

Rising Demands in the Era of Shrinking Budgets

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Introduction

This paper deals with development of statistical systems and the challenges they face. Changes in the economy and society bring about new requirements to the statistical systems which are quite complex and varies from country to country. We know decentralized statistical systems, USA would be an example and highly centralized statistical systems like Russian Federation or Sri Lanka. The work plans and labor division are different in those statistical systems and the paper is trying to link the structure of the systems with the work plan, the possibility of adaptation and making changes, as well as changes in financing depending not only on work plans and programs but on availability of funds in the overall budgetary envelope. For many of developing countries the financing mechanism, modalities and envelopes depend not only on the governments but on programs financed with support by development partners. These countries face even higher difficulties than those relying only on internal financing, due to unpredictability of aid money.

Statistics in the Era of Economic and Social Change

We have witnessed many changes in statistical systems in the last twenty years. The changes in economic models towards liberalization and shifting attention to economic growth and poverty reduction through elaborate social programs required changes in the statistical systems to capture and record what is happening in the economy and society. In many cases the existing administrative data collection at the level of sectoral ministries has fallen apart with the growing share of the private sector, which is not required to report to the line ministries. For example, changes in unemployment benefit policies will have implications on data collection. If a country does not pay unemployment benefits or the benefits are negligible, one should not expect that relevant ministry will have reliable data on the size of labor force out of work if the unemployment figures are derived from the numbers of registered benefit seekers. In this and many similar cases the data will have to be collected using household, labor force and other type of surveys. It shifts the work burden from the line ministry to the national statistical agency and increases the need for financial and human resources because to conduct pure statistical data collection is an expensive exercise. Another example is growing share of new economic activities particular in the service sector, which cannot be captured through the administrative records of line ministries and have to be surveyed.

A good example is the change in the economic and social systems witnessed with the demise of the Soviet Union and changes in the countries of Eastern and Central Europe in the early nineties of the last century. The statistical systems of those countries with highly centralized economic models were geared toward tracking the plan achievements and failures. They almost entirely relied on data collected by the central statistical organizations and line ministries through compulsory reporting. It is safe to say that those organizations were running annual censuses of industries, agricultural, retail and wholesale establishments, health and education facilities, as well as other census type operation to record social activities. The standards used to compile sectoral, macro and social statistics were different from those approved by the international statistical bodies, setting statistical standards: United Nations, ILO, IMF and the likes. With the

changes, statistical systems faced a double challenge – to change data collection mechanisms to allow to capture economic and social developments and to derive indicators used in the rest of the world as to ensure comparability and increase understanding of international organization and other foreign partners of the economic and social developments in those countries.

Increased Demands

In addition to the demands due to economic and social changes statistical systems face new challenges due to broadening and widening of areas of interests to the policy makers and the societies. One of the examples is tracking of the millennium development goals. When the goals were agreed at the highest political levels, very little thought was given how to have the baseline data for the start and how to track the changes. The statistical community later agreed on the indicators to track the goals. These data demands put additional pressure on the statistical systems. MDG indicators are not easy to find when one looks through statistical handbooks of countries, mostly the developing countries. On the top of it, the international community had to come up with the same indicators at the international and regional level which make sense when they are aggregated from bottom up. At the end of the day many indicators at the country level are being imputed by the international organizations. This process allows them not only to fill out the whole matrix country by country but to have the needed aggregates. This process raises big demands to the statistical systems at all the levels: country, regional and international.

The next issue we should mention is changing (or improving) the methodology. In the early 2000 the international statistical community has come to agree that the 1993 System of National Accounts do not capture some economic activities which have emerged since. Under the auspices of the UN Statistical Commission the updates were done and the statistical world is now faced with the new - 2008 SNA. The methodology not only implies that estimates of some economic activities are changing. The new system requires data which did not exist before and that means new/additional surveys or in, some cases new demands for data from administrative systems. These new developments are particular difficult for the developing countries some of whom are still mastering the 1993 SNA or even using the older (1968) version of SNA. A plan to implement the 2008 SNA has been drawn up. There is a lot of work to be done for every country in the world statistical system to be able to compile macro accounts in accordance with the 2008 SNA.

Recently released Stiglitz–Sen–Fitoussi report calls for new indicators to measure well being to go beyond GDP. We will not go into the discussion about the suggested indicators itself but would like to point out that to derive the indicators, additional data gatherings will be needed which put more requirements on the statistical systems. This is also true when we think about green GDP, broader environmental indicators and indicators about climate change.

An important sector which has recently been neglected is agricultural and rural development statistics and statistics on food prices. This very important area and a lot of work should go into improvement, or in some countries creation or resurrection of the system of agricultural statistics. The worldwide strategy calls for active work at country and international levels to improve these important areas of statistics. It suggests new research in this area, establishment of common sampling frames, providing a lot of training and technical assistance to countries to enable them collect and compile data to track these activities.

Data sets which need improvements, or in some cases creation from scratch, are sub-regional and local area statistics. With decentralization of decision making and making the fiscal federalism meaningful it is important to have reliable statistics at local level. Thinking about countries needed to do a lot of work in this area – India, China, Nigeria and several others come to mind. Knowing how sub-national statistical systems are set up in these countries one can understand that this task is not an easy one and it will take some time to have meaningful local area statistics to support policies.

In addition to traditional statistics at local level, with the drive to report on development for results

data on projects and their impact on the well-being of population are becoming more and more important. This area is very complicated given that programs are run and financed by many actors in any given country/area. Project information including data on outputs should come from administrative systems of countries or financing institutions. On the other hand, the data on impact will come from the statistical surveys conducted by the statistical organization of the country. In many cases it is difficult to match the two sources as the sub-national break down of the two may be different. On top of everything the attribution problem is difficult to tackle. However, in order to measure development results and to design future programs to inform policies it is extremely important to improve both administrative systems and statistical data gathering.

Countries in Turmoil, Natural Disasters, and Economic Crises

A few words about the extreme situations and statistical systems. Most likely the mankind will face forever countries in distress. Internal conflicts usually bring a lot of hardships on the population. Lack of basic necessities, displacement, death has to be recorded as to allow aid to come in as soon as the conflicts stop. These situations require statistical interventions different than a statistical system can deliver. In many cases the statistical systems are non-existent. To conduct statistical operations the aid agencies should have a statistical apparatus allowing for rapid data collection.

A similar situation occurs in the aftermath of natural disasters. Most likely the Japanese statistical system was not ready to collect data to help the authorities to respond to the disaster created by the recent tsunami. Another example is the earth quake in Haiti. Data on the destructions were collected using photos taken with cell phones. However, data on population, it's conditions cannot be easily be recorded with a photo devise, it should be collected by a statistical agency which has to be ready for such events. It is hard to speculate how even a well developed and financed statistical system of the United States was ready to produce data to help the Government to respond to the population needs in the wake of hurricane Katrina or Mississippi flood.

The last topic we want to touch is the economic and financial crises. Obviously the statisticians will always be among those blamed for the crisis. The recent world crisis demonstrated that data on financial transactions particularly on derivatives are scarce, not reliable and in some cases non-existent. Data on real estate transaction, trends in housing markets, mortgages are not good enough to understand the dynamics in these sectors. I was really surprised to read that is little known about the derivatives, a market which has to be highly regulated, and all the transaction should (or I was naively thinking) be recorded as part of administrative records. The international statistical community saw a good opportunity provided by the crisis to improve the reporting on some financial indicators and indicators in the real estate market. This is a good sign and it will help to respond to the next crisis if it will be triggered by the same economic and financial activities. A crisis, however, may originate in another sector of the economy and the statistical systems may again be not up to speed to deliver the needed data.

With the debt crisis in the United States, Greece and many countries in the developed and developing world alike, the debt data become even more important. For many years we were worried about the debt of developing countries. I would say we need to worry more about the developed economies now given the possible spillover effect. The developing countries do report the public debt data to international organizations, when the developed countries, do not. Furthermore the debt data should be compared with the budgetary income and expenditure data. On the other hand, the budgetary data, in the era when many countries have different slash funds become even more questionable. These data sets which are of administrative nature should be strengthened the methodologies improved and international requirements for reporting for all the countries made mandatory.

Let's Talk About Money Now

Financing of statistical work in any country is part of the national budget as the statistics is a government function as is defense, health care and the likes. Countries handle it differently. For example if we have a centralized and a decentralized statistical system the financing modalities are different.

In a centralized system the Government approves the annual or multi-annual work program and places a budgetary line for statistical work which is mostly to finance the national statistical organization's work. In a decentralized system the budgets for statistical work are in the budgets of the relevant ministries and departments. The example would be USA where the statistical work is financed from the budgets of the departments where the relevant statistical services belong. At the regional level there are centralized and decentralized models as well. In Russia all regional statistical bodies are part of the State Statistical Service (Rosstat) and are financed from the budget of Rosstat, where in India the services of the Departments of Economics and Statistics are financed from the budgets of states and Union territories. A similar situation is in China and Nigeria. In such cases countries face uneven financing state by state and different level of capacity in the state statistical systems as a result.

In developing countries where budgetary resources are scarce, another player – the development partner comes into play, with grant money. For many years donors were worried more about their own needs for information rather than needs of the country, the recipient. Recently, with the development of national strategies for statistics it is easier to connect the work plan of the country with the needs of the donor. We witness that more and more donors support the entire statistical system, playing a supplementary role to the national budget rather than commissioning a survey which mostly serves their needs.

In addition to the bilateral financing several developing countries are benefiting from grant and lending facilities of the World Bank and the African Development Bank. The World Bank STATCAP lending facility since 2004 has approved close to 400 million US dollars in loans to many countries. Recently established Statistics for Results facility, which is in pilot phase and is testing the sector wide approach in cooperation with the Governments and donors on the ground in five countries in Africa and Asia. It provides grants up to ten million US dollars to support implementation of national strategies for statistical development.

The financing for statistical development from Government sources even in the time of severe budgetary cuts show increase in some countries. For example the US administration requests for FY11 and FY12 show an increase for several statistical agencies. The statistical budget for Statistics South Africa is also recording an increase in funding. Looking at the data in the Paris 21 PRESS report we do not clearly witness a decrease in donor financing for statistics.

Let us say that we do not see a decrease in financing for statistics worldwide in the era of shrinking budgets. However, how we compare the flat, slightly decreasing or even increasing budget with the new demands placed on statistical systems. I would argue that there is a permanent struggle by the statisticians to fulfill their work programs and plans within allocated budgetary envelopes and supplemental donor funding.

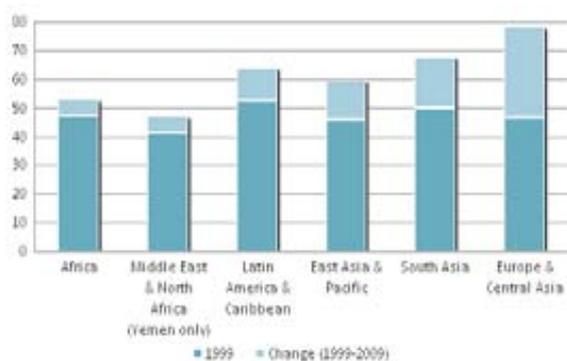
Conclusions

Finally we may want to say that despite the struggle to fulfill the work programs with limited resources the statistical systems worldwide are improving. For the developing world it is witnessed by the capacity building score estimated by the World Bank and presented in the table below. This does not mean however, that we can relax and wait for better results in the future. In the history of development of statistical systems we have witnessed ups and downs depending on the burden placed on them, financing, capacity building and technical assistance activities available to statisticians.

Somebody has said that to build a statistical system is like to pave a road – it is a long and tedious

process. The roads, however, are built from point A to point B, where the statistical systems are trying to match the moving target, to provide meaningful data on changing economies and societies and to satisfy the needs of policy makers, academia and the public at large. Therefore, statistics as public good should permanently be on the radar screen of the decision makers when they are looking for data to support policies, and when they are planning budgets and allocating funds for statistical work programs.

Change in World Bank Statistical Capacity Building Score



Between 1999-2009

- Capacity improved in 47 IDA countries
- Limited progress in Sub-Saharan Africa and Middle East and North Africa
- 13 Sub-Saharan African countries the scores declined or did not make progress

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RÉSUMÉ (ABSTRACT)

The demand for timely and reliable statistical information is increasing. The need to monitor economic and social development and need to timely reply to rapid changes in economic environment requires timely high data even more than before. The current financial crisis brought it to the forefront to policy makers and statisticians. Sound and timely financial indicators to provide advance warning in the system became very important.

In addition new research call for finding new measures of well being beyond the traditional macro economic indicators such as GDP and its components. These are only few examples of rising demands for data in addition to those brought to live with the need to measure the MDG's and respond to the results agenda.

At the same time the budgetary envelopes are shrinking and the funds allocated for statistical systems in the developed and developing world alike are becoming scarcer.