sectors: agriculture, energy, migration, social statistics, transport, trade and balance of payments, plus two horizontal sectors, training and dissemination. Technical assistance and training activities, started in the second half 2010, continues for all the project components. Within the component Agriculture, Istat is in charge of the oncoming training course for the questionnaire design.



6-8 June 2011: delegation from Kosovo on **“Using census results as a benchmark for other statistics”**

6-7 June 2011: delegations from Albania and Montenegro on **“Economic Agricultural Accounts and Agriculture Price Statistics”**

16–20 May 2011: delegation from Palestinian Central Bureau of Statistics on **“Impact of Sampling Frames Update on Data Quality”**

7-8 March 2011 and 18-19 May 2011: delegations from the Former Yugoslavian Republic of Macedonia, Croatia, Serbia, Bosnia Herzegovina and Kosovo on **“Farm Structure Services data transmission issues Price Statistics”**



In partnership with...

FAO - Statistics Division
Duration: October 2010
October 2013

The Memorandum of Understanding with FAO recognizes the importance of the establishment of international standards, norms and classifications for the production and dissemination of high quality statistics, and the need to strengthen the cooperation between international and national organizations to enhance the understanding and implementation of statistical methodologies and best practices. The Memorandum promotes joint research on estimation methods, integrated survey frameworks, innovative ways for survey conduction and GPS techniques, focusing on agriculture statistics and rural development.

Cape Verde - INE
Duration: June 2009
June 2012

The Memorandum of Understanding with INE focuses on agriculture statistics and census, agriculture accounts, sample surveys development of IT systems and infrastructures, methodologies and tools for strengthening the national capacity of the country's statistical system. It recognizes the importance to adopt and disseminate international standards, norms and classifications.

Cooperation with Cape Verde dates back to early 2000s, with the launching of the project 'Strengthening of the statistical system of the Ministry of Agriculture – Establishment of a permanent system of agricultural statistics'. The project, funded by the Italian Cooperation, was implemented by Istat with the Ministry of Environment and Rural Development and INE.

Tunisia - INS
Duration: December 2009 – December 2012

The Memorandum recognizes that an effective cooperation can contribute to the development of statistical systems, to a better understanding and a easier exchange of information particularly through the adoption of international standard methodologies, norms and classifications. The cooperation between the two institutes will focus on sector statistics (social, demographic, economics, environmental and national accounts), statistical methodologies, use of administrative sources and technical tools for statistical programming and coordination. The Memorandum has been signed during the implementation of a EU Twinning project (April 2008 – April 2010) on business statistics and register.



Agreements China – National Bureau of Statistics

A Memorandum of Understanding with NBS recognizing the importance and the need to strengthen the cooperation between international and national organizations to enhance the understanding and implementation of shared statistical methodologies and best practices is planned to be signed at the beginning of July 2011. The fields of mutual interest identified by the MoU are training, statistical methodologies, ICT and social and economic analysis, production of economic, social and environment statistics, use of administrative sources, Institution building, strengthening of the national statistical system with special focus on regional organisation.

Brasil - Fundacao Getulio Vargas

A Memorandum of Understanding will be signed with FGV with the aims of promoting joint research in the field of business cycle analysis, considering in particular the related areas of statistical methods, survey design and sampling techniques.

Tenders Bosnia Herzegovina - Support to the State and Entity statistical institutions, Phase V

Implemented by: Statistics Denmark (main contractor), Destatis, Istat, Statistics Finland, Statistics Lithuania

Financed by: European Commission

Duration: 24 months

The tender has been already awarded to the Consortium. The beginning of the project on business statistics, analysis of the first Household Budget Survey and institutional capacity building has been further delayed.

Montenegro – Improving Statistical information system

Financed by: EU through the European Union Delegation to Montenegro

Beneficiary: The National Statistical Institute of Montenegro (MONSTAT)

Maximum budget: € 1.200.000,00

Duration: 2 years

Estimated Commencement date: 1st October 2011

Istat is leading a consortium composed by the Statistical Office of the Republic of Serbia (SORS), Adetef (France) and European Profile (Greece) for the participation in the tender for the award of a Service Contract in Montenegro. The Consortium has been shortlisted and the technical and financial proposal should be submitted to the Contracting Authority by the 8th August 2011.

Serbia – Establishment of the Serbian Farm Accountancy Data Network (FADN)

Financed by: EU through the Delegation of the EU to the Republic of Serbia

Beneficiary: MAFWM (Ministry of Agriculture, Forestry and Water Management)

Maximum budget: € 2.200.000,00s

Duration: 2 years

Istat is member of a consortium, led by - ICON-INSTITUT Public Sector GmbH (DE) and composed by the Istituto Nazionale di Economia Agraria - INEA (Italy), AGROTEC SpA (Italy) and EPCCO doo (Republic of Serbia) for the participation in the tender for the award of a Service Contract in Serbia. The Consortium has been shortlisted and the technical and financial proposals were submitted to the Contracting Authority.

Project purposes: Establishment of a Farm Accountancy Data Network (FADN) in Serbia and improvement of administrative capacity according to EU standards and the Serbian Law on Agriculture and Rural Development

Turchia - Technical Assistance for Upgrading the Statistical System of Turkey Programme-Phase III

Istat intends to participate in the tender for the award of the above mentioned project, funded by the European Union through the Central Finance and Contracts Unit (CFCU) in Ankara.

Fields of interventions: business register system, social statistics, environmental statistics and accounts, macroeconomic statistics, business statistics and capacity building and institutional strengthening of TurkStat (the Turkish National Statistical Office). The procurement notice has not yet been published.

Study visits **11–14 July 2011**: delegation from National Bureau of Statistics of China on “Organisation of the national statistical system, regional organisation, Industrial Statistics” in collaboration with the University of Rome “Tor Vergata”.

15–16 September 2011 (provisional): delegation from General Administration of Customs of China on “Foreign Trade Statistics” in collaboration with Eurostat.

Istat - Advanced school for statistics and socio-economic analyses **Technical Cooperation Unit**

Mr Salvatore Favazza

+39 06 4673 3624

favazza@istat.it

Head of Unit

<http://www.istat.it/en/archive/intheworld>
techcoop@istat.it - Fax: +39 06 4673 8292

Ms Laura Camastra

+39 06 4673 3611

camastra@istat.it

Eastern Europe, CIS

and Latin America

Ms Tiziana Pellicciotti

+39 06 4673 3654

tipellic@istat.it

Africa and Asia

Ms Elisabetta Parente

+39 06 4673 3657

parente@istat.it

Projects budgeting and administration

Ms Roberta Fontana

+39 06 4673 3626

rofontan@istat.it

Newsletter, Kosovo, tenders

Mr Giorgio Della Rocca

+39 06 4673 3622

dellaroc@istat.it

IT support to the projects

Mr Enrico Giannone

+39 06 4673 3672

giannone@istat.it

IT support to the projects (web design and data entry), and study visits

editing Elisabetta Porfiri - graphic design Bruna Tabanella
IT assistance Mauro Coletti