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Implementing the Fundamental Principles of Official Statistics

Implementing Fundamental Principles of Official Statistics: Challenges Related to the Independence of the Czech National Statistical System

Note by the Czech Statistical Office

Summary

The paper aims to contribute to the discussion on how to further improve the role and usefulness of the Fundamental Principles of Official Statistics for the National Statistical Organizations. It presents the current experiences with the Fundamental Principles, considers the significant challenges and demonstrates them using some concrete cases from the recent practice of the Czech Statistical Office.

Finally, the paper makes some recommendations on how to strengthen the role of the Fundamental Principles.

I. The Fundamental Principles - current experience and challenges

A. The role of the Fundamental Principles

1. The Fundamental Principles (FP) have been developed as a set of ethical standards for the National Statistical Offices (NSOs) in the United Nations Economic Commission for Europe (UNECE) region, having been adopted by the UNECE twenty years ago (in 1992). The basic aim of the document is to support the role and place of official statistics in developing economies, particularly in Central Europe and the former Soviet Union. It was deemed useful to develop an international document that would set out the role of official statistics as well as provide some general guidelines for the functioning of the statistical system.

2. A sensitive question from the very introduction of the FP into statistical practice was whether the member states would or could recognize the legitimacy of international organizations regarding measures taken in case of malpractice or violation of the FP. This is a significant bottleneck in as much as national governments are not legislatively forced to allocate adequate resources for official statistics. The consequences of this situation are permanent budget cuts for official statistics at the national level.

3. Many changes, not only ethical, have taken place in the NSOs over the course of the last two decades. Although the impact of these changes in individual NSOs might differ in detail, most of them have been caused by similar circumstances. The most important are the following:

- (a) Political and organizational changes in the UNECE region;
- (b) Political and organizational changes inside member countries;
- (c) Process of globalization both at the national level and worldwide;
- (d) Rapid development in computer and communication technologies;
- (e) Rapid development of e-government initiatives;
- (f) Financial and economic crises over the recent five years.

4. Bearing in mind the considerable changes mentioned above, it is highly desirable to reconsider the role of the FP for official statistics under today's conditions and to specify their implication at the national governmental level.

B. The Fundamental Principles – implementation, benchmarking and evaluation

5. While the ethical role of the FP is still applicable, the situation regarding its implementation, benchmarking and evaluation of the results is more complicated. The major problem is that the FP lack legislative recognition at the governmental level. The presentation of official statistics is not, in some cases, the full responsibility of the NSO; it can be influenced also by the government. As a consequence, the FP do not create a basis for full independence of official statistics.

6. Setting up benchmarking criteria of the FP is another problem to be solved. Some evaluation actions for the FP have been organized, e.g. the global review conducted by the

UN Statistical Commission in 2004. This evaluation was based on 54 relatively self-sustainable questions structured according to the 10 FP. Should those questions be understood as the "benchmarking criteria" aiming to evaluate the level of the FP implementation? The evaluation according to those questions was carried out principle by principle, but the problems dealing e.g. with adequacy of resources or full independence of NSOs have remained hidden in this document.

7. The benchmarking should be organized as an interlinked process where one statistical activity could be linked to more than one fundamental principle. For example access to and use of administrative data links to the FP 3 - Accountability and transparency, FP 5 - Sources of official statistics and FP 9 - Use of international standards on statistical methods.

8. The benchmarking should cover not only statistical content and methodological issues, but also issues dealing with statistical business processes and statistical standards developed for this field (e.g. Statistical Data and Metadata Exchange, Electronic Data Interchange, Statistical Business Process Model).

9. The implementation of the FP is lacking a regular evaluation process. Actions by the United Nations Statistical Commission or by the UNECE Statistical Division have released some background information about the state of art of the FP implementation in countries. They do not, however, formulate any systematic proposals on how to further improve the situation in countries.

10. A regular evaluation both at national and international level is needed in order to supervise the FP implementation, the FP relevancy and the FP impact on the NSOs efficiency. The evaluation should formulate conclusions, committing all parties of the evaluation process.

11. The FP should support the integration of the statistical business industry which is becoming increasingly an integral part of e-government information system. This process calls for methodological and legislative support.

III. Examples and challenges experienced in the Czech Statistical Office

A. The European Statistics Code of Practice

12. The Czech statistical system as a part of the European Statistical System observes both the United Nations FP and the Code of Practice (CoP) (introduced in 2005). The CoP complies with the FP; it is however more detailed, encompassing 15 principles while the FP encompasses 10 principles. A set of indicators of good practice for each principle of the CoP provides a reference for benchmarking and reviewing the implementation of the CoP.

13. Statistical quality is a very complex phenomenon in the CoP, covering not only requirements to key processes of statistical production, but also to all other supporting processes such as planning, finance, dissemination and governance. The CoP is strictly linked to the quality model where distinction is made between quality related to the institutional environment, statistical processes and statistical outputs.

14. A series of peer reviews have been organized from 2006 focused in particular on the institutional environment and dissemination practices. Those indicators are updated according to needs, for example the last peer review (in 2011) aimed to provide refined information where further progress depends on authorities outside NSOs.

15. Although the CoP is a good benchmark for identifying gaps and bottlenecks in the production process of official statistics, the Czech Statistical Office (CZSO) experience shows that it does not practically help in solving some major problems. The reason is that the CoP does not relate either to legal or financial tools. The problems which the CZSO is facing concerning the CoP are comparable to those concerning the FP. The most important of them are the permanent budget cuts, the independency of the CZSO and some problems in coordination of the national statistical system.

B. The budget cuts (relates namely to the Fundamental Principles 1, 2, 5)

16. While Eurostat sets its total budget for the period of 2013-2017, the CZSO cannot set its budget for such time period. The amount of the CZSO budget is set for each year separately and the current practice is that the budget is being cut every year. Table 1 presents the CZSO budget for the last two years, current and the coming years.

Table 1

The CZSO budget for 2010-2014

	2010	2011	2012	2013	2014
EUR (million)	38	36	35	31	28

17. The CZSO urgently needs that the EU 5-year plan encompasses negative priorities. The CZSO has to have a possibility to systematically plan its obligations towards Eurostat for the entire 5-year period. It is already now the case, that continual reducing of national budget for CZSO is jeopardizing the production of official statistics for Eurostat.

18. The budget cuts negatively influence not only the production of official statistics for Eurostat but also for all other international and national CZSO users. The increasing data demands by the EU and national stakeholders set very high pressure on statistics producers. Furthermore, focussing on the quantity of statistical outputs puts the quality of official statistics in danger. This situation is fully contradictory to the mandate of the CoP and FP. There is no way for the CZSO to solve this situation without international influence assisting to strengthen the legislative position of official statistics at the governmental level.

C. The independence of the Czech Statistical Office (relates namely to the Fundamental Principles 1, 2, 5).

19. Pressures compromising the independency of the CZSO are numerous and have different intensity. The CZSO is in many cases dependent on the legislation and/or on the decision of other ministries and governmental institutions. For example the legal tools that enable access of CZSO to data both from respondents and administrative sources, determine at the same time, how “independently” the CZSO can act.

20. It is known that the Czech statistical system is not register oriented as it is the case for example in the Nordic countries. As for the use of administrative sources the CZSO does not have a sufficient legal power to influence legislation of other ministries, in particular concerning methodology and timeliness of administrative data needed. The CZSO has to match the methodology used in the administrative registers with statistical methodology, including metadata description. This activity requires a lot of professional knowhow and time and specific expertise that is not used in other everyday statistical activities. A recent example from the use of administrative data on the revenues and expenditures from commercial banks (administrative data provided by the Czech National

Bank). It took almost a year to prepare the statistical methodology and metadata description needed for the conversion of data sets from the National Bank to CZSO.

21. Another unprecedented example of harming independency of the CZSO happened at the beginning of 2011. Due to the changes in methodology, the CZSO decided to introduce a break into the time series of price indexes in wood-cutting industry. The state firm that has been using this index in its contracts took legal action against the CZSO because of that. The CZSO is until now facing divers negative pressures from the parties involved in the case. The court decision is still pending.

D. Coordination of national statistical system (the Fundamental Principles 8, 9)

22. During the latest peer review of the CoP (November 2011) the CZSO demonstrated that all data providers within the Czech State Statistical Service have made progress in implementing the following principles of the CoP: non-excessive burden of respondents, cost effectiveness and statistical confidentiality.

23. What is not successfully coordinated yet, however, is the use of common statistical metadata methodology for the description of statistical data in those ministries. The implementation of the common metadata methodology within the State Statistical Service would increase efficiency of its statistical business process including data and metadata exchange. The reason is that the CSZO does not have the necessary legislative support for this role.

IV. Concluding recommendations

24. **To review and newly define the role** of the FP bearing in mind the conditions in which national and international statistical systems operate nowadays (globalization, new technologies etc.). The purpose should be to consider both the ethical role of the FP and enhancement of support for development and maintenance of an efficient statistical information system. The importance of adequate resources for official statistics would need to be highlighted in the newly formulated role of the FP.

25. **The FP and the CoP should be integrated** in order to avoid having the EU member countries (27 countries) report this issue twice in different forms. The FP could adopt the EU approach for observing the quality of the institutional environment, statistical processes and statistical outputs.

26. **To develop benchmarking criteria** for the FP evaluation using as a basis the benchmarking criteria developed by Eurostat for the CoP. Benchmarking criteria should cover both the statistical subject matter and the business processes. The benchmarking should be carried out as an interlinked process where one “indicator of good practice” (the CoP terminology) could be linked to one or more fundamental principles. For example access to and use of administrative data links to the FP 3 - Accountability and transparency, FP 5 - Sources of official statistics and FP 9 - Use of international standards on statistical methods. The use of administrative data for statistical purposes requires the following

- (a) To ensure the access to administrative data (FP 5);
- (b) To develop and apply statistical methodology for those data (FP 9);
- (c) To ensure their correct interpretation (FP 3).

27. **To create a mechanism for the FP evaluation.** The frequency of the evaluation, who will be responsible for the organization and carrying out of the evaluation process and who will be responsible for the follow up decisions should be defined.

28. **To ensure the recognition of the FP on the governmental level.** To achieve a recognition and legitimacy of the FP by the governments of the UN member countries is the only way how to solve the serious current problems with the implementation of the FP concerning the independency of NSOs and the permanent budget cuts for official statistics. This recognition should be endorsed by the corresponding national legislation.

29. To engage the governments to such recognition procedure is neither in the possibilities of the UNECE Statistical Division, nor those of the UN Statistical Commission. The UN Statistical Commission could, nevertheless, pave the way on how to achieve an approval of the FP document by the UN General Assembly.

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