



Philippine Institute  
for Development Studies  
*Surian sa mga Pag-aaral  
Pangkaunlaran ng Pilipinas*

# Policy Notes

ISSN 1656-5266

No. 2008-08 (December 2008)

## Restructuring the Philippine statistical system in response to new challenges

*Jose Ramon G. Albert, Celia M. Reyes  
and Mari-Len R. Macasaquit*

### **The 2007 strategic review of the Philippine statistical system: background**

A national statistical system provides economic, demographic, social, environmental, and related information required by the general public, and the government and private sectors. For a national statistical system to ensure that its products and services match what its clients expect, it needs to occasionally undergo an exhaustive evaluation of its performance according to certain parameters. Although an assessment may be done from within the statistical system, the review becomes more credible when carried out by an independent external team.

In 2007, therefore, through National Statistical Coordination Board (NSCB) Resolution No. 4, a Special Committee<sup>1</sup> of experts was set up to conduct an external review of the Philippine Statistical System (PSS). The Committee, referred to as the Valdepeñas Committee, was tasked to evaluate: (a) the current setup of the PSS in planning, coordinating, and managing statistical activities; (b) the

<sup>1</sup> The Special Committee was composed of Dr. Vicente B. Valdepeñas, Jr. (Committee Chairperson and Consultant, Bangko Sentral ng Pilipinas), Dr. Lisa Grace S. Bersales (Dean, UP School of Statistics), Dr. Mercedes B. Concepcion (Academician, National Academy of Science and Technology), Dr. Isidoro P. David (President, Philippine Statistical Association), and Dr. Cielito F. Habito (Director, Ateneo Center for Economic Research and Development).

*PIDS Policy Notes* are observations/analyses written by PIDS researchers on certain policy issues. The treatise is holistic in approach and aims to provide useful inputs for decisionmaking.

The first two authors are Senior Research Fellows while the third author is Research Associate at the Institute. The first and second authors were Member and Head, respectively, of the Secretariat of the 2007 Special Committee to Review the Philippine Statistical System while the third author was a support staff for the Committee. The views expressed are those of the authors and do not necessarily reflect those of PIDS or any of the study's sponsors.

functions and mandates of the major statistical agencies (MSAs) vis-à-vis their outputs, products, and services; (c) the adequacy of legal frameworks governing the operations of the system; (d) the integrity and completeness of the national statistical programs; (e) the mechanisms that facilitate access to data and other materials generated by the system; (f) the methods of archiving the generated data; and (g) best practices of selected statistical systems in Europe, North America, and Australia that may be adopted in the Philippines.

Assisted by an Interagency Secretariat and support staff from the Philippine Institute for Development Studies (PIDS), the Valdepeñas Committee used several approaches, mainly participatory, for collecting information for its review, including: (a) written and face-to-face interviews of current heads, former heads, and key officials of the MSAs; (b) field visits to selected regional offices of MSAs and selected local government units (LGUs); (c) focus group discussions (FGDs) with data producers and PSS stakeholders within Metro Manila and across selected regions; (d) special sessions on the National Income Accounts as well as on Agricultural Statistics and Statistics on

Manufacturing; and (e) committee discussions on materials regarding the organizational, human resource, and technical information on the PSS, the process of estimating national and sectoral statistics, and best practices in official statistics among several member countries of the United Nations (UN). Funding for the review was provided by the PIDS and the Bangko Sentral ng Pilipinas (BSP). Originally scheduled to complete its task by end of 2007, the Valdepeñas Committee was extended for another four months, upon its request, to allow it more time to consult with both producers and users of statistics on outstanding issues relating to the PSS.

By end of April 2008, the Valdepeñas Committee submitted its findings and recommendations to the NSCB and subsequently released its report to the public (<http://dirp3.pids.gov.ph/pss/>). It also disseminated its findings through meetings and forums with various PSS stakeholders, including the management of the MSAs, the secretaries of departments with jurisdictions over the MSAs, and legislators and their staff in both houses of Congress.

### **The Committee's major findings and recommendations**

The Valdepeñas Committee recognized that while the PSS is engaged in a number of good practices, there is ample scope for improving its current organizational structure and processes toward enhancing the quality of its products and services. The Committee re-

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ported that there are a number of structural limitations in the current setup of the PSS. These limitations, coupled with constraints on financial, physical, human, and other resources, have hindered the PSS from responding quickly to users' requirements and criticisms, especially regarding the vast need for statistics for local development planning requirements.

#### *Improving methodologies for better measurements*

One limitation noted is the inherent difficulty to measure outputs from the services sector where much of the country's recent economic growth has emanated. The measurement of economic transactions has been more challenging in the wake of globalization and the use of new technologies. And although the PSS meets a number of international specifications and is generally regarded very positively by the international community despite the low priority to statistical work given at the national level, the Valdepeñas Committee noted many areas for improvement in the products of the PSS, especially in the areas of macroeconomic and subnational statistics.

Economists widely regard the national income accounts as the most important measurement of the country's economic performance over time. However, the Philippine System of National Accounts (PSNA) has yet to implement the 1993 System of National Accounts (SNA) recommended by the UN Statistics Division. Estimates published by the BSP for

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the balance of payments (BOP) are considered to lack consistency with the estimates for the external sector in the PSNA. The Valdepeñas Committee traced weaknesses in macroeconomic statistics largely to lack of basic data that would ideally be required for the compilation of the PSNA.

In particular, the Committee took note of some issues on current economic measurement such as the use of constant 1985 prices rather than chained volume prices or a more recent base year (as suggested by the 1993 UN SNA); the lack of mechanisms for measuring the informal sector; the lack of information on intermediate consumption in establishment surveys; limitations in accounting for births and deaths of firms; the use of old benchmarks sourced from the 1988 Census of Establishments and the 1980 Census of Agriculture and Fisheries; the inability to capture electronic commerce transactions of new firms and products in a timely fashion; and the growth in industries for which output was never well defined or where an acceleration of changes in the products and structure of these industries has complicated the measurement of quality changes. The Commit-

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tee also recognized that laws regarding statistical activities are either outdated (e.g., fines for noncompliance in censuses and surveys have not been updated since the 1950s) or inadequate (e.g., there are no mechanisms that allow data sharing of administrative reporting systems in government such as those in the Bureau of Internal Revenue with the PSS for statistical purposes). Further complicating these issues is the lack of required human and financial resources not only for the compilation of national accounts but also for all statistical work.

#### *Consolidating primary data collection*

Throughout different periods of the country's history, demand for statistics took place in various sectors, e.g., agriculture, labor and employment, education, health, social welfare, economy and finance, and local governments. Such demand led to the establishment of statistical organizations across various administrative levels of the bureaucracy in order to produce, compile, interpret, and disseminate these statistics. Among the MSAs, currently composed of the NSCB, the National Statistics Office (NSO), the Statistical Re-

search and Training Center (SRTC), the Bureau of Agricultural Statistics (BAS), the Bureau of Labor and Employment Statistics (BLES), and the Department of Economic Statistics of the BSP, all but two of the MSAs are engaged in primary data collection. In addition, the NSO, an attached agency of the National Economic and Development Authority (NEDA), and the BAS, a staff bureau of the Department of Agriculture, also maintain offices outside Metro Manila to undertake their respective field operations.

A major recommendation of the Valdepeñas Committee to improve responsiveness, reliability, timeliness, and relevance of information, and to promote efficient statistical operations and effective coordination, is the consolidation of primary data collection in the country under one agency. This is envisioned without increasing the number of human resources currently available among the MSAs and with less maintenance cost for field offices. The Committee recommends that this agency be called Statistics Philippines (STATPHIL), to be headed by a National Statistician of undersecretary rank. The Committee also recommends that STATPHIL be placed under the administrative supervision of the NEDA which is mandated by the Constitution to be an independent economic planning and development agency. The recommendation for the establishment of STATPHIL will require the passage of a law on the "Philippine Statistics Act of 2008" by Congress. To help guide the formulation of this law, the

Committee likewise put forward a draft Statistics Act as an Annex to its report. The draft Act provides pertinent legal provisions on statistical matters as well as on the major recommendations of the Committee to reorganize the PSS.

The Valdepeñas Committee considers the consolidation of primary data collection under the responsibility of STATPHIL as a way of ensuring the integrity of data production, with analysis being divorced from the collection of data. The work of statistical units of certain departments, especially those engaged in the implementation of programs, should be limited to the analysis and interpretation of the primary data that STATPHIL is responsible for.

#### *Establishing a Statistics Policy Council*

The Committee also recommends the establishment of a Statistics Policy Council (SPC), a seven-person autonomous committee of experts (including prominent statisticians, economists, social scientists, or experts from related sciences), to serve as the primary authority to promulgate policy and coordination on all matters concerning statistics in the government. The SPC is envisaged to enhance the current statistical coordination function of the NSCB. Almost all departments across the government bureaucracy are currently represented in the NSCB by at least undersecretary ranks. However, during NSCB meetings, these undersecretaries are routinely represented by personnel of lower rank. The

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representation of the departments may even vary with each meeting thereby weakening the statistical coordination.

The proposed SPC would be tasked to regularly review the system of designated statistics (i.e., the most critical statistical activities and statistics generated by the PSS) and the statistical programs of the departments and agencies of the national government. The SPC will function as the governing board of STATPHIL.

#### *Strengthening statistical training and research*

Aside from being the governing board of STATPHIL, the Valdepeñas Committee likewise proposes that the SPC also serve as the governing board of the enhanced research and training arm of the PSS called the Philippine Statistical Research and Training Institute (PSRTI). The establishment of PSRTI is aimed at strengthening the current SRTC, by way of having in-house research and training fellows following the model of the PIDS and the United Nations Statistical Institute for Asia and the Pacific. The Valdepeñas Committee considers the establishment of the PSRTI as a vital solution to having high quality human

resources dedicated to meeting the statistical requirements of the country at both the national and local levels.

The Valdepeñas Committee also recommends a continuation of the existing Survey Review Clearance System, which the SPC and STATPHIL will be responsible for, with a view to also monitor government entities that do not undergo the clearance system. It also envisions a much wider latitude for improvement in the current interagency and multisectoral coordination mechanisms for addressing issues and challenges facing the PSS. Although many data gaps and research issues have been identified at interagency committees, these issues have remained unsettled, with the lack of research and concrete actions for addressing the identified data gaps. It is envisioned that with improvements in statistical coordination efforts, the PSRTI, STATPHIL, and other agencies concerned will be working on research issues and institutionalize findings from statistical research undertakings. The PSRTI is also being made to be responsible for developing and maintaining a data archive, especially of primary data collected by the PSS.

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#### *Improving subnational statistics*

The Valdepeñas Committee also notes the lack of attention given to the provision of data for the use of LGUs. The Local Government Code, which was adopted after the reorganization of the PSS two decades ago, did not provide for specific institutional mechanisms to develop and/or improve subnational systems. Thus, while the country has decentralized the structure of government and correspondingly the delivery of services, the PSS continued to cater mainly to the information needs of the national government. In addition, many, if not all, of the designated statistics that are expected to be generated by the PSS are provided inadequate budgetary resources. The Committee therefore recommends that LGUs be provided technical assistance by the STATPHIL and PSRTI to build the LGU capacities for generating comparable and sustainable statistics for their local planning requirements.

#### *Allocating adequate resources to the PSS*

The Valdepeñas Committee likewise recommends the provision of adequate resources by government to the designated statistics, and the provision to STATPHIL of the necessary infrastructure for performing its task. The Committee “affirmed that strengthening the PSS hinges on strengthening and rationalizing the people and institutions making up the system...on transforming the PSS into a world-class statistical system marked by integrity, competence, efficiency, and respon-

siveness to the quest for broad-based development of the Filipino nation.”

### Reactions to Committee report and work ahead

The Valdepeñas Committee first presented its findings to the heads of the MSAs, and their respective department secretaries. Other stakeholders within and outside of the PSS, including members of Congress and their staff, were also invited to dissemination forums. While the overall response to the Committee report has been favorable, there were nonetheless some challenges related to the recommendations for reorganizing the PSS. Most heads of the MSAs accepted the Committee evaluation of the issues and concerns and positively endorsed, in principle, the recommendations of the Valdepeñas Committee. But there were also some who questioned the recommendations, even suggesting the lack of fair evaluation of the statistical products and services of the PSS. On the part of the secretaries of affected departments, meanwhile, in particular, DOLE and NEDA, they fully endorsed the recommendations.

The Economic Statistics Department of the BSP, the BLES, the NSCB Secretariat as well as the Department of Social Welfare and Development (DSWD) subsequently expressed in writing their responses to the Committee findings and recommendations. The NSCB Secretariat and DSWD pointed to the lack of review of minor statistical agencies and

concerns against the Committee recommendation for a reorganization of the PSS. They noted that per the UN's 2003 Handbook of Statistical Organization, there is no single ideal way to structure a statistical system. Some data users also questioned the wisdom of having STATPHIL under the jurisdiction of NEDA especially given some recent concerns on the lack of independence of the latter.

Legislators, both in the House of Representatives and in the Senate, as well as the legislative staff, on the other hand, were appreciative of the comprehensive review undertaken by the Committee. A bill in Congress has been sponsored both in the House of Representatives and in the Senate by Senior Deputy Majority Floor Leader Rep. Neptali Gonzales and Senate Majority Floor Leader Senator Francis Escudero, respectively, that takes many inputs from the report of the Valdepeñas Committee. Independent legislative initiatives within the current Congress to reorganize the PSS have also been sponsored by Rep. Rufus Rodriguez and Senator Antonio Trillanes. The MSAs have been subsequently asked to comment on these bills pending before Congress. Plans are also being made by the NSCB Secretariat for the NSCB to look into the Valdepeñas Committee report in more detail. All the information collected by the Valdepeñas Committee throughout its ten-month existence are archived by the PIDS, which continues to assist the now defunct Committee in the advocacy of its recommendations.



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### Concluding remarks

While certainly, there is no ideal statistical system, some commonly accepted general principles are recognized in the organization of a statistical system. Statistical systems in other countries are also currently being reorganized especially in the East Asia region to make them more responsive to their needs. The Valdepeñas Committee took note of many good practices within the PSS but recognized that current structures and processes fall short of PSS stakeholders' expectations. If the legislation to reorganize the major statistical system bears fruit, the current MSAs will have to undergo a transition. Statistical products and services, however, will have to continue as is until the structural transformations have been put in place. Details on how much is actually needed to regularly generate the

designated statistics, to provide proper infrastructure for STATPHIL and the PSRTI, and to build statistical capacities across various layers of government will have to be studied further. Actions will have to be taken to make the PSS become more responsive to client expectations not only in reconciling various data currently being collected but also in meeting the growing data demands.

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*For further information, please contact*

The Research Information Staff  
 Philippine Institute for Development Studies  
 NEDA sa Makati Building, 106 Amorsolo Street, Legaspi Village, 1229 Makati City  
 Telephone Nos: (63-2) 894-2584 and 893-5705  
 Fax Nos: (63-2) 893-9589 and 816-1091  
 E-mail: jalbert@pids.gov.ph; creyes@pids.gov.ph; rlen@pids.gov.ph;  
 jliguton@pids.gov.ph

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