

**TFSCB Grant for Statistical Capacity Building
(TF 055789)**

TERMS OF REFERENCE
Individual consulting services for
Costing and budgeting of redesigned activities

1. Background and Rationale for the Project

Over the past fifteen years the Croatian National Statistical System (NSS) was required to rapidly adapt to innumerable changes in order to follow the transformations experienced by the country at large. In fact, born out of the disintegration of the former Socialist Federal Republic of Yugoslavia, Croatia had to face at once the systemic transformations typical for most transition countries in Eastern Europe while at the same time develop the institutional infrastructure proper of an independent nation. Both changes set enormous demands to the statistical system, while the delicate fiscal situation during the war conflict (1992-1995) and the immediate post-war period made difficult the provision of the resources needed to finance the required transformations. Most of the adjustments, including the addition of surveys and the 2001 census, have been funded almost entirely from the State budget.

Time has passed, and while significant progress has been achieved by the NSS; yet another wave of new demands hits the system: the harmonization with European standards and the production of statistics that will enable Croatia to join the EU. This process imposes significant new demands to the statistical system, both in terms of new products and quality standards. Satisfying these new demands will not be resource-neutral and while assistance from the EU may be forthcoming and will help with the transition costs; Croatia will have to pick up the long-term costs of the expansion in statistical activities. Given the importance of these new demands and the costs associated, they will have to be addressed with regard to efficiency. Setting up a system that can address these new demands and completing the still unfinished process of transition (to a statistical system able to provide the information needed for a market economy), is the key challenge of Croatia in the area of Statistics in the coming years.

The upscale in operations to satisfy EU requirements combined with the ongoing decentralization process and the completion of the transition process will not only require more statistical products but also an important change in the output mix: more sub-national information will be required;¹ different standards will be imposed and new information areas will have to be covered by the NSS. This new structure of demand is expected to be long-lasting. As such, it is important to devote time and managerial resources to design a statistical production system that can efficiently address these new patterns of demand.

Satisfying this new pattern of demand will require substantially different interaction among the different components of the NSS. In this context, upward, downward, and horizontal organizational links among agencies merit to be reviewed: (i) the functional dependency, but administrative independence of regional statistical offices from CBS; (ii) the placement of CBS under the umbrella of the Ministry of Science, Education and Sports and (iii) the relatively loose connection of the fifteen data producing central agencies deserves to be reviewed. Setting an appropriate division of labour among agencies and improving their coordination will enable the NSS to take full advantage of synergies arising in the production of

¹ This will in turn imply a substantial change in the input mix too.

statistics; this however, requires the appropriate institutional setting. The current one does not seem to be adequate to satisfy the current level of demand; let alone, to address the new demands placed to the statistical system.

The role of the Central Bureau of Statistics (CBS) - the central institution in the production of Statistics in Croatia - in the reshaping of the organizational structure of the NSS will be paramount. The CBS will have to keep an open dialogue with policy makers over the reorganization of the NSS and other topics of importance for the NSS. First, to push and substantiate - within the agenda of the Government - the idea that a reorganization of the NSS is needed. Second, to provide substantive inputs into the discussion of the type of reorganization that would enable the NSS to produce the upscale in operations to satisfy EU requirements and complete the transition towards a statistical system able to provide statistics for a market economy.

The CBS will also have to provide the Government with sufficient information regarding the costs of the reforms as well as the benefits of it. The CBS will have to guarantee the government that the proposed changes will achieve the required outcomes with the minimal additional demands to the budget. Improving the costing of statistical products will allow policy makers to make informed decisions regarding the statistical products sought and their associated budgetary costs. Improving costing of products will confront the limitations imposed by prevailing accounting practices within the government sphere. Designing and implementing a costing system for statistical products, based on existing accounting information will be a challenge also supported through this project.

The new organization should not only provide an expansion of services, but also an upgrade in quality, relevance and dissemination of services. Upgrading the quality and timeliness of statistics would help policy makers formulate better-tuned policies and the public and civil society at large to better monitor the effectiveness of the government and the accomplishments of reforms. Statistical products are expensive, and the great majority of their costs are born by the society at large. It is then essential to make a good use of these resources. Keeping the statistical output relevant by monitoring changes in statistical demands and following the reach of dissemination practices is key for an efficient use of the resources. Monitoring client satisfaction and keeping a right balance between dissemination practices - to guarantee proper access to statistics - and the protection of confidentiality, is particularly important in transition countries.

2. The World Bank Support and the Role of the Central Bureau of Statistics

The World Bank Group is supporting the development of human and institutional capacity of the Government of Croatia—in particular, the Central Bureau of Statistics—in the area of developing Statistical Master Plan (SMP). At the official request of the Croatian Government in April 2005, the World Bank applied to the Trust Fund for Statistical Capacity Building for a grant in the amount of US\$89,750. The Grant was designed to strengthen the policy making base for the Croatian Government in deciding on how to reorganize the National Statistical System and expand its services.

The grant will fund the work of two consultants – one international and one local - which will produce the statistical master plan and elaborate on some of its specific enabling components, including: the reorganization of the NSS structure and the upgrade of survey processes and sampling methodologies on one side and the improving of cost estimates on the other. The grant will also fund a workshop to discuss the outcomes of the SMP and the reorganization of the NSS.

Discussion will involve CBS and relevant NSS stakeholders, including key donor agencies contributing to the development of the Croatian NSS.

This project consists of the following components:

- Statistical Master Plan,
- Costing and budgeting estimate of redesigned activities,
- Workshop on the Statistical Master Plan.

The Central Bureau of Statistics (CBS) of Croatia is responsible for Grant administration and execution. Activities to be completed under the Grant are supervised by the Director General of the CBS, Mr. Darko Jukić. The Project Implementation Unit is located within the CBS and run by Ms. Ljiljana Marković. It is expected that the task of the consultants will be carried out in close collaboration with CBS management and with key stakeholders in line ministries' statistical units. Cooperation with other donors, in particular, the EU Phare consultants, is required as well.

The consultant under this TORs would work closely with the CBS team to be appointed for this task. CBS will provide an adequate office space with regular office equipment and 2-3 CBS staff will on a part-time basis collaborate and co-produce the report together with the consultants throughout the period of their stay in Zagreb. Consultants are expected to provide their own laptops.

3. Objective of the Assignment

The objective of this assignment is **to produce a Statistical Master Plan (SMP) which is going to be a planning tool that embeds an assessment of the existing NSS, reviews its strengths and limitations and proposes alternative areas of improvements for the statistical system at large.**

A key component of any SMP is a **detailed assessment of the current statistical system**. The assessment should identify strengths and weaknesses and look at all aspects of activities, from the quality of the output and the effectiveness of the existing organization of the NSS, to aspects such as finance and management. To a certain extent this component of a Statistical Master Plan has already been done by the 2004 "Global Assessment of the Statistical System of the Republic of Croatia" carried out by EUROSTAT and the United Nations Economic Commission for Europe (UNECE).² In light of such a valuable contribution, the proposed SMP will recognize the merits of this assessment and build on top of it. The proposed SMP would address the aspects of the pending agenda that are not fully addressed in that study. It will only overlap in those areas of analysis in which this document is found to be insufficient or alternative views are found regarding proposed lines of action. The SMP will complement efforts already being planned by PHARE 2005 and the CARDS program. In this regard, discussions have been held with the manager of the PHARE 2005 project to secure that the SMP will complement the initiatives soon to be implemented by this program.

The proposed SMP should be based on four main pillars. Pillar one will carry out an organizational assessment of the NSS; it will deal with the way data-producing institutions are formally linked and the way they interact with each other. *Pillar two* is intended to develop better cost estimates for statistical products. In particular, it is supposed to develop a framework

² There is a previous assessment of the Statistical System of the Republic of Croatia: "A Global Assessment of the Croatian System of Official Statistics," reflecting the situation of the NSS as of July 2001.

to estimate operational costs for the new structure proposed in pillar one, and leave behind a system of cost estimation that could be used in future budgetary rounds. *Pillar three* will take an overall view of the system from a quality perspective. Finally, *pillar four* will address client services issues.

While Pillar one, three and four are major responsibility of the other consultant, Pillar two will be carried out in parallel by the local consultant to be engaged under these Terms of References.

4. Deliverables

The consultant will be required to deliver the following outputs:

Deliverable 1 – Assessment of the current statistical system (by mid October) – The consultant is expected to:

- Review current operational costs;
- Assess the **existing budgeting and accounting methods for statistical products**;
- Provide assistance to foreign consultant as needed on current organizational issues, data collection and quality as well as client services' issues;

Deliverable 2 – Proposal of Statistical Master Plan (by end November) – The SMP is expected to be produced in English. The translation into Croatian will be handled by the CBS as part of the workshop organization budget. The consultant is expected to:

- ***Assess operational costs of the proposed SMP*** - The role of the NSS in general, and of the CBS, in particular, in the upcoming budget discussions would be to provide the government with an efficient organizational structure proposal and with clear options with costs associated to alternative lines of actions within the context of the proposed structure. In the context of the SMP, it is expected that cost imputation and other techniques will be applied in order to come up with better cost estimates for the proposed new organization and lines of action. The budgeting exercise of costing alternative lines of action will be further complicated by the existence of strong synergies in statistical production and the existence of by-products in statistics. The fulfilment of this pillar of the SMP will require a close cooperation of the CBS administrative personnel in charge of budget, the consultant who will redesign the organizational structure and a special consultant which can generate the costing of running the new structure and achieving the new or redesigned outputs. The costing of the proposed lines of development for the statistical system at large will depend, among other things, on the proposed reorganization, the handling of the reallocated personnel, the incorporation of new technology and the resulting reassessment of human resources needs. It will also depend on specific technical solutions adopted in the handling of statistical activities; including: the number and size of new surveys, the mix of administrative and survey information, frequency of surveys, interviewing practices and means, sampling sizes and outsourcing decisions, among several other variables. This component will help develop the necessary connection –now missing- between the existing CBS' Program proposal and the CBS' budget proposal.³ Full costing of activities by assigning the entire labour costs, operating expenses and overheads associated to each activity has not been the norm. Extracting all possible information from the existing accounting information and using it towards the budgeting of the new organization and the proposed lines of action through cost imputation and other techniques, will produce improved estimates. Only providing policy

³ The Official Statistics Act establishes that the Program of Official Statistics shall give an overview of the resources needed for the implementation of the Program.

makers with the detailed costs associated to those activities will enable them to assess trade-offs regarding the expansion of the statistical activities and take informed decisions.

- ***Deliverable 3 – Final Report and Workshop (by end December 2006)*** – The proposal of a reorganization of the NSS, the improvement in budget activities, the review over quality and the development of client services will be the main four analytical contributions of the SMP. But the likelihood of implementing the recommendations of the SMP will largely depend on the dissemination of its ideas to the key stakeholders of the NSS. A dissemination seminar is expected to be the environment in which policy makers, key European donors, and management and senior staff of the central and regional data-producing agencies could converge to discuss the ideas embedded in the document. The CBS should operate as a facilitator in these discussions and should be available to present the ideas contained in the SMP document to the senior management of the participating agencies, ahead of the seminar. The workshop is expected to discuss the assessment and clarify responsibilities in the implementation of the master plan within CBS and between CBS and the rest of the NSS. It will also serve to ratify the compromise of the GoC in the implementation of such transformation and seek for the necessary long-term budgetary support to fund the initiatives emerging from the SMP. The workshop will provide the opportunity for CBS management to discuss the plan and open a space for feedback. The logistical support should be provided by the CBS.

5. Duration of the Assignment

It is estimated that the assignment will last 80 days, starting from mid-September 2006 with the final delivery before end of 2006. The consultant is, therefore, expected to begin work immediately upon the signing of the contract. The consultant work will be carried out throughout the period with one workshop in December.

6. Consultant Qualifications and Experience Required

The consultant should meet the following requirements:

- Advanced academic background in economics, statistics, public management, public administration or related discipline;
- Experience in budgeting and cost estimates;
- Advanced user of statistical products and knowledge of EUROSTAT methodologies and requirements;
- Knowledge of and experience with the Croatian statistical system;
- Advanced presentational skills.

The estimated value of the contract is USD 24,300.