



Annual Report 2013

**Fifth annual report by the
European Statistical Governance Advisory Board
to the European Parliament and the Council**

**on the implementation of the
European Statistics Code of Practice by Eurostat
and the European Statistical System as a whole**

European Statistical Governance Advisory Board (ESGAB)

ESGAB was established by the European Parliament and the Council in 2008 to provide an independent overview of the European Statistical System (ESS) with particular regard to implementing the European Statistics Code of Practice. ESGAB's aim is to enhance professional independence, integrity and accountability — three key elements of the Code of Practice — in the European Statistical System, as well as the quality of European statistics.

Its tasks include preparing an annual report to the European Parliament and the Council on the implementation of the Code of Practice insofar as it relates to the Commission (Eurostat), including an assessment of the implementation of the Code in the European Statistical System as a whole, and advising the Commission (Eurostat) on appropriate measures to facilitate implementation of the Code, on how to communicate the Code to users and data providers, on updating of the Code and on questions related to user confidence in European statistics, if considered necessary.

ESGAB comprises seven members, and Eurostat participates as an observer. Expenses arising from the Secretariat and meetings are covered by the European Commission. ESGAB members receive no remuneration. In that respect, the Board has no operating budget.

For further details see: <http://ec.europa.eu/esgab>.



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Foreword

This is ESGAB's fifth annual report on the European Statistical System's compliance with the European Statistics Code of Practice. It is largely devoted to the issue of coordination at national level and the quality of European statistics. Half of our recommendations this year suggest ways to improve coordination at different levels of the European Statistical System (ESS). Much of our advice over the last four years addressed professional independence and adequacy of resources. This advice still remains valid today and continues to be given attention in this report. Moreover, we have also looked at issues within our mandate that relate to governance questions.

Overall, across the European Union, standards of governance for statistics remain high; nevertheless, improvement is still desirable. The most critical issue concerns the independence of national statistical institutes (NSI) and their management. ESGAB has looked at the manner in which a number of appointments and dismissals of senior managers were made. Procedures in some instances could be made more transparent and reassuring. We are also concerned at the apparent political, public and judicial harassment against the head of one NSI, seemingly for following EU rules.

We believe that transparency, and political discussion and interaction — including at the level of national parliaments — would add to the quality of public awareness and therefore standards of governance. The report makes suggestions to this effect.

Progress on coordination is central to addressing the increasingly urgent need to modernise the production of European statistics. However, discussions at the level of the Council and among ESS members remain difficult. This puts at risk the development of the ESS. For its part, ESGAB wishes with this report to encourage ESS members, national administrations, political decision-makers and legislators involved in the negotiations to embrace the change needed to ensure the best conditions for high-quality European statistics.

In the near future, all ESS members will be involved in the next round of peer reviews. Many of their partners in developing, producing and disseminating European statistics will also be a part of this. ESGAB is looking forward to a comprehensive exercise to provide the system with a new baseline for assessing compliance with the Code of Practice.

I would like to thank colleagues and the ESGAB Secretariat for their dedication to the cause of public governance in Europe. Good governance leads to good data, and good data to good policies. And *vice versa*.

Thomas Wieser
ESGAB Chair

Executive summary and recommendations

European statistics determined under European statistical work programmes are developed, produced and disseminated in conformity with the European Statistics Code of Practice. Many statistics are produced by diverse national statistical systems in the 32 countries of the European Statistical System. Some statistical systems are fairly centralised with the national statistical institute (NSI) acting as guarantor for their quality; others are decentralised in a variety of ways.¹ The concept of coordination should be understood to mean the actions of NSIs and Eurostat that aim to ensure that activities of other authorities in their systems and in the ESS meet the requirements of the Code of Practice. NSIs are meant to be Eurostat's sole contact points for the development of statistics.

Published European statistics are of good quality. Nevertheless, the material collected for this report has raised questions as to the degree of compliance with the Code of Practice by those producers of European statistics providing data directly to Eurostat. Statistical outputs stem from a variety of sources: NSIs, who ensure the necessary quality requirements; producers under the auspices of NSIs; and other contributors whose role or compliance with the Code of Practice is less clear. Eurostat undertakes a significant amount of harmonisation work on data transmitted to it by those beyond the direct influence of NSIs; this fact underlines the need for more effort to be invested in Code of Practice compliance. Higher quality source data from the outset would increase the system's effectiveness, as the need for corrective measures during quality assurance would decrease. ESGAB therefore calls for a clear and strong coordination role for NSIs in line with the requirements of the ESS.

Coordination in relation to central banks as producers of European statistics can be considered a special case. The European System of Central Banks (ESCB) is in charge of many statistics for the purpose of monetary policy. ESCB statistics are subject to a quality framework under a public commitment on European statistics, which is for the most part consistent with the European Statistics Code of Practice.

Even though the need to enhance coordination within the ESS is recognised, it seems that not all NSIs, administrative bodies to which they are linked, or governments feel comfortable about increasing independence and the coordination role of NSIs. The difficulties presented by this paradigm shift are clear to see in the discussions taking place both in the Council — on the proposed revision of Regulation (EC) No 223/2009 on European statistics — and in the European Statistical System Committee on proposals for further integration of the system. Parties involved in these discussions ought to focus on modernising the system, especially at a time when no new resources are available and demand for high-quality statistics is steadily increasing.

ESGAB advocates developing a more integrated way of producing European statistics. This would avoid duplication of work and inefficiencies arising from individual production systems in the ESS. Necessary conditions for such integration include easier access to and more efficient use of administrative data sources. Producers of European statistics must also be able to exchange micro-data for statistical purposes more easily. These changes have the potential for significant cost savings and quality improvements in producing European statistics. To achieve these benefits, modified laws — including rules on rights and obligations as regards access to and use of confidential data — are needed. Such changes are a necessary but not sufficient condition for a more efficient use of the scarce resources available. A shift in the mindset of statistical producers and lawmakers is needed to change

¹ See [page 16](#) for different models and country examples.

the perception of data ownership, which is essential in any move to a more collaborative statistical production infrastructure and economies of scale.

Many of the measures needed to increase efficiency involve sharing resources, pooling data sources and ensuring trust in the quality assurance systems of all ESS partners. This in turn requires strict compliance with the principle of professional independence set out in the Code of Practice. For a truly European system of producing statistics to emerge, ESS members — as well as their governments and administrations — must be confident that data from another ESS member is impartial and in compliance with the Code. ESGAB's recommendations of the past four years — for ensuring that decisions on statistical methodology and production processes remain in the hands of the statistical profession — remain valid. ESGAB also continues to give attention to institutional settings and the ways NSI heads are appointed and dismissed;² unexpected changes in senior management and non-transparent recruitment processes continue to be observed. Legal as they may be, sudden dismissals and appointments risk dragging the public image of NSIs into the political realm: this should be avoided.

The increased independence of NSIs must also be counterbalanced by democratic control, for example by strengthening their interaction with national parliaments. However, NSIs and their senior management must display the utmost integrity in resisting any attempts at political interference with the core mandate and tasks in the national statistical system. Recent developments in some national judicial proceedings — seeking to change statistical methodology established under EU regulations — also need to be closely examined.

Ultimately, the main objective of the European Statistics Code of Practice is to provide policymakers and other users of European statistics with relevant, comparable and trustworthy statistics for decision-making.

ESGAB's recommendations 2013

1. Coordination

Effective implementation of the Code of Practice to provide high-quality European statistics requires well-coordinated national statistical systems.

- 1.1. NSIs should be responsible for ensuring satisfactory quality of European statistics produced in national systems and transmitted to Eurostat. A mandate to coordinate the activities of other producers of European statistics should be provided in legislation or other administrative arrangements supported by government. This should include a coordination role for NSIs to address quality and methodology issues with owners of administrative data. The methods for ensuring sufficient quality and compliance with the Code of Practice by all producers of European statistics — whether at the point of production or transmission — should be adapted to the administrative setting of each ESS member.
- 1.2. NSIs should be involved in the selection procedure for recruiting heads of other producers of European statistics in their national statistical system.
- 1.3. A principle and indicators addressing the coordination of developing, producing and disseminating European statistics must be developed during the next revision of the Code of Practice.

² See [page 10](#) for country examples.

- 1.4. The European Statistical System and the European System of Central Banks must fully implement the recently adopted Memorandum of Understanding to ensure coherent, comparable and high quality of statistics as required by EU law.
- 1.5. Eurostat must establish a clear coordination mechanism for other statistical activities by the different services of the European Commission and develop an inventory of those activities.

2. Professional independence

Professional independence of statistical authorities remains a cornerstone for credible European statistics. The principle is not fully implemented in the ESS. ESGAB's past recommendations will, therefore, require further attention. Moreover:

- 2.1. Relations between NSIs and national parliaments should be enhanced. The resource needs of NSIs ought to be publicly known and clearly identified in government financing proposals. This will provide a transparent view of resources reserved for developing, producing and disseminating the statistical information required for policymaking. Regular reporting, for example annually, on the statistical activities of NSIs or bodies monitoring compliance with the Code of Practice would also strengthen democratic accountability and relations with national parliaments.

3. Effectiveness of the system

Given the prevailing economic and financial situation, the ESS must modernise the production of European statistics and be innovative in making better use of existing resources to respond to increasing demands.

- 3.1. To maximise the use of administrative data sources, unique identifiers should be developed to pave the way for data matching and linking to facilitate the connection of statistical units across various databases and registries. Such developments are best planned in close collaboration with bodies responsible for data protection to ensure that measures respect national constraints in the area of personal data protection.
- 3.2. Under present arrangements, multiple data sources and interdependence of production systems in national statistical systems are resource-intensive and lead to major systemic inefficiencies. ESS members should rapidly establish a common understanding regarding rights and obligations concerning access to and use of shared micro-data among ESS producers of European statistics.

4. Peer reviews

A new round of peer reviews among ESS members — covering all principles of the Code of Practice — is welcomed. In view of developments since the last round, ESGAB would recommend the following:

- 4.1. Both the European Statistical System and the European System of Central Banks should carry out peer reviews or similar exercises, such as independent audits, based on their respective quality frameworks in a transparent way. This includes standardised methods of evaluation and the publication of outcomes.
- 4.2. Where ESGAB-like bodies exist, their role in the upcoming peer review exercise must be clarified:

1. Introduction

ESGAB's fifth report has a prime focus on the interdependence between coordination and quality in the production of statistics. This is in addition to examining the principles of the European Statistics Code of Practice (the Code)³ already explored in previous reports: professional independence, adequacy of resources and efficiency.

The report consists of five sections. The introduction is followed by a section on the implementation of selected principles of the Code, including a summary of ESGAB's recommendations 2009-12. Chapter three focuses on coordination issues and in chapter four ESS governance is observed in a context going beyond the Code itself. In the last section ESGAB's views on its future work are discussed.

The report is based on responses to ESGAB's questionnaire addressed to national statistical institutes (NSIs). The questionnaire followed the 2012 recommendations and addressed coordination aspects and, in particular, principles 1, 3, 4, 5, 6, 7 and 10 of the Code of Practice. Eurostat reported on its own progress. ESGAB has also taken into account views expressed in dialogues with representatives of four countries and Eurostat as well a second dialogue with representatives of one country met earlier. In 2011-13, ESGAB met Directors-General or their representatives of half of the ESS members: Austria, Belgium, Bulgaria, Estonia, Eurostat, Germany, Hungary, Italy, Luxembourg, Malta, Poland, Romania, Slovakia, Spain, Sweden and the United Kingdom.

2. Compliance with the European Statistics Code of Practice

2.1. Introduction: ESGAB recommendations 2009-12

This section provides an overview of ESGAB's 40 recommendations from 2009 to 2012. Roughly half of them address professional independence, governance and coordination. Resources, cost effectiveness and quality also came under ESGAB's scrutiny.

Professional independence

ESGAB has consistently called for a modern legislative framework for statistics, in line with the Code of Practice, and for its practical implementation to secure a professionally independent institutional setting for national statistical systems. The recommendations address legislators, NSIs and entities (e.g. ministries) to which NSIs and other authorities are administratively attached. The call to create safeguards from political influence for all statistical producers, including NSIs and other authorities producing European statistics in the ESS, stems from the fact that producers must act, and be seen to act, independently from government and other policy, regulatory or administrative bodies. During the past few years, there have been many initiatives to revise statistical laws, yet ESGAB also observes that they have not all been implemented. In a number of countries, including some where professional independence is upheld by tradition and practice, no legislative progress has taken place. While ESGAB has welcomed cases of *de facto* independence, revision of legislation — in line with the principles of the Code of Practice — to reflect the reality and to prevent future attacks on professional independence is desirable.

³http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/documents/CoP_October_2011.pdf.

ESGAB has also followed with interest the situation with regard to the rules of appointment and dismissal of senior management in NSIs. Sudden and ambiguous dismissals of heads of NSIs continue to be observed. While transparent procedures and open competitions with fixed terms in line with the Code of Practice often contrast with national rules for the recruitment of civil servants on which NSIs have little influence, their existence and implementation would strengthen the professional independence of NSIs.

Transparent working arrangements, such as those agreed between the Director-General of Eurostat and the politically responsible European Commissioner and which describe the roles and responsibilities of each, remain more a welcome exception than the rule. The resistance to establishing and publishing such rules at national level seems to be in contradiction to assurances given that NSIs enjoy a professionally independent status.

While ESGAB welcomes the increasing attention paid to the principle of professional independence, it still cannot be considered fully implemented in the European Statistical System.

Governance

ESGAB's recommendations on ESS governance have addressed the role of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) and relations with the European System of Central Banks. ESGAB has also supported streamlining the ESS governance structure, the 'Commitments on Confidence in Statistics' and the new round of peer reviews. It has requested clarification on some aspects of its own mandate and encouraged the creation of ESGAB-like bodies at national level to oversee compliance with the Code. Modernising and strengthening the ESS governance structure is progressing well in many areas. At the level of statistical authorities, implementation of the Code is improving significantly; however, this is less the case at the level of governments, which should confirm their adherence to the Code of Practice by signing a Commitment on Confidence.

Resources

Since 2009, ESGAB has been voicing its concern — in the face of rising demand for reliable statistics — about the steady reduction in resources available for the production, dissemination and development of European statistics. At the same time, it has become clear that the cost of producing European statistics in the traditional way has become unsustainable. The current approach — where Eurostat and NSIs work individually on all stages of production and dissemination processes in each statistical domain — is inefficient and must be reformed.

For these reasons, ESGAB has continuously supported the Commission's 2009 'Communication on the production method of EU statistics: a vision for the next decade'⁴, which aims to rationalise the production system of European statistics. This implies providing for the necessary statistical governance and management, not only through adequate financial and human resources but also introducing the necessary legal changes, e.g. to increase the use of multiple data sources, administrative data, unique identifiers and exchange of micro-data. There cannot be rapid progress in implementation given the complexity of the task. However, the reluctance of some Member States to engage with

⁴ Communication from the Commission to the European Parliament and the Council on the production method of EU statistics: a vision for the next decade, COM/2009/404 final <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0404:FIN:EN:PDF>.

the recommended reforms has made progress unnecessarily slow. Traditional production methods need to be modernised to enable investment in new developments that will uphold the quality and relevance of European statistics.

Quality

ESGAB's attention to the quality of statistics over the period 2009-12 concentrated on the overall quality management of NSIs; it assessed processes and how quality issues are communicated, not the quality of the statistical outputs themselves. The revised Code of Practice of September 2011 incorporates the ESS quality declaration in its preamble and provides a complete quality assurance framework for the ESS. ESGAB notes with satisfaction that quality management and assurance systems are largely incorporated into NSI business processes.

European statistics today are generally of good quality. Statistics used directly in implementing and monitoring EU policies, such as indicators based on national accounts and government finance statistics, require a higher emphasis on quality assurance so as to balance various quality dimensions (e.g. accuracy, timeliness, relevance). Quality assurance frameworks, which identify a range of methods and tools to implement the standards specified in the Code, increasingly perform this role for such statistics. ESGAB's interest in compliance has shifted over time to other national authorities that contribute to the development, production and dissemination of European statistics, in particular how they comply with quality frameworks according to the Code of Practice. Given the steadily increasing reliance on the automatic triggering of policy decisions or sanctions for breaking rules by using statistical indicators as thresholds, high quality must remain the focus of all efforts to comply with the Code of Practice. ESGAB is concerned about decreasing — or even a total lack of — resources, which would jeopardise the quality of statistical outcomes.

Coordination

ESGAB's stance on the issue of coordination in earlier years was low-key because coordination is not the subject of a clear principle under the Code of Practice. The number of recommendations in this area remained limited and mainly involved Eurostat. However, it has become increasingly clear that coordination is implicitly part of the Code: without it, full compliance with the Code is not feasible. In the 2012 report, a separate section was dedicated to coordination issues.

Other

Recommendations addressing equal access, communication, training, methodology, and dialogue with users for relevant statistics have also been put forward over the past four years.

2.2. Assessment of selected Code of Practice principles 2013

In this report, ESGAB has focused on a selected number of principles due to increasing pressures in those areas and their direct impact on data quality and trustworthiness of the ESS. The principle of professional independence is largely linked to the institutional setting and administrative culture of a country. Principles related to the efficiency of the system are observed as a cluster of principles that may have an influence on efficiency.

2.2.1. Professional independence

Principle 1: *'Professional independence of statistical authorities from other policy, regulatory or administrative departments and bodies, as well as from private sector operators, ensures the credibility of European statistics.'*

Institutional setting and appointments

Independence, strength and efficiency of the ESS needs further improvement. The fact that NSIs in the ESS have different degrees of professional independence is a weakness. Without the necessary legal safeguards and their implementation, any national statistical system may be — or appear to be — a victim of political influence.

While ESGAB is confident that most appointments do not have political connotations, sudden dismissals and replacements of NSI heads continue to be observed. While they may be lawful, the perception they transmit to the public does not reinforce the image of professionally independent and strong national statistical institutes. At the same time, long periods of absence by a Director-General or long-term replacements are not in line with the spirit of the Code of Practice.

- In Greece, the revised statistical law and newly established Good Practice Advisory Board are exemplary in theory. However, in practice, the position of the Hellenic Statistical Authority (ELSTAT)⁵ remains vulnerable. ELSTAT and, especially, its President have been attacked by politicians and a few fellow statisticians alike. These challenge the validity of data produced in compliance with regulations — European Union primary law and the Code of Practice — that set the standards for European statistics. While the last six consecutive excessive deficit procedure (EDP) notifications have shown that Greek statistics are of reliable quality, the allegations have led to lengthy judicial procedures and deeply partisan debates in the public arena. This risks causing lasting damage to the credibility of Greek statistics until a court decision is taken. In addition, some classifications of public and private enterprises under European statistical standards have been overturned by court rulings, which may well lead the European Commission to initiate infringement procedures. This raises serious concerns about intrusion of the judiciary in the process of developing, producing and disseminating European statistics.
- In Belgium an *ad-interim* Director-General was put in charge of managing Statistics Belgium in 2008. When ESGAB discussed the situation with Belgian Authorities in the first half of 2013, it appeared that a Director-General had been selected, but had not yet taken up his post given his ongoing assignment in a ministerial private office. The hitherto temporary Director-General was therefore to remain at Statistics Belgium at the highest level of public service and with a lifetime appointment.
- ESGAB deliberated on the sudden dismissal from Romania's National Institute of Statistics of its President in early 2013. The explanation provided by Romanian authorities of the reasons and circumstances for that change do not appear to require follow-up. The recent unexpected change of the head of the Croatian Bureau of Statistics is being considered.

⁵ *Statement of the Members of the European Statistical System on recent developments concerning ELSTAT in Greece, 7 February 2013*

http://epp.eurostat.ec.europa.eu/portal/page/portal/pgp_ess/0_DOCS/estat/ESS_statement_Greece_Feb_2013_final.pdf.

ESGAB has continually emphasised the professional independence of NSIs and their senior management. Equally, the proposed revision of Regulation (EC) No 223/2009 seeks to enhance the position of NSIs. However, the integrity and power of the existing head of an NSI has not been given as much attention in the discussions. The position of NSI head is often perceived as being of a technical nature and the salary is relatively low compared to some other posts in public administration. Yet the position requires good understanding of how political decision-making takes place, combining independence with strength; the head must be able to keep production and dissemination of statistics from becoming instrumentalised in politics.

Bilateral relations between the head of the NSI and a supervising minister — or sufficiently high ranking ministry officials — are necessary for maintaining policy dialogue. However, these relations are not visible to the public — or they may, counterproductively, be perceived as weakening the image of the NSI's professional independence, especially if working arrangements are not publicly explained. To increase the visibility and accountability of NSIs, relations with national parliaments could be strengthened by making them more systematic. In countries where ESGAB-like bodies exist, relations with national parliaments should be implemented according to their mandates. More regular contacts with national parliaments would also avoid the perception that NSIs — or bodies monitoring compliance with the Code of Practice — are called to parliamentary hearings only in cases where statistics are a matter of public debate. Budget allocations reserved for statistical activities should be presented as a separate chapter of general budgets and NSIs should report annually to parliaments on their activities. At the same time, all efforts should be deployed to resist any political pressure or interference on statistical methodology and NSI professional independence.

ESGAB encourages open selection processes for senior management recruitment in NSIs and other producers of European statistics in national systems. For the appointment of heads of other national producers, NSIs should be involved in the selection process. This is to ensure that sufficient attention is paid to the professional qualifications and integrity of candidates. Both aspects are crucial for the credibility and professional success of the recruited candidate and for the trustworthiness of statistical outputs.

Pre-release access

The Code of Practice provides for rules regarding pre-release access, i.e. privileged access in limited cases and in a transparent way by politicians or others before the data becomes available to the public and market actors. These rules are mostly complied with in the ESS. As pre-release access has acquired a greater significance in today's media environment than a decade ago, there is a need for vigilance regarding the possibility of political influence on methods, contents and statistical releases. In the past, earlier access and use of statistics did not have an immediate impact and competing figures were less easily available. Today, pre-release and interpretation of certain data can have instant political, economic or financial impacts, such as sudden shifts in financial markets, with costly consequences.

Eurostat

Implementation is progressing of Commission Decision 2012/504/EU: it defines Eurostat's role, reinforces its professional independence and designates the Director-General of Eurostat as the Chief Statistician. Increased independence reinforces the

need for accountability at EU level, which has been visible in the recent exchange of views with the Chief Statistician before the European Parliament's Economic and Monetary Affairs Committee, and in exchanges with ESGAB.⁶

2.2.2. Effectiveness of the system

Resource issues are examined in a cluster of linked principles that are crucial for improving effectiveness:

Principle 2: 'Statistical authorities must have a clear legal mandate to collect information.'

Principle 3: 'The resources available to statistical authorities are sufficient to meet European statistics requirements.'

Principle 5: 'The privacy of data providers (households, enterprises, administrations and other respondents), the confidentiality of the information they provide and its use only for statistical purposes are absolutely guaranteed.'

Principle 8: 'Appropriate statistical procedures, implemented from data collection to data validation, underpin quality statistics.'

Principle 9: 'The reporting burden is proportionate to the needs of the users and is not excessive for respondents.'

Principle 10: 'Resources are used effectively.'

Most NSIs appear to have managed fairly well the transitions to new challenges by compensating reduced resources with greater process effectiveness. Roughly half of ESS members report continuous decreases in financial and human resources, in line with average cuts in other parts of the administration. Some NSIs report increases in salaries or in budgets. However these are mostly compensations for severe cuts in the past and serious challenges remain, not least from declining resources for the public sector in most countries.

Eurostat has complied with three levies: 1% on all job quotas in the Commission, a 1% reduction tax and Eurostat's own levy for reallocation of staff to priority tasks. A partial restitution was possible as the Commission allocated eight additional posts to Eurostat to develop and implement a quality assurance system for the macroeconomic imbalance procedure (MIP).

In such a situation, the effectiveness of the system becomes not only important but urgent. The following describes how effectiveness could be improved.

Efficiency gains in production

A way to face future challenges of decreasing resources and increasing demands is to accelerate the implementation of the Commission's Communication 'Vision for the next decade'⁷. One of its main instruments is the ESS.VIP programme, which aims to realise economies of scale and productivity gains through sharing data, services and costs and through a better allocation of tasks among ESS partners. Of all the phases of data collection, processing and dissemination of statistics, the ESS.VIP programme concentrates on processing, where economies of scale can be achieved by industrialisation of production processes. ESS.VIP projects focus on sharing data, IT,

⁶ <http://www.europarl.europa.eu/ep-live/en/committees/video?event=20130507-0900-COMMITTEE-ECON>.

⁷ Communication from the Commission to the European Parliament and the Council on the production method of EU statistics: a vision for the next decade, COM/2009/404 final <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0404:FIN:EN:PDF>.

services and costs and an improved allocation of tasks among ESS partners. The data collection and dissemination and communication phases receive less emphasis under the programme as these aspects require good knowledge of local administration and culture.

The ESS.VIP programme is structured in three pillars, each containing a number of concrete projects.

- Pillar I: **Cross-cutting** projects aim at developing the key building blocks of the common infrastructure for a more integrated future ESS: standards and information models; European statistical data exchange network; shared services; data warehouses.
- Pillar II: **Business** projects focus on individual statistical domains. Four projects are in progress: the single market statistics project SIMSTAT; common data validation policy; European system of interoperable business registers; and statistical production and dissemination based on shared services (ICT statistics).
- Pillar III: **Administrative** projects are a central feature of this pillar aimed at developing appropriate frameworks and administrative mechanisms to facilitate the sharing of data, services and costs among ESS partners.

The programme seeks to provide practical solutions to a number of challenges that the ESS production system is facing during its re-engineering. However, given the ambition of the programme, many financial, institutional and legal issues remain to be addressed. Common understanding of a regime setting out each party's rights and obligations must be established.

Use of administrative data sources

The success of the ESS.VIP programme partly depends on increased possibilities to reuse existing data and multiple data sources. Data matching and linking that connects statistical units across various databases and registries for statistical purposes is one avenue for improved efficiency and data quality. However, this often gives rise to sensitive issues of confidentiality and privacy that are rooted in the cultural and administrative landscape of Member States. It is often expensive to exploit administrative sources and comply with related legislation. And while countries are striving to increase the use of administrative sources, there is not yet sufficient experience in managing quality issues: different concepts, definitions and reference periods are applied; difficulties arise in accessing sources and establishing relationships with data owners; and legal or practical restrictions still exist.

A legal framework for access to micro-data from administrative data sources exists in all ESS countries, albeit with variable approaches as regards privacy of individuals and businesses as well as domain coverage. For example, access to administrative data sources on taxes is often not authorised but this has great potential for reducing burdens on respondents and production costs considerably. Nordic countries display open attitudes to data matching and linking whereas individuals and businesses in many other countries are more reticent to follow this approach. In countries where progress in removing or simplifying legislative hurdles has been achieved, data protection offices have often played a significant role.

While it is important to leave sufficient room for manoeuvre to establish good and flexible relationships with data owners, having legal provisions for linking and matching data is a good practice already in place in some countries. This should be emulated in all Member States. A stronger co-ordination role of the NSIs is needed in order to address quality and methodology issues with administrative data owners.

Sharing of micro-data among ESS partners

Provision of access to micro-data for scientific purposes has progressed significantly in recent years. With the ESS.VIP Programme the idea of 'Data Schengen' was developed for the production process. Under this, producers of European statistics would be able to exchange micro-data for statistical production purposes in a secure and controlled environment. The benefits of such a 'Data Schengen' — as reported and shared by many ESS members — include improving data quality, reducing burden and duplication of collection at ESS level, filling gaps through mutual assistance, and increased use of shared services and centralised data collections. The ESS has identified several statistical domains that could benefit from micro-data sharing: international trade in goods and services; migration; and business registers (especially multinationals). One operational example is the EuroGroups Register, which is foreseen to become the platform that supports the production of microdata-based statistics on multinational enterprises and globalisation.

Legal considerations are paramount given the sensitivity and the risk of breach of confidentiality. Although the additional costs involved in setting up a common architecture for micro-data sharing are difficult to cover from existing resources, ESGAB and most countries see good reasons for working towards a 'Data Schengen'. Legal, financial and technical preconditions are necessary but not sufficient to build the required trust for the exchange of micro-data.

In order to make such a 'Data Schengen' operational, ESS members consider it a precondition to establish a legal framework at EU level with clear rights and obligations for access to and use of data, including rules for implementing the framework and sanctions in case of breach. The perception of data ownership must change. Moreover, it would be necessary to have a shared infrastructure, IT tools and methodology, and detailed practical agreements to harmonise national data processes. An increasing number of technical solutions are being investigated but a change of mindset is needed to promote their efficient use. The ESS needs operational examples that demonstrate cost savings and quality improvements without any increased risk of data disclosure. The ESS.VIP programme should tackle many of these aspects and offer financial support through participation in the various projects.

3. Coordination

The concept of coordination should be understood to mean actions of national statistical institutes and Eurostat that aim to ensure that activities of other authorities in their systems and in the ESS meet the requirements of the European Statistics Code of Practice. NSIs are meant to be Eurostat's sole contact points for the development, production and dissemination of European statistics produced under Regulation (EC) No 223/09 on European statistics by all national authorities forming the ESS. The detailed meaning of 'coordination role' is being shaped on the basis of the proposed revision of Regulation (EC) No 223/2009. The Commission has suggested that NSIs be responsible

at national level for coordinating statistical programming and reporting, quality monitoring, methodology, data transmission and communication on ESS statistical actions.

European statistics are also produced in parallel by the European System of Central Banks (ESCB). In addition to statistics for the needs of the ESCB and the European Central Bank (ECB), national central banks (NCBs) also contribute to specific domains of European statistics governed by EU legislation adopted by the Council and the Parliament i.e. balance of payments, financial accounts and government finance statistics. Not all of these areas fall under the responsibility of NCBs in all Member States. The recently signed Memorandum of Understanding aims at enhancing cooperation between the ESS and the ESCB as producers of European statistics. ESGAB expects that this will contribute to compliance with Regulation (EC) No 223/2009 on European statistics and the Code of Practice without prejudice to the independence of NCBs or the coordinating role of the ECB.

Effective coordination by NSIs and Eurostat within the ESS is indispensable for compliance with the Code's principles. While the term itself does not appear in the Code of Practice, efficient coordination is essential for making the ESS work. Since the quality of European statistics relies on compliance with the Code, ESGAB devoted a large part of its 2013 questionnaire to these issues.

It appears that the monitoring of compliance with the Code by NSIs and Eurostat is well established whereas that of other national authorities producing European statistics is less clear. While peer reviews under preparation should provide more information in the future, the paragraphs below describe the observations on ESS national members and Eurostat separately. On this basis, in the last sub-section ESGAB draws conclusions for the European Statistical System as a whole.

ESS national members

National statistical systems are organised in a centralised or decentralised manner in a variety of ways. They include a large number of other national and regional authorities, such as ministries, agencies and other entities, providing data for European statistics under Regulation (EC) No 223/2009. These providers often do not deliver their data through the NSI, but rather send it directly to Eurostat. In many cases, this results in additional efforts by Eurostat in validating and harmonising data before it qualifies as European statistics. Poor data quality may indicate a lack of compliance with quality control mechanisms and the Code of Practice by producers other than the NSI. Also, it is not clear to what extent statisticians working outside the NSI in other national authorities are aware of, or instructed to comply with, the Code. Such a situation represents a risk for delivering high-quality European statistics.

The picture of national statistical systems — who they are and how they function — within the ESS is heterogeneous: some countries have few other producers of European statistics, while others may appear to have a larger number but their share in the production of European statistics is small. Roughly half of NSIs report that they have formalised relationships with other producers. Many NSIs have a legal base underpinning coordination or are *de facto* performing coordination tasks. This can include: preparing statistical work programmes and annual activity reports in collaboration with others; providing methodological guidelines and support; developing and deciding standards; and establishing working groups. Fewer countries report NSIs being involved in monitoring or evaluating the implementation of statistical programmes and the use of agreed standards. Ten countries publish statistics on a common dissemination portal and six report about

supporting human resource management of other producers. Only three countries report that they perform quality control at national level on all European statistical output.

The largest domains supplied to Eurostat directly by other national authorities in the ESS are population and social statistics (excluding census), environment, energy, agriculture, forestry and fisheries. These domains also correspond more or less to the roughly 40% of Eurostat's total validation work and data correction. Therefore, one of the key questions is how other authorities in the ESS relate to and report to the NSI, and whether European statistics are transmitted to Eurostat directly by this authority or after validation by the NSI. In these terms various models of national statistical systems can be distinguished:

- **Centralised:** NSIs as single producers of European statistics, e.g. the Netherlands, or systems with other authorities producing European statistics but with clear reporting lines to the NSI as regards methodology and quality control. NSIs with (regional) offices as part of their organisation chart, or other entities directly under the NSI's managerial control for statistics, would be considered as a centralised system, e.g. Bulgaria. These entities mostly transmit European statistics to Eurostat through the NSI. If they do so directly, they are expected to adhere to the Code of Practice under the auspices of the NSI.
- **Regionally decentralised:** Other authorities in the ESS are responsible for a large part of the production process in their regions. However, although they do not formally report to the NSI, they follow harmonised standards and methodologies. European statistics are transmitted to Eurostat by the NSI. The statistical production is largely in the hands of professional statisticians, e.g. Germany.
- **Functionally decentralised:** Statistical production falls under the responsibility of other entities (e.g. ministries). Staff members, who may not be statisticians by training, work in units or departments dedicated to statistical activities or are fully integrated in the 'host entity'. They report to the management of the 'host entity', e.g. Sweden, and to a large extent Spain.
- **Combinations:** Some systems could be considered functionally decentralised but also centralised given the reporting lines of 'head of the profession' of statistical units to the Chief Statistician, e.g. UK.

Except in systems where the NSI ensures final quality control before transmission to Eurostat, compliance with the Code of Practice by other authorities is not necessarily obvious or monitored. Moreover, as a high degree of validation work is required to harmonise data for it to qualify as European statistics, ESGAB is concerned about the quality of source data, as well as the efficiency and robustness of national institutional arrangements. Lower quality source data may indicate a lack of compliance with the Code by those authorities whose core task is not production of statistics, or who receive part of their data from yet other sources not bound by the Code of Practice. Also, it is not clear to what extent statisticians in decentralised systems are complying with the Code. For example, a statistician working in a ministry may be requested to comply with the rules, methodologies and priorities of the ministry rather than those of the Code. Statistics produced under such conditions require a substantial effort at the validation stage in order to qualify as European statistics of high quality.

Moreover, NSIs and NCBs — as producers of European statistics — need to cooperate in order to produce complete and coherent statistics through the ESS and the ESCB in their respective fields of competence. The Memorandum of Understanding signed in April 2013

by the ESS and the ESCB established a new body — the European Statistical Forum, which consists of representatives of the ESS Committee (ESSC) and the Statistics Committee of the ESCB (STC) — to further strengthen cooperation at strategic level in areas of shared responsibility or common interest, such as balance of payments, trade in services, national accounts and government finance statistics. The European Statistical Forum will, in particular, discuss priority setting, advise both the ESS and ESCB on the consistency of their respective statistical work programmes, and identify possible future challenges for European statistics.

Eurostat

Eurostat's coordination role is exercised in three spheres: within the Commission and EU institutions; within the ESS; and as a partner on the international stage. Eurostat's role in the Commission has become stronger. Progress is also being made at the level of the ESS by streamlining governance structures, the joint strategy to implement the 'vision for the next decade' and re-engineering the production system. On the international scene, Eurostat participates in the global statistical system by having a role in international fora or through bilateral relations with non-EU OECD countries.

The Commission Decision⁸ on Eurostat of 17 September 2012 is at the heart of Eurostat's coordination role within the Commission. The decision spells out that decision-making on methodology and outputs is in the hands of professional statisticians. Eurostat will coordinate 'European statistics' produced by the ESS, laid down in work programmes after consultations with other Directorates-General (DGs) and in line with the Code of Practice. 'Other statistics' are produced by Commission services, defined in a planning exercise led by Eurostat and subject to mutual agreements between DGs and Eurostat. DGs are to inform Eurostat at an early stage of any legal acts with statistical aspects. Eurostat's service tasks could include training, provision of methodological advice and shared dissemination platforms. Implementation is progressing as regards dialogues with the DGs. While a number of DGs see the exercise as an administrative burden, discussions with five of them — acting as pilots for establishing Memoranda of Understanding — are progressing well. In addition, Eurostat is preparing an inventory of statistical activities in the Commission.

Eurostat coordinates the production of harmonised and comparable European statistics in the ESS. Cooperation with Member States takes place largely within the ESS governance structure, in which the ESS Committee is regarded as the umbrella over other groups. However, the current organisational structure is not entirely consistent as regards ESSC's comitology⁹ competences: other committees also fulfil comitology tasks for certain statistical domains that are not dealt with by the ESSC. Over the past year, work has started to secure the ESSC as the ESS's only comitology committee, giving it the power to take final decisions and strengthen its capacity for strategic guidance of the ESS. The role of the domain-specific Directors' Groups in preparing dossiers is being strengthened in order to make good use of their expertise. In order to implement this modernised structure, regulations and decisions by which the other comitology committees were established are being repealed or amended.

Eurostat has put in place a coordination mechanism to enable the EU to speak with one voice at the main international fora, such as the United Nations Statistical Commission,

⁸ OJ [L 251](#) of 18.9.2012, p. 49.

⁹ Implementing powers attributed by the legislators to the Commission
http://europa.eu/legislation_summaries/glossary/comitology_en.htm.

where the focus is on achieving concrete results in line with EU priorities. Eurostat is also a member of the Committee for the Coordination of Statistical Activities (CCSA), the UN body that coordinates statistical activities by international organisations. Working within this, Eurostat aims to influence decision-making and increase synergies between international organisations in the statistical domain. Within it, Eurostat and the ECB cooperate closely to provide a coherent view from the European Union. Relations with OECD countries outside the EU are regulated in some cases by a Memorandum of Understanding (e.g. Korea, Mexico, Chile, Russia). There are also *ad hoc* arrangements, aiming to promote coordination and the use of best practices in the production of official statistics, and offering mutual benefits from the comparative advantages of each party.

In 2012, the Secretariat-General of the Commission assessed the EU's status in international organisations. It sought to establish a set of common rules and principles to manage issues relating to EU status in a consistent and strategic manner, and to align such issues to the Lisbon Treaty. This resulted in a Communication 'Strategy for the progressive improvement of the EU status in international organisations and other fora in line with the objectives of the Treaty of Lisbon'.¹⁰ This Communication identified priority goals for enhancing EU status and established an action plan. Eurostat has, in most cases, an observer role in the international organisations where it participates and would benefit from enhancement of this status.

ESGAB's conclusions on coordination within the ESS

National statistical systems reflect the administrative, legal and cultural set-ups of each country. The crucial questions of whether the type of system and the extent of coordination exercised within it have an impact on quality must be examined. The trend observed from the information collected for this report suggests that a correlation exists between the validation effort in Eurostat and statistics produced in the ESS but outside the NSIs. Data from hundreds of other sources — not benefiting from NSI quality control before transmission to Eurostat — require a significant amount of processing before they can be deemed to be harmonised European statistics. Such systems without quality control by NSIs would appear to be more prone to quality shortcomings than systems where data flows through the NSI. Channelling data to Eurostat through the 32 exit points of ESS members would lead to significant efficiency and quality gains.

While the administrative set-up of a Member State may be fixed, ESS members can determine the most suitable methods for quality assurance of data to be transmitted to Eurostat. This could be achieved by focusing on two points in the process at national level:

- at the point of production, by enhancing harmonised methodology according to European standards;
- at the point of transmission to Eurostat, by installing centrally administered quality control mechanisms to check for data discrepancies within data sets and through time series.

NSIs must assume an enhanced coordination role to improve efficiency of the system and the quality of statistics produced by other national bodies. A new principle and an associated set of indicators on coordination should be included in the next revision of the Code of Practice.

¹⁰ Communication to the Commission from the President in agreement with Vice-President Ashton, C(2012) 9420, 20.12.2012.

Whichever way coordination is organised, the main purpose must be to ensure high-quality statistics throughout the statistical systems at national level. This requires strict compliance with the Code of Practice by all those who contribute to the development, production and dissemination of European statistics produced by the ESS. The instruments — Memoranda of Understanding or other type of agreements — used for organising the relationship between the NSI and other national producers should explicitly mention the roles and obligations of each partner and the methods for quality assurance. Governments are responsible for ensuring an adequate institutional setting for the NSI to allow it to coordinate and implement quality assurance frameworks at national level. The NSI must also have sufficient means to influence the statistical methods and processes of other national producers. These aspects could be covered in the Commitments on Confidence in Statistics, which are included in the Commission proposal to revise Regulation (EC) No 223/2009. These commitments are to be signed by governments and the Commission. However, the ambition of the Commission proposal has been substantially weakened in the legislative process. This could undermine efforts to ensure cross-country comparability and quality of the data.

ESGAB welcomes Eurostat's initiatives to establish a coordination mechanism within the Commission. The reluctance of some DGs to 'be coordinated' may stem from misinterpretation of the aims of the exercise and its consequences for resources. The advantages of collaboration must be clearly explained: DGs will have more information about, and possibility to re-use, statistical information produced throughout the Commission; there will be more targeted support by Eurostat to match DGs' needs; and it will be possible to use Eurostat's framework contracts to outsource some statistical activities. Through effective multiannual planning and the clarification of roles and responsibilities of those Commission services producing statistics, it should be possible to establish an inventory of the Commission's statistical activities. This would also create a basis for synergies and rationalisation.

The ESS and Eurostat, as its coordinator, are faced with growing challenges in the production of high-quality official European statistics: demand for statistics is increasing while resources are shrinking for practically everyone involved. This makes modernising the ESS structure an absolute necessity. Eurostat is driving the change in re-engineering the ESS production system and decision-making so that European statistics remain relevant, reliable and cost-effective.

While some 350 European regulations form a solid basis for developing a more integrated system for producing European statistics, discussions at ESS level tend to be dominated by national interests. However, Eurostat and the NSIs could together create synergies to cut the overall cost of compiling statistics and react to new statistical demands while easing the burden on respondents. This would require a more integrated system that taps into multiple data sources and interdependencies within the ESS. Moreover, NSIs and the respective NCBs should cooperate on issues related to European statistics that are common to the ESS and the ESCB, with the view to ensure production of coherent European statistics. A Memorandum of Understanding has been agreed between the ESS and the ESCB establishing the European Statistical Forum to strengthen cooperation in areas of common interest. It will identify possible future challenges for European statistics with the goal to increase efficiency of the systems, to avoid duplications of work and ensure cost efficiency.

Eurostat's coordination role in international relations is to be maintained so as to remain influential and powerful in representing the European perspective on the global scene.

4. ESS governance beyond the current implementation of the Code

Revision of Regulation (EC) No 223/2009 on European statistics

The April 2012 proposed revision of Regulation (EC) No 223/2009 aims to strengthen the coordinating role of NSIs, and the position of the head of NSIs through clear recruitment and dismissal rules. In addition to facilitating the use of administrative data sources, it also suggests mandatory Commitments on Confidence. These would commit Member State political authorities to fully respecting the Code, in particular the principle of professional independence, by signing Commitments on Confidence in Statistics.

The ESS has already for some time been undergoing a paradigm shift. This results from quality requirements set down by decision-makers whereby statistical indicators are being used as reference values, especially in economic policy monitoring. Exceeding thresholds of the set values may have important economic, financial and political consequences. The ESS is striving to improve the quality of data used for economic policy monitoring via domain-specific regulations. The revision of Regulation (EC) No 223/2009 would help NSIs to respond to the demand for statistics of satisfactory quality in other domains too.

The European Parliament advocates a more ambitious revision of the regulation. It seeks to strengthen the accountability of NSIs as a logical complement to more independence. This is not a universally shared view: discussions in the Council Working Party on Statistics are advancing at a pace that indicates divided positions on the Commission proposal. Some administrations appear uneasy with increased accountability for the quality of statistics and are reluctant to engage in the systemic development required. However, weakening of the original ambition in the legislative process does not contribute to strengthening the European Statistical System. This issue goes beyond administrative cooperation and can only be solved at the political level.

The opportunity to revise Regulation (EC) No 223/2009 in line with the ECOFIN conclusions of 2011-12 and previous ESGAB recommendations should be exploited. Policymakers and administrations should demonstrate their commitment to producing high-quality statistics by embracing the changes needed while NSIs should contribute more proactively by being stronger and politically shrewd partners in developing the ESS.

ESS legislative architecture

Eurostat is implementing its legislative policy to streamline the large number of vertical, or domain specific, legal acts into cross-cutting framework regulations, another important building block of the 'vision for the next decade'. This gradual change is needed in order to fit the legal framework to the changing function and business architecture of the ESS, which requires more flexible and adaptable legislation than in the past. This also ensures that decisions on statistical methods and other production-related matters are taken by statisticians while decisions on policy priorities remain in the hands of policymakers.

ESGAB-like bodies

In 2012, ESGAB put forward a recommendation (1.3)¹¹ to establish a division of roles and responsibilities for compliance monitoring of the Code at national level that is clearer than

¹¹ 'An independent board at national level to oversee the implementation of the Code of Practice would serve to strengthen the accountability of the statistical producers. Membership of the board should be open to members appointed outside the national system, such as Eurostat, ESGAB or the European Statistical System Committee.'

that observed today. In France, Greece, Malta, Switzerland and the United Kingdom, there is a separate entity to oversee compliance with the Code of Practice, or their nationally customised forms of the Code. Three other countries appear ready to create such a structure. Generally, ESS members are reluctant to set up these bodies even though it is not always clear who monitors and assesses compliance with the Code on a regular basis. In many countries, this role is carried out by NSIs themselves or by various statistical councils or advisory structures. Some countries rely on Eurostat and peer review monitoring, or on ESGAB's monitoring activities.

In some countries, the impact of the recommendation may be limited, but a number of Member States would benefit from advisory services to oversee governance. These advisory structures should be empowered to raise problematic issues, which often are more clearly perceived by external participants.

Peer reviews

A new round of peer reviews will cover all principles of the Code of Practice, coordination within the national statistical system, and cooperation and level of integration of the ESS. In addition to the NSIs, other national authorities producing European statistics are also included in the exercise. ESGAB has been an observer in the Task Force composed of delegates from 14 countries, but will not be represented in the review teams. Where ESGAB-like bodies exist, their role needs to be defined for the peer review exercise.

Eurostat is responsible for overseeing the process leading to final opinions and recommendations arising from the peer review exercise. ESGAB is prepared to assess whether the resulting improvement actions correspond to the recommendations issued at national level and to review Eurostat's compliance with the Code of Practice.

The principles referring to the quality of statistical processes and outputs in the European Statistics Code of Practice and the ESCB Public Commitment on European Statistics are largely consistent. Therefore peer reviews or similar transparent exercises, such as independent audits, ought to be carried out by each system based on their own quality frameworks. This includes standardised methods of evaluation and the publication of outcomes. These parallel exercises should deliver a holistic overview of the quality of statistics produced for the purpose of guiding and implementing European policies.

5. Future work

ESGAB's work will be influenced long into the future by the peer review exercise and its results. However, in 2014, full results will not yet be available. The 2014 annual report will be the last of the ESGAB team in its current composition as the three-year term of its members will draw to an end.

In 2014, ESGAB will focus on reviewing Eurostat's compliance with the Code, based on self-assessment questionnaires and in-depth discussions. Given the heavy burden of the peer reviews for NSIs — and often for other statistical authorities producing European statistics too — ESGAB will avoid issuing additional questionnaires.

Over time ESGAB has carried out dialogues with roughly half of the ESS members and annual dialogues with Eurostat and ESGAB-like bodies. These valuable talks will be continued. Moreover, ESGAB will give attention to examining more closely — in the light of recent developments — the role of the judicial system within national statistical systems.