

## **1<sup>st</sup> Meeting of the Friends of the Chair Group on Economic Statistics, 28-30 May 2019**

### **Some Reflections from Asian Development Bank**

**Context:** Asia and the Pacific has made considerable progress both on economic and social fronts in the last few decades. The region<sup>1</sup> now accounts for roughly 55% of the global population and the development continues to be impressive in many fronts. The region accounted for 42.6% of global GDP at purchasing power parity in 2017, up from 30.1% in 2000, and is the fastest growing region in the world. The structural transformation from agriculture dependent economies to industry and services dominant economies has been taking place at a rapid pace. And so is the employment shifting away from low productivity agriculture toward industry and services. Asia and the Pacific region also plays a key role in global trade with a share of 36.5% of the global exports in 2017, up from 28.7% in 2000. The quality of life, as indicated by the Human Development Index, continues to improve.

While Asia and the Pacific has made great progress in poverty reduction and economic growth, it is also faced with unfinished development agendas and important challenges. The region was home to 264 million people living in extreme poverty (below the \$1.90/day poverty line) in 2015, and 1.1 billion people in the region lived under \$3.20 a day. It is faced with new challenges posed by inequalities, rapid urbanization estimated to reach 55% by 2030, technological advancements that raise productivity but have impact on the future jobs, increasing risks of climate change and related disasters with some of the most disaster prone countries being part of the region. Growing economic progress has also witnessed increased carbon emissions and the region accounted for almost 48% of the global Carbon Dioxide emissions in 2014. To continue the path of sustainable development, the region still needs considerable resources to fill infrastructure deficits.

ADB's new long-term corporate strategy to 2030—Strategy 2030— sets the course for ADB's efforts to respond effectively to the region's changing needs. Its seven operation priorities are (i) Addressing remaining poverty and reducing inequalities, (ii) Accelerating progress in gender equality, (iii) Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability, (iv) Making cities more livable, (v) Promoting rural development and food security, (vi) Strengthening governance and institutional capacity, and (vii) Fostering regional cooperation and integration. ADB will also strengthen its role as knowledge provider and work closely with developing member countries (DMCs) to identify their needs and produce the most relevant knowledge products and services.

**ADB's role in statistics capacity building (SCB) in the Region:** In the context of strengthening governance and institutional capacity, and within its role to promote evidence and knowledge, ADB's statistics capacity building work with the countries in the region aims at strengthening national statistical systems and services by providing technical assistance (TA) to promote data and evidence for informing policy and programs.

Since 1970, ADB has implemented about 60 statistical capacity building projects. Between 1971 and 1990, most of the statistics TAs were related to economic statistics especially in the area of national accounts statistics. Beyond 1990 the scope of projects included national accounts, enterprise statistics, price statistics, environment, agriculture, social/demographic, labor statistics, institutional strengthening of

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<sup>1</sup> Refers to the 49 regional members of the Asian Development Bank

national statistical offices, and more recently in promoting use of technology in the collection and production of statistics.

Ongoing TA projects include 'Data for Development Phase 1' which intends to strengthen the capacity of national statistics offices (NSOs) in Asia and the Pacific to meet the increasing data demands for policy making and monitoring of development goals. It focuses on three important areas: (i) subnational disaggregation of SDGs, using various methods of small area estimation (SAE) and ways of using innovative data sources, e.g., satellite images, mobile data, or night time lights data to produce disaggregated data for official statistics; (ii) enhanced compilation of national accounts and other key economic indicators with focus on assisting the countries in improving the quality of national accounts statistics, develop Supply and Use Tables (SUTs), and Input-Output Tables (IOTs), and promote their policy uses (iii) provision of strategic inputs for the modernization of NSSs to inform policy design and SCB initiatives of the global statistical system. Another TA project 'Data for Development - Phase II' directly supports the SDGs through technological innovation and capacity building across five domains: (i) development of a customizable software to digitize sampling frames for surveys, (ii) enhanced compilation of national accounts and improved statistical infrastructure, which aims improving the quality and availability of national accounts statistics, SUTs, IOTs, implementation of the 2008 System of National Accounts, and assisting countries in establishing Statistical Business Registers (SBRs); (iii) quality labor statistics through training and support to labor force surveys using latest standards, (iv) data dissemination, and (v) knowledge sharing on technological innovations. Other ongoing project also supports moving away from paper-based data collection to integrating the use of CAPI in survey data collections by the NSOs and strengthening capacity in this area.

ADB is also the regional implementing agency for Asia and the Pacific for the International Comparison Program which provides another channel to provide technical assistance for building capacity in price and national accounts statistics. In implementing these technical assistance ADB collaborates with the relevant regional and international organizations.

**Some observations on economic statistics from experience in regional technical assistance:** Any discussions on the future of economic statistics must consider the current status of economic statistics in developing countries in Asia Pacific and other developing regions of the world. The purpose of the below discussion is to inform the FOC group that many developing countries face fundamental challenges in producing high quality economic statistics following statistical standards. Asia Pacific region comprises national statistical systems (NSS) that range from advanced statistical systems in its richer economies to very rudimentary systems in its low-income countries. Often the level of economic development in a country also defines the level of development in terms of quantity, quality, and timeliness of its statistical system and its ability to respond to the changing data needs.

In the course of implementing the 2005 International Comparison Program as regional coordinator, it was observed that most economies did not even produce SUTs which are recommended by the SNA as a framework for estimating gross domestic product (GDP) consistently from production and expenditure sides. Two ADB regional projects<sup>2</sup> implemented in succession (between 2009 and 2018) provided technical assistance and have successfully led to the development of two benchmark SUTs in each of the participating (around) 20 economies. The implementation of these two projects also

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<sup>2</sup> <https://www.adb.org/publications/supply-and-use-tables-selected-economies-asia-and-pacific-research-study> and <https://www.adb.org/sites/default/files/publication/378246/compendium-supply-use-tables-selected-economies.pdf>

revealed weaknesses of the underlying data sources – censuses, surveys, and administrative statistics needed to produce detailed economic statistics.

The availability and frequency of data from censuses (population, economic, agricultural censuses) and surveys (household income and expenditure surveys, labor force surveys, enterprise surveys) and the administrative data (especially records from tax agencies or company affairs ministries) are also indicative of the quality of economic statistics. In many developing economies, the surveys and censuses are implemented at irregular frequency and national accounts statistics are often based on outdated benchmark surveys. Many countries do not have SBR or if they exist may suffer from lack of updating and therefore are deficient for use as sampling frames or as a source of useful statistics. NSOs in developing countries often do not have access to the data from tax offices and other administrative agencies due to lack of provisions in the statistics laws. Even where such administrative data may be available for use, quality and coverage may be an issue as in many countries with large informal sector, tax records may cover only the segment that files tax returns. In some countries where implementation of legal and administrative regulations is lacking in practice, many eligible entities may avoid being included within the ambit of the law and filing of statutory returns. Therefore, sole dependence on the administrative records might lead to an incomplete and biased coverage of the economy as unobserved economic activities in less developed countries can be substantial.

Another aspect is that household surveys, enterprise surveys, and censuses in low income countries are often dependent on donor funding and this dependence may lead to irregular implementation of surveys. Adoption of international statistical standards and classifications also lag. Thus, there are many countries who are yet to move to the 2008 SNA for national accounts statistics and many are still on 1986/2001 GFS standards for government finance statistics. For some economies the CPIs also do not follow COICOP classification and CPI basket of goods and services in the index are outdated. Thus, statistics across countries are not comparable.

The reasons for such a situation in many developing economies are various and relate to institutional challenges such as legal, organizational, insufficient budgetary support, inadequate staff resources, and lack of technical skills of staff. The above are well known constraints faced by the statistical systems of many developing economies and need to be resolved to make these systems more responsive to the ever-increasing demands for statistics.

**Future of Economic Statistics:** The demands for statistics are rapidly changing with the changes taking place in the society and economy further driven by changes in technology. The distinction between economic, social and environmental dimensions is getting blurred given the inter-linkages of economic actions with the social and environmental outcomes. As an example, evolving patterns in trade and interlinkages of the production systems in the global value chains, analyzing their impact on region and its economies' social, economic and environmental dimensions is becoming important. Data needed to study how these global phenomena affect the lives and well-being of the people and of the future generations in the individual countries are increasingly being demanded in the discussions 'beyond GDP'. As FOC group deliberates on future of economic statistics, the deliberations must also explore collaborative ways through global and regional frameworks which can help weak statistical systems also catch up in meeting the new and growing data needs to inform policy and users so that they are not left behind.