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# INSTITUTIONAL MANAGEMENT OF EUROPEAN STATISTICS AND OF THEIR QUALITY - CURRENT CONCERNS AT EUROPEAN LEVEL

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## Abstract

The issues referring to official statistics quality and reliability became the main topics of debates as far as statistical governance in Europe is concerned. The Council welcomed the Commission Communication to the European Parliament and to the Council « Towards robust quality management for European Statistics » (COM 211), appreciating that the approach and the objective of the strategy would confer the European Statistical System (ESS) the quality management framework for the coordination of consolidated economic policies. The Council pointed out that the European Statistical System management was improved during recent years, that progress was noticed in relation with high quality statistics production and dissemination within the European Union, but has also noticed that, in the context of recent financial crisis, certain weaknesses were identified, particularly related to quality management general framework.

„Greece Case” proved that progresses were not enough for guaranteeing the complete independence of national statistical institutes and entailed the need for further consolidating ESS governance. Several undertakings are now in the preparatory stage, in accordance with the Commission Communication; these actions are welcomed, but the question arise: are these sufficient for definitively solving the problem?

The paper aims to go ahead in the attempt of identifying a different way, innovative (courageous!) on the long run, towards an advanced institutional structure of ESS, by setting up the European System of Statistical Institutes, similar to the European System of Central Banks, that would require a change in the Treaty.

## European statistics quality: current state of play

The quality of statistical information at European level depends on the adequacy level of the whole production process used for obtaining these statistics. If data supplied by Member States have unsatisfactory quality, this fact has a negative impact upon European statistics quality. In view to prevent such situations, an exhaustive and reliable management of ESS quality is necessary. ESS governance was improved during recent years through:

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- the adoption (2005) of European Statistics Code of Practice, the carrying out of self-assessments and national action plans;
  - the setting up (2009) of the European Statistical Governance Advisory Board (ESGAB);
  - the entry into force of Regulation (EC) 223/2009 on European statistics;
  - the national statistical authorities' responsibility of guaranteeing the compliance of public finances statistics;
  - the extension of Commission prerogatives in relation with the thorough review of upstream data sources in relation with Excessive Deficit Procedure.

Despite these new elements, in the context of the recent financial crisis and of deficiencies related to the quality of upstream data for public finances accountancy, it was necessary to gradually switch from a corrective to a preventive approach of European statistics quality management, in general, and of public finances, in particular.

### **Commission Communication to the European Parliament and to the Council**

In April 2011 the Commission has drawn up the Communication to the European Parliament and to the Council, entitled «Towards robust quality management for European statistics », in view to establish a strategy able to provide the EU with a statistical quality management framework correlated with increased coordination of economic policies, including mechanisms meant to ensure improved quality of statistical indicators.

Basically, quality management implementation should be twofold oriented:

#### **Consolidation of the European Statistical System governance**

*Consolidation of European statistics Code of Practice implementation*, by advancing proposals for amending Regulation (EC) 223/2009, as well as by revising the Code and by setting up a new process of the Code application at the level of national statistical institutes and of other authorities with competence in this field. It is worth mentioning the reputable position of the National Institute of Statistics having appointed a member in the working group functioning under Eurostat chair (Mr. Ilie Dumitrescu, director, counsellor of INS President) and aiming at advancing proposals on specific amendments of Regulation 223/2009.

Among others, the following are envisaged: clarifying the NSI's independence principle (statistics should be compiled, produced and disseminated independently of any pressure of groups of interest, political or of other national authorities; consolidating the mandate of statistical authorities in view to collect data, whenever possible, from administrative sources; implementing the «Commitments on statistics reliability»).

#### *Role of European Statistical Governance Advisory Board (ESGAB)*

The aim of this Committee (established in 2009) is to ensure the independent supervision of Eurostat and of the whole European Statistical System in relation with the implementation of European Statistics Code of Practice.

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The cooperation with this Committee will go on since, so far, it was appreciated as useful (particularly the consultations on the proposals for updating the Code of Practice).

*Eurostat institutional structure in relation with European statistics production*

Eurostat is acting independently and decisively in the current institutional structure (playing the coordination role, in accordance with Regulation 223/2009; professional independence and the Code of Practice implementation are under ESGAB supervision; the dialogue with users is maintained through the interface of the European Statistical Advisory Committee - ESAC, whose membership includes, besides reputable professionals of the scientific and academic environment from EU Member States, Mrs. Prof. Emilia Tițan, PhD, pro-dean of Cybernetics, Statistics and Economic Informatics Faculty – Academy for Economic Studies).

**Preventive approach of checking public finance statistics  
(excessive deficit)**

The statistics on excessive deficit are the result of re-compiling primary data on public finances. The Commission decided that upstream data quality should be assessed, at the same time with the quality assessment of these data transposition and of the European System of Accounts standards. Consequently, the need for preventive measures (such as a pro-active management of risk assessment), as well as for corrective measures is invoked.

Positive results are expected as consequence of consolidating the European Statistical System governance; however, specific measures are also seen as necessary. Eurostat should establish a specific quality management system for public finance statistics, in cooperation with the national statistical institutes and with the national bodies responsible for checking upstream data on public finances (especially the Courts of Accounts).

The objectives of such an approach based on quality management of public finance statistics are to be achieved mainly by introducing within the ESS improved systems for quality ensuring, by assigning to Eurostat the task of carefully monitoring the implementation of systematic risk analyses and through regular dialogue visits on excessive deficit procedure.

The recently revised legal framework of Regulation (EC) 479/2009 allows Eurostat to apply a system of monitoring and regularly checking the upstream data on public finances, shared with all Member States, meant to significantly improve the quality of risks identification (as well as their further assessment and monitoring).

**Council reaction to Commission Communication «Towards robust quality management for European Statistics »**

Within its draft conclusions, in response to Commission Communication (June 2011, Brussels) the Council welcomed the approach of Commission Communication “Towards robust quality management for European Statistics” and

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the strategy objective, appreciating these would offer the European Statistical System the framework for quality management for statistics related to the coordination of consolidate economic policies. The Council pointed out that the European Statistical System management improved during recent years, allowing for the progress towards high quality statistics production and dissemination within the EU, but took note that, in the context of the recent financial crisis, certain weaknesses have been identified, especially concerning the quality management general framework.

The proposal of adopting a preventive approach related to quality management for European fiscal statistics was particularly sustained, in the virtue of the need for an effective quality management system for public finances statistics, covering the methods, the data and the compilation procedures; this should be agreed in close cooperation with the National Statistical Institutes, with Central Banks and Finance Ministries.

The Council appreciated that the identification, the assessment and the systematic and pro-active monitoring of significant risks, related to fiscal data quality at each Member State level is crucial for their early detection and for launching in due time corrective measures. Member States are urged to cooperate with Eurostat, in the context of the next dialogue visits meant to examine public finance data, fully compliant with the legislation in force (Regulation no. 479/2009 amended by Regulation no. 679/2010).

The Council has stressed the importance of continuously improving the European Statistical System governance and effectiveness. In this context, the Commission intentions of proposing amendments to Regulation (EC) no. 223/2009 on European statistics are strongly encouraged in view to strengthen the framework for statistical governance; the Member States are urged to take the necessary steps for ensuring the sound coordination of their national statistical systems, thus significantly contributing to the reduction of respondents' burden.

The role of statistical authorities should be strengthened in relation with administrative data management, in view to facilitate in the future the use of available administrative registers for statistical purposes, taking into account, at the same time, the existing national administrative bodies and carefully evaluating the costs and the benefits assigned to NSIs.

The Council has also welcomed the activity undertaken in view to revise the European Statistics Code of Practice, in accordance with the experience acquired during recent years, particularly regarding the further development of professional independence concept. The Commission should identify the appropriate ways of strengthening minimum standards related to institutional framework of producing European statistics, especially the structural quality, the professional independence, the data collection mandate and resources adequacy, taking into account national specificity.

### **Quality management and statistical governance**

The Communication „Towards robust quality management for European Statistics” (COM (211) and the setting up of a „trust pact”, by means of which each Member State has the responsibility of implementing the Code and particularly the principles related to institutional context (scientific independence, the data

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collection mandate, resources adequacy) are only some examples for strengthening statistical governance. Are all these, however, enough for a radical improvement of current situation? Do they represent the guarantee required by users that, after the implementation of proposed actions, the occurrence of a case similar to the Greek one would be impossible within the European Statistical System?

The Regulation (EC) no. 223/2009 stipulates the general rules for the European Statistical System functioning. At present, ESS represents the partnership between Community statistical authorities, more precisely the Commission (Eurostat), the National Statistical Institutes (NSIs) and other national authorities responsible, within each Member State, for European statistics development, production and dissemination. As consequence, the legal status of ESS is obviously in the situation of being somehow obsolete as against the European System of Central Banks (ESCB) collaborating with ESS. Article 130 of Lisbon Treaty on EU functioning stipulates: « When exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB and of the ECB, neither the European Central Bank, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body. The Union institutions and bodies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the European Central Bank or of the national central banks in the performance of their tasks”.

The explanation of this dropping behind resides in the institutional roles both of Eurostat (one of the General Directorates of the European Commission and not an autonomous institution such as the European Central Bank – ECB) and of individual NSIs (usually governmental bodies under the supervision of a minister, in compliance with national legislation provisions, with a budget established by national governments and Parliaments, normally primary credit officers, or secondary, therefore entailing a real outsider position, especially if taking into account that statistics is a field with annual and multi-annual programmes approved by governments). The current system is not guaranteeing full independence of all ESS members.

Reviewing the action points guiding European Union policies is a major occasion for consolidating statistical governance. The awareness of the need to consider statistical institutes as independent authorities from professional, scientific or operational/procedural standpoint, whose task is to produce a public asset on behalf of the whole society, is higher than ever. At present, in Regulation (EC) no. 223/2009 of the European Parliament and of the Council, scientific independence, one of the fundamental principles of European statistics functioning, is defined from the perspective that « statistics must be developed, produced and disseminated in an independent manner, particularly as regards the selection of techniques, definitions, methodologies and sources to be used, and the timing and content of all forms of dissemination, free from any pressures from political or interest groups or from Community or national authorities, without prejudice to institutional settings, such as Community or national institutional or budgetary provisions or definitions of statistical needs ».

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During the last meeting of the European Statistical System Committee (May 2011) the idea was advanced that, in view to overpass the above mentioned limits, the ESS could evolve towards a “ESCB type” system, whose main objectives would be:

- to ensure the production of high quality statistics, both for European and national purposes, observing the principle of professional, scientific, financial and operational independence;

- to foster the coordination of national statistical authorities and to supervise their activity, in order to be sure that all statistics are produced in compliance with the Code of Practice (similarly with national banks undertakings in relation with the commercial banks).

### **What system are we going to talk about in the future?**

The discussions taking place within the European statistical community lead to a possible model of generic system of statistical governance, meant to ensure the independence and the quality of information produced, a model that should be based on six key elements:

- the mechanism of appointing the NSIs Chair/General Director, of their directors and of directors of statistical units from other public bodies;

- the mechanism of financing the NSIs activities, more precisely, the mechanism for establishing the volume of available resources for official statistics, at national and European level;

- the procedures defining the statistical information demand;

- the rules based on which the classifications, the concepts and the definitions used for statistics production and the methods of data collection and processing are established;

- the procedures according to which statistical information are disseminated towards the public at large;

- the rules based on which the national statistical institute accesses the information held by other bodies (administrative sources), protects the data collected for statistical purposes and puts them at users’ disposal for research purposes.

An overview of the assessments carried out by peer-review teams in the context of checking the implementation of the 15 principles for the functioning of official statistics, stipulated in the European Statistics Code of Practice points out that several NSIs report the existence of adequate conditions for most of the six elements mentioned above, but not for all of them. Therefore, starting from the strategy included in the Communication discussed in this paper, ESS intends to have a proactive position in the setting up of a new system: The European System of Statistical Institutes. Within this system, Eurostat would become an autonomous institute, with an appropriate budget established by the European Parliament, while the national statistical institutes would have the same status with national central banks and would belong to the system, operating on two levels: as participants in the system and as ‘regulators’ of national statistical systems, in view to ensure the quality of data

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published by other bodies belonging to national systems as well. Altogether, Eurostat and the NSIs would have regulatory competences in statistical matters, as already happens with ESCB, and an independent budget allowing for the implementation of activities carried out in response to new challenges, to the demands of decision-makers and of all the other users, as well as to the newly arising priorities.

Naturally, the setting up of a new system would require amendments to the Treaties, so that it could be only a medium/long term objective. Nevertheless, in case this vision would be agreed upon, there are several steps to be undertaken on short term, namely:

- the European Commission could revise the decision related to Eurostat independence adopted in 1997. Moreover, the consolidation of the current Code of Practice for European statistics would be possible, with a more restrictive legislation regarding the functioning of statistical institutes and of other national statistical authorities, thus ensuring the necessary coherence between the Code of Practice and Regulation 223;
- an European Directive could be adopted, with guidelines that should be implemented by each Member State in their national legislation, in view to regulate the six key elements described above in a coherent manner, so that to ensure both at legislative level and in practice the independence and the quality of statistical information, even in the absence of an integrated legal framework that could be brought only by amending the Treaties;

Eurostat and the national statistical institutes should have downstream monitoring competences as well, in view to ensure the appropriate quality of statistical data before they enter a circuit that could hinder eventual adjustments.

It would be equally important to strengthen the coordination role of NSIs in relation with the national statistical systems, though this could mean making the legal basis more restrictive for data collection mandate and influencing the consolidation of administrative data collection processes, so that making available administrative data for statistical purposes as well. Strengthening the coordination role of NSIs at national level would contribute to a significant alleviation of respondents burden; at the same time, it would consolidate, at least in some countries, the NSIs role in the management of administrative data, in view to facilitate the further use of available administrative documents for statistical purposes, taking into account, at the same time, the existing national administrative organisations and carefully assessing the costs and benefits involved.

Finally, starting from the already existing tools (European statistical legislation and its future revision, the Code of Practice for European statistics, the preventive, anticipative approach, the vision on the method of EU statistics production, etc.), some steps could be undertaken in view to consolidate the ESS picture perceived by decision-makers and interested parties. For instances could draw up an Annual Report describing the activities carried out within the system, including the institutional evolutions and the new systems of European statistics production and dissemination.

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The main objective of this Report would be to explain and to present all progresses achieved as follow up of activities undertaken in the ESS as a whole. Moreover, the Report could include an intermediate assessment of the 5 years Statistical Programme implementation, in view to point out the changes occurred during this period, with possible impact upon ESS activities and priorities. The intermediate report would point out the priority needs asking for a response to external changes, the information needs and the availability of financial resources (preventive feasibility approach).

The Report would be subject to prior discussions within the European Statistical System Committee in order to gather all views of ESS partners. Further on, the Report would be presented, in a meeting of the European Parliament, by the Director General of Eurostat and the Chairman of Partnership Group, afterwards being disseminated to the public.

### **Conclusions**

A large consensus exists that ESS should be consolidated. The proposals included in Commission Communication are important and should be applied. However, the European statistical community launched a discussion about the medium term future of the system, within the new European governance.

The aim of this paper is exactly the one of presenting the options circulating at present at European level regarding further actions meant to consolidate the institutional and financial conditions of the statistical system.