

Sarmad Khawaja

### **Penny wise**

The high-profile inauguration yesterday of the Data4Pakistan portal underlines the importance of official statistics. Naturally, it puts the focus on the Pakistan Bureau of Statistics (PBS), the national agency responsible for producing and disseminating official statistics. And on the abrupt manner in which last year it was put under the planning ministry and the Statistics Division was abolished, seemingly to save money.

The action continues to raise concern. In particular, the legal underpinning of this action has not so far been clarified by the government. Evidently, it conflicts with Article 6 of the Statistics Act 2011, which requires that the ex-officio advisor to the prime minister on finance is the chairman of the PBS Governing Council, not the planning minister; and that the secretary of the Statistics Division is a member. Further, subordinating the PBS to the planning ministry, a user of the official statistics, is not at all a welcome development as it undermines the PBS's professional independence. Neither does this conform to international practice. The UN's Fundamental Principles of Official Statistics recommends that a national statistics agency should be impartial to government influence.

To be sure, the PBS, the premier national agency responsible for producing and disseminating official statistics, has never enjoyed a stellar reputation as a professionally independent agency. Its statistics are seldom accepted by the users without the proverbial pinch of salt. Even senior policymakers find it 'hard to digest' the official statistics. And the public too does not trust the statistics on growth of income, prices and poverty, because they purport to describe a reality far from the daily experience of the people.

These are all sound reasons for shaking up the PBS. But the way the government did it arguably sets the stage for further debasing the PBS's integrity, and thus the credibility of its statistics. It gives the impression that the government views the PBS as an exercise in wasting money. How else would you explain that the positions of the chief statistician and several senior managers of PBS have been vacant for more than a year?

A change in this view is needed. The PBS has a vital function. It needs to be shaken up but with the purpose of making it stronger and to ensure that it produces and disseminates credible, good quality statistics.

A strong PBS is needed, among other things, for setting credible national goals and fixing our development priorities which rely on the numbers provided by the PBS; and to monitor progress, or lack of it, in poverty reduction and in the various dimensions of social development. Credible, good quality statistics are the oil of the new digital economy, a valuable input via knowledge creation in the country's production effort. They raise market efficiency and promote new data-driven innovations, like the assessments of poverty reduction using Big Data by last year's winners of the Nobel Prize in economics.

So, how could we strengthen the PBS and reap the benefits of good statistics? A credible answer to this can't take guidance from international good practices because statistics agencies considered good (by the London Economist's 'Good Statistics Guide') such as those of Canada, Australia and Netherlands don't rely on legislation. They rely on traditions of professional independence, which we don't have. What our governments do have is a consistent disdain for professionals with a reputation for independence and the fear they might take a stand on principle.

In such a situation, only stronger legislation may give the PBS head, the chief statistician, the muscle to overcome this disdain, to keep powerful officials at bay and get the necessary funds for her/his program. This would help break the vicious circle, in which the lack of resources for the PBS leads to inferior quality of the statistics, lowering its status and image, which in turn leads to insufficient budgetary resources as it is seen as wasting funds.

The Statistics Act 2011 therefore, needs to be beefed up with additional provisions to give more prestige and clout to the chief statistician. For example, she/he should report to the president; government agencies should be prohibited from interfering in her/his work; and she/he should be mandated, as well, to integrate the statistics of all other official agencies, such as the Ministry of Finance and the State Bank, to overcome the silo mentality and fragmentation in current data management practices in these agencies, which hinders efficiency and undermines the development of integrated official statistics.

Beyond that, the chief statistician needs to be obligated to produce and disseminate good quality statistics in line with global benchmarks like the IMF's Special Data Dissemination Standard (SDDS). Subscribing to the SDDS is a guarantee that the statistics agency qualifies for good international statistical citizenship. Currently, 53 countries subscribe to the SDDS. We need to do the same. At present, this is not possible, because the deficiencies that need to be overcome for subscription have still not been fully addressed even sixteen years after they were reported to the government.

Perhaps, the government will seriously address these deficiencies if it realizes that there are substantial tangible benefits of SDDS subscription in addition to the benefits of improved market efficiency that come from the dissemination of credible, good quality statistics. Empirical evidence shows that SDDS subscribers get an interest rate discount on sovereign bonds of 55 basis points, which means that with SDDS subscription the government could have saved \$11 million on the two billion dollars sovereign bonds that it issued in 2014 in the international capital markets. The foregone savings amount to about two-thirds of the PBS's current annual budget of Rs2.3 billion.

Ending its disdain for the PBS's independence and amending the Statistics Act as suggested above should be a priority for the government. Otherwise, it gives the impression that official statistics are not credible. And nor does the government look serious about making governance better and transparent because producing and disseminating good quality official statistics is an essential element of transparency. And with the substantial foregone benefits it makes the government appear penny wise, pound foolish.

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