

# TECHNICAL ASSISTANCE COMPLETION REPORT

Division: ERDI

<b>TA No. and Name</b> TA 3258 FSM: Strengthening the National Statistical System			<b>Amount Approved:</b> US\$ 400,000	
			<b>Revised Amount:</b> US\$ 400,000	
<b>Executing Agency</b> FSM Department of Economic Affairs, Statistics Division		<b>Source of Funding:</b> TASF	<b>TA Amount Undisbursed</b> \$115,128.27	<b>TA Amount Utilized</b> \$284,871.73
<b>Date</b>			<b>Completion Date</b>	
<b>Approval</b> 21 Sept 1999	<b>Signing</b> 12 Oct 1999	<b>Fielding of Consultants</b> 18 Oct 1999	<b>Original</b> December 2002	<b>Actual</b> September 2003
			<b>Closing Date</b>	
			<b>Original</b> December 2002	<b>Actual</b> September 2003
<b>Description</b> 1. Prior to 1999, the Statistics Unit (SU) of the Department of Economic Affairs (DEA) of the Federated States of Micronesia (FSM) was functioning independently, without any linkages with the State Statistics Units of its four states namely Chuuk, Kosrae, Pohnpei and Yap. In October 1999, all statistics staff members of FSM's four states became national government employees under the supervision of SU, which later was named as National Statistics Division (NSD), under DEA. The NSD was responsible for producing the annual FSM statistical yearbook, compiling national accounts, trade, price indexes, household income and expenditure, labor force, and employment statistics, and conducting, analyzing, and disseminating data from the census of population and housing. However, no system of surveys or a supplementary administrative reporting system existed to support regular compilation of these statistics. NSD relied mostly on external support to conduct surveys. 2. The technical capability of NSD was almost non-existent. The national accounting capability in particular was extremely weak. A consultant hired by the Economic Management Policy Advisory Team (EMPAT) funded by ADB had made some rough estimation of national accounts aggregates up to 1996, and that was the first national accounts estimates ever by FSM. Another area that needed immediate attention was the improvement in trade statistics compilation. NSD staff gathered data from customs report forms using dBase III, a software that went off the market in early 1990s. The NSD wanted to use an integrated data entry and analysis software such as PCTRADE, which several other Pacific countries were using. However, the technical expertise to establish a system based on PCTRADE was not available in FSM. FSM also did not have a statistics law, which was needed to formalize the data collection process and to fortify the reorganization of the statistical process. Thus there was strong need for providing technical assistance to strengthen the statistical system in general, with special emphasis for improving the compilation of national accounts and the trade statistics.				
<b>Objectives and Scope</b> 3. The major objective of the technical assistance was to strengthen the national statistical system of FSM for collecting and compiling a range of socio-economic statistics on a more timely manner. The TA supported the improvement of data sources through the extension of data coverage, compilation of national accounts and related activities through additional and updated data, and addressing the institutional reform of NSD. In particular, the TA aimed to improve NSD reorganization process and develop a designated statistics program (DSP), upgrade the data collection, analysis and processing skills of NSD staff, improve the compilation of national accounts statistics, and decentralize data compilation and data processing tasks. 4. The TA provided the services of 14 person-months of international consultancies. To upgrade the knowledge and skill of NSD staff, the TA assisted to organize two weeks long training on national accounts (concepts and methodology) as well as some hands on training on PCTRADE and IMPS and survey operations. The TA also supported five weeks long apprenticeship program for 4 senior NSD staff to the National Statistical Office of Philippines on national accounts and trade statistics. To enhance the computational capacity of NSD and automate the data compilation especially on trade area some 10 computers and related hardware and software together with 1 HP Laserjet printer and 3 UPS were provided.				
<b>Evaluation of Inputs</b> 5. The TA was designed with a view to strengthen overall statistical system of FSM. Several activities were later added following the request of the Senior Government officials during the inception and review workshops. Most of the activities included in the TA were successfully accomplished. The number of technical missions and advisory services delivered were higher than the originally planned because of the additional requests of the government. The services of the consultants were generally of good quality, and NSD staff were mostly satisfied with their services. 6. ADB was successful in closely monitoring the implementation of TA through various means including frequent correspondences such as emails and faxes. A number of technical and non-technical missions were undertaken by the consultants and ADB staff to review the progress, discuss problems and issues, and provide solutions as appropriate. The schedule of TA activities of the participating countries were closely reviewed and monitored.				

7. The TA budget has recorded some savings amounting to approximately 30 per cent of the approved budget, mainly because of cost savings in utilizing consultants and training expenses. There has also been some savings in the amount of apprenticeship program as one of the NSD staff could not participate because of family problems.

### **Evaluation of Outputs**

8. The TA was successful in achieving major activities, and was able to contribute substantially in strengthening the national statistical system of FSM. The TA assisted in developing comprehensive work program and a designated statistics program, including a draft Statistics Law. This has helped in avoiding duplication of responsibilities for data collection not only between Statistics Division and its branch offices, but also between various government departments. A draft Statistics Law was prepared to help NSD in formalizing data collection process and fortify the reorganization of statistical process. The draft Law has now been submitted to FSM Congress for its approval and enactment.

9. The compilation of national accounts have been completed for 1997-2002. The TA assisted in conducting an establishment survey. The data obtained from the survey has now been reflected in the compilation of national accounts. The TA assisted in automating the compilation of trade statistics using PCTRADE System. It has facilitated to compile trade data on a more timely manner. The TA also provided a short-term training on harmonized system (HS) and develop FSM HS tariff code. The TA contributed in compiling consumer price index (CPI) system, develop appropriate consumption weights for computing CPIs and train staff so as to enable them to compile and analyze CPI data on a regular basis. The TA also contributed to improve the survey data processing capacity of FSM NSD by organizing a training in running IMPS/CSP software, and census/survey operations techniques. Other gains included developing Access queries and databases to compile data on imports and visitors. Basic skill and knowledge in running Excel spread sheets and analysis of CPI and analysis of CPI were also provided.

### **Overall Assessment and Rating**

10. The TA was partly successful in laying the foundation for the development and compilation of national accounts, CPIs, trade statistics as well as in improving the survey capability including the data processing of NSD staff. It also contributed to enhance the computing capability of NSD by providing a large number of computers, printers, and other office equipment necessary for compiling, processing and analyzing data. Additional efforts will have to be made by the government to sustain the activities that were initiated under the TA. There was a delay of more than a year in the completion of TA, which was primarily due to delays by NSD in implementing the TA activities.

### **Major Lessons Learned**

11. The FSM NSD staff do not have higher level college/university degree in statistics. Thus, there does not seem any point in sending top-notch consultants to these countries, as the absorptive capacities of the staff are very low. Such consultants end up writing reports by themselves, without being able to build the capacity of the local staff. Therefore, recruitment of medium level consultants would be most appropriate as they will be able to work with the local staff and transfer the knowledge and skill while working with them.

12. Given the small size of the island countries, providing a large TA in statistics does not seem to be best approach for countries like FSM. Probably an occasional regional technical assistance for a group of countries on specific statistical area might be more appropriate and cost effective in terms of improving statistical capacity of these countries.

### **Recommendations and Follow-Up Actions**

13. The serious institutional and management issues that currently affects the capacity and efficiency of NSD have to be addressed. The government must, as a matter of highest priority, implement proposals for restructuring of NSD. The designated statistics program and draft statistics law that is lying with the FSM Congress must be approved without further delay. This must be seen as a pre-condition before further improvements in FSM statistical systems can be realized.

14. The present chief of NSD does not have adequate background in statistics. Therefore, he is not able to provide necessary technical guidance and vision to the staff working under him. The government must make concerted efforts to recruit an experienced and qualified statistics graduate capable of providing guidance and leadership to the staff. Without the appointment of such person, any effort in improving FSM statistics is not likely to be successful.

15. The NSD staff does not even have minimum statistical background to be able to understand and learn from the consultants. The TA helped NSD to organize a short term training on national accounts. But, most NSD staff were not able to fully understand the lectures, even though it was supposed to be a basic training. It is thus recommended that the duration of such training should be longer and that more follow-up hands-on training will need to be organized. Meanwhile, the government should, in the longer term, consider replacing the present NSD staff without basic qualifications with fresh college students having mathematics or statistics background.