1 The basics behind survey to survey imputation (S2S)

Survey to survey (S2S) imputation for poverty measurement relies on the assumption that a population's welfare distribution can be captured by a linear model. Hence, the assumed data generating process (DGP) for transformed welfare $\ln y_i$ is:

$$\ln\, y_i = x_i\beta + e_i;\ e_i \sim N(0, \sigma_e^2) \tag{1}$$

There are many consideration one must take into account when doing S2S over time, mostly because when doing S2S there is a considerable share of the variation of welfare that is unexplained, e_i. The distribution of the unexplained/unobserved portion of welfare must be estimated using actual data. Hence, the portion of the welfare distribution that is unobserved will always correspond to the value of $\hat{\sigma}_e^2$ estimated using the survey where welfare is present.

In essence, we are decomposing the variance of ln y_i, into an explainable component, σ_{xb}^2, and a random component, σ_e^2. Thus, what the often used R^2 reflects is the share of the variance of the dependent variable that is explained by the model and is equal to:

$$R^2 = \hat{\sigma}_{xb}^2/(\hat{\sigma}_{xb}^2 + \hat{\sigma}_e^2)$$

When imputing across time, we lack information on the true unobservable component, σ_e^2 and must rely on the estimated one that comes from a different point in time, $\hat{\sigma}_e^2$. What this means is that when imputing across time, households with the same observable characteristics will have the same probability of being poor in the imputed data as in the observed data. When doing S2S across surveys conducted in the same period and corresponding to the same population, this is a desirable feature, but when imputing across time, this is a stronger assumption which is unlikely to hold. Consequently, over time the model is not only assumed to hold (meaning that the characteristics used to model welfare will remain the same), but that unobservable factors will affect households equally over time.

Because we assume normally distributed data, for any given household, i, the probability of being poor is entirely dependent on its expected welfare, $x_i\hat{\beta}$, and its error, e_i, which is assumed to follow $e_i \sim N(0, \sigma_e^2)$.

$$FGT_{0i} = \Phi\,(\frac{\ln z - x_i\hat{\beta}}{\hat{\sigma}_e^2})$$

where $\ln z$ is the natural log of the poverty line, and Φ is the standard normal distribution. Note that when imputing across time, the error is assumed to have the same distribution as the one estimated from the original survey where the model is fit, $\hat{\sigma}_e^2$. Hence, households with similar $x_i\hat{\beta}$ over time will have the same probability of being poor.

For the population, differences in poverty between the original survey and the imputed survey (new) will be entirely dependent on the composition of the population and the distribution of the linear fit, $\hat{\sigma}_{xbnew}^2$, and the imputed mean transformed welfare which will be given by $\bar{X}_{new}\hat{\beta}$, where $\bar{X}_{new}$ is a matrix of characteristic means for the population of the target survey. Consequently, for the population, poverty is given by:

$$FGT_0 = \Phi\,(\frac{\ln z - \bar{X}_{new}\hat{\beta}}{\hat{\sigma}_{xbnew}^2 + \hat{\sigma}_e^2})$$

Assuming that the original model (Eq. 1) assumptions hold, then differences in poverty between the original welfare and the imputed welfare will be due to changes in the population's characteristics. Thus, it will still be considerably dependent on the past $\hat{\sigma}_e^2$, but now the $\hat{\sigma}_{xbNEW}^2$ also plays a role.

Differences between $\hat{\sigma}_{xbNEW}^2$ and $\hat{\sigma}_{xb}^2$ may be due to several reasons, for example $\hat{\sigma}_{xbNEW}^2$ could be smaller if poorer households catch up in education to richer households. The difference may also be due to differences in sampling discrepancies; for example, if the survey where we are imputing to has an over sample of richer households, this may be an issue as it could inflate $\bar{X}_{new}\hat{\beta}$ and also yield a different $\hat{\sigma}_{xbnew}^2$. For example, if the target survey yields an upward estimate of TV ownership (used in the model) and TV ownership is related to higher welfare values, then all else equal, this would yield a higher value for $\bar{X}_{NEW}\hat{\beta}$,which will yield a different poverty rate.

Finally, the same issues affecting poverty will affect Gini when imputing across time. Assuming that welfare is lognormally distributed then Gini is equal to (Crow and Shimizu 1987):

$$Gini = 2\Phi(\frac{\sigma}{\sqrt{2}}) - 1$$

where σ is the standard deviation of $\ln y$. Consequently, the imputed Gini across time is also dependent on $\hat{\sigma}_e^2$, which is estimated in an older survey since

$$\sigma^2 = \hat{\sigma}_{xbNEW}^2 + \hat{\sigma}_e^2$$

and consequently, also subject to changes in the sample's distribution of the observed characteristics used in the model.

Because under most good modeling scenarios the model's R^2 ranges from 0.40 to 0.60, the unexplained portion $\hat{\sigma}_e^2$ may be quite considerable. Note that differences between $\hat{\sigma}_e^2$, which could be estimated using data from a different point in time, and actual unobserved distributional changes could be due to observable factors which may now matter for welfare in the imputed years. For example, the introduction of a cash transfer program, which is not captured in the original model. Or due to other types of shock, for example, currency demonetization.

2 Survey to survey imputation a brief overview

Much of the work of survey to survey imputation of poverty began with the work of Elbers et al. (2003) and Hentschel et al. (1998). The authors focus on obtaining poverty estimates for smaller localities in Ecuador by using parameters obtained from a linear model where the dependent variable is household welfare fit on the household survey.[1] The authors rely on covariates which are readily found in the household survey as well as in the population census. The estimated parameters are applied to the country's census data which covers the entire country but lacks a welfare measure which is apt for poverty measurement. With model parameters in hand it is possible to recreate in the census population the welfare distribution observed in the survey. From the imputed welfare distribution it is possible to then obtain estimates of any indicator as if one had the actual welfare distribution available. For an indicator such as headcount poverty, being able to replicate the welfare distribution accurately is essential to ensure unbiased estimates as noted by Corral et al. (2022).

[1]The method falls under the academic literature of small area estimation. For more details on small area estimation refer to Rao and Molina (2015).

There are basic preconditions required for survey to survey imputation to work. The most basic one is that the covariates used in both datasets must correspond to the same population. This means that the distribution of these covariates must have similar moments, e.g. mean and variance. Differences between covariates across datasets can lead to biased estimates.

The methodology of survey to survey imputation where actual welfare data are unavailable has gained a bit of prominence within the World Bank. A good example is the Survey of Well-being via Instant and Frequent Tracking (SWIFT) program. In essence the program relies on survey to survey imputation where a small and cost effective sample of data are collected in the field and poverty estimates for the collected data are obtained by imputation. SWIFT has also been used to obtain poverty estimates in a survey which has been collected much more recently than the one used for the modeling, which has led to incorrect poverty estimates. Such an example is that of Afghanistan in 2015, where the model was trained on 2011 data and failed to capture an increase in headcount poverty. As an answer to this instance the SWIFT program added variables which change along economic conditions. However, the program notes that without updating the training data where the model parameters are estimated there is always a risk of not properly capturing changes in the face of economic shocks (Yoshida et al. 2021).

Because survey to survey imputation may yield biased estimates when the data used to obtain parameter estimates and the data imputed to are very different, multiple recommendations on addressing the differences have been made. For example, Stifel and Christiaensen (2007) note the estimated parameters are assumed stationary over time and that inclusion of key time varying variables such as rainfall and prices are important and may allow to capture changes over time. However, the authors also indicate that predictions too far in the future or in the past should be avoided, mostly due to the restrictiveness of the stationary parameter assumption. In essence, the stationary assumption implies that any changes in poverty captured over time are entirely attributable to changes in covariates used in the model and not due to changes in unobservables or rates of return to the covariates used (Dang, Lanjouw and Serajuddin 2014). Christiaensen et al. (2012) note that in fast growing economies, like India, the stationary assumption may be controversial.

The bias of estimates obtained with data that correspond to very different time periods or data where the covariates are considerably different has mostly been studied using real world data. For example, Dang, Lanjouw and Serajuddin (2014) conduct experiments using the Household Expenditure and Income Survey and the Unemployment and Employment Survey in Jordan; Stifel and Christiaensen (2007) rely on survey data for Kenya to conduct experiments; Dang et al. (2021) applies the method to several countries and note that estimates are well within margins of error.[2]

Christiaensen et al. (2012) undertakes an empirical validation of survey to survey imputation methods over time. The authors perform survey to survey imputation over time in scenarios where there is a comparable expenditure data which provides a "true" estimate of poverty. The authors validate their approach using data for Vietnam and for China using a rural household panel dataset. In Vietnam, the authors obtain a model using the 1992/93 data and predict poverty using the 1997/98 data. They note that the method works relatively well and depending on the covariates used, differences between predicted and observed poverty rates were on average 3.4 percentage points during a period where poverty fell by 23.2 percentage points. For the Chinese regions where the method was tested, the authors also find that the methods work relatively well. However, depending on the model used differences between predicted and observed rates were considerable.

[2]The countries are: Ethiopia, Malawi, Nigeria, Tanzania, and Vietnam

2.1 The Case of India

Applications of survey to survey imputation have also made their way to global poverty monitoring. This is mostly due to India's lack of recent survey data. The last expenditure survey published by the National Sample Survey agency of India dates back to 2011. Since then, official poverty estimates have been lacking. In 2017, when the next expenditure survey for the country was supposed to be released it was scrapped due to concerns regarding its validity. There were leaks of the report, however, and these suggested that between 2011 and 2017/18 consumption in the country had fallen by 3.7 percent.[3] While rural consumption fell by 8.8 percent, urban areas fared somewhat better and grew by 2 percent over the period. Given the lack of actual data to validate the leaked report there have been multiple attempts to obtain a prediction for headcount poverty in the country (see Edochie et al. (2022), Newhouse and Vyas (2019), and Sinha Roy and Van Der Weide (2022)). All attempts rely on the 2011 survey to obtain parameters which are then applied to more recent data from different sources.

Newhouse and Vyas (2019) obtain model parameters estimated using the 2011 data and apply these to the NSSO expenditure on sevices and durables survey of 2014/15 to obtain a headcount poverty rate for 2015.[4] The authors suggest that between 2011 and 2015 headcount poverty rates in the country had fallen by nearly 8 percentage points, with a predicted poverty rate in 2015 of 14.6 percent.[5]

A similar exercise to the one of Newhouse and Vyas (2019) was undertaken to obtain a poverty rate for India for 2017 by Edochie et al. (2022). In that study the authors find that in 2017 the share of Indians who live on less than $1.90 (USD PPP) per person per day is 9.9 percent. The drop in poverty between 2011 and 2017 (22.5% to 9.9%) is in sharp contrast to the leaked results from the 2017 leaked report from India's NSO which suggested poverty had increased in the country. The authors rely on model parameters estimated using the 2011 data and apply these to the 2017/18 Survey on Social Consumption (SCS) on Health. The SCS is a nationally representative survey and thus the authors' concern is mostly centered on imputing across time and recognize that they assume parameters remain constant over time. Consequently, the authors assume that the entire change is explained by the changes in covariates. The authors corroborate their results by using a pass-through approach to obtain a projected poverty rate of 10.4 percent.[6]

To obtain a picture of how poverty in India has evolved since 2011, Sinha Roy and Van Der Weide (2022) follow a similar route to Edochie et al. (2022) and Newhouse and Vyas (2019) by obtaining model parameters estimated using the 2011 data and applying these to the Consumer Pyramids Household Survey (CPHS). The CPHS survey is conducted by a private company and has been cited not representative. Specifically, Somanchi (2021) notes that the CPHS under-samples women and children, over-represents more educated households and underrepresents the poor. Moreover, Somanchi (2021) also notes that sampling issues in the CPHS data may have gotten worse over time. To address the issues with the biased data, Sinha Roy and Van Der Weide (2022) implement a reweighting procedure to yield adjusted survey weights. The adjusted weights are obtained via a minimum-cross entropy procedure which uses the weighted means of the target variables between the CPHS and other nationally representative surveys. The authors find that in 2019 the share of Indians who live on less than $1.90 (USD PPP) per person per day is 12.3 percentage points lower than in 2011 where the poverty rate stood at 22.5 percent.

[3]https://www.thehinducentre.com/the-arena/current-issues/article30265409.ece

[4]The authors offer multiple models, the preferred model includes data from past expenditure surveys.

[5]Using $1.90 USD PPP per capita per day as the threshold.

[6]The authors use a pass-though rate of 0.67 applied to growth in Household Final Consumption Expenditure in national accounts. The pass-through rate times the growth rate are then applied to shift the welfare distribution neutrally to obtain a projected poverty rate.

2.2 The Case of Afghanistan

Afghanistan's poverty estimates for 2023 rely on a survey-to-survey imputation model (Barriga-Cabanillas et al., 2023). This model uses an expenditure model estimated on the third quarter of the 2019-2020 Expenditure and Labor Force Survey (IE-LFS), which measured the national poverty rate at 52.3 percent. The imputed poverty rate for the corresponding period in 2023 stands at 48.3 percent, indicating a 4-percentage-point drop. The authors state that this national trend masks important regional differences: urban poverty rates slightly increased, while a decrease in rural areas offset this rise and contributed to the overall decline.

Nevertheless, the country's economy during that period faced considerable challenges. Between 2019 and 2023, Afghanistan experienced a significant GDP contraction, particularly following the change in administration and the departure of the U.S. Armed Forces. According to the country's Macro-Poverty Outlook for the 2023 annual meetings, this GDP drop coincided with falling food prices, leading to increased labor force participation and a doubling of unemployment. Agricultural households—predominantly in rural areas—were likely the most affected by these lower prices. Yet, Barriga-Cabanillas et al. (2023) suggest that the overall poverty reduction is driven by declines in rural poverty, possibly indicating that falling prices might offset income losses in these areas. However, this interpretation is speculative, as it is not explicitly modeled or thoroughly discussed by the authors.

Barriga-Cabanillas et al. (2023) argue that much of the observed welfare changes stem from dummy variables capturing consumption patterns, such as the presence or absence of specific goods like apples. Their model test results (Table 4) show that imputed estimates using the same data as the one used for the model yielded an estimate that was nearly 1 percentage point off the real value. The model when applied to data for 2021, was already giving estimates that were 1.7 percentage points above actual urban values and 2.1 points above rural values, suggesting that a 4-point margin of error for 2023 is plausible. Given the economic indicators suggesting worsening conditions, the reported 4-percentage-point poverty drop seems questionable. While reduced conflict might partially explain this trend, such factors are not included in the model and remain speculative narratives rather than data-driven conclusions.

2.3 The Case of Zambia

Zambia had a gap in survey data between 2015 and 2022. Nevertheless, the 2022 consumption data is not comparable to the 2015 consumption data. The reason for the lack of comparability is that the food module in 2022 uses a different recall period than the 2015 survey. The 2015 survey relied on a fixed recall period, whereas the 2022 survey only used a fixed recall period when inquiring if the household consumed the good over that period. Nevertheless, respondents in 2022 were allowed to select a different reference period when providing information on quantities and value of their consumption. The difference in reporting periods leads to a lack of comparability in the data, which compromises the construction of a poverty trend (Beegle et al., 2012).

To solve the lack of comparability, the Zambia team relied on survey-to-survey methods to impute the 2015 welfare aggregate on the 2022 data. Through that approach, the team finds that international poverty ($2.15 2017 USD PPP) in the country worsened between 2015 and 2022 by close to 4 percentage points, from 60.8 to 64.4 percent. At the same time the team reports a drop in inequality, measured by the Gini index, from 55.9 to 51.5. Average consumption is also reported to have declined during the period, from $2.97 (2017 PPP) to $2.53 (2017 PPP), a 15 percent drop in consumption. All these indicators, except for inequality, point towards a worsening situation in Zambia.

Despite the negative story from the imputations, the macro story is not as negative. The country's GDP per capita between 2015 and 2022 is relatively the same. After a considerable drop during the COVID-19 pandemic, GDP per capita in constant terms reached its 2015 levels by 2022, and by 2023 it is above its peak in 2018. Hence, the imputed consumption aggregate suggests that there has been an increase in the gap between national accounts data and household survey data which is not explained. One of the suggested reasons for the gap between national accounts and household surveys has been under reporting of incomes in surveys (Ravallion, 2003), although there is evidence that the gap shrinks as countries become richer (Prydz et al., 2022).

The comparable components of expenditure correspond to 33.7 percent of the 2015 survey expenditure, but does not include food, and frequent non-food components. The comparable component consists mainly of health, a sub-set of education, clothing, financial services, durables, and housing. The last item, housing, corresponds to imputed rent. In urban areas, the comparable component suggests consumption has decreased in real terms. In rural areas there is no discernible change. The authors validate their results applying a method from Deaton (2003) that relies on a comparable subset of the welfare aggregate nad is aligned to that based on the imputation model.

The authors also validate their model by imputing on the same data as the one used for the model. Their validations already point toward a slighupward bias in their model for urban areas, same for their Gini predictions, both likely driven by the residuals not meeting the model's assumptions (Table 6). There are concerns with the approach taken in this imputation exercise. First, the models fit have a surprisingly high R^2 value – 0.8 for rural, and 0.91 for urban areas. Such a high R^2 value may be suggestive of overfitting. The rural model includes as a covariate the natural logarithm of comparable reat consumption per addult equivalent, and its square – the coefficients for both are positive.[7] The rural model also includes number of items purchased in logarithms, where presumably $\ln(0)$ is treated as 0, which can lead to biased coefficients particularly when the proportion of 0 is large (Battese, 1997).[8] Finally, the model likely includes many covariates that are potentially highly correlated. For example, number of tubers consumed from own consumption and purchased.

The model for urban areas has an R^2 value of 0.91, one of the higre values obsevred in such an exercise. The model includes the number of inactive household members, which a priori one would expect is negatively related to consumption, but is positive in this case. Moreover, the model suggests that between 2015 and 2022 the number of inactive members increased by nearly 1 person, from 1.6 to 2.4. Beyond the issue of the inactive members, the urban and rural models share many of the same limitations. Mainly, the high $R^2$is suggestive of overfitting that would limit its predictive out-of-sample capacity, particularly when applying the model to data that is 7 years ahead.

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[7] Includes health, a subset of education, clothing, financial services, durables, and housing. It has a correlation of 0.987 with total consumption and corresponds to 33.7 percent of consumption as noted by the authors.

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