

The Effectiveness of a Supranational Statistical Office: Pluses, Minuses, and Challenges Viewed from the Outside

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Originally this article was written to mark the 50th anniversary of EUROSTAT. But for publication in the *Journal of Official Statistics* those passages that referred to the events related to the occasion have been either removed or modified so as to make the analysis and recommendation stand on their own. Furthermore, the article was written before allegations of poor administration and irregular financial practices on the part of EUROSTAT's senior management were made public. Since both versions deal with fundamental and structural issues, neither the original nor this revised version has any bearing on those allegations.

Key words: Statistical system; supranational; priority setting; standards; dissemination; credibility.

1. Introduction

This article has the form of a “peer review” and its target is EUROSTAT, the statistical office of the European Union. It is not quite a peer review, since we did not interview at length users of EUROSTAT's products nor did we speak to members of the office's staff. But we did set for ourselves the task of exploring the nature of EUROSTAT and attempted to describe a possible scenario for its further evolution. Even so, readers should treat what follows more as armchair theorizing on what is right and can go wrong (and how to prevent it) than a report in the wake of a thorough empirical inquiry.

It is not that we think that the foregoing need be bad. Firstly, it is not entirely speculative. We were greatly helped by brief but helpful contributions from several heads of national statistical offices. But while their contributions are gratefully acknowledged, we wish to exonerate them of any responsibility for the conclusions that we drew. Secondly, we had access to some of the considerable material commissioned by EUROSTAT in order to take stock of the strengths and weaknesses of the European Statistical System (ESS). And thirdly, we ourselves have had hands-on experience with a statistical system that we proudly describe as effective and whose complexity, while different in character, is not substantially less than that faced by EUROSTAT.

But before we get into the actual review we wish to caution readers about what EUROSTAT is and mostly about what EUROSTAT is not; and to keep them from making hasty comparisons of EUROSTAT with other agencies, national or international. Our review is limited by the fact that we could not (nor can anyone) compare the performance

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of EUROSTAT with a like institution. The paragraphs below set out the reasons why this is so.

EUROSTAT is unique. Alone among those statistical agencies that are not firmly anchored in a national government, EUROSTAT has powers to demand compliance, to verify adherence, and to force consensus. The statistics mandated by the Commission, using EUROSTAT as its agent – defined, collected and compiled according to standards laid down in detail – drive massive transfers of resources from one part of the European Union to another. The nature of those powers may be weakened by institutional breaks or judged to be insufficient by objective observers but they exist beyond any measure that statistical offices of the United Nations, International Monetary Fund, World Trade Organization or any other international organ may dream of.

Notwithstanding its powers, EUROSTAT is not a national agency. Its competencies are truncated. Principle (subsidiarity) and practice keep it from collecting business records or from approaching households to measure their behavioural patterns. Its mandate usually finishes where that of national bodies starts. And so do its technical capabilities.

EUROSTAT can have its activities audited as severely as the earnest of the auditors will allow them. That is one of the characteristics of a public body and even more so of a body whose mandate spans the actions of a group of Nation-States. But ultimately it is not accountable for errors of mismeasurement arising from the incorrect application of standards to collection activities or from an inadequate capacity to edit and compile basic information. If it sins in the course of statistical process, its sins arise at the stage of formulation but hardly at the stage of execution.

2. Elements of an Effective Supranational System

The title given to our article is similar to that of a paper written by one of us to analyze the characteristics of well-performing *national* statistical systems (see Fellegi 1996). The similarity is not a coincidence. Rather we chose it purposely. We consider that the national systems we know well are working effectively in the sense that there is a rough equilibrium between their outputs and users' needs; their demands upon their providers and the latter's willingness to part with private and confidential information; and the overall cost of the system and the amount that government and society are willing to spend on socially important quantitative information. As we provide our views on the ESS, we wish to be clear that the standards that we apply are suitable adaptations of those listed in the "Effectiveness" article. They are also quite similar to the standards used in the two national peer reviews conducted by the authors (see Fellegi and Ryten 2000, 2001). The yardsticks that served as a basis for these reviews derive from the intrinsic characteristics of effective statistical systems. They are largely invariant to the nature of the particular statistical system that is examined, to its size, or to the scale of its activities. This is true even where the levers available to steer the system are very different, as is the case if we compare a supranational system with NSO's in Canada, Switzerland, or Hungary.

There is a distinction in our mind between a "statistical system" (such as the European Statistical System) and a "statistical office" (such as any NSO). For the "system" to work effectively we believe that it must have the right attributes and be capable of a number of specific functions. The attributes and functions of a statistical system, described below, are

similar to those of a statistical office except for different emphases. In the case of a statistical system we pay particular attention to aspects of coordination and coherence among the component parts of the system and lay correspondingly less emphasis on the typical operating functions of national statistical offices.

The *attributes* that we want to highlight are the following:

- *Legal basis.* By this we mean enforceable conditions that give the system integrity, credibility, and therefore legitimacy. It also provides the authority and the tools that ensure that the components of the system are coherent.
- *Coherence.* This is the attribute that allows the statistics produced by the system to support each other in a logical and interpretable fashion.

The *functions* we deem to be of critical importance are:

- *Detection and over the horizon anticipation of user needs.* Users can seldom describe their requirements in other than the roughest form. They are even more seldom capable of anticipating future requirements. But an effective statistical system will have in place whatever machinery is needed to compensate for this failing. In a system that works well, it is this capability and this capability only that determines the relevance of the system's outputs.
- *Assigning priorities to competing activities and allocating resources to ensure their correct execution.* A statistical system serves a multitude of users whose joint needs exceed the resources that are available to satisfy them. While the EU's regulations on statistics provide a boundary to EUROSTAT's activities by limiting them to Community matters and linking them to Commission and Council needs, this hardly reduces the complexity of the problem of choosing among and ranking the many users within the Commission. Consequently the system needs a mechanism to establish priorities among competing demands. But there is no effective priority setting without the means to ensure that all components of the system will comply with the decisions taken. In order to ensure success, machinery is required to allocate resources at the right time and in the right quantity to those parts of the system charged with execution. A particularly important resource allocation is the one needed to strengthen the weaker parts of the system so that it is not hopelessly driven out of balance.
- *Defining norms and standards and ensuring compliance therewith.* No matter what system produces them, statistical outputs must be consistently defined and strongly related to each other or else they become a barrier to meaningful analyses. For example, in order to measure productivity adequately, the output and the labour and capital inputs must refer to the same universe; in order to measure import dependence, imports and domestic production must be expressed in terms of the same set of products; and so on. The use of standards is even more important in a decentralized system such as the ESS, where every statistical product involves the aggregation of outputs produced by many national statistical offices that are members of the EU. Many standards are needed to ensure that the different elements that make up "national statistics" are parts of a multinational statistical "system". These standards include official statistical classifications, the availability of and systematic access to registers, agreed quality standards, standards for

the creation and dissemination of meta-data, and so on. And machinery is required to ensure that the use of the standards is not simply honoured in the breach but is in fact taken as a strict guideline to which all members of the system adhere.

- *Operating an integrated dissemination system.* For any but the most trivial of statistical systems there has to be an integrated dissemination subsystem which makes it possible for users to find what they want, in the manner they want it, and with the necessary guidance to prevent them from drawing inappropriate inferences.
- *Upholding a reputation for competence and integrity and ensuring the credibility of all outputs.* An effective statistical system must be one whose outputs are credible. But credibility can hardly be established product by product. It is an ineffable attribute intimately associated with the reputation of the system that produced it. No single factor guarantees that the outputs of a system will be credible. But an effective guarantor of quality is a necessary condition. That guarantor is the senior management of the statistical system personified in the eyes of the public by its head – the Chief Statistician, or the Director General – whose appointment, powers and personal attributes promote rather than dampen the system’s key functions. Of course he³ brings to his office his personal qualities and his professional history. But he is also marked by the circumstances of his appointment. If the latter are perceived as arbitrary or unrelated to merit and suitability, all personal attributes may prove to be insufficient to guarantee future credibility.
- *Being endowed with policies, procedures and mechanisms to select, develop and promote the best possible human resources.* An effective statistical system must be endowed with proper human resources, armed with the technical and managerial competence that the job requires, motivated by the prospect of a meaningful career, and assured of equitable treatment by the system’s transparency and objectivity.

It is hard to envisage an effective statistical system without a moderately well developed version of these elements, although not all need to have reached the same stage. If we accept the existence of these elements as the criteria that distinguish fully developed statistical systems, then the European Statistical System would not yet appear to be fully developed, however successful EUROSTAT is at its tasks.

3. The Legal Basis of the European Statistical System

EUROSTAT is the only so-called supranational statistical office of which we are aware. Why is it regarded as supranational, as opposed to international, or federal; and how does it differ from other statistical offices?

Formally, EUROSTAT is regarded as “supranational” because, like its parent organ, the Commission, it reaches decisions and issues regulations that, once endorsed by the Commission, become mandatory across the Union. The process of reaching those decisions is such that the wishes of some national offices of the EU member states may actually be overridden so long as they do not account for more than a minority – however the minority might be defined. Once its proposals are accepted by the Commission or the European Council, they become binding regulations that affect in general all members

³ Whenever the authors refer to “he” and “his”, they imply “he/she” and “his/hers” but did not wish to make the text too cumbersome.

of the Union and in particular their national statistical offices. In this sense and as emphasized in the introductory remarks above, EUROSTAT is essentially different from international organs, such as the Statistics Division of the United Nations that can only rely on the voluntary cooperation of NSO's.

EUROSTAT differs in other respects from typical NSO's. Firstly, its legal basis is no more than a Commission regulation⁴ with few of the safeguards that are features of the typical law establishing a national statistical office. On the one hand, it has broad powers to recommend statistical initiatives to the Council (whose adoption makes such programmes mandatory for member countries). On the other hand, the regulation has some significant limitations relatively to its national legal counterparts. To enumerate a few of them:

- National statistics acts, particularly those passed or amended within the last 10-15 years, provide significant safeguards to ensure independence from political interference of the NSO, reflecting the Fundamental Principles of Official Statistics initially adopted by the Conference of European Statisticians and subsequently endorsed by the United Nations. No such safeguards are built into the mandate of EUROSTAT even though the EU might wish to be in a leadership position in this respect.
- In contrast, since all regulations, even those initiated by EUROSTAT, must originate from or be endorsed by the Commission, the appearance of political interference in strictly methodological issues cannot be avoided.
- There are no safeguards relating to the dissemination of statistical information and analyses without clearance by other organs of the Commission.
- There exists no mechanism,⁵ with membership largely drawn from outside the staff of the Commission, with the primary mandate to assist the ESS in safeguarding its impermeability to political interference. In fact, in the next section we will be making some suggestions in this regard.
- There are no safeguards in the Commission's decision establishing EUROSTAT regarding the appointment of its Director General. While national statistical law is uneven in providing such safeguards, the appointment of national heads of statistical offices is far more likely to occur within the framework of public accountability, at least in democratic countries.

⁴ Council Regulation (EC) No 322/97 of 17 February 1997 on Community statistics (1) and Commission Decision of 21 April 1997 on the role of EUROSTAT as regards the production of Community statistics.

⁵ We believe that the European Statistical System might benefit from one additional element: an organ that we call the European Statistics Council. We envisage that such a council would be formed of eminent nongovernmental people (national or Commission), representing a variety of relevant professional backgrounds: chief economists of major corporations and major banks, heads of social think tanks, prominent academic personnel, health economists, ecologists, and so on. It would have two main tasks:

- to advise the Director General about emerging economic and social priorities which would significantly benefit from EU-wide comparable statistics, and which therefore should be taken into account in formulating the plans for the ESS;
- to provide public warnings should it see what it regards as inappropriate political interference in the professional affairs of EUROSTAT.

It is just as important to spell out what we do *not* consider as proper with respect to such a council:

- it should not be envisaged as anything like a board of directors for either EUROSTAT or the ESS because such a role would not be compatible with its nongovernmental composition;
- its membership should be broadly representative of the both the geographic and substantive diversity that would make the Council useful – it being understood that members' moral standings are far more important than members' occupational or national characteristics.

- In the EU and indeed within the wider OECD area, the heads of most statistical systems report to an elected official – generally a minister – albeit indirectly in a few cases. But the head of EUROSTAT reports to an appointed official. This has a negative effect on the nonpolitical independence of EUROSTAT as compared to an NSO. While a minister is accountable in the court of public opinion to maintain an arm’s-length relationship to the statistical office reporting to him, an appointed official is seldom accountable in the same way. Accordingly, the ultimate step from the head of the statistical system’s point of view – immediate resignation from office – is much less likely to act as an effective deterrent to inappropriate external interference.
- There is an important difference between EUROSTAT and NSO’s. For the latter, the law usually allows them considerable operational latitude as it defines their scope broadly. At best it might simply refer to the “social, economic, and environmental areas” and at worst to a list of themes. It follows that there are no legal barriers preventing the head of the system from being anticipatory and proactive. But EUROSTAT’s scope is defined as a periodically approved programme – the law limits its scope to that specified in the five-year Community Statistical Programme (CSP). While the definition of scope would tend to encourage anticipatory planning in the case of heads of NSO’s, it may well be a deterrent to doing so in the case of EUROSTAT. While the CSP does provide for specifying the details of the work to be carried out during the forthcoming year and it calls for a mid-term audit of the five-year programme – but it is not clear that the audit can result in substantive changes halfway through the current programme.
- The regulation on basic statistics is fully based on the principle of subsidiarity. The definition and use of statistical standards and methods, to the extent that EU-wide consistency is needed for the production of certain statistical information, is within the power of EUROSTAT. However, the execution of relevant statistical programmes is left to national governments. While this can lead, and in fact has led, to a major harmonisation of statistics within the Union, particularly in the area of economic statistics, it limits the direct quality assurance authority of EUROSTAT and may not result in uniformly good-quality products.
- The regulation enables (but does not authorize) EUROSTAT to obtain confidential statistical information from NSO’s about identifiable reporting units. However, it does not provide enforceable sanctions for EUROSTAT staff should they breach confidentiality. Consequently the current provisions may well convey to respondents a lack of clarity about the effectiveness of the confidentiality promised by their respective NSO’s, while at the same time they may not ensure access to confidential information even where that might serve the priority needs of the ESS.
- EUROSTAT, via a Council regulation, can require national governments to supply information needed for an EU statistical programme – so long as the information is available. While within certain limits it helps meet incremental costs where the information requires development, it cannot and does not prescribe which organ in each country should carry out the development in question unless given leave to do so. Moreover, and this is the key point, in no case, whether the information is newly developed or not, can EUROSTAT set quality standards for its compilation and release.

But laws and regulations are not the only factors that determine the performance of statistical systems.^{6,7,8} Against the background of the outline of EUROSTAT's "legislation," we move on to examine the functions of a statistical system as applied to the European Statistical System and to show how it differs from a truly effective national statistical system.

Consideration should be given to passing legislation establishing the European Statistical System and EUROSTAT with the following features:

- Establishes the ESS and provides EUROSTAT, as its chief institutional component, with substantive autonomy and a broadly defined mandate;
- Instructs EUROSTAT to operate according to the tenets of the Fundamental Principles of Official Statistics;
- Gives to EUROSTAT the role of overall coordinator of the European Statistical System to be consulted on all matters of statistics initiated by the Commission;
- Provides for the establishment of an oversight body - the European Statistics Council, responsible for helping ensure the impermeability of EUROSTAT to political interference and capable of providing guidance on emerging statistical priorities;
- Recognizes the competence of the SPC (Statistical Programme Committee), consisting of directors of NSOs together with the Director General of EUROSTAT, in methodological issues by assigning to it the responsibility to regulate them.

4. Strengthening the European Statistical System's Governance: An Additional Institution

Assuming that the recommendations listed in the section above were adopted for the purposes implied in their definition, we would nonetheless consider that the system—the ESS—might remain incomplete in the absence of an additional institution. We call that institution a Council and we regard it—not formally but in spirit—as a kind of Privy Council or *Conseil d'Etat* following the example of those countries where a sober advisory assessment is deemed necessary to strengthen governance at times of crisis and to inspire vision at times when new beginnings are called for. The following sets forth the properties with which we would endow such an institution:

The European Statistical System could well benefit from an organ that we call the European Statistics Council. We would endow such a council with both solemnity of process and prestige of appointment and envisage its membership to consist of eminent nongovernmental people (national or Commission), representing a variety of relevant professional backgrounds: chief economists of major corporations and major banks, heads of social think tanks, prominent academic personnel, health economists, ecologists, and so on.

⁶ The United States' statistical system is an exception to most of the generalities mentioned in this article. Why this is so and to which extent would be the subject of a separate analysis that would take us far afield from the present subject.

⁷ Even after some qualifications this statement may be too sweeping. But the authors have not conducted a proper survey of practices in each of the member countries to test its accuracy.

⁸ The law does provide for specifying the details of the work to be carried out during the forthcoming year and it calls for mid-term audit of the five-year programme – but it is not clear that the audit can result in substantive changes halfway through the current programme.

The council's mission would be twofold:

- to advise the Director General about emerging economic and social priorities which would significantly benefit from EU-wide comparable statistics, and which therefore should be taken into account in formulating the plans for the ESS;
- to provide public warnings should it see what it regards as inappropriate political interference in the professional affairs of EUROSTAT.

It is just as important to spell out that we do *not* consider proper with respect to such a council that it be envisaged as anything like a board of directors for either EUROSTAT or the ESS because such a role would not be compatible with its nongovernmental composition. In addition, its membership should be broadly representative of both the geographic and substantive diversity that would make the Council useful – it being understood that members' moral standings are far more important than members' occupational or national characteristics.

5. Coherence of ESS Information

In this section we discuss why it is important for a statistical system, such as the ESS, to be coherent. To us a coherent system of statistics must have at least the following properties:

- *Coherence of standards.* What is targeted, observed and classified by different agents is rigorously the same. In other words, if two NSO's in different jurisdictions address the issue of industrial statistics, it is understood that the unit of observation and the system of classification that each one adopts are the same for both;
- *Coherence of direct measurement.* What is measured is measured without gaps and duplication.
- *Coherence of related information.* For each key question there is a sufficient breadth of balanced and consistent data for thoughtful users to feel that the elements necessary for analysis and decision making have been adequately provided.

We consider that the first of these properties has been handsomely secured through the enormous efforts of EUROSTAT. But we consider that the two others are necessary but the conditions to secure them have not yet been met. Our reasons are as follows:

We do not believe that the ESS currently would pass the criterion of coherence of direct measurement in the case of its economic statistics. Indeed, our experience leads us to believe that in the absence of an integrated business register it is not possible to ensure the unduplicated and complete measurement of economic activity. What is currently reported represents no more than the simple aggregation of national estimates each based on a national register of businesses. But in the absence of inter-country cross-checks and in the case of multinational enterprises correct coverage (no gaps or duplication) cannot be assured. To illustrate, there is no guarantee that what Philips reports to the Dutch authorities excludes, as it should, the company's Austrian operations – and vice versa.

We also believe that the ESS does not pass the criterion of the coherence of related information. To illustrate, a thoughtful analyst wishing to examine the impact of VAT rate harmonization within the EU would need consistent EU-wide information on production, trade and consumption. While balanced information on these variables might be available

in national input-output tables, to our knowledge no such information exists for trade within the EU. Indeed, the sum total of national exports at this point exceeds by an uncomfortable margin its import counterpart. While this condition is not specific to the EU, no *national* statistical system would find such *internal* divergences tolerable.

Consideration should be given to the following measures:

- establishing the mechanisms needed to ensure that the union of national business registers supports business surveys with complete and unduplicated EU-wide coverage;
- creating an intra-EU input-output table in sufficient detail to serve as an analytic tool to highlight gaps and inconsistencies in the coverage of EU-wide economic activity. Such a tool should be sufficiently flexible to support important studies, such as reviews of fiscal impacts.

6. Detection and Over the Horizon Anticipation of User Needs

We examine two different issues. Firstly, any statistical office has the problem of having to foresee the demands of its key users because, by the time that they are able to articulate their needs, the office can no longer count on the typically long time needed to develop the statistics required to meet those needs. And, secondly, EUROSTAT is mostly limited to contacts with users within the Commission, who comprise no more than a subset of all users—actual and potential—of European statistics.

It was largely through the persuasiveness of Simon Goldberg, late Director of the United Nations Statistical Office, that the following chain of logic became part of our acquired wisdom. Firstly, part of the mission of the creative official statistician is to develop the ability to anticipate problems rather than responding to them once they are at his doorstep. Secondly, ensuring a proper statistical response to shed light on a substantive issue takes a great deal of time. And thirdly, in order to ensure fast response to urgent demands, statistical agencies must develop their general economic and social surveys in a manner that permits grafting on them inquiries about new subjects that have acquired special importance. We have already mentioned the impediments to some of these activities in the case of EUROSTAT. While it can prescribe via Commission regulation that a particular survey should be carried out, it cannot create the necessary infrastructure in each national statistical system that would be required for a flexible capacity to respond to unforeseen priority statistical requirements.

EUROSTAT has as many users as are interested in or dependent on the availability of Community statistics. But the office is formally set up to meet the immediate needs of the Commission. As its statistical agent, EUROSTAT is entrusted with the role of leader of the process of harmonizing national statistical systems in those areas that fall within the Commission's competence. While it has extensive links with the different organs of the Commission, the way it operates would almost certainly preclude it from balancing Commission requirements with those of other parties, even if it were the case that the others were just as intensive users as the organs of the Commission. We suggest that there are at least two possible ways to alleviate this handicap.

An effective statistical office has the *internal* capacity to detect future requirements. This capacity is a direct function of the office's analytic capability. Without such a

capability, tried and tested on an ongoing basis, it is impossible to think clearly about how social and economic processes are inter-related, to be capable of a sober evaluation of the entire range of statistical evidence required to describe those processes, and above all to have the imagination and understanding required to guess what might be in the offing as a result of the evolution of public concerns. That capability must be created, nourished and kept permanently exercised. Neglecting it implies consigning one's institution to a reactive posture bound to irritate rather than to impress sophisticated users of quantitative evidence. But we do not find evidence of its existence in EUROSTAT.

The counterpart of an internal analytical capability is the ability to reach out. There is an acute need for the senior staff of EUROSTAT, and particularly its Director General, to foster close working relationships both within and outside the Commission, as well as with other organs concerned with the analysis of the economic and social performance of the European Union. Such relationships are primarily designed to increase the awareness within EUROSTAT of strengths, weaknesses and gaps in the available statistical information as well as to raise the office's profile. The European Central Bank is a particularly important client; in fact as guardians of the European System of Accounts, it is very much EUROSTAT's duty to ensure its correct use and interpretation by the ECB, which in turn can only happen through the development of the closest working relations, unimpeded by institutional barriers.

The current structure of the CSP should be modified to include very explicitly a modicum of resources earmarked for analytical pursuits, particularly those that have a high likelihood of qualifying for priority attention once the activities designed to satisfy current requirements become part of the ongoing programme.

In addition to fostering even more intensive contacts with the Commission, EUROSTAT's senior management should branch out and establish equally close contacts with outside users including especially the European Central Bank.

7. Assigning Priorities to Competing Activities and Allocating Resources to Ensure Their Correct Execution

It is a particular source of frustration for national statisticians that there is no objective methodology to rank order priorities. Accordingly, this problem is not the exclusive bane of the Director General of EUROSTAT but rather it is a burden that he must share with all heads of statistical systems. However, there are some special difficulties that arise in the context of EUROSTAT.

- EUROSTAT's priorities are set out for it in the CSP. However, it has no means of mediating between those community-wide priorities and the ones that beset NSOs of member countries. In addition to friendly persuasion, it can *only* rely on its mandatory authorities to ensure that NSOs follow through on its regulations, whatever other priorities the NSOs might have. Its course of action is even more complicated in the case of statistical activities that come under the purview of the Committee on Monetary, Financial and Balance of Payment Statistics where EUROSTAT's authority is diluted by that of the European central banks.

- Within NSO's the obvious way of affecting priorities is through resource allocation. But the resources available for community statistics are not entirely controlled by EUROSTAT: some of them are controlled by other Directorates of the Commission. This prevents EUROSTAT, acting together with heads of NSOs, from responding to overall priorities by allocating resources accordingly.
- Furthermore, EUROSTAT plays little or no role in allocating the resources of NSOs across the full range of their activities although, exceptionally, it supplies financial and in some cases human resources to the less well endowed statistical offices. Of course, EUROSTAT makes use of the many formal and informal occasions when heads of NSOs meet (for example in the SPC framework) to discuss the ability of national offices to follow through on its regulations. It also reviews issues that go beyond the scope of formal regulations. But in those cases the role of EUROSTAT is closer to that of international organizations that work on the basis of persuasion and consensus.
- EU requirements account for a relatively small percentage of the well established NSO resources. But requirements that relate to a comparatively small percentage of total needs seldom exert enough leverage to get top billing on the priority list of an NSO. Even for a high-profile, high-priority and resource-demanding activity such as the estimation of the annual national accounts, all that has been harmonized are internal classifications, boundaries, forms in which special transactions are to be treated and so on. But the basic statistics that underlie the estimation of the accounts have not yet been harmonized beyond the stage of using standard classifications and roughly comparable definitions of reporting units. It follows that, even for statistical activities required for the national accounts, the manner in which decisions regarding priorities are implemented depends on the good will of the national director, and the set of national pressures faced.
- No doubt, having the statutory authority of a formal Commission decision helps to give weight to the priorities of EUROSTAT, but it is not a magic solution: national governments are close at hand whereas EUROSTAT, in spite of all the facilities of modern communication, is in a remote capital (at least for all governments of the Union bar one). And while the careers of NSO staff depend on how they implement the priorities laid down for them by their respective national directors, EUROSTAT can exert no comparable leverage.
- A further complication arises in those areas of the ESS where EUROSTAT's national interlocutors, the heads of NSOs, themselves have only limited authority. Indeed, there are many examples of statistics that are not collected by statistical offices but are compiled on the basis of records drawn from government operations. For example, statistical information is regularly derived from records generated as by-products of taxation, customs, agriculture, transport, labour and so on. Indeed, EUROSTAT has in the NSOs a set of interlocutors with whom a *modus vivendi* has been established and is subject to constructive criticism and review. But the operational activities of national governments, no matter how important their statistical by-products might be, are *not* discussed with EUROSTAT and not subject to the kind of mutual influence that characterises the dialogue between EUROSTAT and NSOs of member countries. Nor does this apply exclusively to traditional areas such as those mentioned above where administrative records hold sway. For example, among areas growing in importance

are the surveys relating to Science and Technology without which a proper analysis of industrial activities remain incomplete. These are typically not conducted by the NSOs, are based on different and independent sampling frames, and are regularly analysed by practitioners outside the statistical system.

- While the issue of coordination over the complete range of statistical output is important, it is not apparent how EUROSTAT could gain access to a wider range of national institutions—whether by means of new laws, customs, or established bureaucratic practices. The question of influence over operational records of government having important statistical by-products can be a problem within individual countries. However, where the head of the NSO is truly the head of the statistical system in his country, he has a good chance of gaining the moral authority to speak on behalf of his entire constituency. Since EUROSTAT's authority in the areas that lie outside the traditional boundaries of NSOs was never made explicit, it is likely to be thwarted by attempts it might wish to make to exercise coordinating control.
- While EUROSTAT is likely to encounter difficulties in interacting with those parts of national statistics located in ministries outside of the NSOs, other organs of the Commission are likely to have regular contact with these ministries. One could envisage a different way of routing the dialogue that the different Directorates within the Commission maintain with their national counterparts so that no sooner was the word “statistics” pronounced, the matter would be referred to EUROSTAT and to its supporting machinery. But we see no indication of a movement in that direction and know too little about the way that bodies such as the Committee on Monetary, Financial and Balance of Payments Statistics work to be able to assess the likelihood of a more generalized opening in that direction. A special complication arises from the fact that the European Central Bank and its national counterparts have a separate legal basis for the compilation of European balance of payments and financial statistics, complete with provisions for confidentiality protection. The only bridge between the two statistical systems is the Committee on Monetary, Financial and Balance of Payments Statistics.

The recommendations included in the inset below are a direct result of the difficulties that we perceive in the priority setting mechanism of the ESS. The key to overcoming these difficulties lies in taking a much more serious view of planning.

The mid-term evaluation of the CSP includes a claim that the EUROSTAT annual programming struck the evaluators as haphazard. There is no evidence of a quinquennial balancing exercise that weighs the Council's priorities against available resources in EUROSTAT. Indeed, the statistical resources of the Commission are scattered throughout a variety of directorates.

Furthermore, there is virtually no chance of managing an acceptable compromise with member countries if planning and programming in EUROSTAT have not yet reached a state of maturity. Rather, national acceptance of European priorities is likely to be conditioned on the one hand by available resources, on the other by the possible embarrassment of being criticized or even sanctioned for failing to comply. EUROSTAT has begun to take seriously the challenge of planning to the point of including a sophisticated course on the subject as an annual event designed for its professional staff. But the authors are not aware of a serious effort designed to convert

the principles into an integral part of the office's activity. Thus there are complaints in the mid-term review about the failure to drop less relevant subjects as an offset to the adoption of new ones.

Accordingly, we make the following recommendation:

- Consideration should be given to the establishment of a “core statistical budget” within the Commission assigned to EUROSTAT for meeting the broad statistical priorities of the Commission. There should, however, remain some financial resources in the directorates to meet statistical requirements as and when needed. This should not pre-empt the allocation of financial resources to the directorates so that they can meet their statistical requirements as and when needed.

8. Defining Norms and Standards

This is clearly a major activity for EUROSTAT in those areas where the Commission wishes to bring about harmonization. EUROSTAT has been eminently successful in promulgating standards that have become household words in the national statistical offices of European Union member countries, first and foremost for classifying commodities in international trade, and secondly for the classification of economic activities as well as for the products of those activities. EUROSTAT has been one of the active partners in the development of the current system of national accounting, it has forged ahead faster and more completely than anyone else in seeing to its implementation, it pioneered a system to record intra-community trade free of customs records, and succeeded in creating for the first time ever a system of harmonized indices of consumer prices. In line with the primary mandate of the Commission, the focus of most of these standards is on economic surveys although the social domain is slowly acquiring greater importance for the Commission—and hence for EUROSTAT. But in spite of these formidable contributions, we have found several vulnerabilities in the area of norms and standards.

Setting standards and methods and *enforcing* them are two widely different activities. EUROSTAT can define and promulgate standards and methods. And once promulgated they will have to be respected. But even if it had full audit capabilities, EUROSTAT would not have the ability to ensure a uniform implementation of these standards.

In addition to the length of time needed for negotiating standards, the implementation phase allowed for each successfully negotiated regulation is even longer.⁹ For example, the implementation phase of NACE was, we were told, close to ten years, the tenth year being for the last and least important of the surveys in the countries that experienced greatest difficulty in converting from their own classifications to NACE. But the world of economic organizations does not stand still for long. Moreover its changes are cumulative and no economic classification can be fully anticipatory.

There are very long delays and compromises involved in getting a classification developed through from the moment of inception to the time when it is approved and

⁹ This is because of the difficulty for each multinational enterprise to ensure consistency in its reporting of “foreign” operations in different countries. Without a systematic confrontation there is no way of calculating the error caused by inconsistent reporting but if the error is constant and multinationals are increasing their share of EU GDP the error may indeed be rising faster than economic growth.

officially translated. This could mean – at the extreme – that by the time a classification is finally accepted, its contents might border on the obsolete. It would also mean that by the time a complex resolution is fully implemented, the degree of obsolescence is considerable and patchwork becomes the order of the day. But hurrying the passage of any suitable norm can take away legitimacy from the result, not to mention that an inadequately thought out classification may only be implementable by some, rather than by all.

Yet another vulnerability relates to *ex post* innovations. Throughout advanced statistical offices the idea of innovation has become cardinal to their concerns and some – including of course our own – make very special budgetary provisions to stimulate innovation and recognize innovative staff members in a variety of ways. Innovation is supported to reach one of two objectives. Firstly, there is product innovation as matters not yet covered by the range of surveys and administrative registers are put forward as candidates for measurement in view of a public concern. Secondly, there is process innovation as new ways of doing things either more cheaply or with better quality are discovered and acted upon.

What could be a greater threat than an important proposal for innovation in the context of a process that has taken years to progress from the drawing board to the stage where it was accepted and is now being implemented? What possible incentive can be provided to those whose efforts brokered a finely balanced compromise to reopen their discussion in order to fit in something that is bound to be disruptive if it is not trivial?

The road to harmonization via increasingly detailed economic classifications eventually leads to an impasse. The results risk instant obsolescence and in any case are enormously expensive to maintain.

- We recommend a two-pronged strategy that consists in creating Union classifications at a high level, leaving it to countries to complement them with their own national efforts. An agreement at, say, the two and a half digit level is surprisingly easier to reach and to maintain than one at five digits. Moreover a high-level agreement leaves the door open for innovations at detailed level.

... and ensuring compliance therewith.

The complement of setting standards is to ensure that they are complied with. In this respect EUROSTAT has an intrinsic advantage over international statistical organs. Within the EU, unlike in the international sphere, compliance or noncompliance with an agreed text, definition, or algorithm may translate into a failure of making a sizeable payment or a bonus in getting an unduly large receipt. Accordingly, EUROSTAT as the supranational organ of the European Union's complex is, and must continue to be, empowered to ensure compliance with standards. The authors are aware of the standard evaluation practice applied by EUROSTAT to candidate countries. They studied it when carrying out their Peer Review of Hungary's statistical system. They found it much too mechanical and unlikely to instil the kind of confidence among others which was intended. The authors are also privy to informal comments by heads of member country NSOs that suggest scepticism ranging from mild to deep about the scrupulousness of others when it comes to abiding by collective decisions on norms and standards. These are corrosive attitudes. However, the authors have not been able to find a legal text that would give

EUROSTAT full powers of audit to ensure that Community decisions were being truly honoured by member countries, in addition to candidates.

Ensuring compliance with agreed standards is a task that follows from a necessary condition but by itself is not sufficient. As indicated earlier, EUROSTAT currently has no adequate means to verify the quality standards applied by national statistical offices in implementing the common European programme. This too is a major shortcoming that must be corrected for the ESS to function adequately. The correction revolves around the thoroughness and legal basis of the audit function that the authors would wish to see in EUROSTAT's armoury. The audit must be both real and perceived as such. This requires: (a) that it be conducted by senior professional statisticians having a broad range of experience enabling them to assess the trade-offs inevitably involved in setting statistical quality standards; (b) that it be unannounced beyond the minimum interval required for courtesy and for making it logistically feasible; (c) that it be full, which means that nothing reasonable should be kept from the auditors' view; and (c) that it be transparent, meaning that both the auditors' report and the rebuttal by the audited should be made public. We realise that "reasonable" is a dangerous word to include in this context, as to paraphrase the saying, one man's reason is another man's poison. But over time there could be jurisprudence built around demands by auditors, initial refusals for cause (e.g., information protected by law) and opinions by a body such as the European Statistical Council, accepted by both parties.

EUROSTAT requires clear and explicit powers of audit backed by a Council regulation. The authority to carry out such an audit, its terms and constraints, should be well-known to all, just as there should be a body of statistical auditors well versed in the management and substance of official statistics ready to take on the duty at a moment's notice. The authors believe that examinations such as the one they conducted in Switzerland and in Hungary¹⁰ would be far more meaningful and inspire far greater mutual trust than the kind of compliance review that is currently carried out.

Moreover, given the substantial impact of Community statistics on the movement of substantial funds, EUROSTAT should have the legal power to audit in detail the compilation of those statistical series which are implicated in Community-level financial arrangements.

9. Operating an Integrated Dissemination System

EUROSTAT has a good website to display the information that is available on a Union-wide basis. However, the coverage necessarily reflects the areas where EUROSTAT was able to establish Union-wide standards. It is mostly economic, with the exception of its population and social conditions heading under which a number of admittedly wide-ranging monographs are listed. These monographs address individual issues but not in a systematic form. Thus, for example, should users wish to look up living conditions for old-age pensioners in the Union, they would find a reference to a suitable analytical text rather than data. But if they required corresponding health data, they would have little choice but to consult WHO or OECD data bases and live with an inconsistent set of breakdowns, or

¹⁰ I. P. Fellegi and J. Ryten: *A Peer Review of the Swiss Statistical System*, Neuchatel 2000, and by the same authors, *A Peer Review of the Hungarian Statistical System*, Budapest, 2001.

else attempt to build up EU totals from national websites—a difficult task. In addition, data disseminated by EUROSTAT, seeing that they invariably come from national sources, are less timely than the corresponding national sources.

Yet a statistical office depends for its public image on an integrated dissemination programme. Such a programme gives it public visibility and therefore public legitimacy. But given the handicaps described above, what might be the relative dissemination advantage of EUROSTAT? While EUROSTAT is not the original producer of data, it does provide the machinery to make national information compatible across borders and thereby to generate a European total or a European mean. One may argue that there are three factors in favour of a single website rather than many:

- there is no loss of timeliness;
- it is impossible to create a meaningful total of many national statistics, using the information available to an outsider;
- the former is the only one to explain how the total is calculated—assuming the calculation is not trivial.

These three factors create an underlying obligation for EUROSTAT. It must argue convincingly that European totals (and national shares in European totals) are important to the understanding of economic or social matters of concern. It must show that those totals are not always trivial to calculate and that the totals that one would obtain by simple summing would differ significantly from the correct ones. And it must demonstrate to the individual user that it is worth waiting for the results of EUROSTAT's estimation rather than attempting to second-guess it. If none of this is the case and a convincing case has not been made, EUROSTAT's figures are "only" a record of the official figures that the Commission uses to drive administrative procedures related to taxing member countries or awarding them shares of common funds. And while this is highly important, it has the characteristic of a legal record required for a financial transaction, but one without the usually understood role of a current statistic.

The role of a simple "aggregate" publisher has become extremely difficult and it is questionable whether an organization such as EUROSTAT has a comparative advantage when it comes to carrying it out. For in each country, the statistical institute or the Central Bank will have a website and the results of its surveys and statistical syntheses will be released almost instantaneously. Moreover, private sector agencies have acquired a specialization in how to estimate totals even though there are a few missing components. EUROSTAT, however, is bound not to engage in speculative estimation and even less in speculative publication. We would argue that EUROSTAT has not encouraged its audience to reflect on the difference that fully integrated European figures can make to an understanding of special and economic processes in Europe. And until a competent analysis of the significance of European figures is in the hands of the public, the use of EUROSTAT figures will not be at a premium.

EUROSTAT should create an awareness of European figures as distinct from showing for the sake of reference the sum total or average of different national statistics. In order to do so it must promote them and give them the same profile that American, Australian, or Canadian figures have in their own country.

10. Ensuring the Credibility of the European Statistical System

We have argued elsewhere¹¹ that one of the key roles of the Chief Statistician is to ensure the integrity of the statistical system of which he is in charge. The European statistical system is certainly no exception. Indeed, one might argue that its publicly recognised integrity will be the key determinant of its future evolution.

Given the importance of the Chief Statistician within the system, it is natural to raise the question: how do the formal functions and powers of the Director General of EUROSTAT compare with those of national Chief Statisticians? Naturally our comparison proceeds strictly in terms of formal attributes, leaving aside what a particularly gifted incumbent could accomplish irrespective of the mandated characteristics of his office.

- Chief Statisticians in developed statistical systems have priority setting powers, at least in countries having centralised statistical systems, or where decentralisation occurs along subject matter lines. However, the D-G of EUROSTAT does not have such powers. The nature of his job and the limitations attached to his scope of action place the D-G of EUROSTAT in the role of an intermediary—albeit a powerful one. Accordingly, both potential and actual users might be sorely tempted to either make their own statistical arrangements, or else approach national authorities directly, to make sure that commitments made are acted upon rather than subsequently negotiated.
- The Chief Statistician of an NSO has the major function of assuring the integrity of the statistical system. But the D-G of EUROSTAT cannot, under present arrangements, assume that role. At best he can strive to have common methods and standards implemented, but cannot assure anyone of a consistent level of quality across countries or over time.
- The D-G of EUROSTAT does not have opportunities to develop a public profile in the same way as at least some of his counterparts in NSOs. This is due to a variety of causes: the location of EUROSTAT within the hierarchy of the Commission (which itself does not have high public visibility), the limited dissemination functions of EUROSTAT, its restricted contact with user communities, and the difficulty of arranging high-visibility speaking arrangements throughout the EU. As a consequence of his relatively low public profile, the ability of the D-G to safeguard the nonpolitical integrity of the ESS is correspondingly limited.¹² Indeed, the ultimate safeguard of the integrity of national statistical systems is the threat (which is best left as something that is *implicitly* understood) of the resignation of the Chief Statistician – should the government try to interfere in an inappropriate manner. Naturally, the credibility of the threat to resign depends on the Chief Statistician’s public profile.
- Whatever the form into which EUROSTAT evolves – see below for a discussion of the topic - the Director General will continue to transmit the general directions and guidelines of the Commission to his national peers and will act as a chairman of the Board in listening to their views and objections before issuing decisions that should be respected and carried out. However, that is but one set of roles proper for the Director

¹¹ I. P. Fellegi: Characteristics of an Effective Statistical System (Morris Hansen Lecture), *International Statistical Review*, v. 64, pp. 165–199; I. P. Fellegi and J. Ryten: A Peer Review of the Hungarian Statistical System, Budapest, 2001.

¹² For a discussion of this issue see “Characteristics of an Effective Statistical System.”

General to assume. There is another which is at odds with the former. Indeed, where the Director General is advocate he must also be judge, and where he is judge he must also be advocate. More specifically, the Director General is the only person who can act as advocate on behalf of national office directors at the Commission so as to gain acknowledgement of national priorities and other circumstances that may render difficult or cumbersome the introduction of European regulations. He can only be successful in this function if he is recognized by his peers for his professional competence and for his professional integrity.

While the Director General of EUROSTAT must have at least comparable credibility to that needed by National Chief Statisticians, he starts with several handicaps that derive from the institutional arrangements of EUROSTAT. It is therefore all the more crucial that EUROSTAT should be headed by a leader whose appointment, powers and personal attributes promote rather than dampen the system's key functions.

The way in which the head of EUROSTAT is appointed can do much to exacerbate or to attenuate the permanent tension of being judge and advocate at one and the same time. If the appointment is perceived to be entirely in the hands of the Commission without reference to the very special features of the profession and the sensitivities of official statistics, the Director General's legitimacy could be seriously undermined. The unique position of the current incumbent owes far more to his personal characteristics and suitability than to the manner of his appointment; as such those characteristics are not transferable to his successor. If the latter were unknown to the international statistical community or judged unsuitable, or if the community were not consulted, it would be an uphill battle to manage effectively the tensions inherent to the position.

There should be a body, above reproach, *involved in* the selection of a new Director General who, in turn, must be acceptable to the statistical community.

We recognize that the Director General occupies the interface post, that which links the supply of statistical information and the Commission's demands. Whatever enlarged mission is entrusted to the Director General in the future, that link will remain the most delicate and important aspect of his task in the years to come. For that reason alone, it is reasonable to expect that the Commission's policy organs should be actively involved in the selection and appointment process. At the same time, the person must command professional respect. We recommend that a body that has credibility, respect, and the objectivity that derives from scientific probity—perhaps the International Statistical Institute—be asked to compile a short list of suitable candidates for the post of Director General of EUROSTAT and submit it to the Commission for final selection from the names put forward.

. . . select, develop and promote the best possible human resources. . .

More than any other factor, the quality of its human resources determines the success or failure of a statistical office. If these are to be adequately administered there must be policies to ensure that the staff deployed are *competent*, that is to say that they can rise to the technical challenges inherent to their duties and responsibilities; that they show *integrity*, that is to say that they will not compromise their professional objectivity by

yielding to temptations of financial gain, or to pressures of political expediency; and that they are treated with *equity*, that is to say that the elements taken into account in promoting their careers are intrinsically those of technical and personal merit.

Policies for human resources

Both international and supranational institutions face an acute problem in attempting to combine merit with perceived equity and legitimacy based on broad national participation. It is not that national agencies do not face similar problems. They do, and particularly in federal countries the matter of balanced representation is very often a complicating factor in any decision regarding advancement and recruitment. It is just that the circumstances in international and supranational institutions are so much more acute and lend themselves to greater distortion. The comments about EUROSTAT to which the authors were privy suggest that there is a great deal of scepticism on the part of knowledgeable witnesses regarding the currently used processes.

A statistical career

The authors are not aware of any planned mobility between EUROSTAT on the one hand and its suppliers and users on the other. There are two types of situations that need to be considered:

- Recruitment to a nonstatistical directorate with a compulsory assignment to EUROSTAT as a means of learning more about the statistical process; the difficulties inherent to European harmonization; and the need to engage in over the horizon anticipation because of the built-in lags related to the ability of the statistical systems to respond;
- Recruitment to EUROSTAT with the expectation of a return to EUROSTAT but with a compulsory assignment to either a supplying organization (NSO) or a demand directorate (part of the Commission) so as to learn about the compromises and burdens of supply or alternatively about the skills required to analyse and present statistical information in order to maximise its impact on decisions taken elsewhere.

In the paragraphs that follow we elaborate on why we regard it as important to foster such careers.

Recruitment

Leaving aside short-term support or expert advice, there are two types of recruitment: “to do a job” or “to make a career.” The former is typically more senior than the latter but seldom involves a move through the hierarchical ladder. The recognition it entails is of performance *outside* the recruiting agency and the expectation is for that performance to be replicated *inside*.

“Making a career” involves little in the way of recognition but a great deal in the way of expectation. Other than in general terms, no one can predict the direction of a career. But some expectations are associated with all recruitment and, in order to support them, an initial investment is made in the recruit (formal and on-the-job training, developmental assignments, etc.). For that investment to have a high probability of return, it is important

that a reciprocal longer-term commitment be made by the recruit. But one can only expect such a reciprocal commitment if the recruit knows that he can aspire to any level on the hierarchical ladder provided he carries out his job exceptionally well, and he acquires broad knowledge and experience (i.e., if he knows that he carries a marshal's baton in his rucksack).

Effectiveness demands a mixture of the two types of recruitment. But a balance between the two requires that their limitations be well understood. For example, recruitment in order to make a career is seldom the answer to sudden and urgent requests that cannot be met from existing manpower. On the other hand, once "the job is done" or its nature changed, there is a risk that a highly specialized recruit whose career is behind rather than in front of him will not adapt as readily as someone who was groomed from the start to make a career. It follows that a balanced staff requires simultaneously the ability to react promptly and the ability to adapt to new circumstances. The configuration of staff is somewhat like that of index numbers. Ideally, we would like a superlative index but in practice we have to make do with some Laspeyres and some Paasche.

It remains to question whether and to what extent EUROSTAT has any of the following abilities:

- To hire quickly, and on the basis of competence, someone who can be deployed equally quickly to formulate or conduct a newly hatched project or programme;
- To select long-term prospects and to offer them a meaningful career development programme which includes, other things being equal, reaching the top of the professional career; and
- To carry out either of the two activities suggested above without the distorting influence of those whose major concern is, for example, to achieve geographic equity at the expense of professional competence.

The second-hand evidence that reached the authors suggests that there is a good deal of progress to be made on these fronts.

Career development

We understand by career development the promotion of conditions that will ensure that, once recruited, the new staff member will be provided with the essential skills and opportunities to increase his effectiveness.

It seems to us that EUROSTAT has a twofold obligation towards its staff. On the one hand there is the provision of required professional training, e.g., to ensure that any professional working on basic economic statistics be intimately acquainted with the European System of Accounts. On the other hand there is the need to provide the kind of broad experience that allows staff to carry out some of the most responsible functions of EUROSTAT, as for example to propose statistical regulations and to chair working parties or committees that lead to the development of such regulations.

It is difficult to define or negotiate a satisfactory set of standards for initially fifteen (and eventually almost double that number) widely different countries with different levels of development and with different social and administrative structures. To be successful at such a task requires two things, which are of equal importance: a wide range of internal EUROSTAT experience, at increasingly senior levels within the organisation, and an

understanding, based on first-hand experience, of how regulations, standards and norms are physically implemented in a national setting. Accordingly, a meaningful career with a realistic prospect of bringing a junior recruit to the top of the administrative pyramid should include both internal development and a stay abroad, preferably not in the country of origin of the recruit. Yet we are not aware of the existence of such a comprehensive career development programme. Should their understanding be correct, the authors would consider this to be a significant shortcoming in the effectiveness of EUROSTAT's policy of human resources.

The appointment of senior managers

In the area of human resources management EUROSTAT is involved in most of the issues facing NSOs—but also in some additional ones. We have concentrated mostly on two such issues. Under normal conditions the place of birth of the members of an NSO's management team is clearly of no importance. Much more important is their academic background and work experience.

Let us recall that EUROSTAT has to provide statistics which will determine the size of large money flows and, indeed, the direction of those flows. It is only natural to expect that, given the fact that very substantial payments to and from the EU depend on “what the numbers say,” the identity and the manner of appointment of the Directors and Director General of EUROSTAT are the subjects of close scrutiny by national governments. We think that, instead of trying to deal with each biased and unfounded criticism, it would be preferable to have a clear legal or regulatory text which:

- renders transparent the processes to be used in the appointment of senior EUROSTAT personnel; and
- explicitly requires the involvement in the appointment of the Director General of a body held to be much like the reputation of Calpurnia—above interest and reproach.

The point we are trying to make warrants repetition and, for maximum effect, must be put bluntly. The statistical process must be, and must be seen to be, objective. If it does not satisfy these two objectives simultaneously, it gets corroded and loses effectiveness. But to meet the two objectives the necessary explicit machinery must be installed.

We believe that it is essential for the credibility of EUROSTAT that there should be regulations to establish the principle that senior professional and management positions in EUROSTAT, with the exception of that of the Director General, are career positions to be typically filled by EUROSTAT staff. Bringing into EUROSTAT senior professionals from NSOs for specific specialist tasks, if properly managed, need not interfere with this principle.

All appointments up to at least the Director level should be firmly embedded in the idea of career with the exception of a few specialist positions. The top of a career as a statistician in EUROSTAT should be at least at the rank of Director. Careers should include as features a combination of substantial exposure to life in a national statistical office, life in EUROSTAT and life in one of the Commission's other General Directorates.

These, then, are the features that describe an effective statistical system followed by the steps that the authors would take to improve the performance of EUROSTAT should they

be asked to advance their suggestions. There is at least one remaining question: to which EUROSTAT do the recommendations apply? To the one that we know or to the one that is in the making but has not yet stepped out of its chrysalis?

11. The Possible Evolution of EUROSTAT

The foregoing discussion explored the extent to which the mandate and authorities of EUROSTAT enable it to coordinate a pan-European statistical system, the tensions that arise inevitably out of a two-level statistical system (European and national) and, also in a sketchy way, the steps that should be taken to make those tensions easier to bear. The conclusion is that there *is* a European Statistical System, at least insofar as the domains of immediate interest to the Commission are concerned. But the ESS, while geographically extensive, suffers from limitations when compared with the best among the national statistical systems. This opinion is one we share with those NSO Chief Statisticians who contributed their opinions to the drafting of this article. It also reflects the informal views we received from the European Central Bank.

The external views converged on the following observations:

- EUROSTAT has made signal contributions in harmonizing European (economic) statistics;
- EUROSTAT played a major role in helping to bring the statistical systems of candidate countries up to the European level; and
- There have been a range of improvements brought about in the last few years;

But those same external views include concerns about some areas:

- The appointment process of the Director General of EUROSTAT (already discussed above);
- The ability of EUROSTAT to ensure high qualification standards for its professional staff and senior management;
- The ability of EUROSTAT to maintain nonpolitical professional integrity, particularly in areas where its rulings, based on statistical findings, might be contrary to important national interests of some member countries.
- The breadth and depth of EUROSTAT's ability to coordinate the ESS.
- The ability of the ESS to respond to the needs of the European Central Bank for high quality and timely short-term economic indicators (with at least quarterly frequency). While a great deal of progress has been made in this regard, this is based on a gentleman's agreement rather than on a solid institutional arrangement.

We believe that the limitations and concerns expressed are almost inevitable consequences of the mandates and institutional constraints of the structure of the European Union itself, and of the mandate of EUROSTAT within it. Specifically, EUROSTAT is a captive of the hiring practices of the European Commission; its head is a member of the bureaucracy of the Commission, one of many directors general; and EUROSTAT cannot assume *formal* responsibility for coordinating aspects of the ESS that go beyond the mandate given to it. The principle of subsidiarity demands that functions remain with national authorities unless specifically assigned to the Commission by the Council.

Should the European Union assume additional features of a United States of Europe it would probably bring about a major transformation of the role and attributions of EUROSTAT. If that were the case, and even if subsidiarity remained a basic principle, the functions and character of EUROSTAT would change in line with the broader responsibilities to be assumed by “federal” public sector entities. Our own experience with federal systems would encourage us to predict the following corollaries for the European Statistical System:

- A substantial increase in the scope of the current Community Statistical Programme, particularly in the areas of social and socio-economic statistics;
- A “federal” tax register, leading to the recording and maintenance of “federal” tax filers. Access to such a “federal” register would become as major an issue for EUROSTAT as it is currently for those NSOs that have not yet worked out a satisfactory arrangement with their counterpart tax authorities;
- New “federal” legislation to regulate the right of EUROSTAT to access such administrative registers as well as the applicable rules of keeping confidential individual records and the penalties to apply in cases of infraction;
- As a matter of survival, the requirement for a set of national accounts at the federal level, complete and free of duplication, dependent on the availability for statistical purposes of a European register of businesses whose use would be obligatory for all members of the overhauled ESS;
- A substantial increase in the importance and meaningfulness of federal statistics as is the case for any NSO in a national setting, so that EUROSTAT would be requested to institute a comprehensive dissemination programme comprising both data and substantive analyses;
- An overhaul of the current process of appointments, both of the D-G of EUROSTAT and of the higher echelons of its professional staff—just as in the United States or any other federal country where there are no quotas for the employment shares of the various federated entities in federal public sector employment;
- Since there would be a much wider range of “federal” policies impacting on many interests, the need for much broader user consultation in setting priorities for “federal” statistics would become a pressing requirement for EUROSTAT. This would almost inevitably increase the office’s public profile as its priorities would no longer be solely dependent on the Commission’s (or, indeed, on the new “federal” government’s) priorities. Like other NSOs, it would have to both anticipate and respond to major topics of public policy debate and in so doing take into account the views and needs of the public, press and political opposition in addition to those of the government.
- Given the even further increased importance of the D-G of EUROSTAT (in fact of the Chief Statistician of the United States of Europe), safeguards would have to be in place to ensure the nonpolitical independence of the position as well as the high standards of the required technical competence.

12. Summary of Recommendations

If the authors were kings for one day, and could legislate and implement those mechanisms and programme elements to which they attribute the greatest priority bearing in mind that

EUROSTAT's mission can be rendered even more effective, this is what they would do:

- Create a new legal framework for EUROSTAT and the European Statistical System having the following features:
 - It establishes the ESS and provides EUROSTAT, as its chief institutional component, with substantive autonomy and a broadly defined mandate;
 - Instructs EUROSTAT to operate according to the tenets of the Fundamental Principles of Official Statistics;
 - Gives to EUROSTAT the role of overall coordinator of the European Statistical System to be consulted on all matters of statistics initiated by the Commission;
 - Provides for the establishment of an oversight body—the European Statistics Council, responsible for helping to ensure the impermeability of EUROSTAT to political interference and capable of providing guidance on emerging statistical priorities;
 - Recognizes the competence of the SPC (Statistical Programme Committee), consisting of directors of NSOs together with the Director General of EUROSTAT, in methodological issues by assigning to it the responsibility to regulate them;
 - Provides authority to EUROSTAT to carry out audits of the quality of those statistical programmes of member countries that are implicated in Community-level financial arrangements.
- Establish a “core statistical budget” within the Commission assigned to EUROSTAT for meeting the broad statistical priorities of the Commission. There should, however, be some financial resources in the directorates for the purpose of meeting their specific statistical requirements, as and when needed.
- In order to enhance its legitimacy in conducting a meaningful dialogue with NSOs in Union countries and to reduce the inevitable tension between European and national priorities, persuade EUROSTAT to demonstrate the seriousness with which it takes the choice of priorities and the corresponding assignment of resources.
- In addition to fostering even more intensive contacts with the Commission, ensure that EUROSTAT's senior management branch out and establish equally close contacts with outside users, including especially the European Central Bank.
- Modify the current structure of the CSP to include resources earmarked for analytical pursuits, particularly those that have a high likelihood of qualifying for priority attention once the activities designed to satisfy current requirements become part of the ongoing programme.
- Develop a two-pronged strategy that consists in creating Union classifications at a high level, leaving it to countries to complement them with their own national efforts. An agreement at, say, the two and a half digit level is surprisingly easier to reach and to maintain than one at five digits. Moreover a high-level agreement leaves the door open for innovations at detailed level.
- Require the European Statistical system to ensure a complete and unduplicated measurement of EU-level economic activity. In order to achieve this objective,
 - it requires EUROSTAT, working with NSOs, to establish the mechanisms needed to ensure that the union of national business registers supports business surveys with complete and unduplicated EU-wide coverage; and

- creates an intra-EU input-output table in sufficient detail to serve as an analytic tool to highlight gaps and inconsistencies in the coverage of EU-wide economic activity. Such a tool should be sufficiently flexible to support important studies, such as reviews of fiscal impacts of contemplated measures.
- Help EUROSTAT promote the use of European figures and give them the same profile that American, Australian, or Canadian figures have in their own country, as distinct from showing for the sake of reference the sum total or average of all national statistics.
- Charge a body, above reproach, with the selection of a new Director General who, in turn, must be acceptable to the statistical community. Such a body must have credibility, respect, and the objectivity that derives from scientific probity—perhaps the International Statistical Institute. It should be asked to compile a short list of suitable candidates for the post of Director General of EUROSTAT and submit it to the Commission for final selection from the names put forward.
- Make sure that all appointments up to and including that of Director should be firmly embedded in the idea of career. The top of a career as a statistician in EUROSTAT should be at the rank of Director. All careers should include as compulsory features a combination of substantial exposure to life in a national statistical office, life in EUROSTAT and life in one of the Commission's other General Directorates.

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