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Theme 1

**EUROSTAT AND THE TRADE-OFF BETWEEN RAPIDITY, ACCURACY AND
COMPARABILITY: PAST OBJECTIVES AND FUTURE CHALLENGES**

Supporting paper submitted by Eurostat¹

I. Introduction

1. Wherever official statisticians are looking, unpleasant trade-offs are looming among attributes of official statistics: accuracy, rapidity, timeliness, comparability in time, comparability among countries, detail, consistency, coherence, reliability, adequacy, relevance, transparency, handiness, or openness. All these more or less desirable attributes of official statistics (and some more) can be traded not only against costs, but also against each other, a little bit more of one against a little bit less of another. Official statisticians, however, cannot trade them freely against each other. Their (all too unenthusiastic) respondents, their (not always very much involved) lawmakers or their (naturally quite avaricious) budgetary authorities, their (not so often paying) clients, all of them have their word to say; some directly, others indirectly.

1 Prepared by Yves Franchet, Director General, Eurostat.

2. When official statisticians put all the messages from their different masters together, they turn out to be at best somewhat confusing and quite often even outright contradictory. To clarify the matter, official statisticians debate this amongst themselves and with some of their immediate masters. In the end, however, they simply have to do their job as official statisticians and this within the limits set by the law and with the resources at their disposal. Under these constraints they determine the attributes of their statistics and are entirely responsible for their choices. If it then turns out that nobody complains too much or everybody complains only a little bit, then they will evidently have managed to strike an acceptable and thus robust balance.

3. In the past, official statisticians have by and large been quite successful. Technological advances have helped them considerably over the last decades. They managed to reconcile increased exigencies of users, but also increased legal and financial constraints imposed on data collectors and statistics compilers thanks to the exploitation of information technologies. As of recently, however, official statisticians have to face much more criticism of all sorts from almost everywhere. The pressure upon them is mounting, as the political, economic and social role of official statistics is changing. They are not only accused of producing inefficiently through insufficiently exploiting the opportunities of modern technologies, but also of providing inappropriate information. Confronted with such criticism, official statisticians have become much more ready to have their work subjected to all sorts of scrutiny by the media and the scientific and professional community. They are seeking these days also much more actively the opinions of advisory bodies. This has made them much more attentive to what their ultimate users have to say.

4. Eurostat being at the core of the European Statistical System (ESS) is well placed to reconcile the divergent interests of (ultimate) users and (initial) producers of official statistics. For the national producers Eurostat is above all an influential and powerful user who has even its word to say on what they have to do and how they have to do their job, and for public and private users Eurostat is primarily the producer of official (Community) statistics. Eurostat's position is undoubtedly sometimes quite uncomfortable, because it attracts criticisms from both sides. Nevertheless Eurostat has the unique chance (and also the obligation) to make users understand the limits set for official statisticians and producers accept the needs of users.

5. Eurostat as a service of the European Commission has obviously to pursue an agenda set by the European Commission in support of the European integration process. Therefore Eurostat cannot play only the honest broker between users and producers of official statistics. The discussion about the reconciliation of the various trade-offs in view of constraints and diverging interests, however, will have to take place much more in the European context, because an increasing number of decisions are taken either at the European level or at least with the European dimension in mind. The objectives (to be) pursued by Eurostat will therefore have an even stronger bearing on national statistical offices than in the past. To cast some light on the issue at hand, Eurostat's past objectives will hence be sketched briefly with respect to their influence on the trade-off between rapidity, accuracy and comparability. Thereafter the challenges to be mastered by Eurostat and its partners in the ESS in the years to come will be outlined. Finally some possible options and their likely impact on the trade-off between rapidity, accuracy and comparability will be discussed.

6. It should, however, not be forgotten that official statisticians throughout the European Statistical System (ESS) are in the end part of public administration. If there are no changes in the law, no changes in government policy, no changes in the budget allocation, at least no increase in budget flexibility, no changes in administrative structures, no changes in their organisation, official statisticians are quite limited in their capacity to react even to largely justified criticisms and to adapt to changes in both supply and demand conditions for statistical information. They are not as autonomous as they would like to be. They can only act within the limits set by the law, by the public infrastructure at their disposal, by the resources available, by the support they get from respondents and users alike, and last but not least also by the capabilities of the staff.

II. Eurostat's past objectives in trading-off rapidity, accuracy and comparability of official Community statistics

7. As everybody knows, Eurostat exerts an ever-growing influence on the production process of official statistics in EU Member States. Today its influence can be felt almost everywhere in this process, from the initial collecting and subsequent processing of data to the compilation and final dissemination of statistics. Eurostat's role, however, was much more limited in the beginning. It took more than 30 years for Eurostat to become so influential. Thereby Eurostat focused on different attributes of official statistics at different times.

Initially Eurostat promoted above all international comparability of official statistics for descriptive purposes.

8. Eurostat established gradually its position as the body in charge of official Community statistics on the basis of nationally collected data and national compiled statistics. In doing this Eurostat's initial objective was to promote comparability. This turned out to be politically quite important. Official Community statistics added the numerical dimension to the EU's political, social and economic perception framework. With more comparable statistics Eurostat facilitated evidently the political guidance of the integration process and also allowed an improved co-ordination of national policies.

9. Eurostat had to accompany the integration process statistically. Later on, the concept of convergence had to be cast into statistics. For this Eurostat made Member States adjust their statistical system, albeit gradually and partially in pursuit of more comparability. Compilation speed, however, was not considered to be very important in this context. This was the obvious consequence of the more descriptive and less operational role of official Community statistics. There was simply no reason to impose a faster compilation speed upon Member States. An increase in speed was achieved, if at all, only indirectly through a kind of competition among Member States services, as no NSI really wanted to be the last one to deliver.

10. Compilation speed played a role only in a few rather specific areas, where Community statistics had a direct operational role, first in coal and steel statistics, later on in foreign trade statistics, agricultural statistics, and energy statistics. In these areas Community legislation prescribed a fixed,

albeit not very demanding timetable according to which Member States had to deliver. The conduct of the EU's external economic policy did not depend so much on rapid, but on detailed information and the conduct of the EU's agricultural policy called for statistical information in tune above all with the annual political process, most notably the budgetary process. As timeliness was not much of a problem for official Community statistics, Eurostat had every reason to push for more comparability, at that time considered to be the essential attribute of official Community statistics.

Later on Eurostat focused increasingly on accuracy (and adequacy) of official Community statistics for EU level political decision making.

11. With the increased use of statistics for political decision making in the late 80s, most notably for decisions with financial implications (EU budget contributions, eligibility for social or regional funds, etc.) Eurostat had to adapt its objectives accordingly. No doubt, comparability continued to be high on Eurostat's agenda, but with this extended use of official statistics accuracy gained greatly in importance.

12. While for traditional statistics (e.g. sample surveys) accuracy could be handled quite easily, it turned out to be much more difficult for accounting systems (national accounts, balance of payments, social accounts, environment accounts, etc.). In the former case, the accuracy can be assessed through statistical indicators (e.g. related to the sampling techniques applied). In the latter case, it is much more difficult to assess accuracy, because an accounting system brings together a lot of statistical information coming from various sources and subjected to rather complex reconciliation exercises within the constraints set by the accounting system. In the former case, accuracy is more or less in the hand of statisticians, in the latter accuracy depends much more on the statistical system as a whole and thus on administrative structures.

13. At the same time it also became clear that the harmonisation strategy pursued quite successfully so far for operational statistics such as foreign trade statistics could not be extended easily to other areas. Input standardisation to promote both comparability and accuracy turned out to work only in those areas where the EU had an exclusive competence and where administrative structures in Member States were sufficiently convergent and compatible. Eurostat had to learn that input standardisation was only acceptable for Member States, if this was possible at fairly low adjustment costs for them.

14. The Eurostat response to these difficulties in its quest for more accuracy was twofold. Firstly Eurostat focused much more on output equivalence instead of input standardisation to accommodate the administrative diversity among Member States. This was, of course, very much in line with the EU's subsidiarity principle. At the same time Eurostat tried to increase transparency of national compilation processes and foster trust among the compiling institutions through ever-closer contacts. Statistics are simply sufficiently accurate and thus acceptable for EU decision making, if they are not contested. Official statisticians, who know each other quite well, who know each other's professional ethos and practices, are less likely to compile statistics that are contested by their colleagues. And this likelihood is decreasing further, as Eurostat started to take regularly a closer look at national practices. In this respect Eurostat's strategy was particularly successful in recent years. Important decisions were taken for which statistical criteria played a non-negligible role (e.g. eligibility of Member States for monetary

union or regions for regional funds) and this without any doubts having been raised about the accuracy of Eurostat's statistics.

From now on Eurostat has to focus much more on the rapidity of official statistics for EMU purposes.

15. The regular provision of (mostly structural and descriptive) official statistics for political decision making has become by now more or less routine business. Discipline in the compilation process is quite high, delays are by and large respected and conflicts about accuracy are quite unlikely to occur. Official statisticians are, of course, aware that they could still do better, but the balance between rapidity, accuracy and comparability found so far seems to be more or less adequate for general EU policy purposes.

16. Comparability will continue to increase anyway within the ESS almost naturally, also due to the very existence of Eurostat and its various committees and working groups. The ever-closer relations among NSIs and the regular discussions at both expert and management level lead to a systemic convergence and thereby also to an increased comparability even without explicit Eurostat actions and initiatives.

17. Accuracy will continue to be monitored closely, especially as it remains to be seen, if the degree of accuracy achieved so far will continue to be legally acceptable. Auditors have recently started to look closer at the compilation of those Community statistics that are used for determining the contribution of Member States to the EU budget. As compiling statistics and keeping accounts are quite different activities, it might well be that the accountants' notion is somewhat different from the official statisticians' notion of accuracy. This will probably lead to an ever-closer respect of statistical principles and a deeper understanding of statistical conventions, both of which are essential for statistical accuracy.

18. Utmost attention, however, will have to be devoted to rapidity. The proper functioning of EMU requires a comprehensive statistical information system. The ECB needs a whole range of official and semi-official statistics for operational purposes. Short-term statistics are essential for the conduct of monetary policy. The economic evolution in the Euro-zone (and beyond) has to be monitored permanently. It is thus not sufficient any more for official statisticians to provide their statistics in accordance with the EU's political cadence. Instead they have to offer an almost continuous statistical information service. Regular information on time is not good enough, fast information is needed and the faster the better.

19. In addition, fast statistical information is not only important for those who conduct the monetary policy, but also for financial market operators who (are supposed to and expected to) react to monetary policy signals. If financial market operators were left uninformed or not as well informed as monetary policy makers, uncertainty and volatility would increase and the efficiency of monetary policy seriously reduced. Effective monetary policy requires a shared perception framework and statistical information provides the numerical dimension to this framework. Monetary stability is very difficult to maintain in a world of a continuous interaction among monetary policy makers and financial market operators, but

also of a permanent discussion shaped by analysts, advisors and scientists without high quality official statistics.

20. In view of the rather specific EMU needs, the significance of both the accuracy and the timeliness of official statistics will change as well. Accuracy embodied mutually acceptance of statistics for EU decision making will probably not be sufficient any more. Accuracy will instead have to mean no significant revisions after the first release of a first estimate. Timeliness will not be achieved anymore, if statistics are provided in tune with the rhythm of political decision making in the EU. Instead a rapid release of first estimates will be required.

III. Possible options for obtaining official statistics for EMU purposes more rapidly

21. Some progress towards rapidity has been achieved in recent years, but this progress is widely considered to be insufficient (see the latest EFC report on "Information requirements in EMU"). European official statisticians will therefore have to reconsider their way of collecting data and compiling statistics for EMU purposes. They will probably have to review their organisational structures and their legal framework as well as their resource endowment. Last, but not least, their priorities will have to be discussed as well. In which direction are Eurostat and its partners in ESS likely to go in response to the EMU challenge?

22. In the past Eurostat fostered the convergence of national statistical systems through discussion, legislation, promotion of best practices and some kind of competition among Member States. However, this undoubtedly quite successful convergence had to fall short of full integration for a host of technical, organisational, economic and political reasons. Member States maintained their statistical sovereignty albeit within the EU's legal framework, but they were ready to exercise their sovereignty within Eurostat's partly formal, partly informal network which gave rise to what is now called the ESS.

23. The consequences are obvious. The ESS has not yet become a truly federal system and is even quite unlikely to turn federal in the near future. It fares therefore comparatively poorly in comparison to centralised national statistical systems, but also in comparison to a relatively fragmented statistical system such as the one of the United States of America. This applies especially to rapidity, the crucial attribute of infra-annual statistics. In almost all areas the US system outperforms the ESS in terms of rapidity. As the rapidity gap between the EU and the US will have to be closed as quickly as possible, it is not sufficient anymore to wait for general convergence to bear its fruits, instead urgent action seems to be required by Eurostat and its ESS partners to speed up the compilation of EMU statistics.

24. Several options could be considered to remedy the apparent lack of rapidity of crucial short-term statistics in the ESS. Firstly a rather general legal initiative would be helpful to establish an authority endowed with the right to issue, monitor and enforce standards concerning the rapid release for all sorts of official statistics, be they Community statistics or national statistics. The very fact that the US system performs today much better is owed to the fact that such standards (e.g. the obligation to release infra-annual statistics within 22 working days after the end of the reference period) were set more than 30

years ago. No doubt, Eurostat would be well placed to issue and monitor such standards. Enforcing them would probably be more difficult. Eurostat will not be able to draw upon the authority of an EU president or make use of any strong incentives and deterrents. It is quite unlikely for Eurostat to have the capacity to punish or sue any non-performing national agencies or to require national budgetary authorities to endow their agencies with adequate resources. Nevertheless, the very existence of such standards will probably help to increase rapidity.

25. Secondly Eurostat will probably have to consider the possibility of compiling Euro-zone and EU aggregates that are not necessarily the sum of data provided by Member States. Eurostat's computational role within the ESS cannot be confined forever to the administration of a large spreadsheet that calculates aggregates automatically once the last Member State has sent its numbers. Instead, Eurostat will have to develop its capacity to estimate aggregates on the basis of information available to Eurostat and by making use of estimation techniques considered to be appropriate by Eurostat. Consequently a new approach to representativity might be needed, as it might well be possible to guarantee Euro-zone or EU representativity by making use of data from some Member States only.

26. For the time being, however, it is by no means necessary (and probably for quite some time undesirable) for Eurostat to become a normal statistical office directly involved in data collection. Instead, specialisation and co-operation should thirdly be pursued actively within the ESS. NSIs applying widely recognised best practices could be entrusted with the compilation of specific statistics for those Member States whose NSI cannot apply these practices (e.g. for reasons of size and costs). In doing this, the compiling NSIs would have to be supported, of course, by the NSI relieved from this task at least as far as the collection of data is concerned.

27. It should fourthly be discussed, if it were helpful to launch specific Euro-zone or EU wide surveys, but to entrust the collection of data and the compilation of statistics to one or more, but not necessarily all NSIs. NSIs should simply not be condemned forever to compile the whole range of official (Community) statistics currently required. For some, especially smaller offices this would be asking too much. Their costs will probably be too high and their speed too low. Instead, smaller NSIs should be allowed to focus on essential activities and team up with ESS partners for activities that could be entrusted to other NSIs. This would lead to a modification of the ESS structure: more specialisation and more integration.

28. In the realm of sectoral short-term statistics more specialisation and integration could probably lead quite quickly to an increase of rapidity. For short-term statistics that are part of encompassing accounting systems, this is less likely to happen. The statistical sources are too heterogeneous, so that there is not so much scope for specialisation. Moreover, these statistics are probably considered anyway to be too sensitive to be entrusted to ESS partners. In this area, any progress in terms of speed seems to hinge mainly on Eurostat's capacity to develop adequate estimation techniques on the basis of albeit limited information from Member States. Eurostat is committed to add this new dimension to its activities in view of its importance for EMU, but support from Member States, not only from NSIs, but also from the scientific community would be very helpful.
