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“Paving New Direction in Official Statistics: The Role of Heads of NSOs”

Keynote Speaker:

Adelheid Burgi-Schmelz, Director, Statistics Department, IMF

PAVING NEW DIRECTION IN OFFICIAL STATISTICS: THE ROLE OF HEADS OF NSOS

Introduction

1. It is a pleasure and a privilege to address the Ninth Management Seminar for Heads of the National Statistical Offices in Asia and the Pacific. I am also delighted to be here on this important occasion of the 40th anniversary celebrations of the Statistical Institute for Asia and the Pacific (SIAP-ESCAP). Your organization provides vital leadership in building capacity for official statistics in the region. I am very honored to have the opportunity to extend my best wishes and congratulations to SIAP-ESCAP on this special occasion.

2. Since its establishment in 1970, SIAP has been engaged in assisting IMF and ESCAP member countries to develop their human resources for collection, compilation, analysis and dissemination of official statistics by conducting training courses for the staff of their NSOs. SIAP conducts courses on economic statistics as a part of its regular program, quite often with help of other international organizations, including IMF HQ and regional office in Tokyo, and national statistical agencies in the region. The IMF values the excellent cooperation with SIAP!

3. This Seminar comes at a time when National Statistical Offices (NSOs) are facing ever increasing user demands. The recent global financial crisis, for example, demonstrated the lack of data in key statistical areas that might have helped authorities measure and understand the risks to the international financial system. Remedies to fill those gaps are critical for monitoring systemic risk originating from systemically important financial institutions.

4. But the rapid transformation of the world economy has also brought new data needs for environmental and social welfare statistics, meaning that NSOs must respond to these evolving needs to remain relevant, too.

5. Growing new demands are just one example of challenges that heads of NSOs are facing. What are the options to react to them? What role play heads of NSOs to pave the way for new directions in official statistics? I will start out by looking at a number of roles heads of NSOs have to play as chief statisticians, heads of important institutions, high ranking government officials, contributors to the global statistical system etc. I will then look at some new challenges for official statistics including specific needs resulting from the global financial crisis. While acknowledging the multitude of players that influence the direction that official statistics is taking, I will focus on the role of heads of NSOs in addressing the challenges.

What are the key roles of heads of NSOs?

6. Heads of NSOs have many responsibilities and play a number of roles: In most countries, the head of the NSO is the chief statistician. This means not only that the head of the NSO is the guardian of the high professional standing of official statistics in a country but very

often, that he or she is also responsible for the National Statistical System at large. The latter role is a major challenge by itself since there might be many agencies with units that produce statistics, maybe even at several levels of government. Often, none or only weak powers are given to the head of an NSO to coordinate across agencies.

7. Another role of a head of an NSO is “the CEO” of a medium to large size enterprise with all the managerial responsibilities that come with it. Just visiting all branches might be very time consuming, not even to mention all the organizational, technical, human resources or financial issues that come with large organizations.

8. The head of an NSO is also a very high-ranking public official who usually reports directly to an elected politician or a member of the executive government. This interface can be a key enabler for evidence-based decision making. But at times, it can become rather tense, especially if statistical methods or evidence does not really support the political claims and plans of a government. In those cases, the famous quotation from Sir Francis Bacon “Knowledge is Power” might even be viewed as a threat by those holding political power.

9. A final example for the multiple roles of the head of an NSO is the one as a contributor to the global statistical system. From a national point of view, this might not be viewed as a priority at first sight. But within the statistical community, we all know how important internationally comparable statistics are in order to determine the relative strengths and weaknesses of a particular country.

What are the challenges for official statistics?

10. Let’s face it: There are always challenges, old ones, new ones, foreseeable ones, surprising ones, etc. Simply put, the role of a head of an NSO is to face these challenges, to address them, and to make good use of the opportunities to advance the National Statistical System.

11. I will give you a few examples of challenges, but refrain from calling them “old” or “new.” Let me explain why “old” vs. “new” is not always a relevant distinction. Here are two cases that sound to be rather new challenges:

Case 1: After two years in his position, the head of the NSO accepted a call from a major university for a tenured professorship. In his resignation letter he wrote that the limited resources for official statistics wouldn’t allow him to do the job properly.

Case 2: Parliament invited the government to report on how the statistical work of the NSO could be adjusted to the limited resources available. Four days later, the head of the NSO resigned.

12. Do you think these cases sound familiar? Both cases refer to my home country. But they did not happen now as a result of the global financial crisis. In fact, they happened almost 150 years ago! This was 1862 and 1873!

13. So much for a new challenge which turns out to be an old one. However, there are definitely always new challenges which are driven by current and emerging user demands for official statistics. They in turn will prompt new demands for professional expertise to be acquired by NSOs. Such demands could be in terms of new subject measures, special surveys/data collection, or analysis. They could arise from both new areas of measurement and methodology (such as using administrative records or record linking) as well as be driven by the need to improve quality and the use of statistics through analysis.

14. The focus of this seminar is on both developing and maintaining professional capability and participants are expected to discuss a range of strategies for ensuring a national statistical system has the capability to meet current and future user needs.

15. One example for emerging user demands is the growing interest in measuring the progress of societies. For a long time, the GDP has been the best measure for “how we are doing.” But more and more people ask questions like “Is life getting better? “Are our societies making progress?” And,” “What do we consider progress?” Answers to these questions are sought and they are sought from official statistics.

16. Another example are data gaps that came up in the global financial crisis. Let me take a moment to zoom in on the special challenges brought about by the global financial crisis.

The special challenges brought about by the global financial crisis

17. Although Asia was not as badly affected by the crisis as most advanced economies, the crisis underscored the global need for strengthened coordination, cooperation and collaboration in statistical production. This is particularly important for Asia given its growing integration and importance in the world economy.

18. In his opening remarks at the Asia 21 Conference in Korea last month, the IMF Managing Director noted “In the wake of the global financial crisis, Asia has emerged as a global economic powerhouse—and no one can doubt that Asia’s economic importance will only continue to grow.”

19. On a global level, the recent financial crisis revealed that data systems failed to capture interlinkages across financial institutions. There is overwhelming evidence that credit risks were worsened by excessive leverage and a high degree of maturity transformation, a large part of which took place outside the traditional banking system through the use of commercial paper, repurchase agreements, and other similar contracts.

20. A key feature of the crisis was the high recourse to short-term finance to purchase long-term assets, leading to a mismatch between the maturity structure of the corporations' assets and liabilities. However, **due to a lack of data**, regulators, supervisors and market participants could not fully measure the degree of maturity transformation or the extent to which financial institutions and markets were interconnected. Statistics that are timely, internally consistent, and comparable across countries are critical to monitoring financial stability.

21. One key lesson learned from the crisis is that supervisors, policymakers and investors should have sufficient data and information to be able to more quickly evaluate the potential effects, for instance, of the possible failure of a specific institution on other large institutions through counterparty credit channels; and on financial markets, payment, clearing, and settlement arrangements.

What are the data gaps that must be closed to support financial stability?

22. In response to the weaknesses highlighted by the crisis, the G-20 and the IMF Committee of the Board of Governors of the IMF that represents all 187 member countries of the IMF have asked the IMF and the Financial Stability Board (FSB) to address data gaps. Staff of the IMF and the FSB Secretariat, in consultation with official users of economic and financial data in G-20 economies and key international organizations, identified twenty recommendations to address the data gaps. (see report at <http://www.imf.org/external/np/g20/pdf/102909.pdf>). These include:

- The need to strengthen data essential for effectively capturing and monitoring the build-up of risk in the financial sector. This calls for the enhancement of data availability, both in identifying the build-up of risk in the banking sector but also improving coverage in those segments of the financial sector where the reporting of data is not well established, such as the non-bank financial corporations.
- The need to improve data on international financial network connections. This calls for enhanced information on the financial linkages of Systemically Important Global Financial Institutions (SIGFIs) as well as strengthening data gathering initiatives on cross-border banking flows, and investment positions and exposures, in particular to identify activities of nonbank financial institutions.
- The need to strengthen data needed to monitor the vulnerability of domestic economies to shocks. This calls for measures to strengthen the sectoral coverage of national balance sheet and flow of funds data, including timely and cross-country standardized and comparable government finance statistics and data on real estate prices. On the latter, country practice in compiling these data is uneven, yet the impact of house prices on household net worth is highly relevant to the current crisis.
- The need to promote effective communication of official statistics to enhance awareness of available data for policy purposes.

23. These recommendations were endorsed by the G-20 finance ministers and central bank governors at their meeting in Scotland in November 2009 (<http://www.imf.org/external/np/g20/pdf/102909.pdf>).

What is the progress made so far?

24. Considerable progress is being made and we count on heads of NSOs to provide leadership in this new but important statistical areas. In June 2010, the progress made to date was reported to the G-20 ministers of finance and central bank governors (<http://www.imf.org/external/np/g20/pdf/053110.pdf>). In fact, side events of last year's and this year's UN Statistical Commission as well as a one-day seminar at this year's UN Conference of the European Statisticians (CES) were dedicated to this work.

25. A visible example of the accomplishments of this initiative is the Principal Global Indicators (PGI) website. In April 2009, the PGI website was launched providing timely data that are available for the G-20 economies at participating international agencies covering financial, governmental, external, and real sector data, with links to data at websites of international and national agencies. The website—a collaborative effort of the Inter-Agency Group on Economic and Financial Statistics (IAG) involving the Bank for International Settlements, the European Central Bank, Eurostat, IMF (chair), the Organisation for Economic Co-operation and Development OECD, UN, and the World Bank—is available at (<http://www.principalglobalindicators.org/default.aspx>).

26. In developing the PGI website the IAG recognized the importance of going beyond traditional statistical production processes, in more innovative ways, to obtain a set of timely and higher-frequency economic and financial indicators, at least for systemically important countries. In particular, because of the global nature of the recent crisis, data users demand more internationally comparable, timely, and frequent data. The benefits of this inter-agency approach are that it mobilizes existing resources, builds on the comparative advantages of each agency, and supports data sharing in a coordinated manner. The international agencies have access to selected country datasets that they present in a manner broadly comparable across countries.

27. The website was already enhanced several times. Now efforts are underway to expand the country coverage in the website beyond the G-20 economies.

But moving from identification of data gaps to data collection systems is very challenging

28. Moving from the identification of data gaps to efficient systems of data collection, management and reporting is challenging: It requires prioritization of activities; effective coordination, cooperation and collaboration among international agencies and national authorities; adequate resources; and appropriate legislative framework to improve the ability of regulatory and statistical agencies to collect the necessary data. Indeed, senior officials at a conference held in Basel in April 2010 on data gaps (<http://www.imf.org/external/np/seminars/eng/2010/infogaps/index.htm>) observed that “closing

all the gaps will take time and resources, and will require coordination at the international level and across disciplines, as well as strong high-level support. The legal framework for data collection might need to be strengthened in some economies.” They also observed that some of the most challenging recommendations (such as those calling to better understand global financial networks) are among the most important for enhancing financial stability analysis.

29. It is imperative therefore that data collection efforts particularly on global financial networks take cognizance of international dimensions and must seek appropriate participation from regulators worldwide, especially in jurisdictions with significant financial centers. For instance, the international nature of financial markets hampers the extent to which one economy acting single-handedly can organize data on financial markets globally.

30. It is in recognition of these factors that the IMF and the FSB adopted a consultative international approach to developing a common reporting template for SIGFIs. This work involves financial stability experts, supervisors, and statisticians from the FSB membership and international organizations. When completed, the reporting template could play an important role in standardizing information and facilitating the process of sharing data on common exposures and linkages between SIGFIs. Needless to say, coordination is not a panacea as important barriers remain, and a legislative framework for data-sharing needs to be agreed and enacted. So is the need to address confidentiality issues in data disclosure and private-sector proprietary rights.

A multitude of players

31. The special challenges for official statistics that emerge from the global financial crisis are just one set of challenges a head of an NSO faces. Along with the challenges come different stakeholders and players that usually have divergent views on the issues and potential solutions. They might include other national institutions, politicians, users with perspectives ranging from supervisors to academia, the public at large, and important training institutions, such as SIAP.

Fundamental principles of official statistics as guiding principles

32. Against the background of so many roles a head of an NSO is expected to play, against the high number of challenges he or she is facing in these roles, and against the background of the multitude of players she or he is interacting with—what is the foundation a head of an NSO can rely on? Where can he or she find guiding principles?

33. Clearly, the fundamental principles of official statistics are key for a head of an NSO to depend on in developing and advancing a National Statistical System. Since most of you are very familiar with them, I will list them only briefly:

[Principle 1.](#) *Official statistics provide an indispensable element in the information system of a democratic society, serving the Government, the economy and the public with data about the economic, demographic, social and environmental situation. To this end, official statistics that*

meet the test of practical utility are to be compiled and made available on an impartial basis by official statistical agencies to honor citizens' entitlement to public information.

Principle 2. *To retain trust in official statistics, the statistical agencies need to decide according to strictly professional considerations, including scientific principles and professional ethics, on the methods and procedures for the collection, processing, storage and presentation of statistical data.*

Principle 3. *To facilitate a correct interpretation of the data, the statistical agencies are to present information according to scientific standards on the sources, methods and procedures of the statistics.*

Principle 4. *The statistical agencies are entitled to comment on erroneous interpretation and misuse of statistics.*

Principle 5. *Data for statistical purposes may be drawn from all types of sources, be they statistical surveys or administrative records. Statistical agencies are to choose the source with regard to quality, timeliness, costs and the burden on respondents.*

Principle 6. *Individual data collected by statistical agencies for statistical compilation, whether they refer to natural or legal persons, are to be strictly confidential and used exclusively for statistical purposes.*

Principle 7. *The laws, regulations and measures under which the statistical systems operate are to be made public.*

Principle 8. *Coordination among statistical agencies within countries is essential to achieve consistency and efficiency in the statistical system.*

Principle 9. *The use by statistical agencies in each country of international concepts, classifications and methods promotes the consistency and efficiency of statistical systems at all official levels.*

Principle 10. *Bilateral and multilateral cooperation in statistics contributes to the improvement of systems of official statistics in all countries.*

34. It is quite impressive to see that this Management Seminar, and the recent four ones, addressed topics that are closely related to these principles, in particular to the principles 1, 2, 3, 5, 6, and 9. Obviously, SIAP is taking great care of these crucial foundations of statistical leadership!

How heads of NSOs can address challenges

35. What are useful means available to heads of NSOs to address the challenges and thus to advance the respective national statistical systems? Professional capability, both of the head of an NSO and of her or his staff are key!
36. Professional capability can be considered to be of the following broadly defined categories—subject-matter expertise, such as national accounts, social statistics, and environmental statistics; methodological expertise, such as sampling, analysis, and survey development; and other areas, such as GIS and environmental science. At the leadership level, institutional and strategic direction is as important as the statistical guidance itself.
37. Given that topics related to statistical guidance are being dealt with in a number of fora, I will put more emphasis on topics that are relevant for providing institutional and strategic direction.
38. First, the institutional setting of an NSO as well as the legal basis for statistical production are very important to set the framework with which challenges can be addressed by the head of an NSO. It makes a difference whether the national law grants independence to work according to scientific principles or not. “It is utterly essential that... the chief statistician be a person who is non-partisan and who was selected by a process that is visible above partisan fray” Ivan Fellegi said.
39. Second, it is key to have a constant dialogue with users. This enables the head of an NSO to have a well functioning radar screen that displays emerging user needs early on. Examples for newly developing user needs I have mentioned earlier, e.g., the growing interest in measuring the progress of societies or the need to address data gaps that were identified in the global financial crisis.
40. Third, the ability to integrate new needs into existing efforts. Innovative projects, including statistical ones, require not only a lot of energy to get started. But getting started is not enough! To make the effort sustainable, it has to avoid a duplication of effort, both, in terms of burden to respondents, and in terms of production processes. Ideally, the new need can be satisfied by combining information from several sources. To this end, the UN Statistical Commission Friends of the Chair Group on Integrated Economic Statistics is developing Guidelines that will be submitted to the next UN Statistical Commission. So the head of an NSO will learn more about how to set up a statistical production system that allows for sufficient flexibility to accommodate new user needs in the area of economic statistics.
41. Forth, National Strategies for the Development of Statistics (NSDS) should provide a country with a strategy for strengthening statistical capacity across the entire National Statistical System (NSS).

42. “Countries need to have an overall vision of the development of their National Statistical System which will include the national, regional, and international needs; be part of the country development and poverty reduction policy; serve as a framework for international and bilateral assistance; include all parts of the data production units and address the issues related to the analysis and use of data; follow the international standards including quality; and build on all past and existing activities and experiences”.

43. “The concepts of strategic planning for statistics have evolved over the past two decades but recognition of the need for strategic approaches is not new. A number of international initiatives have addressed these needs, for instance as long ago as the late 1980s when the Addis Ababa Plan of Action for Statistics in the 1990s (prepared by UNECA) was based around demand-driven, user-focused national statistical development plans. A number of countries have worked to develop their statistical systems in this way, including with international support, and subsequent international initiatives and programs have been relevant to—and helped to develop—strategic approaches to the development of national statistics in developing countries. These include: the General Data Dissemination System (GDSS), Multi-annual Integrated Statistical Programme (MISP), the third edition of the UN Handbook of Statistical Organisation and most recently the STATCAP Master Plan (SMP) and NSDSs.”

44. The two paragraphs above are taken from the Paris21 website. But their applicability is certainly not limited to developing countries. Strategic planning is essential for any NSS!

45. Fifth, GDSS and the Special Data Dissemination Standard (SDDS). As you know, the General Data Dissemination System (GDSS) provides recommendation on good practice for the production and dissemination of statistics. The SDDS was established to guide IMF member countries that have or that might seek access to international capital markets in the provision of their economic and financial data to the public. The ever increasing number of participating countries in GDSS is now at 97, and there are 68 SDDS subscribers. Earlier this year, the IMF Board expanded SDDS to include seven Financial Soundness Indicators (FSIs) on an encouraged basis and to move to mandatory reporting of quarterly International Investment Positions (IIPs) over a transition period of four years.

46. Sixth, data quality needs to be ensured throughout the work of NSOs. This leads me to the IMF Data Quality Assessment Framework (DQAF) which is used for comprehensive assessments of countries' data quality covering institutional environments, statistical processes, and characteristics of the statistical products. It was set up after extensive consultation, was part of the standards and codes initiatives put forward by the wider economic community, and was approved by the IMF Executive Board representing over 180 countries.

47. Five dimensions of data quality—assurances of integrity, methodological soundness, accuracy and reliability, serviceability, and accessibility—and a set of prerequisites for data quality are at the center of the DQAF.

The generic DQAF July 2003 serves as an umbrella for seven dataset-specific frameworks:

- (1) DQAF July 2003 National accounts statistics
- (2) DQAF July 2003 Consumer price index
- (3) DQAF July 2003 Producer price index
- (4) DQAF July 2003 Government finance statistics
- (5) DQAF July 2003 Monetary statistics
- (6) DQAF July 2003 Balance of payments statistics
- (7) DQAF July 2003 External debt statistics

In collaboration with the World Bank, a DQAF module on household income in a poverty context has also been developed.

48. Of course this kind of framework is only of use if it is linked to a mechanism for applying it. In that connection, the IMF has conducted data ROSCs for much of the IMF membership. Leaving aside some European countries which have been covered by Eurostat, most of the 68 SDDS subscribers have undertaken and published a data ROSC applying the DQAF. <http://www.imf.org/external/np/rosc/rosc.asp>.

49. Seventh and last but by no means least, there are the statisticians working at an NSO. Taking good care of this people knowledge base of an NSO is actually a challenge of itself, but at the same time, an important resource to address challenges that come from the outside. This seminar will look at a wealth of country experiences in this regard. It provides the opportunity to share experiences on staff development and, in particular, on retention of staff trained through NSO.

Conclusions and way forward

50. Recent years have seen significant progress in the availability and comparability of economic and financial data. However, the present crisis has thrown up new challenges that call for going beyond traditional statistical production approaches to obtain a set of timely and higher-frequency economic and financial indicators, and for enhanced cooperation among international and national agencies in addressing data needs.

51. As we have seen, this is only one example of challenges, official statisticians and, in particular, heads of NSOs are facing. Thus, it is key to be well equipped to use these challenges as opportunities to advance official statistics for the benefit of evidence-based decision making of the public at large.

52. The annual series of management seminars for heads of NSOs organized by SIAP is an important forum both, to strengthen the leadership capability needed to play this role, and to exchange experiences across countries in Asia and the Pacific.

I am looking forward to interesting discussions throughout the next few days. Thank you very much for the honor of being part of this important event!