



# **Annual Report 2011**

## **Third annual report**

**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**

**by the**

**European Statistical Governance Advisory Board**

## 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 with particular regard to implementation of 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 (ESS) and also 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 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 has seven members: Eurostat participates as an observer. Expenses arising from the Secretariat and meetings are covered by the European Commission. ESGAB members receive no remuneration and the Board has no operating budget.

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



From left to right:

Mr Radermacher (observer), Mr Hahlen, Mr Charpin, Ms Epler, Mr Ákerholm (Chair),  
Ms Mossler, Ms Bohatá (observer), Mr Outrata, Mr Atkinson, Ms Lehtimäki (Secretary)

## Foreword

In 2011, ESGAB continued exploring the priorities identified when the Board started its work i.e. professional independence, adequacy of resources and quality commitment. In our third, and for the current members last, report we tackle the issues more in depth.

The past few years have demonstrated the importance of reliable statistics: not only are they important for the shaping of policies, but their publication also gives rise to assessments and re-assessments in the market place. Recent experience also shows how important it is for the statistics to be reliable and of high quality. All this underlines the need to reinforce compliance with the Code of Practice. During ESGAB's mandate period, clear progress has been achieved in the implementation of the Code of Practice. However, work still needs to be done. While the Code is based on an agreement between the members of ESS, it should be noted that many of the shortcomings are not in the power of the statistical institutes to redress. Accordingly, full implementation requires cooperation on a wide front.

I take this opportunity to pay my respects to all my colleagues on the Board for the excellent collaboration during our term. We have enjoyed working together and contributing to the effort of building reliable and trustworthy official statistics. I warmly thank all colleagues throughout the European Statistical System who breathe life into the Code of Practice in their everyday work.

Johnny Åkerholm

ESGAB Chair

## **Executive summary and recommendations to the European Statistical System (ESS), to Eurostat and, where applicable, to governments and legislators**

ESGAB continued to work in its third report on the three principles of ‘Professional independence’, ‘Adequacy of resources’ and ‘Quality commitment’. ESGAB has progressively gathered more information to form more definitive views of the situation in the ESS-area (Section 3).

The year 2011 has seen progress in compliance with the Code of Practice and some new initiatives to strengthen the governance structure of the ESS as well as the quality of official statistics. ESGAB endorsed in its opinions the revision of the Code of Practice, which was adopted in September, and measures put forward in the Communication ‘Towards robust quality management’ COM(2011)211, such as Commitments on Confidence — essential in bringing **governments to acknowledge their share of responsibility in strengthening the credibility of official statistics**. ESGAB looks forward to the finalisation of the Commitments on Confidence and especially to the development of a monitoring mechanism, which must be smoothly integrated into the statistical governance system.

ESGAB welcomes the progress achieved in completing 60% of the improvement actions identified in the first round of peer reviews 2006-2008. A number of countries have undertaken modernisation of their statistical legislation and transparency has increased in the ESS. ESGAB acknowledges the efforts to improve mechanisms for efficient priority setting.

However, since last year the **pace of progress has not met ESGAB’s expectations**: five years after the Code and three years after the last peer-review completion, **40% i.e. 275 of the improvement actions remain to be completed**. ESGAB also has doubts about the commitment of a handful of countries who do not intend to modernise their statistical law. On these issues, ESGAB’s recommendations from 2010 remain valid:

‘Where not yet done, modernisation of statistical laws must be accelerated, with a view to aligning them with the principles enshrined in the Code of Practice and the European Statistics Regulation (Regulation 223/2009). Full transparency is needed about the rules on appointment and dismissal of heads of statistical services. Statistical services’ working arrangements with the political decision-makers must be formalised and made public.’

‘Formal compliance with the European Statistics Regulation and the Code of Practice must be complemented by faster implementation of the improvements recommended in the peer reviews.’

ESGAB further underlines the importance of following elements:

1. Where laws and sound procedures to guarantee the professional independence of the statistical institutes exist, they must be implemented in practice and in the spirit of the Code of Practice.
2. Legislation should be aligned with indicator 1.8 of the revised Code of Practice:  
*'The appointment of the heads of the National Statistical Institutes and Eurostat and, where appropriate, of other statistical authorities, is based on professional competence only. The reasons on the basis of which the incumbency can be terminated are specified in the legal framework. These cannot include reasons compromising professional or scientific independence.'*
3. The European Commission should put into effect its announcement to modernise the Commission decision of 1997 defining Eurostat's role. Eurostat is encouraged to pursue the initiatives it has launched to strengthen the governance structures and quality of the statistics.
4. Peer reviews should be carried out by an autonomous peer-review team. The new set of peer reviews must be more streamlined and standardised than the previous ones.
5. Adequacy of resources is an ever-increasing concern and ESGAB agrees with the statement of the European Statistical Advisory Committee: 'The cost to our societies of inadequate official data is considerable'. ESS members must protect investments in future developments, which could deliver efficiency gains in the long term. Rigorous multiannual resource planning at EU and national level is the key to optimising the balancing of resources with statistical demands. In the short and medium term, efficiency gains through increased collaboration and better priority setting by means of a dialogue with budgetary and policy decision makers must be pursued.
6. ESS-nets have to deliver practical solutions for issues common to ESS members. The projects must improve the communication of results so as to accelerate the pick-up by other ESS members of the tools and good practices developed by the pilot projects. These have potential to generate efficiency gains in the long term.
7. Quality remains at the heart of the credibility of official statistics. ESS members are encouraged to pursue the development and implementation of the quality management framework put forward by the revised Code of Practice. NSIs must assume their coordination role to enforce the Code principles for all national actors involved.
8. ESGAB's legal base would benefit from clarification of the expectations set by its founders and the means to achieve them. The ESGAB decision should be clear about ESGAB's scope to act if the credibility of the ESS as a whole is at risk.
9. In the light of the increasing tendency to use statistical indicators as an automatic trigger for policy decisions or sanctions, ESGAB underlines different roles and responsibilities between official statistics and executive powers. ESGAB would welcome the establishment of guidelines aimed at clarifying the responsibility of statistical institutions and professionals.
10. Creation of ESGAB-like bodies or other mechanisms applicable in a national setting to monitor the compliance with the Code is encouraged.

## 1. Introduction

ESGAB's third report explores further the three principles of the European Statistics Code of Practice (Code)<sup>1</sup> identified as priorities in the previous exercises, namely 'Professional independence', 'Adequacy of resources' and 'Quality commitment'. It is based on the results of the annual compliance monitoring carried out by Eurostat (Annex 1) and two questionnaires addressed to the National Statistical Institutes by ESGAB. The questionnaires followed up on the 2010 recommendations (Annex 2) and explored further the three principles ESGAB focuses on. Eurostat reported on its own progress. Information obtained from the dialogues with representatives from eight countries and Eurostat have also contributed to ESGAB's views. Moreover, discussions with similar authorities in the United Kingdom and France as well as the Sponsorship on Quality have played a role in forming ESGAB's position on the revision of Code of Practice and its monitoring in national statistical systems.

This report consists of five sections starting with the introduction and developments in general. Section three focuses on observations on which ESGAB has based its assessment in section four. Section five puts forward ESGAB's own view of its first term and beyond.

## 2. Developments in EU statistical governance

The statistical governance system is being strengthened on several fronts since last year: excessive deficit procedure (EDP), revision of the Code of Practice and quality management. Discussion is ongoing whether and how parts of the Code should become legally binding in the envisaged revision of the European statistics Regulation 223/09.<sup>2</sup> Ways forward are suggested in the Communication 'Towards robust quality management for European Statistics' COM(2011) 211,<sup>3</sup> especially in the design and implementation of 'Commitments on Confidence in Statistics', endorsed by ESGAB in its opinion of 15 June 2011 (Annex 3). The Communication also puts forward a plan for an enhanced verification system of statistics used in the EDP, encompassing quality assessment of upstream public finance data at national level and extensive country risk assessment. Moreover, the six legislative proposals<sup>4</sup> of measures which aim at strengthening economic governance in the EU — and more specifically in the euro area — were recently adopted by the Parliament and the Council.

Building on the revised Regulation 479/09, closer cooperation with the national Court of Auditors in order to form a system of quality assurance in the EDP domain is being developed. In May 2011, Eurostat proposed a legislative policy for the ESS, which aims both at safeguarding professional independence and improving cost efficiency in the ESS.

The Sponsorship on Quality accelerated its discussions on the revised Code of Practice in order to present a first draft to the ESS Committee in February 2011. This

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<sup>1</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/documents/code\\_practice.pdf](http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/documents/code_practice.pdf).

<sup>2</sup> OJ L 87 of 31.3.2009, p. 164.

<sup>3</sup> In official languages <http://eur-lex.europa.eu>.

<sup>4</sup> <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+20110928+TOC+DOC+XML+V0//EN>.

made it possible to hold early discussions with Member States and a consultation with ESGAB in June. The final report of the Sponsorship also contained recommendations on quality reporting and a proposal to use the Code as a common ESS quality assurance framework. The revised Code was adopted by the ESS Committee in September 2011.<sup>5</sup>

### 3. Overview of implementation of the Code of Practice

Over the past year, 76 improvement actions were completed, covering all 15 principles. Out of the 677 improvement actions defined in the peer reviews<sup>6</sup> in 2006-2008, 60 % have now been completed. This year, National Statistical Institutes (NSI) identified 13 new actions related to the implementation of the Code of Practice. New actions may include work that was previously identified in peer reviews. For clarity of presentation (Annex 1), Table 1 shows them separately from the actions suggested by peer reviews. In total, there are 275 remaining improvement actions. In 2010, NSIs continued to reinforce the application of the Code of Practice by other national providers of statistics. The scope and methods of coordination activities differed between countries and reflected differences in the legal empowerment of the NSIs.

#### 3.1. Professional Independence

Principle 1: *'The 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.'*

##### *ESS national members*

Half of the members of the European Statistical System (ESS) consider their institutional setting to be free of constraints on the principle of professional independence. Eleven ESS members report that the recommendations addressing the principle of professional independence are in hand, given that implementation takes time. In four countries — Germany, Greece, Latvia and Switzerland — difficulties were observed in modernising the statistical law or in implementing it. In Greece the new statistical law entered into force in March 2010, but it needs urgently to be implemented in practice.

ESGAB notes that three countries — Denmark, Poland and Romania — have no concrete plans for modernising their statistical law, even though the current legislation cannot be considered to be fully in compliance with the Code. In eight countries the decision-making process related to resource allocation is seen as a risk to professional independence.

All members of the ESS declare that they guarantee equal access to official statistics and, where applicable, publish pre-release rules. Therefore, ESGAB considers the implementation of recommendation number five to be well advanced (see Annex 2).

<sup>5</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/documents/CoP\\_October\\_2011.pdf](http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/documents/CoP_October_2011.pdf).

<sup>6</sup> Peer reviews, covering principles 1-6 and 15 of the Code, were carried out in the 31 NSIs of the EU Member States and EFTA countries and in Eurostat over the period 2006-January 2008. These, together with self assessments, resulted in a number of improvement actions.

### 3.1.1. Priority setting

Priority setting was seen as finding a balance between legislative requirements, resources, user needs and response burden. These questions are solved in management and planning processes which entail for example discussions on work programmes, consultations, operational plans, evaluations and progress reports. Eight countries reported that they saw EU or national legislation as the major factor influencing priority setting. This being said, National Statistical Institutes in four countries think inflexibility in resource allocation limits their ability to respond to other factors.

### 3.1.2. Appointment and dismissal of Heads of statistical institutes

In most countries the selection and dismissal of the top management of the National Statistical Institute is laid down in legal acts for civil servants. These countries include Cyprus, Denmark, Finland, France, Germany, Hungary, Liechtenstein, Lithuania, Luxembourg, Norway, Romania and Slovenia. Six ESS members cite permanent contracts as a strength which allows continuity in implementing long-term strategic decisions and are seen as eliminating politically motivated decisions from the selection process. In ten countries, an open competition is held and the appointment is for a fixed term which is renewable. In three countries some level of assessment of the performance of top management is used as a criterion for the renewal of the mandate. Ten countries have reportedly scheduled the timing of the appointments in such a way that they do not coincide with electoral cycles. ESGAB notes that there have been several recent episodes where the Head of the NSI has been changed after an election. In Greece and Italy the appointment is subject to a parliamentary vote.

In most countries the recruitment base is restricted to the civil service, which might narrow the availability of highly qualified candidates, or is limited to selected professionals e.g. from academia. It is also sometimes felt that the selection criteria have been designed to fit a particular candidate or that an overly mechanical implementation of public competition can lead to a less optimal result.

Where the dismissal rules are not laid down in civil service or other legal acts, they can be found specified in the statistical law of seven ESS members, as reported by Austria, Bulgaria, Estonia, Greece, Malta, the Netherlands and Poland. The valid grounds for dismissal are not always stipulated in the act. In two countries the reasons are made public if a dismissal takes place.

In eleven countries the rules for appointing and dismissing top management were perceived to be adequate. However, in eight countries ambiguity was observed or the practical implementation is deemed to be unsatisfactory.

## *Eurostat*

Eurostat has initiated a number of initiatives that seek to reinforce the statistical governance system in the EU and the Communication COM(2011) 211 also responds to many of the recommendations ESGAB addressed to Eurostat in 2010.



Eurostat's own position as a Directorate General of the Commission is defined in the Commission decision of 21 April 1997. The Commission has announced that it will align this decision with the forthcoming revision of the current governance framework.

Eurostat plays a pivotal role in coordinating statistics in the EU 2020 initiative and in designing the scoreboard in the context of reinforced economic governance. Emphasising coordination of the statistical field within the Commission, a joint letter signed by the Chief Statistician and the Secretary General was sent to all services in March 2011. In the ESS, work with the ESS Committee, 'Friends of the Chair'-Group and stakeholder meetings at top management level have been incorporated.

## 3.2. Adequacy of resources

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

### *ESS national members*

The majority of ESS members state that they have mitigated the impact of budget restrictions by efficiency gains and coherent priority setting.

Roughly half of the ESS members report cuts in their resources. In three countries the budget cuts in the past two years amount to about 20%. Despite budgetary cuts, the overall staff numbers appear little changed (when taking account of the additional resources specifically given for population and agricultural censuses), even if 12 countries report that they face difficulties in ensuring a sufficient number of staff or that salaries have been reduced.

In the vast majority of countries the curtailed resources have been reflected in a reduction of surveys or less development work. Pressure on staff is increasing as the most conventional and fastest methods of saving (such as reducing overheads, travel budgets, stationary and publications) begin to be exhausted. 80% of the ESS declares that the measures that would most significantly increase effectiveness and efficiency have been identified and undertaken. Indeed, most of the measures implemented focus by and large on improving internal efficiency in the existing structures, less so on finding solutions in cooperation at European level. Furthermore, there is a risk that short term reactions to budget cuts might hamper investment in designing cost-efficient approaches in the future.

NSIs in three countries consider that savings can still be generated through more extensive use of administrative records and IT tools. Six countries report that they are implementing measures that may have a more long lasting impact, such as efficiency gains through re-prioritising and streamlining of processes. Nevertheless, 18 ESS members consider that they do not have sufficient margin for manoeuvre in their budgetary spending in order to find the most efficient match to carry out their work programmes and development projects.

## *Eurostat*

Eurostat proposed a strategy-driven priority setting mechanism amongst ESS in late 2010. It involves an annual review of existing statistical requirements with the aim of identifying legal acts to be repealed, and statistical fields to be reduced and simplified. The Sponsorship on Standardisation established in May 2011 is set to increase the efficiency and quality of statistical production through recommending priorities in standardisation and initiating appropriate actions for their implementation at national and European level.

ESSnets represent an opportunity for the development of the ESS partnership by identifying areas in which the expertise of some members permits the development of solutions to be shared by all. Six new projects are set to be launched in 2012 (see ESSnet portal<sup>7</sup>).

In the recent past Eurostat's resources have been considered to be sufficient. However, it should be noted that in the last two years the Commission has been operating under a zero-growth staff policy. Thus, the implementation of new tasks, such as the 'audit-like powers' and Europe 2020, is being carried out by reallocating existing staff resources. Strengthening EDP structures in Eurostat from 15 to 45 staff since 2009 is being implemented through redeployment.

Eurostat has by tradition benefited from a relatively high number of Seconded National Experts, staff employed by the Member States working on a temporary basis for Eurostat. This represents at present 67 posts. Now that the ESS as a whole is under pressure, the influx of national experts is being reduced. This de-facto cut in resources has not yet had a direct impact on the work programme but has resulted in reorganisation of the work in some areas.

## *ESS as a whole*

The implementation of the vision for the next decade COM(2009) 404<sup>8</sup> is a long-term, complex and ambitious project covering areas ranging from organisational issues, cooperative and technical structures, integration of processes and statistical developments. Also, the proposal for a legislative policy in the ESS aims at improving cost efficiency through a more efficient way of producing statistics. Legislative procedures are time-consuming and inflexible. The proposed more flexible approach giving more decision making powers to the statisticians seeks to improve the efficiency of resource allocations. The five-year work programme of EU statistics for 2013-2017, which is now being prepared, proposes a priority-setting and simplification mechanism capable of operating in an environment with increasing statistical demands and declining resources.

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<sup>7</sup> <http://www.essnet-portal.eu>

<sup>8</sup> [COM\(2009\) 404](#): Commission Communication on the production method of EU statistics: a vision for the next decade and joint ESS strategy adopted by the ESS Committee in May 2010:  
[http://epp.eurostat.ec.europa.eu/portal/page/portal/about\\_eurostat/corporate/introduction](http://epp.eurostat.ec.europa.eu/portal/page/portal/about_eurostat/corporate/introduction).

### 3.3. Quality commitment

Principle 4: 'All ESS members commit themselves to work and cooperate according to the principles fixed in the 'Quality declaration of the European statistical system'.

#### *ESS national members*

None of the ESS members have reported delays in publishing quality reports and providing documentation on methods, metadata and errors, as recommended last year (Recommendation no. 4).

Although all ESS members declare that they have procedures and rules in place, only just over half of ESS members' quality management approaches cover other national producers. Six countries consider that legislative changes are needed to give them sufficient power to do so. One way to deal with several statistical producers is to establish a Memorandum of Cooperation between the National Statistical Institute and the other national producers, as is done in Greece. The Memorandum regulates the EU obligations and the terms of each party to ensure the quality of the data. The same result is achieved in Sweden by creating a central quality function which is headed by a quality manager and has quality coaches in the various departments. An alternative is through enhanced cooperation with the central banks in the field of quality management, reported for example by Bulgaria and the Czech Republic.

Roughly one third of ESS members practise some differentiation of quality levels, mostly meaning preliminary (timely but less accurate) and final statistical releases (accurate but less timely). This is communicated to users mostly online in the form of metadata, quality reports or declarations of content.

#### *Eurostat*

Eurostat is in the process of developing a specific quality management system for public finance statistics for early risk detection, assessment and mitigation. This involves enhanced cooperation with National Statistical Institutes and national Courts of Auditors in verifying upstream public finance data. While the different roles of the institutions must be respected, cooperation is encouraged where possible in order to enhance efficiency and avoid duplication of work. It is also important that the different roles of the Commission, in particular the executive powers and the production of official statistics are kept separate. The main objective is to put in place a regular country risk assessment exercise. Each country's system for compiling and reporting deficit and debt will be scrutinised using the same set of criteria. These criteria will be quantitative as well as qualitative, based on evidence as well as on informed and sound professional judgment.

Eurostat's own quality procedures are under constant development. The latest improvement concerns a new approach to error reporting and managing through enhanced cooperation between units across directorates dealing with metadata, communication, dissemination and quality.

Eurostat took the lead in establishing a joint Task Force bringing together the ESS and the European System of Central Banks (ESCB), which achieved a closer alignment of the Code and Public Commitment of the ESCB. Eurostat also extended the online publishing of compliance with the principles and indicators of the Code of Practice to a range of activities introduced in the past year.<sup>9</sup>

### *ESS as whole*

The revised Code of Practice adopted in September 2011 incorporates the ESS quality declaration in the preamble. The Code now provides a complete quality framework for the ESS.

## **4. ESGAB's assessment**

It is becoming increasingly clear that the three principles analysed by ESGAB are closely interlinked. In particular, the question of priority setting and resources are two sides of the same coin, as are resources and long-term efficiency. ESGAB is also observing that professional independence and resources might become intertwined. Finally, quality cannot be separated from resources or from professional independence. ESGAB welcomes the overall progress in completing the improvement actions and also the fact that 13 new ones have been identified, which is a sign of commitment to continuous improvement. However, ESGAB calls for a speedier implementation of the remaining 40% of the actions originally identified. Creation of ESGAB-like bodies or other national-level mechanisms for monitoring compliance with the Code is encouraged.

### **4.1. Professional independence**

An appropriate institutional framework is crucial in order to safeguard the professional independence of statistical authorities. ESGAB considers compliance with the principle of professional independence of utmost importance for the credibility of the ESS, in particular the indicators 1, 4 and 7 regarding independence of the statistical authority from political and other external interference.

In this context, ESGAB welcomes the emerging discussion on the governance structures needed to ensure sufficient professional independence of statistical institutions. Any suggestions to align the ESS more closely with the institutionally strong system of central banks need to be carefully assessed to identify their benefits and disadvantages in the statistical domain, keeping in mind that:

- central banks' duties are enshrined unambiguously in law, statistical authorities are subject to various user demands in order to deliver relevant statistics for society's needs;
- central banks are independent in terms of their resources; statistical authorities, whether within government structures or as independent institutions, remain dependent on resource allocations beyond their direct influence.

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<sup>9</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/code\\_of\\_practice/compliance](http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/code_of_practice/compliance).

Priority setting is thus influenced by the dialogue of stakeholders both with users and those deciding about resource allocations. The governance structure needs to reflect such a situation in providing sufficient checks and balances as well as flexibility to cater for evolving needs both on the demand and the supply side of the statistical offices. In the medium term, this can be partly achieved through strengthening the existing system components — e.g. placing decisions requiring technical expertise in the hands of statisticians instead of regulating them at EU level — and enhancing cooperation within the system through improving multiannual planning and joint development projects amongst the ESS members.

Much of the decision making in the EU is based on legislation which requires the involvement of the European Parliament and the Council. ESGAB endorses the proposal by Eurostat for an enhanced use of coordination instruments under the control of the European Statistical System Committee, where appropriate. Instruments such as ESS agreements established within the budgetary framework agreed through dialogues would facilitate priority setting at the technical level, which often requires faster measures than the legislative process can offer. This allows a gradual shift from ‘legally prescribing’ to ‘technically agreeing’ the methodological details of European statistics.

For this reporting period, ESGAB further notes that statistical laws have been modernised and transparency has increased since 2009 in many countries, but that professional independence is not secured in the ESS as a whole. More work is needed as the system assumes collective responsibility for the credibility of European official statistics. It would benefit from a more homogeneous legal framework aligned to the Code’s principles. The present climate of reviewing governance structures in the economic and statistical fields should be used for a critical view of the legal framework throughout the ESS.

While ESGAB recognises the diversity of appointment and dismissal rules in the patchwork of European organisational cultures and acknowledges the importance of National Statistical Institutes fitting seamlessly to their administrative settings, it encourages more transparency in that process. ESGAB calls for appointments and dismissals of the top management to be kept separate from political mandates and be based on qualifications and criteria stemming from professional performance. The new indicator 1.8 in the revised Code of Practice needs to be applied in practice as a priority:

*‘The appointment of the heads of the National Statistical Institutes and Eurostat and, where appropriate, of other statistical authorities, is based on professional competence only. The reasons on the basis of which the incumbency can be terminated are specified in the legal framework. These cannot include reasons compromising professional or scientific independence.’*

ESGAB welcomes Eurostat’s efforts to enhance its coordination role within the Commission and the fact that the Commission is committed to adapting the decision from 1997 on Eurostat’s role. Much still needs to be done to streamline procedures, avoid duplication of work for the Commission services and reduce the response burden on Member States. ESGAB urges the Commission to safeguard Eurostat’s unique position in its structure in a way that will ensure its professional independence

## 4.2. Adequacy of resources

Resources are an increasing concern, which could be mitigated by enhancing strategic priority setting and linking this more tightly to resources. A medium-term view and budgeting to identify the different investments are also needed. This assumes improving coordination of the ESS as a whole in order to get efficiency gains. ESS-net projects can be helpful instruments to achieve this goal.

The issues of efficiency and investment in new structures are equally linked. Hence, a dialogue is necessary to find an optimal fit between the programme of work and the budget so as to ensure enough resources for modernisation and innovation in European statistics. ESGAB calls for both the users and producers of official statistics to engage in a dialogue with the aim of identifying the key areas to develop and those allowing the freeing up of resources. For ensuring relevance of the statistical work in a quickly changing environment, ESGAB welcomes good practices such as a centralised database for user proposals (Estonia) as well as a systematic review of statistical priorities (the Netherlands) and assessments of statistical portfolios (Finland). The implementation of the use of administrative registers for statistical purpose should be amplified and further encouraged.

ESGAB observes that as a result of budget restrictions statistical producers are in many countries in a weak position to invest in developing either statistics or production processes. ESGAB supports the views expressed by the European Statistical Advisory Committee (ESAC) in their 'statement on resources' of 29 July 2011.<sup>10</sup> ESGAB welcomes efforts invested in addressing ways of 'doing more with less' throughout the ESS. One way to build a bridge between the short-term requirements to save and the longer-term needs to invest in more efficiency is to apply multiannual financial planning. Statistical investments could be classified in terms of a simple typology:

- 1) investments aiming at increasing production efficiency and reducing costs in the future,
- 2) investments aiming at improving quality and timeliness,
- 3) investments aiming at covering new domains.

In the event of severe cuts in statistical budgets, going beyond what can be absorbed by productivity gains, category 1 investment to cut costs must absolutely be preserved and category 2 investment, to improve quality, must be protected to some degree. Decisions on category 3 to cover new domains must be weighed carefully.

The five-year work programmes at EU level provide a long term strategic framework for planning. The 2013-2017 programme built on the vision set out in COM(2009) 404 will require availability of resources and a strong commitment by all partners, especially in defining concretely priorities for the activities to be discontinued or created.

The ESS will need to pursue efforts to achieve further efficiency gains and carefully manage investments. However, this should not endanger the harmonisation of statistics and the standardisation of processes in the ESS. To this end, ESGAB

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<sup>10</sup> <http://epp.eurostat.ec.europa.eu/portal/page/portal/esac/introduction> .

welcomes the creation of the Sponsorship on Standardisation. Moreover, enhanced cooperation between countries in development projects, as well as making use of existing best practices, is encouraged. Not only would such an EU dimension in development projects improve the feedback loop between EU statistics and those at national level but it also makes economic sense: it will be cheaper to invest in one common project instead of repeating it in every country.

At present, Eurostat's resource position appears still manageable as objectives have been achieved through redeployment of staff for priority tasks and reorganising work. However, Eurostat's capacity to deliver on its core tasks in the future must be secured and it should be noted that many development projects will increasingly rely on available EU funding.

### 4.3. Quality

ESGAB notes the progress made in the area of commitment to quality. This principle enjoys the highest number of completed improvement actions this year (Annex 1) and saw four new actions introduced in this year's compliance monitoring exercise. After four years, the ESS is now at the mid-point in the implementation of the identified improvement actions. ESGAB calls for continued endeavour in completing the remaining actions.

With merely half of ESS members' quality management covering other national producers, more effort is needed in extending the Code compliance within the national statistical systems: the better the national source is, the better the EU statistics that are delivered. As the scope and methods of the monitoring of compliance with the Code at national level are often related to the legal empowerment of the National Statistical Institutes, ESGAB looks forward to the development of 'Commitments on Confidence' laid out in the Communication 'Towards robust quality management for European Statistics'. ESGAB also sees room for a clearer differentiation of quality levels, which may vary according to user needs.

Regulation 223/09 provides clear rules for the National Statistical Institutes' coordination role at the national level, but this appears not yet to be fully implemented in the national systems. A clearer definition of the core coordination functions at national level is needed. Written agreements with other national producers are seen as good instruments for this purpose.

Closer alignment of the quality management systems of ESS and ESCB is a step in the right direction and is further encouraged. ESGAB also calls for an updating of the 2003 agreement on the division of work between Eurostat and the European Central Bank, which is now superseded by EU statistics regulation 223/09 and ECB Statistics regulation 951/09.<sup>11</sup> The revised agreement should be made public.

ESGAB welcomes the sustained effort invested in improving the quality framework of the ESS, especially in the area of public finance data. Eurostat is encouraged to pursue the implementation of the 'audit-like' powers granted by the revised Regulation 479/09, bearing in mind that the specific roles of statisticians, accountants and auditors need to be preserved.

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<sup>11</sup> [OJ L 269](#), 14.10.2009, p. 1 .

## **5. ESGAB — first term and beyond**

The Code of Practice was created in response to the credibility crisis of official statistics in 2004 with the aim of helping to prevent future crises. This was followed by the establishment of ESGAB, which convened for the first time in March 2009. For the first annual report, ESGAB had to rely heavily on the information provided by Eurostat: aggregated information about the annual monitoring exercise of the improvement actions identified from the Member States' peer reviews in 2006-2008 and somewhat more information on Eurostat. The 2009 events in Greece emerged as the report was finalised. The Board considered that it had neither the resources nor the information base to carry out detailed investigations in that particular case. Eurostat was better placed to carry out the measures needed, which ESGAB followed closely.

In 2010 ESGAB carried out its own surveys among the National Statistical Institutes and a limited number of stakeholders. Moreover, details of the compliance monitoring results at country level were now available.

For this third report, ESGAB engaged in a series of country dialogues in order to study in greater depth the issues identified in the 2010 survey. ESGAB also issued opinions on topics on which a position had to be taken before the annual report in the autumn (Annexes 3 and 4). Thanks to the good collaboration with Eurostat and the National Statistical Institutes, ESGAB has been able gradually to enlarge its information base, which has enabled it to form more definitive views of the situation in individual countries and to become more specific in its recommendations.

### **Challenges**

ESGAB has felt there is a mismatch between the perceived expectations from its founders, to prevent a new credibility crisis, and the resources at its disposal. In the process, ESGAB has also adapted to changing expectations, which at the time of its creation were limited solely to monitoring compliance with the Code. ESGAB soon felt that it was expected instead to focus on ESS credibility issues and to detect first signs of crisis before they happened.

ESGAB has seven non-paid members, mostly still professionally active, and one full-time Secretary provided by the European Commission to cover monitoring the Code of Practice in 31 countries. For the sake of comparison, ESGAB-like bodies in France or the United Kingdom each have more resources available for monitoring issues in just one country. Moreover, the obvious difficulty in obtaining factual information about how the Code is implemented in practice and how trust and credibility would be measured and benchmarked remains. With the resources at hand, the task of preventing a new credibility crisis in the ESS is a tall order. In this framework, ESGAB had to adjust its ambitions to its resources and deliver on its task by, firstly, focusing on three principles of the Code and, secondly, keeping the reporting at a rather general level.

### **ESGAB's role in the light of revised instruments for governance**

ESGAB welcomes the recent adoption of a moderately revised Code (see opinion of 15 June 2011, Annex 4). Updating a self-regulatory instrument is a sign of a commitment to a continuous effort to reinforce and improve the system while legal instruments are being designed, often a lengthy process.



However, the revision does not yet sufficiently address the shortcomings in the way governments and legislators adhere to the Code. Thus, ESGAB looks forward to making parts of the Code — most importantly that of professional independence — legally binding. Therefore ESGAB welcomes the ‘Commitments on Confidence’ proposed in COM(2011) 211 and is ready to facilitate their design and — resources and mandate permitting — monitoring. Parts of the Code becoming legally binding will affect ESGAB’s role, which remains to be defined, but the governance design should avoid parallel monitoring roles for ESGAB and the Commission (Eurostat). This may call for revisiting ESGAB’s legal base in due course. Should this take place, ESGAB would recommend reconsidering the resources available — both human and information sources need to be adapted to the expected outcome, which in turn would need to be more clearly defined. Equally importantly, ESGAB’s legal base should unambiguously provide for scope to act if the credibility of the ESS as a whole is at risk, even if it means naming one or several Member States.

## Annex 1 Overview of improvements recommended in the peer reviews

**Table 1. Summary of status of improvement actions (as at March 2011)**

Principle		Number of Peer Reviews Improvement Actions					Number of Outstanding Peer Reviews Improvement Actions (Mar-11)							New Actions (defined in 2011) (c)	Total Remaining Actions (b-a+c)
		Total	Completed				Further progress outside the NSI	No further work is planned	Progressing and not yet due	Delays within the NSI	Ongoing — no specific deadline	Included in a new action (a)	Total (b)		
			Feb-08	May-09	Mar-10	Mar-11									
1	Professional Independence	34	1	9	4	7	6	1	1	2	3	0	13	0	13
2	Mandate for data collection	25	1	8	2	3	3	0	2	0	6	0	11	0	11
3	Adequacy of resources	48	1	18	12	2	4	0	4	1	6	0	15	0	15
4	Quality commitment	103	1	28	8	13	3	1	22	12	12	3	53	4	54
5	Statistical confidentiality	43	2	19	4	6	0	1	2	1	8	0	12	0	12
6	Impartiality and objectivity	46	2	16	9	6	1	0	2	3	7	0	13	0	13
7	Sound methodology	46	3	15	6	5	1	0	4	2	9	1	17	1	17
8	Appropriate statistical procedures	40	2	10	6	4	0	0	11	1	6	0	18	0	18
9	Non-excessive burden on respondents	54	0	16	6	3	3	0	7	1	17	1	29	1	29
10	Cost effectiveness	48	0	16	7	6	3	0	7	3	6	0	19	1	20
11	Relevance	27	1	11	7	4	0	0	2	0	2	0	4	0	4
12	Accuracy and reliability	35	1	7	7	4	0	0	4	3	7	2	16	1	15
13	Timeliness and punctuality	14	0	5	2	3	1	0	0	0	3	0	4	1	5
14	Coherence and compatibility	33	1	9	4	4	1	1	3	2	7	1	15	2	16
15	Accessibility and clarity	81	2	29	10	6	1	0	9	4	17	3	34	2	33
<b>TOTAL</b>		<b>677</b>	<b>18</b>	<b>216</b>	<b>94</b>	<b>76</b>	<b>27</b>	<b>4</b>	<b>80</b>	<b>35</b>	<b>116</b>	<b>11</b>	<b>273</b>	<b>13</b>	<b>275</b>
(%)		100%	3%	32%	14%	11%	4%	1%	12%	5%	17%	2%	40%		

**Table 2. Summary of remaining improvement actions for Principles 1, 3 and 4 (EU/EFTA breakdown)**

**Principle 1**

<b>Group</b>	<b>Countries</b>	<b>Total Actions</b>	<b>Remaining in 2010</b>	<b>Remaining in 2011</b>
<b>Member States</b>	17	29	17	11
<b>EFTA</b>	3	5	3	2
<b>Total</b>	20	34	20	13

**Principle 3**

<b>Group</b>	<b>Countries</b>	<b>Total Actions</b>	<b>Remaining in 2010</b>	<b>Remaining in 2011</b>
<b>Member States</b>	22	42	17	15
<b>EFTA</b>	4	6	0	0
<b>Total</b>	26	48	17	15

**Principle 4**

<b>Group</b>	<b>Countries</b>	<b>Total Actions</b>	<b>Remaining in 2010</b>	<b>Remaining in 2011</b>
<b>Member States</b>	25	91	55	45*
<b>EFTA</b>	4	13	11	9
<b>Total</b>	29	104	66	54

\* Please note that for principle 4, work on 3 actions was structured as four new actions in the 2011 monitoring exercise.

Annex 2 Overview of follow-up of ESGAB recommendations 2010 including Eurostat (except no. 1, not relevant)

Recommendation	Actions	This Action has been <b>completed</b>	The work is <b>progressing</b> as planned and is <b>not yet due</b>	This work is considered to be <b>ongoing with no specific deadline</b>	Further progress now <b>depends on authorities outside Eurostat</b>	There have been <b>delays within Eurostat</b>	The work has been <b>included in a new action</b>	<b>No further work</b> on this issue is planned
1	Where not yet done, modernisation of statistical laws must be accelerated, with a view to aligning them with the principles enshrined in the Code of Practice and the European Statistics Regulation (Regulation 223/2009). Full transparency is needed about the rules on appointment and dismissal of heads of statistical services. Statistical services' working arrangements with the political decision-makers must be formalised and made public.	11	7	4	2	0	0	4
2	Formal compliance with the European Statistics Regulation and the Code of Practice must be complemented by faster implementation of the improvements recommended in the peer reviews.	2	13	8	2	0	1	1
3	The impact of budget restrictions on quality must be minimised by efficiency gains and coherent priority-setting which identifies the resources for the new statistical demands. Deep budget cuts make it impossible to maintain high-quality official statistics.	3	6	14	0	0	0	2
4	The Sponsorship Group on Quality should accelerate its work in order to come up with practical proposals for harmonisation of quality management in the ESS. Quality reports and declarations must also be made public. Documentation and transparency about methods, metadata, errors detected and data revisions must be improved.	4	6	11	0	0	0	1

<b>5</b>	Equal access to official statistics for all users must be guaranteed. Rules on pre-release access must be made public.	23	0	4	0	0	0	1
<b>6</b>	Eurostat's coordinating role within the Commission and with other EU bodies must be strengthened. National practices should fully comply with the European Statistics Regulation in order to ensure that the national statistical institutes can coordinate all activities at national level for the development, production and dissemination of European statistics.	11	6	3	2	0	0	1
<b>7</b>	In addition to Eurostat's risk assessment obligations relating to the quality of statistical data under Regulation 479/2009 in the context of the excessive deficit procedure, Eurostat should develop indicative criteria to detect and specify systemic risks.	2	4	3	1	0	0	1
<b>8</b>	Eurostat stakeholder meetings, which bring together national producers and users at European level, should be further pursued as a means to enhance mutual understanding of statistical needs and implementation constraints.	1	2	9	0	0	0	2
<b>9</b>	Eurostat should stimulate the establishment and support the progress of ESS-Nets as vehicles for developing common standards, ICT tools and methods. To seal their success, seamless implementation of the vision for statistics will be fundamental.	0	3	8	0	1	0	1
<b>10</b>	In the light of experience to date, ESGAB's legal base should be strengthened in order to provide a possibility to act appropriately if the credibility of the ESS as a whole is at risk.	0	3	3	0	0	0	2



European  
Statistical  
Governance  
Advisory  
Board

Helsinki, 31 May 2011  
ESGAB/2011/79

## **OPINION**

**of the European Statistical Governance Advisory Board (ESGAB)**

**on the Communication from the Commission to the European Parliament and the Council "Towards robust quality management for European Statistics" COM(2011) 211**

ESGAB welcomes the Communication as an important element to strengthen the credibility of the European Statistical System, in particular its proposals addressing the principle of "Professional independence" of the European Statistics Code of Practice.

The conclusions of the Van Rompuy Task Force and of the Ecofin Council in 2010 highlighted the importance of reliable official statistics. This calls for full compliance with the Code that can only be reached if the legislators and governments engage in a formal political commitment. ESGAB thus endorses the proposals in the Communication which aim to enhance the conditions for the development, production and dissemination of official statistics.

ESGAB also encourages Member States to cooperate with the Commission (Eurostat) to identify, assess and monitor significant risks as outlined in the revised regulation No 479/2009 in order to implement "audit like powers" in a transparent way.



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Helsinki, 15 June 2011  
ESGAB/2011/80

## **OPINION**

### **of the European Statistical Governance Advisory Board (ESGAB) on the revision of the European Statistics Code of Practice (Code)**

ESGAB welcomes the proposal with moderate changes which clarify the principles of the Code. ESGAB also notes the ongoing discussions which could potentially make parts of the Code legally binding, but expects the revised Code to be adopted by the ESS Committee as scheduled.

ESGAB further welcomes the efforts to align the quality systems between European Statistical System and European System of Central Banks.

ESGAB suggests an alternative wording for the indicator 1.8 on the appointment and dismissal rules of top management as follows:

The appointment of the Heads of the National Statistical Institutes and Eurostat is based on professional competence only. The reasons on the basis of which the incumbency can be terminated shall be specified in the legal framework. These cannot include reasons compromising professional or scientific independence

According to ESGAB's interpretation of the Principle 4.1 formulation "Quality policy is defined and made available to the public. An organisational structure and tools are in place to deal with quality management." allows distinguishing different levels of quality.



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