



# Assessment of the Philippine Statistical Development Program 2005-2010

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**Making Growth Work for the Poor**



## CURRENCY AND EQUIVALENT UNITS

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## ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank	CAPI	Computer-Assisted Personal Interview
AFMA	Agriculture and Fisheries Modernization Act	CBMS	Community-Based Monitoring System
AIM	Asian Institute of Management	CIF	Countryside in Figures
ARC	Advance Release Calendar	CIDA	Canadian International Development Agency
ASEAN	Association of Southeast Asian Nations	CO	Capital Outlay
ASPBI	Annual Survey of Philippine Business and Industry	CPBRD	Congressional Planning, Budget, and Research Department
AusAID	Australian Agency for International Development	CPH	Census of Population and Housing
BAS	Bureau of Agricultural Statistics	CPI	Consumer Price Index
BESF	Budget of Expenditures and Sources of Financing	CPDO	City Planning and Development Office
BIR	Bureau of Internal Revenue	CV	Coefficient of Variation
BLES	Bureau of Labor and Employment Statistics	DA	Department of Agriculture
BOP	Balance of Payment	DAR	Department of Agrarian Reform
BPM	Balance of Payment Manual	DBM	Department of Budget and Management
BPM	Balance of Payment Manual	DCS	Depository Corporations Survey
BSP	Bangko Sentral ng Pilipinas	DENR	Department of Environment and Natural Resources
CAF	Census of Agriculture and Fisheries	DepEd	Department of Education



DGSS	Directory of Government Statistical Services	GAA	General Appropriations Act
DILG	Department of Interior and Local Government	GDP	Gross Domestic Product
DND	Department of National Defense	GIS	Geographical Information System
DOE	Department of Energy	GNP	Gross National Product
DoES	Department of Economic Statistics	GRDP	Gross Regional Domestic Product
DOF	Department of Finance	GSAP	Government Statistics Accessibility Program
DOH	Department of Health	GSSID	General Standards on Statistical Information Dissemination
DOJ	Department of Justice	HoR	House of Representatives
DOLE	Department of Labor and Employment	HRD	Human Resources Development
DOST	Department of Science and Technology	LFS	Labor Force Survey
DOT	Department of Tourism	LGU	Local Government Unit
DQAF	Data Quality Assessment Framework	MBC	Makati Business Club
DTI	Department of Trade and Industry	MDG	Millennium Development Goals
EO	Executive Order	MICS	Multiple Indicator Cluster Survey
ESO	Economic Statistics Office	MOOE	Maintenance & Other Operating Expenditures
FAQs	Frequently Asked Questions	MSAs	Major Statistical Agencies
FBS	Food Balance Sheet	MTEF	Medium Term Expenditure Framework
FDI	Foreign Direct Investment	MTPDP	Medium Term Philippine Development Plan
FHSIS	Field Health Service Information System	MTPIP	Medium Term Public Investment Program
FIES	Family Income and Expenditure Survey	NAPOLCOM	National Police Commission
FLEMMS	Functional Literacy, Educations and Mass Media Survey	NCS	National Convention on Statistics
FNRI	Food and Nutrition Research Institute	NEP	National Expenditure Program
FOF	Flow of Funds	NEDA	National Economic and Development Authority



NG	National Government	PUP	Polytechnic University of the Philippines
NSCB	National Statistical Coordination Board	R&D	Research and Development
NSM	National Statistics Month	RDs	Regional Divisions
NSO	National Statistics Office	SDS	System of Designated Statistics
NSDS	National Strategy for the Development of Statistics	SDDS	Special Data Dissemination Standards
PARIS21	Partnership in Statistics for the Development in the 21 <sup>st</sup> Century	SEC	Securities and Exchange Commission
PCW	Philippine Commission on Women	SEPO	Senate Economic Planning Office
PMS	Performance Measurement Scheme	SG	Salary Grade
PPDO	Provincial Planning and Development Office	SRTC	Statistical Research and Training Center
PS	Personnel Services	SSRCS	Statistical Survey Review and Clearance System
PSA	Philippine Statistical Association	STSRO	Senate Tax Study and Research Office
PSIC	Philippine Standard Industrial Classification	SUT	Supply and Use Table
PSDP	Philippine Statistical Development Program	TESDA	Technical Education and Skills Development Authority
PSNA	Philippine System of National Accounts	TFSCB	Trust Fund for Statistical Capacity Building
PSS	Philippine Statistical System	USAID	United States Agency for International Development
PUF	Public-Use Files	WB	World Bank



## Acknowledgements

This assessment of the Philippine Statistical Development Program (2005-2010) was prepared by a team comprising of Karl Kendrick Chua (World Bank Task Team Leader), Alex Korns, Chita Marzan, and Jason Alinsunurin (World Bank Consultants), and Nenette Santero (World Bank Program Assistant). The final report is primarily based on the independent assessment of Alex Korns and Chit Marzan.

The PSDP assessment was a joint activity of the World Bank and the National Statistical Coordination Board (NSCB). The team is grateful for the support given by the NSCB led by Secretary General Romulo Virola and his staff Cynthia Regalado (OIC Director, Programs, Policies, and Standards Office), Millicent Gay Tejada (OIC Division Chief, Programs, Policies, and Advocacy Division), and Jayne Monteza (Statistical Coordination Officer).

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## Executive Summary

The objective of this assessment of the Philippine Statistical Development Plan (PSDP) is to provide recommendations on how to improve the preparation, implementation, coordination, monitoring, and evaluation of the next PSDP during 2011-16.

The years under the current PSDP (2005-10) have been critical ones for the Philippine Statistical System (PSS), given the continued growth in demand for statistics and the declining resources available to the major statistical agencies (MSAs). The growth in demand for reliable statistics for evidence-based policy-making is felt across the board at the national and local levels – for macroeconomic management and for the monitoring of poverty and related indicators. International statistical standards are advancing all the time, which adds to the demand for statistical products that will enable the Philippines to keep up with standards. A detailed review of statistics for several sectors portrays the growing gap between demands and supply for statistics. The decline in resources for statistics is due in part to an exodus from the PSS of skilled statisticians with long experience, an exodus that was motivated by large differences in pay scales but has been exacerbated by restrictions on promotion and hiring under Executive Order 366 issued in 2005.

In a nutshell, the development of the statistical system has not been treated as a priority objective, and has instead been sacrificed to the general need for cutting the government budget. While the PSS has been able to produce most of the mandated outputs under the system of designated statistics, innovations, such as shifting to the System of National Accounts (SNA) 1993 and 2008, have been largely absent during the current PSDP. The statistical activities of the Department of Economic Statistics (DoES) at the Bangko Sentral ng Pilipinas (BSP) “the central bank” constitute an exception to the general picture. For this agency alone, resources have not been constrained, given its autonomous nature, so that innovation continued apace and new surveys and better statistics could be launched.

Given the situation, the next PSDP must focus mainly on the issue of how many resources the government is willing to devote to statistics. Many kinds of needed innovation, itemized in the report, will or will not happen depending on the resource decision.

Since the nineties, the PSDP has not included a medium-term expenditure plan nor focused on the level of resources for the entire PSS. It is essential, however, that the next PSDP include measures of cost in terms of both funding and staff time in order to encourage the political system to give serious attention to the resource issue. A convenient way to pose the cost issue is to prepare two cases in the PSDP – one for what can be done with the existing budget trends (base case), and the other for what can be done with a specified increase in resources (reform case).

The report also proposes two approaches to getting better treatment for the PSS from the Department of Budget and Management (DBM), which supervises personnel levels under EO 366. One is to petition for the earliest possible approval of the rationalization plans submitted by the MSAs, inasmuch as the effects of EO 366 are much more benign after than before the approval of a rationalization plan. The other is to lobby with the National Economic and

Development Authority (NEDA) for a declaration that statistics are a priority need, so that statistical development begins to be seen as a tool for improved governance and not as a regrettable burden on the budget.

In addition, the report examines to what extent and how donor agencies could help with the financing of the next PSDP.

Finally, with regard to the design of the next PSDP, the report recommends a much briefer document of about 100 pages than the most recent one with 700 pages. This can be achieved in part by relying more explicitly on the multi-year plans of the MSAs, so that the PSDP can focus on strategic issues, key priorities and budget requirements, cross-sectoral issues, and the development of statistical activities outside the MSAs.

## I. Introduction

### A. Terms of reference of this assessment

1. This assessment of the 2005-10 Philippine Statistical Development Program (PSDP) is a joint activity of the National Statistical Coordination Board (NSCB) and the World Bank (WB). The PSDP is a mechanism for setting the directions, thrusts, and priorities of the Philippine Statistical System (PSS). It defines the priority statistical programs and activities in the medium term designed to provide vital information support to the Medium-Term Philippine Development Plan (MTPDP) as well as promote efficiency of statistical operations through optimum use of available resources and adoption of cost effective measures. The main objective of this assessment is to provide recommendations on how to improve the preparation, implementation, coordination, monitoring, and evaluation of the next PSDP for the period 2011-16. The main focuses of the assessment are the following:

- Design and processes of the current PSDP,
- The extent of attainment of the 2005-10 PSDP in terms of inputs, outputs and outcomes,
- Emerging users' demands, satisfaction level, and perceptions on the responsiveness of the Philippine Statistical System (PSS).

2. To do this more effectively, the assessment team, composed of WB staff and consultants<sup>1</sup>, first reviewed user needs and the obstacles to meeting them. Next, it looked at the design and process issues of the PSDP. As regards to the extent of attainment of the PSDP from 2005-2010 in terms of inputs, outputs, and outcomes, the main focus was on documenting the impacts of staff and budget shortages on the expected outputs and outcomes.

3. In the most basic terms, the main strength of the PSS is the well-educated and trained people who work in the system or have worked in it. The major weakness has been inadequate staffing, especially during the most recent PSDP, for reasons that will be discussed in the report. In some ways, the major strength and weakness are two sides of the same coin. The strong international market for skilled Filipino technical workers, based on their high skill level and English competency on the one hand confirms the exceptional skill levels of Filipino statisticians, many of whom have worked overseas as consultants or staff of international agencies. At the same time, it is the market for skilled statisticians, in both international and domestic non-government agencies and government agencies not covered by the salary standardization law (e.g., central bank), that lures skilled personnel away from the major statistical agencies, thereby making it difficult for the PSS to hold onto senior staff with strong skills.

4. Data needed for the assessment were gathered from meetings with stakeholders conducted during April 6-23, 2010, questionnaires for data users and producers<sup>2</sup>, available

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<sup>1</sup> The core team is composed of the following members: Karl Kendrick Chua, Country Economist and Task Team Leader, and Alex Korns and Chita Marzan, both World Bank consultants.

<sup>2</sup> A survey form was sent to major data users, but the response rate was low, in part because the form was sent late and in part because many users voiced their feedback during the consultation meetings. Most of the user comments

documents provided by the respondents and other references (see Annex 1 for a list of pertinent references). Those consulted during the assessment include the major stakeholders in the PSS such as the six major statistical agencies (MSAs)<sup>3</sup>, seven national government departments/agencies producing sectoral statistics, data users from the national government, local government units, private sector, academe, the media, development partners and government oversight institutions such as the National Economic and Development Authority (NEDA), Department of Budget and Management (DBM), the House of Representatives and the Senate (see Annex 2 for the mission schedule, Annex 3 for a list of questionnaire respondents, Annex 4 for a list of stakeholders met during the assessment, and Annex 5 for a summary of issues and concerns raised in meetings with data users and producers).

## B. An overview of the PSS and the PSDP

5. The PSS is composed of six major statistical agencies (MSAs) whose functions are primarily statistical (see Annex 6 for an overview of the PSS and PSDP) and around ninety agencies and bureaus of the government producing statistics as part of their regulatory or administrative functions. The system is coordinated by NSCB through programs and policies. NSCB has a policy-making Executive Board composed of the Director General of NEDA, Undersecretary of DBM and an undersecretary from all other departments in the national government, heads of the NSCB Technical Staff, the National Statistics Office (NSO), and the Statistical Research and Training Center (SRTC), the Deputy Governor of the *Bangko Sentral ng Pilipinas* (the central bank), and representatives from local government units (LGUs) and the private sector.

6. On the structure of the PSS, there was a pending bill, the “Statistics Act”, in the 14th Congress proposing the creation of a National Statistics Authority out of five major statistical agencies (excluding the statistical arm of the BSP). This is not the first bill that aims to merge statistical agencies. The last such bill was filed in the early 1990s and approved by Congress but vetoed subsequently by the President. The latest bill was, in turn, based on the recommendation of the “2007 Strategic Review and Evaluation of the Philippine Statistical System (PSS): A Report of the Special Committee to Review the PSS”, published in 2008. The findings of that report are not reviewed here.

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mentioned here were collected in the consultation meetings, after which many users saw no further need to return the form.

<sup>3</sup> The major statistical agencies in the PSS include the statistical policy-making and coordinating body, the National Statistical Coordination Board (NSCB), which has an executive board and a secretariat; producer of general purpose statistics, National Statistics Office (NSO); producer of agriculture and fishery statistics, Bureau of Agricultural Statistics (BAS) under the Department of Agriculture (DA); producer of specific purpose statistics on labor and employment, Bureau of Labor and Employment Statistics (BLES) under the Department of Labor and Employment (DOLE); producer of monetary and banking statistics, Department of Economic Statistics of the *Bangko Sentral ng Pilipinas* (BSP); and a research and training institution on statistics, Statistical Research and Training Center (SRTC).



7. The PSDP is the integrated medium-term plan of the PSS and therefore the equivalent of the National Strategy for the Development of Statistics (NSDS) as introduced by a group of international agencies called Partnership in Statistics in the 21<sup>st</sup> Century or PARIS 21.<sup>4</sup>

8. The latest PSDP is for the period 2005-10, the seventh of the PSDP series dating from 1976 under the Statistical Coordination Office of NEDA, the predecessor of NSCB. It contains the PSS vision, goals, key result areas, programs, activities, and budgets. These programs, activities, and budgets are presented by PSS-wide concern and by sector following the sectoral themes in the Medium-Term Philippine Development Plan (MTPDP). A chapter on subnational statistics is also included.

9. The PSDP has been coordinated by NSCB since the latter's establishment in 1987. The preparation is led by a Steering Committee assisted by inter-agency committees created or convened by NSCB for the purpose. Agencies discuss their planned activities through the concerned committees. NSCB Technical Staff monitors the status of activities listed in the PSDP and of some activities not listed as well. Monitoring reports are prepared around every three years, the latest one in 2009.

10. From its beginning in 1976, the PSDP has used a sectoral approach. Starting in the 1990s, the PSDP has also included discussions of PSS-wide programs such as management and coordination, data management and information dissemination, human resources and development, and research and development. An assessment of the PSDP processes (see Annex 7) shows that they are largely consistent with the NSDS criteria with potential for further improvement in some aspects like advocacy, budgeting, and resource mobilization. The PSDP takes into account the statistics needed in monitoring and evaluating the MTPDP and existing laws and national policies. Likewise, the country's commitment to support global programs such as the Millennium Development Goals (MDG) and the Special Data Dissemination Standards (SDDS) of the International Monetary Fund (IMF) are considered in the PSDP framework.

11. During the past five years, the PSDP's main strong points lie on the ability to sustain the participation of stakeholders in the formulation of programs. The data producing agencies that were consulted have expressed positive views on the use of the PSDP and its coordination process. The PSDP implementation resulted into a number of positive outcomes (see Annex 8) such as generation of new indicators, coverage of new topics, enhanced consistency with international standards, improved timeliness and frequency of some data, and sustained enhancements in information dissemination and advocacy, all to the benefit of data users. Programs to develop capacity of the PSS were also continuously implemented such as training, research and systems improvement, despite limited resources.

12. On the other hand, some statistics have not improved and some even deteriorated in terms of timeliness (see Annexes 9 and 10). Likewise, efforts to complete necessary enhancements/revisions have been delayed due to reduced manpower. The Mid-Decade Census of Population and Housing was not conducted as planned in 2005 but delayed to 2007 due to lack of budgetary appropriations. The process of an integrated resource and expenditure planning, prioritization

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<sup>4</sup> PARIS21 was founded in 1999 by the United Nations, the European Commission, the Organization for Economic Cooperation and Development, the World Bank, and the International Monetary Fund.

and a concrete resource mobilization strategy seem to be lacking in the PSDP, so that there was little in the way of a coordinated response to the declining resources faced by the system. Support from oversight institutions such as DBM and NEDA was not visibly shown as indicated by the declining budget for permanent positions particularly of the MSAs. The plan was prepared at a time when resources for statistics were more plentiful than they have become, and there was no contingency plan for the case of declining resources, with the result of a mismatch between the plan and the available resources.

13. Generally speaking, most routine tasks have been accomplished, but there has been much less innovation than is needed to modernize the system and keep abreast of growing demands for data.

## II. Key issues for the next PSDP

### A. Growing needs for statistics

14. When charting the direction for the PSS, the continuing growth in the demand for statistics is perhaps the most basic consideration. The demands are growing due both to the felt needs of users in the Philippines as well as international standards, which are becoming more elaborate all the time. The ongoing elaboration of international standards stems from the fact that statistics have become a basic tool of governance – one that is expected, worldwide, to play a major role in “evidence-based policy making”. Meanwhile, many voices of Philippine society express their needs for more and better statistics. This is a reflection of the country’s working democracy and, in particular, of broad interest in enhancing policy making at the local level with good statistics, in the wake of the devolution of decision-making to LGUs. The demand involves both administrative and survey data.

15. The standards for national accounts, long required for macro-economic policy making, have become more elaborate, since a new set of international standards was released in 1993 (SNA93) and revised again in 2008 (SNA08). The 1993 and 2008 standards include institutional accounts, capitalization of many items, more detailed capital accounts, and more attention to the coverage of illegal and unreported activities, among other things. Converting from the much simpler 1968 standards to the 1993 and 2008 standards has become a major challenge for the unit that prepares the Philippine System of National Accounts (PSNA), the Economic Statistics Office (ESO) of NSCB, as it has for national accounts units in many other countries. The new standards also require additional source data, such as an enterprise survey, a retail sales survey, and fuller access to the income accounts of enterprises in addition to the standard surveys of establishments. Another instance of growing data needs involves additional data requirements from the financial system to monitor risk and system stability, to collect investment data in more detail, and to monitor consumer sentiment.

16. Poverty and vulnerability is another topic for which data needs have intensified. Statistics plays a major and multifaceted role in the monitoring of the MDGs, which many countries including the Philippines have adopted as a central framework for evaluating progress towards poverty alleviation. This involves statistics on income poverty, the health of mothers and



children, educational attainment for the disadvantaged, and the state of the environment. The UN, in fact, recommends 48 standard indicators for monitoring progress on the MDGs (Annex 11), of which 36 are applicable to the Philippines as a developing country. Accordingly, the focus on MDG policy goals has tended to increase the demand for a broad range of reliable statistics.

17. Finally, statistics users in the Philippines have become more knowledgeable about the data and therefore more inclined to look for anomalies and ask for clarifications. For the PSNA, this became clear during two recent *fora* organized by NSCB. This represents another kind of demand on the statistical system – a demand for methodological documentation, technical notes, and explanations of apparent anomalies.

18. Users' growing needs for a broad range of statistics were expressed very clearly at four *fora* that the assessment team organized – the presentation of preliminary findings, a meeting with development partner representatives, a meeting with congressional staff (all in Manila), and a meeting with LGU officials and staff in Iloilo City. Specific needs were also expressed in meetings with particular users.

## B. Declining resources for statistics

19. Meanwhile, resources in support of statistics have declined, as is evident in Table 1. The number of budgeted positions in five MSAs (except for the BSP) fell from 4,356 in 2004 (when major declines had not yet begun) to 3,350 in 2010, for an overall decline of 23 percent.<sup>5</sup> Meanwhile, total employment in the national government increased by two percent, and as a ratio to total employment in national government, statistical employment fell from 0.39 percent in 2004 to 0.29 percent in 2010. Furthermore, the declining tendency was sharply accentuated for two high-profile statistical units at NSCB, as discussed below in this subsection. The state of human resources for statistics is further documented in Annex 12.

**Table 1: Staffing summary in major statistical agencies**

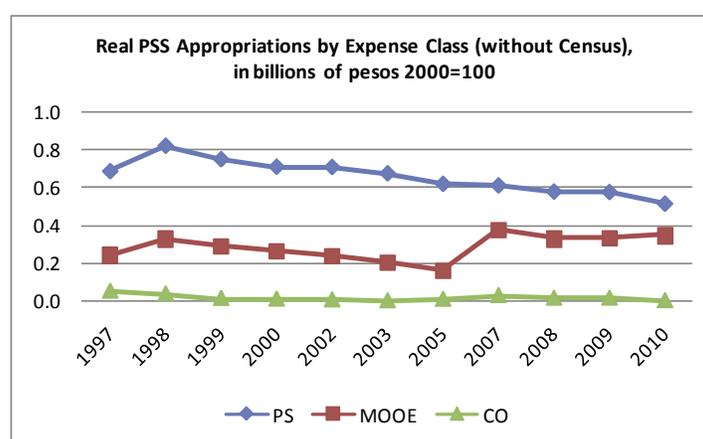
	2004 (before EO 366)	2005	2006	2007	2008	2009	2010	Percent change 2004-10
NSO	3,020	2,796	2,796	2,783	2,660	2,535	2,403	-20
NSCB	173	152	152	148	141	141	112	-35
SRTC	25	25	25	25	23	21	24	-4
BAS	1,087	1,000	987	928	901	867	767	-29
BLES	51	43	42	38	39	41	44	-14
<b>Total 5 MSA</b>	<b>4,356</b>	<b>4,016</b>	<b>4,002</b>	<b>3,922</b>	<b>3,764</b>	<b>3,605</b>	<b>3,350</b>	<b>-23</b>
Total NG	1,118,073	1,117,853	1,108,513	1,115,651	1,130,772	1,139,113	1,139,116	2
<b>5 MSA as percent of NG</b>	<b>0.39</b>	<b>0.36</b>	<b>0.36</b>	<b>0.35</b>	<b>0.33</b>	<b>0.32</b>	<b>0.29</b>	

Source: GAA for NSO, NSCB, SRTC; Agency for BAS and BLES; DBM Staffing Summary for total NG

<sup>5</sup> As a rule, the number of budgeted positions is based on the number of persons who actually worked (“warm bodies”) in the preceding years. For example, the budgeted position for 2010 at 3,350 is based on the number of warm bodies as of the end of 2009.

20. The story for the statistics budget for the five MSAs is less clear-cut, due to large variations in budget levels when there are censuses and household surveys and the differences between appropriations and obligations, but the picture generally shows that resources for statistics have been significantly constrained.<sup>6</sup> The Mid-Decade Census scheduled for 2005 was postponed until 2007 for budgetary reasons. The wage bill accounts for over two-thirds of routine statistical budgets, so the number of staff has a major impact on the routine budget. Since 2004, in nominal terms, appropriations for personnel costs have been largely flat (and declining in real terms) because increases in nominal salaries have offset declines in the number of employees, but appropriations for other expense classes, such as Maintenance and Other Operating Expenses (MOOE) and Capital Outlay (CO), have increased somewhat (Figure 1). A short analysis of the budget for statistics is documented in more detail in Annex 13.

**Figure 1: New appropriation for 5 MSAs (in billions of pesos in 2000 prices)**



Note: The routine operational budget include PS and MOOE.

21. Aggregate appropriations data for 1988 to 2009 are available and a comparison between 1998 and 2008 is instructive, as there was no Census of Population and Housing (CPH) nor Family Income and Expenditure Survey (FIES) in either year. For 1998, total appropriations for the MSAs were P1.053 billion, or P1.160 billion in 2000 pesos. For 2008, total appropriations were P1.341 billion, equivalent to P0.865 billion in 2000 pesos. So the comparison indicates a real decline of 25.4 percent during 1998-2008, after adjusting for an inflation of about 71 percent during that decade. Figure 1 shows real appropriations by expense class (less the budget for the census) during 1997-2010. The chart shows the continuing decline in appropriations for personnel services (PS) since 2002, an increased budget for maintenance and other operating expenses (MOOE) since 2007, and a generally flat budget for capital outlay (CO) throughout the period.

<sup>6</sup> Appropriations is the budget authorized by Congress in the General Appropriations Act and other appropriation laws. Obligations is the budget committed to pay for goods and services but not necessarily disbursed. Obligations can be much lower than appropriations if an agency is not fast in using available resources. Low obligations are sometimes used by DBM in reducing next year's appropriations to the agency.

22. Another way in which government employment policies have constrained statistical development is by maintaining an outdated structure of salary grades with many positions at the lower levels and few at the higher levels, especially the higher technical levels. NSO department directors pointed out that the Statistician III and Statistician IV grades could work independently, solving problems in survey design, assessment and analysis of data, and preparation of descriptive reports for dissemination. Similarly, BAS indicated a need for additional positions at these levels. The need for and potential productivity of staff at these levels has risen greatly in recent years, for several reasons:

- The increased burden of survey design work, due to the need to accommodate user requests and changing international standards.
- Growing demand from users for metadata, documentation, and technical notes.
- Information technology development, which empowers high-level technical staff to conduct analysis and develop surveys largely on their own.

23. Table 2 shows assigned positions at salary grades 15 to 24.<sup>7</sup> At NSO, there is special interest in the number of staff at SG 18 to 24. NSO has been able to fill only about half of its assigned positions at those levels, due in large part to the hiring freeze brought about by EO 366 (discussed below). Ideally, NSO would want to have twice as many assigned positions at those levels compared to what it now has and to fill all of the positions, which would quadruple the number of “warm bodies” at those levels.

**Table 2: Number of statistical positions by salary grade from SG 15 to 24 in 2010**

Agency	SG 15/16	SG 18/19	SG 22	SG 24	Total	Total authorized for agency	Share of total agency
NSO	117	42	12	78	249	3,020	8
NSCB	36	29	10	10	85	173	49
SRTC	0	5	2	2	9	25	36
BAS	34	28	8	9	79	1,087	7
BLES	8	9	4	4	25	44	57
Total	195	113	36	103	447	4,349	10

Note: NSCB Statistical Coordination officer is classified under SG 11, 13, 16, 19, 22 and 24

24. Seniority is another important variable to consider when evaluating the adequacy of employment in the PSS. For many kinds of statistical activities, effectiveness at the higher levels depends on a good knowledge of the data sources, their comparability, and institutional history. Such knowledge is especially critical for national accounts. For this reason, PSS employees with more than 10 years of experience in the PSS are especially valuable. In this regard, the PSS is well off on average, with a remarkable 78 percent of employees having 10 or more years of

<sup>7</sup> Positions at salary grade (SG) 15/16 are called Statistician II or Statistical Coordination Officer III. These are specialists. Positions at SG 18/19 are called Statistician III or Statistical Coordination Officer IV and these are senior specialists. Positions at SG 22 are called Statistician IV or Statistical Coordination Officer V, while positions at SG 24 are called Statistician V or Statistical Coordination Officer VI. SG 22 and 24 also serve as assistant division chiefs and division chiefs, respectively.

experience, as presented in Annex 12. In other words, seniority is exceptionally good in the system as a whole, while much less so in the hard-hit units of NSCB mentioned above – due to the departure in recent years of many high-level senior staff from the national accounts team in NSCB.

25. It is of some interest to compare employment in the PSS with employment in statistical systems of other countries at similar levels of development. Total employment in the PSS of 3,350 (which includes staff assigned to civil registration functions) seems rather small when compared with the total employment of Statistics Indonesia of approximately 14,000.<sup>8</sup> These numbers translate to a total of 27,000 inhabitants (up sharply from about 19,200 in 2004) per statistical employee in the Philippines, as compared with only 16,400 in Indonesia.<sup>9</sup> And this is despite the extra burden on NSO staff of its civil registration work, which absorbs some 600 employees. Yet it is by no means clear that the PSS needs to increase total employment greatly, as much depends on how “smart” the statistical officers can work and on their seniority, as well as the available technology. Officials of NSO, the largest of the MSAs, emphasize that their need is not for an increase in total employment – just for a major increase in employment at the upper salary grades with the possibility of further reducing staff at lower salary grades.

26. In summary, to emphasize the need to restore human resources in the PSS, the next PSDP should present an analysis of the attrition of human resources for statistics, with special focus on problem areas like NSCB’s Economic Statistics and Social Statistics Offices, and propose concrete steps to bring the resources and tasks into better balance.

### C. Impact of Executive Order 366

27. In 2004, Executive Order 366 mandated each government agency to submit a rationalization plan (henceforth called the Rat Plan) to DBM for re-allocating the assignment of personnel within the agency, subject to the restriction that total employment and payroll do not exceed previous totals. As one of the conditions set forth (Section 7), the agencies are not allowed to hire or fill up vacant positions pending approval of the Rat Plan. Exemptions have been requested yearly from DBM but the approval took some time (inasmuch as justification was required for each position) and for this reason exemptions have not often been requested. Furthermore, even under the Rat Plan, agencies were still not allowed to discharge staff with non-essential functions. This order also has the effect of freezing promotions, thereby encouraging employees with the best alternative work opportunities to exit the government. Another provision was that positions that were vacant for at least two years were deemed to have been lost by the agency during the period before approval of a Rat Plan. Agencies such as NSCB, which has had a hard time attracting good replacements have seen their budgeted positions decline in this manner.

28. But even before EO 366 was issued, the DBM budgeting process as provided in its budget call allocated only the amounts needed for the positions filled up as of the end of the immediately preceding year. The EO has the effect of setting the limit of the Rat Plan to the

<sup>8</sup> The 14,000 strong staff in Statistics Indonesia do not include field staff of the Department of Agriculture who provide estimates of agricultural production based on crop cuttings and other sources.

<sup>9</sup> Employment data is not at hand for comparison with statistical systems in Thailand and Malaysia.



number of filled positions in 2005. Approval of Rat Plans for all the MSAs could therefore restore most of the positions that have been lost since 2005, although it could not undo the devastating effect of losing persons with high seniority.

29. The provisions of EO 366 have impacted on the five MSAs, especially the larger ones, due in large part to the fact that Rat Plans have not yet been approved for the larger MSAs so that the agencies lack the flexibility to promote and to replace persons who leave. Furthermore, the order impacted disproportionately on technical employment in two units of the NSCB in particular, leading to a “hollowing out” of those units, as follows:

- From 10 to 4 employees, a decline of 60 percent, in the B-unit of the Social Statistics Office (SSO), which produces various poverty indicators
- From 35 to 13, a decline of 63 percent, in the Economic Statistics Office (ESO), which produces the national accounts (the 13 include two contract employees).

30. Many of the most skilled and senior staff that were engaged in producing the national accounts or poverty indicators left for better-paying jobs outside the civil service, as often happens in other countries too due to the strong demand for such skills. For the Philippines, however, it was not feasible to replace those who left:

- NSCB could not transfer staff to these positions from non-technical functions such as administration, because the skill sets did not match.
- NSCB was not allowed to rehire for those positions without an exemption, and these have not been useful for making quick hiring decisions, as it usually took at least six months to get approval for the exemptions.

31. These declines are due to the voluntary departure of qualified staff, especially those with many years of service, for better-paying jobs at the Asian Development Bank (ADB), the BSP, and other employers.<sup>10</sup> This kind of leakage seems to have been exacerbated in recent years in the Philippines by the freezes and by the well-developed labor market for high level technical staff. NSO officials said they faced a similar problem of voluntary departures, especially for IT personnel, but NSO was able to cope in part by allowing senior staff to take occasional leave without pay for short-term consulting jobs, especially overseas ones.

32. EO 366 cannot of course be blamed entirely for these losses, as many other factors were involved, including the wide salary gap between civil service and other salaries and the growing demands outside the civil service. In this instance, perhaps EO 366 was merely “the straw that broke the camel’s back” by making it more difficult to give promotions that might have kept the senior staff from leaving.

33. All the statistical agencies reported that they have experienced difficulty in hiring qualified staff. Existing qualification standards require both academic and work experience qualifications. This explains the number of current vacancies to date.

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<sup>10</sup> In other MSAs, demand for statisticians in commercial banks has also become a major competitor in the wake of a new banking regulation issued by BSP that require each commercial bank branch to have a risk assessment officer who might normally have a degree in statistics.

34. To address the adverse implications in the meantime, DBM initiated a circular<sup>11</sup> that allow agencies to hire job order contractors to be funded from funded vacant positions and savings in MOOE up to 1.5 percent of total MOOE until December 31, 2010. All statistical agencies have availed of this as a stop-gap measure, but this is clearly not sustainable as many tasks require long years of experience especially in national income accounts compilation.

35. More broadly, DBM has allowed all agencies to request exceptions from the prohibition on hiring replacements and the MSAs have availed themselves of this facility on several occasions, but the data in Table 1 show that the decline in employment has nevertheless continued. NSCB in particular has availed itself of this facility on five occasions, most recently in May 2009. A total of 75 positions were requested for rehiring, of which 42 were approved; 36 of these were funded, while the other six were unfunded. The number of actual warm bodies hired was of course lower given the lack of incentives to attract good candidates as well as the lack of candidates for key positions such as the national accounts compilers.

36. The statistical agencies have submitted their rationalization plans but except for the Statistical Research and Training Center (SRTC) and the Bureau of Labor and Employment Statistics (BLES), these have not yet been approved to date. The three MSAs that are attached bureaus and lie outside departments comprise:

- The NSCB, with 129 positions<sup>12</sup>
- The NSO, with about 2,330 positions
- The SRTC, with only 25 positions.

37. Another two MSAs are staff bureaus and are contained within larger agencies, so the Rat Plans for these agencies are subsumed within their departmental plans:

- Bureau of Agricultural Statistics (BAS) with 767 employees is under the Department of Agriculture.
- The BLES with 44 employees is under the Department of Labor and Employment.

38. The last of the MSAs, the Department of Economic Statistics (DoES) with approximately 85 employees under the Bangko Sentral ng Pilipinas (BSP) is not subject to DBM employment ceilings given autonomy of the BSP.

39. When asked about the timing of approval of the Rat Plans for NSCB and NSO at a forum in April 2010, DBM officials appeared to be in no hurry to make a decision. They mentioned that they are waiting for a legislative decision on the Statistics Act, which may lead to a reorganization of the statistical system. Such a decision cannot be expected until well after the election as the bill would need to be filed again. At a meeting in June 2010, however, DBM officials indicated they could proceed expeditiously to review the Rat Plans of the statistics agencies if it appeared that passage of a new Statistics Act was not imminent.

<sup>11</sup> Joint DBM-DOLE Circular 1-09 dated March 23, 2009 and reiterated/clarified under DBM Circular Letter 2009-13 dated December 18, 2009.

<sup>12</sup> Many of the positions are currently vacant and there are 51 contract employees.



40. When told about the perceived impact of EO 366 on the MSAs, DBM officials took the view that any untoward impact was the fault of the MSAs themselves -- for not submitting their Rat Plans earlier, for submitting Rat Plans based on agency requirements and deviating from DBM guidelines, and for not requesting exemptions often enough, although DBM officials also made the point that frequent submission of requests for exemptions could delay consideration of a Rat Plan that had already been submitted.

41. Given these issues, the next PSDP will need to propose a solution to dampen the negative effects of EO 366, on the basis of consultation with the DBM and all stakeholders.

#### **D. The widening gap for national accounts**

41. National accounts data are essential for monitoring economic growth, in particular for monitoring achievement of the MTPDP targets such as accelerating annual economic growth to 8 percent. NSCB releases national accounts data on both a quarterly and an annual basis.

42. The current problems of the Philippine System of National Accounts (PSNA) stem mainly from an inadequate number of staff. A recent review of seniority levels among the 13 technical staff at ESO and one non-technical staff showed that three of them have more than 20 years experience, two have eight years, one has five years, one has three years, and the rest have fewer than three years of experience. The 13 technical staff are not even able to focus fully on the PSNA, as they are also tasked as well with leading a number of interagency committees, together with producing statistics on foreign direct investment (FDI), food balance sheet, leading economic indicators, seasonally-adjusted series, quarterly economic indices, and satellite accounts, all of which are in response to user demands. Contrast the situation at ESO with the following examples from neighboring countries:

- In Thailand, 39 technical staff of the National Economic and Social Development Board prepare the national accounts without having to handle coordination tasks at the same time.<sup>13</sup>
- In Malaysia, there are 83 staff of the National Accounts Division of the Department of Statistics. Of these, 32 are statisticians and the rest are associate professionals. This is based on an enlarged structure dating to 2008. Before 2008, 17 statisticians and 32 associate professionals produced annual and quarterly GDP, GRDP for Sabah and Sarawak, and SUTs every five years. The tasks added in 2008 include: more detailed GRDP data, annual capital stock, annual tourism satellite accounts, and a social accounts matrix (in progress).<sup>14</sup>
- In Vietnam, 20 staff work on national accounts, with three scheduled to retire at the end of 2010, and the deputy director of the division says another 10 staff are needed.<sup>15</sup>

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<sup>13</sup> Based on a phone interview with the national accounts unit, 27 April 2010.

<sup>14</sup> Email from Ms Omi Keljom Haji Elias, director of National Accounts Division, 29 April 2010.

<sup>15</sup> Email from Mr. Duong Manh Hung, Deputy Director of the national accounts unit at GSO, 13 May 2010.

43. Despite the low staffing levels, NSCB-ESO has succeeded in producing its data on time and in developing some new estimates as well. In the short-run, productivity has even appeared to increase as staff began to multi-task. In addition, they must also coordinate various activities throughout the PSS. In the long run, however, this level of efficiency and effectiveness is not sustainable. There is little time for research and development (R&D) and the employees work too much without overtime pay, which eventually becomes a factor motivating them to leave for better-paying jobs elsewhere (as is the case of the 20 or so who left in the last six years).

44. Concern about the adequacy of the PSNA to meet users' needs is long-standing. Ross Harvey of the Australian Bureau of Statistics, while carrying out a detailed assessment in 2008, noted that: "The last major revision of the PSNA was conducted in 1990. At that time, the base year for constant price estimates was moved from 1972 to 1985."<sup>16</sup> He also mentioned the ongoing work towards completion of the next "major revision of the PSNA. This work will of course involve a change in the base year, but will also involve a shift to the methods of SNA93. The next major revision is expected to be released in May 2011.

45. A "major revision" of national accounts always involves a change in the base year and revision of time series as far back as possible so as to facilitate unobstructed time series analysis by users. In addition, it usually involves the use of new data sources and/or a change in methods (such as the shift to new international standards such as chain volume measures when measuring real income).

46. The transition from SNA 68 to SNA 93 has been a challenging one for many countries, developing ones in particular. NSCB-ESO has carried out important work towards the transition since 1993, but, due in large part to chronic staff shortages and data constraints, this has not yet culminated in a major package of revisions available to the public that would simultaneously resolve many problems. Key problems are enumerated below:

- An input-output table (IOT) was prepared and released for the year 2000, but the PSNA has not yet been rebased to be consistent with the 2000 IOT.
- The statistical discrepancy between GDP as estimated by the production and expenditure approaches remains rather large, exceeding 10 percent for some quarters. This is due in part to the use of the 1985 base year, now 25 years old. Minimizing the discrepancy would require moving to a more recent base year or to chain volume methods. Other contributing factors include the use of very old benchmark ratios from the 1988 Census of Establishments and the 1980 Census of Agriculture and Fisheries.
- A set of pilot estimates for 1991-98 based on SNA93 was prepared as early as 2003 but has not yet been published and is now being revised in the ongoing project to implement SNA93.

<sup>16</sup> Ross Harvey, "Assessment Report on the Philippine System of National Accounts", 25 Sept 2008. Most of the discussion of data gaps and problems in this and the next sub-sections is based on the Harvey report.



- The chain-volume method for deflating GDP has been piloted. The need for chain-volume measures of price change is well recognized, as these measures result in much more reliable measures of inflation than the current Laspeyres method.<sup>17</sup> The chain-volume approach has not yet been implemented in the published accounts but is expected to be used in the next major revision.
- New data sources have been used to prepare improved time series for both the current and constant price estimates of GDP, but this improvement has led to breaks in time series between 1999 and 2000 for the current price estimates and between 2002 and 2003 for the constant price ones. These breaks hinder the analysis of annual PSNA time series going back at least to 1980 and quarterly series back to 1981.

47. Nevertheless, the NSCB-ESO has continued to improve the national accounts. To give a partial list, important advances since 1990 include:

- The preparation of satellite accounts for tourism, health, education, and environment.<sup>18</sup>
- The implementation of an advance release calendar, published annually in November.
- A revision policy adopted in 1997 and adhered to thereafter.
- A revised methodology for seasonal adjustment of six major PSNA aggregates in 2002. Other aggregates are not seasonally adjusted.
- Sector classification based on the 2009 Philippine Standard Industrial Classification (PSIC) instead of the previous 1977 and 1994 PSICs.
- Some parameters/ratios were updated, and coverage was expanded to include emerging industries due to expanded data sources such as those from BSP and the NSO Annual Survey of Philippine Business and Industry (ASPBI).
- Valuation of industry output and value added were estimated at basic prices instead of market prices. Operationally, gross output is measured at basic prices and intermediate inputs at producers prices.

48. The widening gap between demand and supply for source data for national accounts is another major constraint to PSNA progress, but this gap relates to resource shortages not at NSCB but at other agencies and will be discussed separately in the next subsection. Finally, the SNA93 standards recommend an enhanced effort to ensure the completeness of the accounts. A standard manual on this topic lists five kinds of activity in the “nonobserved economy” to be covered<sup>19</sup>:

- Informal-sector production
- Illegal production
- The underground economy, consisting of activities that are deliberately hidden from observation for reasons such as tax evasion
- Household production for own final use

<sup>17</sup> The Laspeyres method uses base-year volumes to weight all transactions.

<sup>18</sup> The satellite account for health is now with the SSO and not the ESO.

<sup>19</sup> Measuring the Non-observed Economy: A Handbook, OECD, 2002. The handbook was prepared by a team including OECD, the IMF, the ILO and the Statistical Committee of the CIS.

- Production missed due to deficiencies in data collection programs, such as frame deficiencies and nonresponse or underreporting by enterprises.

49. There has, in fact, been considerable discussion of the measurement of the informal sector (also called the “unorganized sector”) in the Philippines but much less so of the other components of the “nonobserved economy”. The estimated value of informal-sector production has been extrapolated from the formal-sector on the basis of hours worked per sector, as measured by household surveys. Although concern has been expressed that the value of informal-sector production measured in this way may overstate the true value, there has been much less concern that the measure of GDP may miss large amounts for the other four components of the “non-observed economy”. In-depth studies of both the informal sector and the other components are needed, but ESO lacks the time and staff for such studies.

50. For national accounts, the gap between demand and supply became evident at two *fora* in Manila in December 2009 and January 2010. Participants mentioned the following issues, among others:

- “There were many problems with the initial estimates (i.e. unusual growth rates, inconsistencies between related data and series that either appeared to be too high or too low) that needed to be remedied, or at least required further investigation and explanation.”<sup>20</sup>
- Excessive variability of key ratios in source data from NSO, such as for the ratio of intermediate consumption to gross output, in data from monthly, quarterly, and annual surveys<sup>21</sup>
- Dissatisfaction with the traditional Laspeyres method for measuring price change, with its well-known tendency to exaggerate inflation<sup>22</sup>
- The need for better survey coverage of small business
- The need for reducing the excessive statistical discrepancy in the PSNA
- The need for the SEC to process corporate filings in greater volume and more promptly
- Concern about the reliability of PSNA estimates for the informal sector, in the absence of survey data.

51. In most countries, the staff of the central bank provide the most detailed critique of the national accounts, because they are the most intensive users. The staff of the Department of Economic Statistics of the BSP expressed concern about three data consistency issues for the PSNA in meetings with the team:

- The existence of differing estimates for the balance of payments, due in large part to a difference in the residence concept, is distracting for users.<sup>23</sup>

<sup>20</sup> Charles Aspden, “NSCB Project on Improving the Quality and Usefulness of the Philippine System of National Accounts”, Mission Report No 1, March 2010.

<sup>21</sup> This and the remaining comments were taken from discussion summaries prepared by NSCB.

<sup>22</sup> The exaggeration is due to use of base-year weights, ignoring the tendency of consumers to substitute cheaper items for the products with the larger price increases.

<sup>23</sup> The BSP follows the SNA and BPM recommendations for treating overseas workers as resident in the Philippines for only a year, whereas the NSCB-ESO follows a different interpretation of the “center of economic interest” under which such workers are considered resident in the Philippines for their first two years overseas.



- The existence of different estimates of national savings in the PSNA and in the BOP. Owing to the large statistical discrepancy in the PSNA, BSP has used its own data sources to prepare an independent estimate of national savings for its flow of funds (FoF) tables. Its time series shows a much lower level of national savings than does the PSNA.
- The need for a revised PSNA based on SNA 93/08 to ensure consistency with the newest BOP standards that are being observed by BSP for balance of payments and monetary statistics (now moving towards balance of payments manual 6 (BPM6)), which at the international level are consistent with SNA 93/08

52. In summary, to address the widening gaps in the Philippine system of national accounts, the next PSDP will need to recommend steps to reverse the alarming shrinkage in ESO staff under the current PSDP, in order to rebuild its capacity to prepare national accounts.

### E. The gap for national accounting source data

53. Source data are of course required for preparing national accounts. In recent years, there has been little in the way of newly available and useful data sources for national accounts. One exception is the increasing availability of income statements and balance sheets for corporations that must report annually to the Securities and Exchange Commission (SEC). The enhancement of the PSNA and the switch to SNA93 require new kinds of source data that can be obtained either from surveys or from administrative data sources:

- *Enterprise data* are important for the institutional accounts as well as for tracking investment and capital stocks. The Philippines has not yet carried out a survey of enterprises. To do so will require a complete and updated business register for enterprises, which does not yet exist but could be created by NSO from the SEC and/or BIR enterprise lists. NSO has long begun to study methods for an enterprise register but abandoned the work for lack of staff. In 2010, NSO has revived the efforts in line with PSNA needs and is targeting to conduct the first enterprise survey in 2012.
- NSO does maintain a list of establishments (LE), but this is not a full-fledged *business register*. There is as yet limited coverage of enterprises.<sup>24</sup> The coverage of establishments is too extensive (about 800,000) to permit annual updating for closures, so that the list contains many closed establishments despite partial annual updating.<sup>25</sup> The law requires each establishment to file for a business permit and annual renewal, and NSO officials at the local level use this data to identify new establishments manually, but NSO still needs to carry out a field check to verify that the establishment is active and does not duplicate one that is already in the LE. A uniform system for establishment registration is much to be desired as this would at least support an automated interface with the NSO register and automation of a matching process. One possibility is to develop an application for a Decentralized Registry of Establishment System (DRES) and persuade LGUs to utilize the application. This would be easier to do for LGUs that lack a computerized system

<sup>24</sup> The LE comprises corporations.

<sup>25</sup> The Annual Survey of Philippine Business and Industry (ASPBI) regularly finds 10 to 15 percent closures. The last Census of Philippine Business and Industry (CPBI), conducted in 2007 for reference year 2006, found that a somewhat larger percentage of the listed establishments was closed.

than for ones that already have their own system, but in the long run would tend to lead to a more uniform system. Under current law, NSO is not allowed to share its register with any other agency or to publish it, but the wisdom of this law deserves reconsideration, as the current policy means that other stakeholders do not have much interest in the improvement of the LE. In other statistical systems that safeguard the confidentiality of statistical data, registry data is often an exception, because data such as the name and address of an establishment is not considered particularly sensitive. Moreover, the procedures for collecting such data often do not require much cooperation from the establishments, so that lack of confidentiality for a registry is not likely to impede data collection in the way that could occur for other data sets.

- In more advanced countries, *tax data* is a major source for the statistical system and the national accounts, and the Bureau of Internal Revenue (BIR) could provide more data than it now does for those users. Its list of business taxpayers would provide a useful source for creating and updating a register of enterprises, but current legislation does not allow BIR to provide more than that. In other countries, the national accounts make good use of income and deductions data that taxpayers submit to the tax authorities (in support of the determination of tax owed) as an alternative source for measuring business income and outlays. The electronic data that BIR is now collecting for large taxpayers would support such statistical uses, but the manual data that BIR has collected is incomplete and largely unavailable in digital format for statistical use.
- *Financial statements* filed with the SEC provide a valuable source of enterprise data for the PSNA, especially in support of the new institutional sector accounts required under SNA93. The SEC has made great progress in publishing the filings for the largest enterprises. In 2004, they published the top 5,000 corporations. Later the report was for the top 8,000 in 2007 and the top 10,000 in 2009. By the end of 2010, the SEC plans to release a report for the top 15,000 in CD format.<sup>26</sup> Major users such as BSP-DoES and NSCB-ESO would prefer to receive consolidated totals from the SEC, but SEC has difficulty complying due to the lack of staff for research and analysis. A research staff of 15 in 2002 has now declined to only one employee!
- Although NSO collects extensive survey data for businesses on its extensive establishment list, the list misses most of *the informal sector*. In developing countries, a business register is not considered a reliable source for covering the informal sector, so a common procedure is to survey business using a dual sample: a list frame and an area sample. A register is used to cover large establishments, while smaller ones are covered by an area sample, in which a sample of small areas with clearly delineated boundaries is selected and canvassed door-to-door to identify all businesses. A matching analysis is required to eliminate duplication between the list and area samples. This is also a useful procedure for calibrating the extent of undercoverage in the list sample. An Economic Census may use a similar approach to identify all business activity in the country, with a much larger sample of selected areas, perhaps including entire cities. The Philippines conducted an Economic Census as early as 1903, but since 1945 it has conducted an

<sup>26</sup> These datasets are mostly for sale. There is no automatic and free data sharing among government agencies.



Establishment Census, not an Economic Census. The concepts are rather similar. In the Philippines, the Establishment Census is based on the LE, which is updated by means of extensive field work. Area sampling has not been used for the Census of Establishments, but it is used extensively in some countries for an Economic Census, such as in Indonesia. Although the Economic Census approach is, of course, more costly than the Establishment Census approach used by NSO, it gives a much more complete coverage of the informal sector. There are plans for NSO to conduct an Economic Census in the medium-term, with some canvassing possibly based on area sampling.

- *Retail sales data* is needed to prepare more reliable estimates of consumer spending for the quarterly and annual national accounts. There is no ongoing retail sales survey yet but NSO did carry out a pilot survey in 2005.
- Improved data for *fixed capital formation* is much needed, both for buildings and for other fixed investment. Estimates for investment in buildings are now based on building permits, although surveys could be taken to measure the value of work actually done on a quarterly basis.
- NSO still uses the Laspeyres formula to calculate the *consumer price index* (CPI) and the wholesale price index (WPI) but is developing improved versions with use of chain-volume methods to eliminate the Laspeyres bias. Comprehensive producer price indexes (PPIs) are needed for the national accounts, but the only ones so far available from NSO are for agriculture and manufacturing.
- NSCB-ESO needs prompt *price indexes for imports and exports*. Before 2006, it was said that “NSO produces price indexes for exports and imports but these do not become available until several quarters after the reference quarter, and NSCB does not currently make any use of them. Consequently, when calculating export and imports at constant prices NSCB uses the United States Bureau of Labor Statistics (BLS) indexes for semiconductors and electronic goods, world commodity prices for some homogeneous goods, and unit values derived from the detailed trade data.”<sup>27</sup> Since 2006, however, NSO has not produced any price indices for imports and exports because staff has lacked the time to work through a classification change that would need to be introduced.

54. Optimizing the provision of source data for national accounts will of course require close coordination between NSCB and the providers of source data. This is particularly the case for NSO surveys of the business sector, the main purpose of which should be to provide data for the national accounts.

55. There are also consistency and timeliness issues for the existing NSO sources for the business sector, as have been documented by Harvey and the World Bank. This has been a concern, for example for the consistency of some recent time series based on data from the Census of Philippine Business and Industry (CPBI) and the ASPBI. Work to improve consistency will require some additional resources, in particular the time of high-level technical

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<sup>27</sup> Ross Harvey, p. 4.

staff (Statistician III and IV) who can dig into these issues independently. It will also require close coordination between NSCB and NSO to maximize the comparability of questions in the CPBI and ASPBI over time, particularly in cases where a need arises to revise questions to obtain more complete data for the PSNA. NSO staff mentioned that the existing resource constraints, particularly the shortage of high-level statisticians, make it difficult to carry out the kind of research activities that are needed to check data quality and improve survey methods. For this reason, data anomalies cannot be investigated as thoroughly as they should be.

56. Even when timeliness for source data meets the standards for designated statistics, as it often does, the PSS still needs to consider ways to shorten the standard reporting lags. For establishment surveys, improvement in timeliness will require, in the view of NSO, streamlining of questionnaires so as to lessen the number of questions as well as more effective advocacy to motivate establishments to respond more quickly.<sup>28</sup> An Executive Order to allow NSO to utilize SEC data where appropriate and feasible, as well as data from BIR and other government agencies, would limit the number of data items for which corporations and some establishments must respond to NSO surveys. Such an option would need to be pilot tested before implementation. Furthermore, the processing lag at NSO could be shortened by six months or more if more staff and work space were allocated to the job, in which case results could probably be published by April of the year after data was collected. For example, data for the 2008 survey is collected during 2009; a processing speedup could result in publication by April of 2010 instead of toward year-end, as is now the practice.

57. In summary, to address the growing gaps in economic statistics, the next PSDP will need to offer guidance as to which of these upgrades on which of these sources, if any, are of the highest priority and how much, if anything, the country can afford to spend for developing the sources that are needed in support of a more ramified and robust set of national accounts and business statistics.

#### **F. Widening gaps for household data**

58. The monitoring and analysis of social conditions requires data from households, mostly obtainable from sample surveys. The data are essential for measuring poverty and monitoring progress on the Millennium Development Goals (MDGs).

59. NSO conducts a Family Income and Expenditure Survey (FIES) once every three years with a sample size of about 50,000 households, as well as an Annual Poverty Indicator Survey (APIS) during non-FIES years. NSO deems the FIES sample to suffice for estimates at the regional but not the provincial level (there are 17 regions and 80 provinces to date). The sample is based on a master sampling frame that was developed in 2003 on the basis of the 2000 Census of Population and Housing. The previous master sampling frame did support estimates at the provincial level.<sup>29</sup> The FIES questionnaire runs to 72 pages.

<sup>28</sup> The ASPBI questionnaire runs to 12 pages.

<sup>29</sup> Such estimates were of course of lower precision than the ones at the regional level.



60. The three main user complaints about the FIES data are: i) lack of provincial detail, ii) untimely availability of results (18-24 months after the survey began), and iii) a need for better frequency.

61. The need for provincial instead of regional detail is grounded in the fact that local government units (LGUs) begin at the provincial level while there are none at the regional level. One objection to preparing the measures at the provincial level has been the great difference in population size between the larger and smaller provinces, with three provinces having fewer than 100,000 inhabitants while several have millions. NSO has taken the view that it would need a sample size of at least 2,000 households per domain to support reliable household estimates, so that provincial-level estimates would require a four or five-fold increase in sample size. The NSO view is understandable if the focus is on measuring the incidence of rare events such as child mortality, but less so if the focus is on measuring poverty, which is not such a rare event.

62. International practice supports the preparation of poverty estimates with a domain sample of fewer (in some countries, much fewer) than 750 households. Indonesia has recently increased the sample size for its National Socio-Economic Survey (Susenas) to 390,000 to provide measures for districts that now number about 525, which implies a domain sample of only about 743 per district. In some other countries, a domain sample size of only 500 has been considered adequate for a poverty survey.<sup>30</sup> For the Philippines, the current FIES sample is already sufficient for a domain sample of 616 per province, not far from the Indonesian standard and a sample increase of only 10,000 households would suffice to bring it very close to the Indonesian level. Generally speaking, as the demand for sub-national statistics is so great, users will have to gradually learn to tolerate higher sampling errors than previously as resources will not suffice to maintain such low errors at the provincial level as at the national level. The Philippines may need two modules for its master sample – one designed to provide poverty estimates at the provincial level, the other to provide estimates of rare events like infant mortality at the provincial or regional levels. A detailed assessment to improve the household surveys could be carried out soon to delve into the details of this proposal.

63. Two steps could greatly improve FIES timeliness. One is to limit data collection to a single round instead of collecting data on two occasions separated by six months to control for seasonality, even though seasonal variation appears to have no significant impact on the results.<sup>31</sup> The other is to use laptop computers to input the data during the field interview, a procedure known as computer-assisted personal interview (CAPI). As few as five laptops per domain could

<sup>30</sup> Two other examples are at hand for smaller countries, for which sample designs were developed by international experts. For Afghanistan, 467 was considered to be an acceptable sample size for each of 45 domains, for a survey that focused on poverty and correlated indicators. The ICON Institute of Germany prepared the sample design. For Mongolia, the sample size is 11,200 for at least 22 domains (21 aimag and Ulaanbaatar) and probably a few more, so the acceptable sample size was no more than 510 and probably a bit less. The World Bank funded the Mongolian survey, so it funded a sampling expert as well.

<sup>31</sup> Studies have shown that the second round does not add value to the FIES since the difference between the first and second rounds is statistically insignificant. Fuwa, N. "A Methodology for Predicting Annual Income and Expenditure Given One Round of the Family Income and Expenditure Survey (FIES)." Technical Assistance Report to NSO. Pacificator, A. et al. (1995) "Estimating Annual Income and Expenditure Based on the First Visit of the FIES." University of Los Banos. See also, outputs of the NSCB-UNDP Project on the Model-Based Estimation of Annual Income using the 1st survey round of the FIES.

suffice for a domain of 750 households. The great advantage of CAPI is that a computer routine can validate the data during the interview, so that subsequent data review, editing, and cleaning can be minimized and results suitable for publication could become available within a few months of the close of field work instead of nearly 12 months as now.

64. Frequency would improve sharply if the FIES were conducted every year or even every two years. A household survey somewhat like the FIES is conducted annually in many developing countries. In Indonesia, detailed expenditures data are collected by Susenas only once in three years, but more aggregate expenditure measures and other proxy indicators are collected in the annual Susenas survey in the other years.<sup>32</sup> The survey of income and expenditures is not taken annually in Malaysia, Thailand, and Vietnam. Since the Philippines has higher poverty rates than these countries, however, frequent monitoring of poverty is important to aid the design of anti-poverty programs.

65. The measurement of poverty in the Philippines is based on income data from the FIES, in contrast to the practice in most countries, where the measure is based on expenditures, on the view that expenditures can be measured more reliably than income. After each FIES, NSCB generates and releases estimates of the national and regional poverty rates. Thus, 2006 poverty rates were released in 2008 – by region and province, and for specific population groups such as women, children, youth, and senior citizens.

66. In addition, the Social Statistics Office (SSO) at NSCB has on occasion used public use files (PUF) from NSO to prepare estimates of poverty rates at the provincial and municipal levels.

- In 2005, NSCB released poverty rates for 2000 at the provincial level, based on the PUF of the 2000 FIES. This involved the calculation of a provincial food threshold based on a regional menu and provincial prices. The SSO estimated the coefficient of variation (CV) for each province, and flagged estimates that involve a CV of more than 20 percent, which was found to be the case for 20 percent of the provinces. Since then, NSCB has released the provincial rates for every FIES year.
- In 2005, SSO prepared estimates of poverty rates for 2000 at the city and municipal level, using the FIES for 2000 and the 2000 Census of Population and Housing. The method of “small area estimation” involved preparing regional models for predicting income on the basis of time-invariant variables such as family size, education of household head, type of roof, and type of wall of the house. The exercise was repeated in 2008 to prepare poverty rates for 2003 at the city and municipal level, using the FIES for 2003 and the 2000 Census.

67. In future, the SSO staff intends to institutionalize the process of preparing city and municipal estimates for what are now more than 1,600 cities and municipalities. SSO plans to prepare municipal estimates for 2006, based on the 2006 FIES and the 2007 mini-census as soon

<sup>32</sup> Statistics Indonesia has used the annual data to prepare annual synthetic estimates of poverty by district for the years without detailed expenditure data, based on an analysis of correlations between the detailed expenditure data and the aggregate expenditure data when both are available once every three years.



as the mini-census are released, expected at the end of 2010. This task will, however, be difficult to carry out given the current shortage of technical staff in SSO. Based on previous experience, such an analysis would require the full attention of at least five technical staff, but total technical staff is now down from ten to four.

68. In summary, to improve the production of social statistics, the next PSDP will need to offer guidance as to which of these upgrades is of the highest priority and how much, if anything, the country can afford to spend on upgrades for socio-economic statistics from household data.

#### **G. Widening gaps for sub-national statistics**

69. For sub-national statistics, the widening gap between growing demands and shrinking resources has very much to do with growing data needs for LGU policy-making as was evident at a forum in Iloilo City on 16 April 2010. LGU representatives from many provinces and municipalities in the Visayas complained vociferously about delays and occasional blockages in receiving data from central offices in Manila and getting answers to questions about the data. The emphasis was on the prompt availability of centrally initiated data, including data for international trade, labor force, population, poverty, and health, among other topics. As a rule, these data are received from the center as email attachments. Questions about the coverage and meaning of the data are also answered by way of email. Such a system for transferring information from the center to LGUs is considered a “stovepipe” system in that transactions take place by way of one-on-one communication by email. Such a system is slow, cumbersome, and wasteful of the time of all involved.

70. The Philippines is by no means unique in having these gaps. Indonesia also has major problems in compiling data from its districts and disseminating data to its districts, as was revealed in a 2008-09 study funded by the World Bank.<sup>33</sup> Such problems may be quite similar in most or all countries that have newly decentralized. In countries with older decentralized systems, the statistical system may provide better support for user needs at the LGU level, but this would need to be corroborated by case studies.

71. A far more efficient and timely system for distributing both data and explanations about data would be a broadcast system, in which new data is posted on websites at a schedule defined by an “advanced release calendar”, for download by each LGU. Similarly, the many questions that are answered in one-on-one email correspondence would be far more efficiently answered by means of user groups and FAQ files for frequently asked questions, so that other LGU users could benefit from following the discussions threads. To build a system for automated dissemination would of course require considerable IT resources on a temporary, project basis and additional resources for maintenance on a continuing basis.

72. Some sub-national data can already be accessed thru the internet. The following geographic disaggregations are available in the agency websites:

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<sup>33</sup> Alex Korns, *Improving Quality and Availability of Sub-National Statistics: Assessment of Sectoral Statistics at the National Level*, Jan 09, World Bank report, Jakarta.

- NSCB - regional/provincial data in The Countryside in Figures, provincial/city/municipal in regional division websites,
- NSO - regional, and some of the NSO regional offices have websites where provincial data are available,
- BAS – regional and municipal,
- BLES – regional,
- The Department of Health site shows data by region, province, and city, and
- The Department of Education website, while it does not show any statistics, does show a Master List of individual schools, organized by region and division.

73. The most common disaggregation is by region, which is unfortunate, as there are no LGUs at the regional level but only at the provincial level and below. The NSCB regional divisions have regular publications (Regional Socio-Economic Trends, Countryside in Figures and Factsheets) designed to disseminate sub-national data.

74. NSCB is present in 9 of the country's 17 regions with regional statistical divisions that service LGUs in their own regions. Staff in these divisional offices, who number 39, facilitate the dissemination and use of data among LGUs, provide technical assistance to other agencies, and conduct advocacy for better appreciation of statistics at the local level. Since 1992, NSCB has had Regional Statistical Coordination Committees that function to “provide direction and guidance to local statistical development activities”. The next PSDP will need to sketch out the future of such regional divisions (RDs). One view is that the number should be increased until all regions are covered. Another view is that the number of RDs could be gradually reduced as additional statistical services are provided to LGUs via the internet. To help resolve the issue, a study should be made of the level of statistical development and extent of use of data in policy-making in LGUs that lie inside and outside the nine regions that have RDs, in order to measure their impact on statistical activities at LGUs in their respective regions.

75. The RDs are the source of information on developments in the regions. Based on the report of the RDs, poverty indicators and poverty maps were generated by several provinces and municipalities with technical assistance from NSCB. More and more local governments have adopted the Community-Based Monitoring System (CBMS). DepEd has prepared reports on the number of schools, teachers, and pupils more rapidly than before using an online reporting system. Unfortunately, the school data have not yet been disseminated over the website, although this could in principle be done by province and municipality.

76. A key step in support of enhanced production and use of statistics in LGUs would be to implement a proposal that has long been discussed, namely, to require each province and municipality to hire a certified statistical officer. Obviously, this step would have major budgetary implications for LGUs. Although treating this as an investment should make the cost-benefit calculation more favorable.

77. In summary, the next PSDP will need to recommend the most efficient and effective way to improve dissemination of data for LGUs and utilization of data by them.



## H. The BSP program as a well-resourced exception

78. A clear exception to the general pattern of a widening gap between data needs and availability can be observed for external and financial data, for which the Bangko Sentral ng Pilipinas (BSP) is tasked with data collection. The BSP lies largely outside the civil service<sup>34</sup> and is therefore exempt from the freezes, Rat Plans, and budget limits discussed earlier.<sup>35</sup> Accordingly, BSP has been able to expand its statistical staff somewhat to meet the growing need for financial data. The staff of the Department of Economic Statistics (DoES), which was separated from the Research Department in 2005, now numbers about 86, up from the 81 who worked on statistics before the separation.<sup>36</sup> In fact, some skilled statistical staff in the DoES were recruited in recent years from NSCB.

79. Each of the three groups in the DoES has used the available resources to upgrade its statistical products and launch new activities:

- The Balance of Payments Group, with over 40 staff, prepares monthly balance of payments estimates, together with monthly reports for foreign direct investment, remittances, and other topics. The group has been conducting a survey of IT and IT-enabled services (this includes call centers and other kinds of business process outsourcing), and is preparing to take an annual Coordinated Direct Investment Survey in response to recent IMF recommendations. Recently, this unit has been involved in designing and implementing new surveys on Cross Border Transactions, as well as the Coordinated Portfolio Investment Survey.
- The Monetary and Financial Statistics Group, with 28 staff, provides statistical products based on SNA 93 and the 2000 Monetary and Financial Statistics Manual (MFSM). The group carries out the Depository Corporations Survey (DCS), formerly known as the monetary survey. In 2006, it released a new series of Flow of Funds (FoF) tables for 2002-04, and has since released FoF tables once a year.<sup>37</sup> The group frequently upgrades the DCS, often for the purpose of accommodating input from the IMF, which proposed a new reporting form in 2008.
- The Expectations Survey and Leading Indicators Group, with around 14 staff, prepare the index of leading indicators. The group has been taking a quarterly Consumer Expectations Survey since 2007 and is now finalizing a Consumer Finance Survey. It also conducts a quarterly Business Expectations Survey. These surveys feed into the index.

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<sup>34</sup> The major exception is that the law requires that the BSP confer with the Civil Service Commission (CSC) concerning its position classification, despite the fact that salary rates are unregulated by the CSC.

<sup>35</sup> In other countries, the central banks are also observed to be less resource-constrained than the statistical offices and more able to respond promptly to new user needs.

<sup>36</sup> This refers to the number of “warm bodies”. The 2005 reorganization involved a substantial increase in the number of positions authorized for statistics (also known as plantilla positions) from 92 to 103. The total number of allocated positions now is the same as the number after the reorganization.

<sup>37</sup> An old FoF series covered 1980-99.

80. In the case of the DoES of BSP, then, the responsible agency (BSP) commissions more statistics when it needs them and makes the required resources available. This is in sharp contrast with other government statistical agencies, which cannot expect to obtain additional resources in support of the collection of additional statistics, no matter how clear the needs are, and are therefore obliged to make do with the limited resources at their disposal.

81. In summary, the next PSDP would need to consider the implications of the statistical progress at BSP for the PSS. The following questions should be discussed with BSP: In what ways can the rest of the PSS follow suit? Could the BSP play a role in solving some of the resource issues constricting the PSS? For example, could the BSP provide support for some key activities of the PSS (such as compilation of the national accounts), or could some activities be transferred to the BSP?

### **I. Some general conclusions**

81. In sum, this review makes it clear that the Philippines has been handicapping its own statistical development with policies that have led to broad staff reduction and encouraged an exodus of experienced senior staff from some key units. Employment in major statistical agencies declined by 23 percent during 2004-10, while that in the general government increased by two percent. Meanwhile, the demand for quality statistics is growing all the time. As a result of these opposing trends, the PSS has had some difficulty coping with the production of routine data requirements such as the Designated Statistics and found few resources for providing the new products that users are demanding. Much was accomplished under the PSDP for 2005-10, as itemized in Annex 8, but the gap between needs and data availability has nevertheless grown, so the main issue is how to close this gap in future.

82. Accordingly, in formulating the next PSDP, planners will face two key issues:

- How far to venture in the direction of advocacy for additional resources for statistics, especially additional staff at the specialized levels
- A need to prioritize among the various kinds of additional or improved data that could be collected, providing clear guidelines for the utilization of limited resources.

### **III. Recommendations for the PSDP<sup>38</sup>**

83. In preparing the next PSDP, three strategies may be considered for marshalling adequate resources on behalf of the PSS: i) alternative budgeting, ii) a new strategy for optimizing dealings with DBM, and iii) enhanced advocacy.

#### **A. Alternative budgeting**

84. Alternative budgeting would involve a concerted effort by the major statistical agencies to persuade the executive and legislative branches to treat the PSS, not as a regrettable burden on

<sup>38</sup> Major recommendations are presented in this section. Other recommendations are summarized in Annex 14.



the budget, but as the spearhead of a drive towards smarter governance by means of evidence-based policy-making. This would focus on achieving a change in the policies of NEDA and DBM towards statistics, so that:

- NEDA would include statistical development in its Medium Term Philippine Development Plan (MTPDP) – a step that would highlight the key role that statistics can play in smarter governance. This would be an important change; the current MTPDP does not mention statistics as an element in the plan but only considers statistics as a tool for monitoring plan realization. There needs to be more explicit recognition of the role of statistics in identifying issues and informing policy design.
- Additional office space would be needed for the additional high-level staff. Overcrowding is especially a problem at NSO, which rents space in several buildings that are clearly inadequate for professional work.
- An Executive Order may be needed to provide broad guidance on statistics, indicating that statistics are a vital tool for smart governance and that a long-term effort is needed to strengthen statistics. The EO could direct DBM, in particular to release statistical agencies from some of the stringencies that has been imposed by Rat Plans and budget ceilings.

85. Alternative budgets could serve as a key tool for this kind of advocacy, by enabling leaders of the PSS to describe the impact of alternative support levels on statistical outcomes. The alternative budgets would involve at least two scenarios for discussion in the next PSDP:

- The base scenario would involve the funding and personnel required merely to continue at the existing level of effort, with a list of activities that could reasonably be supported with the limited resources. The list would consist mainly of existing activities and very few new ones. It would also be useful to mention a list of activities that would not be conducted under this scenario.
- A reform or incremental scenario would involve substantially more personnel and funding for statistics, with a list of associated activities that would be supported by the new support levels, including of course a much more substantial set of new activities and products, together with expected new outcomes.

86. The alternative budgets would provide a way to link planning and budgeting and thereby bring budget issues within the purview of the PSDP. Without such a link, the PSDP risks becoming a wish list. In choosing the incremental scenario, it is probably more realistic to choose target levels for budget and personnel that are well above current ones but that are believed to be within the realm of possibility than to cost out a specific program in detail. Once this is done, the planners could select a list of activities that would be feasible with the targeted inputs. For example, the proposed Statistics Act can provide for a one time increase in the budget for statistics by an additional P1 billion and indexed to inflation thereafter to fill in the resource gap. The targeted higher levels could of course be reached in stages rather than all at once. Even

an increase of P600 million would already involve an increase of 50 percent in the routine operational budget.

## **B. A new strategy for dealing with DBM**

87. A coordinated, long-term strategy can help to overcome some of the adverse effects of EO 366 on the MSAs:

- The essential thing is to lobby for the soonest possible approval of Rat Plans for NSCB, NSO, and BAS, because the adverse effects of EO 366 are much worse before than after the approval of a Rat Plan.
- DBM leadership has given mixed signals as to whether it intends to proceed expeditiously with the Rat Plans for the three remaining MSAs. The MSAs should seek high-level contacts with DBM to pin down such a commitment. If necessary, the MSAs should lobby for this through NEDA. NSCB would be well placed to play a leading role in such an effort to urge early approval of the Rat Plans.
- An approved Rat Plan would allow the MSAs to increase employment to 2005 levels, a considerable increase over current levels. If high-level specialists are the priority need for the MSAs, they should offer to exchange large numbers of low-level staff (which they no longer have and may no longer need) for an equivalent number (on a payroll basis) of the required higher staff. This would involve a change in their Rat Plans. To save time, however, this change would be most expeditiously introduced during negotiations with the DBM and not by means of a new Rat Plan.
- On the whole, DBM views additional high-level positions with favor and frowns on additional low-level staff, particularly for jobs such as driver. Such low-level jobs should be funded on a contractual basis, in the view of DBM.
- Some body in the PSS – most likely, NSCB – should coordinate high-level discussions as needed with DBM, particularly in regard to the timing of Rat Plan approval. The same unit should prepare a Frequently Asked Questions (FAQ) document that would help the MSAs to deal with DBM in the most advantageous way possible.
- Once a Rat Plan based on DBM guidelines has been approved, the MSAs could then petition DBM for an enhanced reorganizational plan that would meet even more of their needs. DBM is only willing to consider such a petition once a standard Rat Plan has already been approved. For purpose of getting priority treatment, the PSS should seek a declaration by NEDA that statistics is a priority concern or sector for national development. Further increases in the allotment for high-level staff could be followed by some gradual further reduction in the use of staff at lower levels by way of automation.



### C. Enhanced advocacy

88. A major difficulty with statistical advocacy is that the payoff for statistical investments is usually long-term, which makes it difficult to convince policy-makers and opinion-leaders, who are often focused on short-term objectives, to believe in the effectiveness of statistical development. It is appropriate, therefore, to direct advocacy towards all policy-makers and citizens who may be receptive to a long-term view of national development. In the context of the Philippines' democratic political system, it has become necessary to conduct advocacy with a much broader audience than previously.

89. NSCB and other statistical agencies have long practiced various forms of statistical advocacy, but there is a need now to apply new techniques to win the support of a broader audience. One critical approach to advocacy would involve more systematic efforts in support of the use of statistical data by policymakers, particularly by legislators. This can be supported in at least two ways:

- It could be very productive for NSCB and NSO to assign liaison staff to work with congressional staff and other key contacts in order to help them to obtain the data they need for their policy analysis. Not only would such staff help to win supporters for the PSS in the legislative branch, but they would also educate the users into the problems and costs of producing statistics, as well as provide very useful feedback to the PSS about priority user data needs. Apparently NSCB and NSO have informally assigned liaison staff in this way in the past but stopped doing so in response to staff shortages. NEDA has an officer explicitly assigned to congressional liaison. Perhaps the statistical agencies should do likewise.
- Another initiative that could have a big impact on policy-makers would be to provide an online facility for tabulations on demand. This kind of facility is particularly suitable for household data files and less so for establishment data files, where there is a substantial risk of violating a respondent's privacy. What is needed is an interface that allows users to query a data file without being able to download the entire file or to extract individual records. An application called "SuperStar"<sup>39</sup> provides such a facility, and probably others do as well. If such a facility were made available at the NSO website, for example, congressional staff and other analysts could be encouraged to make the tabulations for use in their deliberations. This facility would, accordingly, expose many key users directly to the data, motivating them to become more aware of the value of reliable data.

90. Video is another medium that could be used more effectively in support of statistical development, and the preparation of a video campaign to launch the PSDP would involve at least two steps:

- First, preparation of an advocacy paper based on statistical success stories. The cases would show how new or enhanced data sources have been used effectively to drive policy in the Philippines. The cases, which would have to be selected with some care, might

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<sup>39</sup> [www.str.com.au/SuperSTAR.htm](http://www.str.com.au/SuperSTAR.htm).

include the preparation of poverty estimates by province and municipality by means of enhanced analysis and the preparation of more rapid school statistics by means of a system for online reporting by schools. Another would be to document how improved social data have aided the conditional cash transfer program of the government. The paper would also document the costs of preparing the data involved in the success stories, to raise public awareness of the costs of statistical development. It should also mention some of the gaps and quality issues due to staff shortages.

- Next a contract would need to be concluded with a television journalist who would learn about the main statistical issues from the advocacy paper and prepare a feature-length program (30 or 60 minutes) on the role of statistics in developing better governance in the Philippines. This would include interviews with both users and producers of statistics. NSCB previously considered doing something like this but was deterred by the anticipated cost.

91. In addition, the PARIS21 website provides a newly-available toolkit for advocacy that may have some useful ideas for the Philippines.<sup>40</sup> The toolkit aims to demonstrate the advantages of planning advocacy systematically and to help national statistical system managers and statisticians engage in their own advocacy work.

#### **D. Donor funding?**

92. The PSS could seek a donor funding package with a broad focus to provide additional resources for the next PSDP, especially in support of one-time expenditures that constitute investment in the institutional strengthening of the statistical system. Such assistance will be far more useful for the PSS than specific projects aimed at obtaining specific outputs, under the piecemeal system for donor assistance that has operated heretofore, whereby donors provide partial or complete funding, for example, for a specific survey that they need done for the purpose of international comparability, such as the Multiple Indicators Cluster Survey (MICS). In order to break with the piecemeal system, it should become a policy under the next PSDP that there be no donor funding outside the PSDP. The alignment and harmonization of donor support within nationally owned and produced strategies such as the PSDP is also in compliance with the principles of the Paris Declaration on Aid Effectiveness. This of course assumes that the PSDP is well prepared, and future priority surveys are factored in.

93. Such donor assistance could include technical assistance of various kinds, the creation of new IT systems (such as a data warehouse and a system for data downloads by LGUs), the purchase of hundreds of laptops and supporting software for field use in household surveys, large scale advocacy efforts, training of trainers, and upgrading of the national accounts. The funds could be channeled in one or more of three possible ways:

- The next PSDP will fulfill the function of a National Strategy for the Development of Statistics (NSDS). Annex 7 shows the similarity of the two approaches. Internationally, donor funding has been made available to a number of countries in support of their NSDS programs, in the form of loans and/or grants. Once the next PSDP is finalized, it may

<sup>40</sup> Advocating for the National Strategy for the Development of Statistics: Country-level Toolkit, May 2010.



become possible to secure substantial support from donors, with funds to be used throughout the PSDP period, as many other countries have done in the context of the Partnership in Statistics for Development in the 21<sup>st</sup> Century (PARIS21) and the World Bank's own Trust Fund for Statistical Capacity Building (TFSCB). Although donor support is anticipated following a well prepared PSDP, it is by no means intended to replace budget funding for statistical activities.

- Normally, a MTPIP (Medium-Term Public Investment Program) role for funding infrastructure is attached to each MTPDP, so consideration could be given to the possibility of including a statistical investment component in the MTPIP, as a basis for soliciting donor assistance.
- For the donors to include the PSDP in their annual Country Assistance Strategy and agree on a harmonized scheme (an example is thru a Basket Fund) of providing funding assistance to the PSS following the PSDP framework. The PSDP would need to consider detailed procedures for involving donors in PSDP implementation.

94. The donors, however, would not normally pay for routine expenses, such as the cost of salaries and the expense of taking routine surveys, and might be reluctant to increase support for statistics on a broad basis unless they were convinced that the Philippine Government had begun to increase its own support for statistical staffing and routine statistical budgets, in a sustained effort to reverse the relative neglect of the period 2004-10.

#### **E. Pay grade structure**

95. Mention was made earlier of the need for additional positions for highly-skilled technical staff, at salary grades 18 to 24. A related issue is how to stem the exodus of skilled staff from the statistical agencies to higher paying jobs elsewhere.

96. One option is to improve the remuneration of senior statisticians by putting them at higher salary grades if the statistical agencies cannot offer higher salaries than those stipulated by the civil service system. For example, it may be proposed that an experienced statistician at SG 19 with the rank of statistician III could be paid at a higher grade level, such as SG 22. Unfortunately, existing rules pose many obstacles to such "reclassification". For example the employee could not be assigned the level of salary grade 22 (equivalent to assistant division chief) due to limits on the number of such posts per division. As regards the option of increasing the number of salary grade positions equivalent to supervision of a division or other unit, in order to provide salaries that are attractive to highly-skilled and experienced staff, DBM told the assessment team that they would be open to such a possibility as long as the additional position did not involve transportation and other perks that are normally provided for supervisors.

97. Another option would be to develop a Technical Ladder System for statistician positions. There is an existing Scientific Career System for statisticians but the requirements are so stringent

that no one from among existing staff, no matter how skilled, would qualify.<sup>41</sup> So, the NSCB Board needs to review the payment system for statisticians.

98. This “upgrading” or “reclassification” scheme would automatically raise the compensation level of senior statisticians closer to what the central bank, government corporations, private sector, and donor agencies pay.<sup>42</sup> Another approach to develop and keep human capital is to provide more graduate scholarships but in exchange for longer scholarship bonds, such as a minimum of two years of PSS service for every year of study. Current rules do require three years of government service, but the graduate may of course choose to leave the PSS for another government department.

99. The requirements for both reclassification and for additional positions at the higher levels will have a major impact on the required grade structure. For some agencies, increased payroll at higher levels could be funded at least in part by cutbacks at the lower levels. NSO, for example, has less need of large numbers of semi-skilled staff than previously. Due to the large differences in salary rates, however, it might be necessary to give up three or four positions at the lower levels to acquire one at a higher level.

100. A highly effective way to halt the exodus of skilled staff from the PSS would be to give the PSS (perhaps in the form of a Philippine Statistical Authority (PSA)) autonomy in setting its own pay scales more comparable to the market level, with a performance-based reward system, but this option, unfortunately, has received little attention in recent years. Other steps to stem the exodus would include sharp improvements in working conditions, with a move to a new building for NSO or for a PSA to replace the existing cramped rented facilities.

## F. Cutbacks?

101. The next PSDP could also propose certain cutbacks in some existing activities as a way to free up resources for new activities. In an era of declining resources, the statistical agencies would do well to consider taking the initiative to propose the cutbacks option for at least two reasons. First, it would be a way to respond clearly to the view that is often expressed by DBM that, if the statistical agencies need to undertake new activities, they could begin by eliminating some older, low-priority activities. Second, it would be a logical way to respond to diminished resources in a decisive way instead of spreading resources thinner and thinner in an effort to do everything mandated in a way that becomes unsustainable.

102. Of all the activities that were reviewed, six were noted for consideration as somewhat less needed than some others. There may of course be others that could be so identified. Even for

<sup>41</sup> In 2006, the NSCB issued Board Resolution No. 12 adopting a Scientific Career System for Statisticians which is a system of recruitment, career progression, recognition and reward of scientists in the public service specifically designed for statisticians.

<sup>42</sup> The BSP pays their statisticians at least double compare to what statisticians in line agencies, such as NSO and NSCB, are getting. Private sector and donor agencies pay three to four times more. In some countries, including Indonesia, employees of the statistical agency may receive allowances on top of the base pay, some in the form of piece rates for specific tasks accomplished, often funded by project funds. Such allowances are not allowed under Philippine law.



these six, however, the activities could not just cease abruptly in most cases. Certain preliminary steps would need to be taken first.

- Several users expressed doubts the usefulness of NSO's Annual Poverty Indicator Survey (APIS), in view of the difficulty of linking the indicators to the FIES results. It was suggested that the survey could be restructured in such a way as to link with FIES, perhaps using the Indonesian approach of collecting data for broad expenditure categories in the "in-between" years, as discussed earlier in section II-F.
- There are considerable opportunities for automation in the processing of import and export documents at NSO, which would make it possible to sharply reduce the staff of 102 in that division, mostly involved in handling documents and entering data.
- Most countries take a census of population and housing once every ten years, but the Philippines also takes its mid-decade mini census. This is very much motivated by the need to update the population projections for provinces and municipalities, in view of the lack of reliable inter-censal estimates of migration. A research effort is needed to explore methods for preparing more reliable migration estimates based on indicators derived from administrative data, especially for urban areas. The need for standardized questions on migration in the Community-Based Monitoring System is already being discussed by a technical working group on migration. If more reliable estimates of migration at provincial and municipal levels could be prepared, the need for a mini census might appear less compelling. Nevertheless, it may require a great effort of persuasion to dispense with the mid-decade census, as the government now relies heavily on it for budgeting and frequent re-districting for the House of Representatives.
- Regional divisions of NSCB. Although the regional divisions have played a clearly positive role in the development of statistical capacity in LGUs, and there are hopes that additional regional divisions could be created to cover the regions that do not yet have such units, an expansion of this approach may simply not be affordable. The study recommended in section II-G will provide a clearer picture of the impact of such units and should be undertaken soon. If the impact turns out to be marginal, NSCB may wish to consider gradually moving to other modes for providing statistical backup to LGUs, including:
  - Training programs managed from Manila and perhaps one or two other centers
  - Enhanced download facilities, as discussed earlier
  - Moderated discussion groups over the internet

As internet access in the provinces gradually improves (as it surely will) and with progress along the lines mentioned above, it might become possible gradually to scale back the regional divisions of NSCB for redeployment at the central office, specifically for ESO and SSO, which need additional staff. Such cutbacks, even if agreed upon, could not take place, however, until the preliminary conditions had been met.

- Work on satellite accounts for education, environment, and tourism at the ESO in NSCB might have to be dropped if ESO continues to have an inadequate number of staff for basic tasks like the issuance of a long-awaited major revision for national accounts. This is the same for the satellite accounts for health that are managed by SSO. The satellite accounts, while important, are not as essential as the basic national accounts and poverty statistics themselves.
- Useful and important as it is, coordination by NSCB of statistical activities throughout the PSS may need to be further reduced, even though NSCB itself already has inadequate resources for this task. This could free up some NSCB staff for other high-priority tasks. Coordination activity has already been sharply reduced since 2000. Only seven staff currently work full time at NSCB to coordinate and monitor 19 sectors of the PSS (aside from the PSS-wide activities), down from four divisions of at least 10 staff each handling coordination activities on a full time basis before 2000. In addition, other NSCB staff are involved on a part-time basis in the coordination work. ESO staff in particular have major coordination tasks on a part-time basis as well but lack time for this because their numbers are inadequate for national accounting tasks. On the whole, the need for coordination of activities of MSAs may be somewhat less compelling now than it was when NSCB was founded because the MSAs themselves engage in more detailed planning and consultation with users. For this reason, NSCB may wish to consider the option of refocusing its coordination efforts in a more selective way – towards minor statistical agencies and systemic issues such as source data for national accounts and MDG monitoring. It will be essential to ensure that future coordination efforts give priority to addressing resource issues as they emerge.

### G. Recommendations for the PSDP planning process

103. Thirty years ago, the Philippines was a pioneer in preparing its PSDP, but the emergence in recent years of PARIS21 and the NSDS process in many countries means that the Philippines is no longer alone in using the planning process to guide its statistical system. Now is a good time to review the experiences of other countries and consider whether their experiences might be applicable. Although the PSDP has much in common with an NSDS, perhaps the major difference is that an NSDS usually has a budget, so that the cost implications can be fully understood. Such a budget could help restore the link between planning and budgeting that seems to have been lost in the Philippines. This report recommends that the next PSDP include a budget in terms of both funding and person-years of staff time, since staff shortages have become the major constraint for the PSS.

104. Another difference between the PSDP and an NSDS involves the level of detail. As a rule the action plans in matrix form in other countries are much briefer than for the most recent PSDP. They often run to no more than 10 or 20 pages for the entire statistical system. A short matrix is much easier for high level policymakers to review and understand than a long one. An interesting model for concision is that used in Uganda, where a five-year Plan for National Statistical Development (PNSD) was prepared in 2005. The entire document ran to only 65 pages, including two matrices that together ran to only 22 pages. One matrix was by agency, while the



other was a logical framework organized around a vision/statement statement and 11 strategic objectives and goals.<sup>43</sup>

105. In the Philippines, the earlier PSDPs were not so detailed as they have become (see the *conspectus* in Annex 6), but the most recent one, for 2005-10, encompassed over 700 pages, most of it in the form of action plans in matrix form for 19 different sectors and for six cross-cutting areas:

- Management and coordination of the PSS
- Human resource management
- Statistical R & D
- Statistical standards
- Information management and dissemination
- Sub-national statistics

106. Should the next PSDP follow the 2005-10 model, at a similar level of detail, or an earlier model with much less detail? There are two good reasons for recommending that the next PSDP be prepared at a much less detailed level:

- If the next PSDP were to take more explicit cognizance of the detailed, multi-year plans that already exist at most of the major statistical agencies (instead of preparing plans *de novo* through the interagency committees), this would probably help to reduce duplication of planning efforts and otherwise contribute to improved working relationships within the PSS. Such multi-year plans now exist at NSO, SRTC, BLES, and BSP in detail, with specific activities, outputs, budget, and period of implementation, whereas for BAS and NSCB, there are annual plans in text form with less detailed scheduling.<sup>44</sup> In general, the agencies are accountable for fulfilling their own plans and thus tend to give them higher priority than the PSDP. Building the PSDP on top of those existing plans would constitute a rationalization of the planning process.
- NSCB personnel available for the coordination efforts have been drastically reduced, so it would be consistent with the reduced number of staff to aim for less detail in the next plan, which would require fewer working hours from the diminished NSCB staff.

107. Another key advantage of a more succinct plan is that it would be suitable for endorsement at higher levels, because policy-makers could afford the time to review and discuss a brief document. In most countries, the NSDS is endorsed by the government. In some countries, the prime minister or president personally launches the NSDS.

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<sup>43</sup> Plan for National Statistical Development, 2006/07-2010/11. Published in 2006 by the Uganda Bureau of Statistics.

<sup>44</sup> At BSP, the multi-year plan for the DoES is part of the corporate plan for the entire BSP and was not shown to the team. However, DoES staff indicated that the DoES would be willing to put its plan on the table as part of the process of formulating the next PSDP based in large part on the plans of the MSAs.

108. A rationalized planning process for the PSDP could proceed in two phases. In the first phase, MSAs would prepare their own multi-year plans and circulate them to each other, ideally but not necessarily on a coordinated schedule (the internal planning cycles of the MSAs that are located in other agencies would tend to take precedence for scheduling). In principle, it would be best if the preparation of the MSA plans could be preceded by consultations among the MSA heads. In practice, however, the same result would be largely achieved if the MSA heads were to meet annually for a day-long discussion of their plans and needs.

109. In the second phase, the PSDP itself would be prepared. The draft PSDP would acknowledge what is in the MSA plans and focus on issues that may not have received sufficient attention in the MSA plans. In particular, it would:

- Organize the presentation of the major activities in the plan and budget by agency rather than by sector
- Focus on PSS-wide issues, or at least on issues that involve multiple agencies
- Discussion at the sectoral level would be in terms of outcomes, not outputs
- Specifically, focus on data needs for priority statistical frameworks such as the national accounts, MDG monitoring, and SDDS requirements
- Also focus on the plans of the minor statistical agencies, who will need more coaching than the major ones
- Examine the budget implications of the plan and present these to DBM and NEDA, with clear alternatives for a minimal budget and a more expansive one
- Prepare an annex with a checklist of indicators for the MTPDP
- Work with NEDA and DBM to agree on how to better mainstream the PSDP into the MTPDP, MTPIP and National Budgeting process (a possible renewal of Joint DBM-NSCB Circular 1-97)

110. After PSDP finalization, each MSA can monitor implementation of its own plans, with NSCB monitoring for outcomes instead of monitoring every activity. This approach would reduce the monitoring burden on both NSCB and the other MSAs, which would no longer need to prepare two separate monitoring reports – one for their own plan and one for the PSDP. The above recommendations pertain only to the formulation of the PSDP in respect of the activities of MSAs. For minor statistical agencies, the PSDP would have to continue to play a major role in providing guidance and milestones, as these agencies on their own would lack an understanding of the broad objectives of the system.

111. The preparation of the PSDP and the coordination of statistical activities between plans have been largely carried out through 13 inter-agency committees (IACs) and six technical committees, with an NSCB staff member usually serving in a leadership role for each committee. Technical staff from each of the MSAs serve on the committees. In the context of such a transformation of the planning process, the role of the IACs needs to be re-examined and redefined. They would still play a useful function in coordination, but the modalities for playing that role would need to be specified.



## H. Prioritization

112. Prioritization of tasks within the PSDP has not been an issue in recent years but should become one in the context of the diminishing resources for statistics. More specifically, recent PDSPs have not given explicit priority tags to the various tasks in the plan, perhaps on the view that whatever is a “mandate” must somehow be done.<sup>45</sup> In reality, of course, many things simply cannot be done without adequate resources, so there is still a role for priority tags to provide guidance when resources are not adequate to do everything.

113. To be sure, there is a System of Designated Statistics (SDS), which provides an extensive list of priority data series, but many prioritization issues do not appear to get resolved in this way. To provide just one example, in 1998 the 1999-2004 PSDP included the following two tasks as the lead tasks under item 1 of the list of statistical tasks for “Macroeconomic Performance”:

- “Implementation of the 1993 SNA and development of satellite accounts to address current concerns such as environment, health, education, tourism, human resources among others.
- “Revision/Rebasing of PSNA (1994 base year). The revised series will involve improvements in the accounts, classifications, coverage and data.”

114. Similar tasks were mentioned in the 2005-10 PSDP. Except for the satellite accounts, however, these two tasks have still not been finished as of 2010, 12 years after they were first enunciated, due largely, of course, to diminished manpower, as well as to lack of source data and unforeseen technical difficulties in some of the work. In this case, it may be said that the SDS did not provide sufficient guidance for prioritization; SDS does mention GDP as a “designated statistic”, but that still does not indicate the priority status of rebasing or conversion to SNA93. In the event, the satellite accounts, which are not designated statistics, were prepared, whereas the rebasing and upgrading of GDP, a designated statistic, were not. Stricter prioritization would have at least provided guidelines as to what tasks should come first in an environment of diminishing resources. Was it more important to rebase the PSNA first or to do the satellite accounts first? Which of those tasks should receive a top priority tag? If rebasing had been given first priority, it could perhaps have been accomplished by now.<sup>46</sup>

115. Even if implementation of 1993 SNA had been given first priority, however, it is still not clear that the job would have been finished by now, as many other developing countries have also had major difficulty with the transition to SNA93. The transition involves a major R&D effort for each country, with too many unknowns to facilitate precise scheduling. Hopefully, the

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<sup>45</sup> Implicit top priority ratings were assigned to tasks discussed in the main text.

<sup>46</sup> Although the decision to give priority to the satellite accounts was in response to focused concern expressed by the client agencies for those accounts, this cannot be considered as compelling evidence of greater user need for the satellite accounts than for the rebasing. The demand for rebasing is more fundamental, broader and more diffuse than the demand for satellite accounts, and it is the task of a planning exercise such as the PSDP to consider the relative merits of two such alternatives.

work now in progress to implement SNA93 by May 2011 can be finished on schedule with the help of the consultants and other assistance that is already being provided by the World Bank.

116. It must be conceded from the outset that no realistic system of prioritization can cope with all contingencies, so any system must instead be designed to deal with the most likely contingencies. A simple scheme for prioritization would involve two categories – those that fit into the base case of tasks that can be finished given existing resources (as per section III-A above) and those that fit into the reform case. A more elaborate system would involve breaking the incremental case down into two or more groups of tasks, so as to anticipate the possibility that only part of the additional resources becomes available. Even the latter system, with three priority levels, would still not cope with the pessimistic contingency in which resources were cut further below the existing level.

### I. Some recommended tasks for the next PSDP

117. This subsection discusses a few selected tasks and approaches for the next PSDP. Space is lacking here for a review of all the relevant topics. Furthermore, this subsection does not repeat most of the recommendations discussed earlier in the paper.

118. *Preparation of the national accounts* will in the future become more laborious than it has been, because additional effort is needed to compile annual SUTs for the first time in an effort to minimize the statistical discrepancy. There will also be additional work involved in publishing the additional tables that are recommended under SNA93, so the next PSDP needs to address the issue of how to achieve a better balance between ESO staffing and the requirements of national accounts. A customized compilation system for the PSNA is needed to replace the current system based on Excel spreadsheets that are managed by various analysts and linked together each quarter as the work progresses. A good customized system could be purchased off the shelf at considerable cost. Donors could perhaps cover the start-up cost. Such a system would help raise the professional quality of the estimation work at ESO. It would also save some labor, although the savings in time would best be utilized for investigating statistical discrepancies that arise from the source data – an important activity that consumes time and gets neglected when time is short.

119. *Business survey data* collected by the NSO provide the main data sources for the PSNA. Furthermore the main function of NSO's business surveys is to provide data for the PSNA, so official recognition of the PSNA as the major user for business surveys would be appropriate. The problem for the next PSDP is how NSO can get more and quicker data from businesses at affordable expense and without imposing an excessive burden on respondents that might undermine their cooperation. One solution may be to make fuller use of available administrative data – in particular, SEC data, which is already available to a growing extent. BIR data is also a possibility, but it will remain of limited value until taxpayers begin to file online digital tax returns in increasing number. Although the creation of a uniform business register is a daunting task for the Philippines, it is an essential one, so that steps in that direction deserve the attention of the PSDP even if the payoff will only be long-term.

120. The *re-design of FIES*, the household survey that is used to measure poverty rates and chart other welfare indicators, will be a major focus for the next PSDP. This involves issues of



sample size and frequency; in particular, a bigger sample size or increased frequency will surely require a larger budget for the FIES. For now, the FIES design is constrained by a master sample frame that was prepared in 2003 on the basis of the 2000 CPH, so the next opportunity to change this will come around 2012 when a master sample frame is prepared on the basis of the 2010 CPH. It is widely hoped that the next master sample frame will support domain sampling at the provincial level, as the regional poverty data that is presently produced is not considered very satisfactory by most users, given the absence of LGUs at the regional level. This may require some increase in sample size, but far less than a doubling, if the Philippines follows the international practice of using a domain sample size of about 750 or less to ensure a sufficiently small sample error. The sample size would of course need to be much larger for rare events such as infant mortality, which suggests the need for two sample designs in the master sample frame – a smaller one for a poverty-oriented questionnaire and a larger one for rare events like infant mortality. Quicker publication is another user requirement. Reporting times for household surveys can be greatly accelerated if enumerators are equipped with laptops for data entry and validation during the interview.

121. For *administrative statistics*, the first priority should be to make much better use of the available data. This would mean accelerating both the collection of the standard data from LGUs (as has already been done by DepEd but not by many other agencies) and the dissemination of the data through websites (as has not yet been done by DepEd or any other line agency). In addition, data processed by the MSAs that can be broken down by province or municipality need to be disseminated promptly via the internet, to facilitate downloading by LGUs.

122. NSO, NSCB, and BAS need to build *data warehouses* to make the data more accessible to users inside and outside the government.<sup>47</sup> A data warehouse is a vital medium for facilitating users' queries via the web as well. At present, very little LGU-level data is disseminated via the web, and most of what is disseminated (for example, civil registration data, building permits, exports and imports) is comprised in PDF files or other documents and cannot be queried, so that a user who needs data for, say, Guimaras Province, must download numerous PDF files for the whole country and for various years, then comb them for data for their own province. It would be far more efficient if each statistical agency (including line agencies with statistics for the provincial and municipal levels) would organize their databases in such a way as to facilitate queries covering a broad range of data for a particular province for a particular time interval, as well as queries for all provinces for a particular indicator and year. Once there is progress with data warehouses and web dissemination, it would remain for a coordinating agency to create a core website that would link to the available data on the site of each statistical agency for a particular LGU, so that users from a particular LGU could log in and quickly identify the available data.

123. There is a strong need for additional *research and development* (R&D) activities in the PSS so as to protect data quality and upgrade methods. To a considerable extent, this reflects accumulated needs that have long been deferred due to staff shortages. The compilation of national accounts involves a certain kind of intermittent research to cope with data incon-

<sup>47</sup> NSO has begun building a data warehouse through its Data Archive, which was set up with the assistance of the Accelerated Data Program (ADP), launched as a recommendation of the Marrakech Action Plan for Statistics. ADP works in collaboration with the International Household Survey Network.

sistencies, and several data consistency issues have been mentioned in passing that can only be resolved by means of R&D. At NSO, each director has an extensive list of R&D tasks to be carried out when there is time, for the purpose of checking quality and improving methods. Recently, however, there has never been the time to carry out these R&D tasks due to the shortage at NSO of high-level specialized staff.

124. *Training* will need to play a large role in the rebuilding of the PSS that lies ahead. Training is normally needed to enhance the skills of the existing work force, as well as to cope with normal employee turnover, but will be needed more than ever during the next PSDP for new staff as the rebuilding of the PSS begins, especially in the key units that have been depleted under the current PSDP.

125. The need for enhanced R&D and training is another reason why it is so important to increase the number of staff at the higher specialized levels, to enable them to not only cope with ongoing deadlines for data production but with training needs and emerging issues that require intermittent R&D. An alternative is to outsource these tasks, but many of them would be difficult to outsource, as they require an intimate knowledge of the issues that only a practitioner can have. Some of the more elaborate R&D and training tasks can of course be outsourced to the SRTC or outside experts.

#### **J. Some concluding comments and areas for further study**

126. This report has presented the case for providing major additional resources to the PSS and discussed some options for the next PSDP in support of a buildup of the PSS to reverse the effects of recent budgetary stringency.

127. Several statistical domains have been reviewed in detail by way of example, but the list of such domains has been limited by the time available for the study. This report cannot and does not provide an exhaustive treatment of the tasks facing the PSS. Many topics could not be covered at all or only cursorily. The focus was on key statistics such as national accounts and poverty statistics. Some of the topics not reviewed above have been covered in separate assessments supported by the World Bank. Others will be covered in Phase II of the preparations for the PSDP. The following is a partial list of the domains that were not addressed here but that will require consideration for the next PSDP:

- Agricultural statistics
- Employment and other labor statistics
- Statistics of the informal sector
- The creation of a hierarchical business register comprising establishments and enterprises
- Statistics for trade in services, which are widely lacking
- Fiscal statistics
- Producer prices
- Price indexes for imports and exports, lacking since 2006
- Triangular pricing
- Sectoral statistics for education, health, and so forth
- Environmental statistics



- Investment statistics from the Board of Investment
- Small area statistics from CBMS
- Gender statistics
- Statistics for ICT
- Inter-agency data sharing, including a review of legal restrictions based on confidentiality considerations.

128. The case was presented earlier for a more concise PSDP than the current one, to preserve strategic focus and readability. For this reason, the next PSDP may need to select certain domains for detailed review while treating others in a more summary way.

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**THE WORLD BANK GROUP**

1818 H Street, NW  
Washington, DC 20043 USA  
Internet: [www.worldbank.org](http://www.worldbank.org)

World Bank Office Manila  
23rd Floor, The Taipan Place  
F. Ortigas Jr. Road, Ortigas Center  
Pasig City, Philippines  
Telephone: (63-2) 637-5855  
Internet: [www.worldbank.org/ph/cas](http://www.worldbank.org/ph/cas)

International Finance Corporation  
11th Floor, Tower One  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines  
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