



Islamic Development Bank

Measurement for Management

By

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Introduction

The food, fuel, and financial crises of 2008 have ushered in a far more complex and challenging environment for all developing countries including those in the OIC. In 2009, just-in-time policy responses in both developed and developing countries averted a 1930 type depression. While we are witnessing the green shoots of recovery in some countries, the downside risks are formidable. We live in turbulent times that are likely to persist at least over the medium-term.

It is against this overall background that I am delivering this keynote address to this distinguished audience. I am privileged with the opportunity of sharing some of my views with you. Within the overall theme of **Measurement for Management**, I will convey the following key messages. First, the timely availability of high frequency, macroeconomic and microeconomic data is essential for informed decision making at both the strategic and policy levels. Second, National Statistical Organizations (NSOs) must anticipate and respond to changing data requirements with a view to demonstrating relevance, responsiveness, and results-orientation. Third, this NSO forum should contribute to create, maintain, validate, and update data at the OIC level and foster partnerships for progress in the statistical area. Finally, the identification, measurement, and assessment of value added of this forum must be in-built at inception in the design stage.

Background

The context for statistical data requirements in developing countries has undergone major changes in the last two years. The financial and economic crisis that started with the collapse of AIG and Lehman Brothers in the US rippled across the global economy. Clearly, there is no decoupling between developed and developing countries. Exogenous shocks that emanate from the G-3 must be clearly understood, their implications assessed, and policy responses determined. Policy makers in developing countries must have access to high frequency data at reasonable cost. For example, the unfolding sovereign debt crisis in Greece, the potential for contagion, and the overall impact on the European Union require analysis and assessment based on high frequency data.

The transmission channels of global forces at the macroeconomic level in the developing countries need to be understood. Reliable and upto date macroeconomic data including the availability of quarterly data are taking on increased importance for just in time decision making for fiscal and monetary policy. In this regard, there is an urgent need for updating and harmonizing the system of national accounts.

While the focus of policy makers across the globe in 2008 and 2009 has been on short-term macroeconomic stabilization, we cannot lose sight of the major development challenges and objectives facing developing countries. Monitoring progress in the Millennium Development Goals (MDGs) continues to remain very important. What has complicated the situation for statisticians is the need to acknowledge the impact of global forces on the attainment of the MDGs. For example, the 2008 food crisis, raised the specter of a dramatic increase in the incidence and severity of poverty. Quantitative assessment of higher food prices on poverty required robust expenditure share data of the poor and the near poor. While household

expenditure surveys are updated every 5 to 10 years, in a crisis situation, practical ways of collecting household expenditure in a short period of time must be found.

In the uncertain world in which we live and which is characterized by the emergence of new problems, resilience in policy formulation and implementation require the acknowledgement of high levels of uncertainty to which effective responses are needed quickly. As a result, countries should have the following characteristics. First, they should possess early warning systems when high frequency data and signals are processed quickly and responses designed and implemented in a timely manner. Second, they should be sensitive to how their countries fit into the larger global context. Third, they have to be sensitive to the changing needs of society. Fourth, they need to actively experiment with new policies and instruments to meet changing needs. Resilience in order to sustain relevance, responsiveness, and results orientation in a rapidly changing world requires just-in-time decision making by Governments, firms, and households.

In this emerging context, the data requirements are expanding rapidly and the speed with which they are requiring is also increasing rapidly. As members of National Statistical Organizations, you are all aware of the increased expectation that stakeholders have of the NSOs. In this brave new world, we will need to think and act very differently.

Augmenting the relevance and responsiveness of the NSOs

Against the background that I have established, I now turn to the challenge of augmenting the relevance and responsiveness of the NSOs. Let me clarify my understanding of these two concepts. Relevance is related to setting appropriate goals for the NSOs in relation to client needs and the NSO's institutional priorities and competencies. Relatedly, responsiveness is associated with the NSOs devising the right instruments and deploying them in proper sequence to achieve agreed goals.

In all of this, the client is of paramount importance. Identifying the clients and appreciating their legitimate and prioritized needs must be the starting point for the NSOs as they begin to redefine their purpose, role, and functions. Within a country, the main clients would be the Government, the private sector, civil society and the media. The extent to which the NSOs can meet the needs and expectations of the clients would significantly determine their level of appreciation and support for the NSOs.

Given the diverse clientele of the NSOs and their differing needs and expectations, the sustenance of strong support for the NSOs would depend on the professional integrity and clinical objectivity of the staff and products of the NSOs. In my view, the NSOs should be independent bodies that are staffed with professional statisticians and economists. They should be immune to external pressures. I think independence is the key to satisfactorily meeting the need of clients over long periods of time.

I appreciate that the staff and budgetary resources available to NSOs are limited. Therefore, it is essential that in setting goals, the NSOs are clear what needs they will directly meet and the other needs that NSOs will meet by outsourcing or providing directions to clients on how and from where they could cost-effectively procure their data requirements.

NSOs could play two distinct but interrelated roles. First, they generate data through the conduct of surveys for the preparation of national accounts, consumer and wholesale price indexes, household expenditure patterns etc. Second, they coordinate the national statistical system of the entire economy and become the repository of the most important and relevant data for the country. For example, ministries of health, education, sanitation hold significant amounts of administrative data. Establishing partnerships between the NSOs and the line ministries will enable data collection, validation, storage, and extraction to be rationalized and harmonized.

While movement in this direction will lead to a quantum increase in data availability, the recent article in the London Economist on this subject is reassuring that progress in data mining techniques makes the challenge manageable. As professional statisticians and experts in your fields of specialization you know this subject much better than an observer like me.

I find the distinction between the national statistical organization and the national statistical system to be useful. It helps define the boundaries of the NSOs. It also identifies the potential value added of the NSOs in their coordinating role as they bring the full force of their expertise to exploit all the data available from administrative and other sources to create a national repository of data that is regularly updated and validated. In the process the overall relevance and the responsiveness of the NSOs increase to the benefit of its clients.

In my professional experience of working on economic and statistical issues in developing Asia, I learnt the importance of marketing and dissemination. It is not enough to create a great data repository. Public awareness of it is very important. Targeted and regular outreach to civil society and media, both print and television, increases recognition, emphasizes relevance and demonstrates responsiveness. In the process, support from all the clients increases. Alternatively, while the quality and timeliness of the products and services of the NSOs would generate their new demand, effective marketing greatly accelerates the process.

Having spoken about the clients from a country, there is also the issue of the external clients of the NSOs, for example UN agencies, the Bretton Woods Institutions and the regional development banks. Measurement for management is at the heart of development effectiveness. The availability of timely and quality data is important and recognized by all development institutions. In this regard, the NSOs are the primary sources of the data needed by the external clients. Often the external clients provide statistical services and finances for the design, and implementation of select primary surveys, data collection and sometimes data processing. Once the data have been generated they are transmitted to and housed in the statistical database of the external client. A good example is the PovcalNet database system of the World Bank which is the repository of household expenditure surveys of developing countries. The surveys, it is important to note, are almost always conducted by the NSOs. This is an important point that has to be kept in mind. The NSOs serve their external clients as well.

Statistical Capacity Building

I would now like to briefly turn to the issue of Statistical Capacity Building (SCB) in developing countries. The heterogeneity that we witness in the stages of development of developing countries is also reflected in heterogeneity of the capabilities of the NSOs. This recognition has resulted in active programs of SCB sponsored by international organizations over at least two

decades. I have been involved in these efforts in developing Asia and have some familiarity with the challenges experienced. Generally speaking, many of the SCB initiatives costing tens of millions of dollars led to few tangible and lasting benefits to the NSOs. Both parties must share the blame. The international organizations adopted a tactical ad hoc approach where their data requirements were met through financing technical assistance projects. In addition, NSO requests were met with a view to strengthening relationships. In turn, the NSOs requested financial assistance to meet financing gaps resulting from inadequate budgetary support. Often, requests for technical assistance from an NSO over subsequent periods were for similar purposes.

A number of events occurred in the twenty-first century that have put SCB on a very different footing. First, starting in the late 1990s, the grant financing available for SCB declined significantly. Both donor fatigue and inadequacy of impacts of SCB contributed to this outcome. Second, with the emphasis on development effectiveness on all aid initiatives, it was inevitable that the yardstick of effectiveness would begin to be applied to SCB. The highpoint of this was the Marakesh Action Plan. Third, there was recognition from both the NSOs and the international organizations that there was a need to move from a random walk to a systems approach in SCB.

Let me share with you some of my recent experience in SCB. As a professional economist, I have always favored a diagnostic approach to addressing development challenges. Simply put, the identification and prioritization of binding constraints and their sequential relaxation are at the core of the diagnostic approach. In 2005, I suggested to my colleagues in the Asian Development Bank that we adopt this approach for SCB. We developed a diagnostic framework for SCB and pilot tested it in four developing Asian countries. Each diagnostic was country specific, required extensive stakeholder consultations, the fostering of intensive dialogue between the NSOs and its clients, and the systematic sharing of findings at each stage. The blueprint for action that emerged was targeted at sequentially releasing binding constraints. A consensus for the SCB emerged that had the full support from the NSO, planning agency, Ministry of finance, and the donor community.

I believe that a strategy for SCB should have a time horizon of about 15 years. Within this time frame, a five-year master plan could be designed that would clearly identify where a NSO is today, where it would position itself five years from now, and how it would accomplish its goals. The diagnostics clearly indicated the cause and likely effect of each initiative. Verifiable and monitorable indicators of progress would indicate the need if any for mid course corrections. I wanted to recount my experience with SCBs because the diagnostic approach is one that could be adopted in order to foster progress through partnerships.

There are two implications of taking a long-term view with long-term commitments. First, the international organizations started targetting only the most needy countries for SCB. Second, sustaining financial assistance over the long-term was premised on countries progressively financing a larger share of SCB themselves. Unless there was demonstrated commitment from within the country with one component of that commitment consisting of adequate financing of the NSO, themselves, international organizations and other donors would be unable and unwilling to provide sustained assistance for SCB for the NSOs. Demonstrated self-help is a precondition for long-term technical and financial support from both bilateral and multilateral development institutions.

NSOs of the OIC Member Countries

Finally, I turn my attention to the meeting here. This first meeting of the National Statistical Organizations of the OIC Member Countries provides an important forum to take a view on the role of the august body. We need to foster increased relevance, augmented responsiveness, and strengthened results orientation of the NSOs individually and collectively as we grapple with the challenges and expectations of clients in the 21st century. In sharing my ideas and views with you, I will draw on my experience with the 2005 round of the International Comparison Program (ICP) and the insights I gained from it.

As Chief Economist of the Asian Development Bank, I was privileged to lead the 2005 ICP round for the Asia Pacific developing countries. The Economics and Research Department which included the statistics division was the regional coordinator for the ICP of the Asia Pacific. In terms of governance structure, the apex decision making body was an advisory council with a co-chair NSO heads from six member countries, two distinguished national accounts and price statisticians and an expert from the global office in the World Bank. The advisory council took all the strategy and policy decisions throughout the course of this ICP program from 2003 to 2007 that covered twenty four countries and actively guided the implementation of the program.

The Asia Pacific 2005 ICP was designed with four objectives: (i) apply state of the art concepts and techniques in terms of product specifications, expenditure weights, price statistics, data processing and data validation in order to make PPP estimates; (ii) build statistical capacities to ensure that by the end of the process the NSOs would be roughly at par; (iii) foster strong partnerships and networks among the NSOs so that even after the ICP round, the partnership and network would continue; and (iv) produce the best 2005 ICP round report among all the regions.

What lessons can I draw from the 2005 ICP round that could be applicable to your deliberations?

First, there has to be clarity in terms of establishing the short, medium, and long run goals in the OIC context. For example, how will it contribute to the OIC Ten-Year Program of Action?

Second, careful consideration should be given to the need for a well defined governance structure. Should this body have an apex advisory council that would guide future directions and also be a source of expert advice?

Third, within the community of NSOs in the OIC, how would statistical capacities be raised in a manner that what is the best now would become the average for the group as a whole within a defined time period? What would be the role of networks and partnerships in accomplishing the goal?

Fourth, as a pilot, would it be possible in the context of your deliberations to identify a high priority OIC objective that would become the focus of attention for all the NSOs present to identify measurement variables, collect data required, subject the data to statistical validation, and finally provide estimates for each country within the OIC that are comparable? This would demonstrate the capability of the NSOs to work together and to learn from each other while accomplishing a commonly agreed goal.

Fifth, within the broad OIC context, data warehousing, data validation, and data mining challenges need to be acknowledged and addressed. In order to do this, three issues warrant consideration. First, I have already referred to whether there is need for an apex advisory body. Second, clusters of countries at different stages of statistical development and/or regional groupings could be identified for a smaller group of countries to work together. Third, there is the need for a forum like this where all the NSOs of the OIC get together once a year to take stock of progress made, lessons learnt and collectively decide on a future course of action.

Sixth, institutions like SESRIC and IDB have convening power, some expertise, and can act as a catalyst for developing statistical programs. The pre-condition for progress rests with the NSOs commitment on an agenda of action that would be largely financed by themselves. Demonstrating concrete results on a regular basis will ensure that this initiative is feasible, desirable, and warrants strong support and recognition.

Conclusion

In concluding, while I have shared some of my views with you, it is the deliberations that you have over the next two days and the conclusions that you reach which are really important. Collectively, you have to determine your future course of action, identify results that would be delivered within a finite time-period, and establish a transparent, identifiable, monitorable, and verifiable set of indicators by which you will assess progress. You could consider establishing a three-year blueprint for action to provide clarity in setting goals and identifying medium-term directions.

In the journey that we will all embark together, we from the Islamic Development Bank will be a steadfast partner within our limited resource envelope.

I look forward to your deliberations. I am confident that we can together determine an agenda and an action plan to foster progress in statistical development among the OIC member countries through a well defined program of strengthened partnerships among the NSOs. Progress through partnerships is both feasible and desirable in the area of statistical development. In turn, measurement for management will augment development effectiveness in the OIC member countries.

Thank you.