

Scaling Up Investment in National Statistical Systems

A Note on Applying a System-wide Approach to Implementing
National Strategies for the Development of Statistics

September 2007

This paper has been prepared by the Development Data Group of the World Bank and the PARIS21 Secretariat at the request of the PARIS21 Steering Committee. It is part of the follow-up to the Third International Roundtable on Managing for Development Results in Hanoi in February 2007 and the meeting on scaling up support for statistics held during the World Bank and IMF Spring Meetings in Washington in April 2007.

Executive summary

This paper briefly discusses why scaling up investment in National Statistical Systems is needed and then focuses on how this could be achieved by applying a system-wide approach, drawing lessons from the Sector-Wide Approaches (SWAs) used successfully in areas such as health, education and agriculture. It argues that an effective and efficient National Statistical System is essential for managing for development results. Investments in statistics are needed, just as much as in areas such as financial management and procurement. National Statistical Systems provide the data needed to develop appropriate policies, to target scarce resources, to measure progress, to make effective use of aid and to monitor and evaluate outcomes.

At the Third International Roundtable on Managing for Development Results, which was held in Hanoi in February 2007, participating country teams emphasized that **to be successful any scaling up of support to statistics must be grounded in and directly linked to national poverty reduction strategies or other development plans, must be based on well prepared and realistic national strategies for the development of statistics (NSDSs), and must involve harmonized and coordinated donor support.** Many countries have designed or are designing NSDSs; what is needed now is to adopt a system-wide approach to put these plans and strategies into effect.

In general applying a system-wide approach to statistics involves using the NSDS as a framework for coordination both across sectors and between donors. The aim is to make donor assistance coherent and to reduce transaction costs by setting out the objectives and results to be achieved and by establishing common mechanisms for implementation, monitoring progress, and reporting.

While a good national strategy is certainly a necessary condition for a coordinated approach to statistical development, though, it is clearly not sufficient. Other factors that are likely to be important include:

- Clear country and government ownership and leadership
- Involvement of all donors
- Integration of the statistics plan with national planning and budget processes
- Ensuring the NSDS defines and deals with the wider statistical system
- Ensuring that the NSDS identifies key outputs with quality “fit for purpose”
- Ensuring adequate capacity for coordination and management
- Setting up uniform implementation structures and procedures
- Setting up appropriate financing mechanisms.

It will be for countries and their development partners to decide if a system-wide approach is appropriate to their needs, but it may be helpful to identify criteria to indicate where the system-wide approach is likely to be most successful. These include:

- Countries with less developed statistical outputs
- Countries with a potential for high impact (those with a good strategy or plan in place)
- Countries with strong demand for improvement in statistical capacity

- Countries with good management capacity
- Countries prioritized by development partners

In order to use a program-based approach to support the implementation of NSDSs, a number of actions need to be carried out. These include:

- To develop guidance and good practice materials for countries wishing to use a system-wide approach
- To agree on the criteria for identifying countries where a system-wide approach may be appropriate
- To help countries to meet the criteria for putting the approach into effect
- For countries and donors to signal their commitment
- To expand the pool of experienced statisticians and other specialists who can provide technical and organizational development support
- To develop specific procedures to support countries with special needs, especially countries emerging from conflict and very small nations

Next steps have been identified, as follows:

1. **Continue high-level discussion** at a seminar in Paris in November 2007, at the Senior Level Meeting of the Development Assistance Committee in December 2007 and at the third High Level Forum on Aid Effectiveness to be held in Accra, Ghana, in September 2008.
2. **Identification of countries** where scaling up through a system-wide approach would be appropriate. All countries should be encouraged to express interest but phasing would depend on the criteria identified above.
3. **Preparation of guidance and good practice materials** on how NSDSs can be implemented using a system-wide approach. A first draft will be available by mid-September and a final draft by the end of October 2007.
4. **Country-level meetings of stakeholders** (including data users, producers, and potential financiers and donors). Once countries have adopted the approach, PARIS21 will work with countries to facilitate in-country stakeholder meetings.
5. **Improving the monitoring** of the statistical capacity of countries and of support for statistical capacity building.

Why do we need to Scale up Support to Statistics in Developing Countries?

Reliable statistics are needed to make policy, measure progress, and report on results at the international, national, and local levels. The issue of weak statistical capacity and the impact that it has on development processes and aid effectiveness is well documented. For example, less than an estimated 60 percent of the residents of Africa were included in a population census during the 2000 round. With the target date of the Millennium Development Goals rapidly approaching, and with many countries trying to improve their planning, budgeting, and management practices, there is an urgent need to improve the quality and availability of reliable statistics.

At the Third International Roundtable on Managing for Development Results, which was held in Hanoi in February 2007, participating country teams gave strong support to the Marrakech Action Plan for Statistics (MAPS), which was agreed at the second Roundtable in 2004, and which identified inadequate investment in statistics as a key constraint on managing for better development results. Both the second and third Roundtables as well as the follow up meeting in Washington in April 2007 agreed that reliable and timely statistics are essential for improving development results and for measuring aid effectiveness¹. There is now broad agreement that the only realistic and sustainable way to provide the data needed to support the development effort is to promote efficient and effective national statistical systems. While there is a crucial role for the international community in coordination and in promoting the use of international standards and good practice, national statistical systems are, and will continue to be, the main sources of development data. Well designed national strategies for the development of statistics (NSDSs), which address priority data needs and provide a plan for investing in the institutions and infrastructure needed for a well functioning statistical system, are a central part of MAPS. What is needed now is a coordinated process to put these plans and strategies into effect.

Since MAPS was first agreed in 2004, substantial progress has been made, but much more needs to be done. Participants in Hanoi, both from donors and developing countries, stressed the need for scaling up and accelerating the effort started in Marrakech and agreeing on the appropriate sequencing of interventions. **The key requirement is to move from the preparation of plans and strategies (NSDSs or similar documents) to their implementation.** Despite increased recognition of the importance of statistics, the lack of capacity to produce, analyze, and use statistics is still not adequately addressed in aid programs and national budgets. Scaling up is required therefore, to:

- Give higher priority to improvements in statistical capacity in the policy dialogue between donors and countries. For example, countries should consider how to address constraints in both the production and the use of statistics in poverty reduction strategies and other development policies.
- Help more countries to put their strategies and plans into effect, through coordinated aid delivery mechanisms at the country level. With help from PARIS21, the World Bank, and the regional development banks, many countries have developed strategies

¹ “A Dialog on Country Statistics” Note of a meeting held in Washington DC on April 14, 2007

or are in the process of doing so, yet relatively little attention has been given to their implementation.

Experience indicates that aid for development is most effective when donors work together and avoid fragmented and piecemeal projects. Since 2000, more and more development assistance has been focused on supporting national poverty reduction strategies. Pooled budget support has been successful in a number of countries. Elsewhere, sector-wide programs have been developed to support the implementation of national strategies in key sectors such as health, education and agriculture. Until recently, however, these approaches have not been widely applied to investments in statistical capacity. Participants in both the Hanoi and Washington meetings emphasized that **to be successful any scaling up of support to statistics must be grounded in and directly linked to national poverty reduction strategies or other national development plans, must be based on well prepared and realistic national strategies for the development of statistics, and must involve harmonized and coordinated donor support based on well-established principles. In particular, donor support for statistical capacity building must be delivered in line with the Paris Declaration on Aid Effectiveness².**

The remainder of this note sets out what is likely to be involved in scaling up support for statistics through a system-wide approach, similar to the SWAps already used in sectors such as health, education, and agriculture. It also sets out what may need to be done by both developing countries and donors to put these approaches into effect. A key requirement for a system-wide approach for statistics will be a well-prepared and comprehensive national strategy, with agreed priorities for investment, human resource development, and policy change.

National Strategies for the Development of Statistics

In deciding to prepare a national strategy for the development of statistics a developing country is making a statement that business as usual is not an option. A well prepared NSDS is concerned with the whole of the national statistical system - including statistics produced and used in line ministries such as health, education, agriculture, etc - and not just one data set or one data producing agency³. It deals with both technical statistical issues and institutional and human resource capacity and, crucially, it should be feasible and realistic, identifying priorities based on the level of available resources (*see box 1*).

Countries that have or are already in the process of preparing a well designed national strategy, therefore, have the basis for a successful implementation program. The processes on which the strategy is based are very similar to those used to prepare poverty

² Annex 1 sets out the main principles of the Paris Declaration and how they might be applied to statistics.

³ The term national statistical system is used to refer to the whole process of collecting, compiling, disseminating and using statistics produced by government agencies. It will include not only the activities of the central statistical agency, but also statistics on topics such as health, education, agriculture, population registration, finance and economics produced by line ministries, central banks and other government agencies. Most official statistics are financed from tax revenue and are compiled by state agencies. In some countries however, these activities will be supplemented by the activities of research organizations, trade associations and others.

reduction strategies and are closely aligned with the requirements needed for a system-wide approach to be successful. What they all have in common is that they take a medium to long-term approach based on an assessment of needs and priorities, involving all stakeholders. What is needed now is an understanding of how to apply this approach to the statistics field, to identify what is required of all the main partners, especially developing country statistical agencies and donors and to build on what has already been achieved.

Box 1: A National Strategy for the Development of Statistics should:

1. Be nationally led and owned, with high level political support
2. Be demand-focused and integrated into national development policy processes, taking account of countries' regional and international commitments
3. Be developed in an inclusive and consultative way
4. Assess all statistical sectors and user needs and provide a vision and strategic plan for national statistics
5. Set out a comprehensive statistical development program, which is prioritized and timetabled, to build capacity to deliver results, incorporating plans for implementation, monitoring, and evaluation, but also flexible enough to cope with change
6. Address institutional and organizational constraints and processes, including resources, for the sustainable development of statistical systems and outputs
7. Build quality "fit for purpose", drawing on best international practice and standards
8. Build on what exists and is being developed and continue to satisfy immediate needs for statistics during the NSDS process
9. Respond to user needs but be realistic about resources
10. Serve as a coherence framework both for international support for statistical development and statistics programs across the National Statistical System

How Could a System-wide Approach be used in Statistics?

In the formal sense, official statistics, and the associated activities of collecting, compiling, processing, and using and disseminating data on the social and economic conditions in a country, are not normally viewed as a sector. Rather they are considered to be part of a program of activities carried out in a number of sectors. Nevertheless, the process of preparing a statistical strategy, covering the whole, or at least the main parts, of a national statistical system, provides a framework within which a system-wide or program-based⁴ approach can be used to deliver coordinated and harmonized financial and technical assistance.

In general, applying this approach to statistics involves using the agreed national plan or strategy (NSDS) as a framework for coordination both across sectors and between donors, making donor assistance coherent and reducing transaction costs by setting out the objectives and results to be achieved and by establishing common mechanisms for implementation, monitoring progress, and reporting. By itself, the approach does not provide or require a new mechanism for donor assistance. Typically a number of different

⁴ Annex 2 provides some general background on sector-wide and program-based approaches

financing arrangements, including traditional project funding, pooled funding, and budget support, or any combination of these can be used. Donors might continue to support individual programmes, such as economic statistics or health information systems, or major exercises such as the decennial population censuses. The important new feature is that all of these contributions should fit within the framework of a national strategy for statistics. It is also important to note that implementation may well span many years and can include more than one phase of financing from donors. It is quite likely that support from different sources will follow different timetables, depending on donor funding cycles. Continuity and the predictability of funding are, however, essential.

How Could a System-wide Approach Work?

While a good national strategy is certainly a necessary condition for a coordinated approach to statistical development, it is clearly not sufficient. Other factors in this country-level process that are likely to be important include the following.

- **Clear country and government ownership and leadership** - Although the NSDS Guidelines⁵ emphasize the importance of country ownership and leadership, the pressure on countries to develop a strategy has led, in some cases, to the development of plans and documents in isolation from the country's overall development program and without clear links to poverty reduction strategies and other policy documents. There are cases where an NSDS has been prepared by a national statistical agency without a clear mandate and without widespread consultation. Often documents have been drafted by consultants, and it is only at a later stage that high-level support has been sought. In general, the system-wide approach is likely to be most effective where the initiative for the preparation of an NSDS has come from within the government at a high level and where the process has a clear mandate.
- **Involvement of all donors** - In other sectors, especially in countries with more limited management capacity, it has been found useful for one donor, already active in the sector, to play a lead role. This might include supporting the development of the policy and strategy documents, helping to coordinate the interaction between the government and donors, and providing some finance. It is likely that this role will also be important in the statistics field, and most useful where the lead donor has expertise in official statistics and national statistical systems. But, for the approach to be effective, the active participation of all donors involved in statistics in a country is important, including understanding what assistance is already being provided or planned by donors. In some countries, especially those preparing their first strategic plan, other donors have only been involved at a late stage, for example, by participating in workshops to discuss the final product. As a result, the strategy is seen as a product of the lead donor agency and other development partners may have only limited interest and ownership. The approach should be discussed by a dedicated donor coordination committee and/or be on the agenda of the country's donor group, as appropriate.

⁵ www.paris21.org/documents/1401.pdf

- **Integration of the statistics plan with national planning and budget processes -** This has already been identified as a priority for financing statistical development generally, but it is likely to be even more important if a system-wide approach is to be effective. The specification of an expenditure and resource envelope for statistics that identifies the priority actions to achieve results is an essential component. Plans that have been developed without any reference to resource limitations are unlikely to be realistic or feasible. It is also essential that long-term financing needs are agreed to ensure that the returns from the investment are realized and that improvements in performance are sustained. The issues of feasibility and sustainability will be key to the successful implementation of NSDSs. Ensuring feasibility will require wide-scale consultation and deliberation among all stakeholders (especially top national policy makers and donors). The costing of the plan should be realistic, being neither too ambitious nor too reserved. Sustainability will depend on effective capacity building and on the robustness of the NSDS over time and between different political and financial regimes.
- **Ensuring the NSDS defines and deals with the wider statistical system -** For the approach to be most effective it should cover more than just the central statistical agency, even in a centralized statistical system. While it is often difficult to define the boundaries of a statistical system precisely, it is likely to be important to include, at an early stage, those agencies responsible for key data series (e.g. service delivery ministries such as health, education, water/infrastructure) This may include, for example, activities such as the registration of vital events, which are not always included by countries within their definition of official statistics. With a narrow focus, involving just the central statistical agency, it will be difficult to build a broad constituency for statistics – providing coherence across the national statistical system – involving all the concerned donors. Sector or line ministries are also key users of statistics but often have weak interaction with the central statistical agency: Sector needs should be given a high priority in the NSDS and existing and planned donor support across the NSS needs to be taken into account.
- **Ensuring that the NSDS identifies key outputs with quality “fit for purpose” –** The NSDS needs to provide a realistic platform for the long-term sustainable development of national statistics, while addressing immediate data needs for development progress. It should: identify key statistical outputs and delivery mechanisms; set out a program of surveys and censuses; establish analysis and data release targets; build on what is already in place; and include coherent technical, human and institutional capacity building programmes backed up by an on-going and productive advocacy and dissemination strategy to maintain engagement with data users and funders.
- **Ensuring adequate capacity for coordination and management –** Even in a centralized statistical system, there will be a number of different agencies involved in the production, dissemination, and use of official statistics. In almost all countries, the central statistical agency plays the lead role in the development of the NSDS and coordination of the national statistical system. The system-wide process will require

this agency to provide technical and professional leadership, while at the same time managing a complex change process internally. It will be important to ensure that the central statistical agency has the capacity both to manage change and to provide leadership to other departments and agencies, who will also need appropriate management capacities. System-wide capacity and arrangements for coordination – such as through a National Statistics Council – will need to be created or strengthened to ensure adequate coordination between the different data producers and dialogue with users and decision-makers. Links between this Council and donor coordination committees and procedures will also need to be established.

- **Setting up uniform implementation structures and procedures** - With a number of potential implementing agencies and different donors and financing mechanisms, a system-wide approach for statistics is likely to be quite complex. It is usual, for example, to ensure that an effective implementation structure is established and that detailed procedures for procurement, financial management, and monitoring are all agreed before implementation begins, using a common agreed framework or project document. Increasingly these processes should be based on local systems. It is likely that many countries will need substantial support and technical advice to do this for statistics.
- **Setting up appropriate financing mechanisms** - There are three main funding mechanisms for financing a system-wide approach; each of these has some advantages and disadvantages, but the choice will ultimately depend on country circumstances:
 1. Pooling of all funds - perhaps the best solution for coordination and monitoring, with the recipient responsible for administration and reporting;
 2. Pooling of some donor funds, with other contributions managed separately; and
 3. Parallel financing where partners make their own arrangements with the recipient. This may give more flexibility to donors and the recipient but coordination of financing and activities may be more difficult.
- **Coordinating the provision of technical assistance** – In addition to financing of investment in infrastructure, many countries will need technical assistance to improve their statistical operations and to manage change. Scaling up support for statistics will require an increase in technical support and more effective coordination between providers. “Twinning” arrangements, where a well-established statistical agency provides technical support to a recipient statistical system, can be particularly effective in areas where technical expertise is scarce. Other arrangements may include a resident donor statistician in country to support the NSS in sourcing appropriate TA.

Where Might Activities be Scaled-up?

It will be for countries and their development partners to decide if a system-wide approach is appropriate to their needs, but it may be helpful to identify criteria to indicate

where the system-wide approach is likely to be most successful. Overall, success seems most likely in countries where there is a clear need for improvement, where a good national strategy or plan for statistics is in place or is being developed, where there is strong demand and support for statistics within government, and where there is good management capacity. But it is important to recognize that decisions about the allocation of resources are made through a variety of processes including, on the part of donors, political and strategic choices, membership of countries in regional groupings, identification of need and expected impact and country presence.

Several inter-related criteria can be used to identify countries where more intensive and harmonized efforts to support statistical capacity building might be appropriate, while ensuring that countries are drawn from a range of geographical regions to broaden the impact. These criteria are indicative only and relatively few countries may meet all of the criteria. Nevertheless, consideration of the criteria may help countries and their development partners to decide if a system-wide approach is appropriate to their needs. The criteria include the following.

- **Countries with less well-developed statistical outputs** - There are many factors contributing to less well-developed statistical systems, but one way to identify those countries most in need of statistical improvements would be to look at the availability and dissemination of critical outputs, such as household surveys, censuses, and MDG indicators.
- **Countries with potential for high impact (those with a good strategy or plan in place)** - The availability of a statistical plan is an obvious criterion, but it will be important to appraise the quality of the plan as the basis for a system-wide approach. Countries eligible to borrow or receive grants from the International Development Association (IDA) will also be a priority.
- **Countries with strong demand for improvement in statistical capacity** - Indicators of commitment and demand include the incorporation of the statistical strategy in the poverty reduction or development strategy; the expression of need for a more intensive donor effort by the country; and strong government commitment, for instance in terms of budgetary contribution to statistics.
- **Countries with good management capacity** - Criteria may include the capacity to absorb assistance through a more intensive donor effort and a country-led mechanism to coordinate external assistance. The capacity of the country to monitor and report on plan implementation will also be important.
- **Countries prioritized by development partners** - Although targeted countries can be identified based on a systematic analysis of needs or the institutional setting, the selection of countries may depend on the political choices of development partners. For example, certain donors tend to focus on groups of prioritized countries for historic, geographical, humanitarian, and other reasons. These factors will continue to play an important role in country selection and should not be ignored. One way to

include them is to increase the sharing of information about different work programs, with details of recipients, type of support, and areas of activities.

But, most importantly, both countries and donors need to want to take part and to commit to doing so in the best way consistent with their situations and constraints. Some aspects of the system-wide approach could move forward more quickly than others – for instance better coordination and coherence of support among donors should be introduced as soon as possible in all countries - while for other aspects capacity may need to be built, for instance the capacity to manage a system-wide approach.

What Needs to be Done?

In order to use a system-wide approach to support the implementation of NSDSs, a number of actions need to be carried out. First, there is a need for guidance and other assistance to countries wishing to use the approach to support their statistical development. Particular areas of focus are likely to include: understanding financing mechanisms; development of appropriate and effective management structures; understanding the annual appraisal and planning cycle; developing financial management and procurement capacity; and establishing targets, monitoring and reporting mechanisms. A first step could be to draw on existing examples or case studies and make the information and lessons learned more widely available. In some countries the development of the NSDS and the preparation of donor programs to finance implementation have, in effect, followed a program-based approach and it will be important to document and learn from these processes. Good examples are available from Kenya, Tajikistan, and Uganda (see Box 2). These and other early examples of using a system-wide approach can be used to test the feasibility and challenges - for instance in obtaining stakeholder agreement - to the approach and to learn lessons that can be fed into its wider application.

Second, donors and country representatives need to agree on the criteria for identifying countries where a system-wide approach may be appropriate and where a more intensive effort from donors is needed. This process may include a method of monitoring statistical capacity in countries and updating this information on a regular basis, for example, through a bulletin board. Information about the priority needs of countries and their progress in improving statistical capacity is not yet widely available. Coordinated action of this kind at the global level by donors and international agencies will be essential in supporting scaling up of investment in countries.

Third, many countries will need help to meet the criteria for putting the approach into effect. For instance, assistance may be needed to facilitate cooperation and coordination among donors, or to advise on pooled funding mechanisms and in some countries demand for statistics may be limited or they may face management constraints. In some cases, while developing a system-wide approach could still be a medium-term objective, it may be necessary to consider an interim capacity strengthening process in the short-term. This could be achieved through short- to medium-term projects that focus on priority data areas, that do not require new legislation or major administrative reform, and

that help to deliver immediate results and develop implementation capacity. In order to do this, however, quick-disbursing financing will be required.

Box 2. Use of a Sector-Wide Approach in Tajikistan

The Tajikistan government developed a multi-year, integrated statistical plan with financial support from the World Bank's Trust Fund for Statistical Capacity Building. The plan is being implemented with co-financing arrangements from multiple donors, including the World Bank's STATCAP program. Key characteristics of the process include the following:

- The plan was developed with the clear intention that it will be implemented. It is prioritized, costed, and its implementation arrangements are realistic and clear;
- The plan covers the entire national statistical system, and not just those statistical activities under the direct control of the statistical office;
- The plan is aligned with the overall national development strategy for Tajikistan;
- There is strong political support for statistical development;
- There is a lead donor (in this case, the World Bank), who helps coordinate donor activities and helps communication between key government agencies;
- There was early consultation with key national stakeholders and donors – there is strong donor interest in statistical development;
- The timing of the STATCAP project was aligned with the lead donor country programming cycle and the project was included in the Country Assistance Strategy report (CAS);
- The transition from completion of the Multi-annual Integrated Statistical Programme (MISP – Tajikistan's NSDS) to completion to a STATCAP project was smooth and momentum was not lost;
- Implementation is through a twinning arrangement with a consortium of five European statistical agencies, achieved using standard World Bank competitive procurement methods.

Fourth, countries (as well as donors) will need to signal their commitment. In the case of countries this requires that:

- A well-prepared statistical strategy is in place or is being developed with high-level political endorsement;
- A request from the minister of finance or the minister responsible for statistics is sent to the donor community requesting support for the implementation of the national strategy for the development of statistics and proposing the use of a program-based approach.
- Required resources can be or will be identified in national resource frameworks, such as medium-term expenditure frameworks (MTEFs).
- A dialogue has been opened with local donor representatives
- All donors (or at least a core set) with an interest in supporting statistics have agreed to the approach and, where appropriate, a lead donor has been identified to assist in coordinating the dialogue with government
- Existing initiatives in statistics are identified and there is clear understanding of how these will be included in a program-based approach.

Fifth, efforts will be needed to expand the pool of experienced statisticians and other specialists who can provide technical as well as institutional and organizational development support to developing countries to support the design, but especially the

implementation, of NSDSs and associated reform programs. It will be important to develop expertise in developing countries themselves and to promote south-to-south technical support from NSOs and other sources of expertise within regions, sub-regions and language groups. Regional training centers will have a role to play in supporting professional development and in providing statisticians and other experts with organizational development and consultancy skills. Regional centres of excellence on particular statistical topics could provide a key role in providing technical assistance. Expertise from OECD countries will be needed to support south-to-south arrangements, including training of trainers and supporting regional centres. This will include enlisting more engagement by OECD NSOs, and there may be a need to expand the pool of specialists by providing briefing and other support to statisticians, statistical managers and other professionals. As already suggested, twinning arrangements, where the expertise available from statistical systems in developed countries can be made available in a sustained way, are important and should be expanded. And donors may need to develop their capacities and access to expertise to understand and contribute to statistical capacity building programmes, recognising that this is an important and (for many donors) new area.

Sixth, separate procedures will be needed to support countries with special needs, especially countries emerging from conflict and very small nations with populations of less than about 0.5 million. Countries emerging from conflict have special needs and are likely to have little or no capacity to prepare a national strategy or even to carry out basic statistical activities. Substantial and extended technical and financial assistance will be needed to put basic capacity in place and to carry out initial statistical programs. Priorities are likely to include a baseline population count or census and the compilation of basic economic and social statistics. Since the process of building institutional and human resource capacity will take some time, this kind of direct assistance may be needed for a number of years. In the medium term though, the aim should be to prepare an NSDS and to move towards a system-wide approach to finance further capacity building.

While not the highest priority, countries with small populations, especially small island nations, face a number of problems in developing their statistical systems. Because of diseconomies of scale, they face higher costs per capita than other countries and their human resources are more limited. Support for statistics in these countries, therefore, may need to be at a relatively higher level than elsewhere, even for those whose national income places them nominally in the middle-income category. There is potential, however, for providing support on a sub-regional basis, with countries working together to coordinate their NSDSs and their implementation plans. More thought needs to be given to delivering effective support to statistics for these countries.

Next steps

Next steps are proposed as follows:

1. **Continue high-level discussion** at a seminar in Paris in November 2007, at the Senior Level Meeting of the Development Assistance Committee in December 2007 and at the third High Level Forum on Aid Effectiveness to be held in Accra, Ghana, in September 2008.
2. **Identification of countries** where scaling up through a system-wide approach would be appropriate. All countries should be encouraged to express interest but phasing would depend on the criteria identified above.
3. **Preparation of guidance and good practice materials** on how NSDSs can be implemented using a system-wide approach. A first draft will be available by mid-September and a final draft by the end of October 2007.
4. **Country-level meetings of stakeholders** (including data users, producers, and potential financiers and donors). Once countries have adopted the approach, PARIS21 will work with countries to facilitate in-country stakeholder meetings.
5. **Improving the monitoring** of the statistical capacity of countries and of support for statistical capacity building.

PARIS21 Secretariat and World Bank Data Development Group
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Annex 1: Application of the Paris Declaration on Aid Effectiveness to the Financing of Investment in Statistics

The Paris Declaration on Aid Effectiveness, endorsed on 2 March 2005, is an international agreement signed by more than one hundred ministers, heads of agencies and other senior officials. They committed their countries and organizations to increase their efforts to harmonize, align, and manage their aid programs to achieve measurable results using a set of monitorable actions and indicators of progress. In particular, the Declaration commits the signatories to five principles:

- Ownership, where partner countries exercise effective leadership over their development policies and strategies and actively coordinate development actions;
- Alignment, whereby donors base their overall support on partner countries' national development strategies, institutions and procedures;
- Harmonization, to ensure that donor actions are more harmonized, transparent and collectively effective;
- Managing for results, where resources and decision-making are improved to generate measurable results; and
- Mutual accountability, to ensure that donors and partners are accountable for development results.

Statistics are clearly important for the implementation and monitoring of the Paris Declaration, in that the outputs from national statistical systems are essential to support decision-making to achieve development results and are one of the main mechanisms for monitoring progress. It is also important, however, to consider how these principles can be applied to programs and projects that support statistical capacity building and, in particular, to make sure that they are at the core of any initiative aimed at scaling up donor support.

There are strong links between the Marrakech Action Plan for Statistics, the United Nations Fundamental Principles of Official Statistics and the Paris Declaration. In summary, the application of the Paris Declaration Principles to scaling up investment in national statistical systems implies the following.

- Ownership implies that developing countries exercise effective ownership and leadership in developing their national statistical systems; and donors respect this.
- Alignment of donor support for statistics takes place when developing countries prepare and implement effective strategic frameworks and work programmes for national statistical development (NSDSs or similar) and when donors provide technical and financial support within the context of these NSDSs.
- Harmonisation requires developing countries to exercise effective leadership in coordinating donor assistance and donors harmonise their activities through well-planned and well-coordinated projects and programmes.
- Managing for results means that NSDSs must be designed not only to generate better statistical data and, indicators, but also to ensure that these outputs are used to support evidence-based decision-making.
- Mutual accountability means that both developing countries and donors agree to monitor the implementation and outcomes of NSDSs within a framework of mutual

accountability, recognizing that developing a sustainable statistical system may take a long time. All partners need to agree on what indicators and targets are needed to monitor the delivery of inputs, the production of outputs, the achievement of wider outcomes and the impact of better statistics and a more effective statistical system. Agreement is also needed on the targets that are to be achieved and what action needs to be taken when implementation is seen not to be on track.

The contribution from the different partners in scaling up support for statistics and applying these principles is summarized in the following table.

Partners	Needs	Roles	Contributions
Developing country policy makers	Good quality statistics	Evidence-based decisions Support and funding Use of statistics	Recognize importance of statistics Provide adequate and predictable funding Support the independence of statistical agencies
Developing country statisticians	Motivated cadre of qualified statisticians High-level political support Resources Standards Technical assistance	Vision and strategy for NSS Relevant, good quality statistics	Strengthen leadership and management Better coordination across NSS Implement appropriate technical advice and best practices
OECD country policy makers and donor agencies	Good quality statistics	Evidence-based decisions Advocacy for statistics Use of data Financial aid	Emphasis on results agenda in aid programmes Focus on statistical capacity building as well as data needs Better donor coordination Dialogue on how development progress will be measured
OECD statisticians	Support from national aid agencies	Advocacy for statistics Development of methodology Advice and training	Reflect technical assistance role in NSO's objectives Recognize needs and limitations of data producers
International/regional policy makers and donors	Good quality statistics	Advocacy for statistics Use of statistics Funding	Endorsement of results agenda in aid programmes Focus on statistical capacity building as well as data needs Coordination of aid
International/regional statisticians	Good quality country statistics Resources	Advocacy International standards Comparable country data Technical assistance	Focus on statistical capacity building as well as immediate data needs Focus on national priorities Better coordination between agencies
Analysts, etc	Good quality statistics	Awareness raising Technical and financial resources	Be more engaged with data producers and governance systems

Annex 2: What is a Program-based or Sector-Wide Approach?

Program-based and sector-wide approaches have been around for a number of years and have been fairly widely used to support development in areas such as education, health, and agriculture. A widely accepted definition is that it is a mechanism for financing capacity strengthening and improvements in service delivery within a specific sector where “... *all significant funding supports a single sector policy and expenditure programs, under government leadership, adopting common approaches across the sector and progressing towards relying on government procedures to disburse and account for all funds.*”⁶ Other commonly cited features include: coverage of an entire sector; a coherent policy framework; having local stakeholders leading the process; including all the donors involved in the sector; the use of common implementation arrangements; and minimal long-term technical assistance. While the term sector-wide approach or SWAp has been used in relation to sectors such as health or education, the term Program-based Approach (PBA) has more recently been used as an alternative, especially where the approach is being applied to a broad program such as rural development.

The term has not yet been applied to projects and programs supporting statistical development, although a few projects could be thought of as falling largely within the definition. Brown and others emphasize that the key lesson from experience is that a SWAp is an *approach* to financing and implementing development projects and not a blueprint. The common features may well not be present in all examples and indeed may represent a desirable goal rather than the actuality on the ground.

What is Involved?

Basically, the process of moving to a program-based approach involves the formulation of a strategy, which is costed and matched to available finance, and the preparation of a detailed implementation plan, which is set out in the form of an agreement with the sources of finance and includes a performance monitoring system. These activities usually go through some iterative processes. Typically the activities do not necessarily happen in a linear fashion and they may proceed in parallel and not all may be fully completed before the program is launched. It is also important to distinguish between the approach itself, which provides the basis for the relationship between the country and donors, and specific financing arrangements. Most existing programs involve a number of different financing arrangements, which depend upon the degree of consensus between the government and its development partners and between the development partners themselves, the costs and benefits of the different instruments, the capacity of local agencies to deliver results, and the accountability of these agencies to their stakeholders.

It is also important to note that implementation may well span many years and can include more than one phase of financing from donors. It should also be noted that it is not essential for all funding to be provided over the same time periods; it is quite likely

⁶ The definition is taken from Working Paper 142, “The Status of Sector-wide Approaches,” by Adrienne Brown, Mick Foster, Andy Norton, and Felix Naschold and published by the Overseas Development Institute in January 2001. This is a very useful reference paper on SWAps.

that support from different sources will follow different timetables, depending on donor funding cycles. Continuity and the predictability of funding are, however, essential.

Reviews of SWAps in other areas indicate that it is essential for all donors to be involved at an early stage and to participate in the development of the strategy and its implementation.

What are the Benefits?

Overall, the approach has the potential to focus more directly on results that have been derived from a comprehensive consultative process. The potential benefits accruing from well-designed and implemented sector-wide programs fall under three main headings:

- First, stronger country ownership and leadership implies a greater likelihood of success and of benefits, including improved institutional capacity, being sustained.
- Second, an ability to deal with the main issues facing the sector on a comprehensive basis should lead to a more rational allocation of resources.
- Third, there are important efficiency gains arising from reduced reporting and transaction costs and less duplication.

What are the Costs?

Program-based or sector-wide approaches are inevitably more complex than stand-alone development projects and hence the time and effort required for preparation is substantially greater. This can have important implications when there is a need to generate quick results to maintain the momentum for reform. The need to reach agreement with stakeholders and all donor partners may make the consultative process more difficult and will almost certainly take more time. The burden on the lead government agency is substantial and a crucial criterion for success is that this agency either has the capacity to lead the process or can be assisted to obtain the capacity.