

PROMOTING EXCELLENCE IN  
EUROPEAN STATISTICS

20  
years





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EUROPEAN STATISTICS



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20 years

## **Promoting Excellence in European Statistics**

CMFB, 20 years

CMFB Committee on Monetary, Financial and Balance of Payments

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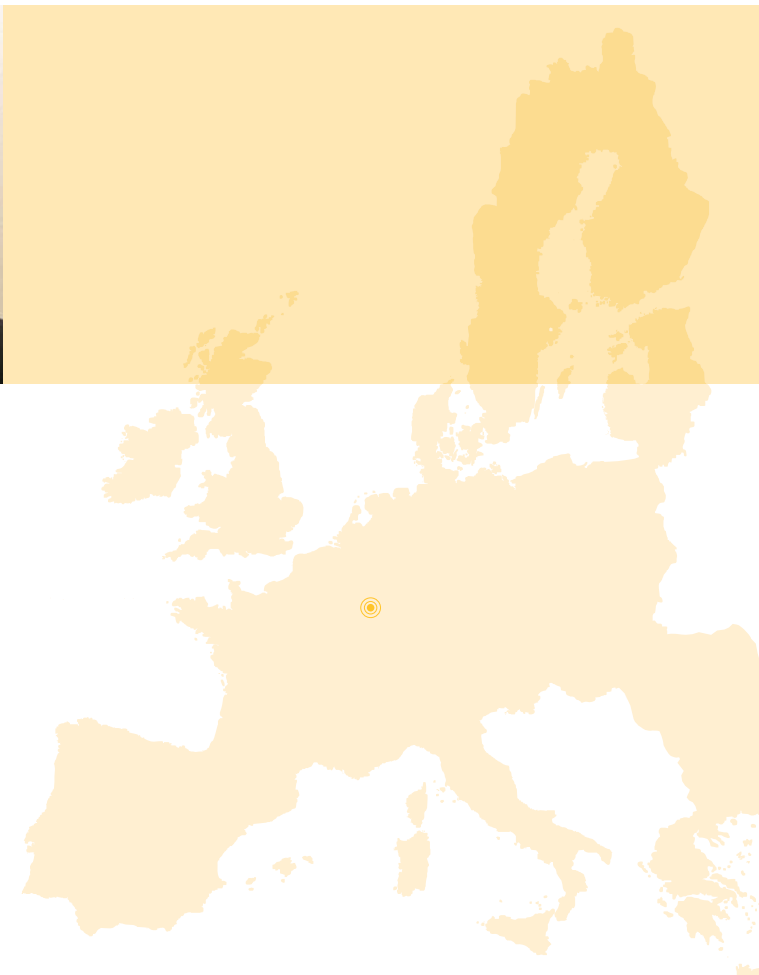
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# WALTER RADERMACHER<sup>1</sup>



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<sup>1</sup> Chief Statistician of the European Union and Director-General of Eurostat.



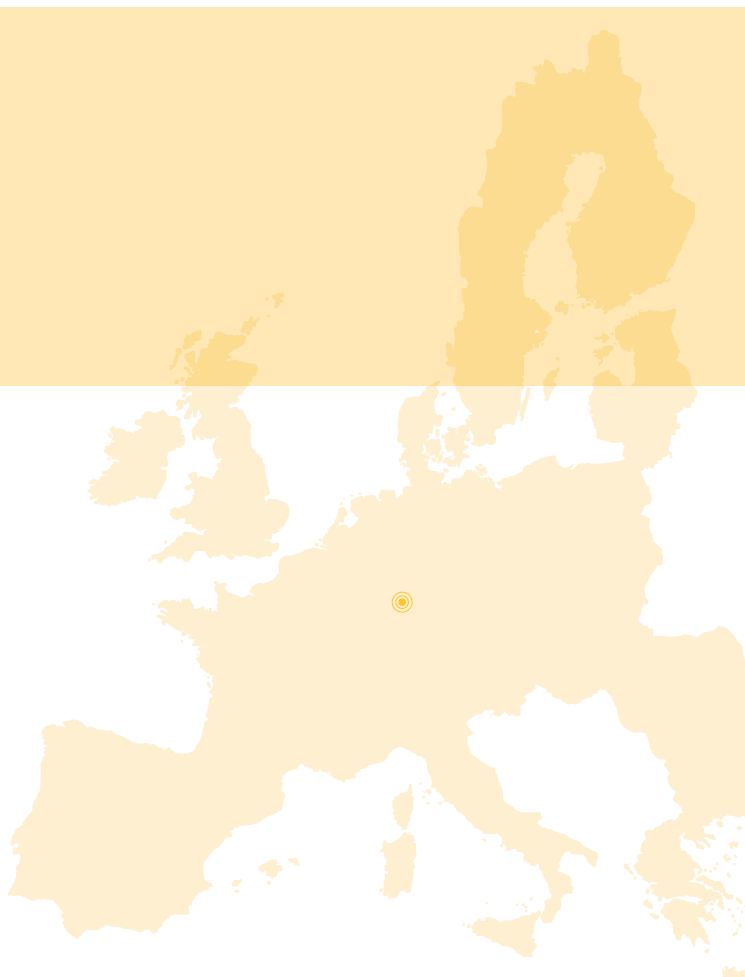
## Foreword

This year the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) celebrates its 20th anniversary as an advisory body to the Commission in the field of Monetary, Financial and Balance of payments statistics. The CMFB was created at the start of the process leading up to the common currency because of the need to ensure that statistics would be coordinated across the main producers of statistics in the EU. While both statistical institutes and central banks already produced official statistics 20 years ago, the collaboration on common standards and awareness of user needs were not nearly as developed as they are today. The CMFB has certainly been instrumental in bringing the two worlds together. In addition, in the wake of the creation of the euro, the CMFB quickly appeared as an important advisor on public finance statistics, an area that has been a constant concern for EU statisticians over the years.

The CMFB has risen to the challenges before it with a clear presence in the discussions on the development of macroeconomic statistics and a well-documented record of achievements. Significant political developments have taken place during this period with a direct impact on EU citizens, and the institutional framework for statistics has also changed. Today, the CMFB is an integral part of the advisory bodies that the Commission addresses on statistical issues, together with the independent European Statistical Governance Advisory Board (ESGAB) and the European Statistical Advisory Committee (ESAC), which provide advice or monitor the developments in the area of statistics. The challenge for the CMFB is to retain its relevance, taking account of the statistical governance structure and the division of work between the European System of Central Banks (ESCB) and European Statistical System (ESS). In particular, it is essential that the CMFB can continue providing the necessary advice to Eurostat on difficult EDP issues and assure the best possible technical solutions by functioning as a community of experts rather than as representatives of institutions.

With this in mind, I very much welcome this publication, which has one leg in the past and one leg in the future, and that the CMFB can continue to develop in the future to face the changing environment in which it works.

# AUREL SCHUBERT<sup>2</sup>



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<sup>2</sup> Director General, Statistics, European Central Bank and former Director, Statistics Department, Oesterreichische Nationalbank.

## Foreword

*The only thing that will redeem mankind is cooperation.*

**Bertrand Russell**

*British author, mathematician, & philosopher (1872-1970)*

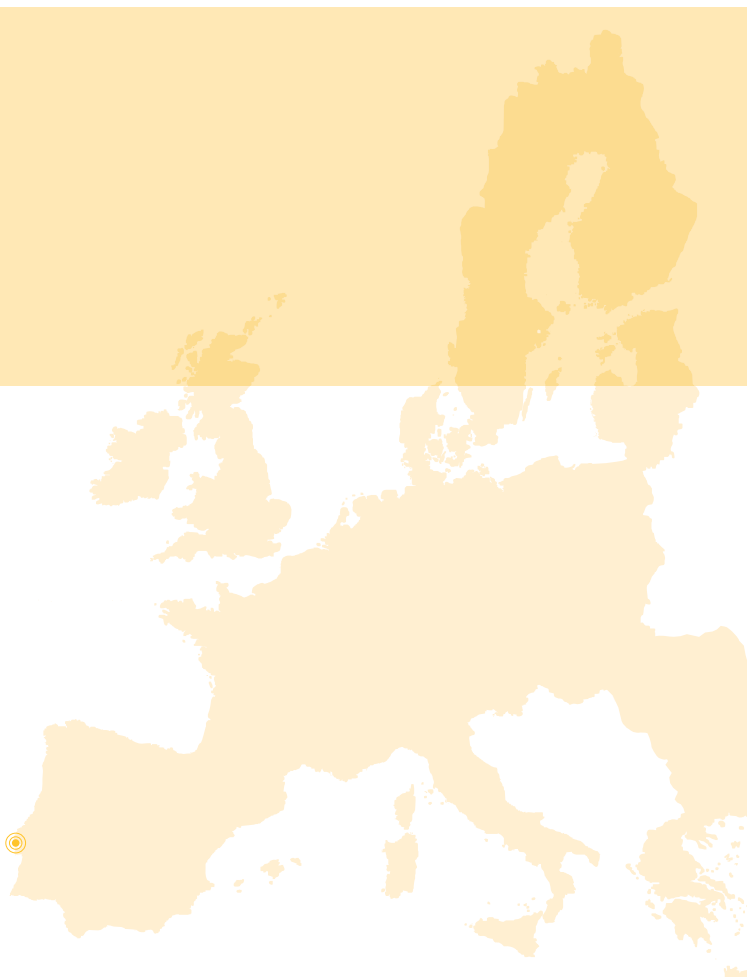
Twenty years ago, on 11 April 1991, the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) held its inaugural meeting, following the publication of the Council Decision establishing the CMFB on 25 February 1991. Two decades of impressive statistical achievements since the start of the preparation of the EMU are excellent reasons to congratulate current and past members of the CMFB. These achievements would not have been possible without their outstanding contributions and without all the work carried out through the various CMFB working groups and task forces over these years. A stock taking of the CMFB members' experiences and views, at the occasion of this important milestone, seems to us an excellent way to mark this 20th anniversary.

The achievements of the CMFB in these two decades have confirmed the strategic and unique role of the CMFB as a body for the coordination, joint work, discussion and decision between the European Statistical System (ESS) and the European System of Central Banks (ESCB). This cooperation is also mirrored at national level, between National Statistical Institutes (NSIs) and National Central Banks (NCBs), and between Eurostat and the ECB, in the preparation and follow-up of the various CMFB initiatives.

The CMFB and the coordination between the two systems (the ESS and the ESCB) has been essential in the solid base on which to build a common statistical future of harmonised and timely European statistics, intensively used in economic, monetary and fiscal policy. Achievements of the CMFB include the euro area sector accounts, the work on balance of payments issues, pension schemes, revision policies and seasonal and working day adjustments. Moreover, the regular high-quality advice of the CMFB on complex statistical issues related to the Excessive Deficit Procedure has to be underlined.

Continuing this intensive and formalised coordination and advice at European level will certainly help in enhancing the quality of statistics. It will contribute to economise our scarce resources and to ensure that statistics remain relevant for purpose and communicated effectively to the public. The financial and economic crisis, and more recently the sovereign debt crisis, has demonstrated unequivocally that the quality and credibility of statistics are critical for the society. We are fully confident that the CMFB will continue doing an excellent job in further building trust in statistics.

# JOÃO CADETE DE MATOS<sup>3</sup>



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<sup>3</sup> Director, Statistics Department, Banco de Portugal and CMFB chairman, 2011-2012.

## Introduction<sup>4</sup>

When I took the helm as Chairman of the Committee on Monetary, Financial and Balance of Payments Statistics (hereinafter called “the Committee”), in January 2011, one of the initiatives that I thought of promoting was to celebrate its 20th anniversary. The publication of a book would, on the one hand, recognise the remarkable, albeit discreet, work that has been developed by the Committee in promoting excellence in European statistics over the last two decades and, on the other hand, would highlight statistical issues in which the Committee is expected to be involved in the coming years. I was fortunate in this regard, to receive the approval of the Committee’s Executive Body to go ahead with the book project. All who were asked to join this endeavour have declared their support for it and their willingness to participate. The present book is the result of their cooperative effort.

The book was organised with the intention of meeting, as much as possible, the two above-mentioned purposes. In keeping with this approach, Section 1 gathers the recollections of the Committee’s previous Chairmen, underscoring key milestones and events that marked each of their respective mandates; Section 2 describes a number of initiatives which address the new challenges faced by the Committee over the short and the medium-term.

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<sup>4</sup> This book is the result of the joint efforts of a large group of prominent statisticians. I would like to thank first to all the authors for their valuable contributions. They made this project possible. Key to the successful completion of this work was the qualified support by Ms. Paula Menezes (Banco de Portugal, Statistics Department). The final result was significantly enhanced by the excellent editing and very useful comments made by Mr. Richard Walton, (ECB DG Statistics). Also, I would like to thank Ms. Marta Figueiredo (Banco de Portugal) for her assistance and her art work in designing the cover of this book. As usual I could benefit from the very efficient work of Mr. Carsten Olsson (Eurostat and CMFB Secretary) and Ms. Alda Morais (ECB DG Statistics). Finally, I would like to thank Mr. Luís D’Aguiar (Banco de Portugal, Statistics Department) who helped me with this initiative.

The contributions included in this book offer to the public at large an accurate, comprehensive and chronological context of the painstaking (and possibly underrated) work that the community of European statisticians has conducted for the last twenty years. In particular, the book highlights the invaluable contribution of statistics to the integration of the European Union and the Economic and Monetary Union. I firmly believe that the role played by the Committee in this process was instrumental to its success.

Twenty years have passed since the inaugural meeting of the Committee, on 11 April 1991. With hindsight, one could say that the Committee was able to create the right conditions for an effective, efficient and mutually-beneficial cooperation between the national statistical institutes and Eurostat, on the one hand, and from the national central banks and the European Central Bank on the other, fostering the interchange of statistical knowledge among these entities and contributing to bringing about efficient data collection and compilation as well as access to high quality European Union and Euro area economic and financial statistics.

Reaching this point would never have been possible without the Committee's hard work, resolve and endurance, and a long-run perspective. From the early stages to the present times, the journey has been demanding on everyone involved. It was also an exciting one.

After a difficult start, expertly described in Hans van Wijk's book "Bridging the fault lines, the early years of the CMFB", in which the Committee strove to come to an agreement as to the way responsibilities for statistical work would be divided between Eurostat and the forthcoming European Monetary Institute (the forerunner of the European Central Bank), the efforts undertaken by the Committee over the ensuing years would amply justify the Commission's initiative to establish this body, back in July 1990. The first section of this book is devoted to the description of the main features and achievements in almost all the Chairmanships and a concluding overview will put things into a historical perspective.

The second section of the book aims at illustrating the Committee's initiatives to cope with present and future challenges. Examples of important initiatives and endeavours which are worth mentioning are, among others, the enhanced advisory role of the Committee on Excessive Deficit Procedure matters, the compilation of integrated quarterly sector accounts, and the development of communication, release and revision policies to be shared by both the European Statistical System (ESS) and the European System of Central Banks (ESCB).

The Committee continues to follow all European and global initiatives, either with a direct or indirect impact in the field of official statistics. Most notably, the statistical implications arising from the recent creation of the European Systemic Risk Board and from the new Commission's legislative package on enhanced macroeconomic surveillance (particularly as regards the future Excessive Imbalance Procedure), will entail a close cooperation between the ESS and ESCB. In both cases, the requirement for financial and non-financial indicators will benefit from the support and the involvement of the Committee.

I would like to conclude this introduction by sharing with you my deeply held conviction that the future of European statistics will be one in which the ESS and the statistical function of the ESCB

will cooperate to gradually integrate all the stages involved in the production of official statistics – across the various statistical domains and involving all member states – and ultimately converge to a complete integrated European statistical system. I believe that the Committee, through its support to inter-agency cooperation in the field of statistics, may help to create the objective conditions for its successful completion.

Such an approach also requires a major overhaul of statistical governance in the European Union, *inter alia*, through the strengthening of the independence, and also of the transparency and openness, of the statistical functions and, concomitantly, that of the statistical authorities. This is one of the key foundations of a statistically-integrated Europe.

Proceeding along this path, from insight to concrete action, requires will and firm commitment of all the actors. Over the last 20 years, the CMFB acted in a relevant way accompanying the reinforcement of integration in Europe, particularly, during the creation of the Economic and Monetary Union. The statements included in this book demonstrate clearly that, like reflecting the past, the Committee may continue playing an important role along this venture.

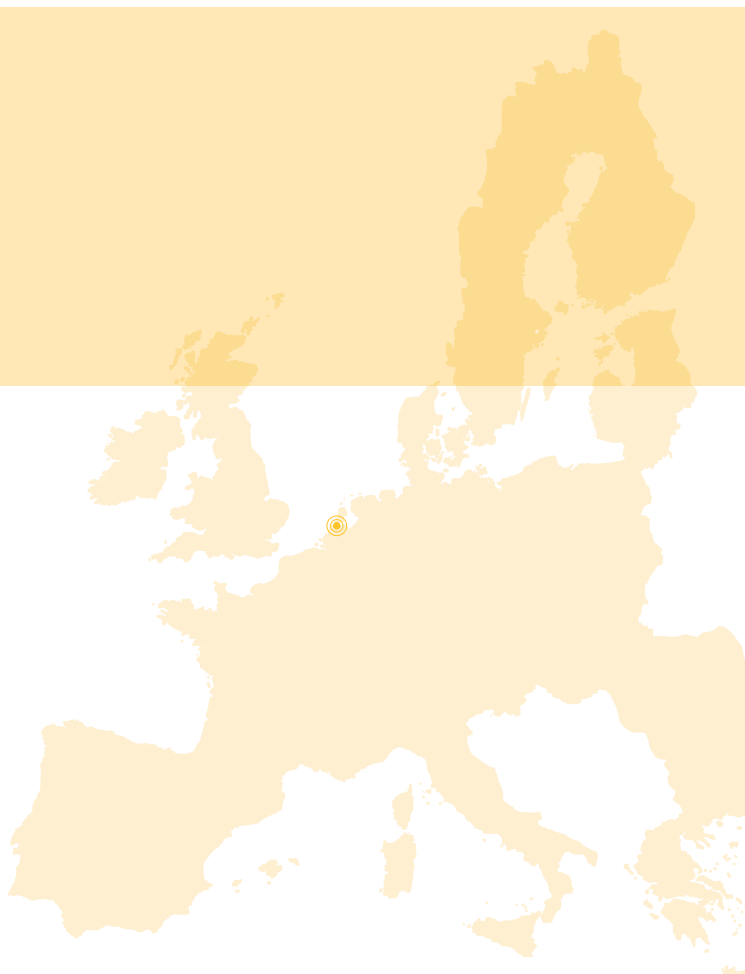






# CMFB BUILDING ON COOPERATION

# HANS VAN WIJK<sup>5</sup>



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<sup>5</sup> First CMFB chairman, April 1991-March 1993. Former Deputy Director, De Nederlandsche Bank.

## An uneasy start

### Set and settings

In the morning of 11 April 1991, representatives of national statistical offices and central banks of the then twelve countries of the European Community gathered in Luxembourg on the occasion of the inaugural meeting of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB). The central bankers, in particular, noted that they hardly knew anybody, as they lacked frequent international contacts. They did know their regular counterparts at the national statistical offices, but they had seldom had any opportunities to meet colleagues in other central banks. Each central bank used to develop its own statistics, answering the specific needs of the particular monetary theory of its preference. An exception was balance-of-payments statistics, which were in principle devised along the prescriptions of the International Monetary Fund and produced in co-operation with the national statistical offices. But these statistics were often impaired by immense discrepancies due to inconsistent data sources and collecting methods.

The delegates were seated country-wise along three sides of a square, the fourth side being occupied by the chair, the secretariat and several officials from Eurostat and other directorates-general of the European Commission. On one side of the chair, which – as had been pre-arranged – would be filled by a representative of one of the central banks, the spiritual father of the CMFB, Yves Franchet, the then Director-General of Eurostat, assumed the indispensable role of guardian angel. He would continue to render this invaluable service during many years to follow. The CMFB secretary, Dieter Glatzel, was provided by Eurostat. One of the documents distributed among the delegates was the Council Decision, dated 25 February 1991, establishing the CMFB. Article 2 of this document formulated the main tasks of the committee:

*The Committee shall assist the Commission in drawing up and implementing the multi-annual programme of work relating to monetary, financial and balance of payments statistics. The Committee shall, in particular, have the task of expressing opinions on the development and coordination of the monetary, financial and balance of payments statistics required for the policies implemented by the Council, the Commission, and the various committees assisting them.*

*The Committee may be asked to express opinions on the links between monetary, financial and balance of payments statistics on the one hand, and certain other economic statistics on the other, in particular those on which national accounts are based. The work of this Committee will be coordinated with that of the Statistical Programme Committee.*

Article 3 added:

*The Committee may express opinions on its own initiative on any questions relating to the establishment or the implementation of statistical programmes in the monetary, financial and balance of payments fields.*

It would be too much to say that the general mood of the attendants of this first meeting was characterised by a sense of enthusiasm or urgency. Central bankers and, though to a lesser degree, national statisticians demonstrated in a majority, a mood of reserve or even mutual suspicion. The present chapter describes the first, most essential, stage of the process in which this disposition was overcome and a convincing loyalty to the cause of European statistics started to develop.

### To be or not to be?

In order to understand the initial reserve, it is essential to give some attention to statistical practices prior to the establishment of the CMFB. The idea of supplementing the “comitology” – the committee system in the domain of the European Commission – with a committee dealing with the harmonisation of statistics that are entirely or partly associated with the responsibilities of central banks dates from the moment that political talks about a possible monetary union started. Already in 1988, the Commission aired the idea to establish a committee that should tackle the harmonisation of statistics produced by central banks, and that should ensure the integration of these statistics into a European Statistical System.

In April 1989, the following step was taken: a document advocating the establishment of a CMFB was submitted to the meeting of the directors-general of the statistical offices. It described the political background after the confirmation of the Single Act and drew attention to the statistical needs that would ensue. Moreover, the document foresaw a deterioration in the quality of balance-of-payments statistics, as monetary unification could be expected to complicate data collection. The drafters of the document considered a CMFB at the service of producers as well as users of statistics and a draft mandate revealed that their ideas were in favour of a decision-making committee rather than of an advisory committee. They gave proof of vision as they foresaw that such a committee would not rely on a closely defined field of work, and that its mandate and status might dynamically evolve in coming years, particularly when the aim of monetary union would be politically defined.

The first reaction of central bankers to the initiative was negative. Central banks conceded that monetary union in any form would demand a thorough improvement of monetary and financial statistics, but in their view any decisions on modifications should be taken by themselves. Central banks had become producers of an array of statistics. These were needed for a proper conduct of their own policies. They were not primarily intended as a service to the general public, although

central banks were ready to meet requests from international organisations like OECD, IMF and BIS. The data were mostly collected from banks and other financial institutions that were under the central banks' supervision and that had the legal obligation to provide the requested information. When central banks decided to make certain of their statistics available for general use, they would do this on a voluntary basis and they generally would decline to adapt these statistics to particular wishes of users, especially when the reporting burden had to be augmented for that purpose. Sometimes, the central banks' top management considered the activities necessary to publish statistics as a costly luxury. There was a permanent concern that information about individual institutions might leak. Quite a few central bank managers would never have dreamed that their institutions could be considered as a kind of statistical offices.

Amongst the national statistical offices, also some unease existed. They considered the Commission's initiative as a further step to a situation in which they would be reduced to mere branches of Eurostat. Moreover, it was feared that a formalised statistical role for central banks would distort the statistical system. It was also expected that statistical offices would play a secondary role in a committee that required specialist statistical knowledge on matters of banking and finance.

The Commission had already prepared its next step. Statistical institutes and central banks were invited to a meeting on 6 March 1990 in Luxembourg, at which the intention of establishing the CMFB should be discussed. An explanatory memorandum noted that approaching events, like the abolition of the last remaining exchange controls, the realisation of the single market and the progress towards EMU, would have substantial consequences for the production of monetary, financial and balance-of-payments statistics, and that the creation of the CMFB would be the most appropriate measure for dealing with the inevitable changes. The committee would serve the interests of users and producers of statistics by facilitating a dialogue. Most delegates, particularly those from the central banks, had doubts about the Commission's objectives. Several warned of the submission of central bank statistics to Eurostat. The representative of the Committee of Governors stated that the Governors were well aware of the needs of harmonised concepts and comparable data; if necessary, they would decide to undertake any studies with a statistical implication and they could do without the opinions of the CMFB. The representative of the Banque de France doubted whether there would be space for the committee once the European Central Bank was established. The delegates of the Banque Nationale de Belgique and the Bank of England sympathised with the intentions of the Commission. Most positive were the countries that encountered problems with their balance-of-payments statistics (United Kingdom, Ireland) or foresaw such problems by the abolishment of restrictions on capital flows (Italy, Spain, Portugal). Balance-of-payments statistics seemed also to be the primary concern of Eurostat. Most central banks had objections against a passage in the preamble of the draft Council Decision according to which "monetary, financial and balance-of-payments statistics were not drawn up solely by the national statistical institutes, but by various institutions, including, in particular, the central banks". They wanted it to be acknowledged that the production of money and banking statistics was totally in the domain of central banks, while the compilation of other financial statistics and balance-of-payments statistics was organised in various ways.

Nearly everybody asked what exactly the task of the committee would be, in what field it was going to operate, and what would be its formal relationship to, for instance, the Statistical Programme Committee (SPC), the Committee of Governors and the various working-parties that – mostly under the aegis of Eurostat – were already active. Central banks also worried about one of the recitals in the preamble, stating the need to establish, as a section of the Community Statistical Programme, a multi-annual work programme in the domain of monetary, financial and balance-of-payments statistics. Eurostat's repeated assurance that, in this respect, the committee would only have an advisory role could not take away the unease.

To demonstrate the importance of the central banks' contribution, it was intended to trust the chairmanship of the committee to the representative of one of the central banks. In this connection, it was revealed that the CMFB would not belong to any of the three categories distinguished in the "comitology" (decision-making committees, management committees and advisory committees), as that would necessitate a representative of the Commission to occupy the chair. There remained a lack of clarity on the intended role of the committee, especially with the prospect of the establishment of the European Central Bank.

On 25 July 1990, the Commission submitted the proposal regarding the establishment of the CMFB to the Council of Ministers. The proposed Council Decision was adapted to several of the comments in the discussion meeting, one of the changes being a provision that would enable the Committee of Governors to consult the CMFB through the Commission. The next procedural step was the discussion of the draft Council Decision in the Group of Experts of the Council of Ministers on 11 December 1990. The Group was unanimous about the desirability to eliminate discrepancies between monetary and financial statistics on the one hand and national income statistics on the other, and about the CMFB having a useful function in this respect. A number of delegates emphasised that such work could also be of benefit to the central banks and that it would be helpful to the Committee of Governors in its task of co-ordinating monetary policies. However, several speakers interpreted the worries of the Secretariat of the Committee of Governors and pointed out that the CMFB should not impinge on the exchange of statistical information between central banks and the Committee of Governors or the future European Central Bank. It was emphasised that the European Central Bank would be assigned a statistical task and that, therefore, particularly in the field of banking statistics, account should be taken of the requirements of the Committee of Governors. The Group's chairman noted after this general exchange of views that the scope and form of co-ordination needed to be made clearer. He furthermore noted that the status of the CMFB would have to be redefined when the Committee of Governors was replaced by the European Monetary Institute (Stage Two of EMU).

In an exchange of views on the relationship between the CMFB and the SPC, several member states, including France and Ireland, emphasised that the two committees should be independent from each other and that their activities should be coordinated. The Commission pointed out that Eurostat, which would serve as the secretariat for both committees, could prevent undesirable overlapping of activities.

## About tasks and competencies

The two most debated themes during the first term were the committee's tasks and competencies. Of course, the committee's real work was to be done by working-parties and their task forces. In the field of monetary, financial and balance-of-payments statistics, some working-parties were already active and a few others were still to be created. It was clear that the working-parties in their day-to-day work had to be directed by Eurostat. According to the discussions in the preparatory stage, any working parties should be guided by the CMFB. The question arose what meaning should be attached to the notion of "guidance"? The CMFB opposed to the idea that this would be synonymous with co-ordination, and in the second meeting it was agreed that guidance would mean the formulation of broad outlines and the setting of priorities, with which Eurostat, in the direction of the working-parties, should comply. It was also agreed that the Commission would create any new working-parties that the CMFB deemed necessary for the performance of its tasks. The working-parties would receive the committee's guidance by way of comments on the work programmes (ex ante) and evaluations of the reports of activities (ex post). This agreement seemed clear and logical, but in practice it gave rise to major problems. The procedure had to be refined repeatedly, as it appeared that the documents produced by some working-parties contained insufficient information for enabling the committee to come to conclusions. With hindsight, it can be observed that, although the working-parties had carried out work of high value, they had not had much eye for the observance of priorities and for the balancing of costs and benefits, and that the organisation of work had not been very transparent for others than the directly involved persons.

Already at its inaugural meeting, the CMFB agreed on establishing a Money and Banking Statistics Working-Party, which would have the sole task of taking stock of sources and methods of banking statistics. It was emphasised that overlap between the activities of the CMFB and the Committee of Governors should be avoided. A task force (the MBSTF) was established which was to prepare the material for decisions to be taken by the working-party. While the working-party was composed of representatives of all member states, the task force would comprise only a limited number of experts. It was agreed that the preparation of the descriptions of the national systems of banking statistics (sources and methods) would be the task force's first priority. Thereafter, following consultation with the Committee of Governors, work would commence on listing the "building blocks" of the current definitions of money and money substitutes used in the member states. It would be up to the users of the data, in this case principally the Committee of Governors, to compromise between the theoretical construction of a monetary aggregate and what was available in practice.

Although a conflict about the respective competencies of Eurostat (i.e. the European Commission) and the national central banks was never far away, it can be concluded that the first two meetings were characterised by a readiness to solve problems by way of compromise. Disagreement was more vehement, however, when, at the third meeting, shortly after the Maastricht accord, the CMFB was consulted on the draft Community Statistical Programme 1993-1997 as far as the

domain of monetary, financial and balance-of-payments statistics was concerned. The draft enumerated the many projects that had to be undertaken to meet the statistical requirements, which were rapidly increasing as a consequence of the accelerating integration process and the prospect of EMU. Moreover, it described some essential features of the Community Statistical System and announced that the Commission had decided to propose the Council should adopt a directive that would lay down the legal basis of the development of a coherent, flexible and effective statistical system based on common fundamental principles in all member states. It was envisaged that this directive (the “Community Statistical Law”) would be adopted before the end of 1992, in order for it to serve as the initial basis for co-operation between the various bodies which, at regional, national and Community level, were responsible for designing, preparing, analysing and disseminating the statistical information needed for the Community’s economic and social activities.

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The document had been written in November 1991, before the Maastricht Treaty, and its chapter on the institutional framework and the political priorities had still to be edited in conformity with the Treaty, which assigned a statistical task to the European Central Bank (Stage Three of EMU) and, pending its creation, to the European Monetary Institute (Stage Two of EMU). This widened the discussion on competencies, as it had been conducted up to that moment, to the recognition of an essential additional competency. The delegate of the Committee of Governors informed the members on these provisions in the Treaty, in particular those which would enter into force on 1 January 1994 at the start of Stage Two of EMU, and he doubted if the Community Statistical Programme did justice to the institutional framework created by the Treaty. He emphasised that the Committee of Governors would assume the necessary work in preparation of Stage Two, which in its turn was in essence a transitory phase to Stage Three. He pointed out that the setting of priorities and the definition of tasks of the working-parties would henceforth be driven by the timetable agreed at the Maastricht Council. Moreover, he noted that the document did not acknowledge the need for flexibility to adapt to possible new developments in the framework of EMU, as provided in the Council Decision establishing the CMFB.

In the ensuing debate it was realised that the Committee of Governors should be consulted on the draft Community Statistical Programme. The involvement of that committee benefited the discussion and helped to create a general awareness that the Maastricht Treaty had invested the future European Central Bank and the European Monetary Institute as its temporary predecessor, with the primary authority in the field of money and banking statistics and that a smooth transition from the present situation to the future situation asks for the assumption of an immediate preparatory statistical role by the Committee of Governors. This notion changed not only the position of the Committee of Governors, but also the position of the CMFB, in particular with respect to the relation of the committee to its working-parties and task forces. The discussion in the CMFB on the Community Statistical Programme may have speeded up the Committee of Governors taking a position on the question of statistical competencies and to establish a Working Group on Statistics (WGS). Furthermore, it was the main factor behind the wish of CMFB members to have the committee’s functions and tasks reviewed by a so called



Groupe de Réflexion. Another important factor was the question of the best way to co-operate with a twin of the CMFB from the EFTA-countries. Both the establishment of the WGS and the review by the Groupe de Réflexion deserve to be presented in somewhat more detail.

## A statistical task for the Committee of Governors

After being confronted with the existence of the CMFB and its role in the field of statistics that traditionally had been considered as the exclusive domain of central banks, the Committee of Governors felt it would be unwise to keep aloof of the deliberations in Luxembourg, and decided to create a Working Group on Statistics (WGS) with the intention to co-ordinate the actions of the representatives of national central banks within the CMFB. Its meetings, in Basle, duplicated those of the CMFB. The secretary of the WGS, who had also the status of observer in the CMFB, would act as the spokesman of the Committee of Governors at the CMFB-meetings. In due course, in the run-up for EMU, the Committee of Governors became aware of a far more pressing job, namely the necessity to prepare for the future statistical task of the institutions that would be created in Stages Two and Three of monetary union, namely the European Monetary Institute and the European Central Bank. It was realised that statistics produced by the national central banks were incoherent and that practises with respect to the collection of data – especially in the field of the balance of payments – were disparate. Thus the WGS, which was created on 12 May 1992, got a much more constructive and substantial role than that of “shadowing” the CMFB. This brought the Committee of Governors on the same track as the European Commission. Consequently, antagonism and animosity between the CMFB and the WGS made room for collaboration.

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## The Spirits of Amsterdam and Vienna

The wish to review the functioning of the CMFB had first come up at the March 1992 meeting. Already for some time, there had been a feeling among members that the pace of work was too slow and that the working procedures should be improved. Recently, other considerations had risen by the statistical task assigned to the European Central Bank and its predecessor, the European Monetary Institute. Also, the perspective of the Treaty of the European Economic Area necessitated considering the role of the CMFB as an institution, not only for the EC but also for the EEA.

The decision to establish the Groupe de Réflexion was taken at the May 1992 meeting. This group should be small. Because it was vital to represent the widest points of view, it was proposed that the representative of the Central Statistical Office of the United Kingdom and the representative of the Deutsche Bundesbank (both institutions having a broad field of interest in monetary, financial and balance-of-payments statistics) should join the group. The Secretary of the committee would represent Eurostat and the Committee of Governors would be represented by their delegate in the CMFB. A vote was taken on the proposal to grant “active” observer status to the chairman of the EFTA-Group.

After the May 1992 meeting the CMFB entered a long period until January 1993, without a plenary meeting. In this period, the Groupe de Réflexion accomplished its task. Three meetings (Basle, Amsterdam, Vienna) were needed to surmount suspicions, harboured between central banks and national statistical offices as well as between the Secretariat of the Committee of Governors and Eurostat. At the first day of the Amsterdam meeting every effort seemed lost, but at the second day suddenly a benevolent spirit emerged and swept away some of the resentments. This “Spirit of Amsterdam” was succeeded by a “Spirit of Vienna”, which granted the members of the Group a solid basis of mutual loyalty and a determination to communicate their uplifted mood to the committee at large. Within the group, confidence was established and the conclusion was reached that close co-operation, on the basis of a pragmatic sharing of responsibilities, would be to the benefit of all parties represented in the CMFB. In this mood a final report was edited and submitted to the CMFB, which adopted it in its meeting in January 1993. Recognising that the Union Treaty would require a reordering of activities and the development of procedures leading to co-operation, the Groupe de Réflexion concluded that there remained a function for a joint committee of national statistical institutes and national central banks, as a forum for discussion and to advise in statistical co-ordination issues at European level. After this introduction, the draft presented the well-known arguments for improving statistical cooperation and for adapting the role of the committee in the post-Maastricht environment. For Stage One, these consisted of (1) the re-ordering of working-parties and task forces, and (2) the establishment of an executive body. In Stage Two should be added: (1) the participation of a representative of the EMI as a full member of the committee, (2) a widening of the field of interest to cover any area of statistics of common interest to the Commission and the national statistical institutes, on the one hand, and the EMI and the national central banks, on the other, and (3) a reallocation of voting rights: considering the frequent differences in interest between national central banks and national statistical offices, the member states’ votes should be split 50/50 between the two. With respect to Stage Three, the Groupe de Réflexion was cautious; it took the view that the need for co-operation would remain, but it proposed to consider, before the start of this stage, whether there would still be a need for the committee.

With regard to the re-ordering of working-parties and task forces, the group concluded that the primary responsibility for money and banking statistics could no longer rest with the CMFB and that the Money and Banking Statistics Taskforce should be transferred to the Governors’ WGS. Likewise, a Taskforce Capital Flows and Stocks, which had been created by the Balance of Payments Working-Party, was transferred to the WGS.

The Groupe de Réflexion recommended that the committee would conduct these improvements, as well as its future work, within the following frame of reference:

- the necessity to avoid disruption of ongoing statistical work at Community level;
- the requirement for a coherent and integrated statistical system within the field of monetary, financial and balance-of-payments statistics, which conforms with the use of the concepts, definitions and classifications of the European System of Integrated Economic Accounts

and which is compatible with international statistical standards such as those promulgated by the IMF, the OECD and the UN;

- the responsibilities given by the Union Treaty to the EMI and the ECB for the statistics in the area within their field of competence, and the preparatory work undertaken by the Committee of Governors;
- the existing statistical requirements of the Commission, including those in the new areas within its field of competence arising from the Union Treaty;
- the need to ensure that any consultations between the authorities concerned could be based on mutual consideration, in which due regard was paid to the requirements mentioned above;
- the accessibility of these statistics to Community institutions and bodies, EFTA countries, international organisations (e.g., OECD, IMF, BIS) and other users, within the limits of a cost-effective reporting system; and the principle of subsidiarity.

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Although it was still suggested that the increased focus on questions of co-ordination should be reflected in a change of the committee's name at the start of Stage Two, no concrete name was proposed.

## Two teams – one playing-field

It is seldom realised that the CMFB is not only a committee for the European Union, but also for the European Economic Area (EEA). Agreement on the EEA was reached on 2 May 1992. It was intended to comprise the twelve EC-countries and the seven EFTA-countries (Austria, Sweden, Norway, Switzerland, Iceland, Finland, Liechtenstein). The intention was that the treaty should enter into force on 1 January 1993, but because of the Swiss rejection of this accord, the establishment of the EEA, without Switzerland, was postponed to 1 January 1994. A long time before that date, an effective collaboration between the CMFB and a similar group constituted by representatives of the EFTA countries had come about. Already at its first meeting, the CMFB formulated a proposal to the effect that the committee was ready to cooperate with the EFTA-group. In the May 1992 meeting, the CMFB decided that, from 1 January 1993, the moment that the EEA-Treaty was intended to enter into force, the CMFB would be transformed into a joint EC/EFTA committee.

When at the end of 1992, it had become clear that, owing to the Swiss rejection of the EEA Treaty, the EEA would not come into force on 1 January 1993; a decision had to be taken on the status of the next meeting of the CMFB, which was scheduled for 18-19 January 1993. After consultation with the secretariat and with the chairman of the EFTA-group, the CMFB chairman opted for convening the CMFB to meet in a joint session with the EFTA group. At that meeting, he proposed to unite the two committees without further delay into one joint EC/EFTA CMFB, albeit with a possibility to meet separately to discuss matters that related only to one of the two groups of countries. This "coup" received unanimous approval. At a later stage, it was decided that from the date when the CMFB would become an EEA committee, Switzerland would be invited to participate in an observer status.

## Ready for the second term

At the last meeting of the first term, the committee elected a new chairman, and in accordance with the proposals of the Groupe de Réflexion, an Executive Body was constituted with a vice-chairman for the CMFB in EFTA-composition, a representative of the Committee of Governors, a representative of Eurostat, a further representative of the EC central banks, two representatives of the EC national statistical offices and a representative of the EFTA national statistical offices. There was optimism that the revamped committee would be better placed to arrive at results. After all, there was a general feeling that overall progress, as reflected in the quality of statistics, was rather poor in the first term. This lack of success was mainly imputed to the working-parties and task forces that were guided by the CMFB.

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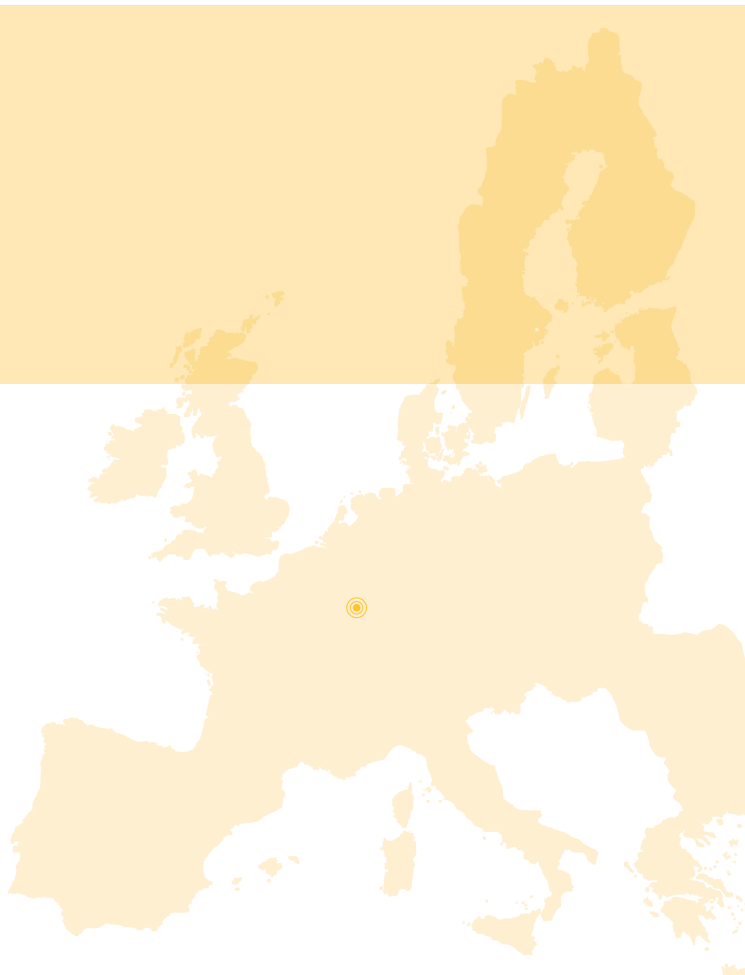
The CMFB has been fortunate that, already at the outset, its advisory role was interpreted to include the giving of guidance to the activities of Eurostat's working parties. Nevertheless, experiences with the supervision of the various working parties were very mixed. From the start, the relationship with the Money and Banking Statistics Working-Party was excellent: the CMFB was well informed on the progress of work and was given a good opportunity to comment on the intended course of activities. The Financial Accounts Working-Party, which in the period described was mainly to occupy itself with the revision of the financial accounts' part of the ESA and with improving the statistics on budget deficits and government debt, was also very responsive for the guidance it received from the CMFB. Nevertheless, the committee's grip was here less direct, which may be explained by the working-party's need to take account of the considerations of other bodies. With respect to the excessive deficit procedure, they originated from the member states' ministries of finance, which were naturally very much interested in the outcome of the working-party's activities.

Less satisfactory was the communication with the Balance of Payments Working-Party, in spite of a clear preparedness of its chairman to follow the CMFB's advice on all the projects it had embarked upon. The working-party's secretariat, handicapped by insufficient capacity, appeared to be unable to provide the CMFB in an efficient way with the necessary information. It was a frustrating experience for the CMFB, as well as for Eurostat's officers engaged in the working-party and its task forces, to have reports and work programmes seriously criticised or even rejected. These difficulties deprived the CMFB of being more substantially involved in steering the working-party's activities. Strategic decisions had to be taken largely by the working-party, which, however, proved to be not totally equal to this task.

In the field of financial services statistics, guidance by the CMFB remained illusory. It was thwarted by the Financial Services Statistics Working-Party (FSSWP) being prohibited to play its role properly. This working-party officially existed, but had, except for a meeting in October 1991, been kept in a state of inactivity. It was not the working-party, which set, very ambitious objectives, but its secretariat, i.e., the Eurostat unit engaged in statistics on services. The presentation of these intentions was done in such a way – for instance, by referring to the

FSSWP – that the impression was given that member states represented in the working-party were in full agreement. The CMFB duly reacted to the proposals brought to its attention, but its views, were not heeded by the FSSWP. Irritation reached a climax when Eurostat, at the January 1993 meeting, presented a Council Decision on the development of European statistics on services, which had been largely prepared without the FSSWP being involved and which compelled the CMFB to organise an extensive examination of users needs in the member states within two months time.

## BART MEGANCK<sup>6</sup>



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<sup>6</sup> CMFB chairman, April 1993-March 1995. Former Director, Economic Statistics and Economic and Monetary Convergence, Eurostat.

## The role of the CMFB in the context of the cooperation between Eurostat and the EMI

The Maastricht Treaty created a new statistical environment by assigning statistical competencies to the European Monetary Institute (EMI) to produce European statistics. Previously, only Eurostat, assisted by the National Statistical Offices, had these competencies. With the prospect of the Economic and Monetary Union (EMU), the Commission urged measures aiming at a better cooperation between statistical offices and central banks.

When the EMI succeeded the Committee of Governors on 1 January 1994, at the start of the second stage for achieving EMU, the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) was called into action whenever a coordination problem had arisen between Eurostat and the EMI, and would remain the forum of discussion between national statistical offices and central banks. It provided a forum in which the consistency and the integrity of monetary statistics, financial accounts and balance of payments were promoted and where the cooperation between Eurostat and the EMI was enhanced. Clearly, the CMFB wished to see co-ordination as the focal point of any discussion of its future role. The co-ordination should embrace the EMI's needs for data beyond their immediate domain as well as the Commission's requirements to cover its existing obligations and meet new areas of responsibility.

The beginning of stage Two of EMU marked for the CMFB the point where guidance to the working parties moved to the centre of its activities. On the one hand, by enforcing higher standards for reports and work programmes, the CMFB has strengthened its grip on activities that hitherto had exclusively been initiated by Eurostat. On the other hand, it was the multitude of pressing changes in the statistical system that compelled an intensification of consultation between all national and supranational bodies.

Furthermore, the CMFB became involved in the drawing up of important legislation like the Statistical Law, the ESA 95 regulation and the Council Regulation on the application of the provisional protocol on the excessive deficit procedure. Moreover, major projects were initiated such as the revision of the financial accounts in ESA and the implementation of new balance of payments recommendations of the IMF. Steering these activities necessitated regular consultations between Eurostat and the EMI, which were considerably facilitated by the existence of the CMFB

and its Executive Body. It was at the plenary meetings of the CMFB, but in particular at the preparatory meetings of the Executive Body, that a fruitful practice of close cooperation emerged between all parties.

As far as legislative matters were concerned, one issue in particular, namely the Statistical Law, should be highlighted. The development of the European Statistical law has been a long and complicated process. As early as 1991, the Commission had started consultations with the national statistical offices on a legal framework for the European Statistical System. At the beginning of 1993, the CMFB was informed by Eurostat about the progress made. The Commission had to overcome two serious obstacles: the opposition of central banks to subordinate their statistics to a Community Statistical System (CSS) and the resistance of member states to subject their statistical offices to Community rules. After extensive discussions in the CMFB, it resulted in the decision that central banks as well as the EMI would remain outside any Community Statistical System (CSS). A concept of two independent but co-operating blocks of authorities at national and Community level was approved. One block, comprising the national central banks, would be outside the CSS, while the other block with the statistical offices, would be part of the CSS with a bridge between both blocks provided by the CMFB. Though it seemed at first that the strongest opposition would come from the central banks, it was, on the contrary, resistance of the national statistical offices, jealously defending their autonomy, which caused most of the delay. The Council Regulation on Community Statistics would finally be adopted in 1997.

During the heavy discussion on the Statistical Law in the CMFB, some discomfort was established with the division of labour in some fields of statistical activities, in particular with a division of labour between two authorities for balance-of-payments statistics and financial accounts statistics. The CMFB insisted that work-sharing was indispensable as it would avoid duplication of effort. As a consequence a Memorandum of Understanding was drawn up between Eurostat and the EMI on their cooperation; the advice of the CMFB had a strong impact.

This Memorandum sets out the working relationship between the EMI Statistical Division and Eurostat with respect to statistics that were needed by the ESCB to carry out its tasks. The Memorandum noted that it was envisaged that the EMI would have full responsibility for money and banking statistics. Within the area of balance-of-payments statistics and in the area of financial accounts – being part of the framework of national accounts – it was envisaged that the responsibility would likewise be shared between EMI and Eurostat. The EMI Statistical Division and Eurostat would consult and co-operate closely in view of shared responsibilities. In price statistics and government finance statistics, it was envisaged that competence would remain with Eurostat; these areas would be of vital interest to the ESCB in carrying out his tasks. The EMI – as a forerunner of the ECB – might therefore put forward to Eurostat its view with the intention of influencing the conceptual definition, other characteristics and availability, accepting that the final decision remained with Eurostat. As background to the performance of its tasks, the future ECB would use a wide range of supplementary economic indicators. It was envisaged that competence in this area would rest with Eurostat, though the EMI/ECB would seek to influence the development of such indicators. With respect to the organisation of co-operation, it was noted that the EMI Statistical Division and Eurostat would co-operate in the meetings of the



CMFB and the WGS through working parties and task forces set up by these bodies and through bilateral contacts.

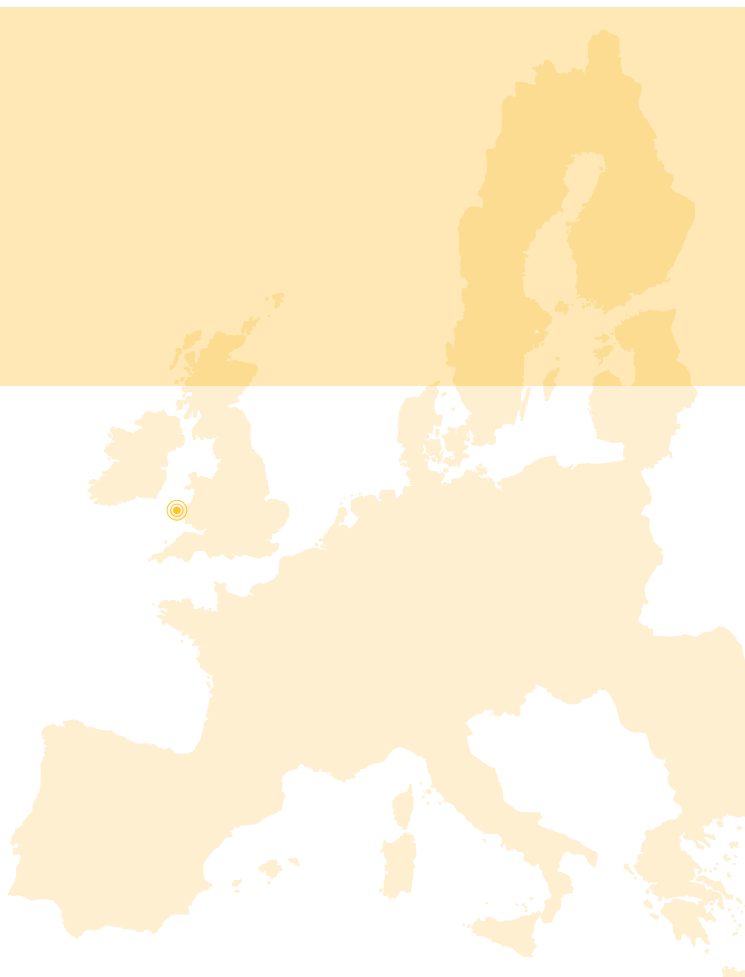
Furthermore, the CMFB had gradually extended its interest focusing on data requirements for EMU and had started giving opinions on matters such as national accounts and price statistics, which were the preserve of the SPC. It should be acknowledged that the advisory and consultative role of the CMFB had been expanded to promoting consistency between the European Statistical System and the statistical system of the ESCB and to provide opinions and advice to Eurostat and the EMI concerning best professional practice in carrying out their statistical programmes.

On 1 June 1998, the ECB was established. Although the statistical competencies of the ECB would formally not start before the end of 1998, in practice the new environment began already having an impact. This created for seven months an unofficial transitional stage between the Stages Two or Three of EMU. A strongly intensified co-operation between the CMFB and the EMI working parties and task forces, under the aegis of the CMFB, emerged. This cooperation gained further weight in the field of balance of payments statistics and financial accounts but was now enlarged with the so sensitive domain of public finance statistics.

Although somewhat wider than the scope of this contribution, one should not neglect the important role of the CMFB in the considerably stepped-up dialogue between statisticians and policy circles at the end of Stage Two. Indeed, there was a growing awareness that in several fields, the production of statistical data failed to meet the evolving requirements. The CMFB was seriously concerned about the use of badly defined or even non-defined statistical indicators in new legislation, particularly in the context of the Stability and Growth Pact. Already at an early stage, statisticians pointed out that the implementation of the Pact required the elaboration of more frequent harmonised information on government deficits and debt, along with the development of harmonised economic statistics. Action to remedy this taken by the CMFB had succeeded with some important results. In particular, the step taken by the French Minister of Finance Strauss-Kahn to convince colleagues that politicians at the level of ministers should be more directly involved in statistical issues and the subsequent decision of the Monetary Committee (since 1 January 1999, the Economic and Financial Committee) to set up a temporary working group on statistics to ascertain the statistical information requirements for the euro area and how these should be met. The creation of this so-called Akerholm Group caused at first some incomprehension in both the CMFB and SPC who were quick to understand that this group was assigned a similar task. The decision to draw a substantial part of the members of the working group from the CMFB – including representatives of the EMI and Eurostat – proved that the intention was not to brush the CMFB aside. On the contrary, it entailed a closer relationship between the CMFB and the Monetary Committee. Furthermore, it offered the EMI a chance to argue at the highest level for a dramatic improvement of public finance statistics and general economic statistics.

In conclusion, the CMFB, at the end of the EMI's term, had found solid ground and had, indeed, consolidated its position as a forum of discussion between central banks and statistical offices as well as between Eurostat and the EMI. On top of this, it succeeded in putting statistical issues prominently on the political agenda.

# JOHN KIDGELL <sup>7</sup>



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<sup>7</sup> CMFB chairman, April 1997-March 1999. Former Director, Economic Statistics, UK Office for National Statistics.

## The origins of CMFB'S involvement in EDP statistical monitoring

The origins of Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) involvement in Excessive Deficit Procedure (EDP) statistical monitoring have been ably described in "Bridging the Fault lines – The early years of the CMFB" (2001), by Hans van Wijk. The following few paragraphs build on van Wijk's narrative and his assessments by recording my own personal recollections of these exciting times for European economic statisticians. This period – roughly 1996 to 2000 – can be seen as a, perhaps *the* defining period in CMFB's development. As van Wijk says, "It is not very likely that CMFB would have acquired its present position of prominence, if it had not engaged in the excessive deficit procedure." Although my chairmanship did not start until April 1997, my close involvement in CMFB's role in EDP statistical monitoring began a year beforehand. At the time, the chairman was Wolfgang Duchatzek (Oesterreichische Nationalbank). I was one of two vice chairmen. The other was Jacques Pecha (Banque de France). Wolfgang and I worked closely together throughout his chairmanship, particularly on the EDP monitoring. This close working relationship was to lead to his recommendation that I (a government statistician) should become chairman in 1997 – a break with the earlier understanding that the chairman should be a national central bank official.

The European statistical fraternity had perhaps been a little wrong-footed by the emergence of the Stability and Growth Pact and drafting of the regulation, which did not deal as precisely with statistical definitions as statisticians would have liked.<sup>8</sup> There had been little consultation of statisticians by policy makers. An early consequence of this was that statisticians were somewhat unprepared for the storm that was about to break out around them in the lead up to Stage 3 of Economic and Monetary Union. The nature of the storm can be described as the fear of "creative accounting" Put more professionally, member states could use the lack of precision in the statistical definitions of government debt and deficit (in legislation and in

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<sup>8</sup> A letter from the CMFB chairman to the head of DG2, in May 1997, failed to get any revisions to the draft regulation.

statistical manuals such as ESA and SNA) to classify particular transactions as being outside the definition of public expenditure, when others might believe they should be part of public expenditure.

It is important to remember that this was the period of run-up to Stage 3, and the decision on which member states would be in and which out of monetary union. Countries were striving to reduce their estimates of government debt and, particularly deficit (to the important 3% reference value). One obvious issue for countries to consider was how particular transactions should be treated in the official statistics. Widely across the EU, statisticians were being asked to check that transactions were not being treated as government expenditure when they could be treated otherwise. This was a wise and proper action to take, particularly for “extraordinary” transactions of a one-off nature. It is probably fair to say that statistical manuals had not been written with this very close scrutiny in mind, and the definitions were about to be tested to breaking point. The fear was, of course, that this very lack of precision would encourage some policy makers to put pressure on their statisticians to be “creative” and exclude certain transactions from the estimates of government expenditure that should rightfully be in the estimates.

My recollection is that the early definitional issues were handled by Eurostat and CMFB in a fairly low key way. This was certainly true of two cases (one on privatisations, and one on debt assumption and cancellation) in January 1995. At that time, the atmosphere was calmer, and (rightly or wrongly) few of us were looking out for any political motive in the proposals. This was probably still largely true as late as February 1996, when the Irish delegates brought to the attention of Eurostat and CMFB an issue relating to the time of recording of certain transactions. Detailed discussion was properly held in the Financial Accounts Working Party (FAWP), whose recommendations were endorsed by the National Accounts Working Party (NAWP). CMFB was consulted about the recommendations at its plenary session in June 1996, and it endorsed them. There had been no written consultation of CMFB members, and no serious concerns or complaints were made. Maybe, this case should have alerted us all to the potential dangers ahead.<sup>9</sup>

But dangers there were, and these hit us all with a vengeance in October 1996. The case that changed the role of CMFB, perhaps forever, concerned certain transactions between France Telecom (FTel) and the French government – “The France Telecom Case” or, in van Wijk’s words, CMFB’s “cause celebre”. Eurostat presented a paper on this issue to an extraordinary CMFB plenary meeting on 26 October 2006. It related to a proposed payment by FTel to the French government who would in future make pension payments to FTel pensioners on the basis of an unfunded pension scheme. Eurostat made it clear that they intended to accept the French proposal, which, of course, would lead to lower estimates of the French government deficit. A number of CMFB members disagreed with this interpretation. Others were unhappy with the way in which the consultation was being handled, particularly with the lack of time for careful

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<sup>9</sup> Even Eurostat admitted only a few months later, in October 1996, that they had not been involved earlier enough in the France Telecom case, the next case to come to CMFB.

thought. Others even referred to the transaction as a “trick”, and that this was widely recognised amongst statisticians.<sup>10</sup> (Much more detail of the transaction and of the events surrounding it is given in van Wijk (2001)).

At the meeting, it was agreed that CMFB members should be consulted by written procedure. This consultation went disastrously wrong – deadlines were changed (shortened) during the process; deadlines were imprecisely defined (using words like “lunchtime”); the timetable was set by an EU Commissioner (not statisticians); the questionnaire was drafted in a way that allowed members to specify two acceptable solutions; and, in spite of there being a majority of CMFB members who believed both solutions were acceptable, Eurostat’s announcement referred to only one.

On 31 October, the Commissioner announced Eurostat’s decision that ruled in favour of the French proposed treatment. There were concerns amongst CMFB members both in and out of the Executive Body (EB). An emergency meeting of the EB was called for 4 November at the Bundesbank in Frankfurt. The co-operation between the various parties of CMFB was under threat. There is no doubt that a number of CMFB members were strongly suspicious that there had been political interference in the process, if not in the decision itself. Interestingly, seven years later, in “Memoirs of Eurostat” (Eurostat, 2003), Alberto de Michelis, who was Eurostat’s Director of Economic Statistics at the time, acknowledges that the FTel case was an example of creative accounting – “...the number of cases of creative accounting was rising by the day. One of the most famous was that of France Telecom.” There is a narrative about that night at the Bundesbank by Enrico Giovannini on page 145 of “Memoirs of Eurostat”.

A direct result of this meeting was the creation of CMFB’s own consultation process for EDP issues. Shortly after the Frankfurt meeting, at the request of Wolfgang Duchatczek, I set about drafting the first set of guidelines for such a consultation process.

The main aims of these guidelines were: to increase transparency; to minimise the possibility of political interference (at the European level, at least; such interference at the national level was not something the CMFB could easily influence); to provide sufficient time for members to consider the complex problems likely to be encountered and to consult as widely as possible. They moved control of the consultation process from Eurostat and put the CMFB chairman and EB in direct control. In future, Eurostat would be consulting CMFB as a single body rather than its individual members. The process would start with Eurostat asking the chairman to undertake a consultation. He and the EB would be responsible for drafting the questionnaire, sending it to CMFB members, collecting and analysing the responses, and drafting the opinion, which would then be forwarded to Eurostat. CMFB’s opinion would always be available to the public. (In the event, Eurostat decided to publish CMFB’s opinion as part of their decision.) If Eurostat wished to take a decision that was at variance with the CMFB’s (majority) opinion it would need to have very good reasons, and would have to explain these to, an often, sceptical press and public.

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<sup>10</sup> Later, when the decision had been announced, parts of the press drew a similar conclusion.

After wide consultation, these guidelines were agreed within CMFB and by Eurostat. They began to be used in January 1997. In a decision published on 3 February 1997, Eurostat said that it “takes the utmost account of the opinions expressed by the CMFB...”. An annex was attached describing the principles and procedures for assessing the opinions of the CMFB. Just over two weeks later, on 21 February, Eurostat published a further decision, and this time CMFB’s opinion was attached as an annex, adding to the transparency of the process. Further decisions using the same format were published by Eurostat in March and December 1997, and in January 1998. The system was up and running.

Tensions remained high for some time. Even as late as January 1998, there were anxious moments in the EB, waiting to see how Eurostat would respond to a CMFB opinion, representing “a large majority” of members on the “Italian gold” case. Indeed, such was the anxiety, that I recall being extremely relieved in early May 1998 on reading an article in the Financial Times, commenting on the participants of Stage 3, a full list of member states’ debt and deficit figures. The list was consistent in every respect with what we had all been working towards over the preceding two years.

As time went by, of course, CMFB’s consultation procedure became part of everyday life of European economic statisticians.

This period and the creation of CMFB’s role in the EDP monitoring process epitomises everything that CMFB was established for. Whatever the stated reasons for setting up this committee twenty years ago, it is my belief that it was part of Yves Franchet’s (Eurostat’s Director General, at the time) strategy to ensure that we had one, and only one, coherent set of European statistics. CMFB was part of this strategy that brought together government and central bank statisticians, and Eurostat and EMI/ECB. The events of 1996 to 1999 certainly made the national central bankers and government statisticians work together and to cooperate. At times, there were tensions between the committee members and Eurostat, but once the new consultation system was in place and was seen to be trusted by all parties, mutual trust, respect and cooperation returned, perhaps even stronger than before. Moreover, it is a process that makes maximum use of the expertise in public sector statistics in central banks, statistical offices as well as in the European institutions. It is clearly a very transparent process that makes political interference extremely difficult. This has to be to the benefit of the reputation of European statistics.

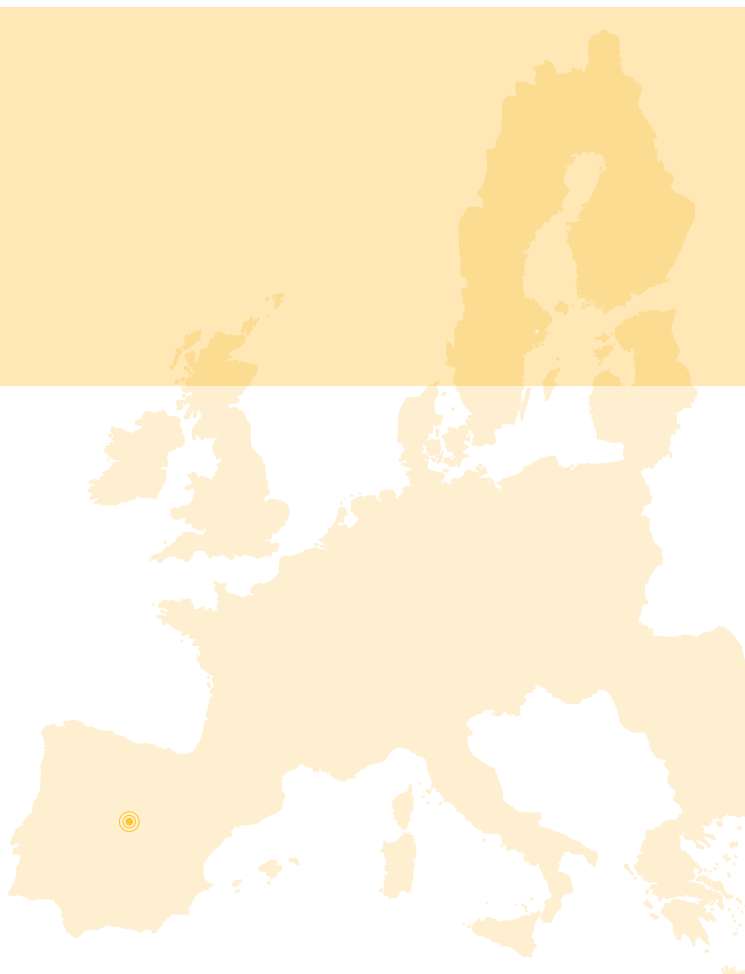
As a footnote, I want to say that although there were periods of tension between CMFB and Eurostat officials, these never led to any personal animosity. I have always had high regard for the Eurostat officials involved, and value them as good work friends.





CMFB 1st meeting  
1991

# RAFAEL ÁLVAREZ <sup>11</sup>



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<sup>11</sup> CMFB chairman, April 1999-March 2001. Former Director, Statistics Department, Banco de España. As reflected in this note, the Committee was involved in numerous discussions regarding the balance of payments during this period. This is the area of economic statistics with which the author of this note is least familiar, and, therefore, he has received invaluable assistance from Eduardo Rodríguez-Tenés, for which he is most grateful.



## The collection of balance of payments statistical data and the statistical requirements for EMU

During its first few years of existence, the activity of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) was focused on consolidating its institutional position, the discussion of methodological issues connected with the Excessive Deficit Procedure (EDP) and establishing a transparent procedure for formulating its opinions on this subject, which, with few changes, has survived until the present. Accordingly, during this initial period, the issues relating to balance of payments statistics that were debated in the CMFB were, in practice, limited to studying the consequences of the adoption of the fifth edition of the IMF Balance of Payments Manual and discussions regarding the implementation of the European System of Accounts (ESA) 1995.

### The requirements of Stage Three of Economic and Monetary Union (EMU)

The following years, until approximately 1998, were crucial for the definition of balance of payments reporting requirements in the context of EMU and for initiating the work to ensure that the data needed at the start of Stage Three of EMU (1 January 1999) were available. Two decisions were taken when this work began that have influenced the development of these statistics over the subsequent years: 1) that the monthly balance of payments, and more specifically its “monetary presentation”<sup>12</sup>, should be an instrument of analysis for the ECB and, therefore, available within a short period of time and 2) that the division of responsibility for these statistics between the ECB and Eurostat, should be based on the “memorandum of understanding” established by these two institutions, according to which, the capital account, the financial account (including related income) and the international investment position (IIP) of the euro area are the direct responsibility of the ECB (with the exception of direct investment, for which responsibility is shared), while the current account (except investment income) remains within the remit of Eurostat, which also compiles the balance of payments and international investment position of the EU.

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<sup>12</sup> The “monetary presentation” of the balance of payments enables the counterparts of the change in the external position of monetary financial institutions (MFIs), one of the components of the monetary aggregates of the euro area, to be explained.

The preparatory work for Stage Three of EMU was carried out by the EMI and national central banks, although the CMFB participated through the Balance of Payments Working Group. This work led to the definition of a highly simplified set of data for the monthly balance of payments (the monthly key items), a broader set of information for the quarterly balance of payments, and simplified data for the annual investment position. At the same time, a review was carried out of the concepts and definitions used by each country in the process of preparing its national balance of payments, which would serve as an input for the balance of payments of the euro area and of the EU, since the latter would be compiled as the sum of the data for each country vis-à-vis non euro area residents.<sup>13</sup> These information requirements were specified in the first ECB Guideline in 1998.

The initial result of this work was to secure the availability of the sets of data mentioned above from January 1999. From early on, the need to improve the quality and detail of the data was evident. Firstly, the compilation procedure for the balance of payments and IIP outlined above did not allow certain important aggregates of the euro area balance of payments to be obtained. The most important problem was in relation to portfolio investment, both in the balance of payments and in the IIP, which could only be obtained as the net amount of assets less liabilities of the euro area vis-à-vis the rest of the world and, moreover, without a breakdown by institutional sector, for which more detailed information on securities issued by euro area residents and held in the portfolios of residents of other euro area countries was required.<sup>14</sup> To solve this problem, one of the first common projects of the Eurosystem in the area of statistics was launched – the creation of a centralised securities database (CSDB), following a proposal by Antonello Biagioli, – and the development of systems for the collection of security-by-security data in each country was promoted. The ECB has now for some time been able to obtain the necessary data to prepare the balance of payments and IIP with the maximum degree of detail. Secondly, as monetary union has progressed, new information requirements have arisen, so that the basic requirements established in the 1998 guideline have been successively expanded. Finally, the assumption that the asymmetries in the bilateral data would not significantly distort the aggregate data could not be confirmed. Indeed, the numerous investigations into the origin of the large amount of the errors and omissions item of the euro area balance of payments in some periods have in most cases revealed large asymmetries.<sup>15</sup>

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13 This procedure assumes that the “asymmetries” in the data of the member countries of the euro area would not be important or would tend to be neutralised, so that the aggregate data would not be distorted.

14 These details were not needed in order to compile the national balance of payments, so that in 1999 practically no country had information with this level of detail. These details were, however, crucial to obtain the “monetary presentation” of the euro area balance of payments which, as mentioned above, was a fundamental objective of the ESCB.

15 The geographical variable of the national balance of payments (i.e. the specific counterpart country) is a secondary variable in the national balance of payments, and probably the one whose quality is most doubtful, but when the national data are aggregated to compile the balance of payments of the euro area or the EU this variable becomes crucial. Another reason for errors and omissions in the euro area balance of payments, which it has been possible to correct partially, arises from the difficulty of estimating the amount of euro-denominated banknotes held by non euro area residents (and the transactions behind these holdings), given that the banknotes put into circulation by the various NCBs circulate freely.

As indicated above, the preparations for Stage Three of EMU in relation to balance of payments compilation systems, gave rise to intense efforts to harmonise concepts and definitions. At the same time, there began a process of exchange of information between national compilers on the different data collection and treatment systems, including their advantages and disadvantages, and a debate on the convenience and possibility of unifying them or, at least, harmonising them. Simultaneously, in the context of the start of Stage Three of EMU, European credit institutions, especially those established in more than one country, began to seek a review and, ultimately, limitation of the use of cross-border receipts and payments to obtain information, given the unification of euro area payment systems taking place,<sup>16</sup> and doubts arose regarding the viability of maintaining reporting systems based on cross-border payments data as EMU progressed.<sup>17</sup> Also, the perception that national balance of payments data would cease to be useful once EMU was firmly established was a further argument in favour of setting up simplified compilation systems, oriented towards capturing solely, or mainly, those transactions that are relevant from the European viewpoint.

### **From the BOP Vision Paper to Regulation 184/2005 on Community statistics concerning balance of payments**

Against this background, during the period April 1997-April 1999, certain members of the CMFB expressed – sometimes in dramatic terms – their concern about the loss of quality in the balance-of-payments data and the need for procedures to reverse the situation. As a result of the subsequent debate, in July 1999 the CMFB approved the document “The measurement of international transactions in the European context in 7-10 years time”, known as the “BoP Vision Paper”, which had mostly been drafted under the chairmanship of John Kidgell. This document was the basis for work that was carried out over the following years and has had a major impact on the evolution of data collection systems to date. Among others, the following medium-term objectives were set: greater integration of the balance of payments with other statistics, especially the national accounts and the financial accounts; the establishment of objective criteria for assessing data quality; to give greater importance to the compilation of aggregate data (euro area/EU) to the detriment of national data; and to simplify the reporting requirements in order to reduce the burden on reporting agents. Finally, the document suggested possible ways of achieving these objectives, including, giving greater weight to data collection systems that obtain data directly from firms, studying procedures to correct asymmetries, agreeing and establishing common coding systems, and exploring procedures for collecting data on cross-border payments automatically, without the involvement of banks (“straight through processing”) or with information exchange systems, so that, for example, each country collects only part of the transactions and obtains the rest from its counterparts (“unilateral reporting”).

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16 At that time, most countries used data collection systems based on the information that credit institutions supplied to central banks on the cross-border receipt and payment transactions that they channelled. This debate gave rise to the exemption of low amounts from the obligation to declare transactions (at first amounts of up to €12,500, and currently up to €50,000) and successive attempts to establish a “sunset clause” in European regulations.

17 These doubts were based on the increase in the number of transactions, which would make it impossible to record them individually, the increase in business interlinkages, centralised treasury systems and integrated management of multinationals’ payments, etc.

As a consequence of the “BOP Vision Paper” and of the mandate of the CMFB to the Balance of Payments Working Group<sup>18</sup> to study its practical application, considerable activity was generated among compilers, with various workshops, task forces and technical groups studying the different proposals contained in the document. Firstly, this work led to two opinions of the CMFB, of July 2000 and January 2001, which established the committee’s position on common codification and declaration thresholds. This work did not finish in 2001 and, owing to its complexity and importance, a group of balance of payments directors was set up to coordinate it. One of the conclusions reached by this group, in which both Eurostat and the ECB were active participants, was the need to regulate reporting commitments to Eurostat by member countries in the area of balance of payments statistics.<sup>19</sup> Thus, in January 2005 an EU regulation (No 184/2005) was approved, which established these obligations and set up a balance of payments committee, charged with implementing and monitoring the Regulation. One of the changes introduced by this Regulation was the establishment of objective criteria to measure quality, both for national contributions and for the balance of payments of the EU. These criteria are summarised in a report regularly sent to the European Parliament and publicly disseminated, this being one of the concrete consequences of the proposals included in the “BOP Vision Paper”.

### The current situation of the balance of payments at the European level

It is not possible in this document to describe all the work carried out by the CMFB as a result of the debate that began with the “BOP Vision Paper”. It is possible, however, instead to consider the final consequences of this review process and the current situation of the balance of payments at the European level. On the one hand, if one considers some of the specific proposals and predictions of the “BoP Vision Paper”, an initial, not very positive, conclusion may be drawn, since the different harmonisation work has had uneven results: a single compilation system in Europe has not been set up, nor has it been possible to establish a single model and the attempts to introduce common codification, homogenous reporting systems for large firms, unilateral reporting procedures, etc. have not been as fruitful as expected when the “BOP Vision Paper” was drafted. On the other hand, an analysis of the current situation of balance of payments statistics leads to a much more positive assessment, although it is necessary to recognise that there are still problems in the process of being solved, such as that of the asymmetries between the national contributions. Among the arguments supporting this positive assessment, the following may be highlighted:

1. The predictions of a severe loss of quality in the balance of payments, both at the national and the euro area/EU level have not been borne out and today the ECB and Eurostat have a set of data that are much more detailed and of greater quality than those that could be obtained at the end of the 1990s. At the same time, the national reporting systems that have become established, besides supplying contributions to the ECB and Eurostat for euro

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18 Mandate to the BOP Working Party on the implementation of the main orientations and common principles of future BOP collection system (CMFB meeting of 29-30 June 1999).

19 Until then, countries submitted balance of payments data to Eurostat under informal gentlemen’s agreements.

area/EU statistics, enable the national balance of payments and IIP to be compiled. The latter has proved to be especially convenient when, as a result of the current financial crisis, the data of the member countries have acquired renewed importance.

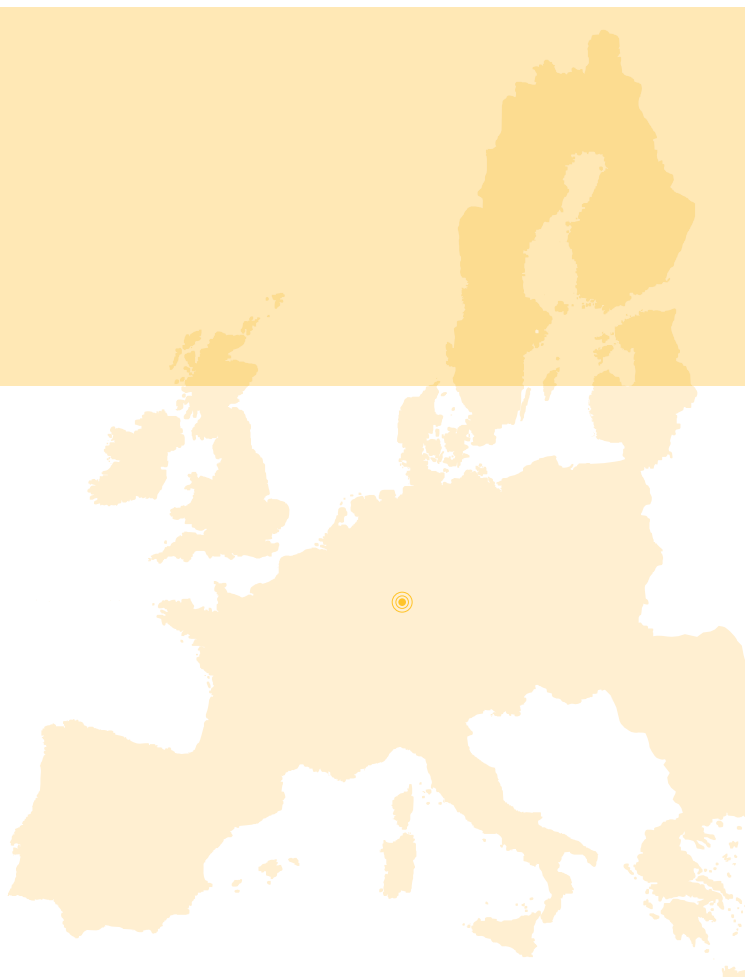
2. The information exchange carried out in the search for common solutions, has led to the sharing of “best practices” and to coordination of the process of change in reporting systems, so that there has been a certain amount of convergence of methods and practices, as proposed in the “BOP Vision paper”. Thus, although the countries continue to maintain their own reporting systems, concrete steps have been taken towards a system with many common elements. There can be said to exist a European form or method of compiling the balance of payments, insofar as the systems currently used have certain common features arising from the convergence of the prior systems, precisely as a result of the experience gained from the dissemination of best practices.<sup>20</sup> Notable among these practices are the greater use of information obtained directly from firms, which has relegated the use of data on receipts and payments to a second level; use of administrative records and surveys for certain headings (government transfers, migrant remittances, tourism, etc.); use of systems that collect information for portfolio investment on a security-by-security basis; the establishment of common tools that enable the homogeneity of the results to be increased, such as the CSDB, which is crucial for portfolio investment data and the EuroGroups Register (EGR), for direct investment.
3. The balance-of-payments data, both national and European, are now more consistent with other statistics, the national accounts, the financial accounts and monetary statistics. In this respect, the role of the CMFB, as a common forum for the three statistical fields has been especially important. Here should also be highlighted the work of Eurostat and the ECB’s DG Statistics, in their capacity as compilers of the Quarterly Euro Area Accounts, which is an essential instrument to make the statistics for the rest of the world/BOP consistent with those of resident institutional groupings.
4. Regular procedures have been established for the exchange of detailed information, particularly in relation to direct investment, through the Foreign Direct Investment Network – probably the only case of such a procedure in the area of statistics in the world.

In conclusion, although it has not been possible to achieve some of the objectives of the “BOP Vision Paper” in the form in which they were formulated, the reflection initiated by the paper has led to a certain degree of harmonisation, not only of outputs, but also of the procedures for compiling data and for assessing their quality. As a result, one can speak of a European way or method of compiling balance-of-payments statistics. Implementation of the sixth edition of the Balance of Payments Manual, due to take place in 2014 in a coordinated way in the CMFB and the ESCB, is a new challenge to achieve further harmonisation through the adoption of best practices.

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<sup>20</sup> Data compilation systems in Europe have evolved from “clearly defined information systems” (based, for example, on surveys or payments data) toward systems in which various sources adapted to each heading/institutional sector are used. In short, there is a “matrix” of different headings and institutional sectors, for which the most appropriate compilation procedure is determined, an approach that emerged from the working groups created as a consequence of the “BOP Vision Paper”.

## PETER BULL<sup>21</sup>



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<sup>21</sup> Former ECB Director General, Statistics.

## Statistical requirements for EMU: the CMFB involvement

*Nothing is more important for monetary policy than good statistics.*

A. Lamfalussy

*President of the European Monetary Institute,*

*in the foreword to a booklet introducing statistical requirements for  
monetary union, July 1996*

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A body like the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) might have been desirable even without plans for monetary union, given that in 1991 preparations for a new global System of National Accounts (the SNA 1993) and Balance of Payments Manual (the BPM5) were well advanced, and that a replacement for the European version of the SNA would be needed (the ESA 1995, which, unlike its 1979 predecessor, was to take the form of a Council regulation, legally binding in member states).

The main impetus to the establishment of the CMFB nevertheless came from the prospect of monetary union in Europe. It was clear that the future European Central Bank would need a wide range of statistical information to support the conduct of policy: the need for monetary statistics, for data on financial intermediation and on financial markets, and for balance-of-payments and international investment position statistics. Financial accounts for main economic sectors bringing together much of this information and, with corresponding balance sheets, showing financial transactions and the development of financial wealth sector by sector, were much valued by policy analysts in central banks (though it is true that few countries in Europe had them in the early 1990s). The need for data goes well beyond this. Data on prices and costs relate directly to a central bank's main responsibility, to maintain price stability. Since, however, monetary policy works over the medium term, central banks need to be able to predict pressures on inflation some one to two years ahead, which requires an ability to forecast the behaviour, on present policy, of prices, and so output, demand and labour and financial market conditions influencing them over the relevant time horizon. This, in turn, requires comprehensive, reliable and timely national accounts and other (such as labour market and conjunctural) statistics and a sound means of forecasting them, usually based on an econometric model. Much of this information is relevant to financial stability as well as to monetary policy. Finally, integrated economic and financial accounts by economic sector bring together most of this information in a comprehensive, internally consistent conceptual framework, enabling the policy analyst to view together economic and financial developments in each main economic sector, their consequences for sector balance sheets, and other (valuation, etc.) influences on balance sheets.

Most of this information was available in some form in the twelve EU member states twenty years ago. In practice, national data were not closely harmonised, and many gaps and differences of detail were apparent. Moreover, they were not available in a form designed to permit aggregation across countries to produce results for the area which was conceptually equivalent to the corresponding national data. This was a significant shortcoming in areas like monetary statistics and the balance of payments and international investment position, where data covering a group of countries are not a simple sum of national data. Nor did they always reflect the likely policy needs of the central bank of a very large and relatively closed monetary area, but rather the analyses of EU central banks.

The need for an extensive preparatory programme of the statistical needs of the central bank of a monetary union was clear. In all member states, both central bank and government statisticians would have to be involved, since both central banks and national statistical institutes contributed to economic and financial statistics, with a differing allocation of responsibilities. In the area of balance-of-payments statistics, different collection systems were in use, raising the question of compatibility when national data would have to be aggregated for the monetary union as a whole.

The orderly preparation of statistics for monetary union, while inevitably proceeding subject by subject in the main statistical areas, would have to keep the broad conceptual framework of the SNA/ESA in mind, and would need careful coordination. Much of the detailed work would be at national level, involving (depending on national arrangements, and the area of statistics) one or both of the national central bank and national statistical institute. Cooperation between the statistical institutions at national level, and between both sets of national institutions at EU level, was essential, and the establishment of the CMFB, following an initiative by the Director General of Eurostat, the statistical department of the European Commission, was an excellent first step.

When the CMFB was set up, only one central institution collected and compiled statistics at European level. Eurostat had already been meeting the needs for Community statistics for almost forty years, and had indeed developed some basic banking and monetary statistics, as well as balance of payments, national accounts, labour market statistics and other data to meet the Community's policy needs. The Governors of EU central banks met regularly in Basel: a small secretariat and an economic unit serviced them, and they had set up a few sub-committees, but not one covering statistics, for work on which they had very limited capacity. Yet the new version of the Treaty, still provisional in 1991 (it was signed at Maastricht in February 1992) clearly envisaged that the European Monetary Institute, to be established in January 1994, and the European Central Bank (in the event set up in June 1998) would have statistical functions. Thus the EMI had a definite if not clearly specified statistical responsibility under Article 117 (3):

*“for the preparation of the third stage [i.e., monetary union], the EMI shall ... promote the harmonisation, where necessary, of the rules and practices governing the collection, compilation and distribution of statistics in the areas within its field of competence”.*



In monetary union, Article 5 of the Statute of the ESCB<sup>22</sup> and of the ECB gave the ECB statistical responsibilities. Thus: *“Article 5.1 In order to undertake the tasks of the ESCB [as set out in Article 105], the ECB ... shall collect the necessary statistical information ... Article 5.3 The ECB shall contribute the harmonisation, where necessary, of the rules and practices governing the collection, compilation and distribution of statistics in the areas within its fields of competence”*. In performing these statistical functions, the ECB was to cooperate with Community institutions or bodies and with national authorities in EU member states or third countries and with international organisations (Article 5.1). It must rely in all this on the national central banks as far as possible (Article 5.2).

There was thus a pressing need to decide on how responsibilities for statistical work would be divided between Eurostat and the future EMI and ECB, in order to avoid duplication in the collection of statistics and the extra reporting burden. The immediate stimulus to action was a Commission draft for a Community Statistical Programme 1993-97, sent to the CMFB for an opinion. The CMFB Chairman sent it on his own initiative to the Secretary General of the Committee of Governors seeking the Governors’ guidance. The outcome was the first meeting of heads of statistics departments of EU central banks in March 1992. In preparing advice for the Committee of Governors, the meeting addressed three questions:

1. The harmonisation of which statistics should be the responsibility of the EMI and the ECB?
2. Which data should be collected within the ESCB?
3. In the light of the answers to these questions, what would be the most appropriate organisation at Community level, with what implications?

Their preliminary conclusions were discussed by the CMFB in March 1992. The CMFB met again in May 1992 to consider the text of the statistical programme in the light of the Governors’ comments. The CMFB proposed a new text of the statistical programme which distinguished between monetary and financial data collected from financial institutions (which would be the job of the ESCB), and economic data collected from financial institutions (on employment, vacancies, capital spending, etc.) which could be collected by central banks or national statistical institutes depending on national circumstances. The CMFB did not consider that central banks should necessarily be responsible for all data from financial institutions. The difficult question of shared responsibility for balance-of-payments statistics and financial accounts was in effect remitted to a Groupe de Réflexion which first suggested at the March meeting and subsequently set up to consider the role of the CMFB in the approach to monetary union. Meanwhile, the Governors had set up a Working Group on Statistics comprising heads of statistics departments of EU central banks and serviced by the Committee of Governors’ Secretariat in Basel. The membership of the Working Group largely coincided with the central bank representation in the

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22 European System of Central Banks, comprising the ECB and the central banks of the then twelve, now twenty-seven, EU Member States. Some tasks (including the conduct of monetary policy) relate to the Eurosystem, comprising the ECB and the central banks of Member States in the euro area.

CMFB; Eurostat were invited to their meetings as observers. The Working Group, with the help of other groups reporting to the Committee of Governors, began to list statistical needs for the future ECB in monetary union, catalogue the currently available data which could be used to meet them, and identify gaps and set priorities for filling them. The division of responsibility for statistics at European level was later set out in a Memorandum of Understanding between the ECB and the European Commission in July 1995. (The current version dates from March 2003.)<sup>23</sup>

Several practical examples of cooperation across the statistical community in Europe are described in Section 2. The integrated economic and financial accounts by institutional sector are one important example. Sector financial accounts were included in the EMI's July 1996 "implementation package" setting out requirements for monetary union, but there was no prospect of having them by the start of monetary union. Instead, the ECB began with the publication of rudimentary annual data, progressing to a partial quarterly table of financial transactions of households, non-financial corporations and government in the euro area. The aim, however, was complete quarterly financial accounts (transactions and balance sheets) for each economic sector in the euro area, with – and this was the requirement calling for a high degree of cooperation between national central bank and government statisticians, Eurostat and the ECB, including through the CMFB – corresponding economic accounts, again sector by sector. The first complete annual accounts of this kind for the euro area were published, after long and intensive preparation, in May 2006; quarterly accounts have been published since June 2007. Much of the work was prepared in a task force chaired by John Kidgell, a former chairman of the CMFB. Further enhancements were considered in a task force led by another former CMFB chairman, Rafael Alvarez, and the project has been discussed extensively in the CMFB, including the various pieces of Community and ECB legislation needed to support it. The prospect of monetary union, and the many statistical enhancements introduced since it started in 1999, have transformed statistical work in Europe, in terms both of the products and the way of working at national and EU level. The CMFB has been closely involved throughout, in encouraging the initiatives, fostering cooperation, and providing expert advice and support.

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23 See, <http://www.ecb.int/pub/pdf/other/mouecbeurostaten.pdf>, 10 March, 2003.



CMFB Chairmen  
Frankfurt, June 2007

# STEVEN KEUNING<sup>24</sup> AND RICHARD WALTON<sup>25</sup>



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<sup>24</sup> CMFB chairman, April 2001-August 2002. Former ECB Director General, Statistics.

<sup>25</sup> ECB DG-Statistics.

## The development of short-term economic statistics in the context of the action plans on EMU statistical requirements

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*During my Chairmanship, a great emphasis was put on the role of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) in providing advice in a professional, transparent and independent way to policy-makers in Europe. As an independent forum for the coordination of national central banks (NCBs) and national statistical institutes (NSIs), in which experiences and best practices are exchanged, the CMFB was and is undoubtedly well-placed to provide effective advice on the steadily increasing role of statistics in European policy-making. The CMFB has further built its high credibility in this period. By now, the development of timely and reliable short-term economic statistics, and particularly the new statistics on quarterly institutional sector accounts have produced remarkable results. The vision was set out by the ECB Directorate General Statistics and Eurostat in various Economic and Financial Committee (EFC) Status Report on Information Requirements ("Progress Report" at the beginning of this century). Furthermore, to improve the availability and timeliness of euro area aggregates to standards comparable to those in the US, a list of Principal European Economic Indicators (PEEIs) was first established. The "Progress Reports" were submitted via the EFC to the ECOFIN Council which published them together with the Council conclusions. The ECOFIN Council would encourage Member States to take actions as a matter of priority. As Members of CMFB, the ECB and Eurostat, national statistical institutes and national central banks would cooperate in these substantial initiatives, to strengthen the effective collection, compilation and dissemination of high-quality European statistics.*

The importance of high-quality statistics for EMU was determined and motivated by the Economic and Financial Committee (EFC). In late 1998, the first report on statistical requirements was prepared. The ECOFIN Council invited Eurostat, in close collaboration with the ECB Directorate General Statistics, to prepare the actions necessary for each member state and for each statistical area. The ECOFIN Council conclusions on these annual reports on EU statistics led to statistical initiatives which were implemented by CMFB members. Often these initiatives led to modifications to statistical regulations at the Community level. In all cases, the support shown by the ECOFIN Council was of the utmost importance for the further development of both EU statistics and statistical indicators. The resulting benefits for enhanced policy coordination and for the conduct

of monetary policy<sup>26</sup> were, in turn, much appreciated. In progressing policy initiatives, the CMFB has continued to advise on the statistical merits and costs and to share best practices in successfully implementing projects. The CMFB advice built on this closer policy involvement and the result was a more effective communication with policy-makers in the ECOFIN Council.

The initiatives of the CMFB during this period also provided the necessary experience for similar initiatives which were to follow. These included those necessary as a result of the economic and financial crisis and, in particular, to provide European economic and financial statistics as benchmarks, in meeting information gaps at a global level. The development of the principal global indicators that will be comparable for the G20 economies will be similar to the Principal European Economic Indicators for Economic and Monetary Union.

The work on improvements in the timeliness of short-term economic statistics, of, a sound statistical basis for the services sector and quarterly European accounts by institutional sector were all priorities. Furthermore, the need to deliver data for the rapid production of European aggregates was a complementary objective. Work by the CMFB in these specific areas provided the foundations for timelier and more reliable European statistics and statistical indicators.

First, a list of PEEIs was approved by the Statistical Programme Committee (the forerunner of the current ESS Committee). The scope of the PEEIs reflected the main ECB requirements and was tuned to the timetable of European policy-making. The PEEIs covered a broad range of non-financial macroeconomic statistics and set out tight deadlines for their production, alongside quality objectives. This was an important milestone in general economic statistics and a success story for Eurostat and the national statistical institutes. It was built on ambitious targets set for the European aggregates and on the coordination of the CMFB. Second, improvements in the availability of monthly and quarterly statistics for the services sector were discussed with key users. The Statistical Programme Committee (SPC) and the CMFB identified priorities, including the need for legislation, which led to improvements in the availability of monthly and quarterly statistics on services. Third, in 2002, the CMFB set up a joint ECB/Eurostat Task Force to develop quarterly national accounts by institutional sectors, for both the euro area and the EU. The Task Force was charged with drafting legislation for quarterly sector accounts and in examining the consistency of the rest-of-the-world account with the balance of payments. This first vision by the CMFB of a unique data set for policy-makers was to lead to the inaugural publication five years later (June 2007), by the ECB and Eurostat, of quarterly euro area and European Union accounts for institutional sectors, together with key indicators such as household savings and investment of non-financial corporations. Fourth, to collect data rapidly for the production of European aggregates, the CMFB established a Coordination Group, to develop the electronic transmission of statistical data to Eurostat and the ECB and between the European Statistical System and the European System of Central Banks. The Coordination Group endorsed the use of GESMES/CB electronic messages with a common coding system and under a Code of Practice. The CMFB report on data transmission marked the beginning of a number of international initiatives, in the exchange of information between international and national organisations and in the real-time update of internet databases.

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26 See for example, ECB Monthly Bulletin, April 2001, pp 37-48, Assessment of general economic statistics for the euro area.

Furthermore, the CMFB paid substantial attention to the issue of the quality of statistics and the balance needed between timeliness and reliability. A joint ECB/Eurostat Task Force on output quality measurement was set up by the CMFB. This task force had a mandate to define a set of indicators to assess the dimensions of quality in balance-of-payments and national accounts statistics and to provide guidance to Users when interpreting the statistical data. In July 2002, the Task Force proposed a set of output quality indicators for balance-of-payments statistics and carried out a pilot study and a feasibility cost assessment. This was followed by a quality review of quarterly national accounts. At this time, the ECB Quality Report on General Economic Statistics for the ECB's Executive Board was finalised, also taking account of CMFB members' comments.

The CMFB also devoted quite some time to balance of payments/international investment position statistics and the preparations for a framework regulation<sup>27</sup> which would provide for common statistical quality and publication standards for comparable output statistics. Work intensified in this period towards "asymmetry-free" European balance-of-payments figures, in order to improve the quality of the aggregate EU/euro area balance-of-payments statistics. Updates of the ECB Guideline<sup>28</sup> (ECB/2000/4) were considered and work began to align to the proposed new regulation. Furthermore, a CMFB Opinion (January 2001) requested countries to draft national action plans on balance-of-payments statistics. The CMFB also discussed ways to preserve the quality of data on cross-border payments, in line with requirements of higher reporting thresholds and a shift of the reporting burden from banks to enterprises. In July 2001, the CMFB issued a harmonised code list for the reporting of cross border payments by banks on behalf of their customers. In this regard, the CMFB supported work for a (voluntary) reporting scheme by multinational enterprises which had operations in several EU member states. The Committee initiated contacts with other bodies, such as the European Financial Reporting Advisory Group, in order to promote further harmonisation of business accounting standards and their alignment with statistical concepts.

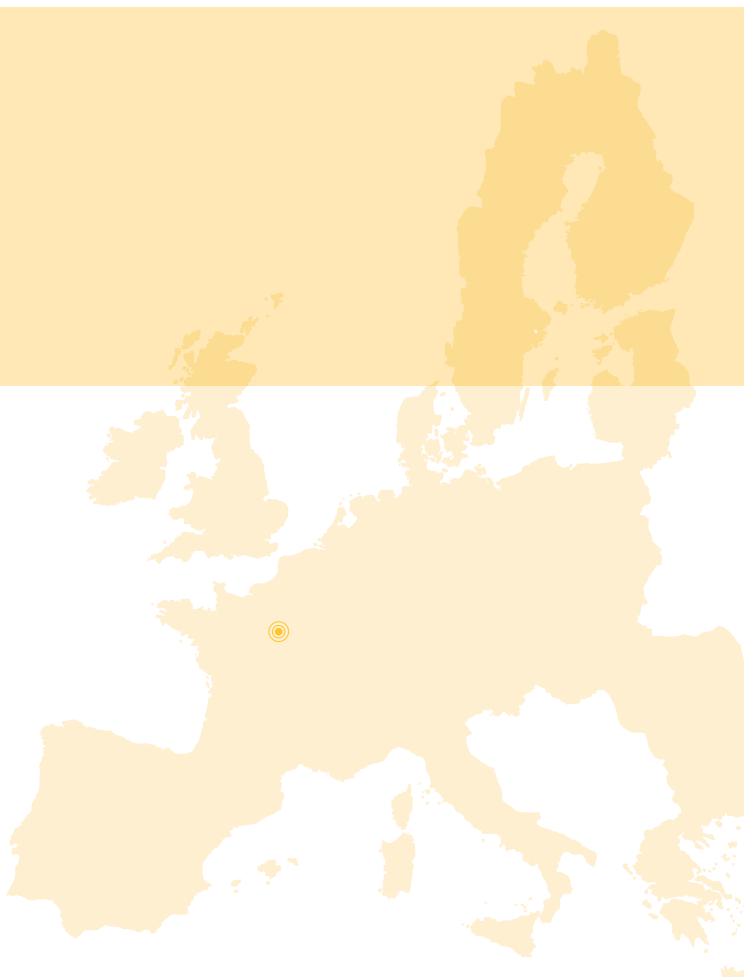
Various other topics were addressed, including seasonal adjustment, in which a coordination group was set up by the CMFB, together with a steering committee which would report to the ECB and to Eurostat. This led to the introduction of a more harmonised trading day and seasonal adjustment of quarterly national accounts. The involvement and transparency of the CMFB's role in Excessive Deficit Procedure (EDP) consultations was strengthened. Procedures were codified to determine clearly the process of arriving at an Opinion of the CMFB concerning the statistics underlying this Procedure. Specifically, the CMFB opined on several EDP consultations, including the second edition of the ESA95 Manual on government debt and deficit and on the treatment of securitisation operations undertaken by general government. Finally, and in parallel to these achievements, the CMFB also increased its communication with the outside world. The CMFB website was set up and hosted by the ECB and a CMFB logo was designed. This provided a greater sense of identity and a more effective communication of the work of the CMFB.

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27 A European Parliament and Council regulation on Community statistics concerning balance of payments, international trade in services and foreign direct investment (Council Regulation (EC) No. 184/2005 of the European Parliament and of the Council) was issued on 12 January 2005.

28 The ECB adopted Guidelines ECB/2003/7 of 2 May 2003 and ECB/2004/15 of 16 July 2004, on the statistical reporting requirements of the ECB in the field of balance of payments and international investment position statistics, and the international reserves template.

## JEAN CORDIER <sup>29</sup>



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<sup>29</sup> CMFB chairman, January 2003-December 2004. Former Directeur Général Délégué aux Statistiques, Banque de France.



## The evolvement of CMFB opinions and the related rules of procedure

At the start of the seventh term of office (2002-2004), it was not so difficult to guess that some growing challenges would require the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) to reassess some of its rules and to search some routes to get into new territories. A few challenges were purely institutional in nature, others were quite technical, and some were both.

The first challenge was paradoxically due to the large credibility already acquired by the CMFB in delivering important pieces of advice in the context of the Excessive Deficit Procedure (EDP). It should have been clear that the CMFB was acting as an advisor. But, when an advisor is becoming fairly strong in a decision making process, he should remind that he has to be very cautious about the way it is perceived and he needs to make clear that he resorts to professional skills only. It is wise to get this well known both by the political circles and the constituencies.

Secondly, the enlargement to come was due to significantly extend the membership. It was not so clear that the CMFB procedures, even its voting process, would not have to be adapted to so many members not so similar in size and experience. Especially, as significant fiscal issues were usually at stake, the usual rule that one member is worth one vote, shared between one National Central Bank and one National Statistical Office, could be questioned for reasons the reader can easily imagine. Very quickly, it appeared that the solution should be found in putting professional skills far above political concerns.

Thirdly, the so called “quality gap” between the European statistics (meaning statistics for Europe as a whole) and the US ones was being intensively assessed, especially as regard timeliness. It was clear, at least for the Chairman and Executive Body members that excellent concepts and careful regulations, most prized by the CMFB membership, were not the only routes for improvement. Easily accessible data and smart compilation practices are also tokens of good statistics. The European context, with its many actors and interests in the field, is not very helpful in that respect. And Eurostat, at that specific time, was about to encounter very serious difficulties, not least because it had undertaken to quickly bypass those actors and interests without sufficient financial care and political backup. Nevertheless major and quick progresses were hoped for

and it was felt important to make the CMFB keep up with the liveliest initiatives, whatever the difficulties. In that field we were convinced on the other hand that the quick progress in the techniques of data management and transmission should be fully exploited.

Of course, those three challenges were dealt with whereas discussions were still progressing as regards long living issues such as balance-of-payments statistics or international statistical standards.

Looking back over our shoulders, was the CMFB sufficiently “pro active” to meet the new challenges of the period, beside the still very lively older ones?

1. The easiest one to be overcome was the enlargement, thanks to both the older and the newer member states. The CMFB Membership was smoothly enlarged to include the members of the European Statistical System (ESS) and of the European System of Central Banks (ESCB) in the Accession Countries<sup>30</sup> which became new member states. The CMFB Rules of Procedure were updated to accommodate the enlargement, among other things by extending by one the number of the members of the Executive Body. The vote on the updated Rules of Procedure and on the new members of the CMFB was unanimous at the Plenary session In June 2004. The voting scheme remained unchanged.
2. As regards the involvement of the CMFB in the Excessive Deficit Procedure (EDP), things were more complex to resolve. In this procedure, a consultation may be launched in order to get a formal opinion from the CMFB concerning the statistics underlying the EDP. Whereas several sensitive consultations were required, the CMFB rules of procedures were made fully explicit, were fixed and were unanimously endorsed by the membership at the Plenary meeting: a voting was requested on every single article and then the procedure was fully endorsed as a whole.

Its content was in accordance with the Code of Best Practice on the compilation and reporting of data in the context of the EDP (endorsed by the ECOFIN Council on 18 February 2003); the implementation of which was supported strongly by the CMFB. The CMFB consultations were considered invaluable in the provision of advice to Eurostat when resolving methodological issues in the compiling and reporting government transactions in the ESA95 accounts and in particular data for government deficit and debt. In cases which were not covered adequately by ESA95 or were particularly complex or of general interest, the Code enabled Eurostat to consult the CMFB before taking a decision. Furthermore, the Code explicitly mentioned the beneficial cooperation between the ESS and ESCB, both at the national and European levels. Moreover, during this period it was made clear that the CMFB would express opinions, both at the Commission's request and on its own initiative. This meant in practice that any CMFB member could submit a request for a consultation to Eurostat or the CMFB Chair. This was, and remains, a very powerful possibility and which had to be managed carefully, in the common interest and with sufficient preliminary investigation.

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<sup>30</sup> The enlargement of the European Union on 1st May, 2004 was the largest single expansion of the European Union (EU), in terms of, number of states (ten).

In June 2004, these consultation procedures were reinforced and supported by the enlarged membership, in which a full account of the CMFB members' contributions was to be reflected in the public final opinion. Furthermore, the CMFB documented the four steps of the procedure (submission step, investigation step, consultation step, decision step) and presented a table fixing the time limits allotted to them, which were stricter when a "fast track procedure" was required. Transparency and efficiency were thus due to be improved.

The many consultations launched over the period were triggered through two channels. On the one hand, some individual cases were submitted by CMFB members. On the other hand, a number of complex cases and innovative transactions set up by the national governments were dealt with on Eurostat request: on "public-private partnerships", defined contribution funded pension schemes, lump sum payments for funded and unfunded pension schemes and capital injections by government units in public corporations.

Furthermore, the CMFB provided opinions specifically regarding the update of the ESA95 Manual on Government Deficit and Debt. This approach was considered necessary by the CMFB in order to carry out a thorough examination of the likely problems expected to be raised and to avoid a piecemeal approach which would risk hurting the ESA95 overall balance without reaching an alternative solution fully consistent from a statistical point of view. One such specific consultation was the CMFB opinion on securitisation operations undertaken by government units (Part V of the ESA95 Manual on government deficit and debt) and task forces were established on new chapters, on government guarantees, military expenditure and EU grants in government accounts.

In addition to this technical advisory action, the CMFB took care of improving its communication policy. The exchange of information with political authorities and users was strengthened, in order to increase awareness of the work of the CMFB beyond the Commission and to improve assistance to the EFC and the ECOFIN. Thanks to the CMFB website which had already been set up in 2002, it was possible to make public, relevant and agreed documentation of the CMFB. In addition, the exchange of information within the membership became easier thanks to, the use of the CIRCA site, the use of the exchange of view forms ahead of the plenary meetings, and by the timely release of minutes of meetings. The EFC Sub-Committee on Statistics requested regular information from the CMFB. A new procedure was established in order to produce regular (three times a year) information reports intended for the EFC and sent to the EFC Sub-Committee's Chair.

3. During the period, the CMFB contributed to work related to the improvement in timeliness of short term indicators to standards in the United States and on different quality issues which included, the quality and seasonal adjustment of quarterly national accounts, the tighter coordination of revision policies and practices, integration between balance of payments and national accounts revision practices, concomitant publication timetables and the punctuality of data releases. But guidelines on communication of major statistical revisions in the European Union were only published in July 2007 and work is still in progress on the harmonisation of release and revisions policies.

In filling the statistical gap with the US, improvements were mostly worked out, statistics by statistics, under the peer pressure and either in the constituency of the ESS or in the ESCB. The need for coordination across the ESS and the ESCB was not important in all cases and the CMFB was mostly supportive. The CMFB supported the initiatives of the ESS in order to increase the timeliness of key European indicators (PEEIs) by means of appropriate statistical techniques (for example, estimation) and improved data management. Thanks to this progress, an increased harmonisation of the first release dates was within reach in Europe. Moreover the CMFB experts were of course deeply involved in their own institutions and in European ad hoc committees where it became common to invite a CMFB representative. The so called FROCH committee (which consists of the Friends of the Chair of the ESS) was once the prominent one.

Above all there is a field where the need for in-depth cooperation between the ESS and the ESCB was essential, i.e. accounts by institutional sectors, mixing both non financial and financial data. The CMFB took decisive initiatives to support the ambitious project on a European system of quarterly European accounts by institutional sector, during which time the CMFB's Task Force focused on, the draft regulation and its implementation, the first methodology and the first collection and compilation tests of annual sector accounts' data. The insistent demands of the ECB and its pro active effort with Eurostat were major triggers.

Another field where the CMFB took initiative came from the conviction that it is important to pay attention to the quality of the original input data. The more transparent and accessible they are the quicker and the better they can be used. Thus the CMFB organised a regular assessment of the development of international accounting standards (IAS) and the use of XBRL (xtensible Business Reporting Language) as an electronic tool for financial reporting by businesses. The CMFB issued opinions on the International Accounting Standards Board's (IASB) Exposure drafts on, Financial Instruments: Disclosures and on amendments to IAS 39 and the possible implications of the fair value option on EU official statistics. The CMFB welcome this first opportunity to harmonise further, the statistical and accounting data collected from the private corporations and the collecting systems. It appeared that the implementation in the different countries was far from being harmonised and that the new standards may be interpreted without much regard for time consistency and inter-enterprise coherence. The CMFB, therefore, advised the European Commission to prepare a communication raising awareness about this issue. Furthermore, the CMFB initiated a Steering Committee "Accounting and Statistics" led by the ECB and Eurostat and reporting to the CMFB and Business Statistics Directors Group, with the purpose of making the Commission, European Financial Reporting Advisory Group (EFRAG) and IASB well aware of the statisticians' concerns.

The CMFB also made recommendations for an increasing cooperation in the implementation and use of IT standards and infrastructures, but generally the period did not reflect a major task for the CMFB in the 2003-2004 work programme, namely the adoption of a pro-active attitude towards best practices concerning IT tools, standards and statistical techniques and

web technologies. It was very difficult to trigger a debate or to give priority to these issues, in developing a proposed “Vision” or even an “Issues” paper. This may, in hindsight, have been a missed opportunity to be proactive. Indeed, the CMFB was still requesting that the GESMES-TS standard be fully implemented for the data sets to be transmitted throughout the ESS and ESCB, for short-term policy analysis and for ensuring key national indicators were consistent with datasets in the ECB data warehouse. On the other hand, the CMFB supported the European involvement in the Statistical Data and Metadata Exchange (SDMX) initiative which built on the GESMES/CB experience and which is now a key standard for exchanging or sharing statistical information between two or more partners and for reporting or sharing statistical data and metadata in the most efficient way.

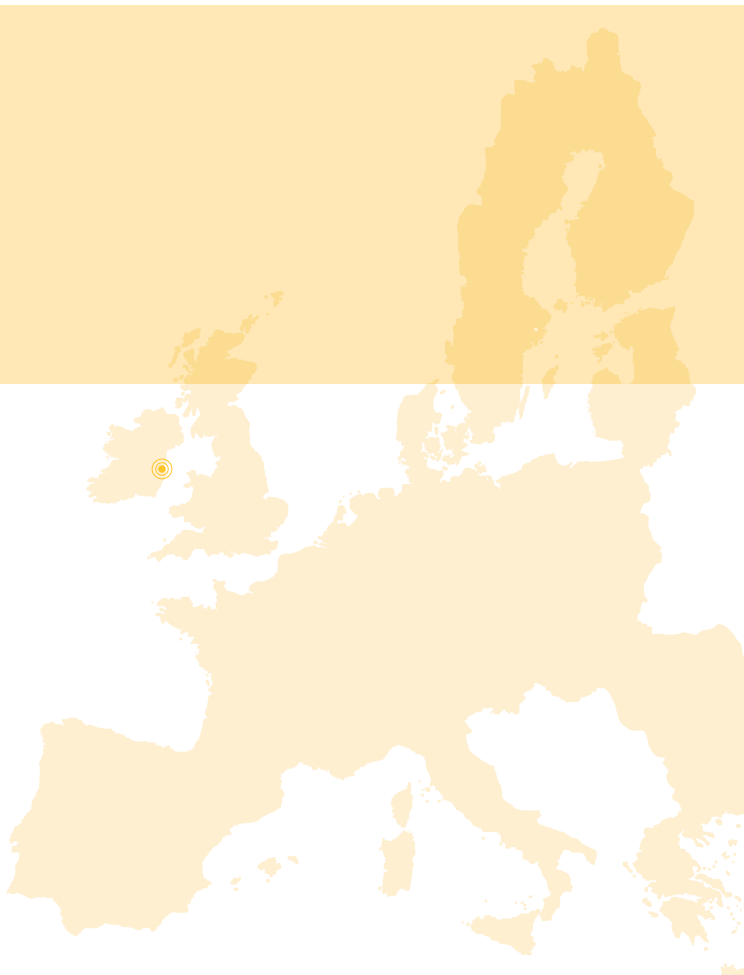
4. In parallel, the CMFB of course continued to regularly advise on the achievement of the Balance of Payments regulation, the framework regulation<sup>31</sup> for common statistical quality and publication standards for comparable output statistics which was adopted after a long preparation and some decisive actions of the CMFB members involved in the legislative work of the successive Presidencies. The provision of a Balance of Payment Committee involved in the Comitology Procedure was effective in smoothing the management of further specifications. On the output side of the balance of payments, much work was done to assess the quality of the data and to harmonise the revision policies. The outcome was a milestone among different attempts of this kind. On the input side, the discussions continued about the respective advantages and drawbacks of direct reporting versus reporting through banks, but, in this context, the direct reporting option benefited from a deep investigation of balance of payments experts who prepared substantial background materials. The statistical reporting requirements of the ECB in the field of balance-of-payments and international investment position statistics, and the international reserves template were updated in the Guideline of the ECB of 16 July 2004 (ECB/2004/15). Finally, a Regulation on the Structure and activity of foreign affiliates was discussed and agreed.

Furthermore, the international consultation process for the revision of the System of National Accounts of 1993 (SNA 93) and of the Fifth Balance of Payments Manual (BPM 5) did not pay sufficient attention to the European viewpoints. The CMFB recommended that the European inputs be coordinated at the level of CMFB. A flexible system of co-ordination was put in place which shaped future such consultations. On top of it was set up a steering committee led by the ECB and Eurostat, committed to keeping the CMFB members informed, collecting all contributions and proposing possible common European positions early enough in the consultation process.

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31 A European Parliament and Council regulation on Community statistics concerning balance of payments, international trade in services and foreign direct investment (Council Regulation (EC) No. 184/2005 of the European Parliament and of the Council) was issued on 12 January 2005.

## BILL KEATING <sup>32</sup>



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<sup>32</sup> CMFB chairman, January 2005-December 2006. Former Assistant Director General, Central Statistics Office, Ireland.

## The quality of EDP statistics; the CMFB role

The Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) became involved in Excessive Deficit Procedure (EDP) matters from an early stage. The main concentration of CMFB's work in matters relating to reporting on government debt and deficit was, of course, on methodological issues and the resulting consultations that are dealt with elsewhere in this publication. However, in more recent years, the quality of EDP reporting also became a topic of major interest to the Committee.

One of the early decisions of CMFB (in 1992) was to ask the Financial Accounts Working Party (FAWP), which reported to the Committee, to work on the reporting of government debt statistics. Member states (together with Austria, Finland and Sweden) agreed to send provisional government debt data for 1990 and 1991 and a Task Force was then established to analyse the comparability of the methodologies used.

At the June 1993 plenary meeting of CMFB, the Committee was consulted on a draft proposal for a Council Regulation on the application of the provisions of the Protocol on the EDP – the proposal that eventually led to Regulation 3605/93. This regulation laid down a number of important definitions as well as the timetable to be observed by member states for regular reporting of EDP statistics. However, there is no explicit mention in the regulation of the quality of the reported statistics or the monitoring of same although, of course, Eurostat would have the task of co-ordinating the supply of data. Differences in the application of certain methodologies did become apparent as soon as reporting began in 1994 and the FAWP was then given an enlarged mandate by CMFB to analyse the quality of member states' reporting. The emphasis was very much on the uniform application of methodology.

Eurostat also instituted missions to member states to attempt to iron out problems with reporting. These visits became especially important in 1997 as reporting in 1998 was to determine member states' compliance with the convergence criteria for membership of EMU. The focus was on whether methodologies were being correctly applied. It was this writer's experience, as a member of a national delegation, that these meetings were open and co-operative and were

helpful to both sides. The primary focus of CMFB's work in this area remained dealing with problematic methodological issues.

In 2002, the CMFB discussed a document on EDP best practices and procedures. This was followed later that year by a communication from the Commission on upgrading the quality of budgetary statistics that included an annex related to a code of best practice on the compilation and reporting by member states. Following on from this, the CMFB approved at its June 2003 meeting a set of revised tables that would help Eurostat in assessing the quality of debt and deficit reporting. Member states were also asked to describe, in a first formal EDP inventory, their sources and methods for compiling these tables. These inventories became an important tool for the management of the EDP reporting process. At the January 2004 meeting, the CMFB were informed of a more detailed inventory on public sector accounts that was required by end-2004. At the June 2004 meeting, CMFB reaffirmed the importance of EDP inventories in reinforcing the quality and transparency of the EDP exercise.

These matters took on greater urgency later in that year. The debt and deficit statistics for Greece had been revised very significantly between the March and September 2004 reports mostly due to previously unrecorded military expenditure, revisions to social security figures and under-recording of interest. As a result, the Commission (Eurostat) proposed three lines of action to improve the governance of the fiscal statistics. These were: (a) more verification powers for the Commission through an amendment to regulation 3605/93; (b) strengthening EDP capabilities at Eurostat and in the national institutions concerned and (c) setting up minimum standards that would reinforce the independence, integrity and accountability of statistical authorities at both European and national level.

At its meeting in January 2005, the CMFB generally supported the lines of action proposed. Members were keenly aware of the damage that could be caused to all official statistics organisations by media reporting of errors, major revisions and perhaps even deliberate falsification. On the other hand, there was some concern about the burden that could be placed on organisations that were in compliance with the required standards if monitoring visits by Eurostat became too onerous. There was a call for a focused approach and a concentration on identifying risk areas.

The Council Regulation (2103/2005) granted Eurostat additional powers although these were more limited than originally proposed. The new regulation had a specific section dealing with quality of data which specified that quality meant compliance with accounting rules, completeness, reliability, timeliness and consistency. Member states were required to provide the Commission with the relevant statistical information needed for the assessment of quality. The use of the word statistical was more restrictive than the Commission originally requested. Statistical information was defined as the information strictly necessary to check the compliance with ESA rules.



Another provision of the new regulation was that Eurostat should ensure a permanent dialogue with the statistical authorities in the member states, through regular dialogue visits as well as possible methodological visits. The latter were to take place only where substantial risks or potential problems with the quality of the data had been identified. It was specified that these latter visits should not go beyond the purely statistical domain and be confined to the national authorities involved in the excessive deficit procedure.

Members took an active role in the development of the implementation aspects of the regulation. In particular, there was a formal CMFB consultation in March 2006 on the format of the supplementary EDP questionnaire which provided members with an opportunity to influence this important exercise. The consultation followed on from the listing as statistical information in the new regulation of “additional questionnaires and clarification related to the notification”. The regulation went on to state that the questionnaires should be defined by Eurostat after consultation with CMFB. A similar provision was made with regard to the guidelines for EDP inventories and, most importantly, for cases regarding the correct application of ESA95 accounting rules. The regulation stated (Article 8c.1.) that, “For cases which are either complex or of general interest in the view of the Commission or the member state concerned, the Commission (Eurostat) shall take a decision after consultation of the CMFB. The Commission (Eurostat) shall make decisions public, together with the opinion of the CMFB”.

This was the first provision for the statutory role of the CMFB in the context of EDP reporting. It was especially important at this time as the ECOFIN Council of June 2005 had requested that the Economic and Financial Committee (EFC) should evaluate the role, areas of competence and functioning of the CMFB in relation to EDP statistics as well as its interaction with Eurostat, including the communication policy of Eurostat decisions in relation to EDP statistics. This request followed questioning in some political circles of the involvement of a technical body such as CMFB in what were seen as important political decisions.

The CMFB recognised the need to be proactive and considered it very important that its members should inform their EFC and EFC Sub Committee on Statistics (SCS) representatives about the functioning and merits of the CMFB. The Chairman attended the SCS and this attendance was used to stress the value of CMFB in providing independent, professional advice to Eurostat. In November 2005, the ECOFIN noted that the current system, based on CMFB consultations, had worked well for many years with the CMFB delivering opinions regularly, and agreed to keep the CMFB and not to change the current set-up of the CMFB as an advisory body. ECOFIN did, however, invite the CMFB to review its procedures and to examine improvements.

Although considerable effort had been invested in developing revised procedures for EDP consultations which had only been agreed in 2004, the CMFB recognised the importance of a further immediate review. It was clear that the main issues for EFC members centred on transparency of decision-making and disclosure of the individual and consolidated CMFB opinions. A number of changes to the procedures to address these matters, together with other proposals, were discussed intensively at the June 2006 plenary meeting. Revised procedures were subsequently issued in February 2007.

A number of consultations on complex EDP statistics were also undertaken during the 2005-2006 term, all of which required high quality documentation. These included the treatment in national accounts of transfers from the EU budget to member states, military expenditure, the International Finance Facility for Immunisation, the financing of the high-speed railway line in Italy and the sale by the Italian government of real estate assets to a special purpose vehicle in the context of a securitisation operation.

The issue of methodological visits returned to the CMFB agenda in 2010. A number of events, but especially the Greek debt and deficit statistics returned in October 2009, caused the Commission to bring forward proposals for further strengthening of Eurostat's monitoring powers. The most recent regulation now provides that methodological visits can be undertaken to the public entities that produce the primary information used as a basis for the government accounts and the EDP statistics. The regulation also laid down a set of criteria that would establish if a real risk to the quality of EDP statistics reporting existed.

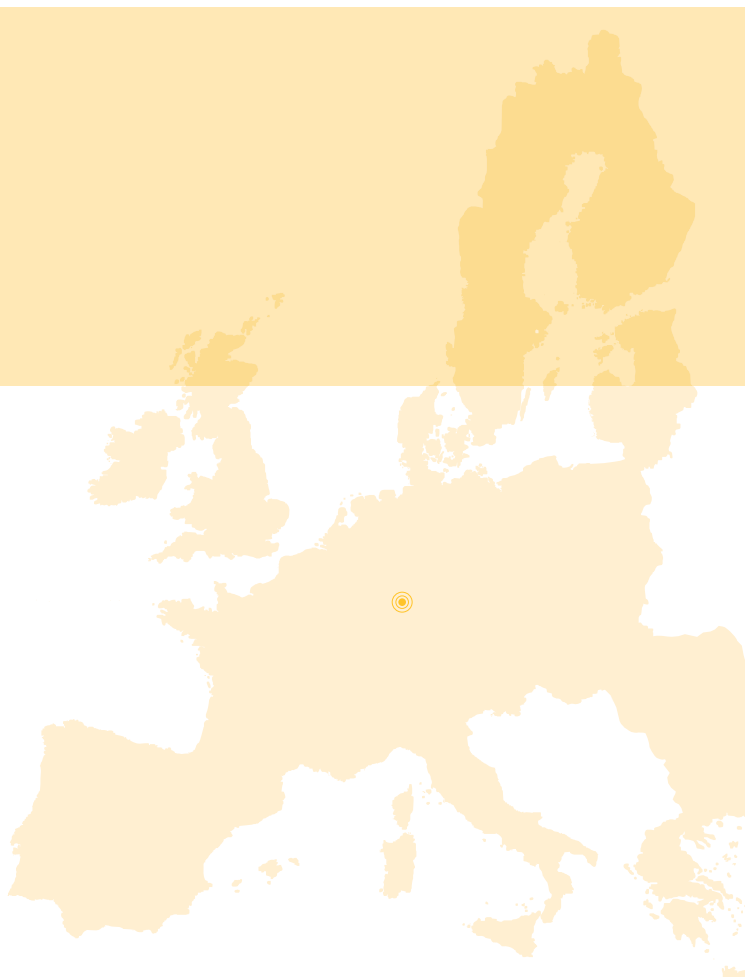
A constant theme, which came very much to the fore in 2005-2006, is that the credibility of statistics is as an essential underpinning of the EDP process. During this period, the role of CMFB in relation to EDP matters, which had evolved over the years, was now more definitively laid down and made legally secure. It was clear to CMFB members that they played an important role in relation to EDP matters and that their role and opinions were scrutinised intensively by policy-makers. It was also clear that all statistical issues and procedures needed to be well communicated.

The involvement of CMFB and of statisticians generally in EDP matters has been largely beneficial. The process receives added credibility through the provision of high quality statistics backed up by independent, professional advice. Policy-makers are made keenly aware of the importance of a good statistical infrastructure. It must also be recognised that the provision of detailed rules on government transactions can lead to schemes being devised to meet with the accounting rules, rather than on their intrinsic merits. It is also a drawback that, as the rules become more specific, then there is less possibility of applying the basic ESA tenet of economic reality as against legal form. These consequences are probably inevitable and are a price that has to be paid for drawing up ever more detailed guidelines.



CMFB Executive body  
Lisboa, March 2009

## HANS-PETER GLAAB <sup>33</sup>



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<sup>33</sup> CMFB chairman, January 2007-December 2008. Formerly, Deutsche Bundesbank.

## The update of international statistical manuals (revised SNA, BPM6, BD4) and the revision of ESA 95

In recent years, the update of international statistical manuals has played an important role in the work of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB). The major manuals where updates took place during the last decade were the System of National Accounts (SNA) and, partly in connection with it, the European System of Accounts (ESA), the Balance of Payments Manual (BPM5, now BPM6) and the OECD Benchmark Definition of Foreign Direct Investment (now BD4). The relevance of these manuals, both for users and producers of statistics had been growing for a long time, mainly as a result of an increasing need for international comparability. As a long-term trend, international transactions and cross border holdings of assets and liabilities have grown faster than economic transactions and assets and liabilities in general. Together with other developments, this has increased the interdependence of national economies and has made the international comparability of economic statistics more important.

Comparability is desirable for all countries, but it is particularly important for the member states of the European Union. There are two main reasons: one is that national accounts data and, indirectly, also balance-of-payments data are not only relevant for policy makers and for general economic analyses at the national level. They also play a critical role for decisions concerning the European Union (EU) or the European Monetary Union (EMU) as a whole. Many statistical data for the EU member states have immediate policy implications and direct financial consequences. This is, for example, the case for the GNP figures, which determine the national contributions to the EU's own resources, for data on government finances in the framework of the convergence criteria for the EMU, in connection with the rules of the Stability and Growth Pact or the structural funds. Data on government deficit and debt can only be used as convergence criteria for entry into the European Monetary Union or as relevant variables for the Excessive Deficit Procedure, if they are calculated in a fully comparable way in all participating countries.

Full comparability of the statistical data in Europe is not only needed because of these specific European policy uses of the national aggregates. It is also required for their use as building blocks for the corresponding European aggregates, which have to be both consistent with national results and compliant with international manuals. These European aggregates which must meet the information requirements both of the EU and EMU institutions, can only be meaningful and reliable if they are calculated from consistent and comparable national components. Comparability across countries is desirable worldwide; in Europe, it is an absolute necessity.

Thus, within the European Union, international manuals take on a different and more important role. For Europe, the degree of comparability that is produced by compliance with these manuals would not be enough; it has to be better. The international manuals make non-binding recommendations and in many cases provide a number of different options. For European countries, there can be little room for national discretion among such possibilities; on the contrary, a strict limitation of options and additional agreements on practical details are needed. Because of this, for national accounts statistics the EU has established and codified its own, more detailed, set of rules. These rules are laid down in the European System of Accounts (ESA95). Its purpose is, according to Council regulation 2223/96, to provide “a methodology on common standards, definitions, classifications and accounting rules intended to be used for compiling accounts and tables on a comparable basis for the purposes of the Community”. They are, in general, consistent with the international System of National Accounts, but include some differences, mainly with regard to presentation. The ESA is specifically geared to the uses of the data for EU purposes, which require a high degree of accuracy in definitions, classifications and accounting rules. As a consequence, unlike the SNA, the ESA specifies binding rules and an obligatory data transmission programme.

The importance of comparability does not only make it necessary, for the EU, to agree on a harmonised way of applying the international manuals, it also makes it necessary to react in a harmonised way to changes in these manuals, as they were again discussed and decided in the course of the last decade. (The new version of the SNA and the new OECD Benchmark Definition of Direct Investment were published in 2008, BPM6 in 2009.) As a further consequence, the requirement of consistency between SNA and ESA necessitated revisions to ESA in line with the SNA revisions, taking account, however, of the more detailed and prescriptive character of ESA. At the same time, the revision was an occasion to bring ESA in line with new developments in the economic and institutional environment, progress in methodology and changes in user needs.

The international manuals on national accounts, balance of payments and foreign direct investment are a fundamental basis of work both for National Statistical Institutes (NSIs) and National Central Banks (NCBs). Both NSIs and NCBs are responsible for the production of these statistics, and they are also important users. It was necessary for the success of the updating process to discuss all matters related to it in the CMFB, which combines the expertise of both

NSIs and NCBs and includes Eurostat and ECB DG Statistics, a combination that is not available in other statistical fora. Bringing the knowledge of both constituencies into the discussion process, helping to build consensus between them and coordinating their activities was all the more important, as the national division of labour between the NSI and NCB is different in these fields from country to country, so that coordination among NSIs or NCBs alone would have been insufficient.

Given the particularly high importance of national accounts data for the EU countries, it was advisable that the CMFB, like other European statistical fora, started to discuss the envisaged modifications in the international manuals at a very early stage. In view of the later applicability of the drafted changes under European conditions and in order to give the European view an appropriate weight early in the international discussions, it was necessary to find common positions among member states and with Eurostat and the ECB. In this context, it was important to make sure that new developments which were of particular relevance from the European perspective were given due consideration at the international level and that specific European interests were taken into account, to the extent possible, in the discussion and decision process. As the European deliberations had to take place in several European fora beside the CMFB, this process had to be coordinated and took some time. This in turn created time pressures, because the European discussions had to stay in parallel with the international drafting process.

One point where the original international plans might have created serious difficulties for maintaining the required degree of comparability in European national account statistics was the envisaged inclusion of estimates of the liabilities of unfunded public pension schemes into the core accounts. Timely interventions from the European side helped to find alternative and acceptable options. On the initiative of Eurostat and the ECB, a special CMFB task force on the statistical measurement of the assets and liabilities of pension schemes in general government was established, which helped to define a compromise solution and developed guidelines for the future harmonised implementation of the new rules on this particular point. More details on this specific subject are given in Section 2.

The need to clarify early national and European positions, to plan for a harmonised interpretation of the international manuals and, in particular, to produce an updated version of ESA95 in line with the new SNA were not the only reasons to discuss the new manuals in the CMFB. There was also general agreement on the principle that implementation of these manuals in Europe would have to be fully harmonised, in particular with regard to the precise date of their introduction. It was not considered acceptable to have a transition period when statistical results of member states would not be comparable because they were calculated according to differing versions of the manuals and when meaningful European aggregates could not be derived because of non-compatible national components. While this was agreed in principle, the international recommendations for the timetable of implementation had also to be taken into account and some changes in source statistics were a precondition for implementing the

revised standards. Furthermore, the updated versions of the balance of payments and national accounts manuals would have to be implemented simultaneously, to maintain consistency. It was also desirable to avoid situations where two different versions of the same set of statistics would have to be delivered to different users. Implementation dates had also to be found which could be accepted by all member states with only a very limited number of derogations, and this created a rather complex situation. The discussions on these issues were very constructive, and a workable compromise could be found which enjoyed a high degree of consensus among member states and at the same time is largely in line with international recommendations.

Agreements also had to be found, in coordination with other committees, on such practical matters as the length and depth of back data and on communication policy, where in Europe, unlike elsewhere, a high degree of harmonisation is necessary.

Updating international statistical manuals is a process that usually takes place over a number of years. Fundamentally, it is a continuous process, because, as some countries are still implementing the versions that are currently in force, there are already new economic and institutional phenomena, shifts in the interest of users and technical and methodological developments which will have to be taken account of in the next generation of manuals. It is not surprising that the current round of updates was a regular item for discussion in the CMFB for many years, with particular intensity from 2007 onwards, when the work on the new ESA version started and quickly gained momentum. Over the years, as the manuals approached their final form, emphasis in the CMFB discussions shifted from questions of content to issues related to implementation and coordination.

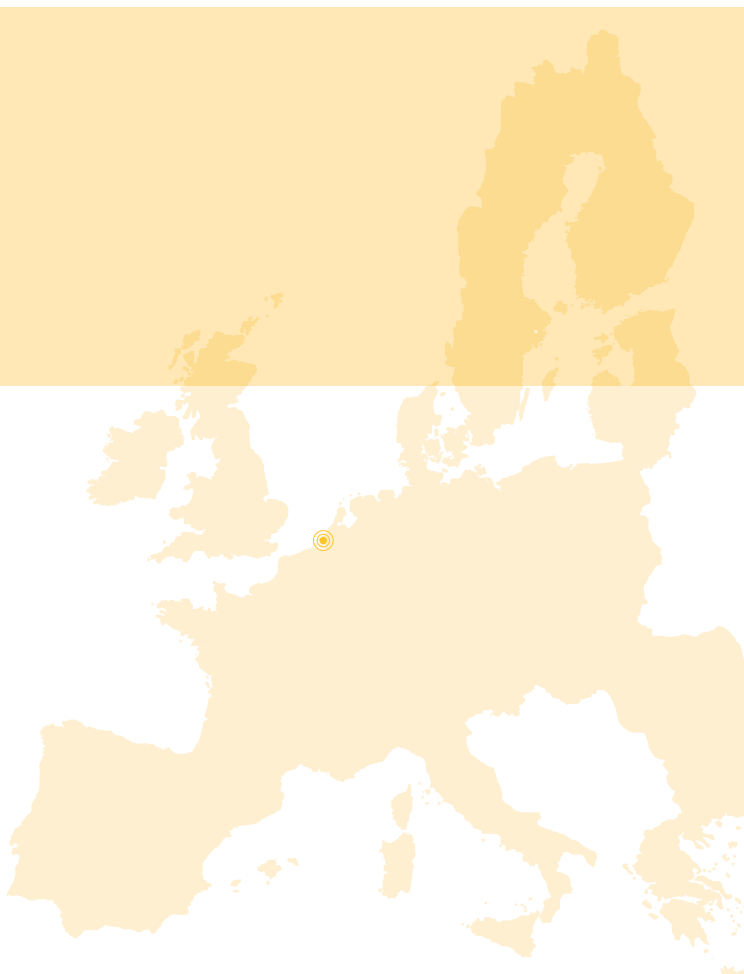
A large number of European committees, working groups and special task forces were involved in the preparation and implementation of the current updates of the manuals, often with higher intensity than the CMFB. The specific composition of the CMFB as a forum that brings together high-level statistical expertise both from the NSI and NCB communities and its long-established formal and informal working relationships have enabled it to make a special and substantial contribution to this important task.





CMFB Chairmen  
Wien, May 2011

## PETER VAN DE VEN<sup>34</sup>



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<sup>34</sup> CMFB chairman, January 2009-December 2010. Head of National Accounts, Statistics Netherlands.

## The impact of the financial crisis and consequences for the CMFB work

### The financial crisis and the consequences for economic governance and policy

The collapse of Lehman Brothers on 15 September 2008 is considered as a milestone in the financial crisis that had its roots in the sub-prime market in the US during the previous year. European financial institutions were significantly affected by the events in the US markets, and EU governments provided assistance to the most exposed financial institutions. The financial crisis had very strong spillover effects to the real economy. The consequence was an unprecedented economic downturn, comparable to the economic depression in the 1930s.

The assistance given to the financial system and the economic depression had a very negative impact on government finances. Sharply increasing deficits and debts of government proved to be unsustainable. Greece was the first country which had to ask for external financial assistance. In this case, the situation was aggravated by the lack of confidence in the Greek fiscal statistics. To facilitate the financial support, a temporary mechanism, the European Financial Stability Facility (EFSF), was created by the Euro Area member states. Later on, plans were developed for a more permanent system, the European Stability Mechanism (ESM). At the time of this publication, the definite results were not yet clear.

The crisis in government finances led to several other initiatives. One of these initiatives was more or less directly related to the quality concerns about the Greek government data. In January 2010, the results of a so-called “methodological visit” in November 2009 were published.<sup>35</sup> It was concluded that the Greek data contained several flaws, including the upstream data, the data delivered by the institutions which together make up the general government sector. Furthermore, the independence and integrity of the Greek statistical authorities was

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<sup>35</sup> Report by the Commission of 8 January 2010 on Greek government deficit and debt statistics – COM (2010)1 final.

called into question on several occasions. As a consequence, the European Commission (Eurostat) was granted extended powers in relation to the Excessive Deficit Procedure (EDP), allowing for an in-depth review of upstream data sources in the case of severe doubts regarding the government statistics of a member state.<sup>36</sup> Furthermore, discussions have taken place on the reinforcement of the Code of Practice constituting the main principles for the production of high quality statistics which will result in a further strengthening of the governance of the European Statistical System.

Another issue in the crisis was that the financing capability of national governments was not only related to the magnitude of their debt and/or deficit, but that investors' confidence to purchase government bonds was also linked to their revenue-generating capacity and the economic imbalances of the relevant national economy. As a consequence, governments of economies with low international competitiveness and, for example, high structural deficits on the current account with the rest of the world were confronted with difficulties to finance their debt in the international capital markets. The European Commission, together with the member states, were forced to look into the possibilities to align their economic policy, and decided to establish the so-called Excessive Imbalances Procedure (EIP). During an annual round, the "European semester", all member states will be evaluated on the basis of a set of indicators which reflect the competitiveness and the structural imbalances of their economies.<sup>37</sup> If a member state does not satisfy the criteria, additional policy measures will have to be implemented.

Last but not least, measures have been taken in relation to the supervision of individual banks and the financial system at large, at the level of European Union. In addition to enhancements of micro-prudential supervision, macro-prudential supervision is strengthened by the establishment of the European Systemic Risk Board (ESRB).

## Consequences for the work of CMFB and statistics in general

Giving advice to Eurostat on the recording of government transactions, based on a consultation of all of its members, can be considered as one of the major responsibilities of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), in the past 10-15 years. Consequently, one of the first major challenges for the CMFB in relation to the financial crisis was to give adequate advice in the area of the Excessive Deficit Procedure (EDP) on the recording of government interventions to support individual banks and the financial system at large. How do these interventions affect the measurement of government debt and deficit? Due to the

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36 Communication from the Commission to the European Parliament and the Council "Towards robust quality management for European Statistics" ([http://eur-lex.europa.eu/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!DocNumber&lg=en&type\\_doc=COMfinal&an\\_doc=2011&nu\\_doc=0211](http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&an_doc=2011&nu_doc=0211)).

37 At the moment of this publication, the set of indicators including the relevant thresholds still has to be defined.

construction of various new schemes and due to the general sensitivity of the issue, it was a long and complicated process before the CMFB could issue two Opinions on 18 March 2009, a more general one, and a specific one on the UK's Special Liquidity Scheme. Eurostat informed the CMFB members at the Plenary meeting, 2-3 July 2009, that the Eurostat decision would not be fully aligned with the CMFB opinion. This was new and it raised serious concerns while, at the same time, the CMFB supported Eurostat on the importance of full and clear communication to the public. Eurostat published its decision on 15 July 2009.

The establishment of the EFSF in June 2010 required an interpretation of ESA rules, especially for the recording of government debt. Eurostat consulted the CMFB on the proposed recording in December 2010, and the CMFB Opinion was finalised in January 2011. Another "first" in the field of the CMFB giving advice on these issues was related to the recording of the European Stability Mechanism (ESM). For the first time in its history, a so-called "ex ante" advice was given based on features of the ESM when still under discussion. It remains to be seen whether this was a one-off action, or if it will take place on more occasions in future.

In general, it can be stated that the quality of the opinions resulting from CMFB-consultations in the field of EDP is related to the professional independence of its members. It is important that considerations about the recording of certain transactions and units are solely governed by the interpretation of the relevant rules, the European System of National and Regional Accounts (ESA) and the additional guidance included in the Manual on Government Deficit and Debt (MGDD). The procedures for CMFB-consultations should, therefore, always be defined in such a way that the professional independence is enhanced to the maximum extent.

The financial crisis also created new demands for (timelier) statistical information. Being a forum in which on the one hand producers of predominantly monetary and financial statistics, and on the other hand producers of statistics with a focus on (non-financial) macro-economic statistics meet each other, the CMFB is very well placed for pushing the agenda on the production of statistics. This was especially the case during the financial crisis, where the interconnectedness of the financial world and the non-financial economy was shown to be even more important.

It is primarily the system of (institutional) sector accounts which provides a consistent and integrated overview per sector of non-financial transactions (income and outlay), financial transactions, and balance sheets. The following sectors are distinguished at a macro-level: households, government, non-financial corporations, financial corporations, and the rest-of-the-world. The timely availability of these accounts can help to measure and understand the interlinkages between the financial and the nonfinancial world. From such a system, it is also easy to derive indicators, for example debt in relation to income, which may show the vulnerability of a specific sector and/or the total economy.

Recently, the European Union has made major steps forward in the development of sector accounts. In this process, the CMFB has played a very important role. Several European countries publish quarterly data around 90 days after the end of the quarter. Data for the Euro Area are available somewhat later. It may take some more steps, but for the future the publication of a complete set of quarterly sector accounts within 90 days after the end of the quarter, for the European Union as a whole as well as for the larger national economies, is a challenging goal which will become more realistic. In this context, it may be noted that the Europe is well ahead of other countries.

The financial crisis demonstrated the increased interconnectedness of sectors and national economies. Problems in the real estate market and the subsequent defaults of financial institutions in the USA caused severe problems for financial institutions in Europe. The same is true at the very moment of this publication, when discussing financial assistance to national governments which have difficulties to raise finance from the financial markets. One alternative is to support the relevant national governments with financial assistance. The other alternative, not supporting national governments, may cause a restructuring of debt or even a default, and directly affect financial institutions which investments in the relevant bonds. Truly a Scylla and Charibdis! In this respect, the crisis has raised questions on the vulnerability of a country or sector to external developments. Consequently, additional user demands for relevant data will increase in the future. These demands can be partly met by so-called “from whom-to-whom” tables complementing the sector accounts, which show, for example, from which countries or sectors a particular sector derives its income, or, in which countries and sectors it has invested its funds. At a macro-level, clearly not all demands can be satisfied. Very specific and detailed questions may be answered only, for example, by a securities holdings database, which is being developed by the ECB and the national central banks.

Another statistical issue which needs to be addressed is the timeliness of data. In this respect, much progress has been made in the past decades in the timeliness of economic growth data, compared with 20 years ago. Furthermore, I would like to refer to the, above-mentioned, development of quarterly sector accounts, which is an example of where 10 years ago, most countries only published annual estimates. It is expected that the debate for improving timeliness will continue. A major issue will be the possible trade-offs between timeliness and the reliability of the estimates. This discussion often relates to the timeliness of core sets of integrated national accounts data. To counter user demands on timeliness, one may also have to think about the production of new monthly macro-economic indicators and combining short term indicators in coherent indicator sets (e.g., the “business cycle tracer”).

Furthermore, the use of statistical data for aligning economic policy in the European Union, as foreseen in the Excessive Imbalances Procedure (EIP), will most certainly increase user demands for quality improvements. Here, one can think of having more exact definitions of the relevant indicators, the timeliness and reliability of the estimates, and further details.

Regarding the overall consistency of statistics in an economy which is interlinked in many ways, it is important that the consistency of data is not hampered by differences in release and revision policy, both between related subsets of statistical data and between countries. Harmonisation of these policies, although very difficult in practice, should be pursued; it will be a long journey, but these kinds of journeys have to start with a first step.

In conclusion, the CMFB, where central banks and statistical offices meet each other, is excellently situated to give guidance and advice on the future development of statistics that respond to user demands as mentioned in the above.

# HANS-PETER GLAAB <sup>38</sup> AND PETER VAN DE VEN <sup>39</sup>



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<sup>38</sup> CMFB chairman, January 2007-December 2008. Formerly, Deutsche Bundesbank.

<sup>39</sup> CMFB chairman, January 2009-December 2010. Head of National Accounts, Statistics Netherlands.



## Conclusions in a historical context <sup>40</sup>

Looking back over the past two decades, it can be said that the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) has been a major success in many respects. It has made important direct and indirect contributions as an advisory committee on statistical issues to the Commission. It has in many cases had a very positive effect on the cooperation between statistical compilers at the national level. Also, the cooperation across countries and with the European institutions has greatly benefited from the discussions in the CMFB.

In all member states, responsibility for macroeconomic and macrofinancial statistics is shared between national statistical institutes (NSIs) and national central banks (NCBs), and at EU level the responsibility is shared between Eurostat and the ECB. Macroeconomic and macrofinancial statistics are compiled within the conceptual framework provided by the international and European statistical standards. To achieve the necessary coherence and to maintain it while developing new data to meet evolving needs, and to resolve all the practical issues necessary to provide good quality, high frequency data to tight timetables, has required close attention from senior statisticians, and a focus on needs at the European level. One of the most important roles that the CMFB has played is to provide a forum to support statisticians, particularly government statisticians, in their endeavour to compile reliable statistics for their country. The CMFB has stimulated an intensive dialogue between NCBs and NSIs at the national level which has greatly contributed to a higher sense of responsibility and better cooperation. As a result, these national statistical “coalitions” have been able to compile comprehensive statistics with a higher degree of quality and independence than would otherwise have been the case. Experience in general has shown that CMFB members as a group feel bound to the principle of professional independence, and believe that the CMFB, acting as a body, can support them in maintaining it at both the national and European level, providing the ECB and Eurostat with high quality national statistics.

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<sup>40</sup> The authors are grateful to Mr. Peter Bull, former Director General, Statistics, at the ECB for his invaluable contribution in the preparation of these concluding remarks.

The CMFB has handled its heavy agenda in a cooperative spirit from the start, and much of the credit for the successful development of euro area and EU statistics can be attributed to the committee's efforts. This agenda included the provision of statistics required for monetary union and other economic policy functions at the European level, advising on Excessive Deficit Procedure (EDP) statistics, facilitating the changeover to new balance-of-payments collection systems and introducing the unique dataset of integrated financial and non-financial accounts by institutional sector. A number of cross-cutting statistical issues have also been tackled.

As one of the most important, but also one of the most difficult items on its agenda, the CMFB has provided numerous opinions on statistical treatment for purposes of the EDP and on other matters concerning economic and financial statistics. Experience here reflects the difficulties faced by statisticians when data are used, not only for measuring economic developments for the purpose of conducting macroeconomic policy generally, but also in the context of a particular administrative application which assumes great political significance. The Treaty sets thresholds of 3% of GDP for fiscal deficits and 60% of GDP for outstanding government debt. These are criteria used, together with others, to assess a member state's readiness to adopt the euro, and, within the euro area, in the context of the Stability and Growth Pact. Statistical standards draw a clear conceptual distinction between non-financial transactions (including capital transfers), which affect the fiscal deficit, and financial transactions which do not, though they may affect the EDP definition of outstanding debt. The statistical standards also establish principles for valuing transactions, for the timing of their recording, and for determining whether an entity is part of the general government sector or not, and hence whether its transactions affect general government net borrowing (the fiscal deficit) and its liabilities contribute to general government debt. The statistical standards do not, generally speaking, set rules for particular cases, but are mainly concerned that statistical treatment should reflect economic reality.

In most cases the statistical treatment of government transactions and debt is guided by the European System of Accounts and, where the CMFB has been consulted, a common view has been established and the appropriate treatment prescribed by Eurostat and subsequently implemented by the member state(s) concerned. In some cases there have been, and will continue to be, genuine (borderline) difficulties. The CMFB's advice in these difficult cases, based on the majority opinion of a large group of experts from all EU member states, has provided Eurostat with a solid basis for their decisions, establishing a body of case law which, because of the procedure, has contributed to wide acceptance of the decisions. Consultations of the CMFB on matters concerning EDP statistics will remain a core part of the CMFB work in the future.

The CMFB has also played a major role in promoting collaboration and cooperation in the preparation of the integrated quarterly euro area (financial) accounts and EU non-financial accounts which the ECB and Eurostat have jointly compiled and published in close cooperation with the NCBs and NSIs since June 2007. The European accounts are a unique product as regards compilation strategy and cooperation. For the first time in Europe, a statistical product

has been truly the outcome of joint effort. Earlier contributions included harmonisation with the respective methodologies of the System of National Accounts, 1993 (1993 SNA) and the fifth edition of the IMF Balance of Payments Manual (BPM5), and the integration of the Monetary Financial Institutions (MFI) sub-sector into the European System of Accounts (ESA), agreement on which was facilitated by the CMFB in 1994.

The adaptation of balance of payments collection systems to an environment that has changed in many ways has also been also a very important subject of discussions. In this area, where the division of labour between NSIs and NCBs can differ considerably from country to country, the CMFB has proved particularly useful as a forum for exchanging best practices and finding common ways forward. An example is related to the intensive discussions on the changeover from a settlement-based system to a direct reporting system in many countries. By using the expertise and infrastructure available in one or other of the partner institutions at national and international level, the respondent burden and the costs have been kept low.

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Apart from the major recurrent topics, a number of horizontal statistical issues have been tackled. These have included coordinated release policies, agreement on the statistical treatment of pension schemes, revisions, seasonal and working day adjustments, and the improvement in timeliness of short-term indicators to close to, or in some cases better than, the standards in the United States. The CMFB has also endeavoured to foster cooperation in the implementation and use of IT standards and infrastructures, in the harmonisation of the statistical and accounting data collected from private corporations, and in the integration of European economic and financial statistics into a coherent body of high-quality information meeting European policy needs. Though, of course, not exhaustive, these examples indicate the extent of the CMFB's agenda.

An aspect that should not be left unmentioned in a historical context is the role that the CMFB has played in the integration of new member states into the statistical system of the European Union. Delegates from these countries have taken part in CMFB meetings from an early stage, and the CMFB's Executive Body began holding meetings with them, supplemented by special seminars, as long ago as 1995.

Although in the past twenty years the CMFB has been able to contribute to the achievement of many goals in European statistics regarding both quantity and quality of output and degree of harmonisation, work still lies ahead and improvements are desirable in many areas. Here, keywords may be (further) harmonisation and integration, (more) international cooperation, and safeguarding the credibility and independence of statistics. In relation to harmonisation, one should think, first, of further international harmonisation of statistics. This does not so much relate to harmonisation of the conceptual framework, where very significant progress has been made. More importantly, improvements are conceivable in the harmonisation of release and revision policies, between countries as well as between statistical domains. Though often unspectacular from the users' perspective, this work needs a great deal of international

cooperation and coordination. This harmonisation will become increasingly important in an economic world where countries cannot be looked upon in isolation. Furthermore, the recent financial crisis has revealed even more than we might have realised the direct relationships between the financial and the non-financial world. As a consequence, there is and will be greater demand for integrated financial and non-financial statistics. In this respect, the European Union was among the leaders in developing the quarterly accounts by institutional sector.

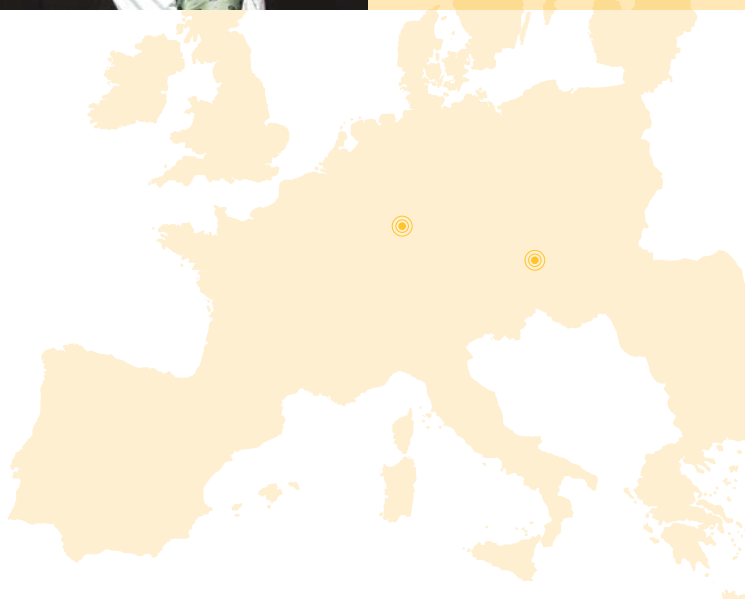
Globalisation, international co-operation and coordination may have to take a step to the next level. It may become increasingly difficult to compile internationally consistent national statistics without close cooperation and exchanges of data between national statisticians. Here, the development of the EuroGroups Register (EGR) at Eurostat and the Centralised Securities Database at the ECB are good examples for possible ways forward.

Finally, the quality of our statistics should always be a concern. Without a high credibility, based on the continuous compilation of high quality statistics by independent institutes, the usefulness of our work would be seriously impaired. In this respect, we are confident that the CMFB will continue to provide independent and professional statistical advice and opinions.

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## CMFB INITIATIVES TO MEET NEW CHALLENGES

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## Pioneering statistical cooperation at national level – the case of Austria

### Introduction

The foreword to the history of the early years of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) states, “the CMFB began as a unique experiment in Europe in cooperation between central banks and statistical offices”.<sup>43</sup> The success of this “unique experiment” inspired similar initiatives at national level, for example in Austria. In this way, the influence of the CMFB has extended beyond its direct agenda, meetings and conclusions. It has served as a successful role model for modern cooperation in the field of statistics.

In 1995, when Austria became a member of the European Union, essential elements of the statistical system had to be substantially adapted to meet European standards.<sup>44</sup> In the preparation phase for European Monetary Union, increased demands on important policy-relevant macroeconomic statistics and economic indicators again challenged the whole system of official statistics. In response to these events, the two most important producers of official statistics, the Oesterreichische Nationalbank (OeNB) and Statistics Austria began consultations and negotiations on a possible strategy, of how to best meet these new challenges and to provide statistics in a better, cheaper and faster way.<sup>45</sup> In the first phase, priorities were naturally concentrated on getting things done, but it quickly became evident that more and more emphasis would need to be placed on the efficient compilation of statistics and the comparative advantages of both institutions. Today, this cooperation is not only limited to the production of defined statistical output. Statistics and data from both institutions are merged to generate additional benefits for both users and analysts.

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43 Hans van Wijk, *Bridging the Fault Lines*, March 2001.

44 See also: Franz Granner and Erich Hille, *Statistical Cooperation between Statistics Austria and Oesterreichische Nationalbank; Neighbouring Countries Cooperation Initiative meeting on the cooperation between national statistical offices and national central banks*; Ljubljana, 19.3.2010.

45 The initiation of the successful cooperation between the OeNB and Statistics Austria owes a lot to the initiative of the late Reinhold Schwarzl, who also represented Statistics Austria for many years in the CMFB.

## The Cooperation Agreement

In May 2002, the OeNB and Statistics Austria signed a formal Framework Cooperation Agreement, initially limited for a period of five years. It was renewed with a few minor amendments in December 2007 for an additional five years. The cooperation agreement laid out some basic principles regarding the content and procedural aspects of a close cooperation and underlined the relevance of macroeconomic statistics for various national and international policy purposes. Two areas of cooperation were identified, together with important basic principles which should guide the cooperation, such as partnership, mutual understanding, assistance and the generation of synergies based on the respective comparative advantages.

The first area of cooperation refers to statistics compiled by one institution for which the cooperation partner has a vital interest as a user (i.e. price statistics, short term economic statistics, monetary and banking statistics).

The second area of cooperation deals with statistical domains for which an intensive cooperation seems necessary and appropriate.

The main reasons to cooperate intensively are:

- an efficient production of statistics, by exploiting possible synergies and comparative advantages;
- avoiding double statistical work and redundant surveys;
- using together administrative/statistical registers and administrative data;
- reducing or even avoiding response burden;
- transferring know how and expertise; and
- using common infrastructures.

Examples for this type of intensive cooperation are:

- National Accounts: Balance of Payments – Rest of the World Account; Financial – Non Financial Sector Accounts; FISIM<sup>46</sup>; Public Deficit and Debt (“Maastricht Indicators”); and
- other areas: Government Finance Statistics; IMF SDDS; Registers; Foreign Affiliates Statistics (FATS); Balance-of-Payments Statistics (BoP).

The framework cooperation agreement foresees the specification and adoption of detailed annexes, to specify the cooperation in the respective areas. The annexes already signed comprise the BoP collection system, FATS, Government Finance Statistics, Registers, FISIM and the compilation of the Annual Financial Accounts.

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46 Financial Intermediation Services Indirectly Measured.



A high-level steering committee meets four times a year to discuss strategic issues of the cooperation, evaluate the proposals of working groups on new annexes, make final decisions on the proposals and exchange information relevant for the other partner. An important aspect is also the cooperation in the preparation of new or amended legal acts.

## Cooperation in the field of Balance of Payments

The implementation of a new Balance of Payments data collection system was the first important common project of Statistics Austria and the OeNB. The OeNB is responsible for BoP Statistics on the basis of a national law (Foreign Exchange Act 2004). The system in operation until 2005 was based mainly on cross border payments (settlement system, indirect reporting). At the end of the 1990s, after Austria had joined the EU and notably after the introduction of the Euro, substantial changes in payment habits and systems (clearing), cash pooling by enterprises and the introduction of minimum thresholds for payment reporting made this system more and more costly and vulnerable to significant quality problems. As a result, it was decided to replace the settlement system by data collection via direct reporting/surveys.

The OeNB did not have the appropriate experience or competence in designing and carrying out surveys, for example in the field of international trade in services and it outsourced this part of the BoP to Statistics Austria.

Based on the respective expertise, infrastructures and data sources of both institutions, the following approach and division of labour was decided for the implementation of the new BoP collection system:

The OeNB compiles the capital accounts – a competent field of the OeNB's statistics – but only a small part of the current account, namely:

- investment income associated with capital account statistics such as on Foreign Direct Investment (FDI) and the International Investment Position (IIP); and
- trade in services and current transfers of the financial sector (using the well-established traditional relations between the OeNB and Financial Institutions).

Statistics Austria takes responsibility for the rest of the current account:

- for trade in goods, statistical information from Austria's Foreign Trade Statistics is used and adjusted for transactions not covered (like smuggling of cigarettes and drugs) or adapted to meet the concepts and definitions of the BoP Manual or SNA/ESA (reevaluation of imports from c.i.f. to f.o.b. or the treatment of goods sent for repair or processing);
- for trade in services of market producers (except for financial institutions) and nonprofit institutions, quarterly/annual surveys were introduced addressing all units above certain thresholds (direct reporting);
- imports and exports of services by the government are estimated using administrative data; and

- current transfers which are to a small extent based on surveys of trade in services (market producers and non-profit institutions). For the rest, administrative sources or estimation models are used.

In order to identify the survey population and to analyse threshold issues, an additional survey in the context of Structural Business Statistics is carried out by Statistics Austria. Coordination is a key point for the compilation of a system as complex as the balance of payments. The National Accounts Section of Statistics Austria assumes the coordination role for the production of the Current Account, both between the OeNB and Statistics Austria as well as between different directorates within Statistics. This coordination helps to achieve a uniform use of concepts, definitions and classifications for international transactions and the coherence and consistency between BoP Statistics and National Accounts. The OeNB compiles the overall Balance of Payments by integrating the results of Statistics Austria and the OeNB.

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A quarterly and an annual quality report concerning the Current Account is provided by Statistics Austria. These reports are the basis of an annual discussion on the strategic aspects of the further enhancement of BoP statistics. Based on the principles of transparency and accountability of costs, Statistics Austria is refunded for its tasks by the OeNB.

The structural change in data collection has very positively affected the available details as well as the methodological quality of statistics on international trade in services. Furthermore, data on exports and imports per service category and partner country are now available on a per-enterprise basis and may be linked with structural or company register information, e.g. about company headquarters, sales revenues, the number of employees and about outward and inward FDI or with foreign trade data. The OeNB has, therefore, linked survey data about trade in services with business statistics of Statistics Austria into a new form and quality of analysis – which has revealed new light on the determinants of trade in services.<sup>47</sup>

## Cooperation in the field of Foreign Affiliates Statistics (FATS)<sup>48</sup>

Since the reporting year 2007 – according to a national regulation – Statistics Austria is responsible for the compilation of FATS statistics. Foreign Affiliates are a subgroup of foreign direct investment firms. FDI statistics, which is in the competence of the OeNB, and FATS are strongly interrelated. It was evident that a close cooperation between the OeNB and Statistics Austria was needed to meet both the EU and national user requirements.

Based on the different competencies for FATS and FDI statistics, it was useful to differentiate between inward and outward FATS when developing a cooperation strategy. Inward FATS refers

<sup>47</sup> Patricia Walter and Rene Dell'mour, Firm level analysis of international trade in services; IFC Working Papers No 4; March 2010.

<sup>48</sup> Thomas Cernohous, René Dell'mour, Erich Greul, Austria's New Statistics on Foreign Affiliates; IFC Working Papers No 7; February 2011.

to foreign affiliates resident in the compiling country (Austria) and controlled by non-resident enterprises, while outward FATS refer to foreign affiliates abroad controlled by the compiling country (Austria).

Therefore, the implementation of inward FATS in Austria is as follows:

- foreign controlled enterprises resident in Austria can be extracted from the FDI surveys run by the OeNB and transferred to Statistics Austria together with the relevant variables; and
- the necessary variables for producing inward FATS are added by Statistics Austria by accessing data of the Structural Business Statistics and the R&D Statistics.

In using this approach, no specific survey for inward FATS is needed and, therefore, no new respondent burden has been created.

To collect the data necessary for outward FATS, new variables compared to the FDI statistics were integrated into the regular FDI surveys of the OeNB. As such, the introduction of a new survey focusing on outward FATS was avoided, the overall cost for OeNB and Statistics Austria were minimized and no additional burden for the respondents was created. This method also ensured that FATS data are consistent with FDI data.

The principles of transparency and accountability of costs are adopted for FATS in a similar way as in the case of BoP. A contract has been signed that foresees the refunding of the cost for OeNB and gives Statistics Austria a clear picture of the resources used.

## Financial and non-financial Sector Accounts and Government Finance Statistics

Statistics Austria compiles the non-financial accounts for all sectors (enterprises, financial institutions, government, households and non-profit institutions), while the OeNB calculates the financial accounts for these sectors. Throughout the entire compilation process, the OeNB and Statistics Austria share information, consult each other whenever special transactions occur and check the balance of each account in order to eliminate differences. The OeNB delivers the financial accounts data of all sectors to Statistics Austria and additionally compiles the annual financial accounts to be reported to Eurostat. A special annex concerning the compilation of annual Financial Accounts has been signed to formalise this cooperation.

Following the example of an integrated presentation of the euro area economy, developed by Eurostat and the ECB, Statistics Austria and the OeNB were among the first national statistical bodies in the EU to join forces to produce an integrated overview<sup>49</sup> of:

- the full sequence of accounts from the production account to the financial account in national accounts (this allows for assessing, among other things, the significance of

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<sup>49</sup> Statistiken – Daten&Analysen; Special Issue; Statistik Austria, Oesterreichische Nationalbank; Sector Accounts in Austria 2009; Integrated Presentation of Financial and Non-financial Accounts for Households, Non-financial Corporations, General Government and the Financial Sector in Austria's National Accounts, June 2010.

household disposable income for real and financial investments and the financing thereof or the importance of the capital markets for banks and general government); and

- the role that individual economic sectors (non-financial and financial corporations, households and government) play as lenders and borrowers for the other sectors of the Austrian economy and the rest of the world.

In addition to this summary analysis of developments (referring to 2009), the integrated national overview contains tables covering the previous five years, upgraded with indicators including household saving ratios as well as corporate investment ratios for the previous ten years.

In the summer 2013, Statistics Austria will also be responsible for the computation of the financial accounts for the government sector. So far, the OeNB uses mainly indirect data from reports of the financial sector to compile Government Finance Statistics. Following recommendations from Eurostat, Statistics Austria will compile Government Statistics from direct reports. However, close cooperation in this field is envisaged, in order to collect data from the government sector only once and in a consistent way for different statistical purposes. Annexes will govern both the transition phase as well as the steady state.

## Capital Income and FISIM

In the field of capital income and FISIM, the OeNB supplies Statistics Austria with data about financial assets of the economic sectors and interest rates. Statistics Austria calculates the FISIM. The results of this calculation are used by the OeNB.

## Registers

Registers are fundamental for producing statistics. Consistent classification of entities is a necessary precondition for consistent data, especially when they are produced by different compilers. Statistics Austria and OeNB reconcile their business registers continuously. In particular, the OeNB uses in its business register the sector and the NACE classification of Statistics Austria and Statistics Austria defines the MFI sector in accordance with the MFI list of the OeNB. Due to missing common identifiers, only a part of all entities can be reconciled. The introduction of common unique identifiers could, therefore, help to improve the quality of this important basis for statistics.

In addition, OeNB and Statistics Austria discuss the classification of entities from a methodological point of view. A special working group has been established for clarifying the application of the ESA rules, focusing on the financial sector. This will become a crucial point of cooperation with the introduction of ESA2010 and the new definitions of sectors.

## Summary

Almost ten years of close cooperation between the Austrian central bank (OeNB) and the Austrian statistical authority (Statistik Austria) has shown clearly that providing more, better and faster statistics, while also reducing the respondent burden and the costs of the production of statistics can be accomplished. At the same time, the workload on statisticians has increased with a concomitant rise in productivity.

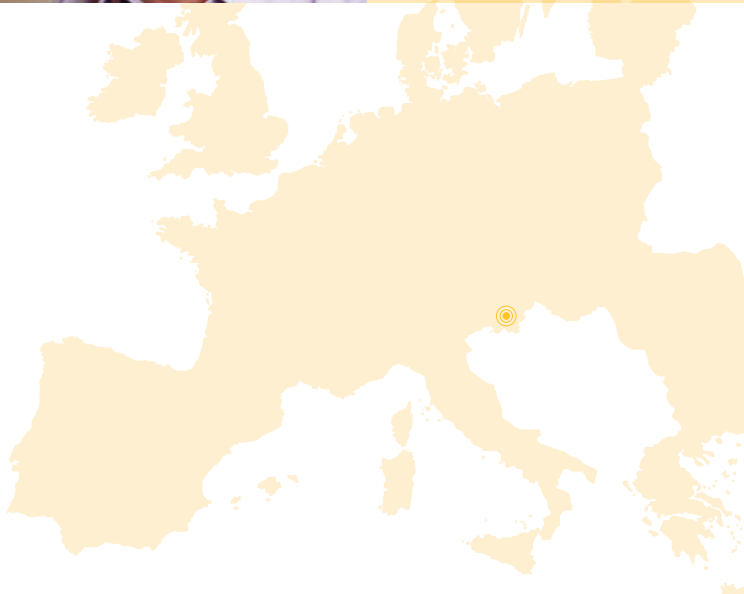
A formal cooperation in a signed framework cooperation agreement between Statistics Austria and the OeNB was a milestone in the development of official statistics. The flexibility foreseen in this cooperation agreement is an important instrument in defining and executing cooperation projects in specific areas (via annexes to the framework agreement) and in reacting quickly to changing circumstances and new data needs. The high level steering committee plays a central role in guiding the cooperation and in taking into account the specific expertise and comparative advantages of the institutions involved. At the same time, the committee is an excellent platform for exchanging information relevant for the cooperation partners to fulfil their tasks at a national or international level.

The introduction of the new balance-of-payments data collection system in January 2006 was the trigger for this enhanced and formal cooperation. It turned out to be very successful. The quality of the international transaction data in the balance-of-payments statistics improved significantly when compared to the old (mainly settlement based) system. By using the expertise and infrastructure available in one or the other of the partner institutes, the respondent burden and the cost have been kept low. A significant contribution stems from the extensive use of administrative sources. In difficult areas or where it is too expensive to conduct survey, estimation models have been developed.

The creation of a sound legal base (Foreign Exchange Act 2004) has avoided serious restriction of the statistical cooperation in the field of Balance of Payments between the two big providers of official statistics. It enabled the necessary exchange of information for statistical purposes and the harmonisation of registers and classifications. The diversity and differences in legal regulations concerning data protection and statistical confidentiality remain obstacles. Simpler, clearer and more general rules concerning the exchange of data between central banks and statistical offices would be an important contribution to reducing the cost of compiling and improving the quality of statistics. The introduction of the new manual (BPM6 and ESA 2010) will be another challenge for this, well-established, cooperation.

The spirit of the CMFB has resulted in a close and very fruitful statistical cooperation in Austria which will be further developed in order to meet the challenges of the future – and it is certain that the CMFB will empower the European statisticians to successfully meet and overcome those new challenges.

# KARMEN HREN<sup>50</sup> AND MATJAŽ NOČ<sup>51</sup>



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50 Statistical Office of the Republic of Slovenia.

51 Bank of Slovenia.

# The Statistical Office and the Central Bank of Slovenia working together

## Introduction

The cooperation between the Bank of Slovenia and Statistics Slovenia is an integral part of our daily work. It intensified in the second half of the 1990s when Slovenia signed the pre-accession agreement with the EU. The task of aligning the whole statistical system to EU standards was extremely challenging and it soon became evident that the task cannot be finished successfully without joint work and cooperation. The institutions reached an agreement on the division of responsibilities which proved to be successful as it represented very strong commitment of institutions. There are, however, still new areas of cooperation which shift the focus to other areas of joint interest, for example to quality, efficiency gains and others.

The paper is divided in four parts. First, the institutional framework for the cooperation between Statistics Slovenia and the Bank of Slovenia is described. The following two sections deal with areas of cooperation and modalities of cooperation. The fourth section concludes.

## Institutional framework

The institutional framework in which the Bank of Slovenia and Statistics Slovenia perform their statistical work has two dimensions, the European and national.

In the European context, the Bank of Slovenia works in the framework of the European System of Central Banks with the focus on monetary and financial statistics. Statistics Slovenia works in the European Statistical System framework which is part of the general EU framework and covering many statistical domains, including macroeconomic, business, environmental and social statistics.

The national institutional framework has several elements. The most important is the National Statistics Act according to which Statistics Slovenia is the main producer of official statistics in Slovenia. The Act also provides that the Bank of Slovenia is represented in the Statistical Council; the Council is an advisory body dealing with strategic and development issues of national statistics. At the same time, the Bank of Slovenia Act provides that the Bank of Slovenia performs

also the tasks in financial, monetary, banking and balance of payments statistics. The next element is the mid-term programme of statistical surveys. It defines the Bank of Slovenia as one of so-called authorised producers of official statistics. Based on a mid-term programme, authorised producers prepare an annual programme of statistical surveys showing the detailed statistical activities of participating institutions; the statistical activities of the Bank of Slovenia are included in the annual programme of statistical surveys.

Finally, both institutions together with the Ministry of Finance signed the Memorandum of Understanding in the Area of Macroeconomic and Financial Statistics. The memorandum was signed in 2004; it was a result of several years discussions on the division of responsibilities for the production of macroeconomic and financial statistics where the most difficult issues to be resolved were the compilation of financial accounts and the Excessive Deficit Procedure reporting. The memorandum was amended twice, in 2007 and 2009, but the amendments did not change its fundamentals.

The memorandum acts as an agreement for co-operation in individual areas of macroeconomic and financial statistics between the three institutions. It defines responsibilities of institutions for the compilation of statistics regulated by legal acts, responsibilities and obligations for the provision of data needed for the production of statistics, methods of publishing and transmitting statistics to users, ways for the coordination of international activities and the modalities of cooperation.

## Areas of cooperation

The memorandum specifies the cooperation and division of responsibilities for individual statistical activities as described in the following paragraphs.

Non-financial institutional sector accounts are compiled by Statistics Slovenia with some data sources being provided by the Bank of Slovenia and the Ministry of Finance. Financial institutional sector accounts are compiled by the Bank of Slovenia; the Ministry of Finance provides some input data.

The report for the Excessive Deficit Procedure (EDP) is prepared jointly by the three institutions; Statistics Slovenia is responsible for the methodology of the report. In the past, the report was prepared by Statistics Slovenia and the Ministry of Finance only, but the Bank of Slovenia is now more involved, particularly after integrating the financial accounts data in the report. Exceptions to this general arrangement are forecasts which are prepared by the Ministry of Finance.

Quarterly government debt data are compiled by the Ministry of Finance but Statistics Slovenia is responsible for the methodology.

Public finance statistics according to the requirements of the European Central Bank as well as monetary and financial statistics are responsibility of the Bank of Slovenia, but some of necessary data sources are provided by other two institutions.



The balance of payments is compiled by the Bank of Slovenia. For this purpose, Statistics Slovenia provides data on exports and imports of goods from external trade statistics, data on labour income flows, some data needed for the compilation of the travel item and some for the compilation of direct investments. Data sources are provided also by the Ministry of Finance, namely on transfers with EU budget and data on international transactions of the general government.

Foreign affiliate's trade statistics is prepared by the Bank of Slovenia (outward) and Statistics Slovenia (inward).

The VAT report is a joint responsibility of Statistics Slovenia and the Ministry of Finance; there is no involvement of the Bank of Slovenia. Statistics Slovenia prepares the statistical part of the report (the weighted average rate and all compensations) and the Ministry of Finance prepares an overview of legislation and data on VAT revenue.

The three institutions cooperate closely also in the institutional sectorisation of business entities included in the administrative Business Register of Slovenia. The register contains the records of all businesses in Slovenia, the exception is family farms. One of codes assigned to each unit in the register is the institutional sector code, based on ESA rules. For assigning the code, there is a committee composed of all three institutions together with the institution that maintains the register. The committee mainly discusses difficult cases of sectorisation; in the case of a dispute, it is Statistics Slovenia that has the right of taking the final decision.

There are also other areas of cooperation, for example the household finance and consumption survey or the quarterly survey on non-financial corporations which has been introduced in April 2011 to provide necessary input data for the compilation of quarterly non-financial accounts and for many other purposes.

## Modalities of cooperation

The exchange of confidential data between the institutions is one of the most important practical implications of joint work. According to the National Statistics Act, the confidential data can be exchanged between authorised producers of official statistics; on this basis, the following confidential identified data are currently exchanged between Statistics Slovenia and the Bank of Slovenia: external trade statistics data, data from the dividends survey, data on capital investments between residents and non-residents, on services trade, on income of households and on investment funds received directly from the EU.

The Bank of Slovenia can also obtain from Statistics Slovenia statistically-protected micro data for research or analytical purposes in the same way as other researchers or research institutions. Statistically-protected micro data covers micro data which do not allow the direct identification of reporting units. The access is subject to protocol and includes an agreement between the Bank of Slovenia and Statistics Slovenia which sets out conditions and responsibilities concerning access to data.

In addition, institutions mutually exchange other types of information. This relates to methodologies of individual statistics and contributes to harmonisation; for example in recent years substantial progress has been made in the harmonisation of balance of payments data and the rest-of-the-world account. The exchange of information encompasses also information relating to international meetings and coordination of positions, as well as information about courses, conferences and similar.

Finally, there are also working groups dealing with particular issues; some groups meet regularly, some on ad-hoc basis. Two can be mentioned, namely the group for the preparation of the EDP report and the group dealing with differences between financial and non-financial accounts balance.

## Looking ahead

Both institutions, Statistics Slovenia and the Bank of Slovenia, consider the cooperation to be fruitful and conducted in the spirit of trust, respect, and understanding of culture and needs of the other institution. We can expect that the cooperation will intensify in the future; on more general grounds, there will be more harmonisation of concepts, definitions, classifications and methodologies. On specific issues, two need to be explicitly mentioned.

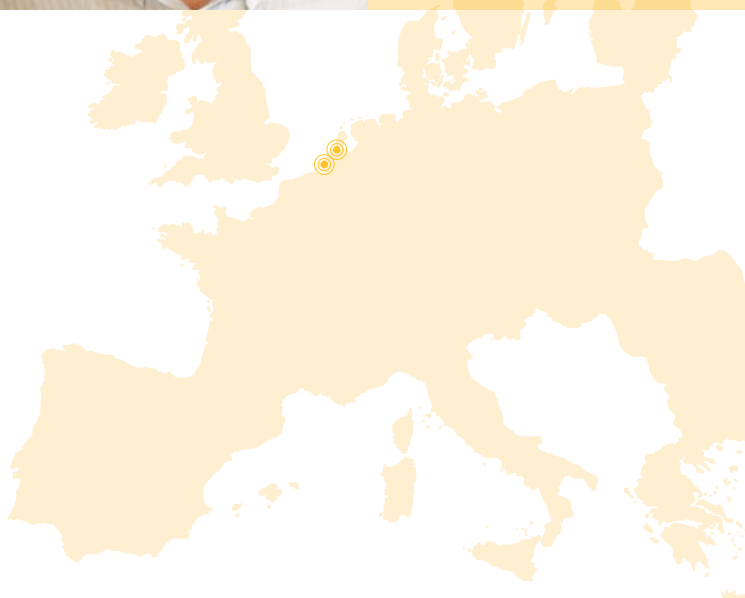
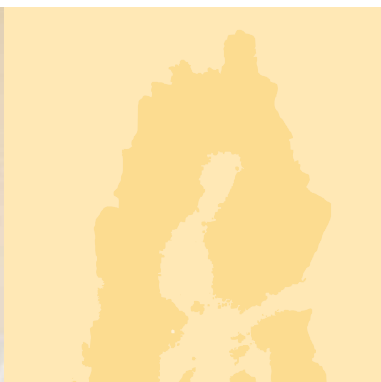
The first one is the introduction of the new statistical standard for balance-of-payments statistics and the new statistical standard for national accounts. The introduction of both new standards will be very challenging by itself, but the simultaneous introduction will require additional efforts and communication and cooperation between the Bank of Slovenia and Statistics Slovenia.

The second area for which intensified cooperation can be expected is the quality of statistics we produce. This relates mainly to differences between non-financial and financial accounts. Even though efforts were already made to address this issue, the minimisation of discrepancy between the balance of non-financial and financial accounts remains one of the most challenging tasks of joint statistical work of the central bank and the statistical office of Slovenia.



CMFB Plenary meeting  
Luxembourg, February 2011

# BRAM DE BOO <sup>52</sup> AND HENK LUB <sup>53</sup>



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52 Statistics Netherlands (CBS).

53 De Nederlandsche Bank (DNB).

## The cooperation between the Dutch Central Bank and Statistics Netherlands: a strategic alliance for the compilation of statistics

### History

De Nederlandsche Bank (DNB) and Statistics Netherlands (Dutch acronym CBS) have been working together for a long time. Formerly, this cooperation mainly implied the use of data that the other institution had compiled in accordance with its legal responsibilities. The CBS, in particular, had access to macro-data about financial institutions gathered by DNB and the Supervisory Authority on Insurance Corporations and Pension Funds, which in 2004 merged with DNB, and to detailed balance-of-payments data. These data are used for its compilation of economic statistics. Moreover, both institutions were cooperating in the conduct of a joint quarterly survey of the balance sheet of insurance companies and pension funds. DNB also had included some specific questions on behalf of the CBS in its supervisory surveys of banks. The cooperation remained mainly passive; as a consequence, some duplication of activities occurred and DNB and the CBS published different data on financial institutions. At the international level, there was a strict division of responsibilities, in which DNB performed data transmissions to the ECB, and its predecessor the EMI, while the CBS took care of data transmissions to Eurostat.

### Closer cooperation

A step to closer cooperation between DNB and the CBS was taken at the beginning of the 21st century in the field of the International Trade Statistics, balance-of-payments and the rest-of-the-world account. Due to changes in the way the balance of payments was compiled by DNB – the transition from a payments based system to a full survey system – both institutes agreed that the CBS would take over the collection of data on international services. The CBS introduced surveys on international trade in services that from a methodological point of view matched with the existing survey on international trade in goods. DNB remained responsible for the collection of data for the financial account and related income flows.

Developments reflecting further European integration were an extra stimulus for closer cooperation between DNB and the CBS. New legislation, the European Regulation on the

Compilation of Quarterly Non-Financial Accounts by Institutional Sector (QSA) and the ECB Guideline on Monetary Union Financial Accounts (MUFA), demanded the direct observation of source data. DNB and the CBS felt that this could only be achieved by sharing data sources to the maximum extent. In the same period, strong pressure was exerted to reduce the administrative burden on society, part of which was due to the collection of statistical information. This issue was emphasized in consecutive Government Programmes. From the year 2000, both institutions worked closely to cope with these new, and sometimes, conflicting demands. They agreed on a division of labour in which DNB was responsible for the compilation of primary statistics about the financial sector and the balance of payments. These are sources for the integrated statistics, for example the quarterly and annual non-financial and financial sector accounts, which are compiled by the CBS. This institution would also take care of the data transmissions for QSA (to Eurostat) and MUFA (to the ECB).

## Cooperation Agreement

This intensified cooperation was formalised in the Cooperation Agreement signed in January 2006. Its goal was to clarify the mutual accountability and improve the transparency of the arrangements. The general rule of the agreement is that DNB is responsible for collecting data from the financial institutions (excluding financial auxiliaries), while the CBS is responsible for the data collection for the other institutional sectors, excluding the rest-of-the-world account. For the latter, information is based on the data collection for balance of payments by DNB and the international trade in services and goods statistics by the CBS. As regards the processing of the data and the compilation of primary statistics, it was agreed that this is the responsibility of the collecting institution. The integration of the primary statistics and the compilation of the National Accounts, including publication and reporting to Eurostat and ECB of the integrated figures, is the responsibility of the CBS. As regards data dissemination, it was agreed that the collecting institution takes care of the first publication. An important aspect of this is the 'single figure' policy. This means that in the case of publishing data from the domain of the other institution, DNB and the CBS must secure that the figures do not deviate. In addition to these fundamental elements in the agreement, a number of practical issues like the exchange of data on individual reporting agents and the way the confidentiality of the data is guaranteed were arranged. Every year, the Cooperation Agreement is specified in a detailed planning document that includes data deliveries and deadlines.

## What has been achieved?

Since the signing of the Cooperation Agreement, DNB and the CBS have deepened their cooperation in existing areas and have extended it to new statistical areas – for example, investment funds and households. By uniting their forces, they are able to reap considerable benefits which include a larger efficiency in the collection and processing of data and a better data quality. The reporting burden on financial institutions and non-financial enterprises has been kept within limits and users of statistics receive qualitatively better and more consistent statistics.

The benefits are clear in the area of banking statistics. The data needs of the CBS for the compilation of quarterly sector accounts have been fulfilled, by enhancing the quarterly FINancial REPorting (FINREP), which DNB is conducting for its supervisory functions. Additional lines were integrated in the report forms and a consolidation base was introduced. As a result, the reporting burden on banks would be reduced. An efficiency gain is realised, because all data are collected and processed by a single institution. The CBS receives qualitatively better data, because the data it needs are precisely defined in the banks' accounting system.

Since mid-2010, the quarterly reports for the ECB monetary statistics are completed by the whole population of Monetary Financial Institutions (MFIs) (the monthly reports continue to be completed by the 16 largest banks, covering 95% of the balance total). DNB was able to drop the grossing-up procedure for the monetary statistics that it had developed earlier with the support of the CBS. When introducing the new set of report forms for monetary statistics (which was developed by the Eurosystem), DNB maintained close contact with the CBS. CBS representatives were present at meetings with reporting banks to give them the opportunity to explain their data needs, which were subsequently incorporated in the new report forms for monetary statistics. The CBS benefits from the better coverage of the MFI population and from better data.

DNB and the CBS have regular consultations on data issues, including banking statistics. These have resulted in more specific questions to reporting institutions, which enhanced the quality of banking statistics.

With respect to statistics on insurance companies and pension funds, the division of labour between DNB and the CBS has led to DNB conducting all, newly developed, statistical surveys of this sector. The CBS dropped the conduct of the joint quarterly survey. An efficiency gain was realised, and all data are collected and processed by a single institution. An additional advantage for reporting institutions is that they have to deal with only one institution. A further gain has been realised because DNB is conducting both the statistical surveys and the supervisory reports. The supervisory reports, which cover the whole population, provide the framework for grossing-up the statistical surveys. Both DNB and the CBS benefit from this integrated approach in compiling statistical data. In addition, the CBS has been able to improve its compilation of the sector account for insurance companies and pension funds by using the widened information flow. The CBS continues to fulfil both the data obligations to Eurostat and to the ECB with respect to QSA and MUFA. This procedure ensures the consistency between the statistical data sets.

Advantages have also been realized with respect to statistics on investment funds and financial vehicle corporations (FVC). Investment funds are surveyed in an integrated framework, comprising monthly, quarterly and annual reports. These reports fulfil the information needs of DNB (amongst others for the compilation of the balance of payments and in meeting the ECB demands arising from the Investment Funds Regulation) and the CBS (in the compilation of the quarterly sector accounts). This approach increases the efficiency of data processing and limits the reporting burden on enterprises. Similar gains are produced with respect to statistics on FVCs. These are financial entities that are set up for the conduct of securitisation operations. When DNB

designed the surveys that were needed to meet the demands from the ECB's FVC Regulation, it also took account of the data needs of the CBS. DNB and the CBS also closely cooperate in the collection of data from special financial institutions; these are foreign owned entities that are established in the Netherlands and serve as financial intermediaries. Previously, DNB and the CBS were surveying independently these special financial institutions. Complete integration has not yet been achieved. DNB and the CBS have introduced the same definitions, make use of each others enterprise register and exchange information on a regular basis. The data quality has been enhanced considerably.

With respect to the balance of payments, DNB and the CBS have intensified their cooperation in the single area where still an overlap existed: the surveying of non-financial corporations on their financial transactions. They are now harmonising enterprise registers. This enables them to perform a better selection of respondents in the sample used for balance-of-payments reports. It will also lead to a better grossing-up procedure. In this way, the reporting burden on enterprises can be effectively reduced. A further reduction would be realised if DNB and the CBS manage to design and introduce a fully integrated report form. This is work in progress.

The CBS has been able to improve its recording of portfolio investment by households in the sector accounts by drawing on the reports collected by DNB. Moreover, DNB and the CBS have agreed on a harmonised publication policy regarding statistics on household savings. DNB is responsible for the compilation – in consultation with the CBS – and the publication of data on household saving. Previously, DNB and the CBS calculated and published their own results. Differences occurred, although the source data collected by DNB were identical.

## Stimuli and limitations

The main factor of success in the cooperation between DNB and the CBS is mutual confidence. The clear agreements made between the management of both institutions about the division of labour and responsibilities provide a safe environment for the experts to exchange data and methods. In this way, difficulties or new developments can be discussed openly and solved in an optimal way. In addition, periodic meetings by experts from both institutions, in which the outcomes of the statistical compilation processes are reviewed, contribute to the quality of the statistical publications. DNB and CBS staff attends regularly in-house training courses organised by the other institution. They also participate in apprenticeships, to gain a better understanding of each other's work processes. DNB and the CBS consult each other on their statistical work programmes. This way they are able to set clearer priorities, making it easier to deal with competing claims in the institutions. Advance consultations result in stronger representation in international fora. For example, DNB and the CBS have consultations in preparation of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) meetings. They also discuss the CMFB consultations, although each institution will form its own opinion.

A recent example illustrates the good spirit of cooperation between DNB and the CBS. At the request of DNB, a CBS team reviewed the compilation procedures for the balance of payments in 2010. The primary goal was to reduce errors and omissions. DNB has implemented most of the



recommendations of the review team. Its main recommendations are to introduce a more statistical approach that also uses information from other data sources and to confront the outcomes of the balance of payments with the accounts of domestic sectors. Balance-of-payments compilers thus benefit from the experience national compilers have gained over the years in producing integrated statistics. The new procedure will also assist in realising more consistency between the balance-of-payments and the rest-of-the-world account.

One of the obstacles for further reducing inefficiencies and differences in publications appears the existence of different time tables of the main users of the statistical data: the ECB and Eurostat. Data collection and processing at DNB and the CBS have different time tables and subsequently outcomes occasionally are different. The deviating revision policies of both institutions, actuality (DNB) versus continuity (CBS) can cause extra work and some violations of the 'single figure' policy.

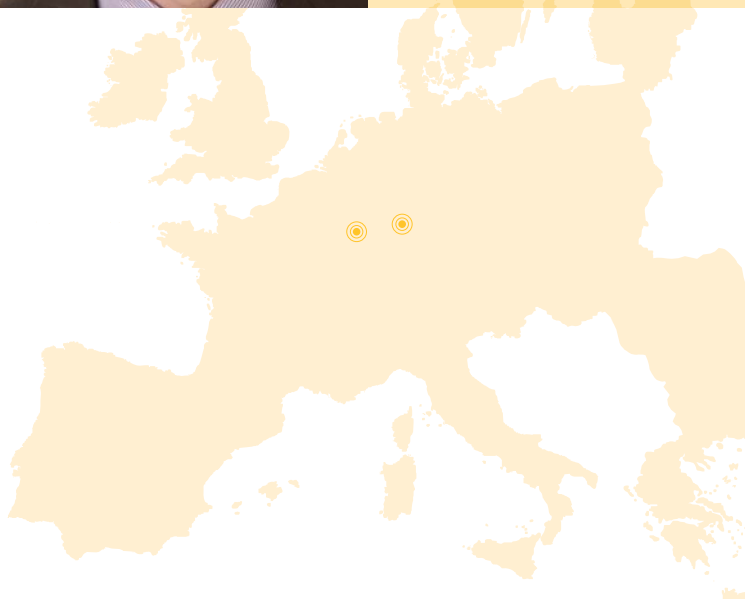
## Future developments

The closer cooperation between DNB and the CBS in the past years has resulted in a higher quality of the information published and a higher efficiency in both institutions. Further improvements are possible in the near future. This is necessary. Due to the financial crisis, the tasks of DNB as an institution responsible for financial stability have been reinforced, resulting in the request for more and timelier financial and non-financial information. In this respect, the division of labour between DNB and the CBS appears to be fruitful. DNB has access to a wealth of data from monetary and financial institutions, which enables it to enhance its compilation of micro and macro-prudential indicators. The special institutional setting, in which DNB is both central bank and prudential regulator of all financial institutions, has proved helpful in combining monetary and financial statistics and supervisory information. As a consequence of the Government Programme, the CBS is confronted with further budget restrictions and the assignment to further reduce the administrative burden caused by statistical surveys. The continued integration of the statistical processes by DNB and the CBS will assist in providing the means to cope with these challenges whilst minimising the quality loss of the information published.

## Reference:

Statistical Cooperation between Statistics Netherlands and De Nederlandsche Bank, Barteld Braaksma and Pim Claassen, in 'Cooperation between Central Banks and National Statistical Institutes: the cases of Austria, Canada and the Netherlands', IFC Working Papers no. 1, December 2007.

# GABRIEL QUIRÓS AND DENIS LEYTHIENNE<sup>54</sup>



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<sup>54</sup> The text on integrated accounts was drafted by Gabriel Quirós, ECB DG-Statistics, and Denis Leythienne, Eurostat, and reflects the intense and dedicated cooperation of Eurostat and ECB teams in the compilation of European accounts.

## The integrated quarterly sector accounts: a unique data-set in a joint ESS/ESCB collaboration

The close collaboration at European level between the European System of Central Banks (ESCB) and the European Statistical System (ESS) in the area of economic and financial statistics pursued for two decades in the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) has delivered remarkable results. A prominent example of such collaboration and cooperation is the preparation of the integrated quarterly euro area accounts and non-financial EU accounts (hereinafter the European accounts), which are jointly compiled and published by the ECB and Eurostat in close cooperation with the NCBs and NSIs of the European Union since June 2007.

This unique achievement is the result of a long joint effort in which the CMFB has played an instrumental role. Addressing a priority identified in the September 2000 Action Plan on statistical requirements in EMU, the CMFB discussed, in June 2001, a users' vision for an integrated system of quarterly European accounts. Subsequently, a Eurostat-ECB task force was set up in 2002 to prepare the methodological and legal grounds for the collection of quarterly national non-financial accounts by institutional sector.

The integrated quarterly euro area accounts were, therefore, developed on the basis of the methodological framework established in the ESA 95, but their higher frequency was suitable for monetary policy purposes. This is notably because it provides an integrated framework linking the most relevant data sets for monetary policy purposes (namely monetary aggregates and b.o.p./i.i.p.). Moreover, the accounts provide very relevant information for conjunctural and financial stability analysis, as well as the perfect structure for forecasting purposes.

The accounts cover all economic and financial transactions and financial balance sheet positions of the domestic sectors (households, non-financial corporations, financial corporations and general government) and the interactions between these sectors and the rest-of-the-world. They provide a comprehensive picture of how economic value is generated, distributed/re-distributed, consumed and accumulated into assets in each of the 27 EU member states and, after aggregation and consolidation of intra-flows, into the euro area and the EU.

Moreover, the euro area accounts link financial and non-financial statistics, thereby allowing for an integrated analysis of non-financial economic activities (such as gross fixed capital formation) and financial transactions (such as the issuance of debt). They also contain consistent financial and (partial) non-financial balance sheets, allowing an analysis of how wealth and financing is allocated across investment opportunities.

From the point of view of statistics' compilers, the statistical framework also allows for cross-checking the consistency of the high-frequency data, namely money and banking, balance of payments, capital markets, and government finance statistics.

## European accounts and national accounts of the Member States

Aggregated accounts for the euro area/EU are based on, but are not just the sum of, the national accounts of the member states. Several adjustments are necessary to convert these national data sets into meaningful European accounts. This entails amongst others: i) the conversion into euros of the national accounts transmitted by non-euro area member states, which are denominated in national currencies; ii) the proper compilation of the rest-of-the-world accounts for the two economic areas – individual national accounts record transactions and financial balance sheets between the national economy and all non-resident units, including those in other EA/EU member states – to measure the external transactions and financial balance sheets of the EA/EU, it is necessary to remove cross-border flows and financial claims within the area concerned; iii) the European institutions and bodies have to be added and, iv) the integration and reconciliation of the accounts involves several adjustments to ensure data consistency and accounting integrity.

The compilation of the European accounts is also a unique product as regards compilation strategy and co-operation. For the first time in Europe, a statistical product is truly the outcome of joint effort. Eurostat is mainly responsible for the non-financial part of the accounts, while the ECB was entrusted with the financial side, including its reconciliation with non-financial accounts. Moreover, the ECB also contributes to the production of the non-financial accounts (e.g. by compiling the rest-of-the-world account) and both institutions ensure full co-ordination by means of regular video-conferences.

## European accounts – integrated non-financial and financial accounts

The euro area accounts integrate non-financial and financial accounts, including financial balance sheets and partial non-financial assets. These accounts are integrated in three dimensions.

First, for each transaction category (financial and non-financial) and each financial balance sheet category, transactions and positions must balance out when added up across all institutional sectors and the rest of the world, i.e. there must be horizontal consistency – in the terminology of the ESA 95, total uses must equal total resources and total (changes in) financial assets must equal total (changes in) liabilities. For example, for the non-financial transaction category “compensation of employees”, the sum of the amounts payable (uses) by all sectors and the rest of the world must equal the sum of the amounts receivable (resources) by all sectors.

Second, for each resident sector and the rest of the world, the balance of all current and capital transactions should be equal to the balance of all financial transactions (vertical consistency). For example, the difference between total government expenditure and revenue is equal to the difference between its net incurrence of liabilities and its net acquisition of financial assets. When comparing the data from the different statistical sources for the non-financial and the financial accounts, this may, in the first instance, not yield an identical estimate for this balancing item. In the euro area accounts, such an accounting identity is ensured for general government, financial corporations and the rest-of-the world account. There are, however, some discrepancies, equal in size but opposite in sign, for the households and non-financial corporations sectors.

Third, the change in financial balance sheets is for each financial asset category equal to the sum of the financial transactions and the other changes, like revaluations of assets (stock-flow consistency). For example, the change in the value of quoted shares held by households between two consecutive periods is equal to their net acquisition of quoted shares plus revaluations (changes in price) during the reference period and (eventually) other volume changes (e.g. reclassifications).

### European accounts from a user perspective

The compilation of the euro area accounts relies mostly on statistics already collected and compiled for other purposes. The main value added of the accounts consists in assembling such data in a coherent framework to facilitate global analysis. Interlinkages between economic and financial developments and between institutional sectors are revealed in the accounts with clarity not attainable by the simple use of the individual statistics. For instance, it is possible to analyse the impact of the monetary policy on household disposable income and business profitability. In facilitating such a global approach, the euro area accounts provide an ideal platform for reconciling across the two dimensions of the ECB's monetary policy analysis, entailing both financial and non-financial analysis.

Furthermore, the euro area accounts enrich the monetary analysis based on liabilities of MFIs, by considering portfolio behaviours in a broader sense which covers non-monetary assets. Similarly, the accounts also shed light on a wider spectrum of financial intermediation avenues beyond the traditional deposit-loan banking channel. In doing so, they also offer insights into structural changes that affect the capacity of the financial system to create money, credit and leverage, i.e. provide, in addition to high frequency information, additional insights at low frequencies. Analysing the interaction of financial variables, real variables and asset prices contributes to a better understanding of economic developments in a broader sense.

### A system of accounts in continuous development to meet new challenges

Since its first publication in June 2007, the euro area accounts have been constantly improved. An impressive progress has been made in terms of data coverage, better sources and methods, as well as timeliness, in order to make them fit for use, particularly to respond to constantly evolving economic and financial challenges.

As a way of example, in the field of euro area accounts, euro area produced non-financial assets by institutional sector, total euro area economy produced non-financial assets by main asset type, and households' housing wealth, as well as who-to-whom data for loans and deposits, were added in the course of 2010. Another example is the publication by Eurostat, in August 2010, of a European inventory of the sources and methods used for the compilation of national and European quarterly sector accounts. A third recent development is the publication, in cooperation with the member states concerned, of national breakdowns for a set of key series derived from euro area / EU accounts.

Nevertheless, work is not yet complete and major challenges are still ahead to ensure the accomplishment of the agreed medium-term development plan. These comprise, in particular, the publication of a comprehensive set of accounts by T+90 days fit for monetary policy purposes, who-to-whom detail for securities, the breakdown of other flows into revaluations and other volume changes, as well as additional seasonally adjusted data.

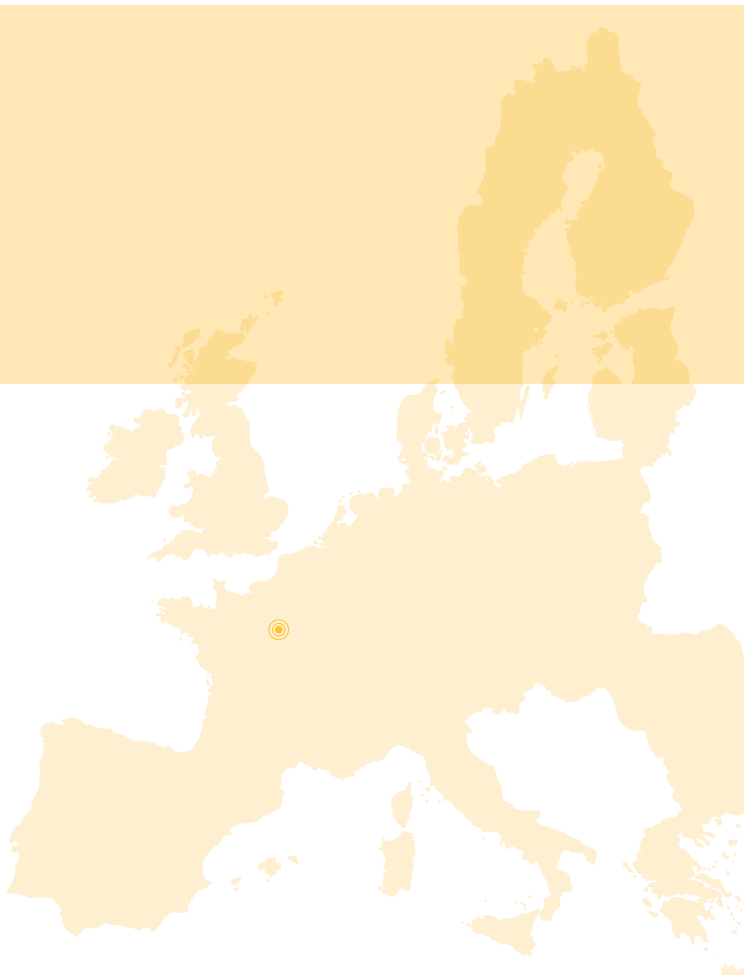
Last but not least, following the establishment of the European Systemic Risk Board, further work is needed to enhance the integrated euro area accounts, to support financial stability and macro-prudential analysis for the EU and its individual member states. This would involve the dissemination of more national series, possibly in seasonally adjusted (and, in few cases, volume) terms.

For the success of these endeavours, the CMFB will continue to be a crucial forum in which the strengths of a variety of expert statisticians enrich the discussion and foster cooperation.



CMFB Executive body  
Porto, March 2011

## ALAIN DUCHATEAU <sup>55</sup>



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<sup>55</sup> Deputy Director General for Statistics, Banque de France; CMFB member since 2009. I thank O.Cousseran for his valuable comments.



## An update to the international guidelines

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The future of international guidelines in the statistical domain can be divided into two parts: first, the concrete implementation of these guidelines which have been in preparation for a number of years. The deadline in Europe for most of these international guidelines is 2014. The Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) has a major role in ensuring their successful implementation. Secondly, new conceptual and statistical frameworks are being prepared, at international level, as a result of the financial crisis. The lessons drawn from data gaps by the G20 and the Financial Stability Board (FSB) have repercussions for Europe and the CMFB has to play a role in the drawing up of these future international guidelines.

### Up to 2014, the CMFB has a major role in ensuring the successful implementation in Europe of new international guidelines.

Three main updates in international guidelines will be implemented in 2014. They were prepared under the leadership of 3 different international standard-setters, but they are closely linked. The CMFB will play a major role in the coordination of their respective implementation in Europe:

- The System of National Accounts (2008 SNA)<sup>56</sup> replaces the previous version (1993 SNA). The 2008 SNA was produced and released under the auspices of United Nations, Eurostat, OECD, IMF and World Bank. The European System of Accounts (ESA 2010) was coordinated by Eurostat, ensuring close cooperation between the European Statistical System (ESS) and the European System of Central Banks (ESCB). The CMFB delivered its opinion<sup>57</sup> on the draft ESA 2010 to Eurostat in December 2010. The draft proposal for ESA 2010 was approved by the Commission in December 2010, and needs to be approved by the European Parliament and the Council.

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<sup>56</sup> See SNA 2008.

<sup>57</sup> See CMFB opinion on a proposal for a Regulation of the European Parliament and of the Council on the European system of national and regional accounts in the European Union (ESA 2010).

- The sixth edition of the IMF Balance of Payments Manual<sup>58</sup> (BPM6) was finalised in 2010 and will replace the fifth edition dating from 1993 starting in 2012. Eurostat prepares the legal basis of this manual for European countries with inputs of ESS and ESCB. The implementation date is in 2014.
- The OECD/IMF benchmark for the definition of foreign direct investment<sup>59</sup> (BD4) was finalized in 2010 and, from 2012, will replace the 1993 third definition. Eurostat is preparing a legal basis to apply this new definition in Europe starting in 2014.

The CMFB is a unique platform in Europe for an exchange of views between the ESS and the ESCB that allows better interrelation between these international guidelines. This coordination is prepared by the various Eurostat working groups (notably national accounts, financial accounts, and the balance of payments). This coordination already produced in 2011 two main achievements: a coordinated transmission program for national accounts and balance-of-payments statistics and a coordinated revision policy for national accounts and balance-of-payments statistics. The latter did not exist previously in Europe.

### **As a result of the financial crisis, the CMFB role will be increasingly important in setting up new conceptual and statistical frameworks.**

The financial crisis and the world wide recession in 2009 prompted an in-depth rethinking of the existing statistical frameworks.<sup>60</sup> In November 2009, the G20 Finance Ministers and Central Bank Governors endorsed the 20 recommendations presented by the FSB to reduce the information data gaps experienced during the crisis and this call was further endorsed by the IMF's International Monetary and Financial Committee (IMFC) in October 2010.

The following key recommendations were made: (a) *to better capture the build-up of risk in the financial sector*, (b) *to improve data on international financial network connections*; (c) *to monitor the vulnerability of domestic economies to shocks*; and (d) *to improve communication of official statistics*. The G20 ministers and governors are regularly updated by the IMF and the FSB on the progress made on these recommendations.<sup>61</sup> An IMF conference in March 2011 and bilateral visits from the IMF to G20 countries provided the main inputs of the next progress report prepared for the G20 Finance Ministers and Central Bank Governors, in June 2011.

Some of these recommendations, for which conceptual and statistical frameworks exist, are already in the work programmes of the ESS or the ESCB and, therefore, the CMFB is regularly informed of the progress made on these G20 recommendations. For other recommendations, the

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<sup>58</sup> See BPM6 2010.

<sup>59</sup> See BD4 2010.

<sup>60</sup> See, for instance, the Eurostat national accounts conference, 16 September 2009, "Reading the present to prepare the future", or the fifth statistical ECB conference, 19 & 20 October 2010, "Central bank statistics-what did the financial crisis change".

<sup>61</sup> See, for instance, the IMF/FSB progress report made in May 2010.

conceptual and statistical frameworks need to be further developed. This is the case, for instance, for recommendations 8 and 9 on data collection and reporting needed on systemically important global financial institutions (SIGFIs). In addition to the SIGFIs, there is growing recognition in Europe of the need to provide to the newly established European Systemic Risk Board (ESRB) with relevant macro-prudential statistics. The cooperation between the ESRB and European Supervisory Authorities (ESAs) will cover data exchanges, on aggregated data, or even individual data under certain conditions and upon reasoned requests.

A better knowledge of the links between corporate firms, financial or non financial, domestic or foreign, is key to understanding the risk of contagion and spillover across sectors and countries. Beyond statistical requirements, the concerns related to the issue of financial stability are one of the grounds of an ESCB project aiming at developing an authoritative register on financial institutions, affiliates and groups, i.e. the register of (financial) institutions and affiliates (RIAD). In addition, the ESCB cooperates actively with ESS for the development and maintenance of the Eurostat EuroGroups Register (EGR).

In that regard, the CMFB *emphasised the general need to avoid double compilation of data and repeated transmissions unless the benefits clearly outweigh the additional burden*.<sup>62</sup> The CMFB reviewed several cooperation schemes between the ESCB and the ESS in the register of groups. Given confidentiality constraints on the use of statistical data, we have to ensure that sharing data between ESS and ESCB will rely on a sound legal basis. Furthermore, there will be also a clear need to ensure a proper level of inter-operability between the EGR and RIAD in the medium term.

The Inter-Agency Group on economic and financial statistics (IAG), chaired by the IMF and comprising the BIS, the ECB, Eurostat, OECD, the United Nations, and the World Bank, has worked together to start closing some of these gaps. In particular, the IAG enhanced the collection and dissemination of the G20 principal global indicators (PGI) through its website.<sup>63</sup>

The Mutual Assessment Process (MAP) presented in the G20 meeting in Seoul in 2010<sup>64</sup> is making progress among G20 countries in 2011.<sup>65</sup> The monitoring of some key indicators to assess the sustainability of economic conditions in a given country will not only involve G20 countries but in the future all the European countries.

In the context of enhancing macroeconomic surveillance, the European Commission worked on a “scoreboard” approach which would combine indicators related to external imbalances, competitiveness, and internal imbalances. This excessive imbalance procedure would have a preventive arm to identify imbalances at an early stage and a corrective arm with national programs and possible sanctions.

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<sup>62</sup> Extract from the CMFB opinion on the proposal ESA 2010.

<sup>63</sup> See IAG principal global indicators website.

<sup>64</sup> See IMF Mutual Assessment Process presented in Dec 2010 in Seoul.

<sup>65</sup> See G20 ministers and governors statement in Washington in April 2011.

These draft indicators were presented to CMFB members in February 2011. The members were later invited to express their views on some potential choices among these indicators. This “scoreboard” approach, when enshrined in a European regulation, could supplement the traditional Excessive Deficit Procedure (EDP) which focuses on debt and deficit as defined in the Maastricht Treaty.

In March 2009, in the context of EDP, the CMFB gave its opinion<sup>66</sup> on the way to account for the various ways member states supported their banking systems during the financial turmoil (capital injection, guarantees, Bonds issuance fund...). In July 2009, Eurostat decided differently<sup>67</sup> creating supplementary annexes to reflect the conditionality of some of these supports.

In 2011, given the renewed tensions on the sovereign debt of some Eurozone countries, the CMFB expressed its opinions to Eurostat on two schemes aimed at helping Eurozone countries: the European Financial Stability Facility (EFSF) in January 2011 and the European Stability Mechanism (ESM) in March 2011. Eurostat shared these opinions.

The challenge for the CMFB members in the coming years will be their heavy agenda. Before 2014, the CMFB will monitor the preparation stages for a proper implementation of the three large new international guidelines, while remaining open to new statistical requests from international policy makers who plan to enhance their macroeconomic surveillance. Given the budget constraints which also weigh on the production of statistics, as attested by the Eurostat search on “negative priorities” in the area of national accounts, the CMFB plays a pivotal role in looking for cooperative solutions between the ESCB and the ESS to fulfil this ambitious agenda.

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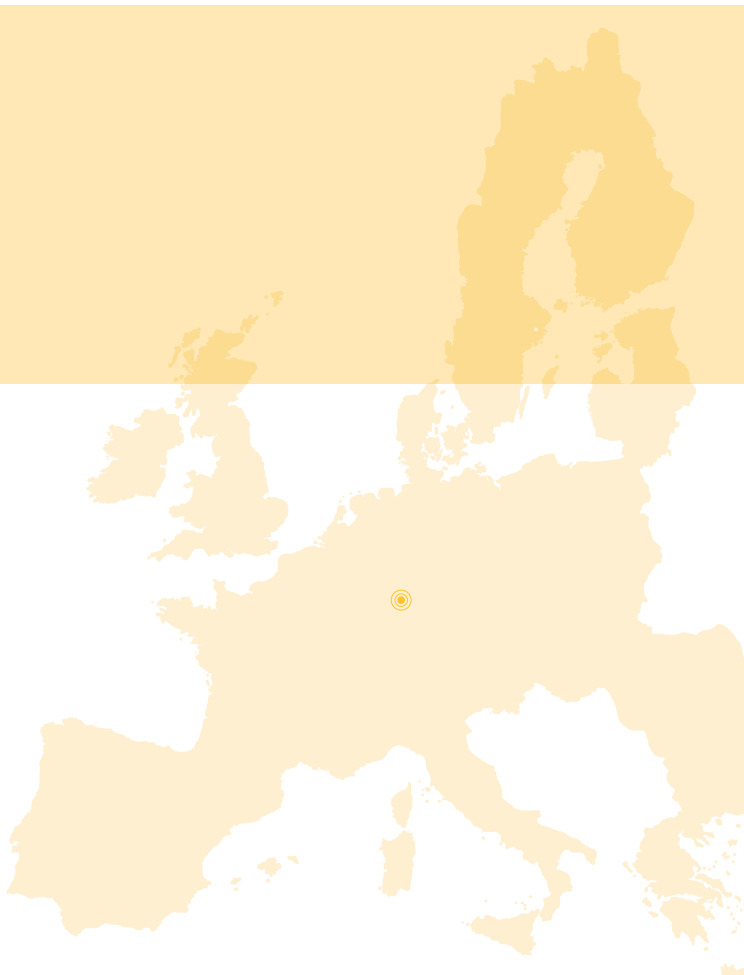
<sup>66</sup> CMFB opinion concerning statistical accounting consequences for government of the financial turmoil March 2009.

<sup>67</sup> Eurostat Decision on deficit and debt July 2009.



CMFB Chairmen  
Wien, May 2011

## REIMUND MINK <sup>68</sup>



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## New statistical requirements – pensions and government pension entitlements

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*Demographic projections for the European Union (EU), as for many other industrialised countries, are characterised by an ageing of the population. This will have a substantial impact on general government deficit and debt. A declining European workforce combined with a rapidly expanding number of retirees will force up spending on pensions, health-care and long-term care, while populations will start to decrease in the coming years and tax bases will shrink. The dynamics of general government-managed pension schemes are usually based on the pay-as-you-go principle whereby current contributions finance current benefits. To examine and improve the recording of these schemes in the System of National Accounts (SNA), the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) agreed, in 2006, to establish a Eurostat/ECB Task Force on the statistical measurement of the assets and liabilities of pension schemes in general government. This Task Force made significant input to the SNA update process for pensions, notably through the design and compilation of a mandatory “supplementary table” on pension schemes in social insurance in the 2008 SNA and also in the European System of Accounts (ESA 2010). The paper provides a summary of the conclusions reached by the Task Force and reflections on the implications for the future of this work.*

### The 2008 SNA and the ESA 2010 as the new statistical standards

The 2008 SNA and the ESA 2010 as the new statistical standards recommend detailed guidelines for compiling supplementary data on pension entitlements under defined-benefit schemes managed by the general government and also social security schemes.<sup>69</sup> The magnitude of such

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<sup>69</sup> In 2008 and 2009, the United Nations Statistical Commission adopted the new System of Accounts (2008 SNA) and encouraged countries to implement it in the coming years. See <http://unstats.un.org/unsd/nationalaccount/sna2008.asp>. One year later, the IMF published the revised IMF Balance of Payments and International Investment Position Manual, 6th edition (BPM6): <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>. The European System of Accounts (ESA) as a counterpart to the SNA is currently under revision and will be adopted by the European Council and Parliament in 2012 – as the ESA 2010. These manuals are the new statistical standards for national accounts and balance of payments. 51 OECD and IMF studies, op. cit. by: R. Holzmann, P. Palacios and A. Zviniene (2001), World Bank, On the economics and scope of implicit pension debt: an international perspective, *Empirica*, 28, pp. 97-129.

pension entitlements vis-à-vis general government is known owing to various studies undertaken by international organisations such as the IMF, the OECD and the World Bank. However, the 2008 SNA and the ESA 2010 make provision for more detailed information in terms of pension entitlements as outstanding amounts, their accumulation and the impact of pension reforms. It thereby increases the transparency of household and general government finance, allows a better comparison across countries and economic areas and is particularly relevant in view of the far-reaching implications of population ageing in the EU and in many industrial economies. Looking at the discussions since 2004 on how to record pension entitlements in the 2008 SNA and in the ESA 2010, questions arose whether all or only part of them should be covered within the asset and liability boundary? These questions were closely linked to the issue: to what extent should the national accounts recording of pension entitlements be harmonised while the underlying institutional reality differs significantly among countries? The institutional differences among countries related to pension schemes (capitalised versus pay-as-you-go) generate significant differences in the accounts because they lead to different economic behaviour. In particular, pension assets (in other words, future pension rights) in countries with mainly capitalised systems are recorded as household wealth, while future pension rights in countries with government-managed pay-as-you-go schemes (like in France, Germany, Italy or Spain) are not recorded in the core system of accounts. The entitlements in the former case are contractually determined.

### The Eurostat/ECB Task Force on Pensions, mandated by the CMFB

In June 2006, the Eurostat/ECB Task Force on Pensions (the Task Force) was established and its *mandate* was agreed by the CMFB to take forward the results of extensive work on pensions-related issues in the review of the SNA.<sup>70</sup> The Task Force met six times between September 2006 and December 2007 with experts from the Czech Republic, Germany, Spain, France, Italy, Hungary, the Netherlands, Poland, Finland, Sweden, the United Kingdom, DG ECFIN, the IMF, and the OECD and with the SNA Editor. Its main tasks were: (i) the design and the description of a supplementary table on pension schemes in social insurance to be part of the pension section in the 2008 SNA; (ii) the specification and definition of concepts related to the institutional units involved and to the stocks, transactions and other flows shown in the table; (iii) the selection and assessment of criteria to distinguish between defined-benefit government-managed pension schemes to be recorded in the core accounts or only in the supplementary table; (iv) the stock-taking of the features of all pension schemes in social insurance in the EU countries, based on a questionnaire; (v) the coordination of the modelling work and the estimation of pension entitlements by using national models and generic models as provided by consultants of the Research Centre for Generational Contracts of the Freiburg University and of the World Bank and (vi) the presentation of the Task Force work to the CMFB and other committees and working groups.

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<sup>70</sup> The Advisory Expert Group on National Accounts (AEG) had agreed, in its meeting of January/February 2006 some far-reaching conclusions on the principles for the future recording of pension schemes in the national accounts, but certain issues had been identified in the application of these principles to many European countries.



The work of the Task Force concentrated first on the drafting of the pension section in the new SNA and on the design of the supplementary table. The overall logic of the table is to present the opening and closing stocks of pension entitlements for all social insurance pension schemes (including social security), and the transactions and other economic flows during the period that account for the difference between the opening and the closing positions, thus systematically showing pension entitlements for all these schemes facilitating international comparability.

In this process, consensus was achieved as reflected in the January 2008 CMFB Report of the Task Force and also in the 2008 SNA on distinguishing between pension schemes managed by general government, whose entitlements should be recorded in the core national accounts, from those schemes whose entitlements should be recorded only in a supplementary table on pensions (like social security schemes).<sup>71</sup> The 2008 SNA and also the ESA 2010 include such a new mandatory table showing flows and stocks of all pension schemes. For the benefit of users of the accounts, all countries will be expected to produce the new table; and it has been suggested that this table would be compulsory for all EU countries, through the new transmission programme of the ESA regulation.

The practical statistical estimation of defined benefit pension entitlements (for past periods) required model estimates of the outstanding stocks and the related transactions, revaluations and other changes in the volume of assets. In this context, various key assumptions had to be made before carrying out any empirical work. This referred predominantly to the definition of the pension entitlements to be measured as well as the determination of the discount rate, the wage growth and the demographic assumptions. Given the importance of developing comparable statistics on pension schemes across countries, the Task Force agreed on the importance of comparable (but not necessarily identical) assumptions during the modelling of pension schemes: (a) the discount rate should predominantly be based on yields on central government bonds (where the market is sufficiently liquid and the instruments are sufficiently mature) or, exceptionally, high quality corporate bonds. In principle, the same discount rate should be applied for all government-managed schemes in a country and (b) the Projected Benefit Obligation (PBO) approach will be most appropriate for the treatment of the impact of real wage changes on pension entitlements in national accounts. The PBO approach assumes a non-zero (usually positive) future development of real wages, unlike the alternative Accumulated Benefit Obligations (ABO) approach which assumes zero future changes in real wages; and (c) Demographic assumptions (notably mortality) should be based as far as possible on the comparable demographic data compiled by Eurostat (Europop). The Task Force noted that the consistent application of these recommendations across all pension schemes in the economy may be very difficult, given the coverage and the broad variety of source data in the various EU countries (individual data versus aggregated data by age, gender or type of entitlement).

Task Force members undertook the modelling of selected government-managed pension schemes, and explored the issues to be addressed when completing the supplementary table. In a few cases, the World Bank's Prost software provided a helpful benchmark, although it was

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71 See [www.cmfb.org](http://www.cmfb.org).

not expected that this software would be widely used in future national accounts compilation. In addition, experts from the Research Centre for Generational Contracts of the Freiburg University worked with the Task Force to compile estimates for selected government-managed pension schemes (notably social security pension schemes) using the 'Freiburg model'.

A relatively broad range of estimates was carried out for pension entitlements of social security pension schemes by using national models (Germany, Spain, France and Sweden), the World Bank model Prost (Germany, France and Poland) and the Freiburg model (Czech Republic, Germany, Spain, France, Hungary, the Netherlands, Poland and Sweden). The results showed that the pension entitlements are very substantial; particularly for social security pension schemes whose entitlements may exceed 300% of GDP in some countries using PBO estimates.

The Task Force's intention was also to contribute to the drafting of a new ESA chapter on pensions. Given the administrative uses of national accounts in the EU, it was expected that the guidance for the recording of pension schemes in the ESA 2010 would need to be more detailed than that of the 2008 SNA, by also including a discussion of the appropriate modelling assumptions to be made.

To follow-up on the Task Force work, the CMFB proposed to establish a Eurostat/ECB Contact Group on Pensions amongst all EU countries to exchange good practice and implementation issues supported by a compilation guide, through documentation of the main characteristics of social insurance, through model estimates and simulations and through seminars and workshops. The CMFB also recognised that the implementation of the revised approach to recording pension schemes in national accounts is not at all straightforward. Countries were encouraged to commence work as soon as possible on a gradual preparation, notably by establishing a closer working relationship among public pension experts, pension regulators and statisticians from national statistical offices and central banks.

### Accrued-to-date liabilities and long-term sustainability of public finances

It was indicated in the January 2008 CMFB Report of the Task Force and also presented to the EFC that the pension entitlements as derived for defined-benefit schemes managed by the general government and social security schemes are not fiscal sustainability measures which require elaborate modelling simulations. Instead, they display the cost of terminating such a pension scheme at the reference date of the accounts.

In 2010, the European Commission (DG Ecfm) and the Economic Policy Committee's (EPC's) Ageing Working Group (AWG) released the *2009 Ageing Report: Economic and budgetary projections for the EU-27 Member States (2008-2060)*. It is based on the need for the Council to "regularly review the long term sustainability of public finances, including the expected strains caused by the demographic changes ahead". In 2006, the ECOFIN Council gave a mandate to the EPC to update and further deepen its common exercise of age-related expenditure projections by autumn 2009, on the basis of a new population projection by Eurostat, which was released in April 2008.

Comparing the work of the Task Force with the projections carried out by the AWG, the following two questions need to be raised: Will the national accounts data as derived for the supplementary table on pensions be appropriate to serve as an input for the AWG pension projections? What is the link and what are the differences between the two approaches, the accrued-to-date liabilities concept and the concept of implicit liabilities, in terms of fiscal sustainability indicators?

The data on pension entitlements following the accrued-to-date liabilities approach are compiled ex-post; they are not projections. The closed system, implicitly used for this approach, may be expanded in a consistent way to derive liabilities for open systems on a gross or even on a net basis – by compiling net open system liabilities following a generational accounting approach.<sup>72</sup>

According to the Ageing Report, sustainability conditions are defined by comparing current government debt figures with the discounted values of all future primary balances. Sustainability gaps emerge because of the fact that these discounted values are usually too small to compensate for current debt. According to the report, age-related government expenditure as a percentage of GDP will increase, for the EU as a whole from 2007 to 2060, by 4.7%; half of this increase refers to an increase of pension expenditure.

The economic and budgetary projections carried out by the AWG are based on such sustainability indicators. In addition to Eurostat's population projections, the main data source for the report is government finance statistics which follow ESA principles. In recent years, Eurostat, with the assistance of the CMFB, has taken a number of decisions that have clarified the national accounts for the government sector in EU countries and have made them more comparable. There were also international initiatives to align government accounting practices and international statistical standards. The outcome of this work has been a new chapter on government accounts, for the 2008 SNA and also for the new ESA.

## Future challenges

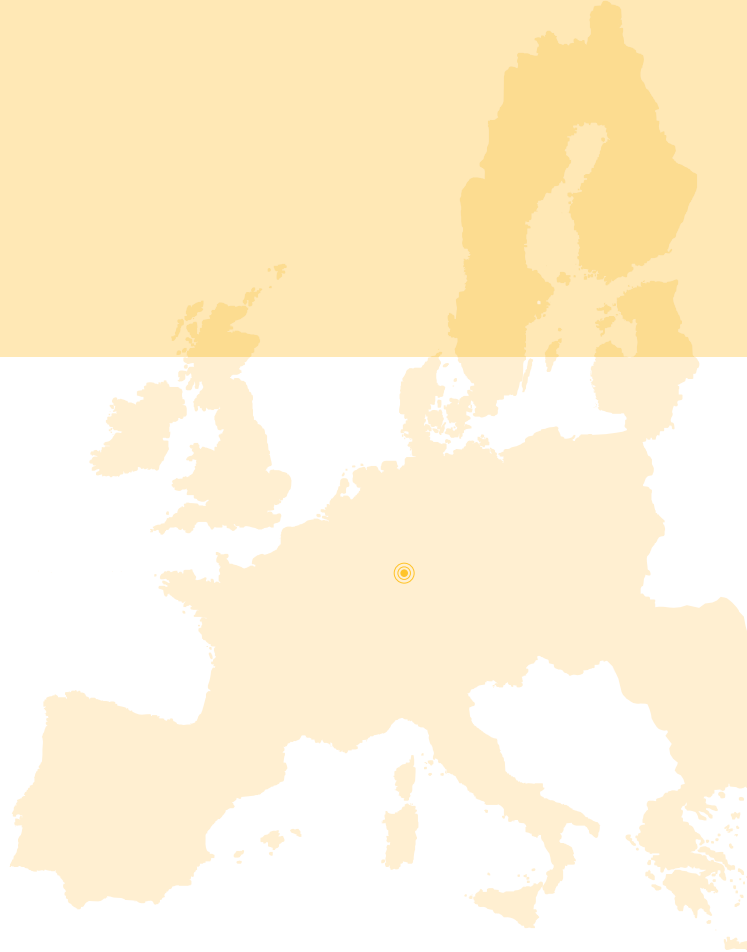
An ageing population raises challenges from an economic point of view: how will economies respond and adapt to these changing demographic conditions? Policy makers need to ensure long-term fiscal sustainability, in the face of clearly expected risks, as well as of significant uncertainty. In this context, future pension expenditure – either compiled as a stock of pension obligations accrued-to-date or projected as future pension benefits – has to be taken into consideration, particularly as Europe is in the midst of a fiscal crisis. This puts an unprecedented stress on economies and has a major impact on the sustainability of public finances.

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<sup>72</sup> See B. Raffelhüschen, C. Müller and O. Weddige, *Using pension data for policy making - the case of the German pension reforms*, in: R. Mink and M. Rodriguez Vives, *Workshop on pensions*, e-book, ECB, Frankfurt am Main 2009.

(<http://www.ecb.int/pub/pdf/other/ecbeurostatworkshoponpensions201002en.pdf>).

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## Revision and release policies: what should be done?

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### The classical trade-off

As a general rule, economic policy assessments and decisions are made on the basis of statistical findings that are still preliminary. At the same time, these data and indicators must offer decision-makers a high level of relevance and reliability in order to allow them to understand important economic and social developments and events as and when they emerge (recognition lag) and to measure the effectiveness of economic policy measures in a manner that is commensurate to the problem (evaluation lag). Moreover, recent information collected at the end of a time series serves as the basis for economic projections. Revisions in statistical data lead to changes in expectations about the future, which may, therefore, result in modified assessments of the available options or a re-evaluation of decisions that have already been taken.<sup>74</sup> The aforementioned principles of relevance, timeliness and reliability therefore represent the main quality criteria for official statistics, as enshrined in the European Statistics Code of Practice for the National and Community Statistical Authorities<sup>75</sup> as well as in the Public Commitment of the European System of Central Banks (ESCB).

There is often an inherent tension – although of different degree – between timeliness and reliability. The collection of data by the various parties involved is time-consuming and resource-intensive. The same is true of the statistical processing procedure which follows, up to and including the generation of data for the national accounting systems, such as the national accounts, the financial accounts and the balance of payments statistics. Waiting for the final

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74 See, for instance, Gerberding, C, Seitz, F and Worms, A (2004), How the Bundesbank *really* conducted monetary policy, *North American Journal of Economics and Finance*, 16 (3), pp 277-292.

75 The Code of Practice is given legal expression in Regulation (EC) No 223/2009 of the European Parliament and of the Council.

report containing the very latest baseline statistics, before calculating statistical results, would consistently produce an overall statistical picture based on all the relevant information that would no longer need to be revised using the normal data processing procedure. Past experience regarding the submission of reports suggests that the national accounts could not then be compiled and published until several years later than is currently the case. Where the reporting parties in the general public, the economy and the administration cannot be persuaded to consistently submit information in a complete and prompt manner (as may realistically be assumed), the official statistics have no choice but to calculate proxy values for information provided at a later date, so as to be able to deliver an up-to-date set of statistics. Such preliminary figures are based on still incomplete and sketchy information.

When these data are first published depends on when they are sufficiently reliable to be used for economic analyses and forecasts as well as for economic policy evaluations and decisions. On the one hand, an incorrect or distorted picture of the economic conditions or of the end of a time series is to be avoided. On the other, any news that emerges in the data needs to be published as quickly as possible and thus made available to the various user groups. At the end of the delicate weighing-up process necessitated by this basic dilemma, dates are fixed for the announcement of preliminary statistical results. As the pool of relevant information grows over time, more precise statistical data gradually become available, and the initially published data are revised.

## Main causes of data revisions

There are many reasons for revising statistical results. Indeed, there are entire classification systems dedicated to categorising individual causes into a consistent and definitive system.<sup>76</sup> It is possible to distinguish between data-driven and methodology-driven changes. Data-driven corrections arise, for instance, from the substitution of estimates with figures obtained from late reports as well as from the incorporation of data corrections (which went unnoticed in the initial plausibility checks of the results and were only later found to be incorrect by the reporting

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76 Carson, C S, Khawaja, S and Morrison, T K (2004), Revisions Policy for Official Statistics: A Matter of Governance, IMF Working Paper WP/04/87 (<http://imf.org/external/pubs/ft/wp/2004/wp0487.pdf>).

Girard, M, Young, E (2008), Monitoring Revisions in the Canadian Monthly GDP System, Contribution to the OECD/Eurostat Task Force on Performing Revisions Analysis for Sub-Annual Economic Statistics (<http://www.oecd.org/dataoecd/49/40/40393157.pdf>).

Mazzi, G L and Cannata, R R (2008), A Proposal for a Revisions Policy of Principal European Economic Indicators (PEEIs), Contribution to the OECD/Eurostat Task Force on Performing Revisions Analysis for Sub-Annual Economic Statistics (<http://www.oecd.org/dataoecd/44/39/40309491.pdf>).

OECD/Eurostat Task Force on Performing Revisions Analysis for Sub-Annual Economic Statistics (2008), A basis for classifying reasons for revisions to short term statistics (<http://www.oecd.org/dataoecd/44/37/40309451.pdf>).

parties or statistical institutions) and/or from the benchmarking of high-frequency (e.g. monthly) data to more comprehensive quarterly or annual information. Methodology-driven changes are also possible. New and improved statistical methods and procedures mean that the statistical results better approximate the situation to be measured. To prevent breaks in the time series, these improvements should, wherever possible, be integrated on a retroactive basis. This generates further revisions. When for example the way in which seasonal goods are measured in the HICP was changed at the beginning of 2011 – a methodologically welcome step – this was not taken into consideration (except for Spain), which meant that the year-on-year rates of change derived directly from the indices generally contained a statistical-methodological break and made analysing current price movements in the euro area more difficult.<sup>77</sup> Finally, there are basic conceptual changes. Social, political and/or economic interest in certain issues changes over time, and statistics must adapt to the new requirements (the *Report by the Commission on the Measurement of Economic Performance and Social Progress* edited by Joseph E Stiglitz, Amartya Sen and Jean-Paul Fitoussi,<sup>78</sup> for instance, raises questions not only relating to the classic national accounts, but also contains some basic thoughts on how to measure quality of life statistically as well as looking at issues relating to sustainable development and the environment – subjects currently being debated and developed in international working groups amid efforts to achieve statistical operation). For more classical reasons, the statistical definitions and guidelines, such as the System of National Accounts and the Balance of Payments Manual, are updated periodically. In order to be able to measure developments in statistical features over an extended period on the basis of harmonised definitions, classifications, conventions and concepts, and thus to be able to compare them over time, it is in turn necessary to review past statistical time series as well, leading to further revisions.

Generally, revisions to statistical data are the implicit price that data users and statistics producers have to pay for very up-to-date statistical results and for the methodological progress made in terms of capturing empirical facts and meeting new societal requirements. Such data modifications lead to improved knowledge and an expanded information base for making rational, experience-driven economic policy decisions and verify the effectiveness of economic policy instruments. Revisions are, by their very nature, an expression of the fact that official statistics are able to learn and adapt.

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77 Eurostat (2011), Implementation of Commission Regulation (EC) No 330/2009 on the treatment of seasonal products, Information note and impacts on the HICP, 15 April 2011.

78 Joseph E. Stiglitz, Amartya Sen, Jean-Paul Fitoussi (2010), Report by the Commission on the Measurement of Economic Performance and Social Progress (<http://www.stiglitz-sen-fitoussi.fr>).

## Theoretical and pragmatic considerations

From the user's perspective, the idea of always having the best possible statistical information at the fingertips is, in itself, very attractive at first sight as it corresponds to the basic principle of information efficiency. However, given the demand for timely results and in view of the incomplete nature of information at the end of a time series, such an approach would engender permanent revisions of the latest statistical results. Each time a report is submitted later, the primary statistical data would have to be revised, right up to the European system of accounts. This would entail considerable costs for the provision of data on the part of the statistical producers. But the burden would not be confined to this area alone. Data users would also be confronted with significant marginal costs as analyses and forecasts would require continuous adjustment. The information value of a single additional statistical report is in most cases limited, with the exception of information on very large reporting institutions, but the amount of time and energy needed to provide and use only marginally adjusted data can be impressive. Thus, the question arises as to when and under what circumstances, data revisions ought to be made and published?

Viewed in terms of abstract theory, it is possible, with the aid of the economic information approach and decision-theoretical considerations, to more clearly define which revisions count as "significant" and which as "minor". If this user perspective is applied, the practical usefulness for decision-making and the related dimensions of "relevance" and "reliability", while taking into account the cost of information, should determine the tolerance thresholds and the degrees of acceptance for data prone to revision. This means that the net expected utility is decisive, i.e. the expected utility after deduction of the information costs (net value of information), depending on the signals that emerge from new though incomplete statistics. There are no adequate operational principles or guidelines that are tailored to the practical needs of statistical institutions. Nevertheless, there are typical questions which each statistical indicator is intended to answer. It is necessary to distinguish between "significant" and "insignificant" information, in terms of a statistic's main uses and thereby to determine a specific date for the initial publication as well as for the subsequent revisions on the basis of the empirical experience available or with the aid of simulations. That too is complex: areas of application extend beyond the fields of macroeconomic and business cycle analysis which deal mainly with gross domestic product, its components and their primary statistical elements. Primary statistical data are also used for in-depth market analyses. Precisely what qualifies as "significant" is hard to define; the opportunity costs of not knowing are determined according to the loss function on the part of the decision-maker. These considerations also indicate that a strategy of "looking at everything" would not help in this situation.

Information expected to have a significant bearing on political or economic decisions needs to be published as quickly as possible, as the cost of wrong decisions being taken because statistical data are not available or in need of much revision can be many times higher than the cost of calculating and providing the data. A particularly pertinent example are the figures on



the Greek government deficit submitted for the Excessive Deficit Procedure (EDP) which in some cases contained large-scale errors complied with a statistical bias. The revisions to these figures create monetary and fiscal policy problems which ensued. By contrast, reports submitted late or other causal factors that merely result in minor data modifications should first be collected and subsequently incorporated into the statistics in one go. One good example of this is the annual revision of the monthly statistics, where modest revisions to the figures for this time period are not carried out until some time after the calendar year has ended. Seen from this perspective, a case by case approach based on a feedback from experiences would be advisable. Furthermore, press releases give another practical indication as to what is classified as significant. They report on precisely those variables that are usually classified as significant. These should serve as the point of reference for the statistical analyses used to determine the initial publication date of a statistical indicator as well as the subsequent revision dates.

In the past few years, discussions in the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) have centred on a particular angle to this question, namely the differences between the national and the European perspective. While the kind of questions posed at the national and European levels are either the same or at least similar (e.g. regarding the speed and direction of economic developments and the dating of cyclical turning points), there is a chance that the judgement made when weighing up the timeliness and reliability of statistics and thus also regarding the initial publication date for statistics will differ. Considerations relating to random sample theory and time series analysis are of key relevance. The first type of consideration suggests that the reliability of a sample is predicated on its absolute size, though less on the proportion of observed cases in the population.<sup>79</sup> Hence, smaller samples taken at the national level, which deliver unreliable figures with a high number of sample errors, can be aggregated at the European level to form a large sample that allows sufficiently sound conclusions to be drawn about the aggregate. As far as the date for initial publication of statistical results is concerned, this means that European figures could be published at an earlier juncture than national data, namely when a sufficiently large number of cases have been observed in Europe but not at the national level. As a consequence, European data could, with the same degree of reliability, be presented in advance of nationally substantiated results.

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<sup>79</sup> The unbiased estimate for variance in the population ( $\hat{\sigma}^2$ ) derives from the following formula:

$$\hat{\sigma}^2 = \frac{1}{n-1} \sum_{i=1}^n (x_i - \bar{x})^2,$$

whereby  $n$  denotes the number of cases in the sample,  $x_i$  denotes the feature characteristics and  $\bar{x}$  denotes their arithmetic mean. In the case of a large population and a small sample, the size of the population  $N$  is virtually negligible.

Another line of argument focuses on time series analysis. As a rule, current economic activity, which represents a key area of interest, is observed on the basis of seasonally adjusted figures. These data comprise the components of the trend, cyclical fluctuations and irregular movements (including special one-off effects that can be explained in economic terms such as strikes, but also random influences and statistical measurement errors). Where such irregular fluctuations recorded at the national level have no strong positive correlation with one another, they tend to cancel out when forming higher aggregates. Consequently, European seasonally adjusted time series generally follow a calmer and smoother path than national elements. Accordingly, as long as they are equally timely, European seasonally adjusted data are, *ceteris paribus*, more reliable for the purposes of observing current economic developments than the corresponding figures for individual member countries. In other words, seasonally adjusted data for Europe could be published ahead of those pertaining to individual countries while providing the same degree of reliability.

Taken in isolation, these arguments hold water. In practice, however, they are often accompanied by additional user demands, which is a source of problems. For instance, announcing European figures only is generally regarded as inadequate. People want to know the origin of shifts in the European aggregates, for example what country is responsible for them or is an “outlier”. If European-level data based on national elements are already in the public domain then why not publish these national elements? Certainly, this would be beneficial for transparency. Nevertheless, at this point the line of reasoning becomes circular, for these same theoretical considerations that support an accelerated announcement of purely European statistics, with national data published at a later date. If national and European data are to be announced simultaneously, the considerations presented thus far would suggest the need to wait for qualitatively sound data for the last national figure before going ahead with publication. Otherwise, the national policy-making process would be based on unreliable information, thus risking errors in judgement. This danger is especially pertinent, given that national data are not used by national policy-makers alone. Among other things, they also serve as a starting point for international and European debate and strategies relating to national competitiveness and the problems of structural weaknesses and persistently large imbalances within the euro area. The van Rompuy initiative and the “scoreboard” approach at the European level recently stressed this very perspective.<sup>80</sup> National statistics relating to the Excessive Deficit Procedure are also more important than ever for economic policy, not least in view of the massive increase in European lending capacity and guarantees under the European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM) (from mid-2013).

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<sup>80</sup> See Task Force to the European Council (2010), Strengthening Economic Governance in the EU ([http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/117236.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/117236.pdf)).

Two additional demands that play a role in the debate surrounding timeliness and reliability are consistency and coherence. Up-to-date and reliable figures calculated on the basis of all available information should not only be consistent within individual statistics' fields but also, and more importantly, the statistics should create a coherent, interlinked and consistent overall system. It is possible, in theory, to meet all these demands at the same time. This would necessitate the quasi-continuous incorporation of all new reports into the primary statistics and the ongoing adjustment of the aggregated accounts up to and including the European system of national accounts. Owing to the aforementioned statistical production costs and user adjustment costs, such an approach would, however, be suboptimal. It follows that it is impossible to avoid any partial inconsistencies between figures taken from available reports and the latest published statistical results or between these data and those contained in the national accounts and that, therefore, such temporary inconsistencies have to be tolerated.

## Steps forward

What course of action should, therefore, be taken? Have we already reached a situation where the publication and revision dates for statistical results at the national and European level cannot be better? An array of European agreements and regulations concerning initial publication and revision dates are already in place. If we look at developments over the past few years, the emphasis on timeliness is evident. The initial publication dates for the release of statistical data have moved closer to the end of the reporting period. For a long time, this was facilitated by technological advances in data compilation. In this respect, have we not now reached a critical limit? The discussion currently underway in the CMFB is for an earlier release of the gross domestic product statistics just 30 days after the end of the reporting period (GDP in  $t+30$ ) and highlights the different results of timeliness and reliability from a European and a national perspective.

The debate impacts on the primary statistics used in the national accounts, such as the production indices. However, it is not always sufficiently clear what overriding principles should be observed during the weighing-up process. The time has come to define a pan-European set of principles covering all categories of statistics, to be heeded when determining sector-specific release and revision policies. The above-mentioned approach could prove useful, in terms of releasing significant news as rapidly as possible while grouping together minor changes for several periods and publishing them collectively. When operational, the term "significant", it is worth taking a pragmatic look based on research results for variables of importance for macroeconomic and monetary policy.

Investigations of the forecast error and the impact of quarterly rates on the annual rate of change in GDP provide interesting insights. The extent of the forecast error depends on the size of errors but also on the exact points in time at which they occur.<sup>81</sup> The quarter-on-quarter rate of the first quarter of a year is the most important one for the calculation of the year-on-year rate of change. As to the carry over, it is the rate for the fourth quarter of the previous year that has the highest weight.

There is another strand of research activity that also deserves more attention when formulating the design and strategy of the revision policy. With the growing contributions from real-time data analysis, there is now an impressive number of real-time databases available<sup>82</sup> that opens a wide door for research issues (including comparative analysis of different revision policies), from which one can also derive important conclusions on the role of data vintages in general and for specific points in time.<sup>83</sup>

A complete synchronisation of European and national publication and revision dates is neither necessary nor useful (as there are different points of reference for the statistics, namely primary surveys or administrative data that differ greatly from country to country). It is not desirable that things that are not alike should be treated as though they were. Decades of experience with the German consumer price index have shown that data users are not confused by the announcement of state government figures in advance of the publication of statistics for the country. Rather, these upfront figures allow the timely generation of estimates for the pan-German data. At the same time, it is a good idea to publish the release dates in advance in order to prepare users for the announcement of statistics. Moreover, fundamental changes to the statistical measurement concepts, i.e. the operational response to the question of what ought to be measured, should, for reasons of comparability, be introduced simultaneously in all European member states (as is, for instance, currently happening with the changeover to the new European System of Accounts, ESA 2010, or in the case of the new Balance of Payments Manual, BPM6) and communicated well before the publication.

In summary, if all reporting agents submitted primary statistics in full and in a timely manner, these data would be the ideal basis for making economic policy decisions. In such a scenario, additional estimates for later reports and the concomitant data-driven revisions would not be necessary. However, requests for up-to-date data with which to form opinions and make

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81 See, for example, Patton, A J and Timmerman A (2010), Predictability of output growth and inflation: A multi-horizon survey approach, unpublished manuscript.

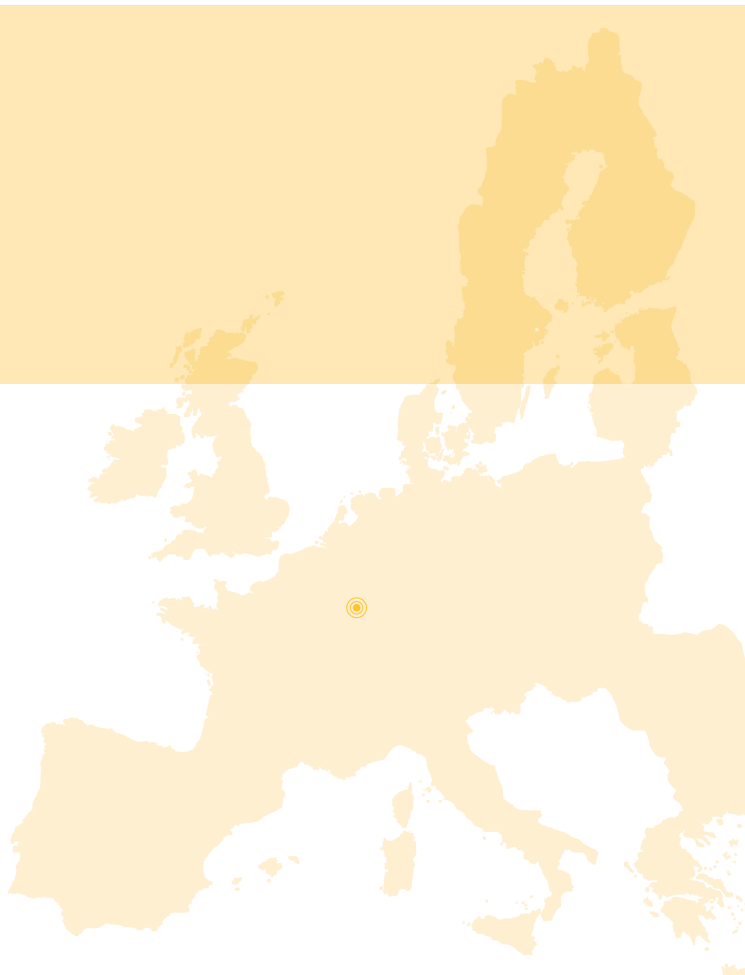
82 An excellent overview of publicly available real time data is provided by D. Croushore.  
See: <http://facultystaff.richmond.edu/dcrousho/data.htm>.

83 See, for example, Knetsch T A and Reimers H-E (2009), Dealing with benchmark revisions in real-time data: The case of German production and orders statistics, *Oxford Bulletin of Economics and Statistics*, 71 (2), pp 209-235.

decisions are usually lodged before the flow of reported information ceases. In this case, optimal estimation algorithms have to be developed to help supplement the reported data, to prevent distortions to the statistical data at the end of the series and to keep subsequent revisions to a minimum. Quality reports already provide insights into data revisions, allowing the mixed circle of users to judge the reliability of up-to-date statistics results. The systematic deployment of real-time databases could likewise prove useful in the search for weaknesses or areas where the revision process can be improved. The collaboration between researchers, econometricians and statisticians should be further intensified.

The further debate on release and revision policy should be conducted on the basis of standardised principles of the kind outlined above, subject to the strict additional condition that the news value of the statistics is maintained, mainly in cases where it is of particular importance, such as the identification of cyclical turning points. It is essential not only to closely monitor the costs of relevant statistical information that is released (too) late, but also to remain alert to the risk of “action for action’s sake” and knee-jerk economic policy decisions based on incomplete and prematurely-released data.

# FRANÇOIS LEQUILLER<sup>84</sup>



## Exemplifying the advisory role of the CMFB for EDP issues

At this 20th anniversary of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), the important role of the CMFB needs to be put in perspective. The calculation of the deficit and debt of European Union countries has been for a long time at the focus of EU statistics and significant responsibilities have been put on the shoulders of EU statisticians. Today, in 2011, in efforts to overcome the economic consequences of the global financial crisis, one can stress that the weight of these responsibilities is heavier than ever.

Historians will remember that a significant part of the 2010-201? (final date left to historians) crisis started as a crisis in the area of public finance statistics of the "hidden" deficit and debt of Greece. The Greek crisis was not only an economic and financial crisis, but also, more dramatically, a crisis in trust (in statistics). Trust is the basis of the financial system. The Ministers of Finance of the EU will probably remember the dramatic revisions of statistics during the year 2010 – all systematically increasing the 2009 Greek deficit and debt – and their main message to Eurostat in the coming years will remain: "Make absolutely sure that this does not happen again, elsewhere".

This period has been and will remain difficult for all statisticians. Their credibility is at stake. In 2004, the Council denied Eurostat more than just the powers to verify the statistical treatment of government data. In 2010, Eurostat and the national statistical institutes were given more power by the Council with the amended Regulation 479/2009 (amendment 679/2010). Thus, this crisis has opened a new era for the verification of Excessive Deficit Procedure (EDP) statistics. Eurostat has an increased responsibility and will enforce the rules of ESA 95 and its jurisprudence more strictly and extensively than ever and according to a timing which will not allow any procrastination. This timing issue has become even more urgent for those countries needing financial assistance from other members of the euro area, EU institutions and the IMF. In particular, the quarterly ESA-based data may become an important operational tool for the programmes that are put in place.

The lesson of the Greek crisis for statistics was two-fold, as explained in the Commission communication to the Council and Parliament *"Towards a robust quality management of statistics"*

(Communication 2011(211)<sup>85</sup>). First, the independence of national statistical authorities has to be strengthened. Second, the crisis of public finance statistics in Greece was not only due to inappropriate implementation of ESA-based accounting, but also to inadequate source data, the so-called “upstream” public accounts. Statisticians were not well prepared for the verification of the quality of these upstream public finance data. It is one of the challenges of the years to come to build a shared competence, in NSIs and Eurostat, for strengthening the monitoring of these sources. Cooperation with national auditing authorities is one of the ways to move forward.

In this context, Eurostat is fully aware of its own responsibilities. These responsibilities should be shared. In this difficult period, all statisticians, whether in NSIs, in Central banks, or in Eurostat, have the responsibility of implementing the agreed rules and interpretations. It is precisely in times in which the patient is ill that the instruments to measure the illness must remain trustfully respected by all stakeholders.

### **The CMFB: a community of experts essential for Eurostat to take decisions in difficult cases**

The CMFB is a central player in this context. The CMFB is consulted on the ESA, on any new addition or clarification of the Manual on Government Deficit and Debt (MGDD), and on difficult cases for which Eurostat needs advice. Even after more than fifteen years of interpretation regarding ESA's general government accounts, there continues to be a never-ending flow of new types of transactions or of entities, for which new guidance or clarification of old guidance is necessary. In this context, there are frequently difficult cases for which the opinion of a large community of experts is needed for Eurostat, who has the final say, in order to take a wise and convincing decision.

Whatever the clarity of accounting rules and interpretations, there will always be “grey areas” in which there are arguments in favour but also against an accounting treatment. This happens for all accounting standards and must be solved through the same way: an advice by an expert group (committee, board, council, whatever the name). This community of experts is constituted, in the EDP context, by the members of the CMFB. The advisory role of this committee was, is, and will, therefore, continue to be essential to Eurostat.

Two recent examples have exemplified this continuing constructive and positive role of the CMFB. Both concern the fledgling entities created as the coordinated response of the Euro-area countries to the sovereign debt crisis, the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM). I will not come back here on the substance of these cases, but only focus on the positive role of the CMFB in this context. In these two difficult cases, the support of the large majority of the expert statisticians of the CMFB was essential for Eurostat to take a convincing decision.

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<sup>85</sup> See: [http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/documents/COM-2011-211\\_Communication\\_Quality\\_Management\\_EN.pdf](http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/documents/COM-2011-211_Communication_Quality_Management_EN.pdf).

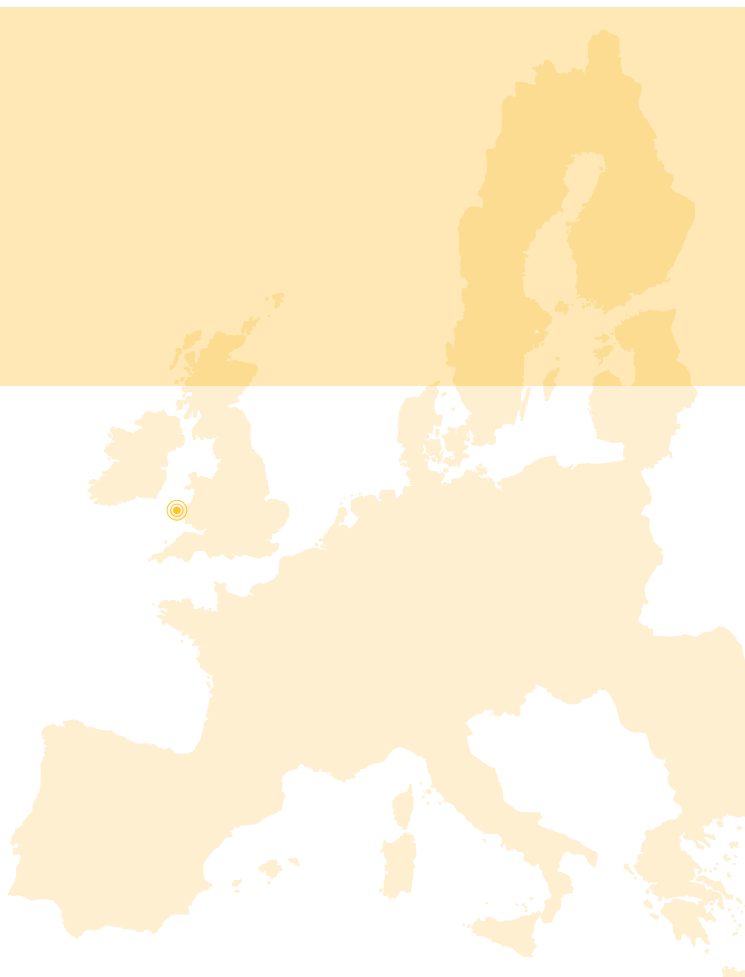


Created during a dramatic summit in late spring 2010, when the financial markets were, after Greece, “attacking” the other peripheral countries of the Euro-area, the EFSF was conceived as the first rampart of the euro area. However, the weaknesses in its institutional basis led Eurostat to doubt that it had the characteristics of an “institutional unit”. This had the accounting consequence of necessitating the re-routing of the debt issued by EFSF to the governments of the member states. Taking such an accounting decision was difficult; it went clearly against the intention of the promoters of the operation. In this context, it was important for Eurostat that the decision of re-routing was supported by a large majority of experts – a fact which was confirmed by the consultation of the CMFB organised in January 2011. This support helped Eurostat to implement this interpretation for statistical accounting purposes.

The case of the ESM followed immediately. ESM is in a certain sense the sister of EFSF, but her parents have made it a much stronger daughter. Promoters of the new enhanced mechanism indeed needed to ensure that the new institution would have the characteristics, which were lacking in the EFSF, for it to be considered an institutional unit. Eurostat provided the relevant “ex-ante” advice and the CMFB was consulted on this occasion. Eurostat regularly makes such “ex-ante” advice (this is an opinion based on potential features of an operation rather than observed features) to NSIs, but the CMFB had only rarely been involved. The CMFB reacted promptly and with great relevance, playing fully its role of independent expert advice even under these exceptional circumstances. While respecting the sound and detailed rules of procedures, the CMFB Chair and its Executive Body understood immediately the necessity of responding to the urgent request of the policy makers. This reactivity was highly appreciated. In order to allow work to be done in preparation, Eurostat could present regularly to the CMFB its planning of potential methodological issues to be raised as this would help with the timeliness and quality of the response when needed.

### From an institutional advisory committee to a group of experts

It would be unrealistic to present the cooperation between Eurostat and its advisory body, the CMFB, as a long and calm river. There have been underwater currents. For example, in 2009, for the first time in the history of CMFB EDP consultations, Eurostat took a decision in contradiction with the majority opinion of the CMFB. This was not in contradiction with the advisory role of the CMFB and the majority was thin. There have also been tensions in some earlier CMFB consultations, with some divisions between the NSIs and the network of the NCBs. These tensions should not exist in a committee which, in the context of these consultations on accounting issues, is to be considered as a group of independent experts, not representatives of institutions. This is the major wish of Eurostat for the future. As in all accounting standards, for example whether the International Accounting Standards Board (IASB) or the International Public Sector Accounting Standards Board (IPSASB), there is the need for the accounting decision-maker to have the opinion of the “sages”, the wise and experienced experts. In summary, it is the wish of Eurostat that the CMFB reflects on the necessary reforms needed so that the CMFB may be able to act fully as committee of experts in the field of EDP.



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<sup>86</sup> Chief Economist and Executive Director, Economic, Labour Market and Social Analysis, UK Office for National Statistics.

## Enhancing the advisory role of CMFB in relation to the EDP

### CMFB History and Role

The Committee on Monetary, Financial and Balance of Payments statistics (CMFB) was established by a Council Decision in 1991 to assist the European Commission in drawing up and implementing work programmes concerning monetary, financial and balance-of-payments-statistics. Following a number of amendments to the 1991 Decision, a new Council Decision in 2006 (2006/856/EC) formally re-established the CMFB and set out its role and membership arrangements. In recent years, the CMFB has played an important advisory role in the statistical issues related to Excessive Deficit Procedure (EDP) decisions. It is greatly helped in this by the fact that it is able to act as a forum and a bridge between statisticians from the National Statistical Institutes and Eurostat on the one hand, and from the national central banks and the European Central Bank on the other.

A key role for CMFB was established in 2005 under Council Regulation (EC) No 2103/2005 which inserted the following text into the earlier 1993 Regulation:

#### *Article 8c*

- 1. In the event of a doubt regarding the correct implementation of the ESA 95 accounting rules, the Member State concerned shall request clarification from the Commission (Eurostat). The Commission (Eurostat) shall promptly examine the issue and communicate its clarification to the Member State concerned and, when appropriate, to the CMFB.*
- 2. For cases which are either complex or of general interest in the view of the Commission or the Member State concerned, the Commission (Eurostat) shall take a decision after consultation of the CMFB. The Commission (Eurostat) shall make decisions public, together with the opinion of the CMFB, without prejudice to the provisions relating to statistical confidentiality of Regulation (EC) No 322/97.*

This formally provided the CMFB with a consultative role in complex statistical matters relating to debt and deficit statistics.

## Fulfilling this Role

CMFB have been consulted regularly and their advice sought on classification and other statistical matters related to the EDP. The pace has accelerated in recent years: nine Opinions have been given in the last two years. Recent CMFB consultations have informed Eurostat decisions on the statistical recording of the operations of the European Financial Stability Facility, on the recoding of interventions to support financial institutions and markets during the financial crisis, and in respect of securitisation operations conducted by governments.

CMFB has also provided input into the revisions to the Manual on Government Deficit and Debt, ESA 10 and the revised EDP Notification Tables.

In carrying out its role, CMFB follows procedures agreed on 1 February 2007. These procedures involve four stages:

- Submission – the procedures set out how requests for CMFB consultations should be submitted;
- Investigation – they prescribe how consultation documents and questionnaires and prepared and finalised;
- Consultation – they set out how the consultation proceeds; and
- Decision – they prescribe how CMFB Opinions should be formed and how they should be publicised.

The procedures allow for three different levels of consultation, giving consideration to both the complexity of the case and the urgency of the request:

- “Extensive procedure”
- “Fast Track Procedure”
- “Special light procedure” – for exceptional cases

Different time limits, from 17 working days for the “special light procedures” to around 55 working days for “Extensive procedure” cases are specified.

## Enhancing the Role of CMFB

CMFB is a successful, transparent and effective committee. Opinions are sought using clear rules and promulgated transparently to CMFB members and then published on the CMFB website.

For the future, there are various developments which could be considered so that the effectiveness of the committee could be further enhanced and strengthened.

## Increasing the transparency of the decision-making process

CMFB has an advisory, rather than decision-making role. Consequently, CMFB Opinions can be disregarded by Eurostat, if Eurostat judges this to be the correct course. On occasions, admittedly rare, when Eurostat does not accept Opinions wholly or in part, it could be required to state the reasons for its action. Not only would this increase transparency, but it would also clarify the basis for further discussion as the agenda proceeds.

## Using CMFB Consultations more regularly

In the last 12 months, CMFB has published three Opinions on complex statistical matters in relation to clarification of ESA 95. However there are usually a sizeable number of unresolved complex methodological issues discussed and not resolved at the Financial Accounts Working Group. Not all such issues would be suitable for resolution by CMFB procedures, but some probably would.

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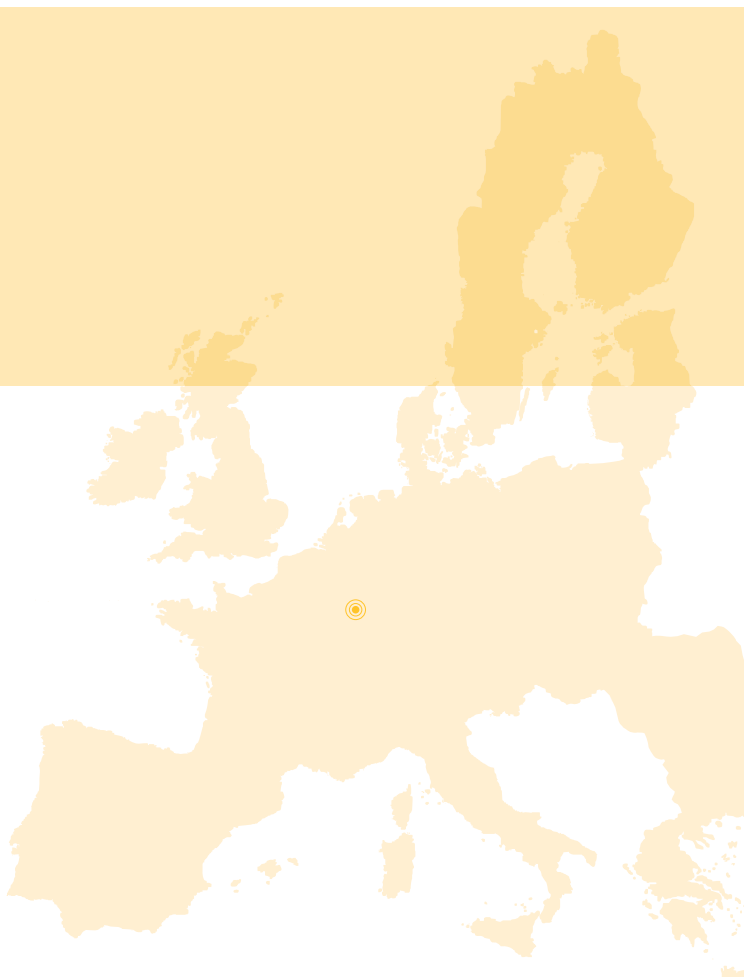
## Systematising horizon-scanning

CMFB already operates with a work programme which is regularly discussed and updated. This is useful because it means the Committee can be pro-active in its approach and responding to issues and needs as they arise. It seems likely that issues relating to the EDP will play a prominent role in the next few years. Although resources are limited, the CMFB Secretariat, on behalf of the CMFB Chair, could discuss with Eurostat/NSIs and ECB/NCBs on a regular basis, to identify forthcoming matters that may arise and allow work to be done in preparation. In turn, this would help with the timeliness and quality of the response when needed.

## Conclusion

CMFB has proved itself a hugely important component of the statistical machinery in Europe. Its role – while wider than in respect of the EDP – has been particularly valuable in relation to statistical issues in this area. Given the importance that the EDP is likely to take over coming years, CMFB's role is liable only to increase in significance. That implies ensuring that its machinery and operations are kept well-oiled, and, where necessary, developed, to ensure the Committee can continue to meet the tasks at hand.

# CARSTEN OLSSON<sup>87</sup>



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<sup>87</sup> CMFB Secretary and Eurostat.

## Statistical coverage by the CMFB

I have been given the task to describe the “Statistical coverage by the CMFB” in the chapter of the publication that is devoted to the new challenges for the Committee on Monetary, Financial and Balance of Payments statistics (CMFB). It is not difficult to lay out the areas of statistics, which are of interest to the CMFB today, but in order to look into the future, any historian will tell you first to look at the past.

When the process towards the common currency really took off in the early 1990s, it was clear that improvements were needed for economic and financial indicators. A large number of financial and balance-of-payments indicators were produced by a mix of statistical institutes and central banks in member states. There were two options<sup>88</sup>: either to accept possible risks of inconsistency, or to set up a coordinating committee between the national statistical institutes (NSIs) and the national central banks (NCBs). This was a challenge, because there were but few countries where this cooperation was harmonious.

The CMFB brought the two communities of statisticians who barely knew each other, even within the same country, together. A major task was to delimit the fields of activity of each of the partners. It was obvious that duplication of work and contradictions between two institutions, whose common objective was to make a success of a joint project, had to be avoided.

The early considerations by the CMFB influenced significantly the formulation of the Memorandum of Understanding<sup>89</sup> between Eurostat and the ECB, which took its current form in 2003. In essence, the Memorandum of Understanding confirms the prime responsibility of Eurostat

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<sup>88</sup> Memoirs of Eurostat - Fifty years serving Europe, see Eurostat website.

<sup>89</sup> Memorandum of Understanding on Economic and Financial Statistics between the Directorate General Statistics of the European Central Bank (DG Statistics) and the Statistical Office of the European Communities (Eurostat), see CMFB web site.

to 'General Economic Statistics' and the prime responsibility of the ECB to 'Money, Banking and Financial Markets Statistics'. Furthermore, it defines a number of areas of shared (or joint) responsibilities. These are balance-of-payments statistics, financial accounts and related statistics within the framework of national accounts statistics, non-financial accounts by institutional sector within the framework of national accounts statistics, and the statistical infrastructure, meaning common facilities, which are relevant to all or many statistics.

The CMFB Rules of procedure<sup>90</sup> mention many of the same topics but, most notably, adds Government finance statistics (including EDP) as an important area. In addition, some horizontal issues like seasonal adjustment methodology and practices, data capture and exchange, quality frameworks, accounting standards, and revision policy are within the range of interests of the CMFB.

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So where does all this bring me?

First, the CMFB has solved the major task that it was set up to do, i.e. to bring the two communities together, define responsibilities, and thereby assure consistency of the statistics mentioned above as needed for the common currency.

Secondly, that the world continues, and the development and collaboration work will continue for the statistics where the production has an interface between NSIs and NCBs.

I do not expect that the delineation of the fields of activity between the members of the ESS and the ESCB would change significantly in the foreseeable future; the interface between the two communities is relatively stable.

So what are the new challenges regarding statistical coverage?

The short answer must be very few since the ESS/ESCB interface will not change.

The longer answer is that the financial and economic crises have exposed areas where additional statistical information could have been beneficial. The operations of multinational corporations and large banking groups, globalisation and international trade, and other processes that cross borders or sectors have made it even more important that relevant information, whether at level of micro or aggregated data, is exchanged between institutions at national level and EU level, and the CMFB could be well-placed for taking up that challenge – if deemed relevant by its members.

In pursuing these objectives, I could see some room for change in the way that the two communities work together at the CMFB.

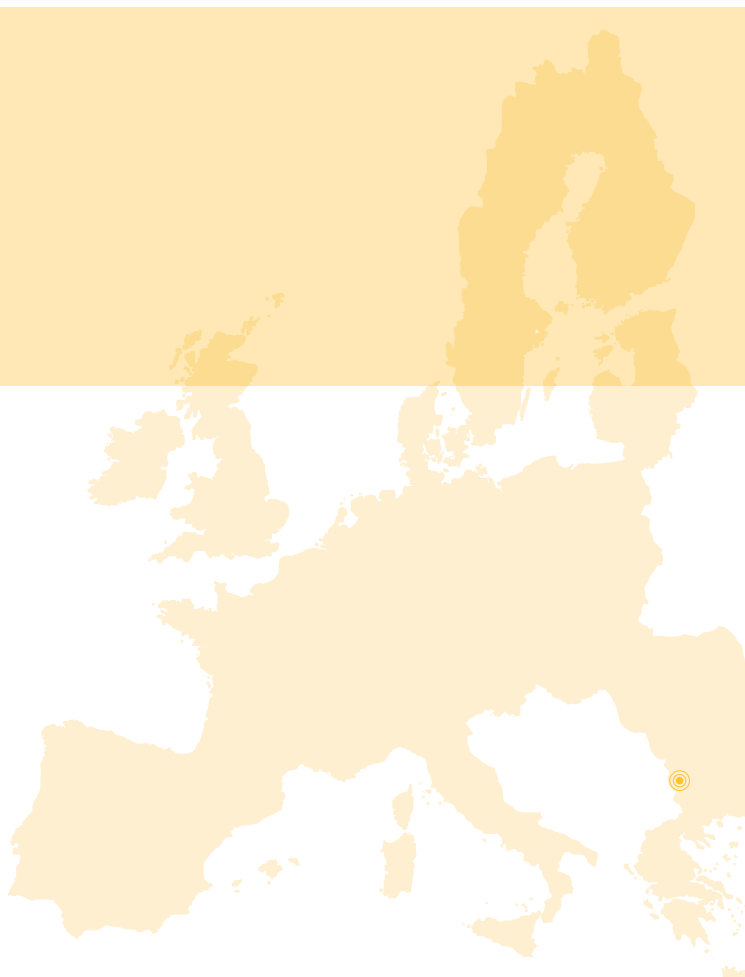
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<sup>90</sup> Rules of Procedure, see CMFB website.



I would wish that the topics taken up by the CMFB were treated with a clear distinction between the producer' point of view and user' point of view. Clearly, the user perspective is extremely important when discussing the development of new statistics (or negative priorities), but I believe that the views expressed at the CMFB could reflect a wider range of user interest than has been the case in the past.

Furthermore, it should be emphasised that the members of the CMFB are Directors of National Accounts/Balance of Payments from NSIs and Directors of Statistics from NCBs, in charge of managing their respective areas. It follows that the CMFB (Executive Body?) should ensure that all issues raised at the CMFB have management relevance, and that all more technical issues are delegated to ECB or Eurostat Working Groups or Task Forces. Recently, there has been some success in streamlining the agenda of the plenary meetings and this should be continued, to ensure a focused agenda of the CMFB.



## The communication of statistics and statistical literacy

### Introduction

There is a common view among the statisticians from the European System of Central Banks (ESCB) and from the European Statistical System (ESS) that the priorities in the area of statistics should be focused on those statistical requirements aimed at addressing the policy needs with the highest relevance and impact on European citizens. In this connection, any statistics should be communicated with the users. The issues of communication of statistics with the users have been discussed in various fora of the ESS and the ESCB. Moreover, the revision of key methodological documents, the global financial crises and the need of statistical data for implementing the macroeconomic surveillance require the joint efforts of the both statistical constituencies in the area of communication with users.

### The current challenges to the communication of statistics

The European statisticians have invested a significant part of their limited resources – financial and human – for the revision of the Balance of Payments Manual (BPM6) and the European System of Accounts (ESA2010). Statistics based on both documents are to be published in 2014. The ESS and the ESCB are preparing for their successful implementation.

The broader definition of “successful” implementation includes first, the compilation of data by statisticians according to the new methodological requirements and, second, understanding by users of the data based on the new methodologies. Taking into account the sensitivity of the different users (national and international) on the data published on the national level and by Eurostat and the ECB, the communication of the revised documents ESA 2010 and the BPM6 is becoming an issue of increasing importance. It is vital that the various users are given clear information on the methodological changes and the rationale behind them.

The appropriate communication with the users regarding the ESA 2010 is also a necessity after the publication of the *Stiglitz – Sen – Fitoussi Commission Report* on the measurement of economic performance and social progress.

In a period of global financial crises and increased uncertainty, the general public is confronted with a loss of confidence in the economy and the users look more carefully at the published data. The misreporting of Greek government deficit and debt data and the preparation of several financial rescue packages that require a transfer of financial resources contributed significantly to the increased sensitivity of the general public and politicians to the statistical data. The communication of statistics with users including methodological issues is of particular importance in the current period as the credibility of statistics and trust in official data depends more on the communication than in the pre-crisis period.

In 2012, an enhanced macroeconomic surveillance framework aimed at preventing the emergence of major macroeconomic imbalances and correcting existing imbalances will be implemented. It comprises an alert mechanism based on a “scoreboard” of a set of macroeconomic indicators and Commission’s report on potential and existing excessive macroeconomic imbalances in the member states. They will provide an initial indication of the existence or potential risk of macroeconomic imbalances and vulnerabilities in the member states. Among the key statistical necessities of the implementation of the “scoreboard” are: first, the provision of the relevant indicators with sufficient quality, comparability, length and timeliness, and second, an appropriate communication with the users in the close monitoring of these indicators.

## Communication with the different users

The national statistical institutes and the national central banks communicate statistics with several target groups. The issue of appropriate communication becomes more complicated when one takes into account the differences among various users. Users can be separated in three groups: market participants including international investors, institutions on a national level which include various ministries and the Parliament and third, the general public which includes journalists, researchers etc.

The communication of statistics with market participants is important as interpretation of the published data has an impact on investment decisions. Both statistical constituencies have to be aware that, if their communication is badly interpreted, market participants might make wrong investment decisions that are usually followed by economic losses. The appropriate communication of statistics with this target group is vital for sustainable economic decisions, for growth and employment.

The communication of statistics with the institutions – Parliament, ministries and other political authorities – should be given appropriate attention as some data and the timing of their dissemination are often considered very sensitive by government officials, MPs and politicians. Two examples are provided. First, an increase or decrease of FDI in the reporting country is often interpreted as a sign for an increasing/decreasing confidence of the international investors to the economic policy of a government. In BPM6, direct investment is presented on an assets and liability basis, unlike on the directional principle in BPM5, and without an appropriate communication with users, the new data might create confusion. The second is the concept

related to the remittances in BPM6 which is broader compared to the BPM5. This data are also often subject to various interpretations depending on the knowledge of the various users in the implemented methodology.

On the European level, special attention should be paid to the decision-making bodies such as the ECOFIN Council, to the Commission – DG ECFIN – and last, but not the least, to the European Parliament.

The communication of statistics with the most heterogeneous group of users – the general public is also very important. The media might have a direct and significant impact on the trust in statistical products and on the trust in the institutions that produce the data. The implementation of the revised manuals is an excellent opportunity (and occurs once every 15 years) for the statistical community to attract the attention of their national citizens and to European citizens on its important work which is little known. By explaining, in an appropriate way, the benefits of the new methodological improvements the statistical community might also explain to European citizens (and taking into account the level of their statistical literacy), for what purposes statisticians are spending their money. The necessity of the explanation of these methodological changes introduced by ESA 2010 to this important group of users was clearly pointed out by the representative of DG ECFIN at the July 2010 Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) plenary meeting. The return on resources devoted to this communication should be high. At the same time, the invested resources in the communication of statistics are marginal in size, compared to the amount of resources invested for preparing and implementing the methodological changes.

As to the central banks, a further important ingredient of communication of statistics is internal communication. The internal communication of statistics is first, with medium and high-level management, and second, with various departments that are users of statistical data.

The global financial crisis and difficulties of some countries to service their debt are amongst the reasons rating agencies pay more attention to the national statistical data. At least one of the agencies will include in the sovereign government rating methodology, an assessment of the timeliness and reliability of public finance data and statistical information in general. The appropriate communication of statistics would play an important role for the correct assessment of the quality of statistics by the rating agencies.

## Statistical literacy

Successful communication on statistics depends on the level of the statistical literacy of the users. Statistical literacy is the ability to interpret, critically to evaluate, and communicate about statistical information. The improvement of the statistical literacy of the users is a key task of the statistical authorities. Different types of users need specific levels of statistical literacy and, because of that, there is no unique approach to improve the statistical literacy of all users of statistical data. The challenging task of both the statistical offices and the national central banks in improving the statistical literacy is to define the specific tools appropriate for every target group

of users. The issue of improving the statistical literacy becomes more complicated once we take into account first, the dynamics of the users and second, the changing needs regarding statistical literacy. The improvement of the statistical literacy of the users is also a permanent task of the statistical authorities.

### **The role of the CMFB in improving the communication of statistics and statistical literacy**

The communication of statistics is one of the most important tasks of the statistical offices and the national central banks. The question one may ask, therefore, is what might be the role of the CMFB in communication of statistics? As there are areas of statistics where both statistical constituencies work in practice together, the cooperation and coordination in communicating statistics is recommendable. The CMFB is the best body for discussions and for the preparation of consistent recommendations on the issue. The CMFB might do the following:

- to collect information from the CMFB members regarding their plans to communicate with the users the ESA 2010 and the BPM6;
- based on the results of this survey, to organize the presentations of several country cases;
- to invite statistical offices and the central banks to organise jointly, presentations of the new manuals to the users;
- to facilitate the discussion within the CMFB on the experience of the CMFB members in communication of statistics practices with different group of users;
- to prepare a recommendation regarding the time schedule for the communication of the manuals;
- to be involved with the communication with the ECOFIN Council, and DG ECFIN on the new manuals;
- to initiate a discussion on the communication in statistics for a broader range of purposes;
- to initiate a medium-term strategy for the communication of statistics;
- regarding statistical literacy, to initiate a discussion with the target groups of users, their needs and the appropriate steps for increasing their level of statistical literacy; and
- to organise the presentations of several country cases on statistical literacy.

## Conclusions

The communication of statistics and the improvement of the statistical literacy of users are permanent goals of both statistical constituencies. They both face the increasing sensitivity of the users to the statistical data and are involved in the implementation of the revised manuals. The coordination between them, supported by the CMFB, is a prerequisite for the successful communication of statistics. This will contribute to the increase of the trust of the European citizens in official data and the trust regarding the institutions that produce the data.

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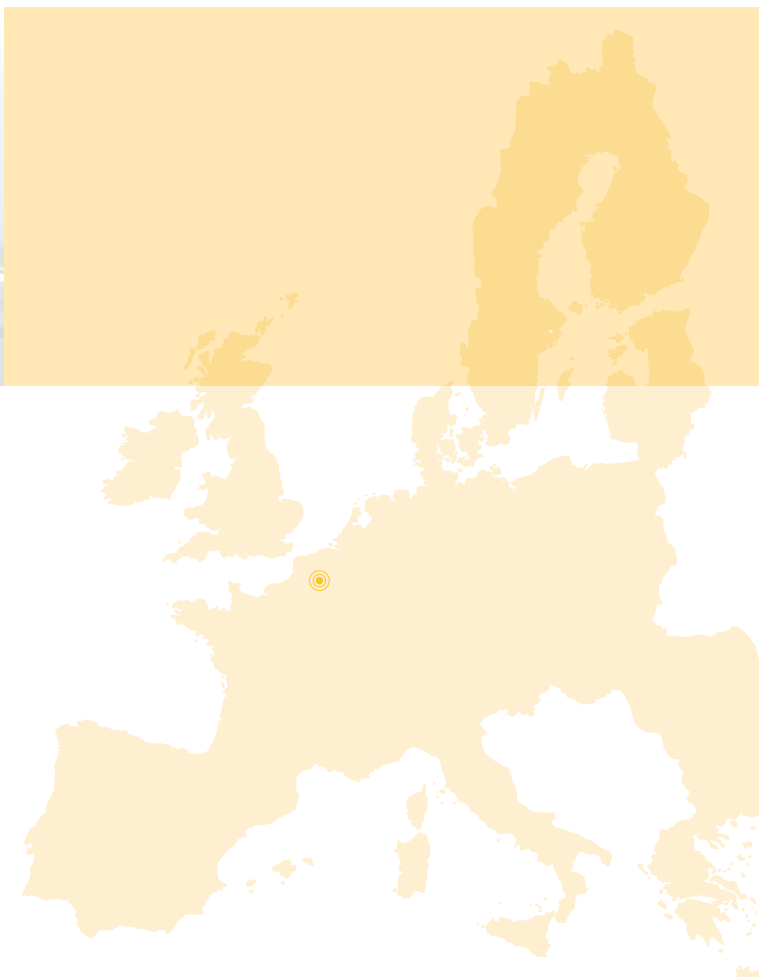
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## Empowerment in the CMFB

### Shift in the functioning of the CMFB since its establishment

The great importance and value of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) is that it exists and functions. Until 20 years ago, large-scale cooperation between national statistical authorities and the statistical function of the national central banks was unheard of, and perhaps to some extent not considered feasible. History has proved that to be incorrect. This cooperation has already led to efficiency gains and a statistical apparatus that is better suited to the needs of a tendency towards “more Europe”, and especially the preparation and operation of the European Monetary Union.

Meanwhile, there has been a shift of emphasis and a change in the challenges facing the European statistical community, and that is reflected in the European Statistical System and the CMFB which are, in practice, shifting from a multilateral approach to a more ‘bipolar’ way of working. Here, Eurostat and the ECB are endeavouring to achieve their common European goals, and feel responsible for the European statistical authorities and the national central banks respectively. That is fostered by practical considerations, such as consultation by delegation, so that meetings remain manageable and communication is assured.

As the ‘bipolar’ approach gains ground, the member states must be aware that their involvement will be at a different level. The national statistical institutes will make their contribution and defend their position in the European Statistical System Committee (ESSC) and/or the formal “Directors groups”, while the national central banks will do so in the European System of Central Banks (ESCB) Statistics Committee. This may be supplemented by national consultation between the national statistical institute and the national central bank, as is already happening in a number of EU member states.

The member states must, as it is the case, also be able to refer to their own opinion in the CMFB discussions. This is the CMFB’s “raison d’être”. To that end, members of the CMFB Executive Body – other than the representatives of the international bodies – must maintain

closer contact than at present with the situations confronting the member states and with their national opinions/attitudes.

## Empowerment in the CMFB

For the member states, European cooperation and the CMFB must always offer advantages because, apart from their contribution to European statistics, the member states also perform functions based on national considerations. Empowerment of the member states in the CMFB may act as a catalyst. Empowerment is an emotionally charged term. In this context, empowerment is regarded as the process whereby groups can influence events and situations which are important to them, and develop the strength to acquire competence and insight.

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Apart from the way in which a member state and/or its two types of CMFB members put their mark on the outcome of a CMFB action, the unique character of the CMFB's composition is a source of empowerment possibilities. In order to keep alive the beneficial effects of the CMFB, the member states should make more use of their right of initiative to put certain subjects on the CMFB's agenda. The forum is available and can be used for additional tasks which do not necessarily entail any major overheads.

Listed below are some possible initiatives in the CMFB, aimed at further development of the member states' capabilities.

Member states should be aware of the statistical tasks that they are good at and the ones where support would be acceptable. The CMFB is an ideal environment for enlisting the assistance of other members, whether it is a national statistical institute or a national central bank. This greatly increases the scope and opportunities for diversity. "Best practice" exercises in areas are not specifically linked to a single type of statistics (these come under specific working groups and task forces), but concern policy and are generic in character. These include the organisation of the statistical production cycle, the survey formats and their technical implications, the conversion/adjustment of administrative data, the design of coherent, integrated statistics, quality control, and the new dissemination channels for reaching specific target groups. The fact that it can call on other member states enables a member state to expand its competence and thus make a better contribution to the common goal of producing and offering good quality (and, where desirable, better) statistics in an efficient manner.

All member states are under increasing pressure to pay particularly close attention to administrative simplification. It is commonly believed that alleviating the statistical burden could make a major contribution to the reduction of the overall administrative burden. That view is not borne out by the facts, but is so widespread that it has to be taken into account. Almost everyone faces the challenge of "filling" the statistical gaps which result from the reduction in the administrative burden on businesses. The CMFB partners can provide one another with a positive stimulus, not only for addressing transverse challenges but also in regard to practical training courses (whether on technical or other topics), and thus contribute from the "shop floor" to European harmonisation.

A number of national statistical institutes and central banks have developed instruments for running their business. In many cases, those instruments are generic and could therefore be used without much adjustment and expense in other statistical institutes and central banks.

The above suggestions for closer cooperation focus on common goals and further developments at national level range from, consultancy, via a “best practice” exercise to an amalgamation of tasks or instruments and a forum for management and knowledge sharing. The CMFB operates as a meeting place, in this respect.

Apart from the empowerment of the individual partners in the CMFB, there is of course also the possible empowerment of the CMFB.

There are various possibilities for that form of empowerment. A possible re-positioning of the Committee within the European structures or adjustment of the Committee’s advisory status are the most radical, yet may not necessarily be the most beneficial for European statistics or the ones best suited to the strengths of the CMFB.

Apart from its function as an advisory body, the CMFB can modify the content of its work by means of some internal adjustments or expansion. It is good that the partners who are themselves producers of statistics are also customers for statistics produced by the other partners. That mutual “producer-customer” relationship which involves two legally different reference frameworks makes the CMFB into the unique entity which it is and adds to the number of its assets.

The CMFB has the characteristics to develop into a reference body within the European statistical community, and can give some time to this responsibility. The CMFB must not become a body which is intended primarily to work as part of an administrative machine. Nor should the CMFB involve itself in technical matters in which other bodies deal. The subjects which a forum such as the CMFB can address must not be defined restrictively, but must be useful for both national statistical institutes and national central banks.

Over the years, the CMFB has been involved with all the important macroeconomic statistics. This has created expertise and led to a broader view of the perspective of statistics relevant to economic, financial and monetary policy. The CMFB has helped to develop a balanced set of instruments for European macro-statistics. It should be possible to institutionalise that role of the CMFB, but always on the basis of its advisory function. The CMFB must engage with the major statistical developments on which a discussion can be conducted and on which recommendations could be made.

In recent years there has been increasing interest in the use of microeconomic data in economic research on macro-economic relationships. To ensure a global approach to macroeconomic analysis, it can be said that the individual firm data required come both from areas traditionally associated with statistical institutes and from areas which are usually managed by central banks (banking and monetary statistics, balance of payments statistics, central credit registers, structural financial statistics, annual accounts, etc.).

The growing importance of macro-prudential supervision by central banks means that central banks similarly need a large amount of data available to statistical institutes.

When it comes to the provision of data on individual firms, researchers want as little as possible to do with divergent approaches and different techniques; in this context, the CMFB could develop initiatives or issue recommendations and opinions.

The CMFB, as a high-level body, can consider major developments and challenges concerning official statistics, and where answers and/or guidelines are formulated, meets a need not catered for by other European forums.

## General conclusions

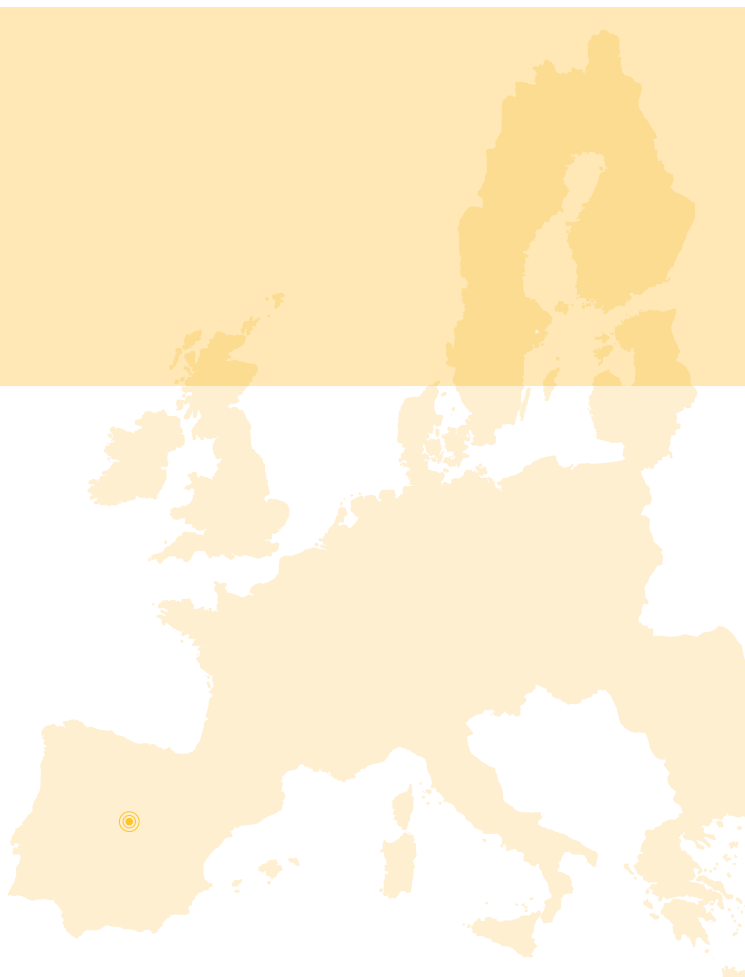
Development towards empowerment in the CMFB focuses on two main aspects.

The first concerns the empowerment of the CMFB's partners. This should lead via formal but equally via informal channels to closer involvement of the partners in improving and harmonising their national work as one of the European objectives. Best practices, effective cooperation or the reuse of methods and management models are some of the ways of benefiting European statistics.

The second aspect concerns the empowerment of the CMFB as an institution. The CMFB, supported by its expertise in macroeconomic statistics, can become the European statistical forum for conducting discussions and formulating practicable ideas for addressing the major challenges facing the CMFB's partners. If the Committee wants to develop further in that direction, then a high-level Group will be created which will have the moral authority to offer incentives for the expansion and development of the European statistical functions of both national statistical authorities and national central banks.



CMFB Executive body  
Luxembourg, June 2011



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## Further integration of the statistical work of the ESS and ESCB

The main institutional framework for European cooperation in the field of statistics consists of the Treaty establishing the European Community and two EU Council Regulations: No 223/2009 on European Statistics and No 2533/98 concerning the collection of statistical information by the European Central Bank.<sup>94</sup> Within this general framework, various aspects of the cooperation between the European Statistical System (ESS) and the European System of Central Banks (ESCB) in the statistical field can be analysed, ranging, for example, from harmonisation of the statistics produced by each of these Systems, within its own sphere, to statistical research. Given the functions and areas of interest of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), we will focus on the two aspects that may be considered most relevant at the present time and in the immediate future. The first of these is the necessary exchange of data between the ESS and the ESCB, as users of statistical information compiled in accordance with their respective powers, while the other focuses on the ESS and the ESCB as compilers of macroeconomic statistics. In the first case, the statistics produced by the ESS and the ESCB should be relevant and appropriate, so that both these Systems fulfil their functions, while in the second case, the objective is to ensure that the statistics produced by the ESS and the ESCB are consistent, both in terms of the results (the products obtained and disseminated), and the specific procedures for collecting and treating the basic data and for compiling the statistics. Following a brief review of the first aspect mentioned above, this note will attempt to analyse the second in greater detail, with reference to the current situation and the progress made in terms of coordination and integration of the work of the institutions that make up the ESS and the ESCB in recent years, and possible ways of increasing such integration and coordination.

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94 As amended by Council Regulation (EC) 951/2009.

## The exchange of statistical information between the ESS and the ESCB

In order to perform its tasks, the ESCB requires a broad range of statistics. Some of them are monetary and financial statistics compiled by the ESCB itself, occasionally in direct collaboration with the ESS (e.g. the compilation of the balance of payments is a task shared by the statistical institutes and central banks in many euro area countries), but many others are the sole responsibility of the ESS. An obvious example of a statistic compiled by the ESS that has been of vital importance to the functions of the ESCB since the very start of Economic and Monetary Union is the harmonised index of consumer prices (HICP). There are many others also that are crucial for the monitoring of economic developments and their implications for monetary policy and financial stability. The importance of this second group of statistics has been increasing as the complex economic reality within which monetary policy must be conducted has made it necessary to carry out a detailed economic analysis, to supplement the monetary and financial analysis, in order to facilitate the Eurosystem's decision-taking. Accordingly, the rapid availability of a broad set of harmonised high-quality macroeconomic statistics adapted to the changing situation of the euro area is crucial for the ESCB. For its part, the ESS also requires monetary and financial statistics compiled by the ESCB. For example, bank lending to non-financial sectors of the economy and the interest rates applied by credit institutions to households are fundamental variables that the Commission needs to take into account when making its forecasts.

Collaboration within this field of activity between these two institutions is vital and should continue to be developed at the basic level of decisions regarding the definition, harmonisation and availability of statistics. It is important to point out that this collaboration should not be limited to the supranational European sphere (i.e. between Eurostat and the ECB, both with regard to their own functions and those recently assumed in relation to the ESRB's secretariat), but, to be fruitful and useful, should also take place within each country between the statistical institutes and central banks.

This exchange of statistical information has been formalised in a Memorandum of Understanding, supplemented by a Service Legal Agreement.

## The relationship between the ESS and the ESCB as producers of statistics

The activity of the ESS and the ESCB, as producers of macroeconomic statistics is governed by the code of best practices of the ESS and the Public Commitment on European Statistics (in line with the Eurosystem Mission Statement) of the ESCB. In recent years, both these texts have been revised, so that their consistency in terms of their basic principles is practically complete, and firm foundations have been established to enable the collaboration between the ESS and the ESCB to increase.

Within this framework, the collaboration of the ESS and the ESCB, in their capacity as producers of statistics, may be analysed either from the harmonisation of products, or else from the tasks performed by each group of institutions.



From the first viewpoint, that of the products, the main issue is that of consistency between the financial and non-financial statistics. Consistency in the national accounts between the nonfinancial accounts and the financial accounts, at the national and supranational levels, is crucial. This consistency has two aspects: the “vertical consistency” of the accounts (with net lending equal to the balancing item of financial transactions) and consistency with other macroeconomic statistics (principally, the balance-of-payments and general government statistics), both must be ensured. Although they may seem to be minor questions, practical aspects like the periodicity and lags in the availability of these statistics, as well as their revision policy and calendar, are very important. The preparation of a homogeneous release and revision calendar for the quarterly national accounts and financial accounts, both national and European (euro area and EU), is still being studied and should be resolved without delay, in the context of the programme for transmission of the forthcoming revision of the ESA. A harmonised and consistent release and revision calendar for these statistics has repercussions for other related statistics, basically the balance-of-payments and general government statistics, including those of the Excessive Deficit Procedure (EDP). In spite of the complexity and difficulty involved, it is essential that a final solution is found. Furthermore, the collaboration between the ESS and the ESCB on the practical aspects of the introduction of the new ESA needs to be stepped up in the next few years.

At the same time, the financial crisis has given rise to a number of initiatives that have increased the need to disseminate, in a harmonised and consistent fashion, a set of statistics that are already being compiled, as well as to make available to the European authorities and the new institutions set up as a result of the financial crisis, consistent and sufficiently detailed datasets. Notable in this respect were the creation of the European Systemic Risk Board (ESRB) and the strengthening of the monitoring of the Stability and Growth Pact, in Europe, and the new demands for statistical information emanating from the G20.

With regard to European initiatives, although there do not appear to have been any demands for “new” statistics, coordination between the ESS and the ESCB is crucial to provide the ESRB with a homogenous and up-to-date dataset and to ensure a transparent procedure for measuring the variables studied in the strengthened procedure for monitoring convergence (the new table of indicators), in which the consistency of the indicators is guaranteed and verifiable. In both cases, and in the same way as indicated above, the work must be coordinated by the ESS and the ESCB, given that financial and non-financial indicators are involved, that are in some cases inter-related. Also, this work should not be limited to supranational organisations, given that the data required include data for the individual member countries and not only at the European level.

Finally, as regards the initiative emanating from the G20, the new requirements relate to the financial sphere, and although the statistical coordination and harmonisation work carried out in recent years within the euro area and the EU enables some of the demands to be met, joint work will be necessary in the coming years to satisfy them completely.

Notable progress has been made in harmonising the statistics produced by the ESS and the ESCB, although there remain important aspects still to be improved. An area in which the

cooperation between the ESS and the ESCB has probably a greater chance of increasing is that of compilation of the statistics and more specifically in relation to the “method” with which the statistics are compiled. This is against a background in which it is necessary to reduce the burden on reporting agents and the costs of production of statistics, while maintaining their quality and relevance. This difficult equation may only be solved by increasing efficiency, for which purpose, collaboration between the ESS and the ESCB (both at the national and European level) is crucial. This collaboration should be stepped up through coordinated activities in various fields, including the joint use of directories, databases, administrative registers and common tools through which the collection of data from reporting entities can be carried out on one single occasion, thus avoiding redundancy and repetitions. This should be based on the spread of the best practices in the field of the production of statistics.

A pre-requisite for these activities is the unrestricted exchanges of data, to supplement the exchange of statistics that have already been compiled referred to above, between the ESS and the ESCB. The latest legal modifications, specifically Regulations No 233/2009 and 2533/98 have eliminated a large part of the obstacles that prevented these data exchanges.

Certain restrictions remain which need to be removed through the development of appropriate procedures. Only when these problems are definitively resolved will it be possible to carry out and make efficient use of projects involving the use of micro information. A good example of progress in this direction is the current project for the joint use of data in the area of the EuroGroups Register (EGR) and the new Register of Institutions and Assets Database (RIAD) of the ESCB.

Positive aspects of the use of common directories are the cost savings for reporting agents and the consistency of the statistics produced by the ESS and the ESCB. The financial crisis has highlighted the overlapping of aspects relating to public finances (EDP statistics) with purely financial ones, and of the latter with economic ones, and the need for a correct classification of the latter that clearly defines the limits of the sectors of general government and monetary financial institutions. A single directory in each country to which statistical institutes and central banks have common access seems to be an evident need and, perhaps, is a first step towards the setting up of single directories at the European level in future. In this respect, the EGR and the future RIAD are projects that point the way to common registers at the European level, with systems of collaboration in the construction of the registers and shared access. In relation to this issue of correct classification by institutional sector, progress needs to be made in future towards a single common identification of economic agents for the compilers of statistics. This task will require close collaboration between the ESS and the ESCB.

An area closely related to the foregoing is that of the joint use of administrative registers which are a source that may help to obtain useful information at a low cost. There are already examples in some European countries of collaboration in relation to such registers and of their joint use. This phenomenon needs to spread and be developed as one way – although not the only one – of putting into practice the principle that information should be collected on one occasion when the reporting populations for statistics compiled by the ESS and the ESCB coincide, or when

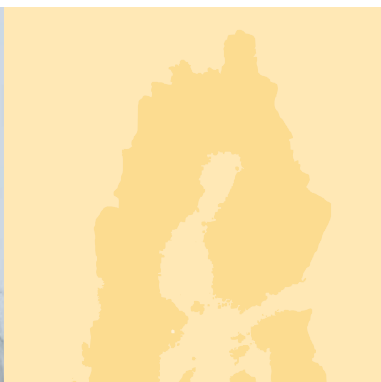
particular statistics have points in common. Some examples of this collaboration in certain countries are the data for the structural statistics and nonfinancial transactions of the financial sector, in particular to estimate financial intermediation services indirectly measured (FISIM), where the collaboration of the central banks is crucial to ensure that reporting entities are contacted on one occasion only. The collection of information on the current account of the balance of payments, where the collaboration of the statistical institutes and central banks is crucial (especially when taking into account the necessary consistency between the net lending/net borrowing of the balance of payments and the rest-of-the-world account). Relevant here is the collaboration between the ESS and ESCB, in relation to the development of technical standards that facilitate the exchange of information, efficiently and at a low cost, between the different agents involved in the statistical tasks: reporting agents, offices keeping administrative registers, compilers of statistics, users and international organisations.

The dissemination of the different statistical products should be subject to a joint review, to create procedures for data transmission and access to macroeconomic and financial information that are faster, homogeneous and, possibly centralised, so that users have all or a large part of the information available at a single point.

Finally, the ESS and the ESCB have also obtained benefits from the exchange of common best practices in the statistical sphere. This exchange of information has intensified in recent years and is one of the basic aspects of the CMFB's work programme. Given that projects with a European scope led by national institutions have begun to be implemented in both these spheres, it might be possible to extend this model to projects in which the statistical institutes and central banks have an interest.

In conclusion, the ESS and ESCB have been collaborating intensively since the preparations for European Monetary Union. This collaboration had two aspects: the exchange of statistical information between the ESS and the ESCB and the compilation of macroeconomic and financial statistics by these two systems. In the latter area, channels for collaboration between the national and European institutions responsible for compiling statistics already exist. In the context of financial crisis, with restrictions on the resources available and an increase in information requirements, it would be most opportune to step up this collaboration, basically through the joint use of administrative registers, the unification of directories and classification procedures, the joint collection of information and the spread of best practices. The latest projects being implemented at the European level, such as the EGR and the RIAD, may represent a new channel for such collaboration.

# JOÃO CADETE DE MATOS<sup>95</sup> AND PAULA MENEZES<sup>96</sup>



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<sup>96</sup> Banco de Portugal, Statistics Department.

## Strategic priorities and key main actions for the CMFB in 2011-2012

The aim of this paper is to describe the strategic priorities, key main actions and other themes presented in the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) work programme 2011-2012, which was approved at the February 2011 CMFB plenary meeting. The delineation of a work programme is a challenge in view of the multiplicity of relevant themes worth being explored in the field of statistics. This biannual work programme ensures the continuity of the previous programmes and at the same time aims at covering new statistical developments, e.g. those brought about by the financial crisis and by the events in the domain of public finances. These developments will have statistical implications in the context of the European Statistical System (ESS) and European System of Central Banks (ESCB). The current work programme intends to be flexible, encompassing new developments and endeavours, and dynamic, implying that it can be adapted to better reflect reality over the next two years.

The work programme identifies three strategic priorities. The first one is focused on deepening the cooperation within the CMFB and on sharing best practices. Enhancing cooperation on the basis of the frequent dialogue and exchange of views among the CMFB members is one of the core activities of the CMFB. This priority points at providing an effective and better understanding of the key main variables at play when best practices are put into place. Ideally, some guidelines could be publicised in this respect.

The second strategic priority consists in promoting the integration of statistics. The CMFB supports the integration of financial and non-financial euro area sector accounts by making use of the new data available in the context of the revision of the quarterly national financial accounts dissemination policy and of the new ESA transmission programme. Nonetheless, integration is not to be limited to national accounts. Integration implies discussing the best ways to promote the use and sharing of data sources between the ESS and ESCB. A lot of work remains to be made as regards the harmonisation of the data sources used both at national and international levels. Even though the legal framework provides support for both systems

to share data sources, in many case the potential advantages of this approach tend to be overlooked by both parties.

The third strategic priority is the advisory role of the CMFB in Excessive Deficit Procedure (EDP) related issues. This procedure is considered to be of high priority, taking into account the importance of the advisory role of the CMFB in EDP-related matters, which implies following, as in the past, the outcome of the EDP dialogues missions to member states and assessing the possibility of encompassing other areas of statistics that have an impact in Government accounts. The work to be developed concerns the smooth implementation of Eurostat's strengthened powers to verify the EDP data (in the context of the revised Commission Regulation 479/2009 on the application of EDP and the Stability and Growth Pact) and the improved governance of European statistics.

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In this context, new developments are expected and new monitoring indicators will be adopted signalling risk zones. One example is the "scoreboard" of statistical indicators approved in the context of the excessive imbalance procedure – the most recent legislative package to enhance governance at European level. The other example is related with the aim of Eurostat of having access to additional information used for compiling public accounts. This implies that new tasks will be allocated to national accountants that are closer to an auditing work in comparison with the past.

The new requirements on macroeconomic statistics will lead to the compilation of new indicators in line with the G20 recommendations and the imbalance "scoreboard" indicators. Moreover, with the creation of the European Systemic Risk Board (ESRB), the CMFB would aim to participate actively in all the initiatives that will require a close cooperation between the ESS and the ESCB and to be informed about all the developments in this field. Efforts should be made to follow closely the progress made towards achieving the Europe 2020 strategy, specifically by assessing macroeconomic factors, growth-enhancing reforms and public finances.

In addition to the identification of the strategic priorities, the CMFB work programme identifies two key main actions. The first key main action is related to the preparatory work undertaken following the update of the international guidelines and the second one regards the harmonisation of release and revisions policies. After reaching an agreement on the new reporting requirements, the coordination between the Eurostat and the ECB, as well as between NSIs and NCBs, is crucial for a successful implementation of both the new regulations on statistics and the revised manuals. Revising manuals is essential work to provide the most suitable framework of reference for the social and economic statistics of the EU and its member states. This is a major value added for users and the update should include methodological guidance about the new global developments. The research agenda of issues to be further discussed in the future has been outlined, in order to establish a mechanism to ensure that both the SNA and ESA research agenda will be carried forward. The Commission (Eurostat) has also

the incumbency to examine issues arising during the implementation of the manuals that lead to requests of clarification from member states.

The update of the new manuals highlighted specifically some domains, *such as the pension schemes*. As referred in the draft ESA2010: *"(...) the case for measuring pension liabilities to assist in economic analysis is a strong one, but the critical requirement in the EU to produce accounts which are consistent across time and space has obliged a cautious approach"*. Specific attention will have to be given for recording pension schemes in the core system of national accounts which guarantees consistency between this new recording and insurance corporations and pension funds statistics produced by the ECB. There will be the need to assess, the main difficulties that countries are facing when compiling the new figures, which methodologies are being adopted and to promote the exchange of experiences and plans among member states in this field. Some of the examples are the computation of the Financial Intermediation Services Indirectly Measured (FISIM) and the treatment of R&D expenditures. Two Task Forces were created to discuss the treatment of these two issues in national accounts. The method presently in use in the EU<sup>97</sup> for compiling FISIM brought about some theoretically surprising outcomes, including the occurrence of negative FISIM and the high volatility of FISIM allocation, particularly during the financial crisis. This is mostly related to the reference rate which is based on the rate implicit in the operations carried out between financial intermediaries. With regard to the second issue, the principle was introduced of treating expenditure on R&D as capital. This was an issue that has been in the research agenda for a long time. Specific issues are also being analysed, such as the capitalisation of freely available R&D. The preparatory work in the implementation of the new manuals should comprise the promotion of workshops and seminars, including both the sharing of country experiences and the training of statisticians. On the one hand, the CMFB should promote the coordination of training proposals from the ESS and the ESCB and discuss ideas and initiatives that could meet the compilers' needs; on the other hand, users should be informed about the main methodological changes put into place. For this reason, the update of the international guidelines and its communication to the users will need to be planned. The inclusion of an annex in the ESA 2010 describing more in detail the main changes to the ESA 95 should be put forward.

In the context of communication to the users, the issue of enhancing statistical literacy is prominent. Steps forward are being taken in this field, both by the ESS and ESCB. As a follow-up to the World Statistics Day initiative, the ESS and the ESCB could envisage launching a coordinated action by 2012 dedicated to the promotion of statistical literacy (*inter alia*, creating a common glossary).

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<sup>97</sup> Defined by Council Regulation 448/98 of 16 February 1998, later replaced by the Commission Regulation 1889/2002 of 23 October 2002.

The second key main action is related with the harmonisation of release and revisions policies aiming to follow-up the work initiated during the previous mandate. The CMFB should take the guidelines on communication of major statistical revisions as a starting point in the European Union, to ensure a coordinated and balanced effort by the ESSC and the ESCB. It is of utmost importance that national and European practices are aligned in this respect for the benefit of the users. The next step would be assessing the results of the questionnaire on the subject of a revisions policy for national accounts and balance of payments with the goal of defining the EU revisions and dissemination policies. The CMFB will make sure that the ESS and the ESCB coordinate their programs for the implementation of the new ESA.

The work programme includes other themes, which are important for the work to be carried out by the CMFB in the course of the next two years. One of the themes regards the reduction of response burden, simplification, and priority setting, while safeguarding high data quality. The goal is focusing on the coordination of statistical programs between ESS and ESCB in order to reduce redundancy. The right balance should be struck between timeliness, reliability, and burden on reporting agents and statistics compilers. Identifying priorities is an exercise that is also required. Similarly, a merits and costs procedure will have to be developed to assess the convenience of existing statistical outputs or new demands for statistical data. The implementation of the new methodological manuals could be seen as an opportunity to analyse the merits and costs of the different methods/sources used for statistical production. Initiatives to reduce the respondents' burden and to improve the efficiency of the statistical systems could include approaches such as the setting up of common databases, like the EuroGroups Register (EGR) and the Centralised Securities Database (CSDB), to support the compilation of national, euro area and EU data. The ECB proposed the development of both, a truly European statistical register of multinational enterprises and an international public infrastructure that would ensure the provision of high quality, standardised reference data on financial instrument categories and institutional units. Alternative data sources, as for instance payments data, should also be investigated. In this vein, the CMFB should be following up the work developed by the European Committee of Central Balance Sheet Data Offices. Also, promoting the reconciliation between accounting data and statistics, in the statistical domains where this approach is feasible, would help to reduce the response burden and to improve quality of statistics.

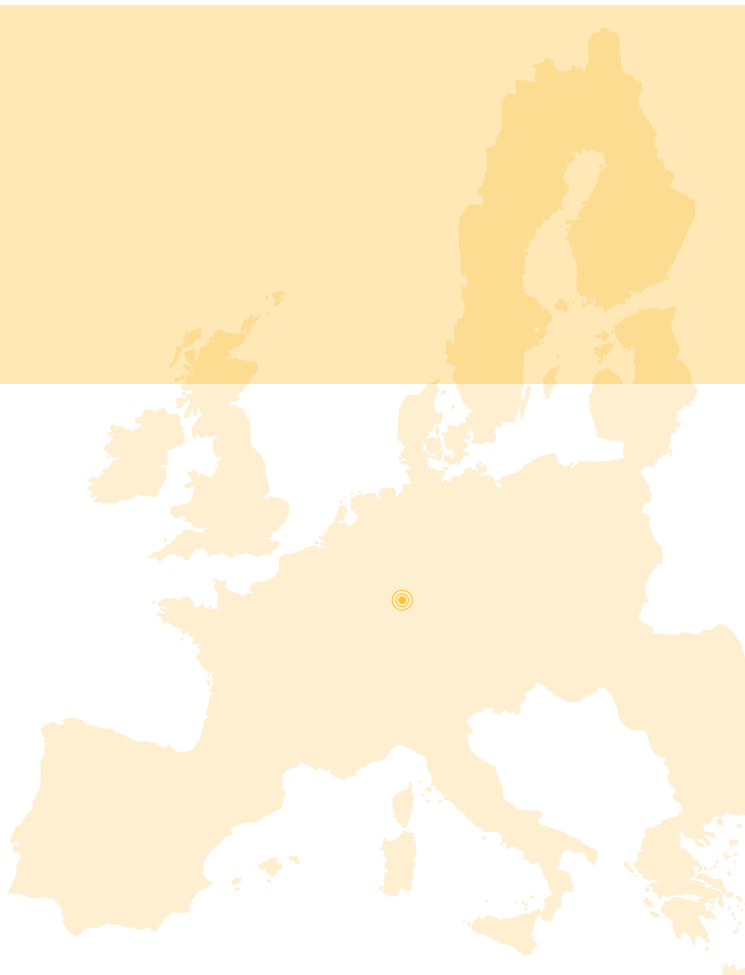
Other of the issues that has been recently discussed, particularly in the context of the ESCB, is the coordination of data requests. It is important to coordinate data requests from international organisations at the EU level in order to improve the effectiveness of the dissemination process and to reduce the risk of inconsistency between statistics published by different organisations. The synchronisation of data transmissions (release calendars and timeliness) and the alignment of revision policies could be a starting point.



Finally, the CMFB plays a unique role linking the statistical work between the ESS and the ESCB. Sharing best practices, integrating statistics, updating the international guidelines and harmonising release and revisions policies are tasks that can only be achieved as result of a close cooperation between the two systems.



**CMFB Members**  
Luxembourg, June 2011



## The future of the CMFB

### Legal basis

The CMFB was established in February 1991,<sup>99</sup> a few months after Stage 1 of Economic and Monetary Union (EMU) started. It was motivated by the close interdependence between the monetary, financial and balance-of-payments statistics mainly produced by national central banks on the one hand and other areas of economic statistics mainly produced by national statistical institutes on the other hand, and an emerging policy need for a closer cooperation between member states and the European Commission in the field of economic and financial statistics. In the institutional framework, the CMFB was mainly an advisory committee on statistical issues to the Commission.

Following the start of Stage 2 of EMU and the establishment of the European Monetary Institute (EMI), the mandate of the CMFB was broadened by the Council<sup>100</sup> inviting the CMFB to express also opinions on its own initiative on any questions relating to those statistics that are of common concern to the Commission and national statistical authorities, on the one hand, and the EMI, later the European Central Bank (ECB), and national central banks, on the other hand. In the execution of its tasks, the CMFB shall give its views to all interested parties.

From the start of Stage 3 of EMU, the CMFB has taken part, within the limits of its competence, in the process of cooperation between the Commission and the ECB.<sup>101</sup>

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99 Council Decision (91/115/EEC) of 25 February 1991 establishing a Committee on monetary, financial and balance of payments statistics. OJ L 59, 6.3.1991, p. 19.

100 Council Decision (96/174/EC) of 26 February 1996 amending Decision 91/115/EEC establishing a Committee on monetary, financial, balance of payments statistics. OJ L 51, 1.3.1996, p. 48.

101 Article 5 of Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank. OJ L 318, 27.11.1998, p. 8.

## European statistics

European statistics are relevant statistics necessary for the performance of the activities of the European Union, including statistics necessary to undertake the European System of Central Bank's tasks as referred to in the Treaty.<sup>102</sup> They are thus developed, produced and disseminated by both the European Statistical System (ESS) and the European System of Central Banks (ESCB), but under separate legal frameworks which reflect their respective governance structure. Consequently, data produced by the ECB and or a national central bank may be used, directly or indirectly, by the Commission or national statistical institutes for the production of European statistics, and similarly, members of the ESCB may use, directly or indirectly, data produced by the ESS. In the context of the relations between the ESS and the ESCB, the CMFB plays an important role, not least to minimise the reporting burden and to guarantee the coherence necessary to produce European statistics.

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## Field of competence

The field of competence of the CMFB is determined by the cooperation between the Commission and the ECB in the field of statistics and the relations between the ESS and the ESCB. It follows, therefore, partly from the Memorandum of Understanding on Economic and Financial Statistics of 10 March 2003 between the Directorate General-Statistics of the ECB (DG Statistics) and the Statistical Office of the European Union (Eurostat).<sup>103</sup> The field of competence is also determined by legislation such as in the case of national accounts<sup>104</sup> and the excessive deficit procedure (EDP) statistics.<sup>105</sup> The focus of the future activities of the CMFB is laid down in biennial work programmes published on the CMFB website.<sup>106</sup>

## Future challenges

The future challenges of the CMFB may be grouped under three main headings: first, development, production and dissemination of timely European statistics that are integrated across different economic and financial statistics; second, provision of opinions on EDP statistics

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102 Article 1 of the Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics. OJ L 87, 31.3.2009, p. 164; and Article 1 of the Council Regulation (EC) No 951/2009 of 9 October 2009 amending Regulation (EC) 2533/98 concerning the collection of statistical information by the ECB. OJ L 269, p. 1.

103 Available on the ECB's website at [www.ecb.europa.eu](http://www.ecb.europa.eu).

104 Article 6 of Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community. OJ L 310, 30.11.1996, p. 1.

105 Articles 8, 9 and 10 of Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community. OJ L 145, 10.6.2009, p. 1; and Article 1 of Council Regulation (EU) No 679/2010 of 26 July 2010 amending Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the excessive deficit procedure. OJ L 198, 30.7.2010, p. 1.

106 [www.cmfb.org](http://www.cmfb.org).

and on other economic and financial statistics for European policy procedures as well as on multiannual statistical programmes; third, coordinating among national statistical institutes and national central banks responses to global or multilateral statistical initiatives. Beyond these main challenges, the CMFB may also address other themes within its field of competence such as promoting the literacy of European economic and financial statistics.

### i) Integrated European economic and financial statistics

The CMFB has supported the integration of European economic and financial statistics since its inception. The integration started with a detailed harmonisation of the respective methodologies based on the System of National Accounts, 1993 (1993 SNA) and the fifth edition of the IMF Balance of Payments Manual (BPM5). The different methodologies are laid down in a significant number of Community legal acts adopted under the respective ESS or ESCB governance structure. The centrepiece remains the integration of the Monetary Financial Institutions (MFI) sub-sector into the European System of Accounts (ESA), an agreement facilitated by the CMFB as early as 1994.<sup>107</sup> This centrepiece of integration enables the cross-fertilisation of national accounts and the wide range of monetary and financial statistics.

Almost twenty years later, the implementation of the System of National Accounts, 2008 (2008 SNA) and the sixth edition of the IMF Balance of Payments Manual (BPM6) provide an opportunity for a quantum leap in the integration of European economic and financial statistics. Based on integrated methodologies, the division of labour in collecting and compiling economic and financial statistics can be further optimised between national statistical institutes and national central banks. Moreover, the transmission programmes from national to European institutions can be significantly further aligned across economic and financial statistics, and the dissemination of European statistics by the ESS and the ESCB more closely coordinated. This integration which is perceived as best practice world-wide<sup>108</sup> will be a formidable task for the CMFB for many years to come. It will include release policies coordinated across European statistics that respond to user needs, appropriate back data, integrated revision policies, an agreement on seasonal and working day adjustments, automated web-based statistical data and metadata exchanges<sup>109</sup>, and a joint dissemination of European aggregates and national breakdowns.<sup>110</sup>

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107 See Hans van Wijk (2001), Bridging the Fault Lines. The early years of the CMFB. p. 273-274.

108 See the draft Guidelines on Integrated Economic Statistics, 2.12.2010, prepared by the Friends of the Chair on Integrated Economic Statistics as presented to the 42nd session of the United Nations Statistical Commission ([www.unstats.un.org/unsd/statcom/commission.htm](http://www.unstats.un.org/unsd/statcom/commission.htm)).

109 See the Statistical Data and Metadata eXchange (SDMX) website [www.SDMX.org](http://www.SDMX.org).

110 The Eurosystem joint dissemination policy may serve as an illustration. ([www.ecb.europa.eu/stats/services/escb/html/index.en.html](http://www.ecb.europa.eu/stats/services/escb/html/index.en.html))

## ii) Opinions

The CMFB involvement in government deficit and debt statistics for EDP and Convergence Report purposes dates from 1992. The close link between the statistical outturn and the policy implications necessitates procedures that minimise political interference. The CMFB, therefore, follows strict procedures when providing advice to the Commission (Eurostat).<sup>111</sup> The opinions of the CMFB on EDP statistics are widely recognised and provide the Commission (Eurostat) with a firm basis for their decisions. As the consultations of the CMFB on EDP statistical issues have a legal basis and due to the high quality of the advice provided, they will remain a core part of the future CMFB challenges. This applies also to general government accounts more widely.

In addition to EDP and Convergence Report statistics, there will be further European policy procedures that are closely linked to economic and financial statistics. An example is the “scoreboard” of the excessive imbalances procedure.<sup>112</sup> The CMFB is very well placed both in terms of its composition and of its past achievements to play a key advisory role in monitoring and promoting an appropriate quality of the underlying statistics.

Furthermore, the CMFB will certainly continue to offer its advice, in line with its mandate on the ESS multiannual work programmes.

## iii) European contribution to international initiatives

The CMFB has provided in the past comments on chapters of draft international statistical standards, mainly the 2008 SNA and the BPM6. Globalisation will require an even closer world-wide cooperation, not only on the statistical methodology but also on harmonised reporting templates for economic and financial statistics including their coordinated quality monitoring and dissemination by the involved international and supranational organisations.<sup>113</sup> A prominent example are the report and progress reports on “The Financial Crisis and Information Gaps” by the IMF Staff and the Financial Stability Board (FSB) Secretariat<sup>114</sup> addressed to the Group of Twenty (G20) Finance Ministers and Central Bank Governors.<sup>115</sup> Furthermore, the involvement

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111 The procedures for CMFB consultations about the statistics underlying the EDP (1.2.2007) are publicly available on the CMFB website [www.cmfb.org](http://www.cmfb.org).

112 Council of the European Union press release 7691/11 of 15 March 2011 on Council reaches agreement on measures to strengthen economic governance.

113 For economic and financial statistics, these are mainly the Bank for International Settlements (BIS), the ECB, the Commission (Eurostat), the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD), the United Nations and the World Bank. They form the Inter-Agency Group on Economic and Financial Statistics and also sponsor the SDMX initiative.

114 See the Principal Global Indicators (PGI) website: [www.principalglobalindicators.org](http://www.principalglobalindicators.org).

115 The G20 is made up of 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Republic of Korea, Turkey, United Kingdom, United States of America. The European Union, which is represented by the rotating Council presidency and the ECB, is the 20th member of the G20.

of the CMFB would be even more important on economic and financial statistics underlying multilateral surveillance procedures such as the G-20 Indicative Guidelines for Assessing Persistently Large Imbalances.<sup>116</sup> While responses and contributions to international initiatives are a new challenge, the CMFB has a wide range of experience in European procedures for policy purposes that would also benefit the international community.

## Conclusions

The CMFB is at its 20th anniversary a widely recognised and relevant committee with a solid reputation in the European Union. It is firmly based in secondary legislation, has a significant record of achievements and is well equipped to deal with future challenges, in particular the further integration of European economic and financial statistics, providing advice on statistics underlying policy procedures and contributing to evidence-based global and multilateral initiatives. I had the privilege to be professionally involved in the CMFB since its inception, first from the point of view of the Commission (Eurostat), then the EMI and the ECB.

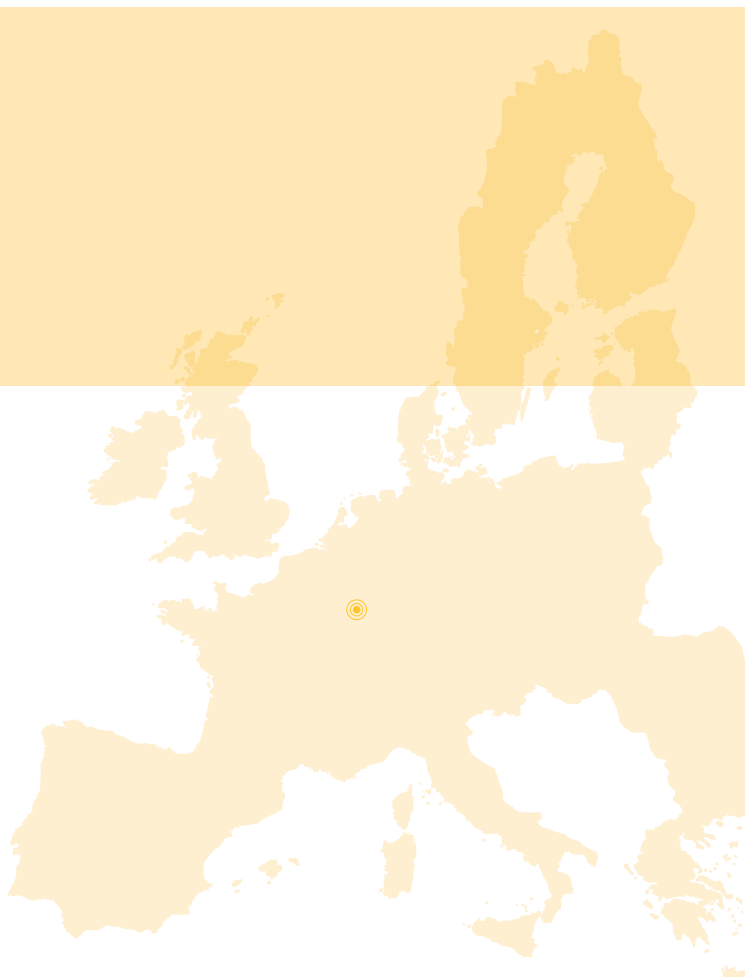
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The CMFB will be needed in the future as it was 20 years ago, to coordinate economic and financial statistics among the statistical offices and central banks of the European Union. Of equal importance, the CMFB will steer European statistics through the challenges to come in order to stay relevant for European policy-making.

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116 Communiqué of the Meeting of G20 Finance Ministers and Central Bank Governors, Washington DC, 1415 April 2011.

# FRANÇOIS LEQUILLER<sup>117</sup>



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117 Director of "National and European Accounts", Eurostat.



## Future challenges of the CMFB in a more integrated Europe

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In a short time span of just four years, some European economies have faced the full economic consequences of the global financial crisis. The unexpected crisis of the banking sector in 2007-2008 was followed by a historical depression in the real sector, which itself was affected by an unprecedented surge in public interventions, leading now to some countries in a critical economic situation. The next events in this dramatic story remain to be seen. Convinced Europeans can only see a solution in more integration of Europe.

At the same time, Europe is a very special construction, in which, if one excludes the monetary policy of the euro-area, major economic decisions, in particular budgetary or structural ones, are decentralised, and are monitored through “indicators”: indicators of public deficit and debt; EU 2020 indicators and now indicators of “macroeconomic imbalances”. Those that say indicators, say statistics. Thus, statistics are and will remain at the centre of Europe’s integration.

In this context, the CMFB has two major tasks. The first is to act as an advisory expert body to Eurostat regarding difficult accounting issues in the domain of the two indicators of budgetary surveillance under the Stability and Growth Pact (SGP): deficit and debt. I have expressed, in my other contribution for this 20th anniversary of the CMFB, the importance of this task and the changes needed in order to make the CMFB the community of independent experts when acting in this role.

The second major task of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) is to coordinate the work programmes of the two networks, the European Statistical System (ESS) network and the and European System of Central Banks (ESCB) statistical departments’ network, for the statistics that are shared by the two networks. These statistics cover monetary, financial and balance-of-payments statistics, as is reflected by the name of the Committee.

National balances-of-payments were wrongly classified by some as low priority statistics following the creation and extension of the euro, but they have now emerged as essential

indicators. Indeed, among the roughly 10 indicators of the “scoreboard” that will support the future Excessive Imbalance Procedure (EIP), four are directly linked to balance-of-payments statistics. There is an important role for the CMFB to ensure the coordination between NSIs and NCBs in order to maintain high quality balance-of-payments statistics.

Financial accounts are at the intersection of the work of the two networks and also contribute to the EIP “scoreboard”. The shared objective is to build a comprehensive system of accounts, on a quarterly as well as annual basis, covering non-financial and financial transactions, as well as financial and non-financial balance sheets. The government sector has for long been a priority sector for this integration. This is now an “acquis” (the body of European law). The household sector should be seen, alongside, as the emerging priority sector, and this new priority could be supported by the coordinated action of the CMFB.

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In the recent years, the CMFB has had a tendency to cover all statistics, without a specific focus on the statistical programs that are at the intersection of the two networks. By better focusing on the areas of specific expertise of the CMFB, it will increase its efficiency and avoid redundancies and possible contradictions with other committees, and thus alleviate the work of the statisticians involved in these two networks.

This focus leaves a significant amount of statistical projects to be covered by the CMFB: better and comprehensive information on pension schemes, insurance corporations, financial vehicle corporations; reconciliation between supervisory and statistical reporting requirement for credit institutions; setting up a unique and shared register of European financial and non-financial groups; coordination of the training efforts of the two networks and the development of securities statistics through the creation of a joint ESS/ESCB database.

Last but not least, the CMFB could be very efficient to bridge the gap between statistics and International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), by promoting the construction of bridge tables between accounting and statistics. This will reduce the response burden and improve the quality of statistics. In this domain, the coordinated effort of the CMFB will be more efficient than the uncoordinated efforts of both networks.

# 3

## APPENDIX 1 and 2



# 1. CMFB Organisation

Chairman	
	<div>April 1991 - March 1993</div> <div>◀ <b>Hans van Wijk</b></div> <div>Secretary   Dieter Glatzel</div>
	<div>April 1993 - March 1995</div> <div>◀ <b>Bart Meganck</b></div> <div>Secretary   Ian Kerr Ettore Kovarich (from February 1994)</div>
	<div>April 1995 - March 1997</div> <div>◀ <b>Wolfgang Duchatzek</b></div> <div>Secretary   Ettore Kovarich</div>
	<div>April 1997 - March 1999</div> <div>◀ <b>John Kidgell</b></div> <div>Secretary   Ettore Kovarich Eduardo Barredo (from March 1998)</div>
	<div>April 1999 - March 2001</div> <div>◀ <b>Rafael Alvarez</b></div> <div>Secretary   Eduardo Barredo</div>
	<div>April 2001 - August 2002</div> <div>◀ <b>Steven Keuning</b></div> <div>Secretary   Eduardo Barredo</div>

## Chairman



September 2002 - December 2002

◀ **Martti Lehtonen**

**Secretary** | Eduardo Barredo



January 2003 - December 2004

◀ **Jean Cordier**

**Secretary** | Gallo Gueye



January 2005 - December 2006

◀ **Bill Keating**

**Secretary** | Gallo Gueye  
Roberto Barcellan (from 1 May 2006)



January 2007 - December 2008

◀ **Hans-Peter Glaab**

**Secretary** | Roberto Barcellan  
Carsten Olsson (from 1 July 2007)



January 2009 - December 2010

◀ **Peter van de Ven**

**Secretary** | Carsten Olsson



January 2011- December 2012

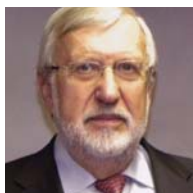
◀ **João Cadete de Matos**

**Secretary** | Carsten Olsson



CMFB Plenary meeting  
Luxembourg, June 2011

## Secretary



◀ Dieter Glatzel



◀ Ian Kerr



◀ Ettore Kovarich



◀ Eduardo Barredo



◀ Gallo Gueye



◀ Roberto Barcellan



◀ Carsten Olsson



## 2. CMFB opinions published June 2000-May 2011

CMFB website: <http://www.cmfb.org>

24 May 2011	CMFB opinion on the draft proposal for a decision of the European Parliament and of the Council on the European statistical programme 2013-2017 (ESS multiannual work programme)
23 March 2011	CMFB opinion on the recording in national accounts of the European Stability Mechanism (ESM)
25 January 2011	CMFB opinion on the recording in national accounts of the "European Financial Stability Facility" (EFSF)
10 December 2010	CMFB opinion on a proposal for a Regulation of the European Parliament and of the Council on the European system of national and regional accounts in the European Union (ESA 2010)
7 September 2010	CMFB opinion concerning the draft Third Edition of the ESA95 Manual on Government Deficit and Debt
23 March 2010	CMFB opinion on a proposal for a Regulation of the European Parliament and of the Council concerning European statistics on tourism
6 August 2009	CMFB opinion concerning the revised EDP notification tables and questionnaire
18 March 2009	CMFB opinion concerning statistical accounting consequences for government of the financial turmoil, and background document
18 March 2009	CMFB opinion concerning statistical accounting consequences for government of the financial turmoil: UK's "Special Liquidity Scheme", and background document
15 December 2008	CMFB opinion on a Commission implementing Regulation on FATS quality reports
30 January 2008	CMFB opinion on the proposal for two Commission implementing regulations relating to FATS
11 April 2007	CMFB opinion concerning securitisation operations undertaken by Government

10 March 2006	CMFB opinion concerning the treatment of military equipment expenditure in national accounts
1 March 2006	CMFB opinion on the format of EDP pre-notification questionnaires
2 August 2005	CMFB opinion on the recording of the International Finance Facility for Immunisation (IFFIM) in national accounts
24 May 2005	CMFB opinion on the securitisation operations of SCIP 1 and SCIP 2 in Italy
24 May 2005	CMFB opinion on the role of ISPA in the financing of the high speed railway link in Italy (RFI – TAV)
17 January 2005	CMFB opinion concerning the treatment in national accounts of transfers from the EU budget to the member states
30 January 2004	CMFB opinion on the treatment in national accounts of assets related to “public-private partnerships” contracts
20 October 2003	CMFB opinion on the treatment in national accounts of payments to government by public corporations in the context of the transfer to government of their unfunded pensions obligations
11 August 2003	CMFB opinion on the treatment in national accounts of the transfer of assets from the EFTA Fund to the Portuguese Government
11 August 2003	CMFB opinion on the treatment in national accounts of capital injections by government units in public corporations
12 March 2003	CMFB opinion on Part V of the ESA95 Manual on government deficit and debt on securitisation operations undertaken by government units
23 December 2002	CMFB opinion on the treatment of the case of the “Bond conversion under Law No 483/93 in Italy”
2 July 2002	CMFB opinion on treatment of securitisation operations
10 May 2001	CMFB opinion on quarterly financial accounts for general government
30 January 2001	CMFB opinion on balance of payments statistical threshold for cross border payments
15 June 2000	CMFB opinion on mobile phone licences: treatment in the national accounts



