

**THE ROLE OF EUROSTAT IN THE EXCHANGE OF STATISTICAL KNOWLEDGE
BETWEEN STATISTICAL OFFICES AND CENTRAL BANKS:
THE CMFB EXPERIENCE ®**

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This paper focuses on the learning, rather than the teaching, of statistics in the context of Eurostat's role in developing statistical programmes and the transfer of statistical knowledge for the implementation of monetary union in Europe. It was against this background that the Committee for Monetary, Financial and Balance of Payments Statistics (CMFB) was established, bringing together senior officials responsible for statistics at central banks, senior statisticians at statistical offices, Eurostat and the European Central Bank statistics directorate in order to foster consultation and cooperation in areas of common interest. One of the important milestones achieved in the CMFB concerns work on new statistical methods, harmonisation, exchange of experience in the use of statistical techniques, and the general exchange of new statistical knowledge. Such knowledge transfer has not been restricted to members of the European Union but has also influenced statistical programmes of other countries, in particular candidate countries for accession to the European Union. They have a major interest in exchanging knowledge and learning more.

PRELIMINARIES

The signing of the Treaty of Maastricht in February 1992 set Europe on the road to monetary union by the end of the century. Eurostat was keen to anticipate the new statistical needs which monetary union would give rise to, in terms of both the economy "proper" (essentially the responsibility of the statistical offices) and the financial sphere (basically the jurisdiction of the central banks). The Statistical Programme Committee (SPC), which was created in 1988 and brings together the directors-general of the national statistical offices, was able to meet many of those needs, particularly those relating to the economy "proper". Others, however, could only be met with the help of the central banks. The European Commission was all too aware that central banks were accustomed to deciding for themselves what information they required for policy purposes, and that it would not be easy to persuade them to take part in constructive cooperation if their own interests could not be guaranteed. A committee on which only the central banks were represented was liable to take decisions which conflicted with those of the SPC. It was therefore important for that Committee to include representatives of the statistical institutes. Eurostat, in particular the Director-General Mr Franchet, undoubtedly played a pioneering role by setting up the CMFB (Committee for Monetary, Financial and Balance of Payment Statistics) in April 1991, bringing together senior statisticians from the statistical offices and top-level representatives of the central banks.

The CMFB has been in existence for 10 years now. Can it be regarded as a success story? Or is it just another talking shop, with precious little to show in the way of action? Or is it the other way round? Certainly, its first few years were less than a dazzling success: the fault lines between the central banks and the statistical offices were simply too great. Most of the national representatives of the two sides had hardly met until the Committee's inaugural session in Luxembourg in April 1991. The Committee spent its first years in search of an identity, defining its role and trying to resolve conflicts of competence. Gradually, however, the two groups got to know and appreciate each other, and the Committee's political importance quickly became apparent, which certainly helped to foster a spirit of cooperation. A major breakthrough occurred when it was decided that the Committee should no longer operate solely on behalf of the European Commission (its original purpose had been to advise the Commission on the integration of monetary, financial and balance-of-payments statistics in the European Statistical System), but should also advise the forerunner of the European Central Bank on statistical cooperation. Once that decision had been taken, the Committee was in a position to reconcile central bank autonomy

with the aim of creating a genuinely *European* statistical system. Before addressing the substance of this paper, it is worth noting some milestone developments in the history of the CMFB:

- the compilation of an inventory of requirements for the future European Central Bank;
- the CMFB's role in coordinating the compilation and use of statistics by the European System of Central Banks and the European Statistical System (via a network of European Statistical institutes);
- its role as quality watchdog for Maastricht-related statistics, which were crucial for deciding whether the Member States had passed or failed their EMU "entrance exam", and which were therefore politically extremely sensitive;
- its part in securing greater independence for statistical procedures vis-à-vis the respective governments, which were keen to apply creative accounting techniques to their own advantage in their national data;
- last but not least, its important role in the exchange of statistical knowledge between statistical offices and central banks.

THE CMFB AND THE EXCHANGE OF STATISTICAL KNOWLEDGE

As already mentioned, one of the CMFB's main achievements over its ten years of existence has been the role it has played in the exchange of statistical knowledge between statistical institutes and central banks. This exchange of knowledge has focused on four major themes:

- aspects of methodological approach and the associated harmonisation of EU statistics;
- harmonisation of statistical techniques;
- contribution to TES (Training of European Statisticians) courses;
- transfer of knowledge to candidate countries and other countries.

METHODS AND HARMONISATION

Like the International Monetary Fund (IMF), the United Nations Statistical Commission and the OECD, Eurostat has always played a leading role in the development of new sets of statistics and in adapting existing ones. Generally speaking, however, international institutions tend to restrict themselves to creating a reference framework (e.g. the System of National Accounts 93, the fifth Balance of Payments Manual). This leaves individual states plenty of scope for interpretation when compiling a particular set of statistics. The fact that Member States enjoy such a broad measure of freedom when filling in this reference framework certainly does not make for greater comparability - hence the increased need for harmonisation.

The acute need to harmonise certain sets of statistics of key importance in the policymaking sphere became very apparent in Europe in the 1990s with the creation first of an economic union and then of a monetary union. Examples of this are legion - the most striking one being that of GNP, which is used as the basis for calculating Member States' contributions to the budget of the European institutions. Other extremely important sets of statistics were the Maastricht criteria (inflation, development of public deficit and debt), which were the decisive factors in the Member States' "entrance examination" for monetary union. Separately, there has been a greater demand of late for statistics enabling comparisons to be made between the most important currency zones: the euro zone, the USA and Japan.

Experience has shown that it is impossible for a single institution on its own to fill in the reference framework using the specified methods. The task can only be accomplished if various institutions from the Member States are brought together in order to conduct, together with Eurostat, an in-depth analysis of the problems involved. By bringing the strength of the central banks and the national statistical institutes into focus in the CMFB, Eurostat created a genuine forum in which national approaches can be compared with the aim, amongst other things, of distilling out the best practices. Whenever economic phenomena are measured, it is usually the case that various methods are used which are acceptable to varying degrees. In such circumstances it is not always obvious how to secure a sound compromise between Member States as to which methods should ultimately be discontinued. To this end, the CMFB uses its various working parties and task forces comprising representatives from Eurostat, the European

Central Bank, national statistical institutes, central banks and sometimes external experts. This has even led to Eurostat developing, in some statistical domains, a kind of "case law" which has been adopted by other international institutions. A recent example of this was the posting in the national accounts of the auctions for third-generation mobile phone licences.

The exchange of experience gained with national methods and the associated in-depth discussions enable Eurostat subsequently to draw up reference handbooks which give a detailed description of how general statistical concepts are to be harmonised. Here, too, examples are legion: over recent years, Eurostat has, together with its partners, produced handbooks on public deficit and debt, volume and price measurements in national accounts, the drawing up of quarterly accounts and input and output tables. Thanks to the transfer of knowledge generated by this approach, the statistics produced by the various Member States have become much more comparable, as the methods used have become distinctly more transparent. This aspect of harmonisation is of course extremely important given that recent years have seen a major increase in the use of statistics for administrative purposes.

HARMONISATION OF STATISTICAL TECHNIQUES

The harmonisation of statistics involves harmonising not only concepts and statistical methods but also statistical techniques. How can comparability be guaranteed if the Member States' sampling techniques differ markedly or if seasonal adjustments are made in different ways. In the latter field in particular, the CMFB and Eurostat have played a leading role. Seasonally adjusted series are becoming more and more important in the case of statistics used as a basis for policy-making. Only seasonally adjusted series give a clearer idea of the economy's underlying momentum (whether it is speeding up, slowing down or has reached a turning point) and facilitate comparisons with other major economies (USA, Japan). The compilation of such seasonally adjusted series for the euro zone and the EU is currently unsatisfactory, and this attracts criticism from the main users, such as the European Central Bank, scientific circles and financial market operators. Uncertainties concerning the momentum of the economy definitely have a negative effect on monetary policy.

Member States use a whole range of seasonal adjustment techniques, including various versions of Arima, TramoSeats and in-house developments; this makes the comparison and interpretation of national series a virtually impossible task. The CMFB felt it could play an important part in the exchange of national expertise in this field. The most important challenge facing CMFB task forces was to convince national experts that their (national) methods were not necessarily the best ones and that everyone would benefit if an identical method were used. Such a task naturally involves challenging long-established traditions, which is not always the obvious course of action to take. It became clear that progress could only be made if the debate were not restricted to the theoretical domain but were also conducted in the practical arena, in other words by working with case studies. Only by reference to concrete cases can Member States be convinced of the appropriateness of taking a new approach.

The CMFB wishes, however, to pursue still further the avenue it has struck out along and has brought together the leading experts in the two most important seasonal adjustment techniques, namely the US Bureau of Census (Arima model) and Professor Maravall from the Bank of Spain (TramoSeats model), with a view to integrating the best aspects of the two systems.

Another important and recent example of the transfer of statistical knowledge relates to the problems involved in sampling. Central banks generally have little experience of this technique, which they will be obliged to use in the near future in the context of a thorough-going reform of the European system for collecting data for balance of payments statistics. With the introduction of the euro (international payments in the euro zone are regarded as national payments), banks no longer have to report individual transactions. Instead, a survey-based system is being introduced to cover companies. An exchange of sampling experience between countries with a bank-reporting system and countries with a survey system is currently underway and must enable the former to adapt their data-collection system quite quickly to the changed circumstances.

CONTRIBUTIONS TO TES COURSES

In 1990, Eurostat established the TES (Training of European Statisticians) Institute with the aim of organising training courses covering all possible fields relating to operational statistics. Thanks to the creation of the CMFB, central banks also became more and more involved in this training, primarily as participants in courses but gradually also on the instruction side. Given their virtually exclusive competence in certain statistical domains (financial statistics), they created specific added value in this training project.

EXCLUSIVITY OF EU MEMBER STATES?

From this outline of three subject areas, it is clear that Eurostat, via the CMFB, has played a central role in the statistical learning process. During the initial phase of its existence, the Committee was of course run along the lines of a "select club", with everything being restricted to the "inner circle". The more the CMFB took on its own identity, however, and the better its role was defined, the more it opened up for other partners. This primarily happened by way of involving the candidate countries in its activities. Since 1996 annual meetings have taken place with representatives of these countries in order to map out the strategy for the transfer of expertise. The approach has been to pursue the widest possible range of options:

- observer-status participation in CMFB working parties and task forces;
- seminars on specific topics conducted by members of the CMFB and Eurostat;
- organisation of occasional conferences, particularly in the context of national accounts and price index figures.

The overall aim is to prepare the candidate countries for accession to the European Union, which will only be possible when they have met all the requirements (including statistical ones) applying to the current Member States. Without a major transfer of knowledge, particularly in the conceptual and methodological fields, it would clearly be impossible for the applicant countries to achieve this.

Cooperation was subsequently extended to include countries outside Europe, particularly on the African continent, where two monetary unions "*avant la lettre*" already exist. During seminars organised respectively with the UEMO (Union Economique et Monétaire de l'Ouest Afrique) and the CEMAC (Communauté économique et monétaire d'Afrique Central) the CMFB model was presented. The aim was to promote a transfer of statistical knowledge between statistical institutes and central banks. It is doubtless the case that, in countries where statistical resources are much thinner on the ground, it will not be possible to make substantial progress until such time as the expertise built up in these international fora can be drawn on and closer cooperation can take place between two important – if not the most important - producers of statistics in a particular country.